



THE CITY OF FOLEY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended
September 30, 2013

THE CITY OF FOLEY, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For The Fiscal Year Ended
September 30, 2013

Prepared By: Finance Division and Administration

City of Foley, Alabama
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2013

	Page
INTRODUCTORY SECTION	
Letter of Transmittal - City Administrator and City Treasurer	i.
List of Elected and Appointed Officials	vi.
Organizational Chart	vii.
 FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
<u>Governmental Funds</u>	
Balance Sheet	15
Reconciliation of the Balance Sheet to the Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	18
Notes to the Financial Statements	19
 Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	38
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Facilities Cooperative District	39
Schedules of Funding Progress.....	40
Notes to Required Supplementary Information.....	42
 Other Supplementary Information	
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet.....	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	44
 <i>Non-Major Special Revenue Funds</i>	
Combining Balance Sheet – Non-Major Special Revenue Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	46
 <i>Non-Major Debt Service Funds</i>	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	48
 <i>Non-Major Capital Projects Funds</i>	
Combining Balance Sheet... ..	49
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances	50

Combining Component Unit Special Revenue Funds

Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures, and Changes In Fund Balances.....	52

Budgetary Comparison Schedules

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – County Fire Ad Valorem Tax and State Grant Fund.....	53
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – State Gasoline Tax Fund.....	54
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Library Fund.....	55
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Corrections Fund.....	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Recreational Fund.....	57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Energy Conservation Bonds Series 2013	58
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Obligation Warrants Series 2006A.....	59
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Obligation Warrants Series 2009.....	60
Schedule of Construction in Progress	61

STATISTICAL SECTION (UNAUDITED)

Financial Trends

Net Position by Component	62
Changes in Net Position	63
Fund Balances – Governmental Funds	65
Changes in Fund Balances – Governmental Funds	66

Revenue Capacity

Direct and Overlapping Sales and Use Tax Rates	68
Principal Sales and Use Tax Payers	69

Debt Capacity

Legal Debt Margin	70
Ratios of Outstanding Debt by Type	71
Ratios of General Bonded Debt Outstanding.....	72
Direct and Overlapping Governmental Activities Debt.....	73

Demographic and Economic Information

Demographic and Economic Statistics	74
Principal Employers	75

Operating Indicators

Full-time Employees by Function	76
Operating Indicators by Function	77
Capital Asset Statistics by Function	78

COMPLIANCE AND INTERNAL CONTROL

Independent Auditor's Report on Internal control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	79
---	----

Independent Auditor’s Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133 81

Schedule of Expenditures of Federal Awards 83

Notes to the Schedule of Expenditures of Federal Awards 85

Schedule of Findings and Questioned Costs 86

INTRODUCTORY SECTION



Honorable Mayor, Council President,
City Council Members and Citizens
City of Foley, Alabama

April 28, 2014

The first Comprehensive Annual Financial Report (CAFR) of the City of Foley, Alabama (the City) for the fiscal year ended September 30, 2013, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. A comprehensive framework of internal control has been established and is updated and maintained in a manner that offers assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a government-wide and fund basis. All disclosures necessary to enable the reader to gain an understanding the City's financial activities have been included.

Warren Averett, LLC, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City's financial statements for the year ended September 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Generally accepted accounting principles require that management provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report located in the financial statements.

Profile of the Government

The City was incorporated in 1915 and is located in the southern part of the state just 8 miles north of the Gulf of Mexico. It currently services a population of 15,402 and occupies approximately 27 square miles. The City operates under a strong council-weak mayor form of government. The council is presided over by a president who is chosen by the council members and also is a voting member of the council. All ordinances and resolutions are subject to the veto power of the Mayor although the Mayor's veto can be overridden by a two-thirds vote of the council.

The City provides a full range of services including police and fire protection, building inspections licenses and permits, emergency preparedness and response, refuse collection, construction and maintenance of highways, streets and related infrastructure, and recreational activities and cultural enrichment, including a state of the art Public Library. The City evaluated various other entities within the vicinity of the City, which could possibly be subject to inclusion within the City's financial statements under criteria established to define the reporting entity. The Public Facilities Cooperative District, which is a legally separate entity, is a capital improvement district whose primary purpose is acquiring and financing various capital improvements and aiding the City in economic development. The District is

financially dependent upon the City to meet its obligations and is blended within the City's financial statements. The Utilities Board of the City, operating under the name of Riviera Utilities, provides electric, gas, water, cable television, and waste water treatment. Riviera Utilities is a related entity but does not meet the established criteria for inclusion in the reporting entity. Also excluded are the Medical Clinic Board and the Industrial Development Board. Each of these boards is governed by their own board of directors and must self-fund any operating deficits. Additional information on the reporting entity can be found in the notes to the financial statement (see note A.1.).

Budgetary Control. The annual budget serves as the City's guide to financial planning and control. On or before September 1, the City Administrator submits a proposed budget to the Mayor and City Council and the budgets are legally adopted by resolution prior to October 1. Budgetary control is maintained at the departmental level and budgeted dollars may not be exceeded without Council approval in the following categories; personnel, capital equipment, and the sum of all remaining operational expenditures. Departmental capital purchases and new personnel positions included in the budget are subject to further justification and approval by Council prior to starting the requisition or hiring process. With the exception of capital project appropriations that generally span multiple years, budgets for all funds lapse at the end of each fiscal year.

Multi-year planning documents for capital projects are presented with the annual budget; however, only the remaining budgets for projects approved and in progress are carried forward to the new fiscal year, and new capital projects may not commence until the City Council, by formal action, appropriates funding.

Local Economy

The City serves as the gateway to the Alabama and Florida Gulf Coast with more than 6 million annual visitors. Some of the world's most beautiful beaches can be found within 8 miles. The City leads the State of Alabama in per capita retail sales and generates approximately forty percent of Baldwin County's sales tax revenues. The Tanger Outlet Mall brings an estimated 7 million shoppers to the area, and major industries include the South Baldwin Regional Medical Center which was selected as one of the top 100 hospitals in the country in 2012, and manufacturing companies such as United Technologies Corporation (UTC) Aerospace and Vulcan Inc. The City's Beach Express Industrial Park has received the Alabama Advantage Site designation, meaning it has met standards related to ownership, accessibility, infrastructure, planning and zoning, and environmental and geotechnical due diligence, offering potential industry the assurance that essential information on the site is readily available and has been verified by multiple parties. The City's site is one of two in the County and thirty one in the State that have achieved this designation. The recruitment of industry and expansion of retail trade will strengthen the City's already strong economic base.

Baldwin County is one of the three fastest growing counties in Alabama and was recently named by Forbes Magazine as "one of the top fifty small metro areas to start and grow a business." Per Builder Magazine's January 2014 issue, the City is ranked #5 as "5-Sure Thing Markets" along with the City of

Daphne and the City of Fairhope in an article titled “Pockets of Opportunity”. It states that “an expanding residential construction sector and strong economic fundamentals put this Metropolitan Statistical Area (MSA) on our radar”. According to the U.S. Census Bureau, the median household income for 2012 was \$41,370 compared to \$50,706 in the county and \$43,160 in the state.

The City issued 1,441 permits in 2013, resulting in more than \$34 million in new mixed-use and residential developments, representing an increase of 40 percent from the prior fiscal year. The housing market crash and the resulting drop in tourism in our area, which was negatively impacted by the BP oil spill, were major factors that caused the unemployment rate to rise steadily from a low 2.0 percent in April to a high of 10.8 percent in 2010. As of September 2013, the unemployment rate for the City had dropped to 5.7 percent. Job growth is expected to hit almost 5 percent in 2014, and the unemployment rate is well below the national average. With the continued increase in residential and commercial building that we are experiencing in our area and the announcement of new businesses relocating to Foley, it is expected that the unemployment rate will continue to decline.

During the past ten years, the City’s expenditures related to public safety have increased by 108 percent and currently represent 26.4 percent of total expenditures in governmental funds. The significant increase was due to hiring of more sworn officers and the transitioning from an all-volunteer fire department to a paid department with a roster of volunteers who provide assistance. With a new fire station being added in 2015 in the southeast quadrant of the City, expenditures will further increase as the City invests to maintain an ISO rating of 3 within the corporate limits, offering residents and businesses affordable insurance.

During the past ten years, the City’s expenditures for culture and recreation have increased by 158 percent as the City strives to provide its increasing population with a wide variety of activities that enhance physical well-being and cultural enrichment. The City has expanded its offerings of venues for arts and culture (such as festivals, concerts, movies, an expansion of the public library, and a museum), has increased the number of sites for youth sports programs, and has greatly expanded green spaces for outdoor activities such as bicycling, hiking, canoeing, and kayaking.

Due to its steady economic recovery and commitment to maintaining reserves, the City received an upgrade from AA- to AA from Standards and Poor’s Financial Services in December, 2012, a rating that is only two ratings away from the highest possible (AA+ and AAA), and shared by only fifteen of the 460 other cities and towns in the State. The AA rating category indicates a very strong capacity to meet financial commitments.

The City’s close proximity to the Gulf of Mexico presents the danger of being in the path of tropical storms and hurricanes. In preparation for these types of storm events, the City has an emergency plan in place as well as contracts for disaster debris management and disaster debris removal. To fund the costs related to a major event until disaster assistance becomes available, the City maintains a minimum fund balance goal equal to twenty-five percent of General Fund’s combined budgeted expenditures and annual debt service obligations. While a major event causing significant damage to the coast and our area, such as was caused by Hurricane Ivan in 2004, would affect tourism and retail businesses, the influx of clean-

up and construction crews, insurance adjustors, and others coming to aid in recovery, cleanup and rebuild, help to balance the economic impact to the City through rebuild related sales and lodging.

Long-term financial planning and major initiatives

Unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) in the General Fund as of year-end was \$16,319,629 which well exceeded the minimum fund balance goal of \$6.6 million. The minimum fund balance goal, which is periodically reviewed to ensure the City is able to endure periods of economic stress, is also discussed in the MD&A in the Financial Section of this report.

The City's focus for the future remains on Economic Development. The City's ability to attract retail, industry and other business is vital to job creation and the generation of sales tax revenues to fund citizen services and maintain City infrastructure. Several big- box retailers, including Hobby Lobby, will soon start development in the City. In upcoming years, the City intends to greatly expand the reach of youth-based sports. Over the last few years the amount of tourism related to youth sports has doubled, bringing in nearly 80,000 room nights in local lodging and revenues of over \$24 million.

The City is planning a \$25 million investment which will yield a 100,000 square foot indoor sports and event center, as well as sports fields, and the City was awarded an ATRIP grant to extend roads and related infrastructure within the project area. Also, planned in the project area is Blue Collar Country, linked to Bill Engvall, Jeff Foxworthy, and Larry the Cable Guy that will be developed in stages on 500 plus acres. Ground work has begun for phase one of that development which eventually is forecast to include two hotels, approximately 70 retail stores, eight restaurants, 140 RV spaces and an amusement park.

The City was awarded additional grants to improve and expand roads, including Fern Avenue east from Highway 59 to the Foley Beach Express and County Road 20 west of Highway 59 to Hickory Street, to accommodate increased traffic related to anticipated growth. Upon award of a \$4.7 million Department of Transportation TIGER Grant, the City began the design phase of a major pedestrian and bicycle path project that will make the four quadrants of the City, as divided by Highways 98 and 59, more accessible to non-vehicular traffic.

At the end of the fiscal year, the first phase of the Coastal Alabama Farmers' and Fishermen's Market was almost complete, with phase two slated to occur in fiscal year 2014. The phase one "under roof market" facility provides an outlet for area farmers and fishermen to market fresh goods to citizens and visitors alike, with phase two adding a custom built furniture and coastal art wholesaler/retailer, a barbeque retailer, and a produce distribution center. The City of Foley Public Facilities Cooperative District selected a Board of Directors to serve on the 501(c)(3) entity that will operate the facilities, which will represent an investment in excess of \$8 million.

Relevant financial policies

The City strives to maintain an up-to-date set of comprehensive financial policies. Management is currently developing a comprehensive Capital Asset Management Policies and Procedures manual in accordance with Generally Accepted Accounting Principles (GAAP) as they pertain to local governments that will also include procedures for tracking Small and Attractive Items (easily lost or theft sensitive) in order to strengthen controls over assets that are portable, durable, and do not meet the capitalization threshold.

New Governmental Accounting Standards Board (GASB) pronouncements are closely analyzed to determine any impact to the City's financial reporting requirements and proactive steps are taken to ensure implementation guidelines are followed and deadlines are met.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits and the valuation of the costs and benefits requires estimates and judgments by management. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions and will continue to implement policies and procedures that improve and strengthen internal controls.

Awards and acknowledgements

In order to be awarded a Certificate of Achievement from the Government Finance Officers Association of the United States and Canada (GFOA), a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report should satisfy both generally accepted accounting principles in the United States of America and applicable legal requirements.

This is the first year that the City has submitted a comprehensive annual financial report for the GFOA's consideration. We believe that this report meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of this report would not have been possible without the support of the entire staff of the Finance Division. We would like to thank all Divisions of Administration as well as all city departments for their assistance in providing the data necessary to prepare this report. As public servants, we are fortunate to be lead by a Mayor and Council that is both supportive and innovative and strive to maintain the highest standards of accountability and transparency in the management of the City's finances.

Respectfully submitted,



Michael Thompson
City Administrator



Sue Steigerwald
Finance Manager/Treasurer

The City of Foley, Alabama
ELECTED AND APPOINTED OFFICIALS
Year Ended September 30, 2013

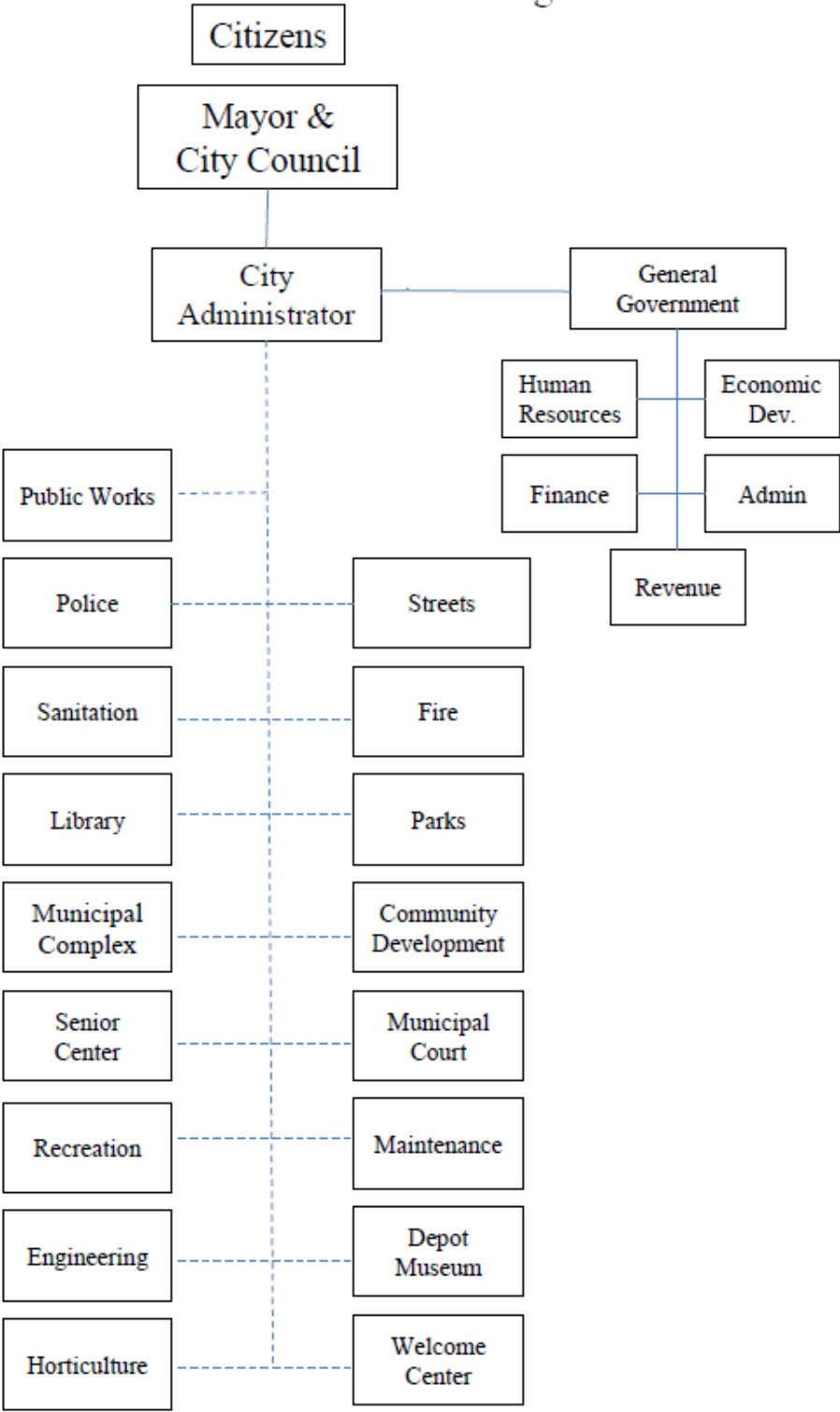
ELECTED OFFICIALS

Mayor	John E. Koniar
Council Member – District 1/Council President	J. Wayne Trawick
Council Member – District 2	Vera Quaite
Council Member – District 3/Council President Pro Tempore	Ralph G. Hellmich
Council Member – District 4	Cecil R. (Rick) Blackwell
Council Member – District 5	Charles J. Ebert, III

APPOINTED OFFICIALS

Administrator	Michael Thompson
Clerk	Victoria Southern
Assistant Administrator/HR Director	Sandra Pate
Treasurer	Sue Steigerwald
Fire Chief	Joseph (Joey) Darby
Police Chief	David W. Wilson
Planner	Miriam Boutwell
Engineer	Wendell (Butch) Stokes
Alternate City Clerk	Joseph A. Bouzan
Municipal Judge	Mary Murchison
Assistant Municipal Judge	Chandra Wright

City of Foley Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Foley, Alabama (the "City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Foley, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining financial statements, individual fund budgetary comparison schedules, schedule of construction in progress, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements, individual fund budgetary comparison schedules, and schedule of construction in progress, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Warren Overett, LLC

April 28, 2014
Foley, Alabama

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The City of Foley's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

- The City's total net position (assets less liabilities, formerly referred to as net assets) was \$97,821,048 at September 30, 2013. This was an increase of \$1,182,899 from the prior fiscal year. A detailed explanation of this increase can be found beginning on page 4 of the Management's Discussion and Analysis (MD&A).
- The Statement of Activities shows the City received taxes and other revenue of \$30,638,180 and had expenses of \$29,455,281.
- General fund revenues exceeded expenditures by \$3,365,391.
- The City's governmental funds reported a combined ending fund balance of \$19,840,812, a decrease in fund balance of \$3,477,639 from the prior year's ending fund balance.
- The General Fund closed with a fund balance of \$16,592,501 reflecting a decrease of \$3,570,252 for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to that of a private-sector business, and typically consolidate governmental and business-type activities into two columns which, added together, provide the total for the primary government entity. However, the City has only governmental activities and, therefore, one column is presented that provides the reader with a broad overview similar to private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and conservation. The government-wide financial statements can be found immediately following this discussion and analysis.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City consist of governmental type funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City had activity in twelve individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Public Facilities Cooperative District, which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation column on the basic financial statement. Individual fund data for each of these non-major governmental funds can be found in the form of combining and individual fund statements and schedules elsewhere in this report.

Notes to the Financial Statements – The notes to the financial statements are an integral part of the financial statements. They provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison schedule for the General Fund as required supplementary information. This comparison presents the originally approved budget, final budget and actual, giving the reader a quick view of revisions and amendments versus actual activity. The budgetary highlights are discussed in more detail later in the MD&A.

Other Supplementary Information – The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

As noted earlier, net position serves over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$97,821,048 at the close of the fiscal year.

By far the largest component of the City's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

STATEMENT OF NET POSITION (Continued)

be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the City's net position is comprised of resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance may be used to meet the government's ongoing obligations to citizens and creditors. The City is able to report positive balances in all three categories (invested in capital-net, restricted and unrestricted) for both the current and preceding year.

The following table presents the condensed statement of net position compared to prior year:

TABLE 1
SUMMARY OF STATEMENT OF NET POSITION
As of September 30,

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 22,064,992	\$ 24,655,857
Capital assets, net	<u>112,100,422</u>	<u>105,473,697</u>
Total assets	<u>134,165,414</u>	<u>130,129,554</u>
Current and other liabilities	2,224,180	1,273,662
Long-term debt	<u>34,120,186</u>	<u>32,327,246</u>
Total liabilities	<u>36,344,366</u>	<u>33,510,908</u>
Net position:		
Invested in capital assets, net of debt	79,689,446	74,620,554
Restricted for		
Debt service	2,053,111	2,087,014
Other purposes	1,098,066	1,021,763
Unrestricted	<u>14,980,425</u>	<u>18,889,315</u>
Total net position	<u>\$ 97,821,048</u>	<u>\$ 96,618,646</u>

As shown in the following table presenting the changes in net position from the prior year, the most significant revenue increases were the result of program revenues in the form of operating grants and contributions, and general revenues in the form of sales and other local taxes. Although most functions of government experienced increases in expenses, highways and streets expense decreased by over one million as the result of a major street resurfacing project that did not begin during the fiscal year as anticipated.

The following table presents a condensed version of the City's government-wide statement of activities,

changes in net position, compared to the prior year:
GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

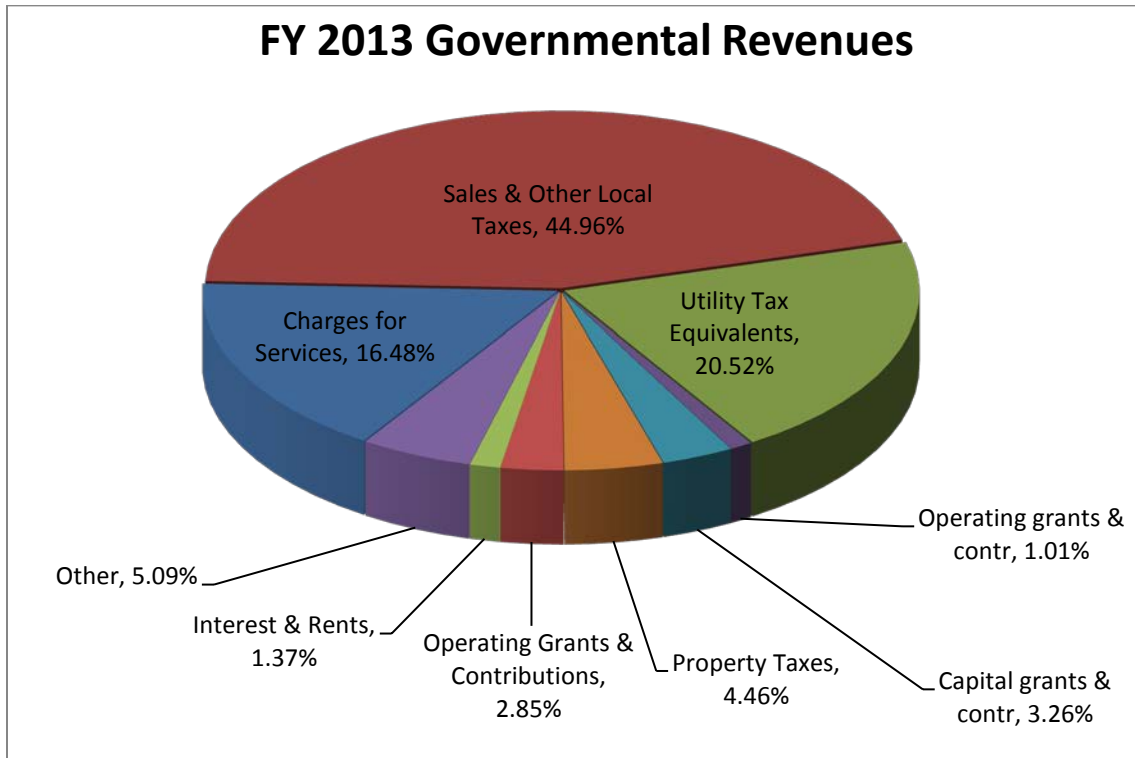
STATEMENT OF ACTIVITIES

TABLE 2
 CHANGES IN NET POSITION
 For the years ended September 30,

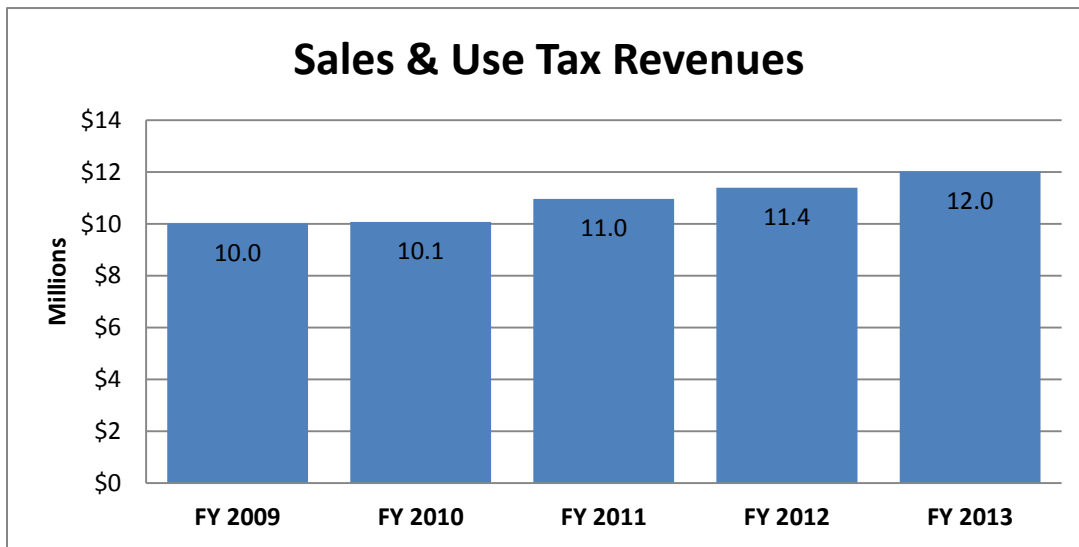
	2013	2012
Program revenues:		
Charges for services	\$ 5,048,805	\$ 4,955,144
Operating grants and contributions	310,730	384,454
Capital grants and contributions	999,501	208,547
General revenues:		
Property taxes	1,367,446	1,391,305
Sales and other local taxes	13,773,921	12,875,117
Utility tax equivalents	6,285,978	6,232,079
Fines and forfeitures	29,272	7,756
Grants and contributions not restricted to specific programs	872,174	845,998
Interest and rents	420,101	434,278
Other	1,354,889	1,709,261
Gain on sale of capital assets	116,824	220,336
Other financing sources	58,539	-
Total revenues	<u>30,638,180</u>	<u>29,264,275</u>
Expenses:		
General government	5,942,056	5,096,176
Public safety	10,275,397	9,885,873
Highways and streets	3,948,204	5,087,068
Sanitation	2,251,707	2,107,324
Economic development	728,321	658,281
Conservation	-	454
Culture and recreation	4,858,407	4,924,916
Interest on long-term debt	1,451,189	1,305,944
Total expenses	<u>29,455,281</u>	<u>29,066,036</u>
Change in net position	1,182,899	198,239
Net position – beginning of year	<u>96,638,149</u>	<u>96,439,910</u>
Net position – end of year	<u>\$ 97,821,048</u>	<u>\$ 96,638,149</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

STATEMENT OF ACTIVITIES (continued)



Sales and use taxes represents the City's primary source of unrestricted revenue and, as the graph below indicates, is steadily recovering from the economic downturn.



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Fund accounting focuses on accountability rather than profitability and funds are segregated into categories in accordance with laws and regulations or specific limitations. Unassigned fund balance represents a government's residual net resources (amount in excess of nonspendable, restricted, committed and assigned) and provides a useful measure of a government's net resources available for spending. Such information may prove useful in determining the City's financing needs.

The following two tables present summary information about the City's fund balances:

TABLE 3
CHANGE IN FUND BALANCES
For the Year Ended September 30

	Beginning Fund Balance	Increase (Decrease)	Ending Fund Balance
General Fund	\$ 20,162,753	\$ (3,570,252)	\$ 16,592,501
Capital Projects Fund	(4,633)	120,725	116,092
Public Facilities Cooperative District	1,903,926	(152,264)	1,751,662
Non-Major Funds	1,256,405	124,152	1,380,557
Total	\$ 23,318,451	\$ (3,477,639)	\$ 19,840,812

TABLE 4
FUND BALANCE BY TYPE
For the Year Ended September 30

Fund Balance Type	General Fund	Capital Projects Fund	Public Facilities Cooperative District	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable	\$ 170,835	\$ -	\$ -	\$ -	\$ 170,835
Restricted	102,037	-	1,803,153	1,245,987	3,151,177
Committed	-	116,092	291,830	134,520	542,442
Assigned	5,456,967	-	-	50	5,457,017
Unassigned	10,862,662	-	(343,321)	-	10,519,341
Total fund balances	\$ 16,592,501	\$ 116,092	\$ 1,751,662	\$ 1,380,557	\$ 19,840,812

As of the current fiscal year end, the City's governmental funds reported combined fund balances of \$19,840,812, a decrease of \$3,477,639 from the prior year. Of this total, \$10,519,341 represents unassigned fund balance which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable (not in spendable form), restricted (legally required to be maintained intact), committed (committed for particular purposes), or assigned (assigned for particular purposes).

The General Fund, the chief operating fund of the City, closed with a decrease in fund balance of \$3,570,252. Actual General Fund operations resulted in \$3,365,391 in excess revenue remaining after expenditures. Sale of land and equipment and transfers from other funds generated an additional \$724,821, and transfers to other funds of \$7,660,464 were made to service debt and to fund capital improvements, resulting in an ending fund balance of \$16,592,501.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS (continued)

As previously discussed, the City established a minimum fund balance to assist the City during periods of financial stress which may be caused by natural disasters or other unforeseen events. The established annual unassigned minimum fund balance goal for the General Fund is equal to 25% of each year's originally budgeted operating expenditures and debt service obligations. This resulted in a target goal of \$6.6 million for 2013 which the General Fund's unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) exceeded by over \$9.7 million.

The Capital Projects fund experienced an increase of \$120,725 in fund balance. Expenditures totaling \$7,361,561 consisted of capital asset additions and construction work in progress of \$7,100,850 and required maintenance to infrastructure of \$260,711. Grants, contributions, and charges for services totaling \$495,684 were recognized and cash transfers from other funds of \$6,986,602 to fund the remaining expenditures were received. The total transfers in consisted of \$4,038,170 from the General Fund, \$208,580 from the Public Facilities Cooperative District, and \$2,739,852 of bond proceeds from the 2013 Energy Conservation Bonds.

The Public Facilities Cooperative District experienced a decrease of \$152,264 in fund balance. Transfers from the General Fund of \$2,035,905 were received to service debt and fund construction in progress, and proceeds from sale of assets totaled \$37,246. Revenues totaling \$1,233,754 consisted of project user fees, contributions and donations, interest and rental income. Expenditures of \$2,633,164 were made primarily to service debt and construct assets. The PFCD transferred \$826,005 in project user fees to other funds.

Other Funds realized an aggregate fund balance decrease of \$124,152. A decrease of \$189,710 occurred in the Fire Ad Valorem Fund due to the use of cash on hand to partially fund a new fire truck with the remaining Special Revenue Funds experiencing positive fund balance increases totaling \$131,514. The Series 2009 GO Warrant Debt Service Fund encountered a minor decrease \$1,500 due to cash flow timing, the 2006-Series Debt Service fund broke even, while the 2013 QECB Fund realized an increase of \$85,021. Non-Major capital project funds realized a net positive fund balance increase of \$98,827.

GENERAL FUND BUDGETARY HIGHLIGHTS

Due to the continued uncertainty of the economy, management's budgeting of both revenues and expenditures remained conservative for FY13. Revenues were originally budgeted at \$25,508,009 representing a decrease of \$634,548 over the FY12 projected close that included an \$840,000 BP Oil Spill settlement. While sales and other local taxes and fees from utility payments were projected to increase, an 8 percent reduction in property taxes was anticipated due to the continued decline in property valuations, as well as a decrease of \$125,551 in anticipated grants and contributions. Actual revenues closed at \$26,577,044 and exceeded the final budget by \$795,838 with \$785,801 of the excess being attributable to sales and other local taxes.

The Original Budget expenditures of \$23,302,143 was an increase of \$863,157 over the FY12 projected close and included \$871,150 in planned capital purchases and a 2 percent employee raise effective in January. A pool of funds totaling \$40,000 was budgeted to support any adjustments needed as a result of a job analysis/salary survey being conducted. Expenditures were increased by \$608,915 during the year by action of the Mayor and Council for additional capital equipment, larger household containers for a new recycling program, the retention of additional professional services, enhanced community relations, and an increase in public safety. General Fund actual operational expenditures closed \$699,405 less than the final amended budget of \$23,911,058.

Transfers budgeted to fund capital projects fell short \$1,973,492 primarily due to the Council's decision to take advantage of certain properties available for purchase that are listed as the first two items in major capital assets discussed below.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets net of depreciation at September 30, 2013, totaled \$112,100,422. Major capital asset events during the current fiscal year included the following:

- The City acquired a long vacant 94,000 square foot manufacturing facility located in one of its Industrial Parks for \$1,503,275.
- The City continued its expansion of its sportsplex facility located on Cater Lee Way by investing \$462,240 in two adjacent properties to allow for future growth of the facility and expansion of the annual Hot Air Balloon Festival.
- The IV Phase the Streetscape Project (downtown revitalization) was completed at \$376,998. This project could potentially contain additional phases as the City recognizes that revitalization of this historic area is imperative in maintaining business occupancy and attracting new merchants.
- Projects under construction at the end of the fiscal year had reached \$6,105,213

The following table presents the City's capital assets at year end:

TABLE 5
CAPITAL ASSETS
September 30, 2013

Land	\$ 21,556,517
Buildings	20,210,824
Property improvements	11,904,590
Infrastructure	89,190,832
Machinery and equipment	15,083,716
Construction in progress	<u>6,105,213</u>
Total	164,051,692
Less: Accumulated depreciation	<u>(51,951,270)</u>
Net capital assets	<u><u>\$ 112,100,422</u></u>

Additional information on the City's capital assets can be found in Note D of this report.

As of September 30, 2013 the City and the Public Facilities Cooperative District had \$32,255,000 in total outstanding bond debt. Series 2013 Qualified Energy Conservation Bonds of \$2,975,000 were issued to pay for technology and improvements to reduce energy costs. As of the close of the fiscal year, the City maintained its Standard & Poor's AA rating.

Under Section 225 of the Constitution of Alabama of 1901, as amended, the present constitutional debt limit of the City is an amount equal to 20% of the assessed value of the property therein. Under Chapter 99B of Title 11 of The Code of Alabama, debt issued by the Public Facilities Cooperative District is solely an obligation of the District. Therefore, the District's debt is not chargeable against the City's debt limit.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Table 6 provides a computation of the City's Debt Margin.

TABLE 6
LEGAL CONSTITUTIONAL DEBT LIMIT
For the year ended September 30

	2013
Assessed Value	\$ 235,440,640
Debt limit (20% of assessed value)	47,088,128
Debt applicable to limit:	
Bonds, warrants, notes and capital leases	32,255,000
Less: Public Facilities Cooperative District Series 2009 Revenue Bonds	(19,945,000)
Less: 2013 QECB – Federally Taxable Lease Purchase	(2,975,000)
Less: Amount set aside for repayment of debt	(2,053,112)
Total net debt applicable to limit	7,281,888
Legal Debt Margin for the year ended September 30	\$39,806,240
Net debt as a percentage of debt limit	15.46%

Assessed Value Source: Baldwin County Revenue Commissioner and Baldwin County Judge of Probate

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City relies on taxes (property, sales, lodging, etc.), and fees (license, permits, etc.) for their governmental activities. The analysis of a few of these taxes contained in the Statistical Section serves as a good indicator of economic trends. Certain governmental activities (sanitation, recreational activities, etc.) require the user pay a related fee or charge associated with the service. It is important to note that although fire protection continues to be provided in both the corporate and jurisdictional limits, the taxes, fees and charges for services in the jurisdictional area are minimal in comparison to the cost to provide such services. The level of taxes, fees and charges for services have a direct bearing on the City's ability to annex land into the corporate limits and encourage retail, commercial, residential and industrial development.

The following economic factors currently affect the City and were considered in developing the 2013-14 fiscal year budget.

- The unemployment rate for the City is currently 5.3 percent, a decrease of one percent from last year's rate. Anticipated developments should further reduce unemployment over the next one to three years.
- A 3 percent increase in lodging tax rates beginning October 1, 2013 in anticipation of pending hotel developments.
- A projected 2 percent increase in sales and use tax. The projected increase is conservative based the 5.5 percent increase that occurred in 2014.
- Interest rates are predicted to remain low throughout the year.
- On the expenditure side, salary increases will occur from adjustments to salaries resulting from a job analysis survey, addition of new positions, and unfreezing of merit raises.

The general fund unassigned fund balance at fiscal year end was \$10,862,662. The 2013-2014 general fund budget was adopted with an anticipated revenue surplus, revenue net of general fund expenditures and debt service payments, of \$1,709,348. Also budgeted were transfers of \$6,628,835 from the general

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (continued)

fund to capital project funds resulting in a net draw of \$4,919,487 from unassigned fund balance.

Requests for Information - This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. Questions about the report or requests for additional financial information should be addressed to: City of Foley, Finance Division Manager, P. O. Box 1750, Foley, Alabama 36536. Financial information about the City can also be obtained by accessing the City's website at www.cityoffoley.org.

Basic Financial Statements

City of Foley, Alabama
STATEMENT OF NET POSITION
September 30, 2013

ASSETS	
Cash	\$ 16,091,828
Certificates of deposit	3,266,735
Receivables	
Utility tax equivalents	613,444
Sales and other local taxes	1,107,725
Other	823,425
Inventories	82,781
Prepaid expenses	79,054
Capital assets (net of accumulated depreciation)	112,100,422
Total assets	134,165,414
LIABILITIES	
Accounts payable	1,914,951
Accrued expenses	212,946
Retainage payable	96,283
Non-current liabilities:	
Due within one year	
General obligation warrants	1,070,000
Public Facilities Cooperative District bonds	870,000
Qualified Energy Conservation bond	75,000
Accrued interest	115,419
Compensated absences	253,508
Health claims payable	193,400
Due in more than one year	
General obligation warrants	8,268,395
Public Facilities Cooperative District bonds	19,286,121
Qualified Energy Conservation bond	2,841,460
Post-employment health care obligation	766,622
Compensated absences	380,261
Total liabilities	36,344,366
NET POSITION	
Net investment in capital assets	79,689,446
Restricted for:	
Debt service	2,053,111
Capital projects	216,014
Other purposes	882,052
Unrestricted	14,980,425
Total net position	\$ 97,821,048

The accompanying notes are an integral part of these financial statements.

City of Foley, Alabama
STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				
Function/Program Activities					
Governmental Activities					
General government	\$ 5,942,056	\$ 1,856,195	\$ 2,380	\$ 78,339	\$ (4,005,142)
Public safety	10,275,397	1,064,732	218,051	-	(8,992,614)
Highways and streets	3,948,204	-	1,500	260,668	(3,686,036)
Sanitation	2,251,707	1,808,916	-	256,358	(186,433)
Culture and recreation	4,858,407	305,071	69,454	150,136	(4,333,746)
Conservation	-	-	17,100		17,100
Economic development	728,321	13,891	2,245	254,000	(458,185)
Interest on long-term debt	1,451,189	-	-	-	(1,451,189)
Total governmental activities	\$ 29,455,281	\$ 5,048,805	\$ 310,730	\$ 999,501	\$ (23,096,245)

General Revenues:

Property taxes	1,367,446
Sales and other local taxes	13,773,921
Utility tax equivalents	6,285,978
Fines and forfeitures	29,272
Contributed capital	872,174
Interest and rents	420,101
Other	1,354,889
Gain on sale of capital assets	116,824
Other financing sources	58,539
Total general revenues	<u>24,279,144</u>
Change in net position	1,182,899
Net position - beginning of year	<u>96,638,149</u>
Net position- end of year	<u>\$ 97,821,048</u>

The accompanying notes are an integral part of these financial statements.

City of Foley, Alabama
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2013

	General Fund	Capital Projects Fund	Public Facilities Cooperative District	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$12,588,247	\$ 214	\$ 2,138,270	\$1,365,097	\$ 16,091,828
Certificates of deposit	3,250,112	-	-	16,623	3,266,735
Receivables					
Utility tax equivalents	613,444	-	-	-	613,444
Gasoline excise tax	-	-	-	7,945	7,945
Property and advalorem taxes	68,308	-	-	11,233	79,541
Sales and other local taxes	1,107,725	-	-	-	1,107,725
Sanitation	21,954	-	-	-	21,954
Grants	54,044	86,919	-	241,358	382,321
Other	121,145	103,825	28,344	78,350	331,664
Due from other funds	425,521	-	136,949	-	562,470
Inventories	82,781	-	-	-	82,781
Prepaid expenses	79,054	-	-	-	79,054
Total assets	<u>\$18,412,335</u>	<u>\$ 190,958</u>	<u>\$ 2,303,563</u>	<u>\$1,720,606</u>	<u>\$ 22,627,462</u>
LIABILITIES					
Accounts payable	\$ 1,471,843	\$ -	\$ 343,321	\$ 99,787	\$ 1,914,951
Accrued expenses	211,042	74,866	-	23,321	309,229
Due to other funds	136,949	-	208,580	216,941	562,470
Total liabilities	<u>1,819,834</u>	<u>74,866</u>	<u>551,901</u>	<u>340,049</u>	<u>2,786,650</u>
FUND BALANCES					
Nonspendable	170,835	-	-	-	170,835
Restricted	102,037	-	1,803,153	1,245,987	3,151,177
Committed	-	116,092	291,830	134,520	542,442
Assigned	5,456,967	-	-	50	5,457,017
Unassigned	10,862,662	-	(343,321)	-	10,519,341
Total fund balances	<u>16,592,501</u>	<u>116,092</u>	<u>1,751,662</u>	<u>1,380,557</u>	<u>19,840,812</u>
Total liabilities and fund balance	<u>\$18,412,335</u>	<u>\$ 190,958</u>	<u>\$ 2,303,563</u>	<u>\$1,720,606</u>	<u>\$ 22,627,462</u>

The accompanying notes are an integral part of these financial statements.

City of Foley, Alabama
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2013

Fund balances - total governmental funds	\$ 19,840,812
--	---------------

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 in the governmental funds.

Governmental capital assets	\$ 164,051,692	
Less accumulated depreciation	<u>(51,951,270)</u>	112,100,422

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

Warrants and bonds payable, net of deferred refunding, premiums,	(32,410,976)	
discounts, and issue costs		
Accrued interest payable	(115,419)	
Health claims payable	(193,400)	
Post-employment health care obligation	(766,622)	
Compensated absences	<u>(633,769)</u>	<u>(34,120,186)</u>

Net position of governmental activities	<u><u>\$ 97,821,048</u></u>
---	-----------------------------

The accompanying notes are an integral part of these financial statements.

City of Foley, Alabama
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended September 30, 2013

	General Fund	Capital Projects Fund	Public Facilities Cooperative District	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Property and advalorem taxes	\$ 1,212,071	\$ -	\$ -	\$ 155,375	\$ 1,367,446
Sales and other local taxes	13,686,601	-	-	87,321	13,773,922
Licenses and permits	2,141,591	-	-	-	2,141,591
Intergovernmental	264,575	391,259	-	276,480	932,314
Charges for services	1,849,774	103,825	-	234,278	2,187,877
Fines and forfeitures	547,554	-	-	97,014	644,568
Utility tax equivalents	6,285,978	-	-	-	6,285,978
Interest and rents	379,970	-	103,002	878	483,850
Contributions and donations	29,652	600	254,000	450,956	735,208
Other	179,278	-	876,737	45,604	1,101,619
Total revenues	<u>26,577,044</u>	<u>495,684</u>	<u>1,233,739</u>	<u>1,347,906</u>	<u>29,654,373</u>
Expenditures					
Current:					
General government	4,585,639	59,364	-	18,351	4,663,354
Public safety	9,349,027	123,500	-	92,094	9,564,621
Highways and streets	1,617,400	77,847	-	-	1,695,247
Sanitation	2,091,835	-	-	-	2,091,835
Culture and recreation	3,864,640	-	-	240,838	4,105,478
Economic development	723,249	-	5,057	-	728,306
Capital outlay	935,441	7,100,850	965,464	1,035,624	10,037,379
Debt service:					
Principal	41,913	-	855,000	1,035,000	1,931,913
Interest	2,509	-	807,628	417,998	1,228,135
Bond cost	-	-	-	146,349	146,349
Total expenditures	<u>23,211,653</u>	<u>7,361,561</u>	<u>2,633,149</u>	<u>2,986,254</u>	<u>36,192,617</u>
Excess (deficiency) of revenues over expenditures	3,365,391	(6,865,877)	(1,399,410)	(1,638,348)	(6,538,244)
Other financing sources (uses)					
Transfers in	617,923	6,986,602	2,035,905	1,586,391	11,226,821
Transfers out	(7,660,464)	-	(826,005)	(2,740,352)	(11,226,821)
Bond proceeds	-	-	-	2,975,000	2,975,000
Bond discount	-	-	-	(58,539)	(58,539)
Proceeds from sale of assets	106,898	-	37,246	-	144,144
Total other financing sources (uses)	<u>(6,935,643)</u>	<u>6,986,602</u>	<u>1,247,146</u>	<u>1,762,500</u>	<u>3,060,605</u>
Net change in fund balances	(3,570,252)	120,725	(152,264)	124,152	(3,477,639)
Fund balances, beginning of year	20,162,753	(4,633)	1,903,926	1,256,405	23,318,451
Fund balances, end of year	<u>\$ 16,592,501</u>	<u>\$ 116,092</u>	<u>\$ 1,751,662</u>	<u>\$ 1,380,557</u>	<u>\$ 19,840,812</u>

The accompanying notes are an integral part of these financial statements.

City of Foley, Alabama
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Net change in fund balances - total governmental funds	\$ (3,477,639)
--	----------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 10,037,379	
Less current year depreciation	<u>(4,255,507)</u>	5,781,872

Contributions of capital assets are not reported as income in governmental funds.	872,174
---	---------

Changes in unearned revenues	(63,746)
------------------------------	----------

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.

Bond proceeds	(2,975,000)
---------------	-------------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments	1,931,913
--------------------	-----------

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

Amortization of current year bond costs	(587,076)	
Amortization of current year bond discount / premium	13,790	
Additions to discounts	58,539	
Change in accrued interest payable	(18,170)	
Change in self-insured health plan unpaid claims	(37,000)	
Change in post-employment health care obligation	(245,962)	
Change in long-term compensated absences	(43,477)	
Disposal of capital assets	<u>(27,319)</u>	<u>(886,675)</u>

Change in net position of governmental activities	<u><u>\$ 1,182,899</u></u>
---	----------------------------

The accompanying notes are an integral part of these financial statements.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Foley (City) is an Alabama municipal corporation governed by an elected mayor and five-member council.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant policies.

1. The Reporting Entity

As required by Governmental Accounting Standards Board Statement (GASBS) No. 61, the accompanying financial statements present the City as the primary government and its component units, entities for which the City is considered *financially accountable*. Component units are included in the reporting entity because of the significance of their operational relationship with the primary government. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if City officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it. Lastly, even if the primary government is not financially accountable, an organization should be included if its exclusion would render the reporting entity's financial statements incomplete or misleading.

If *financial accountability* exists, and the governing bodies are substantively the same or the organization provides services or exists almost exclusively for the benefit of the primary government, the organization is a *blended component unit* and its data is combined with and treated as if it were a fund of the City. Otherwise, the organization is a *discretely presented component unit* and its data is reported together with, but separately from, the data of the City in the government-wide financial statements. The City has no discretely presented component units.

Blended Component Unit - The City of Foley Public Cooperative District was incorporated in 2009 as a capital improvement district under the provisions of Chapter 99B of Title 11 Code of Alabama, 1975. The purpose of the District is to acquire, construct and install various capital improvements within the City and to aid the City in its economic development efforts through its ability to finance eligible projects under the authority of Chapter 99B. The District issued approximately \$23.3 million of bonds and transferred the net proceeds to the City in exchange for various capital projects and properties from the City, including the City Hall, Public Library, street and drainage projects, etc. Simultaneous with the transfer of assets to the District, the City leased-back the subject properties and projects from the District under an annual lease agreement requiring annual payments equal to the debt service on the District's bonds. The annual lease renews automatically each year, through the year ending September 30, 2030 (final maturity of the bonds) unless the City adopts a resolution expressing its intent to not renew. Upon final maturity of the bonds, the properties revert back to the City. Since the City appoints a voting majority of the District's Board members, provides rents equal to 100% of the District's annual debt service, and the District exists almost exclusively for the benefit of the City, its accounts and transactions are presented as a blended component unit in the City's financial statements.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. The Reporting Entity - (Continued)

Other Entities - Excluded from the financial statements are the following boards, for which a lack of influence, control and dependency exist: the Utilities Board of the City of Foley, the Medical Clinic Board, and the Industrial Development Board. These boards are governed by their own boards of directors, prepare and adopt annual operating budgets which are not influenced by the City, have the authority to issue debt securities which are not an obligation of the City (nor secured by City revenues), and must self-fund any operating deficits which may occur.

2. Government-Wide and Fund Financial Statements

Financial reporting requirements include a management's discussion and analysis, basic financial statements consisting of government-wide and fund financial statements, required supplementary information, and other supplementary information.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide statement of net position is presented on a consolidated basis on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (general government, public safety, highways and streets, etc.) that are otherwise being supported by general government revenues (property taxes, sales taxes, fines, permit and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function (general government, public safety, highways and streets, etc.). Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants and contributions column includes operating specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are budgeted and presented on a current financial resource and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and are recognized as revenue of the current fiscal period. Only the portion of special assessments collectible within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

The City reports the following major governmental funds:

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

The *capital projects fund* is used to account for financial resources for the acquisition or construction of major capital items.

The *public facilities cooperative district fund* is used to account for the user fees charged by the district and for resources accumulated for the payment of interest and principal on the long-term debt of the Cooperative District.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statements Presentation - Continued

Additionally, the City reports the following fund types:

Special Revenue Funds: These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Funds: These funds are established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt.

Capital Projects Funds: Capital project funds account for financial resources designated to construct or acquire capital assets and major improvements.

4. Property Tax Revenue Recognition

Ad valorem taxes (based on assessments of property values by the Baldwin County Tax Assessor) are levied by the City and collected by the Baldwin County Tax Collector and remitted to the City on a monthly basis. The County's property tax calendar requires the Tax Assessor to assess, and attach taxes as enforceable liens on property as of September 30th. Taxes are due October 1st through December 31st. Property taxes not paid by January 1st are considered delinquent. All amounts remitted to the City within the bill paying period are included in revenue. Taxes collected within the fiscal year but remitted to the City after the fiscal year-end are accrued in both the government-wide and fund financial statements.

5. Cash and Investments

Cash includes demand deposits as well as all highly liquid investments with a maturity of three months or less when purchased. Certificates of deposits are typically issued for periods less than one year. State statutes authorize the City to invest in deposit accounts and certificates of deposits with banks, in direct obligations of the United States Treasury Department, and obligations of certain other federal agencies. Investments are stated at fair value. The unrealized gain or loss on investments is reflected in investment income.

6. Prepaid Items

Payments to vendors for services that will benefit periods beyond September 30, 2013, are recorded as prepaid items in both government-wide and fund financial statements.

7. Inventories

Inventory consists of expendable supplies held in the General Fund for consumption. Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expensed when used.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the City as those assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years.

Expenditures for capital assets acquired or constructed are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Donated capital assets are valued at their estimated fair value on the date donated. Public domains (rights-of-way and easements) have been capitalized using actual and estimated historical costs of such assets that were acquired by the City.

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

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

Buildings	20 - 40 years
Improvements (Building and Property)	7 - 30 years
Infrastructure (Drainage, Streets, Bridges, Sidewalks, etc.)	10 - 50 years
Infrastructure (Sewer)	75 years
Machinery and equipment	5 - 20 years
Automobiles and equipment	5 - 15 years
Office equipment	5 - 10 years

In the fund financial statements, capital assets are accounted for as capital outlay expenditures upon acquisition.

9. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In the event of termination, an employee is paid for accumulated vacation hours not to exceed 160 hours. Employees are paid for overtime accumulated and unpaid to the date of termination not to exceed 80 hours, or in the case of law enforcement officers and firefighters, not to exceed 160 hours. Employees are not entitled to be paid for accumulated sick pay benefits upon termination.

Vacation, sick pay, and overtime are accrued in accordance with GASB Statement No. 16. Unpaid compensated absences are recorded as a liability when the benefits are earned in the government-wide financial statements. Expenditures are recognized in governmental funds when payments are made to employees.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

10. Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets and total liabilities represents net position. Net position are displayed as three components:

- *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net position* – Consists of net position with constraints placed on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* – Represents the net position available for future operations.

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

- *Non-spendable fund balance*—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- *Restricted fund balance*— Amounts that can be spent only for specific purposes because of the City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- *Committed fund balance*—Amounts that can be used only for the specific purposes determined by an Ordinance, the City' highest level of decision-making authority (the City Council).
- *Assigned fund balance*—Amounts intended to be used for a specific purpose, but which do not meet the more formal criterion to be considered either restricted or committed, as determined by the City Council.
- *Unassigned fund balance*—All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

It is the City's policy to maintain a minimum unassigned fund balance in the general fund equal to 25% of the fiscal year original budgeted expenditures, including debt service, as a safeguard against financial demands such as major natural disasters or other unforeseen events.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from these estimates.

12. Events Occurring After Reporting Date

The City has evaluated events and transactions that occurred between September 30, 2013 and April 28, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE B - CASH AND INVESTMENTS

The Council manages custodial credit risk, which is the risk that in the event of a bank failure the City's deposits may not be returned, by approving, by resolution, all banks or other financial institutions utilized as depositories for City funds. Prior to approval, each proposed depository must provide evidence of its designation by the Alabama State Treasurer as a qualified public depository under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the Council may request that the depository provide evidence of its continuing designation as a qualified public depository. Under the mandatory SAFE program, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account established for the State Treasurer as SAFE administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default; a claim would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. At September 30, 2013, the City's reported amount of deposits was \$19,358,563. The actual bank balance was \$20,238,723, consisting entirely of deposits with financial institutions in checking and money market accounts.

NOTE C - UTILITY TAX EQUIVALENTS

Monthly tax equivalent payments are made to the City by the Utilities Board of the City of Foley based on a percentage of the retained earnings of the Utilities Board. The annual tax equivalent rate for fiscal year 2013 was 4.25% and resulted in the City's revenues of \$6,285,978.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE D - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended September 30, 2013:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 20,778,114	\$ 783,282	\$ (12,879)	\$ 8,000	\$ 21,556,517
Buildings	18,677,702	1,520,911	-	12,211	20,210,824
Property improvements	11,264,336	472,299	(2,500)	170,455	11,904,590
Infrastructure	88,122,572	1,030,597	-	37,663	89,190,832
Machinery & equipment	13,654,318	1,343,426	(86,978)	172,950	15,083,716
Construction in progress	<u>759,954</u>	<u>5,759,038</u>	<u>(12,500)</u>	<u>(401,279)</u>	<u>6,105,213</u>
Totals	153,256,996	<u>\$ 10,909,553</u>	<u>\$ (114,857)</u>	<u>\$ -</u>	164,051,692
Less accumulated depreciation	<u>47,783,299</u>				<u>51,951,270</u>
Capital assets, net	<u>\$105,473,697</u>				<u>\$112,100,422</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 443,053
Public safety	660,621
Highways and streets	2,251,128
Sanitation	157,922
Culture and recreation	<u>742,783</u>
Total depreciation expense	<u>\$ 4,255,507</u>

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE E - LONG-TERM DEBT

The Alabama Constitution limits the amount of long-term debt the City can incur. The amount of debt applicable to this limit during a year can be no greater than 20% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2013, the amount of outstanding debt applicable to this limit was equal to 3.62% of the property assessment as of October 1, 2012.

In 2006, the City issued \$11,460,000 Series 2006A General Obligation Warrants to fund the purchase of police and fire equipment, library expansion costs, purchase land for future expansion, and other infrastructure projects within the City.

In 2009, the Public Facilities Cooperative District (a blended component unit of the City) issued \$23,335,000 in revenue bonds. The Bonds are special obligations of the District payable solely from revenues derived by the District from facilities financed by the proceeds of the Bonds (the "Project"), including without limitation payments to be made under a Lease Agreement by the District to the City of Foley, Alabama (the "City") with respect to the Project. The Lease Agreement provides that (i) for each year in which the Lease Agreement is in effect, the City shall pay rentals for the account of the District at such times and in such amounts as shall be sufficient to pay the principal of and interest on the Bonds when due and any amounts required to be paid into the reserve fund for the Bonds, (ii) the obligations of the City under the Lease Agreement shall be general obligations of the City, and (iii) the City may terminate the Lease Agreement as of September 30 of any year without penalty, and without acceleration or advancement of maturity or due date of any principal of or interest on the Bonds or amount payable under the Lease Agreement, and without recourse against the City for the payment of any amount which would otherwise become due under the Lease Agreement in any year subsequent to such termination of the Lease Agreement. As set forth herein, the Bonds and the obligations of the City under the Lease Agreement are not chargeable against the constitutional debt limit of the City.

In 2013, the City entered into a contract with an Energy Service Company (ESCO) to administer a guaranteed savings energy efficiency project to be funded through the Qualified Energy Conservation Bond (QECB) process, a low-cost federal loan program administered by the State. The bonds are in the form of \$2,975,000 federally taxable certificates of participation.

The warrants and bonds payable as of September 30, 2013 were as follows:

City of Foley

\$11,460,000 Series 2006A, General Obligation Warrants; due in semi-annual installments from \$280,000 to \$510,000 plus monthly interest at 3.9%; final maturity in 2020.	\$ 6,680,000
\$3,615,000 Series 2009, General Obligation Warrants; due in annual installments from \$50,000 to \$360,000 plus semi-annual interest varying from 2.0% to 4.25%; final maturity in 2030.	2,655,000
\$2,975,000 Series 2013, Qualified Energy Conservation Bond; due in semi-annual installments from \$75,000 to \$235,000 plus semi-annual interest rate varying from 1.2% to 4.25%; final maturity in 2033.	2,975,000

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE E - LONG-TERM DEBT - (Continued)

Public Facilities Cooperative District

\$23,335,000 Public Facilities Cooperative District Series 2009,
Revenue Bonds; due in annual installments from \$820,000
to \$1,595,000 plus semi-annual interest with effective rates
from 3.7% to 4.5%; final maturity in 2030. 19,945,000

Total \$ 32,255,000

The principal maturities and related interest requirements for the warrants, bonds, and notes payable for the next five fiscal years and thereafter are as follows:

Warrants and Bonds:

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	2,015,000	1,200,127	3,215,127
2015	2,110,000	1,169,802	3,279,802
2016	2,190,000	1,096,983	3,286,983
2017	2,270,000	1,022,774	3,292,774
2018	2,345,000	947,035	3,292,035
2019 to 2023	9,030,000	3,586,044	12,616,044
2024 to 2028	7,935,000	1,935,014	9,870,014
2029 to 2033	4,360,000	304,938	4,664,938
TOTALS	<u>\$ 32,255,000</u>	<u>\$ 11,262,717</u>	<u>\$ 43,517,717</u>

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE E - LONG-TERM DEBT - (Continued)

The changes in long-term debt for the year were as follows:

	Principal Balance 10/1/12	Additions	Reductions	Principal Balance 9/30/13	Due Within One Year
Bonds Payable:					
<u>General Obligation Warrants:</u>					
Series 2009 General Obligation Warrants	\$ 2,955,000	-	\$ (300,000)	\$ 2,655,000	\$ 300,000
Series 2006 General Obligation Warrants	7,415,000	-	(735,000)	6,680,000	770,000
Series 2013 Qualified Energy Conservation Bonds	-	2,975,000	-	2,975,000	75,000
<u>Revenue Bonds:</u>					
Public Facilities Cooperative District Series 2009 Revenue Bonds	20,800,000	-	(855,000)	19,945,000	870,000
	31,170,000	2,975,000	(1,890,000)	32,255,000	2,015,000
<u>Less deferred amounts:</u>					
For issuance premiums	251,029	-	(14,766)	236,263	-
For issuance discounts	(22,723)	(58,540)	976	(80,287)	-
For issuance cost	(543,228)		543,228	-	-
On refunding	(43,848)		43,848	-	-
Total bonds payable	30,811,230	2,916,461	(1,316,714)	32,410,976	2,015,000
Capital lease obligation	41,913	-	(41,913)	-	-
Accrued interest	97,249	18,170	-	115,419	115,419
Health claims payable	156,400	2,482,124	(2,445,124)	193,400	193,400
Post-employment health care	520,659	245,963	-	766,622	-
Compensated absences	590,292	632,659	(589,182)	633,769	253,508
Long-term liabilities	<u>\$32,217,743</u>	<u>\$ 6,295,376</u>	<u>\$ (4,392,933)</u>	<u>\$34,120,186</u>	<u>\$ 2,577,327</u>

The General Fund generally liquidates claims and judgments, and compensated absences for governmental activities.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The following is a detailed listing of interfund receivables and payables shown in the combined balance sheet:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 136,949	\$ 425,521
Public Facilities Cooperative District Fund	208,580	136,949
Non-Major Governmental Funds	216,941	-
Total	<u>\$ 562,470</u>	<u>\$ 562,470</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE G - INTERFUND TRANSFERS

Interfund transfers during the year ended September 30, 2013 were as follows:

Fund	Transfers To Other Funds	Transfers From Other Funds
General Fund	\$ 7,660,464	\$ 617,925
Capital Projects Fund	-	6,986,602
Public Facilities Cooperative District Fund	826,005	1,662,210
Farmers and Fishermen's Market Fund	-	373,696
Non-Major Governmental Funds	2,740,352	1,586,388
Total	<u>\$ 11,226,821</u>	<u>\$ 11,226,821</u>

Transfers to or from other funds are based on budgetary or statutory requirements, occur on a routine basis, and are consistent with the activities of the fund making the transfer.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE H - FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in aggregate in the governmental funds balance sheet are detailed according to balance classification and fund.

	General Fund	Capital Projects Fund	Public Facilities Coop District	Non-Major Funds	Total
Fund Balances:					
Non-Spendable:					
Inventory	\$ 82,781	\$ -	\$ -	\$ -	\$ 82,781
Long-term note receivable	9,000	-	-	-	9,000
Prepaid expenses	79,054	-	-	-	79,054
Total Non-Spendable	170,835	-	-	-	170,835
Restricted:					
Debt service reserves	-	-	1,803,153	334,984	2,138,137
State gas tax	-	-	-	507,468	507,468
County fire Ad Valorem tax	-	-	-	198,101	198,101
Corrections	-	-	-	74,441	74,441
Centennial contributions	-	-	-	130,993	130,993
Federal forfeitures	102,037	-	-	-	102,037
Total Restricted	102,037	-	1,803,153	1,245,987	3,151,177
Committed:					
Economic development	-	-	261,419	-	261,419
Loans receivable	-	-	28,344	-	28,344
Capital projects	-	116,092	-	-	116,092
Culture and recreation	-	-	-	134,520	134,520
Farmers Market	-	-	2,067	-	2,067
Total Committed	-	116,092	291,830	134,520	542,442
Assigned:					
Culture and recreation	30,667	-	-	-	30,667
Balancing future budget shortfalls	4,919,487	-	-	-	4,919,487
Sewer rehabilitation project	-	-	-	50	50
Self-Insurance provisions	506,813	-	-	-	506,813
Total Assigned	5,456,967	-	-	50	5,457,017
Unassigned:	10,862,662	-	(343,321)	-	10,519,341
Total Fund Balances	\$16,592,501	\$ 116,092	\$ 1,751,662	\$1,380,557	\$19,840,812

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE I - LEASES

Lessor - The U.S. Postal Service occupies a City owned facility under a twenty (20) year lease which expires in 2015. The annual rental revenues are \$140,532 for the remainder of the lease.

Lessee - During the year ended September 30, 2011, the City entered into a non-cancelable operating lease for a commercial building used for storage from June 1, 2011 – May 31, 2016. The total lease payments made during the current year were \$33,000. The future minimum lease payments are as follows:

Year ending September 30:

2014	\$ 33,000
2015	33,000
2016	22,000
	<u>\$ 88,000</u>

NOTE J - RISK MANAGEMENT AND SELF-INSURED HEALTH INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance to cover these risks. During the year the City had no significant reductions in its commercial insurance coverage from the prior year. In addition, there have been no settlements that exceeded the City's insurance coverage in any of the past three fiscal years.

Beginning in January 2009, the City established a self-funded health plan for its employees. A third-party administrator is responsible for the approval, processing, and payment of claims. The City is responsible for a monthly administrative fee. Employees who are eligible for coverage by the plan are charged a monthly fee and claims paid by the City are charged to the various departments where each employee works. Medical claims exceeding \$50,000 per covered individual, per year, are covered through a private insurance carrier.

Liabilities for unpaid claims are based on recommendations by third-party administrators. Changes in the balance of claims liabilities, including provision for incurred but not reported (IBNR) claims, are as follows:

	2013	2012
Unpaid claims, beginning of year	\$ 156,400	\$ 129,300
Incurred claims, including change in IBNR provision	2,482,124	1,960,695
Claims payments	(2,445,124)	(1,933,595)
Unpaid claims, end of year	<u>\$ 193,400</u>	<u>\$ 156,400</u>

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE K - PENSION PLANS

The schedules of funding progress for the City's pension plans are presented as required supplementary information, following the notes to the financial statements, and present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ERSA DEFINED BENEFIT PENSION PLAN

1. Plan Description

The City participates in the Employees' Retirement System of Alabama ("ERSA"), an agent multiple-employer public employee retirement system (PERS), that acts as a common investment and administrative agent for the various state agencies and departments as well as for cities and counties which elect to participate in ERSA. Membership is mandatory for covered or eligible City employees and substantially all employees are members of ERSA. ERSA was established under the provisions of Act 515, Acts of Alabama 1945, and provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The responsibility for general administration and operation of ERSA is vested in the State Board of Control. Benefit provisions are established by state law and authority to amend the plan rests with the Legislature of Alabama. ERSA issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

2. Funding Policy

General employees are required to contribute 5% (for employees hired before January 1, 2013) and 6% (for employees hired after January 1, 2013) of their annual covered payroll. Certified police and firefighters are required to contribute 6% (for employees hired before January 1, 2013) and 7% (for employees hired after January 1, 2013) of their annual covered payroll. The City is required to contribute at an actuarially determined rate. The rate for fiscal year ended September 30, 2013 was 6.17% of annual covered payroll. The contribution requirements for employees and the City are mandated by state statutes.

3. Annual Pension Cost

For 2013, the City's annual pension cost of \$638,926 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2012, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a remaining amortization period of 14 years.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE K - PENSION PLANS - (Continued)

ERSA DEFINED BENEFIT PENSION PLAN- (Continued)

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$ 584,677	100%	\$ -
9/30/12	\$ 587,139	100%	\$ -
9/30/13	\$ 638,926	100%	\$ -

The funded status of the plan as of September 30, 2012, the most recent actuarial valuation date is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of Payroll
\$ 14,508,615	\$ 17,805,180	\$ 3,296,565	81.50%	\$ 9,604,176	34.30%

NOTE L - POST-EMPLOYMENT HEALTH CARE BENEFITS

1. Plan Description

The City of Foley Health Care Plan is a single-employer self-funded defined benefit health care plan administered by the City of Foley. The City subsidizes retiree medical, vision, and dental coverage by paying claims in excess of retiree contributions. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made as of September 30, 2012. Membership in the plan consisted of eleven retirees and two hundred thirty-four active employees at that date. The Plan does not issue stand-alone financial reports.

Under the City's Health Care Plan, a retired employee who draws a monthly retirement check may elect to continue coverage in the Plan if the retiree has 25 years of service, regardless of age, or the retiree has 10 years of service and is 60 years old, or has been determined to be disabled by the Social Security Administration or the Retirement System of Alabama. Coverage is also offered to eligible retirees' dependents. Retirees reimburse the City for 100% of the premium rate set by the City for health, vision, and dental coverage. Pre-Medicare retirees pay the blended premium rate, while Medicare-eligible retirees are offered a C-Plus Plan with Blue Cross Blue Shield of Alabama.

2. Funding Policy

The contribution requirements of plan members are established and may be amended by the City of Foley. The City's required contribution is based on projected pay-as-you-go financing requirements.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE L - POST-EMPLOYMENT HEALTH CARE BENEFITS – (Continued)

3. Annual Other Post-Employment Benefit Cost

The cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Accordingly, the City recognizes the cost of postemployment healthcare in the year when employee services are rendered, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows.

Because the City adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

For 2013, the City's annual other post-employment benefit (OPEB) cost was calculated based on the annual required contribution of the employer (ARC), which was determined as part of the September 30, 2012 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4.0% discount rate and (b) projected medical cost increases ranging from 7.0% in 2012 to 5.0% in 2015 and beyond. The discount rate includes an inflation component of 3.0% and reflects the fact that no assets are set aside within the City of Foley that are legally held exclusively for retiree health benefits. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The following table shows the components of the City's annual OPEB cost, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the year ended September 30, 2013:

Annual required contribution (a)	\$ 249,523
Interest on net OPEB obligation	20,826
Adjustment to the annual required contribution	<u>(16,496)</u>
Annual OPEB Cost	253,853
Contributions made by City	<u>(7,891)</u>
Increase in net OPEB obligation	245,962
Net OPEB obligation - beginning of year	<u>520,659</u>
Net OPEB obligation - end of year	<u><u>\$ 766,621</u></u>

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE L - POST-EMPLOYMENT HEALTH CARE BENEFITS – (Continued)

3. Annual Other Post-Employment Benefit Cost – (Continued)

(a) Includes normal cost of \$183,429 plus amortized unfunded actuarial accrued liability cost of \$66,094

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three years were:

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/11	\$ 200,967	26.33%	\$ 293,687
9/30/12	\$ 251,965	9.92%	\$ 520,659
9/30/13	\$ 253,853	3.11%	\$ 766,621

NOTE M - DEFERRED COMPENSATION PLAN

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457. The plan is available to all eligible employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The plan is administered by the Employees' Retirement System of Alabama as fiduciary. Under the terms of an IRS Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts are held by the financial institution, until paid or made available to the employees or beneficiaries.

NOTE N – LENGTH OF SERVICE AWARDS PROGRAM

The City sponsors a length of service awards program (established in 1994) for the City's volunteer firemen that provides a retirement benefit upon a participant reaching age 65 in the form of a specified payment for the life of the participant with a guarantee of at least 120 monthly payments payable to the participant and his designated beneficiary. A life insurance benefit is also provided. The monthly amount payable ranges between a minimum amount of \$100 and a maximum amount of \$300. The City's obligation to pay benefits is considered unfunded and unsecured although the City may set aside assets or purchase an annuity or life insurance contract to discharge all or part of its obligations under the plan. Any assets set aside or annuities or life insurance contracts remain in the name of the City and no trust for the benefit of participants is deemed created. The plan had 36 participants as of the plan year ended June 30, 2013. Due to immateriality of amounts related to the plan, the City has elected not to apply the provisions of GASB 45 to the plan.

City of Foley, Alabama
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2013

NOTE O - COMMITMENTS AND CONTINGENCIES

The City had various capital improvement projects in progress at September 30, 2013. In addition, the City has commitments and plans for additional major capital projects for the fiscal year September 30, 2014. The cost of these projects is estimated by management to be approximately \$8.1 million at September 30, 2014. The City expects to receive partial funding of approximately \$1.4 million for these projects from third parties in the form of grants and joint participation reimbursements in 2014.

Various lawsuits are pending against the City. In addition, claims have been filed which have not yet resulted in lawsuits. In the opinion of legal counsel, the potential adverse impact of all these claims, individually or in the aggregate, would not be material to the financial statements of the City.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grants. City management believes such disallowances, if any, would not be material to the financial statements of the City.

At September 30, 2013, the Farmers and Fishermen's Market, a non-major special revenue fund, has a deficit fund balance of \$341,254. The deficit is due to startup costs related to establishing the Farmers and Fishermen's Market.

NOTE P - ECONOMIC DEPENDENCY

The City's main revenue sources are derived primarily from sales tax on retail businesses, charges for services such as waste removal, and utility tax equivalents (Note C). The revenues are collected on a monthly basis.

NOTE Q - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 63 – In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement is effective for the City's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement will affect the format and reporting of the balance sheet at the government-wide level and also at the fund level.

NOTE R – SUBSEQUENT EVENT

In October 2013, the City of Foley Public Cooperative district established a line of credit in the amount of \$400,000 with a local bank to fund costs associated with the Coastal Alabama Farmers and Fishermen's Market. The interest is 3% fixed. The line matures in October 2014.

REQUIRED SUPPLEMENTARY INFORMATION

City of Foley, Alabama
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 1,194,428	\$ 1,194,428	\$ 1,212,071	\$ 17,643
Sales and other local taxes	12,900,800	12,900,800	13,686,601	785,801
Licenses and permits	2,014,000	2,014,000	2,141,591	127,591
Intergovernmental	157,583	369,280	264,575	(104,705)
Charges for services	1,806,566	1,825,216	1,849,774	24,558
Fines and forfeitures	608,132	608,132	547,554	(60,578)
Utility tax equivalents	6,285,311	6,285,311	6,285,978	667
Interest and rents	358,131	399,281	379,970	(19,311)
Contributions and donations	27,250	28,950	29,652	702
Other	155,808	155,808	179,278	23,470
Total revenues	<u>25,508,009</u>	<u>25,781,206</u>	<u>26,577,044</u>	<u>795,838</u>
Expenditures				
Personnel	15,257,950	15,704,612	15,434,497	270,115
Operating	7,128,621	7,184,822	6,797,293	387,529
Capital outlay	871,150	977,202	935,441	41,761
Debt service:				
Principal	41,913	41,913	41,913	-
Interest	2,509	2,509	2,509	-
Total expenditures	<u>23,302,143</u>	<u>23,911,058</u>	<u>23,211,653</u>	<u>699,405</u>
Excess (deficiency) of revenues over expenditures	2,205,866	1,870,148	3,365,391	1,495,243
Other financing sources (uses)				
Transfers in	807,605	713,320	617,923	(95,397)
Transfers out	(5,553,986)	(5,686,971)	(7,660,464)	(1,973,493)
Proceeds from sale of assets	122,000	122,000	106,898	(15,102)
Total other financing sources (uses)	<u>(4,624,381)</u>	<u>(4,851,651)</u>	<u>(6,935,643)</u>	<u>(2,083,992)</u>
Net change in fund balances	(2,418,515)	(2,981,503)	(3,570,252)	(588,749)
Fund balances, beginning of year	<u>20,162,753</u>	<u>20,162,753</u>	<u>20,162,753</u>	<u>-</u>
Fund balances, end of year	<u>\$ 17,744,238</u>	<u>\$ 17,181,250</u>	<u>\$ 16,592,501</u>	<u>\$ (588,749)</u>

See accompanying notes to required supplemental information.

City of Foley, Alabama
PUBLIC FACILITIES COOPERATIVE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest and rents	\$ 99,400	\$ 99,400	\$ 101,430	\$ 2,030
Other	791,300	791,300	876,737	85,437
Total revenues	890,700	890,700	978,167	87,467
Expenditures				
Debt service:				
Principal	855,000	855,000	855,000	-
Interest	807,628	807,628	807,628	-
Total expenditures	1,662,628	1,662,628	1,662,628	-
Excess (deficiency) of revenues over expenditures	(771,928)	(771,928)	(684,461)	87,467
Other financing sources (uses)				
Transfers in	1,662,628	1,662,628	1,662,210	(418)
Transfers out	(900,320)	(900,320)	(826,005)	74,315
Proceeds from sale of assets	10,020	10,020	37,246	27,226
Total other financing sources (uses)	772,328	772,328	873,451	101,123
Net change in fund balances	400	400	188,990	188,590
Fund balances, beginning of year	1,903,924	1,903,924	1,903,926	2
Fund balances, end of year	<u>\$1,904,324</u>	<u>\$1,904,324</u>	<u>\$ 2,092,916</u>	<u>\$ 188,592</u>

Reconciliation to Schedule of Revenues, Expenditures, and Changes in Fund Balance

Presentation for Combined Component Unit - Public Facilities Cooperative District

Net Change in Fund Balance for PFCD	\$ 188,990
Revenues and transfers in applicable to Farmers and Fishermen's Market	629,267
Expenditures applicable to Farmers and Fishermen's Market	(970,521)
Net Change in Fund Balance	<u>\$ (152,264)</u>

See accompanying notes to required supplemental information.

CITY OF FOLEY, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
SEPTEMBER 30, 2013

SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/30/06	\$ 8,766,464	\$ 9,889,714	\$ 1,123,250	88.60%	\$ 6,315,321	17.80%
9/30/07	\$ 10,169,068	\$ 11,687,397	\$ 1,518,329	87.00%	\$ 7,903,367	19.20%
9/30/08	\$ 11,294,583	\$ 13,265,596	\$ 1,971,013	85.10%	\$ 9,142,381	21.60%
9/30/09	\$ 12,139,465	\$ 15,305,288	\$ 3,165,823	79.30%	\$ 9,619,363	32.90%
9/30/10	\$ 12,694,381	\$ 17,156,015	\$ 4,461,634	74.00%	\$ 9,539,301	46.80%
9/30/11	\$ 13,496,740	\$ 18,472,270	\$ 4,975,530	73.10%	\$ 9,961,210	49.90%
9/30/12	\$ 14,508,615	\$ 17,805,180	\$ 3,296,565	81.5%	\$ 9,604,176	34.30%

CITY OF FOLEY, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS– (CONTINUED)
SEPTEMBER 30, 2013

SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT HEALTH CARE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
9/30/07	\$ -	\$ 451,771	\$ 451,771	0.0%	\$ 7,903,367	5.7%
9/30/09	\$ -	\$ 1,608,044	\$ 1,608,044	0.0%	\$ 9,619,363	16.7%
9/30/11	\$ -	\$ 1,971,477	\$ 1,971,477	0.0%	\$ 9,663,709	20.4%

City of Foley, Alabama
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2013

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During the months of July and August, Administration meets with each of the department heads to discuss a proposed budget for that department for the fiscal year commencing the following October 1.
2. Administration then drafts budgets for the General Fund, which include proposed expenditures and the means of financing them.
3. On or before September 1, a proposed budget is submitted to the Mayor and City Council. Prior to October 1, the budgets are legally enacted through passage of a resolution.
4. The City Council may amend the budget through resolution as needed.
5. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) and in accordance with Alabama law.
6. With the exception of construction work in progress, appropriations lapse at the end of each fiscal year.

OTHER SUPPLEMENTARY INFORMATION

Non-major Governmental Funds

Special Revenue Funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes

Fire Department Ad Valorem – A county-wide one and one-half mill ad valorem tax is assessed and equally distributed to qualifying county volunteer fire departments, municipal fire departments, and volunteer municipal fire departments. The proceeds are restricted to the acquisition of fire trucks, fire stations, fire equipment, communications, fire training, fire vehicle and station insurance and repair, oil, gas, hydrants, and utilities.

State Gasoline Tax – State-shared fuel taxes and Inspection Fees are received and their use is restricted by both constitutional and statutory limitations.

Library Fund – The primary revenues are State Grants which are restricted, donations from Citizens which are restricted, and fines and related revenues which are committed to library purposes and controlled by a Board elected by Council.

Corrections Fund – In accordance with State Law, Ordinance 524-96 establishes a special court fee upon conviction to be used exclusively for the operation and maintenance of the municipal jail and court complex and includes such expenses as salaries, office machines, and repairs.

Recreational Activities Fund – Includes revenues and expenses that are a direct result of programs offered, as well as net operations of on premise concessions.

Debt Service Funds are used to account for the accumulation of resources to be used for payment of principal and interest on general long-term debt.

Capital Project Funds account for various types of financial resources to be used for acquiring or constructing capital facilities.

Centennial Fund – to account for donations received to be used to construct Centennial Plaza as a monument to the City's one-hundredth anniversary.

Community Development Block Grant (CDBG) Project No. LR-CM-PF-12-007 Fund – to account for grant funding received and expended for a sewer rehabilitation project.

City of Foley, Alabama
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
ASSETS				
Cash	\$ 899,072	\$ 334,982	\$ 131,043	\$ 1,365,097
Certificates of deposit	16,623	-	-	16,623
Receivables				
Gasoline excise tax	7,945	-	-	7,945
Property and advalorem taxes	11,233	-	-	11,233
Grants	-	-	241,358	241,358
Other	60	-	78,290	78,350
Total assets	<u>\$ 934,933</u>	<u>\$ 334,982</u>	<u>\$ 450,691</u>	<u>\$ 1,720,606</u>
LIABILITIES				
Accounts payable	\$ 18,027	\$ -	\$ 81,760	\$ 99,787
Accrued expenses	-	-	23,321	23,321
Due to other funds	2,374	-	214,567	216,941
Total liabilities	<u>20,401</u>	<u>-</u>	<u>319,648</u>	<u>340,049</u>
FUND BALANCES				
Restricted	780,012	334,982	130,993	1,245,987
Committed	134,520	-	-	134,520
Assigned	-	-	50	50
Total fund balances	<u>914,532</u>	<u>334,982</u>	<u>131,043</u>	<u>1,380,557</u>
Total liabilities and fund balances	<u>\$ 934,933</u>	<u>\$ 334,982</u>	<u>\$ 450,691</u>	<u>\$ 1,720,606</u>

City of Foley, Alabama
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended September 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Non-Major Governmental Funds
Revenues				
Property and advalorem taxes	\$ 155,375	\$ -	\$ -	\$ 155,375
Sales and other local taxes	87,321	-	-	87,321
Intergovernmental	20,122	-	256,358	276,480
Charges for services	234,278	-	-	234,278
Fines and forfeitures	97,014	-	-	97,014
Interest and rents	861	17	-	878
Contributions and donations	17,285	-	433,671	450,956
Other	9,398	36,206	-	45,604
Total revenues	<u>621,654</u>	<u>36,223</u>	<u>690,029</u>	<u>1,347,906</u>
Expenditures				
Current:				
General government	18,351	-	-	18,351
Public safety	92,094	-	-	92,094
Culture and recreation	232,990	-	7,848	240,838
Capital outlay	435,915	-	599,709	1,035,624
Debt service:				
Principal	-	1,035,000	-	1,035,000
Interest	-	417,998	-	417,998
Bond cost	-	146,349	-	146,349
Total expenditures	<u>779,350</u>	<u>1,599,347</u>	<u>607,557</u>	<u>2,986,254</u>
Excess (deficiency) of revenues over expenditures	(157,696)	(1,563,124)	82,472	(1,638,348)
Other financing sources (uses)				
Transfers in	100,000	1,470,036	16,355	1,586,391
Transfers out	(500)	(2,739,852)	-	(2,740,352)
Bond proceeds	-	2,975,000	-	2,975,000
Bond discount	-	(58,539)	-	(58,539)
Total other financing sources (uses)	<u>99,500</u>	<u>1,646,645</u>	<u>16,355</u>	<u>1,762,500</u>
Net change in fund balances	(58,196)	83,521	98,827	124,152
Fund balances, beginning of year	<u>972,728</u>	<u>251,461</u>	<u>32,216</u>	<u>1,256,405</u>
Fund balances, end of year	<u>\$ 914,532</u>	<u>\$ 334,982</u>	<u>\$ 131,043</u>	<u>\$ 1,380,557</u>

City of Foley, Alabama
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	County Fire Ad Valorem Tax and State Grant	State Gasoline Tax	Public Library	Corrections	Recreational Activities	Totals
ASSETS						
Cash	\$186,869	\$517,550	\$ 62,836	\$ 75,415	\$ 56,402	\$899,072
Certificates of deposit	-	-	16,623	-	-	16,623
Receivables						
Gasoline excise tax	-	7,945	-	-	-	7,945
Property and advalorem taxes	11,233	-	-	-	-	11,233
Total assets	<u>\$198,102</u>	<u>\$525,495</u>	<u>\$ 79,459</u>	<u>\$ 75,415</u>	<u>\$ 56,462</u>	<u>\$934,933</u>
LIABILITIES						
Due to other funds	\$ -	\$ -	\$ -	\$ 973	\$ 1,401	\$ 2,374
Total liabilities	<u>-</u>	<u>18,027</u>	<u>-</u>	<u>973</u>	<u>1,401</u>	<u>20,401</u>
FUND BALANCES						
Restricted	198,102	507,468	-	74,442	-	780,012
Committed	-	-	79,459	-	55,061	134,520
Total fund balances	<u>198,102</u>	<u>507,468</u>	<u>79,459</u>	<u>74,442</u>	<u>55,061</u>	<u>914,532</u>
Total liabilities and fund balance	<u>\$198,102</u>	<u>\$525,495</u>	<u>\$ 79,459</u>	<u>\$ 75,415</u>	<u>\$ 56,462</u>	<u>\$934,933</u>

City of Foley, Alabama
NON-MAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended September 30, 2013

	County Fire Ad Valorem Tax and State Grant	State Gasoline Tax	Public Library	Corrections	Recreational Activities	Totals
Revenues						
Property and advalorem taxes	\$155,375	\$ -	\$ -	\$ -	\$ -	\$ 155,375
Sales and other local taxes	-	87,321	-	-	-	87,321
Intergovernmental	-	-	20,122	-	-	20,122
Charges for services	-	-	-	-	234,278	234,278
Fines and forfeitures	-	-	13,766	83,248	-	97,014
Interest and rents	-	756	105	-	-	861
Contributions and donations	3,000	-	14,285	-	-	17,285
Other	-	-	9,398	-	-	9,398
Total revenues	<u>158,375</u>	<u>88,077</u>	<u>57,676</u>	<u>83,248</u>	<u>234,278</u>	<u>621,654</u>
Expenditures						
Current:						
General government	-	-	-	18,351	-	18,351
Public safety	15,055	42,888	-	34,151	-	92,094
Culture and recreation	-	-	53,364	-	179,626	232,990
Capital outlay	433,030	-	1,490	1,395	-	435,915
Total expenditures	<u>448,085</u>	<u>42,888</u>	<u>54,854</u>	<u>53,897</u>	<u>179,626</u>	<u>779,350</u>
Excess (deficiency) of revenues over expenditures	(289,710)	45,189	2,822	29,351	54,652	(157,696)
Other financing sources (uses)						
Transfers in	100,000	-	-	-	-	100,000
Transfers out	-	-	(500)	-	-	(500)
Total other financing sources (uses)	<u>100,000</u>	<u>-</u>	<u>(500)</u>	<u>-</u>	<u>-</u>	<u>99,500</u>
Net change in fund balances	(189,710)	45,189	2,322	29,351	54,652	(58,196)
Fund balances, beginning of year	387,812	462,279	77,137	45,091	409	972,728
Fund balances, end of year	<u>\$198,102</u>	<u>\$507,468</u>	<u>\$ 79,459</u>	<u>\$ 74,442</u>	<u>\$ 55,061</u>	<u>\$ 914,532</u>

City of Foley, Alabama
NON-MAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	Energy Conservation Bonds Series 2013	General Obligation Warrants Series 2009	Totals
ASSETS			
Cash	<u>\$ 85,021</u>	<u>\$ 249,961</u>	<u>\$ 334,982</u>
FUND BALANCE			
Restricted	<u>\$ 85,021</u>	<u>\$ 249,961</u>	<u>\$ 334,982</u>

NON-MAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended September 30, 2013

	Energy Conservation Bonds Series 2013	General Obligation Warrants Series 2006A	General Obligation Warrants Series 2009	Totals
Revenues				
Interest	\$ -	\$ -	\$ 17	\$ 17
Other	36,206	-	-	36,206
Total revenues	<u>36,206</u>	<u>-</u>	<u>17</u>	<u>36,223</u>
Expenditures				
Debt service:				
Principal	-	735,000	300,000	1,035,000
Interest	43,734	271,464	102,800	417,998
Bond cost	91,588	54,761	-	146,349
Total expenditures	<u>135,322</u>	<u>1,061,225</u>	<u>402,800</u>	<u>1,599,347</u>
Excess (deficiency) of revenues over expenditures	(99,116)	(1,061,225)	(402,783)	(1,563,124)
Other financing sources (uses)				
Transfers in	7,528	1,061,225	401,283	1,470,036
Transfers out	(2,739,852)	-	-	(2,739,852)
Bond proceeds	2,975,000	-	-	2,975,000
Bond discount	(58,539)	-	-	(58,539)
Total other financing sources (uses)	<u>184,137</u>	<u>1,061,225</u>	<u>401,283</u>	<u>1,646,645</u>
Net change in fund balances	85,021	-	(1,500)	83,521
Fund balances, beginning of year	-	-	251,461	251,461
Fund balances, end of year	<u>\$ 85,021</u>	<u>\$ -</u>	<u>\$ 249,961</u>	<u>\$ 334,982</u>

City of Foley, Alabama
NON-MAJOR CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	Centennial Fund	CDBG Fund	Total Non-Major Capital Projects Funds
ASSETS			
Cash	\$ 130,993	\$ 50	\$ 131,043
Receivables			
Grants	-	241,358	241,358
Other	-	78,290	78,290
Total assets	<u>\$ 130,993</u>	<u>\$ 319,698</u>	<u>\$ 450,691</u>
LIABILITIES			
Accounts payable	\$ -	\$ 81,760	\$ 81,760
Accrued expenses	-	23,321	23,321
Due to other funds	-	214,567	214,567
Total liabilities	<u>-</u>	<u>319,648</u>	<u>319,648</u>
FUND BALANCES			
Restricted	130,993	-	130,993
Assigned	-	50	50
Total fund balances	<u>130,993</u>	<u>50</u>	<u>131,043</u>
Total liabilities and fund balances	<u>\$ 130,993</u>	<u>\$ 319,698</u>	<u>\$ 450,691</u>

City of Foley, Alabama
NON-MAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended September 30, 2013

	Centennial Fund	CDBG Fund	Total Non-Major Capital Projects Funds
Revenues			
Intergovernmental	\$ -	\$ 256,358	\$ 256,358
Contributions and donations	99,530	334,141	433,671
Total revenues	<u>99,530</u>	<u>590,499</u>	<u>690,029</u>
Expenditures			
Current:			
Culture and recreation	7,848	-	7,848
Capital outlay	9,210	590,499	599,709
Total expenditures	<u>17,058</u>	<u>590,499</u>	<u>607,557</u>
Excess (deficiency) of revenues over expenditures	82,472	-	82,472
Other financing sources (uses)			
Transfers in	<u>16,305</u>	<u>50</u>	<u>16,355</u>
Net change in fund balances	98,777	50	98,827
Fund balances, beginning of year	<u>32,216</u>	<u>-</u>	<u>32,216</u>
Fund balances, end of year	<u>\$ 130,993</u>	<u>\$ 50</u>	<u>\$ 131,043</u>

City of Foley, Alabama
COMBINING COMPONENT UNIT SPECIAL REVENUE FUNDS
BALANCE SHEET
September 30, 2013

	Public Facilities Cooperative District	Farmers and Fishermen's Market	Totals
ASSETS			
Cash	\$ 2,136,203	\$ 2,067	\$ 2,138,270
Other	28,344	-	28,344
Due from other funds	136,949	-	136,949
Total assets	\$ 2,301,496	\$ 2,067	\$ 2,303,563
LIABILITIES			
Accounts payable	\$ -	\$ 343,321	\$ 343,321
Due to other funds	208,580	-	208,580
Total liabilities	208,580	343,321	551,901
FUND BALANCES			
Restricted	1,803,153	-	1,803,153
Committed	289,763	2,067	291,830
Unassigned	-	(343,321)	(343,321)
Total fund balances	2,092,916	(341,254)	1,751,662
Total liabilities and fund balances	\$ 2,301,496	\$ 2,067	\$ 2,303,563

City of Foley, Alabama
COMBINING COMPONENT UNIT SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year ended September 30, 2013

	Public Facilities Cooperative District	Farmers and Fishermen's Market	Totals
Revenues			
Interest and rents	\$ 101,430	\$ 1,572	\$ 103,002
Contributions and donations	-	254,000	254,000
Other	876,737	-	876,737
Total revenues	<u>978,167</u>	<u>255,572</u>	<u>1,233,739</u>
Expenditures			
Current:			
Economic development	-	5,057	5,057
Capital outlay	-	965,464	965,464
Debt service:			
Principal	855,000	-	855,000
Interest	807,628	-	807,628
Total expenditures	<u>1,662,628</u>	<u>970,521</u>	<u>2,633,149</u>
Excess (deficiency) of revenues over expenditures	(684,461)	(714,949)	(1,399,410)
Other financing sources (uses)			
Transfers in	1,662,210	373,695	2,035,905
Transfers out	(826,005)	-	(826,005)
Proceeds from sale of assets	37,246	-	37,246
Total other financing sources (uses)	<u>873,451</u>	<u>373,695</u>	<u>1,247,146</u>
Net change in fund balances	188,990	(341,254)	(152,264)
Fund balances, beginning of year	<u>1,903,926</u>	<u>-</u>	<u>1,903,926</u>
Fund balances, end of year	<u>\$ 2,092,916</u>	<u>\$ (341,254)</u>	<u>\$ 1,751,662</u>

City of Foley, Alabama
COUNTY FIRE AD VALOREM TAX AND STATE GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and advalorem taxes	\$ 146,000	\$ 146,000	\$ 155,375	\$ 9,375
Interest and rents	25	25	-	(25)
Contributions and donations	-	3,000	3,000	-
Total revenues	<u>146,025</u>	<u>149,025</u>	<u>158,375</u>	<u>9,350</u>
Expenditures				
Public safety - operating	55,000	55,000	15,055	39,945
Capital outlay	<u>470,500</u>	<u>470,500</u>	<u>433,030</u>	<u>37,470</u>
Total expenditures	<u>525,500</u>	<u>525,500</u>	<u>448,085</u>	<u>77,415</u>
Excess (deficiency) of revenues over expenditures	(379,475)	(376,475)	(289,710)	86,765
Other financing sources (uses)				
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	(279,475)	(276,475)	(189,710)	86,765
Fund balances, beginning of year	<u>387,812</u>	<u>387,812</u>	<u>387,812</u>	<u>-</u>
Fund balances, end of year	<u>\$ 108,337</u>	<u>\$ 111,337</u>	<u>\$ 198,102</u>	<u>\$ 86,765</u>

City of Foley, Alabama
STATE GASOLINE TAX
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Sales and other local taxes	\$ 87,074	\$ 87,074	\$ 87,321	\$ 247
Interest and rents	238	238	756	518
Total revenues	<u>87,312</u>	<u>87,312</u>	<u>88,077</u>	<u>765</u>
Expenditures				
Public safety - operating	25,000	25,000	42,888	(17,888)
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>42,888</u>	<u>(17,888)</u>
Excess (deficiency) of revenues over expenditures	62,312	62,312	45,189	(17,123)
Other financing sources (uses)				
Transfers out	(150,000)	(150,000)	-	150,000
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>	<u>150,000</u>
Net change in fund balances	(87,688)	(87,688)	45,189	132,877
Fund balances, beginning of year	462,279	462,279	462,279	-
Fund balances, end of year	<u>\$ 374,591</u>	<u>\$ 374,591</u>	<u>\$ 507,468</u>	<u>\$ 132,877</u>

City of Foley, Alabama
PUBLIC LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	\$ 11,090	\$ 16,340	\$ 20,122	\$ 3,782
Fines and forfeitures	14,000	14,000	13,766	(234)
Interest and rents	200	200	105	(95)
Contributions and donations	22,950	29,190	14,285	(14,905)
Other	9,250	9,250	9,398	148
Total revenues	<u>57,490</u>	<u>68,980</u>	<u>57,676</u>	<u>(11,304)</u>
Expenditures				
Culture and recreation - operating	68,100	79,662	53,364	26,298
Capital outlay	-	1,240	1,490	(250)
Total expenditures	<u>68,100</u>	<u>80,902</u>	<u>54,854</u>	<u>26,048</u>
Excess (deficiency) of revenues over expenditures	(10,610)	(11,922)	2,822	14,744
Other financing sources (uses)				
Transfers out	-	(500)	(500)	-
Total other financing sources (uses)	<u>-</u>	<u>(500)</u>	<u>(500)</u>	<u>-</u>
Net change in fund balances	(10,610)	(12,422)	2,322	14,744
Fund balances, beginning of year	77,137	77,137	77,137	-
Fund balances, end of year	<u>\$ 66,527</u>	<u>\$ 64,715</u>	<u>\$ 79,459</u>	<u>\$ 14,744</u>

City of Foley, Alabama
CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Fines and forfeitures	\$ 94,000	\$ 94,000	\$ 83,248	\$ (10,752)
Interest and rents	21	21	-	(21)
Total revenues	<u>94,021</u>	<u>94,021</u>	<u>83,248</u>	<u>(10,773)</u>
Expenditures				
General government - operating	32,917	32,917	18,351	14,566
Public safety - operating	27,500	27,500	34,151	(6,651)
Capital outlay	-	1,395	1,395	-
Total expenditures	<u>60,417</u>	<u>61,812</u>	<u>53,897</u>	<u>7,915</u>
Excess (deficiency) of revenues over expenditures	33,604	32,209	29,351	(2,858)
Net change in fund balances	33,604	32,209	29,351	(2,858)
Fund balances, beginning of year	<u>45,091</u>	<u>45,091</u>	<u>45,091</u>	<u>-</u>
Fund balances, end of year	<u>\$ 78,695</u>	<u>\$ 77,300</u>	<u>\$ 74,442</u>	<u>\$ (2,858)</u>

City of Foley, Alabama
RECREATIONAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Charges for services	\$ 283,550	\$ 225,400	\$ 234,278	\$ 8,878
Interest and rents	10	10	-	(10)
Total revenues	<u>283,560</u>	<u>225,410</u>	<u>234,278</u>	<u>8,868</u>
Expenditures				
Culture and recreation - operating	<u>188,775</u>	<u>188,775</u>	<u>179,626</u>	<u>9,149</u>
Total expenditures	<u>188,775</u>	<u>188,775</u>	<u>179,626</u>	<u>9,149</u>
Excess (deficiency) of revenues over expenditures	94,785	36,635	54,652	18,017
Other financing sources (uses)				
Transfers out	<u>(94,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(94,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	36,635	54,652	18,017
Fund balances, beginning of year	409	409	409	-
Fund balances, end of year	<u>\$ 409</u>	<u>\$ 37,044</u>	<u>\$ 55,061</u>	<u>\$ 18,017</u>

City of Foley, Alabama
ENERGY CONSERVATION BONDS SERIES 2013
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Other	\$ -	\$ -	\$ 36,206	\$ 36,206
Total revenues	-	-	36,206	36,206
Expenditures				
Debt service				
Interest	-	-	43,734	(43,734)
Bond cost	-	91,588	91,588	-
Total expenditures	-	91,588	135,322	(43,734)
Excess (deficiency) of revenues over expenditures	-	(91,588)	(99,116)	(7,528)
Other financing sources (uses)				
Transfers in	-	-	7,528	7,528
Transfers out	-	(2,824,873)	(2,739,852)	85,021
Bond proceeds	-	2,975,000	2,975,000	-
Bond discount	-	(58,539)	(58,539)	-
Total other financing sources (uses)	-	91,588	184,137	92,549
Net change in fund balances	-	-	85,021	85,021
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ 85,021	\$ 85,021

City of Foley, Alabama
GENERAL OBLIGATION WARRANTS SERIES 2006A
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Expenditures				
Debt service				
Principal	735,000	735,000	735,000	-
Interest	271,465	271,465	271,464	1
Bond cost	54,762	54,762	54,761	1
Total expenditures	<u>1,061,227</u>	<u>1,061,227</u>	<u>1,061,225</u>	<u>2</u>
Excess (deficiency) of revenues over expenditures	(1,061,227)	(1,061,227)	(1,061,225)	2
Other financing sources (uses)				
Transfers in	<u>1,061,227</u>	<u>1,061,227</u>	<u>1,061,225</u>	<u>(2)</u>
Total other financing sources (uses)	<u>1,061,227</u>	<u>1,061,227</u>	<u>1,061,225</u>	<u>(2)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Foley, Alabama
GENERAL OBLIGATION WARRANTS SERIES 2009
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended September 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest	\$ 21	\$ 21	17	\$ (4)
Total revenues	21	21	17	(4)
Expenditures				
Debt service				
Principal	300,000	300,000	300,000	-
Interest	102,800	102,800	102,800	-
Total expenditures	402,800	402,800	402,800	-
Excess (deficiency) of revenues over expenditures	(402,779)	(402,779)	(402,783)	(4)
Other financing sources (uses)				
Transfers in	402,779	402,779	401,283	(1,496)
Total other financing sources (uses)	402,779	402,779	401,283	(1,496)
Net change in fund balances	-	-	(1,500)	(1,500)
Fund balances, beginning of year	251,461	251,461	251,461	-
Fund balances, end of year	\$ 251,461	\$ 251,461	\$ 249,961	\$ (1,500)

City of Foley, Alabama
SCHEDULE OF CONSTRUCTION IN PROGRESS
As of September 30, 2013

	Balance 9/30/2012	Additions	Transfers and Adjustments	Balance 9/30/2013
Softball Field & Concession (Soccer)	\$ 28,141	\$ -	\$ (5,461)	\$ 22,680
Airport Taxiways - Grant - ALP	18,716	1,661	(20,377)	-
Public Works - Fuel System	-	15,655	-	15,655
Police - five vehicles	172,950	52,883	(225,833)	-
Welcome/Visitor Info Centers - awning	930	958	(1,888)	-
Horticulture - gateway/welcome signs	500	17,149	(17,649)	-
Safe Routes to schools	18,946	157,072	(176,018)	-
Skate Park	44,723	75,201	(119,924)	-
Streetscape Phase III:				-
Trellis@Orange Avenue	-	-	-	-
Planters	-	-	-	-
Irrigation	27,357	10,800	(38,157)	-
SE Quadrant Bike Path Extensions				-
Phase I - Glenlakes	4,400	-	-	4,400
Wolf Creek Restoration Project	52,000	10,190	-	62,190
Streetscape Phase IV	19,519	376,998	(396,516)	-
Pavilions @A'Ville & Griffin Parks	64,707	1,251	(65,959)	-
Saferoom @ Fire Station #1	-	13,500	-	13,500
Purchase of 121 N Alston				-
Land	6,500	41,327	(47,827)	-
Building	-	66,488	(66,488)	-
Parking	-	11,174	(11,174)	-
Curbing	-	6,593	(6,593)	-
Project Ky Guardian (COPS Grant)	6,943	-	-	6,943
Five-Plex Covered Area	11,281	10,794	(22,074)	-
2 Tennis Courts/Roberts Park	8,188	90,881	(99,069)	-
FBEIP - concept plan/access road design	-	62,950	-	62,950
Wolf Creek Park Improvements	-	67,213	-	67,213
Fire Station - SE Quadrant	-	37,190	-	37,190
Dept of Commerce - EDA Grant	12,500	-	(12,500)	-
ATRIP - SE Quad Trans Improvements:				-
ATRIP - SE Quad/SE Region Stormwater	29,986	-	-	29,986
ATRIP - SE Quad/Juniper Widen & Ped Trails	58,925	-	-	58,925
ATRIP - SE Quad Trans Improvements	-	649,920	-	649,920
Sporting Event Facility	-	20,902	-	20,902
Land Purchase - Battaglia/Cross	1,500	59,422	(60,922)	-
ESCO Energy Improvements	-	3,167,807	-	3,167,807
Soccer Field Construction	-	770	-	770
GCNP-Outdoor Education Center	-	8,720	-	8,720
ATRIP II/Baldwin Co grant-City participate	-	68,444	-	68,444
Airport Fuel Farm	-	24,243	-	24,243
Airport - Runway 36 Relocate (const)	-	13,979	-	13,979
203 E. Orange - Build out Clinic	-	32,075	-	32,075
121 N. Alston Bldg Improvements	-	307	-	307
Centennial plaza:				-
Construction Admin Costs	1,604			1,604
Construction Professional services	1,738	9,210		10,948
Construction costs	167,900			167,900
CDBG project				-
Sewer Rehab - Grant Funds	-	218,858	-	218,858
Sewer Rehab - Riviera Match	-	334,141	-	334,141
Administrative - Grant Funds	-	37,500	-	37,500
CAFFM project				-
Market Construction	-	960,607	-	960,607
Market Construction PH II	-	4,857	-	4,857
		-	-	-
Sub total	759,954	6,739,689	(1,381,930)	6,105,213
Current Year CWIP Transfers	-	(823,580)	823,580	-
Current Year GASB Transfer	-	(157,072)	157,072	-
TOTAL	\$ 759,954	\$ 5,759,038	\$ (401,279)	\$ 6,105,213

STATISTICAL SECTION

(UNAUDITED)

The following statistical tables, which are an integral part of the City of Foley's comprehensive annual financial report, offer detailed information to assist the reader in understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial well-being. In the event historical data was unavailable, the data is omitted and replaced with an asterisk (*).

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, sales and use taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and its ability to issue additional debt in the future.

Demographic and Economic Information

These schedules provide the reader with an understanding of the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services it provides and the activities it performs.

CITY OF FOLEY, ALABAMA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Primary Government										
Net invested in capital assets	\$ 79,689,446	\$ 74,620,554	\$ 73,424,176	\$ 71,349,370	\$ 70,220,525	\$ 83,483,126	\$ 81,916,637	\$ 64,087,413	\$ 58,815,982	\$ 57,875,363
Restricted For:										
Capital projects	2,053,111	32,216	224,533	2,490,792	1,282,530	1,326,925	1,187,813	1,031,565	1,465,673	1,011,230
Debt service	216,014	2,054,798	2,139,764	2,135,444	2,064,217	259,234	261,394	252,262	196,811	365,349
Other purposes	882,052	1,027,208	1,199,126	-	-	-	-	-	-	-
Unrestricted	<u>14,980,425</u>	<u>18,903,373</u>	<u>19,452,311</u>	<u>20,625,628</u>	<u>20,855,210</u>	<u>9,948,924</u>	<u>6,490,926</u>	<u>11,790,395</u>	<u>13,129,522</u>	<u>11,001,899</u>
Total governmental activities net position	<u>\$ 97,821,048</u>	<u>\$ 96,638,149</u>	<u>\$ 96,439,910</u>	<u>\$ 96,601,234</u>	<u>\$ 94,422,482</u>	<u>\$ 95,018,209</u>	<u>\$ 89,856,770</u>	<u>\$ 77,161,635</u>	<u>\$ 73,607,988</u>	<u>\$ 70,253,841</u>

Source: City Finance Division

CITY OF FOLEY, ALABAMA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Program/Function Activities										
Governmental Activities:										
General government	\$ 5,942,056	\$ 5,096,176	\$ 4,829,325	\$ 4,655,034	\$ 4,376,197	\$ 4,821,188	\$ 4,488,236	\$ 4,021,630	\$ 6,178,536	\$ 5,092,439
Public safety	10,275,397	9,885,873	9,302,294	9,354,764	9,659,939	10,127,234	8,343,844	6,393,385	5,243,554	5,119,955
Highways and streets	3,948,204	5,087,068	4,603,813	4,366,671	3,873,200	5,666,906	2,809,366	2,896,709	2,389,327	2,321,863
Sanitation	2,251,707	2,107,324	2,114,831	2,145,550	2,111,691	1,993,048	1,734,747	1,639,974	1,575,998	1,457,805
Culture and recreation	4,858,407	4,924,916	4,448,209	3,945,381	3,831,500	3,478,166	3,845,069	2,645,022	2,138,774	1,825,254
Conservation	-	454	56,513	95,055	205,670	51,170	486,213	-	100,001	-
Economic development	728,321	658,281	1,447,843	23,543	53,652	-	-	-	32,353	464,635
Interest on long-term debt	1,451,189	1,305,944	1,508,543	1,508,248	818,086	1,135,307	1,235,459	1,022,704	603,309	284,778
Total Governmental Expense	<u>\$ 29,455,281</u>	<u>\$ 29,066,036</u>	<u>\$ 28,311,371</u>	<u>\$ 26,094,246</u>	<u>\$ 24,929,935</u>	<u>\$ 27,273,019</u>	<u>\$ 22,942,934</u>	<u>\$ 18,619,424</u>	<u>\$ 18,261,852</u>	<u>\$ 16,566,729</u>
Program/Function Revenues										
Governmental Activities:										
Charges for services										
General government	\$ 1,856,195	\$ 1,853,314	\$ 1,779,374	\$ 1,849,968	\$ 1,584,909	\$ 1,791,144	\$ 1,786,313	\$ 1,620,218	\$ 1,435,171	\$ 1,279,078
Public safety	1,064,732	960,788	884,572	863,965	745,660	1,251,150	1,694,477	1,598,572	1,398,592	882,113
Highways and streets	-	-	-	-	-	-	-	-	-	5,000
Sanitation	1,808,916	1,796,008	1,855,851	1,855,747	1,789,450	1,486,092	1,379,165	1,328,124	1,300,841	1,194,478
Culture and recreation	305,071	331,143	313,223	329,990	249,624	172,354	165,171	146,547	119,411	29,505
Conservation	-	-	-	-	-	-	-	-	-	-
Economic development	13,891	13,891	-	-	-	-	-	-	-	-
Operating grants and contributions	310,730	384,454	374,068	623,528	378,942	331,819	668,212	334,576	2,864,626	2,457,402
Capital Grants and Contributions	999,501	208,547	604,582	2,087,502	172,830	3,293,999	549,482	401,940	523,896	1,044,599
Total Program Revenues	<u>\$ 6,359,036</u>	<u>\$ 5,548,145</u>	<u>\$ 5,811,670</u>	<u>\$ 7,610,700</u>	<u>\$ 4,921,415</u>	<u>\$ 8,326,558</u>	<u>\$ 6,242,820</u>	<u>\$ 5,429,977</u>	<u>\$ 7,642,537</u>	<u>\$ 6,892,175</u>
Total Net (Expense)/Revenue	<u>\$ (23,096,245)</u>	<u>\$ (23,517,891)</u>	<u>\$ (22,499,701)</u>	<u>\$ (18,483,546)</u>	<u>\$ (20,008,520)</u>	<u>\$ (18,946,461)</u>	<u>\$ (16,700,114)</u>	<u>\$ (13,189,447)</u>	<u>\$ (10,619,315)</u>	<u>\$ (9,674,554)</u>

CITY OF FOLEY, ALABAMA
Changes in Net Position (continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Revenues										
Governmental Activities										
Property taxes	\$ 1,367,446	\$ 1,391,305	\$ 1,473,779	\$ 1,580,706	\$ 1,636,721	\$ 1,510,085	\$ 1,244,320	\$ 1,071,358	\$ 889,392	\$ 814,109
Sales and other local taxes	13,773,921	12,875,117	12,274,297	11,261,438	11,562,037	12,496,358	11,528,160	8,014,323	7,071,548	6,416,327
Utility tax equivalents	6,285,978	6,232,079	5,927,604	5,554,632	5,298,496	4,928,220	4,373,209	4,198,948	4,000,060	3,593,151
Fines and forfeitures	29,272	7,756	44,047	13,873	5,899	42,292	3,753	26,300	7,018	4,635
Sewer assessments	-	-	-	-	-	-	-	5,161	-	-
Contributed capital	872,174	845,998	1,571,669	152,146	836,315	2,760,367	10,556,354	-	-	-
Interest and rents	420,101	434,278	278,230	449,832	453,370	1,428,871	1,274,810	1,282,218	720,191	466,850
Other	1,354,889	1,709,261	791,933	1,578,858	266,330	(33,280)	15,597	280,523	55,682	46,467
Unrestricted grants & contributions	-	-	-	-	-	-	-	1,845,042	946,870	4,118,758
Loss on discontinuation of projects	-	-	(36,418)	-	(670,347)	-	-	-	-	-
Gain on sale of capital assets	116,824	220,336	13,236	70,813	23,972	68,961	399,046	19,221	282,701	(897,751)
Other financing sources	58,539	-	-	-	-	-	-	-	-	-
Total general revenues	<u>\$ 24,279,144</u>	<u>\$ 23,716,130</u>	<u>\$ 22,338,377</u>	<u>\$ 20,662,298</u>	<u>\$ 19,412,793</u>	<u>\$ 23,201,874</u>	<u>\$ 29,395,249</u>	<u>\$ 16,743,094</u>	<u>\$ 13,973,462</u>	<u>\$ 14,562,546</u>
Changes in Net Position										
Governmental Activities	<u>\$ 1,182,899</u>	<u>\$ 198,239</u>	<u>\$ (161,324)</u>	<u>\$ 2,178,752</u>	<u>\$ (595,727)</u>	<u>\$ 4,255,413</u>	<u>\$ 12,695,135</u>	<u>\$ 3,553,647</u>	<u>\$ 3,354,147</u>	<u>\$ 4,887,992</u>

Source: City Finance Division

CITY OF FOLEY, ALABAMA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	\$ 170,835	\$ 152,144	\$ 178,211	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	102,037	132,028	257,992	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	5,456,967	2,957,039	3,221,132	-	-	-	-	-	-	-
Unassigned	10,862,662	16,921,540	16,889,069	-	-	-	-	-	-	-
Reserved:										
Inventory	-	-	-	57,544	58,874	71,735	61,529	54,197	-	-
Unreserved:										
Designated	-	-	-	-	-	1,517,450	1,517,450	1,517,450	1,517,450	1,517,450
Undesignated	-	-	-	22,033,976	22,052,604	9,456,021	6,592,640	10,271,273	11,794,516	9,611,011
Total General Fund	<u>\$ 16,592,501</u>	<u>\$ 20,162,751</u>	<u>\$ 20,546,404</u>	<u>\$ 22,091,520</u>	<u>\$ 22,111,478</u>	<u>\$ 11,045,206</u>	<u>\$ 8,171,619</u>	<u>\$ 11,842,920</u>	<u>\$ 13,311,966</u>	<u>\$ 11,128,461</u>
All other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,049,140	2,982,194	3,305,431	-	-	-	-	-	-	-
Committed	542,442	100,590	124,988	-	-	-	-	-	-	-
Assigned	50	77,547	75,561	-	-	-	-	-	-	-
Unassigned	(343,321)	(4,633)	-	-	-	-	-	-	-	-
Reserved For:										
Debt service	-	-	-	2,135,444	2,064,217	259,234	261,394	252,262	196,811	350,213
Current and future projects	-	-	-	2,490,792	1,282,530	1,326,925	11,536,284	12,743,229	1,465,673	1,011,230
Unreserved:										
Undesignated	-	-	-	53,557	-	-	-	-	-	-
Total all Other Governmental Funds	<u>\$ 3,248,311</u>	<u>\$ 3,155,698</u>	<u>\$ 3,505,980</u>	<u>\$ 4,679,793</u>	<u>\$ 3,346,747</u>	<u>\$ 1,586,159</u>	<u>\$ 11,797,678</u>	<u>\$ 12,995,491</u>	<u>\$ 1,662,484</u>	<u>\$ 1,361,443</u>

GASB Statement No. 54 changed fund balance classification and was implemented with fiscal year 2011. Fund balance data prior to 2011 is presented under the prior classifications.

Source: City Finance Division

CITY OF FOLEY, ALABAMA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Property and advalorem taxes	\$ 1,367,446	\$ 1,391,305	\$ 1,473,778	\$ 1,580,706	\$ 1,636,721	\$ 1,510,085	\$ 1,244,320	\$ 1,071,358	\$ 889,392	\$ 814,109
Sales and other local taxes	13,773,922	12,875,117	12,274,296	11,261,438	11,562,037	12,496,358	11,528,160	8,014,323	7,071,548	6,392,449
Licenses and permits	2,141,591	2,053,479	1,839,187	1,973,380	1,678,497	2,281,267	2,775,986	2,579,042	2,349,121	1,766,796
Intergovernmental	932,314	498,353	947,587	2,619,573	518,846	1,001,263	1,141,599	579,205	3,312,860	809,308
Charges for services	2,187,877	2,051,189	2,083,810	2,049,536	1,943,030	1,621,989	1,522,799	1,449,994	1,391,660	1,200,083
Fines and forfeitures	644,568	672,115	735,231	672,165	594,842	678,446	551,774	435,468	438,241	360,056
Utility tax equivalents	6,285,978	6,232,079	5,927,604	5,554,632	5,298,496	4,928,220	4,373,209	4,198,948	4,000,060	3,593,151
Interest and rents	483,850	445,778	438,520	471,800	404,562	1,001,010	1,529,184	1,504,512	720,190	466,850
Sewer Assessments	-	-	-	-	-	-	-	5,161	9,976	24,961
Contributions and donations	735,208	96,962	69,533	101,973	31,427	2,624,475	73,807	157,256	44,144	9,329
Other	1,101,634	1,893,067	972,291	1,786,802	462,968	164,094	234,170	259,499	422,249	2,822,583
Total Revenues	29,654,388	28,209,444	26,761,837	28,072,005	24,131,426	28,307,207	24,975,008	20,254,766	20,649,441	18,259,675
Expenditures										
Current:										
General government	4,663,354	4,384,589	4,268,268	4,109,502	3,953,205	4,433,919	4,163,526	3,646,043	5,900,609	4,831,981
Public safety	9,564,621	9,242,297	8,646,059	8,598,227	8,764,638	9,254,421	7,756,039	5,811,721	4,717,573	4,603,413
Highways and streets	1,695,247	2,550,240	2,323,934	1,915,217	1,628,451	3,591,581	1,118,753	1,301,042	876,916	784,963
Sanitation	2,091,835	1,940,438	1,927,347	1,951,442	1,902,036	1,827,207	1,591,600	1,492,756	1,424,596	1,314,026
Culture and recreation	4,105,478	3,961,657	3,720,295	3,422,585	3,323,491	3,152,444	2,692,755	2,347,003	1,899,846	1,592,450
Conservation	-	454	56,513	95,055	205,670	51,170	488,984	-	100,001	-
Economic development	728,321	658,281	1,447,843	23,543	53,652	-	-	-	32,353	464,635
Debt Service:										
Principal	1,931,913	2,384,546	4,076,271	4,265,206	13,953,217	1,585,000	950,000	917,721	587,913	280,791
Interest	1,228,135	1,254,104	1,336,228	1,392,778	729,321	1,057,185	1,153,323	961,295	541,667	381,667
Bond issuance cost	146,349	59,932	109,254	132,529	590,900	78,122	82,136	143,520	-	36,003
Capital Outlay	10,037,379	2,842,330	2,723,409	4,737,455	7,349,934	11,846,841	10,256,374	5,296,314	2,294,513	10,242,333
Total Expenditures	36,192,632	29,278,868	30,635,421	30,643,539	42,454,515	36,877,890	30,253,490	21,917,415	18,375,987	24,532,262
Excess (deficiency) of revenues over expenditures	<u>\$ (6,538,244)</u>	<u>\$ (1,069,424)</u>	<u>\$ (3,873,584)</u>	<u>\$ (2,571,534)</u>	<u>\$ (18,323,089)</u>	<u>\$ (8,570,683)</u>	<u>\$ (5,278,482)</u>	<u>\$ (1,662,649)</u>	<u>\$ 2,273,454</u>	<u>\$ (6,272,587)</u>

CITY OF FOLEY, ALABAMA
Changes in Fund Balances of Government Funds (continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
Other financing sources (uses)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Transfers in	11,226,821	6,895,495	7,428,202	9,734,829	50,581,940	23,552,673	11,950,663	5,340,949	2,845,297	1,984,127
Transfers out	(11,226,821)	(6,895,495)	(7,428,202)	(9,734,829)	(50,581,940)	(23,552,673)	(11,950,663)	(5,340,949)	(2,845,297)	(1,984,127)
Bond proceeds	2,975,000	-	1,124,312	3,744,646	30,835,000	-	-	11,460,000	-	1,295,000
Bond premium	-	-	-	-	-	-	-	-	-	-
Bond discount	(58,539)	-	-	-	-	-	-	(29,269)	139,286	(19,448)
Payment to refunded bond escrow	-	-	-	31,423	263,900	-	-	-	-	(1,155,637)
Loan proceeds	-	-	-	-	-	-	-	-	-	6,500,000
Capital leases	-	-	-	-	-	187,195	-	21,768	71,806	-
Proceeds from sale of assets	144,144	335,489	30,343	108,553	51,049	139,532	409,368	74,111		900
Total other financing sources (uses)	<u>3,060,605</u>	<u>335,489</u>	<u>1,154,655</u>	<u>3,884,622</u>	<u>31,149,949</u>	<u>326,727</u>	<u>409,368</u>	<u>11,526,610</u>	<u>211,092</u>	<u>6,620,815</u>
Special Items	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ (3,477,639)</u>	<u>\$ (733,935)</u>	<u>\$ (2,718,929)</u>	<u>\$ 1,313,088</u>	<u>\$ 12,826,860</u>	<u>\$ (8,243,956)</u>	<u>\$ (4,869,114)</u>	<u>\$ 9,863,961</u>	<u>\$ 2,484,546</u>	<u>\$ 348,228</u>
Debt service as a percentage of noncapital expenditures	12.1%	13.8%	19.4%	21.8%	41.8%	10.6%	10.5%	11.3%	7.0%	4.6%

CITY OF FOLEY, ALABAMA
Direct and Overlapping Sales and Use Tax Rates
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Baldwin County</u>	<u>State of Alabama</u>	<u>Total Sales Tax Rate</u>
2013	2.0%	3.0%	4.0%	9.0%
2012	2.0%	3.0%	4.0%	9.0%
2011	2.0%	3.0%	4.0%	9.0%
2010	2.0%	3.0%	4.0%	9.0%
2009	2.0%	2.0%	4.0%	8.0%
2008	2.0%	2.0%	4.0%	8.0%
2007	2.0%	2.0%	4.0%	8.0%
2006	1.0%	2.0%	4.0%	7.0%
2005	1.0%	2.0%	4.0%	7.0%
2004	1.0%	2.0%	4.0%	7.0%

Source: State of Alabama Department of Revenue

*Information not available

CITY OF FOLEY, ALABAMA
Principal Sales and Use Taxpayers
Last Three Years

	<u>[1] Gross Sales</u>	<u>[1] Remitted By Top 25 Taxpayers</u>	<u>[1] Total Sales & Use Tax Collected</u>	<u>% of Total Tax</u>
2013	\$ 1,026,614,367	\$ 5,331,864	\$ 12,592,353	42.34%
2012	\$ 969,489,913	\$ 5,170,378	\$ 11,977,441	43.17%
2011	\$ 908,628,529	\$ 4,950,568	\$ 11,346,755	43.63%
2010	*	*	*	
2009	*	*	*	
2008	*	*	*	
2007	*	*	*	
2006	*	*	*	
2005	*	*	*	
2004	*	*	*	

[1] State of Alabama reports information on calendar year (information available beginning 2011).

Source: State of Alabama Department of Revenue

Note: State law prohibits the disclosure of specific taxpayer information.

*Information not available

CITY OF FOLEY, ALABAMA
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt Limit	\$ 47,088,128	\$ 45,265,820	\$ 47,954,395	\$ 50,642,448	\$ 57,116,168	\$ 60,316,916	\$ 58,350,152	\$ 42,968,704	\$ 35,932,260	\$ 29,533,360
Net debt applicable to limit	<u>7,281,888</u>	<u>8,200,842</u>	<u>9,577,793</u>	<u>11,684,547</u>	<u>11,403,649</u>	<u>19,895,842</u>	<u>21,268,404</u>	<u>21,293,631</u>	<u>10,819,968</u>	<u>11,473,333</u>
Legal debt margin	<u>\$ 39,806,240</u>	<u>\$ 37,064,978</u>	<u>\$ 38,376,602</u>	<u>\$ 38,957,901</u>	<u>\$ 45,712,519</u>	<u>\$ 40,421,074</u>	<u>\$ 37,081,748</u>	<u>\$ 21,675,073</u>	<u>\$ 25,112,292</u>	<u>\$ 18,060,027</u>
Net debt as a percentage of debt limit	15.46%	18.12%	19.97%	23.07%	19.97%	32.99%	36.45%	49.56%	30.11%	38.85%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed Value	<u>\$ 235,440,640</u>
Debt limit (20% of assessed value)	<u>47,088,128</u>
Debt applicable to limit:	
Bonds and warrants	32,255,000
Less: Public Facilities Cooperative District Series 2009 Revenue Bonds	(19,945,000)
Less: 2013 Qualified Energy Conservation Bonds/Taxable Lease Purchase	(2,975,000)
Less: Amount set aside for repayment of debt	<u>(2,053,112)</u>
Total net debt applicable to limit	<u>7,281,888</u>
Legal Debt Margin for Fiscal Year 2013	<u>\$ 39,806,240</u>

Assessed Value Source: Baldwin County Revenue Commission and Baldwin County Judge of Probate

CITY OF FOLEY, ALABAMA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Governmental Activities

Fiscal Year	Series 1995-B General Obligation Sewer Bonds	1999 General Obligation Warrants	2004 General Obligation Warrants	2006A General Obligation Warrants	2009 General Obligation Warrants	Public Facilities Cooperative 2009 Revenue Bonds	Federally Taxable - 2013 Qualified Energy Conservation Bonds	Notes Payable	Capital Leases	Total Governmental Activities	[1] Total Debt as a Percentage of Personal Income	[1] Total Debt Per Capita
2013	\$ -	\$ -	\$ -	\$ 6,680,000	\$ 2,655,000	\$ 19,945,000	\$ 2,975,000	\$ -	\$ -	\$ 32,255,000	8.57%	2,039
2012	-	-	-	7,415,000	2,955,000	20,800,000	-	-	41,913	31,211,913	8.37%	2,026
2011	-	-	505,000	8,115,000	3,255,000	21,640,000	-	-	81,459	33,596,459	9.30%	2,229
2010	-	-	625,000	8,785,000	3,530,000	22,460,000	-	1,029,646	118,772	36,548,418	10.78%	2,500
2009	-	2,515,000	740,000	9,425,000	-	23,335,000	-	900,000	153,978	37,068,978	11.69%	2,615
2008	-	2,705,000	855,000	10,040,000	-	-	-	6,400,000	187,195	20,187,195	6.28%	1,484
2007	-	2,890,000	970,000	10,625,000	-	-	-	7,100,000	-	21,585,000	6.91%	1,656
2006	-	3,065,000	1,080,000	11,190,000	-	-	-	6,300,000	-	21,635,000	7.39%	1,744
2005	-	3,235,000	1,180,000	-	-	-	-	6,516,667	-	10,931,667	4.15%	938
2004	50,000	3,395,000	1,295,000	-	-	-	-	6,733,333	-	11,473,333	4.75%	1,051

Source: Finance Division

[1] Additional information on Personal Income and Population can be found in the Statistical Section - Schedule of Demographic and Economic Statistics.

CITY OF FOLEY, ALABAMA
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended September 30	[1] General Obligation and Revenue Bonds	[2] Less: Amounts Available in Debt Service Funds	Total	[4] Percentage of Estimated Actual Taxable Value of Property	[4] Per Capita
2013	\$ 32,255,000	\$ 2,138,134	\$ 30,116,866	14.36%	\$ 1,904
2012	31,211,913	2,054,798	\$ 29,157,115	14.41%	1,893
2011	33,596,459	2,139,764	\$ 31,456,695	14.82%	2,087
2010	36,548,418	1,967,868	\$ 34,580,550	14.78%	2,366
2009	37,068,978	2,064,224	\$ 35,004,754	13.19%	2,470
2008	20,187,195	259,234	\$ 19,927,961	7.11%	1,465
2007	21,585,000	261,394	\$ 21,323,606	7.89%	1,636
2006	21,635,000	252,262	\$ 21,382,738	11.03%	1,724
2005	10,931,667	241,437	\$ 10,690,230	6.56%	917
2004	11,473,333	397,414	\$ 11,075,919	8.27%	1,015

*Details regarding the City's outstanding debt can be found in the notes to the financial statements

[1] This is the general bonded and special revenue debt.

[2] This is the amount restricted for debt service principal payments

[4] Baldwin County Revenue Commissioner

[4] Property valuation and population data can be found in the Statistical Section - Schedule of Demographic and Economic Statistics

CITY OF FOLEY, ALABAMA
Direct and Overlapping Governmental Activities Debt
As of September 30, 2013

<u>Governmental Unit:</u>	Debt Outstanding	[1] Estimated Percentage Applicable	Amount Applicable to Primary Government
Baldwin County	107,590,851	6.00%	6,455,451
Subtotal, overlapping debt			6,455,451
City of Foley, Alabama, direct debt			\$ 32,255,000
Total direct and overlapping debt			<u>\$ 38,710,451</u>

Source: Outstanding debt provided by each governmental unit.

[1] The Baldwin County Revenue Commission's appraisals are done a year in arrears, meaning appraisals are based on the property the way it was on October 1st of the previous year (2013 property appraisals are based on the property as it was on October 1, 2012). The percentage above represents the net assessed value of property in the City of Foley (\$209,715,220) to net assessed value of property in Baldwin County (\$3,488,612,660).

CITY OF FOLEY, ALABAMA
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	[1] Population	[2] Median Age	[3] Per Capita Personal Income	[4] Personal Income	[3] Estimated Actual Value of Property	[5] School Enrollment	[6] Unemployment Rate
2013	15,820	*	\$ 23,787	\$ 376,305,580	\$ 209,715,220	3,764	5.7%
2012	15,402	42.5	\$ 24,225	373,116,277	202,390,440	3,768	6.4%
2011	15,075	*	\$ 23,965	361,268,414	212,284,680	3,608	7.9%
2010	14,618	41.1	\$ 23,193	339,038,742	234,007,480	3,426	8.1%
2009	14,174	*	\$ 22,370	317,066,064	265,478,340	3,262	9.4%
2008	13,600	42.2	\$ 23,642	321,536,695	280,196,880	3,240	4.3%
2007	13,035	36.8	\$ 23,956	312,262,499	270,157,080	3,039	2.8%
2006	12,403	*	\$ 23,615	292,901,697	193,838,140	2,809	2.5%
2005	11,653	*	\$ 22,589	263,235,101	163,048,060	2,700	3.4%
2004	10,912	*	\$ 22,115	241,322,975	133,966,800	2,626	*

Sources: [1] 2013 source is City of Foley GIS estimate. 2004-2012 source is US Census Bureau

[2] city.data.com and usa.com

[3] American Community Survey data series

[4] 2010 and 2013 source is DemographicsNow for Metro. All other years are estimated.

[5] schooldigger.com (as of December)

[6] Homefacts

*Information not available

CITY OF FOLEY, ALABAMA
Principal Employers
Current Year

Industry	Product	2013		2004	
		Rank	Approximate Employment	Rank	Approximate Employment
Tanger Outlet Center	Outlet Mall	1	1,500	Information not available	
UTC Aerospace System	Thrust Reversers & Nacelle Components	2	803		
South Baldwin Regional Medical Center	Medical Care	3	780		
Vulcan, Inc.	Aluminum & Steel Products	4	276		
City of Foley	Government (full-time)	5	241		
Riviera Utilities	Utilities	6	228		
Ascend Performance Materials	Manufacturer (Organic Fibers/Noncellulosic)	7	110		

Source: South Baldwin Chamber of Commerce

CITY OF FOLEY, ALABAMA
Full-time Employees by Function
Last Ten Fiscal Years

Function/Department	Full-time Employees at 9/30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
General Government Administration	19	18	17	17	17	17	17	16	12	14
Public Works Building	2	2	2	2	3	3	3	3	2	2
Municipal Complex	6	8	8	8	7	8	10	10	8	4
Municipal Court	5	5	5	5	5	4	4	4	3	2
Vehicle Maintenance Shop	4	4	4	4	4	4	4	4	3	3
Public Safety										
Police	87	88	87	84	85	89	76	75	62	59
Fire	22	19	19	18	19	15	16	16	7	7
Community Development/Inspections	9	9	9	9	9	13	13	13	8	7
Highways and Streets										
Street Department	21	21	21	21	20	21	21	21	18	16
Engineering Department	3	3	3	3	3	3	3	3	0	0
Sanitation	21	20	19	19	22	22	22	22	12	12
Culture and Recreation										
Parks Department	13	14	16	16	17	17	15	15	14	14
Library	12	11	10	10	10	10	10	11	8	7
Senior Center	3	3	3	3	3	3	2	2	0	0
Recreation	7	7	6	6	4	3	3	3	3	2
Visitors Center/Marketing	2	1	1	1	1	0	0	0	0	0
Horticulture	3	3	0	0	0	0	0	0	0	0
Economic Development	2	1	1	1	1	0	0	0	0	0
Total	241	237	231	227	230	232	219	218	160	149

Source: Human Resource Division

CITY OF FOLEY, ALABAMA
Operating Indicators by Function
Last Ten Fiscal years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<u>General Government:</u>										
Business License Issued	2,868	2,764	2,638	2,520	2,529	2,801	2,968	2,942	3,089	2,740
<u>Public Safety:</u>										
Police-number of arrests	1,493	1,867	1,721	1,820	1,681	1,775	2,097	1,461	281	1,030
Police-number of traffic cases filed	3,685	4,758	5,537	5,951	4,204	5,644	5,197	3,142	2,811	2,505
Police-calls for service	58,249	50,776	49,008	47,764	47,682	47,245	*	*	*	*
Fire-number of emergency responses (2)	1,035	939	1,150	1,078	950	1,061	*	*	*	*
Fire-number of inspections (2)	2,222	2,238	1,844	258	965	1,598	*	*	*	*
Fire-number of fire public relations/education contacts (2)	7,569	5,676	8,715	4,825	4,031	*	*	*	*	*
CDD-number of building inspections (1)	5,296	3,824	2,827	3,294	3,022	5,997	10,110	14,946	17,246	14,047
CDD-number of building permits (1)	1,441	1,024	877	860	903	1,328	2,239	3,091	3,437	3,188
<u>Sanitation:</u>										
Tons collected and disposed:										
Refuse	6,284	6,772	*	*	*	*	*	*	*	*
Recyclables	311	335	420	*	*	*	*	*	*	*
Number of households served	5,694	5,180	5,087	4,950	4,957	4,966	4,725	4,419	3,993	3,647
Number of commercial/special accounts served	364	309	307	309	327	379	386	391	392	379
<u>Culture and Recreation</u>										
<i>Recreation Department:</i>										
Youth Programs Offered	6	6	6	6	6	6	6	*	*	*
Youth Program Participants	1,215	1,144	1,103	1,028	1,002	903	808	*	*	*
Tournaments Held	20	15	9	6	4	*	*	*	*	*
<i>Senior Center:</i>										
Number of members (1)	600	568	549	559	584	614	540	427	297	*
Number of senior/community programs	45	*	33	*	*	*	*	*	*	*
Number of senior program participants	18,679	*	16,751	*	*	*	*	*	*	*
<i>Library</i>										
Total items circulated	531,622	478,261	446,879	406,829	256,667	217,407	187,731	171,637	167,420	170,739
Patron visits	518,734	412,653	351,872	273,052	291,353	241,525	n/a	n/a	n/a	n/a
<i>Library (continued)</i>										
Volumes in collection	79,335	77,159	72,223	65,896	61,616	48,749	45,125	42,607	47,903	49,875
Program Attendance	10,395	10,182	8,023	6,908	6,522	6,181	5,002	6,168	6,112	8,843
Visitors Center - Total visits	11,788	9,700	8,579	2,503	2,331	1,873	2,724	*	*	*

*2013 is first year of CAFR presentation and information was not readily available for all operating indicators

(1) 2004 through 2010 are presented on calendar year, 2011 through 2013 are presented on fiscal year

(2) Presented by calendar year

Sources: Various City Departments

CITY OF FOLEY, ALABAMA
Capital Asset Statistics by Function
Last Ten Fiscal years

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government:										
Number of general government buildings	16	13	13	13	13	12	12	12	12	12
Public Safety:										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	3	3	3	3	3	3	3	3	3	3
Highways and Streets:										
Miles of streets	145	*	*	*	*	*	*	*	*	*
Number of street lights	2,822	*	*	*	*	*	*	*	*	*
Miles of sidewalks	14	*	*	*	*	*	*	*	*	*
Sanitation:										
Number of garbage trucks	6	5	5	6	6	6	6	5	5	5
Number of recycle trucks	2	2	2	2	1	1	1	*	*	*
Culture and Recreation										
Number of libraries	1	1	1	1	1	1	1	1	1	1
Number of museums	1	1	1	1	1	1	1	1	1	1
Number of senior activity centers	1	1	1	1	1	1	1	1	1	1
Number of parks	10	10	9	9	9	9	8	8	8	7
Tree City Program - trees planted	70	75	75	2	29	48	200	54	37	68

Source: Various City departments

COMPLIANCE AND INTERNAL CONTROL

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Foley, Alabama ("the City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 28, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Warren Averett, LLC

April 28, 2014
Foley, Alabama

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited City of Foley, Alabama ("the City")'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Foley, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose

of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Foley, Alabama ("the City"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 28, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

April 28, 2014
Foley, Alabama

City of Foley, Alabama
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

Federal Agency Pass-Through Entity Federal Program	Federal CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Commerce			
Pass-through from:			
Alabama Department of Conservation			
Coastal Zone Management Administration Awards	11.419	CZM-306a-10-1	33,607
U.S. Department of Housing and Urban Development			
Pass-through from:			
Alabama Department of Economic and Community Affairs			
Community Development Block (CDBG)	14.228	LR-CM-PF-12-007	256,358
U.S. Department of Interior			
Pass-through from:			
Fish and Wildlife Service			
Coastal Program	15.630	F11AC00699	17,100
Pass-through from:			
Alabama Historic Commission			
Historic Preservation Fund Grants	15.904	AL-12-018	7,270
U.S. Department of Justice			
Direct Programs:			
Joint Law Enforcement Operations	16.111	OCDETF SE-AIs-0097	6,107
Public Safety Partnership and Community Policing Grants			
COPS Hiring Recovery Program (CHRP)	16.710	RKWX 0024	32,419
Federal Equitable Sharing funds	16.922	Justice Funds	4,078
Pass-through from:			
United Way of South Alabama			
Project Safe Neighborhood	16.609	N/A	7,861
Baldwin County Drug Task Force			
High Intensity Drug Trafficking Area Task Force (HIDTA)	16.809	12-DJ-01-015	11,956
Mobile Safe Streets Task Force	16.809	281D-MO-36048-SF-15	7,921
	16.809	Total	<u>19,877</u>

(Continued)

See Notes to Schedule of Expenditures of Federal Awards.

City of Foley, Alabama
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended September 30, 2013

Federal Agency Pass-Through Entity Federal Program	Federal CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Transportation			
Pass-through from:			
Alabama Department of Transportation			
Airport Improvement Program	20.106	3-01-0031-008-2010	1,578
Airport Improvement Program	20.106	3-01-0031-010-2012	40,408
Airport Improvement Program	20.106	3-01-0031-011-2013	34,398
	20.106	Total	<u>76,384</u>
U.S. Department of the Treasury			
Direct Programs:			
Fed Eq Sharing	21.000	AL0050300	20,572
U.S. Environmental Protection Agency			
Direct Programs:			
National Estuary Program	66.456	453-3670-3200-2600	9,000
U.S. Department of Homeland Security			
Direct Programs:			
Disaster Grants	97.036	DR-4082-AL	480
Staffing for Adequate Fire and Emergency Responses	97.083	EMW-2011-FH-01152	144,002
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 635,115</u></u>

See Notes to Schedule of Expenditures of Federal Awards.

City of Foley, Alabama
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Foley, Alabama under programs of the federal government for the year ended September 30, 2013. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* . Because the schedule presents only a selected portion of the operations of the City of Foley, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Foley.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity identifying numbers are presented where available.

CITY OF FOLEY, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

We have issued a report with unmodified opinions on the financial statements.

Internal control over financial reporting:

Material weakness (es) identified?	<u>Yes</u>	<u>No</u>	<u>X</u>
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>Yes</u>	<u>None Reported</u>	<u>X</u>
Noncompliance material to financial statements noted?	<u>Yes</u>	<u>No</u>	<u>X</u>

FEDERAL AWARDS

Internal control over major programs:

Material weakness (es) identified?	<u>Yes</u>	<u>No</u>	<u>X</u>
Significant deficiency (ies) identified that are not considered to be material weaknesses?	<u>Yes</u>	<u>None Reported</u>	<u>X</u>

We have issued a report with an unmodified opinion on compliance with requirements applicable to each major program.

There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

The City of Foley, Alabama's major programs are as follows:

U.S. Department of Housing and Urban Development – Community Development Block grants	CFDA #14.228
U.S. Department of Homeland Security – FEMA Staffing for Adequate Fire and Emergency Responses	CFDA #97.083

CITY OF FOLEY, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

The dollar threshold used to distinguish Type A and Type B programs is \$300,000.

The City of Foley, Alabama did not qualify for consideration as a low risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS

There are no findings which were required to be reported in accordance with government auditing standards generally accepted in the United States of America.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings required to be reported in accordance with section 510(a) of Circular A-133.