

**CITY OF CALERA, ALABAMA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2013**

CITY OF CALERA, ALABAMA

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**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and City Council  
The City of Calera, Alabama

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Opinion**

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 3 through 9, page 46, and page 47, 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 the 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.

*Moses, Phillips, Young, Brannon, and Herringer LLP*

Birmingham, Alabama  
February 7, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF CALERA, ALABAMA

The City of Calera's Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements.

### HIGHLIGHTS

#### Financial Highlights

- The City's combined net position increased by \$1,343,890.
- The total cost of all the City's programs was \$18,449,223.
- During the year, the City had expenses of \$12,443,924 for governmental activities which were \$1,261,471 less than the combined \$13,705,395 generated from general and program revenues of \$13,189,895 and transfers of \$515,500 from business-type activities.
- The City's combined assets exceeded its combined liabilities by \$36,224,860 which will allow the City to continue to meet ongoing obligations to citizens and creditors.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 10 and 11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 12. For governmental activities, these statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

#### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's *net position* and changes in net position. You can think of the City's net position - the difference between assets and liabilities - as one way to measure the City's financial health or *financial position*. Over time, *increases or decreases* in the City's net position, is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including general administration, street, mechanic, planning and zoning, engineering, inspections, building maintenance, police, fire and rescue, library, parks and recreation, and the senior center. Property taxes, sales taxes, program revenues, and transfers from business-type activities finance most of these activities.
- **Business-type Activities** - The City's Natural Gas System Fund, Sewer System Fund, and Garbage Fund are reported here. The City charges a fee to customers to cover costs of these services.
- **Component Units** – The City includes one separate legal entity in its report – the Water Works Board of the City of Calera, Alabama. Although legally separate, this “component unit” is important because the City is financially accountable for them. Complete financials are available by contacting the Water Works Board of the City of Calera, Alabama.

### **Reporting the City's Most Significant Funds**

Our analysis of the City's major funds begins on page 7. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental Funds** - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations after the fund financial statements.
- **Proprietary Funds** - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE CITY AS A WHOLE**

### **Financial Analysis of the City as a Whole**

#### **Net Position**

The City's combined net position increased by \$1,343,890 from 2012 to 2013. The governmental activities net position increased by \$1,261,471, or approximately 6%, while business type activities net position increased by \$82,419, or approximately 1%. This increase in governmental activities resulted primarily from increases in sales taxes and other income, while the increase in business type activities resulted primarily from increases in utility receipts.

## GOVERNMENT-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Position:

### Statement of Net Position

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 11,249,713	\$ 11,177,400	\$ 2,926,694	\$ 2,329,092	\$ 14,176,407	\$ 13,506,492
Capital assets	38,902,362	40,570,639	22,189,680	21,957,415	61,092,042	62,528,054
Total assets	<u>50,152,075</u>	<u>51,748,039</u>	<u>25,116,374</u>	<u>24,286,507</u>	<u>75,268,449</u>	<u>76,034,546</u>
Other liabilities	2,724,710	3,018,788	1,227,829	605,519	3,952,539	3,624,307
Long-term liabilities	25,040,672	25,081,087	11,394,268	11,104,292	36,434,940	36,185,379
Total liabilities	<u>27,765,382</u>	<u>28,099,875</u>	<u>12,622,097</u>	<u>11,709,811</u>	<u>40,387,479</u>	<u>39,809,686</u>
Net position:						
Invested in capital assets, net of related debt	21,828,071	22,696,813	11,683,921	11,027,733	33,511,992	33,724,546
Restricted	419,625	965,829	168,383	52,742	588,008	1,018,571
Unrestricted	138,997	(14,478)	641,973	1,496,221	780,970	1,481,743
Total net position	<u>\$ 22,386,693</u>	<u>\$ 23,648,164</u>	<u>\$ 12,494,277</u>	<u>\$ 12,576,696</u>	<u>\$ 34,880,970</u>	<u>\$ 36,224,860</u>

For more detailed information see the Statement of Net Position on page 10.

The City's combined net position increased to \$36,224,860 from \$34,880,970, or 4%. The City's unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations, was \$(14,478), which is a decrease of \$153,475 from the prior year.

### Changes in Net Position

The City's total revenues increased by approximately 13.5% to \$19,793,113. For governmental activities, sales taxes account for approximately 54% of revenues. Property taxes account for approximately 13%. The majority of the remaining governmental activities revenues come from fees and charges for services, capital grants and contributions, and other income.

The total cost of all programs and services increased by \$1,035,132, or approximately 6%. Expenses of business-type activities increased by \$540,372, and the cost of governmental activities increased by \$494,760.

The table on the following page reflects the condensed Statement of Activities.

## Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2012	2013	2012	2013	2012	2013
<b>REVENUES</b>						
Program revenues:						
Fees, fines, and charges for services	\$ 2,143,556	\$ 2,268,255	\$ 5,578,037	\$ 6,595,725	\$ 7,721,593	\$ 8,863,980
Operating grants and contributions	157,008	121,156	-	-	157,008	121,156
Capital grants and contributions	807,671	433,229	159,950	-	967,621	433,229
General revenues:						
Sales taxes	6,345,206	7,126,301	-	-	6,345,206	7,126,301
Property taxes	1,673,786	1,712,201	-	-	1,673,786	1,712,201
Other taxes	207,214	233,135	-	-	207,214	233,135
Interest earnings	31,948	18,980	4,075	7,493	36,023	26,473
Lease income	69,697	64,480	-	-	69,697	64,480
Other income	259,583	1,176,122	-	-	259,583	1,176,122
Gain(loss) on sale of assets	-	36,036	-	-	-	36,036
<b>TOTAL REVENUES</b>	<b>11,695,669</b>	<b>13,189,895</b>	<b>5,742,062</b>	<b>6,603,218</b>	<b>17,437,731</b>	<b>19,793,113</b>
<b>EXPENSES</b>						
General administration	1,375,837	1,367,635	-	-	1,375,837	1,367,635
Street	1,072,764	987,602	-	-	1,072,764	987,602
Mechanic	175,970	180,899	-	-	175,970	180,899
Planning and zoning	55,513	54,880	-	-	55,513	54,880
Engineering	421,417	418,712	-	-	421,417	418,712
Inspections	241,142	247,636	-	-	241,142	247,636
Building maintenance	243,097	249,275	-	-	243,097	249,275
Police	2,818,694	3,040,973	-	-	2,818,694	3,040,973
Fire and rescue	2,817,754	3,099,407	-	-	2,817,754	3,099,407
Library	381,967	396,893	-	-	381,967	396,893
Parks and recreation	763,998	864,016	-	-	763,998	864,016
Senior center	88,470	99,125	-	-	88,470	99,125
Donations	9,160	44,250	-	-	9,160	44,250
Municipal court	193,217	208,796	-	-	193,217	208,796
Salem cemetery	8,812	3,823	-	-	8,812	3,823
Interest on long-term debt	1,281,352	1,180,002	-	-	1,281,352	1,180,002
Natural Gas System	-	-	1,906,539	2,391,727	1,906,539	2,391,727
Sewer System	-	-	2,834,929	2,865,939	2,834,929	2,865,939
Other Proprietary Funds	-	-	723,459	747,633	723,459	747,633
<b>TOTAL EXPENSES</b>	<b>11,949,164</b>	<b>12,443,924</b>	<b>5,464,927</b>	<b>6,005,299</b>	<b>17,414,091</b>	<b>18,449,223</b>
Excess (deficiency) before transfers	(253,495)	745,971	277,135	597,919	23,640	1,343,890
Transfers	413,288	515,500	(413,288)	(515,500)	-	-
Change in net position	159,793	1,261,471	(136,153)	82,419	23,640	1,343,890
Beginning net position	22,226,900	22,386,693	12,630,430	12,494,277	34,857,330	34,880,970
Ending net position	<u>\$ 22,386,693</u>	<u>\$ 23,648,164</u>	<u>\$ 12,494,277</u>	<u>\$ 12,576,696</u>	<u>\$ 34,880,970</u>	<u>\$ 36,224,860</u>

## THE CITY'S FUNDS

### Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$4,603,725, which is \$116,464 less than the beginning of the year. The General Fund experienced a net increase of \$792,313, resulting primarily from an increase in proceeds from debt, sales tax revenues, and other revenues. The Capital Projects Fund experienced a net decrease of \$999,409 resulting primarily from capital outlay expenditures for the purchase of a new fire truck and the completion of Fire Station #3. The Debt Service Fund experienced a net increase of \$77,317 resulting primarily from proceeds from debt and transfers from the General Fund in excess of expenditures for principal, interest, and fiscal charges related to long term debt. The Other Governmental Funds experienced a net increase of \$13,315 resulting primarily from an increase in municipal court expenditures and a decrease in fines and forfeitures and investment income.

### Proprietary Funds

As of the year-end, the Proprietary Funds reported net position of \$12,576,696, which is approximately 1% more than the beginning of the year. The Natural Gas System experienced a net increase of \$505,829 resulting primarily from a significant increase in utility receipts due to an increase in customers as well as average usage per customer. The Sewer System experienced a net decrease of \$400,002, which is \$286,683 more than the prior year net decrease of \$113,319, resulting primarily from a decrease in capital contributions and an increase in transfers to the General Fund. The Garbage Fund experienced a net decrease of \$23,408 resulting primarily from transfers to the General Fund.

### General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by \$1,912,219. The City did not budget for grant revenues or funding received towards the construction of the Sports Complex. Additionally, actual sales tax revenues exceeded budgeted sales tax revenues due to the 1% tax rate increase effective June 1, 2013.

General Fund expenditures exceeded budgeted amounts by \$330,473 primarily due to capital outlay expenditures funded by unbudgeted items.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2013, the City had \$62,528,054 invested in a broad range of capital assets, including the Natural Gas System, Sewer System, land, roadways, fire and police equipment and vehicles, buildings, and park facilities. This amount represents a net increase (including additions and deductions) of \$1,436,012, or approximately 2% over last year. The City purchased various capital assets including a fire truck and new police vehicles and performed construction work on various capital assets including Fire Station #3, the Calera Sports Complex, a gas project, and a sewer project. These additions were offset by the retirements of assets no longer in service and by depreciation expense.

## Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2012	2013	2012	2013	2012	2013
Land	\$ 16,468,544	\$ 16,468,544	\$ 441,853	\$ 441,853	\$ 16,910,397	\$ 16,910,397
Construction in progress	3,325,204	5,393,567	747,677	40,414	4,072,881	5,433,981
Infrastructure, net	12,472,050	12,348,201	-	-	12,472,050	12,348,201
Systems and facilities, net	-	-	20,659,035	21,197,045	20,659,035	21,197,045
Buildings and improvements, net	5,648,394	5,467,258	32,791	30,493	5,681,185	5,497,751
Vehicles, net	345,776	432,512	215,575	121,475	561,351	553,987
Equipment, net	642,394	460,557	92,749	126,135	735,143	586,692
<b>Total capital assets, net</b>	<b>\$ 38,902,362</b>	<b>\$ 40,570,639</b>	<b>\$ 22,189,680</b>	<b>\$ 21,957,415</b>	<b>\$ 61,092,042</b>	<b>\$ 62,528,054</b>

### Commitments

The City had contractual commitments at September 30, 2013, of approximately \$1,325,000 for construction projects at the Sports Complex. Additionally, the City had contractual commitments of approximately \$275,000 for the purchase of a new garbage truck and park equipment.

The City has committed to support the Shelby County Fire Museum by providing 4.35 acres, which cost the City \$495,000, to be used as the museum site. The City has also committed to provide approximately \$85,000 in support by performing civil site engineering and installing utility services and to provide annual contributions of \$15,000 towards the Museum's operating expenses.

The Natural Gas System has a contract with Atmos Energy Marketing, LLC requiring the Natural Gas System to purchase 100% of its natural gas requirements from Atmos. Fixed volumes which vary monthly as specified by the agreement will be purchased at a cost equal to an indexed rate. Amounts purchased which exceed the fixed volumes specified by the agreement will be purchased at a cost equal to an indexed rate plus an additional fee, which varies according to the additional volumes purchased.

Additionally, the Natural Gas System has a contract with Municipal Energy Acquisition Corporation expiring in December 2018 to purchase a fixed volume of gas which varies monthly as specified by the agreement at a cost equal to the rate of prices of spot gas delivered to pipelines as published in the first monthly issue of Platts Inside FERC's Gas Market Report less a minimum monthly discount of \$.17/dekatherm. The amount the Natural Gas System owes to Atmos Energy Marketing, LLC in accordance with the above referenced agreement is reduced each month by the amount the Natural Gas System pays Municipal Energy Acquisition Corporation.

The Natural Gas System has a contract with Atmos Energy Marketing, LLC covering the management of the transportation and storage of natural gas.

### Debt

At September 30, 2013, the City had \$33,625,028 in warrants, notes payable, and capital leases outstanding versus \$34,449,924 at September 30, 2012, a decrease of 2%. This decrease results primarily from the refunding of several outstanding issues as well as principal payments made during the year. Other obligations of the City include accrued vacation leave, holiday leave, and compensatory time, capital leases, and other post employment benefits.

## Debt

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2012	2013	2012	2013	2012	2013
General Obligation Warrants	\$ 22,656,374	\$ 21,968,411	\$ 4,149,368	\$ 11,035,092	\$ 26,805,742	\$ 33,003,503
Limited Obligation Warrants	456,553	419,083	-	-	456,553	419,083
Notes Payable	-	202,442	-	-	-	202,442
Revenue Bonds	-	-	7,187,000	-	7,187,000	-
Capital Leases	629	-	-	-	629	-
<b>Totals</b>	<b>\$ 23,113,556</b>	<b>\$ 22,589,936</b>	<b>\$ 11,336,368</b>	<b>\$ 11,035,092</b>	<b>\$ 34,449,924</b>	<b>\$ 33,625,028</b>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, City Clerk, Finance Director, and City Council considered many factors when setting the budget for the fiscal year ended September 30, 2014. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures, and the overall economy were some of these factors. The budget is prepared in accordance with the City's budget management policies which are designed to ensure the City maintains a financial base sufficient to sustain a consistent level of municipal services, is able to withstand local and regional economic variations, and adjusts to changes in the service requirements of the community.

One of the City's major sources of income is sales tax revenue. The City has taken a conservative approach in projecting sales tax revenues when setting the budget.

Calera's local economy consists of commercial, retail, and light industrial business. Some of Calera's largest businesses are Wal-Mart, Timberline Golf Course, Alabama Power, and various restaurants and retail shops. The City's sales tax has increased in previous years due to recent commercial developments.

These indicators were taken into account when adopting the General Fund budget for fiscal year ended September 30, 2014. Projected revenues in the General Fund budget are \$12,926,235. The City expects the major sources of revenues and expenditures to remain stable in fiscal year 2014. In accordance with the City's budget management policy, annual projected expenditures do not exceed ninety percent of annual projected revenues.

If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2014.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk at the City of Calera, 10947 Hwy 25, Calera, Alabama 35040.

**City of Calera, Alabama**  
**Statement of Net Position**  
**September 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Works Board
<b>Assets</b>				
Cash and cash equivalents	\$ 605,153	\$ 232,094	\$ 837,247	\$ 189,666
Certificates of deposit	1,777,284	-	1,777,284	282,291
Accounts receivable, net	2,363,492	893,179	3,256,671	628,832
Lease receivable	3,615,813	-	3,615,813	-
Receivable from Calera Water Board	47,586	-	47,586	-
Inventory	-	321,349	321,349	136,923
Other	-	91,085	91,085	-
Restricted assets:				
Cash and cash equivalents	1,779,356	609,035	2,388,391	1,807,403
Certificates of deposit	388,981	-	388,981	-
Investments	158,006	-	158,006	-
Nondepreciable capital assets	21,862,111	482,267	22,344,378	20,701
Depreciable capital assets, net	18,708,528	21,475,148	40,183,676	17,442,555
Warrant issue costs, net	441,729	182,350	624,079	338,224
<b>Total Assets</b>	<b>\$ 51,748,039</b>	<b>\$ 24,286,507</b>	<b>\$ 76,034,546</b>	<b>\$ 20,846,595</b>
<b>Liabilities</b>				
Accounts payable	\$ 492,963	\$ 370,149	\$ 863,112	\$ 49,560
Deferred revenue	2,169,733	-	2,169,733	-
Accrued liabilities	239,433	37,984	277,417	56,511
Payable to the City of Calera	-	-	-	47,586
Payable from restricted assets:				
Accounts payable	16,111	-	16,111	-
Accrued expenses	13,400	-	13,400	-
Deposits	26,012	75,626	101,638	115,119
Accrued interest payable	61,136	121,760	182,896	85,971
Noncurrent liabilities				
Due within one year	624,009	34,600	658,609	49,522
Due within one year - payable from restricted assets	938,311	253,497	1,191,808	366,493
Due in more than one year	23,518,767	10,816,195	34,334,962	14,825,358
<b>Total Liabilities</b>	<b>28,099,875</b>	<b>11,709,811</b>	<b>39,809,686</b>	<b>15,596,120</b>
<b>Net Position</b>				
Invested in capital assets, net of related debt	22,696,813	11,027,733	33,724,546	2,481,114
Restricted for:				
Cemetery	266,359	-	266,359	-
Debt service	-	52,742	52,742	980,589
Municipal court	49,466	-	49,466	-
Parks and recreation	1,305	-	1,305	-
Street improvements	368,071	-	368,071	-
Street repairs	280,628	-	280,628	-
Unrestricted	(14,478)	1,496,221	1,481,743	1,788,772
<b>Total Net Position</b>	<b>23,648,164</b>	<b>12,576,696</b>	<b>36,224,860</b>	<b>5,250,475</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 51,748,039</b>	<b>\$ 24,286,507</b>	<b>\$ 76,034,546</b>	<b>\$ 20,846,595</b>

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

**City of Calera, Alabama**  
**Statement of Activities**  
**For the Year Ended September 30, 2013**

Program Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Water Works Board
					Governmental Activities	Business-type Activities	Total	
<b>Governmental Activities:</b>								
General administration	\$ 1,367,635	\$ 1,661,002	\$ 3,513	\$ 272,127	\$ 569,007	\$ -	\$ 569,007	\$ -
Street	987,602	-	60,484	155,000	(772,118)	-	(772,118)	-
Mechanic	180,899	-	-	-	(180,899)	-	(180,899)	-
Planning and zoning	54,880	100	-	-	(54,780)	-	(54,780)	-
Engineering	418,712	-	-	-	(418,712)	-	(418,712)	-
Inspections	247,636	134,737	-	-	(112,899)	-	(112,899)	-
Building maintenance	249,275	-	-	-	(249,275)	-	(249,275)	-
Police	3,040,973	40,427	33,054	-	(2,967,492)	-	(2,967,492)	-
Fire and rescue	3,099,407	48,107	3,592	6,102	(3,041,606)	-	(3,041,606)	-
Library	396,893	2,702	8,004	-	(386,187)	-	(386,187)	-
Parks and recreation	864,016	59,146	5,000	-	(799,870)	-	(799,870)	-
Senior center	99,125	-	7,509	-	(91,616)	-	(91,616)	-
Donations	44,250	-	-	-	(44,250)	-	(44,250)	-
Municipal court	208,796	321,234	-	-	112,438	-	112,438	-
Salem cemetery	3,823	800	-	-	(3,023)	-	(3,023)	-
Interest and fiscal charges	1,180,002	-	-	-	(1,180,002)	-	(1,180,002)	-
<b>Total Governmental Activities</b>	<b>12,443,924</b>	<b>2,268,255</b>	<b>121,156</b>	<b>433,229</b>	<b>(9,621,284)</b>	<b>-</b>	<b>(9,621,284)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Natural Gas System	2,391,727	3,245,342	-	-	-	853,615	853,615	-
Sewer System	2,865,939	2,595,151	-	-	-	(270,788)	(270,788)	-
Other Proprietary Funds	747,633	755,232	-	-	-	7,599	7,599	-
<b>Total Business-type Activities</b>	<b>6,005,299</b>	<b>6,595,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>590,426</b>	<b>590,426</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 18,449,223</b>	<b>\$ 8,863,980</b>	<b>\$ 121,156</b>	<b>\$ 433,229</b>	<b>(9,621,284)</b>	<b>590,426</b>	<b>(9,030,858)</b>	<b>-</b>
<b>Component Unit:</b>								
Calera Water Works Board	3,120,141	3,304,224	-	-	-	-	-	184,083
<b>Total Component Unit</b>	<b>\$ 3,120,141</b>	<b>\$ 3,304,224</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>184,083</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Sales					7,126,301	-	7,126,301	-
Property					1,712,201	-	1,712,201	-
Other					233,135	-	233,135	-
Interest earnings					18,980	7,493	26,473	6,832
Lease income					64,480	-	64,480	-
Other income					1,176,122	-	1,176,122	-
Gain (loss) on disposal of capital assets					36,036	-	36,036	(29,055)
Transfers					515,500	(515,500)	-	-
<b>Total general revenues and transfers</b>					<b>10,882,755</b>	<b>(508,007)</b>	<b>10,374,748</b>	<b>(22,223)</b>
Change in net position					1,261,471	82,419	1,343,890	161,860
Net position - beginning					22,386,693	12,494,277	34,880,970	5,088,615
<b>Net position - ending</b>					<b>\$ 23,648,164</b>	<b>\$ 12,576,696</b>	<b>\$ 36,224,860</b>	<b>\$ 5,250,475</b>

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

**City of Calera, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2013**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 605,153	\$ -	\$ -	\$ -	\$ 605,153
Certificates of deposit	1,777,284	-	-	-	1,777,284
Accounts receivable	2,363,492	-	-	-	2,363,492
Receivable from Calera Water Works	47,586	-	-	-	47,586
Restricted assets:					
Cash	266,598	910,190	408,197	194,371	1,779,356
Certificates of deposit	280,628	-	-	108,353	388,981
Investments	-	-	-	158,006	158,006
Due from other funds	-	-	-	12,032	12,032
<b>Total Assets</b>	<b>\$ 5,340,741</b>	<b>\$ 910,190</b>	<b>\$ 408,197</b>	<b>\$ 472,762</b>	<b>\$ 7,131,890</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 492,963	\$ -	\$ -	\$ -	\$ 492,963
Deferred revenue	1,728,214	-	-	-	1,728,214
Accrued liabilities	239,433	-	-	-	239,433
Due to other funds	12,032	-	-	-	12,032
Payable from restricted assets:					
Accounts payable	-	13,396	-	2,715	16,111
Accrued expenses	-	-	-	13,400	13,400
Deposits	1,000	-	-	25,012	26,012
<b>Total Liabilities</b>	<b>2,473,642</b>	<b>13,396</b>	<b>-</b>	<b>41,127</b>	<b>2,528,165</b>
Fund Balances:					
Restricted for:					
Capital projects	-	896,794	-	-	896,794
Cemetery	-	-	-	278,391	278,391
Debt service	-	-	408,197	-	408,197
Municipal court	-	-	-	49,466	49,466
Parks and recreation	1,305	-	-	-	1,305
Street improvements	264,293	-	-	103,778	368,071
Street repairs	280,628	-	-	-	280,628
Unassigned:	2,320,873	-	-	-	2,320,873
<b>Total Fund Balances</b>	<b>2,867,099</b>	<b>896,794</b>	<b>408,197</b>	<b>431,635</b>	<b>4,603,725</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,340,741</b>	<b>\$ 910,190</b>	<b>\$ 408,197</b>	<b>\$ 472,762</b>	<b>\$ 7,131,890</b>

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

City of Calera, Alabama  
**Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Position**  
**September 30, 2013**

Fund Balances - Total Governmental Funds \$ 4,603,725

Amounts reported for governmental activities in the Statement of Net Position are different because:

Lease receivable reported in governmental activities is not collectible in the current period and, therefore, is not reported in the governmental funds. Deferred revenue related to future lease income reduces net position reported in governmental activities but is not reported in the governmental funds.

Lease receivable	3,615,813	
Less: Deferred revenue related to lease receivable	<u>(441,519)</u>	3,174,294

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:

Governmental capital assets	52,299,758	
Less: accumulated depreciation	<u>(11,729,119)</u>	40,570,639

Interest payable reported in the governmental activities is not payable from current resources and, therefore, is not reported in the governmental funds. (61,136)

Warrant issue costs in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 441,729

Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds, but are reported in the Statement of Net Position:

General Obligation Warrants	(21,968,411)	
Limited Obligation Warrants	(419,083)	
Notes Payable	(202,442)	
Other Post Employment Benefit Payable	(1,811,951)	
Compensated Absences	<u>(679,200)</u>	<u>(25,081,087)</u>

Net Position of Governmental Activities \$ 23,648,164

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Operating Revenues:</b>					
Taxes:					
Sales	\$ 7,126,301	\$ -	\$ -	\$ -	\$ 7,126,301
Property	1,712,201	-	-	-	1,712,201
Motor Vehicle / Gas	69,931	-	-	49,622	119,553
Other	163,204	-	-	-	163,204
Licenses and permits	1,703,659	-	-	-	1,703,659
Fines and forfeitures	-	-	-	321,234	321,234
Charges for services	216,045	-	-	-	216,045
Interest	17,958	-	6,825	9,453	34,236
Investment income	-	-	-	(15,258)	(15,258)
Other	1,553,199	-	-	-	1,553,199
<b>Total Revenues</b>	<b>12,562,498</b>	<b>-</b>	<b>6,825</b>	<b>365,051</b>	<b>12,934,374</b>
<b>Expenditures:</b>					
Current:					
General administration	764,992	9,669	-	-	774,661
Street	547,121	-	-	-	547,121
Mechanic	169,582	-	-	-	169,582
Planning and zoning	54,680	-	-	-	54,680
Engineering	416,294	-	-	-	416,294
Inspections	234,489	-	-	-	234,489
Building maintenance	242,326	-	-	-	242,326
Police	2,845,841	-	-	-	2,845,841
Fire and rescue	2,857,494	-	-	-	2,857,494
Library	303,517	-	-	-	303,517
Parks and recreation	801,592	-	-	-	801,592
Senior center	77,230	-	-	-	77,230
Donations	44,250	-	-	-	44,250
Municipal court	-	-	-	209,522	209,522
Salem cemetery	-	-	-	3,823	3,823
Debt Service:					
Principal	103,581	-	5,780,000	-	5,883,581
Interest and fiscal charges	16,548	-	1,163,882	-	1,180,430
Capital Outlay	1,675,541	987,391	-	-	2,662,932
<b>Total Expenditures</b>	<b>11,155,078</b>	<b>997,060</b>	<b>6,943,882</b>	<b>213,345</b>	<b>19,309,365</b>
<b>Excess of Revenues over Expenditures</b>	<b>1,407,420</b>	<b>(997,060)</b>	<b>(6,937,057)</b>	<b>151,706</b>	<b>(6,374,991)</b>

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued**  
**Governmental Funds**  
**For the Year Ended September 30, 2013**

	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>					
Proceeds from debt	267,925	-	5,072,496	-	5,340,421
Proceeds from capital lease	334,375	-	-	-	334,375
Proceeds from sale of capital assets	68,231	-	-	-	68,231
Transfers (to)/from					
Capital Projects Fund	(17,337)	17,337	-	-	-
Transfers (to)/from					
Debt Service Fund	(1,941,878)	-	1,941,878	-	-
Transfers (to)/from					
Other Governmental Funds	138,391	-	-	(138,391)	-
Transfers (to)/from					
Natural Gas System	348,721	-	-	-	348,721
Transfers (to)/from					
Sewer System	155,365	(19,686)	-	-	135,679
Transfers (to)/from					
Other Proprietary Funds	31,100	-	-	-	31,100
Total Other Financing Sources (Uses)	(615,107)	(2,349)	7,014,374	(138,391)	6,258,527
Net Change in Fund Balances	792,313	(999,409)	77,317	13,315	(116,464)
Fund Balances, Beginning	\$ 2,074,786	\$ 1,896,203	\$ 330,880	\$ 418,320	\$ 4,720,189
Fund Balances, Ending	\$ 2,867,099	\$ 896,794	\$ 408,197	\$ 431,635	\$ 4,603,725

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

**City of Calera, Alabama**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances- Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ (116,464)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	2,662,932	
Less current year depreciation	<u>(1,117,460)</u>	1,545,472

Donations of capital assets do not provide current financial resources and are not recorded in governmental funds. However, donations of capital assets increase net position. 155,000

Proceeds of \$68,231 from the sale of capital assets are reported as revenue in the governmental funds. However, the net book value of the capital assets, \$32,195, is removed from the capital assets account in the Statement of Net Position and offset against the sales proceeds resulting in a gain in the Statement of Activities of \$36,036. (32,195)

The proceeds from a capital lease are reported as revenue in the governmental funds. However, the lease is reported as a sale of a capital asset in the Statement of Net Position and deferred revenue related to the transaction is amortized over the life of the lease and reported as lease income in the Statement of Activities

Proceeds from capital leases	(334,375)	
Lease income	<u>64,480</u>	(269,895)

Debt proceeds are reported as financing sources in governmental funds. However, the debt proceeds increase liabilities in the Statement of Net Position and do not affect the Statement of Activities. (5,340,421)

Repayment of debt principal is reported as an expenditure in governmental funds. However, the principal payments reduce liabilities in the Statement of Net Position and do not result in an expense in the Statement of Activities. 5,883,581

Bond discounts, premiums and issuance costs are reported as expenditures in the fund statements but are amortized in the statement of activities.

Amortization of costs		(78,791)
Issuance cost on current year refunding		44,110

The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net increase in compensated absences		(53,300)
Net increase in other post employment benefit payable		(510,735)
Change in accrued interest expense		<u>35,109</u>

Change in Net Position of Governmental Funds \$ 1,261,471

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Net Position**  
**September 30, 2013**

	Natural Gas System	Sewer System	Other Proprietary Funds	Total Proprietary Funds
<b>Assets</b>				
Current:				
Cash	\$ 144,272	\$ 19,361	\$ 68,461	\$ 232,094
Accounts receivable, net	441,699	369,146	82,334	893,179
Inventory	258,771	62,578	-	321,349
Other	-	91,085	-	91,085
Unamortized bond issue cost, current portion	-	13,196	-	13,196
<b>Total Current Assets</b>	<b>844,742</b>	<b>555,366</b>	<b>150,795</b>	<b>1,550,903</b>
Noncurrent:				
Restricted cash and cash equivalents	75,626	533,409	-	609,035
Nondepreciable assets	78,403	403,864	-	482,267
Depreciable capital assets, net	3,136,050	18,267,327	71,771	21,475,148
Unamortized bond issue cost, net of current portion	-	169,154	-	169,154
<b>Total Noncurrent Assets</b>	<b>3,290,079</b>	<b>19,373,754</b>	<b>71,771</b>	<b>22,735,604</b>
<b>Total Assets</b>	<b>\$ 4,134,821</b>	<b>\$ 19,929,120</b>	<b>\$ 222,566</b>	<b>\$ 24,286,507</b>
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 273,093	\$ 80,276	\$ 16,780	\$ 370,149
Accrued expenses	18,122	12,584	7,278	37,984
Current portion of compensated absences	7,600	24,850	2,150	34,600
Payable from restricted assets:				
Customer deposits	75,626	-	-	75,626
Accrued interest payable	-	121,760	-	121,760
Current portion of long-term debt	-	253,497	-	253,497
<b>Total Current Liabilities</b>	<b>374,441</b>	<b>492,967</b>	<b>26,208</b>	<b>893,616</b>
Noncurrent:				
Compensated absences, net of current portion	7,600	24,850	2,150	34,600
Long-term debt, net of current portion	-	10,781,595	-	10,781,595
<b>Total Noncurrent Liabilities</b>	<b>7,600</b>	<b>10,806,445</b>	<b>2,150</b>	<b>10,816,195</b>
<b>Total Liabilities</b>	<b>382,041</b>	<b>11,299,412</b>	<b>28,358</b>	<b>11,709,811</b>
<b>Net Position</b>				
Invested in capital, net of related debt	3,214,453	7,741,509	71,771	11,027,733
Unrestricted	538,327	835,457	122,437	1,496,221
Restricted for debt service (expendable)	-	52,742	-	52,742
<b>Total Net Position</b>	<b>3,752,780</b>	<b>8,629,708</b>	<b>194,208</b>	<b>12,576,696</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,134,821</b>	<b>\$ 19,929,120</b>	<b>\$ 222,566</b>	<b>\$ 24,286,507</b>

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position**  
**For the Year Ended September 30, 2013**

	Natural Gas System	Sewer System	Other Proprietary Funds	Total Proprietary Funds
<b>Operating Revenues</b>				
Utility receipts	\$ 3,218,963	\$ 2,318,538	\$ 755,232	\$ 6,292,733
Fees	2,405	276,613	-	279,018
Miscellaneous	23,974	-	-	23,974
Total Operating Revenues	3,245,342	2,595,151	755,232	6,595,725
<b>Operating Expenses</b>				
Gas purchases	1,558,746	-	-	1,558,746
Personnel services	544,690	729,754	395,830	1,670,274
Supplies expense	39,344	416,412	79,105	534,861
Repairs and maintenance	41,701	107,401	73,936	223,038
Depreciation	116,410	634,180	54,663	805,253
Administrative expenses	67,246	529,305	19,749	616,300
Outside services	23,590	46,166	124,350	194,106
Total Operating Expenses	2,391,727	2,463,218	747,633	5,602,578
Operating Income	853,615	131,933	7,599	993,147
<b>Non Operating Revenues (Expenses)</b>				
Interest income	736	6,664	93	7,493
Interest expense	-	(391,228)	-	(391,228)
Amortization expense	-	(11,493)	-	(11,493)
Total Non Operating Revenues (Expenses)	736	(396,057)	93	(395,228)
Income (Loss) Before Interfund Operating Transfers	854,351	(264,124)	7,692	597,919
Interfund Transfers	(348,522)	(135,878)	(31,100)	(515,500)
Change in Net Position	505,829	(400,002)	(23,408)	82,419
Net Position, Beginning of Year	3,246,951	9,029,710	217,616	12,494,277
Net Position, End of Year	\$ 3,752,780	\$ 8,629,708	\$ 194,208	\$ 12,576,696

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Cash Flows**  
**For the Year Ended September 30, 2013**

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,071,702	\$ 2,586,772	\$ 753,862	\$ 6,412,336
Cash paid to employees	(538,594)	(726,761)	(391,243)	(1,656,598)
Cash paid to suppliers for goods and services	(1,683,463)	(1,167,933)	(302,148)	(3,153,544)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>849,645</u>	<u>692,078</u>	<u>60,471</u>	<u>1,602,194</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) / from other funds	(358,000)	(138,200)	(31,100)	(527,300)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(358,000)</u>	<u>(138,200)</u>	<u>(31,100)</u>	<u>(527,300)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of property, plant, and equipment	(353,249)	(763,770)	-	(1,117,019)
Principal payments on debt	-	(138,000)	-	(138,000)
Interest payments on debt	-	(460,604)	-	(460,604)
Transfers (to) / from other funds	9,478	2,322	-	11,800
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(343,771)</u>	<u>(1,360,052)</u>	<u>-</u>	<u>(1,703,823)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of certificates of deposit	-	(9,773)	-	(9,773)
Interest on cash and investments	736	5,838	93	6,667
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>736</u>	<u>(3,935)</u>	<u>93</u>	<u>(3,106)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	148,610	(810,109)	29,464	(632,035)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>71,288</u>	<u>1,362,879</u>	<u>38,997</u>	<u>1,473,164</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 219,898</u>	<u>\$ 552,770</u>	<u>\$ 68,461</u>	<u>\$ 841,129</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 853,615	\$ 131,933	\$ 7,599	\$ 993,147
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	116,410	634,180	54,663	805,253
(Increase) decrease in:				
Accounts receivable	(178,985)	(8,379)	(1,370)	(188,734)
Inventory	(16,629)	(6,911)	-	(23,540)
Other	-	(91,085)	-	(91,085)
Increase (decrease) in:				
Accounts payable	57,367	29,347	(5,008)	81,706
Customer deposits	5,345	-	-	5,345
Compensated absences	6,500	1,600	3,200	11,300
Accrued expenses	6,022	1,393	1,387	8,802
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 849,645</u>	<u>\$ 692,078</u>	<u>\$ 60,471</u>	<u>\$ 1,602,194</u>

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Cash Flows - continued**  
**For the Year Ended September 30, 2013**

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Calera Sewer System issued General Obligation Warrants in the amount of \$11,885,000. The net proceeds were placed in an irrevocable trust with an escrow agent and in a deposit account to be used to refund \$11,239,000 of the System's Series 2005 A&B Revenue Bonds and Series 2006 General Obligation Warrants. Warrant issuance costs were \$191,200, original issue discounts were \$149,730, and original issue premiums were \$944.

Calera Sewer System had amortization of warrant issue costs of \$11,493, and amortization of warrant discounts of \$5,710, amortization of warrant premiums of \$43, and amortization of deferred amount on refunding of \$36,367.

RECONCILIATION TO STATEMENT OF NET POSITION

Cash and cash equivalents on the Statement of Cash Flows are composed of the following balances from the Statement of Proprietary Fund Net Position:

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
Cash	\$ 144,272	\$ 19,361	\$ 68,461	\$ 232,094
Restricted cash	75,626	533,409	-	609,035
Cash and cash equivalents	<u>\$ 219,898</u>	<u>\$ 552,770</u>	<u>\$ 68,461</u>	<u>\$ 841,129</u>

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

## NOTES TO FINANCIAL STATEMENTS

City of Calera, Alabama

September 30, 2013

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### NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. General Statement

The City of Calera (the "City"), an Alabama Municipal Corporation, was incorporated in 1893. The governing body is an elected Mayor and a six member elected City Council.

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The more significant of the City's accounting policies are described below.

2. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Calera has the following component unit:

The Water Works Board of the City of Calera, Alabama

The Water Works Board of the City of Calera, Alabama (the Board) was created by the City of Calera, Alabama (the City) to provide water services to the City and surrounding communities. The Board is governed by a five member group appointed by the Calera City Council. The Board is a discretely presented component unit and is reported in a separate column in the government wide financial statements to emphasize that it is separate from the primary government. Complete financials are available by contacting the Board.

3. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational and capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Fund Types:

Governmental funds are those through which general governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The City reports the following major governmental funds:

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds) financed from general obligation bond proceeds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Additionally, the City reports the following other governmental funds:

Nonmajor Special Revenue Funds

The Municipal Court Fund, Cemetery Fund, and Gas Tax Funds are used to account for the proceeds of specific revenue resources that are legally restricted or designated to expenditures for specified purposes.

Proprietary Fund Types:

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net position, financial position, and cash flows. All assets and liabilities are included on the Statement of Net Position.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

The City reports the following major proprietary funds:

Natural Gas System

The Natural Gas System is used to account for the provision of gas services to the residents and businesses of the City. Activities of the fund include administration, operations, and maintenance of the gas system, and billing and collection activities.

Sewer System

The Sewer System is used to account for the provision of sewer services to the residents and businesses of the City. Activities of the fund include administration, operations and maintenance of the sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for sewer debt.

Additionally, the City reports the following other proprietary fund:

Garbage Fund

The Garbage Fund is used to account for the provision of garbage services primarily to the residents of the City. Activities of the fund include administration and billing and collections of fees related to the garbage services provided.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

4. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes and sales taxes as available if they are collected within 60 days after year end. The revenues susceptible to accrual are property taxes, sales taxes, and charges for services. All other Governmental Fund type revenues are recognized when received. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on long-term liabilities, which are recorded as fund liabilities when due, and compensated absences, which are recorded when payable from current available financial resources.

5. Cash

For purposes of the cash flow statement, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less.

6. Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

7. Allowance for Uncollectible Accounts

An allowance for uncollectible accounts is provided based on historical evidence (see Note C).

8. Inventory

Inventory consists of supplies for the Natural Gas System and Sewer System as well as natural gas held in storage for the Natural Gas System. Inventory is recorded at the lower of cost or market, determined by first in, first out method. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, which consists of the City's streets and roads, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets, including infrastructure, are valued at historical costs or estimated historical costs, if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Interest expense during the construction periods is capitalized as part of the costs of the assets.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Assets capitalized have an original cost of \$3,000 or more and five years or more of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

System and Facilities	30-40 Years
Buildings and Improvements	30-40 Years
Machinery and Equipment	5-25 Years
Infrastructure	25-50 Years

Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis.

10. Interfund Operating Transfers, Receivables, and Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as "Due to/from other funds," as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements except for those amounts outstanding between the general fund and business type activities.

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as "Interfund operating transfers in/(out)" in the accompanying financial statements.

11. Compensated Absences

The City's vacation policy states that eligible employees can earn vacation leave which, if unused, is paid upon termination of employment. Vacation leave is earned at graduated rates based on the employee's length of service. An employee may carry forward a limited amount of vacation leave from one calendar year to the next. Any amount of vacation leave earned by an employee in excess of the limit but not used by the end of the calendar year is forfeited.

The City's compensatory time policy allows employees to accrue compensatory time in lieu of monetary overtime compensation for hours worked in excess of a normal week. Compensatory time is granted at a rate of one and one half hours of compensatory time for each hour of overtime worked. An employee may accrue a limited amount of compensatory time. All compensatory time earned is immediately 100% vested.

The City's holiday leave policy permits certain City employees to accrue holiday leave for hours worked on holidays observed by the City. An employee who resigns or retires in good standing shall be paid for all holiday leave accrued.

The City accrues liabilities for vacation leave, compensatory time, and holiday leave in the amount that will be owed to employees upon termination of service.

The accrued amounts of vacation leave, compensatory time, and holiday leave are recorded as noncurrent liabilities, net of current portion in proprietary funds. The accrued amounts of vacation leave, holiday leave, and compensatory time earned by employees whose salaries are charged to the General Fund and Other Governmental Funds are recorded as noncurrent liabilities in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

12. Noncurrent Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Warrant premiums and discounts, as well as issuance costs and deferred amount on refunding are deferred and amortized over the life of the warrants using the warrants outstanding method. Warrants payable are recorded net of the applicable warrant premiums, discounts, or deferred amount on refunding. Warrant issuance costs are reported as deferred charges, and amortized over the life of the related warrants.

13. Deferred Revenue

Governmental funds and the statement of net position report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received but are not yet recognizable.

14. Fund Balance

Fund balances are classified as follows:

- Nonspendable - amounts that are not in spendable form or are required to be maintained intact.
- Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned - amounts that are available for any purpose.

It is the City's policy to use restricted balances first, followed by committed resources, assigned resources, and finally unassigned resources, as needed. The City Council adopted a minimum fund balance policy for the General Fund. The policy requires the General Fund maintain a minimum unassigned fund balance of no less than 10% of annual operating expenditures.

15. Use of Estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

16. Property Tax Calendar

The City of Calera's ad valorem property taxes are collected and remitted to the City by Shelby County. Taxes are levied annually on October 1, based on a lien date of the prior October 1. The taxes are due on December 31, following the levy.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

17. New GASB Pronouncements

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City has implemented this reporting for the year ended September 30, 2013. The components of net position were renamed to reflect the requirements of this statement.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

All of the City's demand deposits, time deposits, and certificates of deposit are insured and collateralized in accordance with the Security for Alabama Funds Enhancement, or SAFE Program, which is encompassed in Title 41, Chapter 14A, Code of Alabama 1975, as amended, which is a multiple financial institutions collateral pool. The statute provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

Debt service funds and bond proceeds held in escrow totaling \$1,851,796 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

Investments

As of September 30, 2013, the City had the following investments, which were reported in governmental activities:

	<u>Fair Value</u>		<u>Maturity</u>	<u>S &amp; P Rating</u>
7.125% U.S. Treasury Bond	\$ 118,303	75%	02/15/2023	AAA
6.250% U.S. Treasury Bond	<u>39,703</u>	<u>25%</u>	08/15/2023	AAA
	<u>\$ 158,006</u>	<u>100%</u>		

Investments are reported at fair value. The City intends to hold all investments to maturity.

The City has an investment policy, the objective of which is to minimize credit rate and interest rate risk. The policy addresses risks as follows:

Credit Risk (Custodial Credit Risk and Concentration of Credit Risk)

The City minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities authorized in Alabama Code section 19-3-120; and qualifying the institutions, brokers/dealers, intermediaries and advisors with which the City does business.

The City minimizes Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from one type of security or issuer is minimized.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

Investment Rate Risk

The City minimizes Interest Rate Risk, which is the risk that the market value of securities in the portfolio may fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity schedule in accordance with the City's cash requirements.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain U.S. corporate equities, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

NOTE C - RECEIVABLES AND PAYABLES

Receivables at September 30, 2013 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Taxes:				
Sales	\$ 639,707	\$ -	\$ 639,707	\$ -
Property	1,696,505	-	1,696,505	-
Motor vehicle/ gas	43,539	-	43,539	-
Customers	-	898,639	898,639	633,672
Other	62,235	-	62,235	-
Gross Receivables	<u>2,441,986</u>	<u>898,639</u>	<u>3,340,625</u>	<u>633,672</u>
Less: Allowance for Uncollectibles	<u>(78,494)</u>	<u>(5,460)</u>	<u>(83,954)</u>	<u>(4,840)</u>
Net Receivables	<u>\$ 2,363,492</u>	<u>\$ 893,179</u>	<u>\$ 3,256,671</u>	<u>\$ 628,832</u>

Payables at September 30, 2013 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Trade payables	\$ 318,420	\$ 370,149	\$ 688,569	\$ 41,760
Capital assets payables	<u>190,654</u>	<u>-</u>	<u>190,654</u>	<u>7,800</u>
	<u>\$ 509,074</u>	<u>\$ 370,149</u>	<u>\$ 879,223</u>	<u>\$ 49,560</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

**NOTE D - CAPITAL ASSETS**

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

Primary Government:

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 16,468,544	\$ -	\$ -	\$ 16,468,544
Construction in progress	3,325,204	2,202,613	(134,250)	5,393,567
Total capital assets not being depreciated	<u>19,793,748</u>	<u>2,202,613</u>	<u>(134,250)</u>	<u>21,862,111</u>
Capital assets being depreciated				
Infrastructure	16,770,459	313,538	-	17,083,997
Buildings and improvements	7,583,507	30,699	-	7,614,206
Vehicles	2,757,531	330,667	(331,336)	2,756,862
Equipment	2,981,736	74,665	(73,819)	2,982,582
Total capital assets being depreciated	<u>30,093,233</u>	<u>749,569</u>	<u>(405,155)</u>	<u>30,437,647</u>
Less accumulated depreciation for:				
Infrastructure	4,298,409	437,387	-	4,735,796
Buildings and improvements	1,935,113	211,835	-	2,146,948
Vehicles	2,411,755	213,463	(300,868)	2,324,350
Equipment	2,339,342	254,775	(72,092)	2,522,025
Total accumulated depreciation	<u>10,984,619</u>	<u>1,117,460</u>	<u>(372,960)</u>	<u>11,729,119</u>
Total capital assets, being depreciated, net	<u>19,108,614</u>	<u>(367,891)</u>	<u>(32,195)</u>	<u>18,708,528</u>
Governmental activities capital assets, net	<u>\$ 38,902,362</u>	<u>\$ 1,834,722</u>	<u>\$ (166,445)</u>	<u>\$ 40,570,639</u>

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
<i>Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 441,853	\$ -	\$ -	\$ 441,853
Construction in progress	747,677	-	(707,263)	40,414
Total Capital assets not being depreciated	<u>1,189,530</u>	<u>-</u>	<u>(707,263)</u>	<u>482,267</u>
Capital assets, being depreciated				
System and facilities	27,686,154	1,209,036	-	28,895,190
Buildings and improvements	112,633	-	-	112,633
Vehicles	1,188,424	-	-	1,188,424
Equipment	873,620	71,215	-	944,835
Total capital assets being depreciated	<u>29,860,831</u>	<u>1,280,251</u>	<u>-</u>	<u>31,141,082</u>
Less accumulated depreciation for:				
System and facilities	7,027,119	671,026	-	7,698,145
Buildings and improvements	79,842	2,298	-	82,140
Vehicles	972,849	94,100	-	1,066,949
Equipment	780,871	37,829	-	818,700
Total accumulated depreciation	<u>8,860,681</u>	<u>805,253</u>	<u>-</u>	<u>9,665,934</u>
Total capital assets, being depreciated, net	<u>21,000,150</u>	<u>474,998</u>	<u>-</u>	<u>21,475,148</u>
Business-type activities capital assets, net	<u>\$ 22,189,680</u>	<u>\$ 474,998</u>	<u>\$ (707,263)</u>	<u>\$ 21,957,415</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE D - CAPITAL ASSETS – CONTINUED

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Governmental Activities:

General administration	\$ 79,534
Street	439,281
Mechanic	12,717
Engineering	5,618
Inspections	12,547
Building maintenance	349
Police	173,832
Fire and rescue	220,613
Library	90,076
Parks and recreation	60,324
Senior center	21,495
Municipal court	<u>1,074</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 1,117,460</u>

Business-type Activities:

Natural Gas System	\$ 116,410
Sewer System	634,180
Other Proprietary Funds	<u>54,663</u>
Total Depreciation Expense- Business-type Activities	<u>\$ 805,253</u>

Component Unit:

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
Capital assets not being depreciated				
Land	\$ 11,485	\$ -	\$ -	\$ 11,485
Construction in progress	<u>162,584</u>	<u>-</u>	<u>(153,368)</u>	<u>9,216</u>
Total capital assets not being depreciated	<u>174,069</u>	<u>-</u>	<u>(153,368)</u>	<u>20,701</u>
Capital assets being depreciated				
System and facilities	21,677,217	278,986	-	21,956,203
Buildings and improvements	53,436	8,056	-	61,492
Vehicles	268,322	49,471	-	317,793
Equipment	<u>1,130,012</u>	<u>54,031</u>	<u>-</u>	<u>1,184,043</u>
Total capital assets being depreciated	<u>23,128,987</u>	<u>390,544</u>	<u>-</u>	<u>23,519,531</u>
Less accumulated depreciation for:				
System and facilities	4,183,173	503,652	-	4,686,825
Buildings and improvements	8,023	1,457	-	9,480
Vehicles	268,322	6,587	-	274,909
Equipment	<u>1,082,892</u>	<u>22,870</u>	<u>-</u>	<u>1,105,762</u>
Total accumulated depreciation	<u>5,542,410</u>	<u>534,566</u>	<u>-</u>	<u>6,076,976</u>
Total capital assets, being depreciated, net	<u>17,586,577</u>	<u>(144,022)</u>	<u>-</u>	<u>17,442,555</u>
Water Works Board capital assets, net	<u>\$ 17,760,646</u>	<u>\$ (144,022)</u>	<u>\$ (153,368)</u>	<u>\$ 17,463,256</u>

Depreciation expense charged to the component unit for the year ended September 30, 2013, was \$534,566.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE E - LONG-TERM DEBT

Primary Government:

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2007 General Obligation Warrants, dated February 22, 2007, due in semi-annual installments through May 20, 2022, bearing interest rates averaging 3.81%.	1,035,000	-
Series 2007 Limited Obligation Warrants, dated September 13, 2007, due in semi-annual installments through March 31, 2018, bearing an interest rate of 3.83%.	419,083	-
2008 Q2 772 General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through May 20, 2033, bearing an interest rate of 3.68%.	1,395,000	-
2008 Q2 REG General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through May 20, 2033, bearing an interest rate of 3.68%.	1,855,000	-
2008 Q2 LEASE General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through November 20, 2020, bearing an interest rate of 3.12%.	150,000	-
2008 Taxable General Obligation Warrants, dated September 1, 2008, due in semi-annual installments through September 1, 2028, bearing interest rates of 6.25% to 7.50%. (less: unamortized discounts of \$20,941).	4,414,059	-
2009 Q2 772CA General Obligation Warrants, dated August 31, 2009, due in semi-annual installments through May 20, 2038, bearing an interest rate of 3.51%.	8,200,000	-
Series 2012-A General Obligation Warrants, dated October 1, 2012, due in semi-annual installments through December 1, 2024, bearing interest rates of 1.15% to 3.0%. (plus: unamortized premiums of \$53,087, less: unamortized deferred amount on refunding of \$193,735).	4,869,352	-
Series 2012-B General Obligation Warrants, dated October 1, 2012, due in semi-annual installments through December 1, 2013, bearing an interest rate of 0.60%.	50,000	-
Series 2013-A General Obligation Warrants, dated February 1, 2013, due in semi-annual installments through November 1, 2031, bearing interest rates of 1.3% to 2.7%. (less: unamortized discounts of \$41,329 and unamortized deferred amount on refunding of \$416,973).	-	2,611,698

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE E - LONG-TERM DEBT - CONTINUED

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Series 2013-B General Obligation Warrants, dated February 1, 2013, due in semi-annual installments through November 1, 2041, bearing interest rates of 1.3% to 3.5%. (less: unamortized discounts of \$60,142 and unamortized deferred amount on refunding of \$52,138).	-	6,802,720
Series 2013-C General Obligation Warrants, dated February 1, 2013, due in semi-annual installments through November 1, 2032, bearing interest rates of 0.4% to 3.0%. (plus: unamortized premiums of \$901, less: unamortized deferred amount on refunding of \$280,227).	<u>-</u>	<u>1,620,674</u>
<b>Total Warrants Payable</b>	<b><u>\$ 22,387,494</u></b>	<b><u>\$ 11,035,092</u></b>

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

Note payable to Central State Bank dated December 3, 2012. Monthly payments of \$7,674, including interest at 2%, maturing in December 2015.	<u>\$ 202,442</u>
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A summary of long-term liability activity for the year ended September 30, 2013 is as follows:

	<u>Balance October 1, 2012</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2013</u>	<u>Due within one year</u>
<u>Governmental Type Activities</u>					
General Obligation Warrants, net	\$ 22,656,374	\$ 4,892,833	\$ 5,580,796	\$ 21,968,411	\$ 938,311
Limited Obligation Warrants	456,553	-	37,470	419,083	195,558
Notes Payable	-	267,925	65,483	202,442	88,851
Capital Leases	629	-	629	-	-
Other Post Employment Benefit Payable	1,301,216	510,735	-	1,811,951	-
Compensated Absences	625,900	513,653	460,353	679,200	339,600
<b>Total Governmental Activities</b>	<b><u>\$ 25,040,672</u></b>	<b><u>\$ 6,185,146</u></b>	<b><u>\$ 6,144,731</u></b>	<b><u>\$ 25,081,087</u></b>	<b><u>\$ 1,562,320</u></b>
<u>Business-type Activities</u>					
General Obligation Warrants, net	\$ 4,149,368	\$ 10,993,844	\$ 4,108,120	\$ 11,035,092	\$ 253,497
Revenue Bonds	7,187,000	-	7,187,000	-	-
Compensated Absences	57,900	107,110	95,810	69,200	34,600
<b>Total Business-type Activities</b>	<b><u>\$ 11,394,268</u></b>	<b><u>\$ 11,100,954</u></b>	<b><u>\$ 11,390,930</u></b>	<b><u>\$ 11,104,292</u></b>	<b><u>\$ 288,097</u></b>

For governmental activities, general obligation warrants are liquidated by the Debt Service Fund, while limited obligation warrants, capital leases, other post employment benefits payable and compensated absences are liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE E - LONG-TERM DEBT - CONTINUED

Annual Requirements to Retire Debt Obligations:

The annual aggregate maturities for the years subsequent to September 30, 2013 are as follows:

Year Ending September 30,	Governmental Activities		Governmental Activities	
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
2014	\$ 965,000	\$ 870,082	\$ 195,558	\$ 10,806
2015	990,000	835,308	62,333	8,561
2016	1,010,000	799,673	66,228	6,174
2017	1,065,000	760,160	70,306	3,637
2018	1,095,000	716,667	24,658	944
2019-2023	6,070,000	2,936,032	-	-
2024-2028	5,370,000	1,726,218	-	-
2029-2033	3,060,000	748,164	-	-
2034-2038	2,505,000	250,526	-	-
	<u>\$ 22,130,000</u>	<u>\$ 9,642,830</u>	<u>\$ 419,083</u>	<u>\$ 30,122</u>

  

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Notes Payable		General Obligation Warrants	
	Principal	Interest	Principal	Interest
2014	\$ 88,851	\$ 3,237	\$ 315,000	\$ 290,114
2015	90,645	1,444	320,000	285,708
2016	22,946	76	325,000	280,249
2017	-	-	335,000	273,824
2018	-	-	335,000	267,299
2019-2023	-	-	1,785,000	1,243,981
2024-2028	-	-	2,890,000	1,023,410
2029-2033	-	-	2,855,000	638,116
2034-2038	-	-	1,410,000	350,295
2039-2043	-	-	1,315,000	94,063
	<u>\$ 202,442</u>	<u>\$ 4,757</u>	<u>\$ 11,885,000</u>	<u>\$ 4,747,059</u>

Interest costs incurred in enterprise funds during construction are capitalized, net of interest income from the proceeds of tax-exempt debt, as part of the cost of the related assets. During the fiscal year ended September 30, 2013, the Sewer System incurred total interest costs of \$401,961. Of this amount, \$10,733 was capitalized as a component of capital assets constructed during the year, and \$391,228 was charged to expense.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE E - LONG-TERM DEBT - CONTINUED

On October 1, 2012, the City issued Series 2012-A and 2012-B Refunding Warrants in the amount of \$5,060,000 for the purpose of refunding, on a current basis, the outstanding Series 2004 Warrants. The reacquisition price exceeded the net carrying amount of the old debt by \$230,263. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is equivalent to the life of the old debt. This refunding was undertaken to reduce total debt service payments over the next eleven years by \$689,351 and resulted in an economic gain of \$621,022.

On February 1, 2013, the City issued Series 2013-A, 2013-B and 2013-C Refunding Bonds in the amount of \$11,885,000 for the purposes of advance refunding the outstanding Series 2006 Warrants, and refunding, on a current basis, the outstanding Series 2005-A and 2005-B Sewer Revenue Bonds. The Series 2006 Warrants are considered to be defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$785,705. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the old debt. This refunding was undertaken to reduce total debt service payments over the next thirty two years by \$2,695,246, and resulted in an economic gain of \$1,268,660. At September 30, 2013, \$4,190,000 of the defeased bonds remained outstanding.

Component Unit:

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

Note payable to Central State Bank for meter reading software, dated December 19, 2003. Monthly payment of \$4,763, including interest at 3%, using the simple interest method, maturing in December 2018, secured by equipment.	<u>\$ 276,903</u>
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Water Revenue Bonds payable at September 30, 2013, are comprised of the following issues:

2009 Water Revenue Bonds, dated July 1, 2009, due in semi-annual installments through February 1, 2038, bearing interest rates of 2.00% to 5.125%. (less: unamortized discounts of \$24,841 and unamortized deferred amount on refunding of \$11,803).	<u>\$ 3,243,356</u>
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2012 Water Revenue Bonds, dated July 1, 2012, due in semi-annual installments through February 1, 2036, bearing interest rates of 2.00% to 3.75%. (less: unamortized discounts of \$129,133 and unamortized deferred amount on refunding of \$702,908).	8,387,959
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2012-A Water Revenue Bonds, dated November 1, 2012, due in semi-annual installments through February 1, 2026, bearing interest rates of 1.70% to 2.40% (less: unamortized discounts of \$4,593 and unamortized deferred amount on refunding of \$217,252).	<u>3,333,155</u>
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Total Water Revenue Bonds Payable	<u>\$ 14,964,470</u>
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE E - LONG-TERM DEBT - CONTINUED

A summary of long-term liability activity for the year ended September 30, 2013, is as follows:

	<u>Balance October 1, 2012</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2013</u>	<u>Due within one year</u>
Revenue Bonds Payable	\$ 15,263,882	\$ 3,346,703	\$ (3,646,115)	\$ 14,964,470	\$ 366,493
Notes Payable	<u>324,841</u>	<u>-</u>	<u>(47,938)</u>	<u>276,903</u>	<u>49,522</u>
	<u>\$ 15,588,723</u>	<u>\$ 3,346,703</u>	<u>\$ (3,694,053)</u>	<u>\$ 15,241,373</u>	<u>\$ 416,015</u>

The total interest incurred for the year ended September 30, 2013, was \$634,797. Of this amount, \$3,444 was capitalized as a component of the cost of capital assets constructed during the year and \$631,353 was charged to expense.

On November 1, 2012, the Board issued Series 2012-A Water Revenue Refunding Bonds in the amount of \$3,595,000 to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of Series 2005 Water Revenue Bonds in the amount of \$3,505,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$243,156. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is equivalent to the life of the old debt. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$563,473 and resulted in an economic gain of \$435,008. At September 30, 2013, none of the defeased bonds remained outstanding.

Annual Requirements to Retire Debt Obligations:

The annual requirements to service the Board's debt obligations at September 30, 2013, are as follows:

<u>Year Ending September 30,</u>	<u>Revenue Bonds Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 450,000	\$ 510,611	\$ 49,412	\$ 7,633
2015	465,000	500,824	51,029	6,127
2016	475,000	490,449	52,581	4,575
2017	485,000	478,511	54,180	2,975
2018	495,000	465,966	55,828	1,328
2019-2023	2,710,000	2,113,424	13,873	416
2024-2028	3,090,000	1,721,016	-	-
2029-2033	3,730,000	1,201,809	-	-
2034-2038	<u>4,155,000</u>	<u>471,284</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,055,000</u>	<u>\$ 7,953,894</u>	<u>\$ 276,903</u>	<u>\$ 23,054</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE F - CAPITAL LEASES

Capital lease agreement in which the City is the lessor:

The City leases approximately twenty acres of land under a direct financing lease that expires in 2028. The lease agreement contains a bargain purchase option at the end of the lease term. The components of the City's investment in the direct financing lease at September 30, 2013 are as follows:

	<u>Governmental Activities</u>
Minimum lease payments receivable	\$ 3,615,813
Less: unearned income	<u>(441,519)</u>
Net investment in direct financing lease	<u>\$ 3,174,294</u>

Unearned income is amortized to lease income by the interest method using a constant periodic rate over the lease term.

The following is a schedule, by year, of total minimum lease payments receivable under direct financing leases as of September 30, 2013:

	<u>Governmental Activities</u>
<u>Year Ending September 30,</u>	
2014	\$ 324,063
2015	311,813
2016	298,863
2017	284,863
2018	269,813
Thereafter	<u>2,126,398</u>
Total minimum lease payments	<u>\$ 3,615,813</u>

NOTE G - OPERATING LEASES

Operating lease agreements in which the City is the lessee:

The City is the lessee in a number of operating leases, and with the exception of the non-cancelable operating leases described below, these leases have cancellation provisions and are subject to annual appropriations. For the year ended September 30, 2013, lease expenditures for all types of operating leases were \$51,131.

The City leases various office equipment under non-cancelable operating leases in which the City is the lessee. Future minimum lease payments noncancelable operating leases with original terms of one year or longer are \$37,592 in 2014, \$34,939 in 2015, and \$3,161 in 2016.

Operating lease agreements in which the City is the lessor:

The City leases space to various agencies under operating leases. The cost of buildings and improvements under operating leases was \$121,294. Accumulated depreciation on buildings and improvements under operating leases was \$45,524 at September 30, 2013. Minimum future rentals on noncancelable operating leases with original terms of one year or longer are \$20,250 in 2014.

NOTE H - PENSION PLAN

Plan Description

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

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

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

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

Funding Policy

Calera Employees' Pension Plan members are required to contribute a percentage of their annual covered salary. Firefighters, correctional officers, and law enforcement officers hired before January 1, 2013 are required to contribute 6% of their annual covered salary, while remaining employees hired before January 1, 2013 are required to contribute 5% of their annual covered salary. Firefighters, correctional officers, and law enforcement officers hired on or after January 1, 2013 are required to contribute 7% of their annual covered salary, while remaining employees hired on or after January 1, 2013 are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 7.62% of annual covered payroll for all members hired before January 1, 2013 and 5.32% of annual covered payroll for all members hired on or after January 1, 2013. The contribution requirements of plan members and the City are established and may be amended by The Retirement Systems of Alabama.

Annual Pension Cost

For September 30, 2013, the City's annual pension cost of \$553,730 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) 8.00% investment rate of return (b) projected salary increases ranging from 3.75% to 7.25% per year and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of assets was determined using the 5-year smoothed market method. Calera Employees' Pension Plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE H - PENSION PLAN - CONTINUED

The remaining amortization period at September 30, 2012 was 14 years.

Three Year Trend Information

Fiscal Year Ending September 30	Annual Pension Costs	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2012	\$ 520,031	100%	\$ -
2011	587,844	100%	-
2010	529,131	100%	-

As of the most recent actuarial valuation date, funding progress on the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/30/2012	11,463,122	14,547,743	3,084,621	78.8%	6,815,374	45.3%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The City has adopted a post-employment health insurance policy which allows qualifying retired employees and their surviving spouse to continue health insurance coverage under a plan designated by the State Employees Insurance Board (SEIB). Eligible individuals will be allowed to subscribe to health insurance through the City for either the employee only or for the employee and family. The City assumes responsibility for the premium up to a limited amount.

A description of the post employment medical benefit plan is as follows:

Plan Description

The City of Calera's medical benefits are provided through a comprehensive self-insured medical benefit plan administered by Blue Cross. Medical benefits are provided to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service. The plan does not issue a publicly available financial report.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy

Prior to fiscal year 2010, the City of Calera recognized the cost of providing post-employment medical benefits (the City of Calera's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due, and thus, financed the cost of the post-employment benefits on a pay-as-you-go basis.

Effective with the fiscal year beginning October 1, 2009, the City of Calera implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs. In 2013 and 2012, the City of Calera's portion of health care funding cost for retired employees totaled \$93,458 and \$86,535, respectively. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution

The City of Calera's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years, the maximum amortization period allowed by GASB 43/45, has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	Medical
Normal cost	\$ 343,162
30-year UAAL amortization amount	<u>284,232</u>
Annual required contribution (ARC)	<u>\$ 627,394</u>

Net Post-employment Benefit Obligation

The table below shows the City of Calera's Net Other Post-employment Benefit (OPEB) Obligation for the fiscal year ending September 30, 2013:

	Medical
Beginning Net OPEB Obligation	\$ 1,301,216
Annual required contribution	627,394
Interest on Net OPEB Obligation	52,048
ARC Adjustment	<u>(75,249)</u>
OPEB Cost	604,193
Contribution	-
Current year retiree premium	<u>(93,458)</u>
Change in Net OPEB Obligation	<u>510,735</u>
Ending Net OPEB Obligation	<u>\$ 1,811,951</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

The following table shows the City of Calera's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability:

<u>Three Year Trend Info</u>				
<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
Medical	September 30, 2013	\$ 604,193	15.47%	\$ 1,811,951
Medical	September 30, 2012	\$ 589,022	14.69%	\$ 1,301,216
Medical	September 30, 2011	\$ 574,637	13.94%	\$ 798,729

Funded Status and Funding Progress

In the fiscal year ending September 30, 2013, the City of Calera made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. As of October 1, 2010, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at September 30, 2013, was \$4,914,955, which is defined as that portion, as determined by a particular actuarial cost method (the City of Calera uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	Medical
Actuarial Accrued Liability (AAL)	\$ 4,914,955
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	<u>4,914,955</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	6,045,608
UAAL as a percentage of covered payroll	81.30%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Calera and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Calera and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Calera and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45, will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10%.

Post employment Benefit Plan Eligibility Requirements

It is assumed that entitlement to benefits will commence upon the actual retirement, which in turn has been assumed to be a five year delay after the earliest eligibility. Medical benefits are provided to employees upon actual retirement. The earliest retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service.

Investment Return Assumption (Discount Rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5% for ten years out and later.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB) - CONTINUED

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. After retirement, the employer pays 80% and the retiree 20% of the "local government rates" as set forth in the census data provided by the administrative staff. These rates were "unblended" as required by GASB for the OPEB valuation.

Inflation Rate

Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases

This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases

The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
OPEB Cost	\$ 574,637	\$ 589,022	\$ 604,193
Contribution	-	-	-
Retiree premium	80,125	86,535	93,458
Total contribution and premium	<u>80,125</u>	<u>86,535</u>	<u>93,458</u>
Change in net OPEB obligation	<u>\$ 494,512</u>	<u>\$ 502,487</u>	<u>\$ 510,735</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	13.94%	14.69%	15.47%

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

NOTE J - INTERFUND TRANSFERS

Interfund payables and receivables at September 30, 2013, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 12,032
Other Governmental Fund	<u>12,032</u>	<u>-</u>
	<u>\$ 12,032</u>	<u>\$ 12,032</u>

Interfund payables and receivables resulted from cemetery revenues and expenditures deposited into and liquidated from the general fund's cash accounts.

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

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Natural Gas System</u>	<u>Sewer System</u>	
General Fund	\$ -	\$ 17,337	\$ 1,941,878	\$ -	\$ -	\$ 1,959,215
Capital Projects Fund	-	-	-	-	19,686	19,686
Other Governmental Funds	138,391	-	-	-	-	138,391
Natural Gas System	348,721	-	-	-	-	348,721
Sewer System	155,365	-	-	199	-	155,564
Other Proprietary Funds	<u>31,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,100</u>
	<u>\$ 673,577</u>	<u>\$ 17,337</u>	<u>\$ 1,941,878</u>	<u>\$ 199</u>	<u>\$ 19,686</u>	<u>\$ 2,652,677</u>

Transfers from the general fund to the debt service fund resulted from the accumulation of resources for future principal and interest payments on general long term debt. Transfers from the other governmental funds and proprietary funds to the general fund are made to cover cash flow needs and are in accordance with the normal course of the City's operations.

NOTE K- RELATED PARTY TRANSACTIONS

Significant transactions between the primary government and the Water Works Board of the City of Calera (the Board), a component unit, are as follows:

The City of Calera provides employees to the Board, and the Board is responsible for reimbursing the City for the actual expenses incurred for those employees. The Board accrues liabilities for vacation leave, compensatory time, and holiday leave in the amount that will be owed to the City when the accrued benefits are paid to the employees by the City, at which time the Board must reimburse the City for the expenses.

At September 30, 2013, the Board owed the City of Calera \$47,586 resulting from expenses paid for the Board by the City.

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

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### NOTE K - RELATED PARTY TRANSACTIONS - CONTINUED

The Board leases space at City Hall and the City Shop Building from the City of Calera. Rent charged during the year ended September 30, 2013, was \$14,000.

### NOTE L - COMMITMENTS

The City had contractual commitments at September 30, 2013, of approximately \$1,325,000 for construction projects at the Sports Complex. Additionally, the City had contractual commitments of approximately \$275,000 for the purchase of a new garbage truck and park equipment.

The City has committed to support the Shelby County Fire Museum by providing 4.35 acres, which cost the City \$495,000, to be used as the museum site. The City has also committed to provide approximately \$85,000 in support by performing civil site engineering and installing utility services and to provide annual contributions of \$15,000 towards the Museum's operating expenses.

The Natural Gas System has a contract with Atmos Energy Marketing, LLC requiring the Natural Gas System to purchase 100% of its natural gas requirements from Atmos. Fixed volumes which vary monthly as specified by the agreement will be purchased at a cost equal to an indexed rate. Amounts purchased which exceed the fixed volumes specified by the agreement will be purchased at a cost equal to an indexed rate plus an additional fee, which varies according to the additional volumes purchased.

Additionally, the Natural Gas System has a contract with Municipal Energy Acquisition Corporation expiring in December 2018 to purchase a fixed volume of gas which varies monthly as specified by the agreement at a cost equal to the rate of prices of spot gas delivered to pipelines as published in the first monthly issue of *Platts Inside FERC's Gas Market Report* less a minimum monthly discount of \$.17/dekatherm. The amount the Natural Gas System owes to Atmos Energy Marketing, LLC in accordance with the above referenced agreement is reduced each month by the amount the Natural Gas System pays Municipal Energy Acquisition Corporation.

The Natural Gas System has a contract with Atmos Energy Marketing, LLC covering the management of the transportation and storage of natural gas.

### NOTE M - CONTINGENCIES

The City is a defendant in a number of lawsuits that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcomes cannot be predicted with certainty. In the opinion of the City's General Counsel, these actions when finally adjudicated will not have a material adverse effect on the financial position of the City.

### NOTE N - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disaster for which the City carries commercial insurance.

### NOTE O - MAJOR CUSTOMERS

Approximately 55% of the City's business license revenues were generated by one business. Approximately 30% of the revenues of the natural gas system were generated by one industrial customer.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2013

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NOTE P - SUBSEQUENT EVENTS

On February 3, 2014, the City Council authorized the issuance of Series 2014 General Obligation Warrants in the amount of \$10,000,000, dated February 1, 2014, maturing in 2034, and bearing interest rates of 1.5% to 4%. The purpose of these warrants is to purchase real and personal property for public highways, road improvements, bridges, and other public ways; public parks, recreation facilities and athletic facilities; and related facilities and improvements.

City of Calera, Alabama  
 Required Supplementary Information  
 Schedule of Funding Progress  
 For the Year Ended September 30, 2013

City of Calera Employee Pension Plan (Retirement Systems of Alabama)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b) <sup>1</sup>	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( b-a/ c )
9/30/2007	7,427,642	10,369,828	2,942,186	71.6%	6,527,054	45.1%
9/30/2008	8,425,720	11,885,723	3,460,003	70.9%	7,209,909	48.0%
9/30/2009	9,205,230	13,358,666	4,153,436	68.9%	6,932,170	59.9%
9/30/2010 <sup>2</sup>	9,856,548	13,974,807	4,118,259	70.5%	6,472,978	63.6%
9/30/2011 <sup>3</sup>	10,481,317	14,571,038	4,089,721	71.9%	6,906,673	59.2%
9/30/2012 <sup>4</sup>	11,463,122	14,547,743	3,084,621	78.8%	6,815,374	45.3%

<sup>1</sup> Reflects liability for cost of living benefit increases granted on or after October 1, 1978

<sup>2</sup> Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

<sup>3</sup> Reflects changes in actuarial assumptions.

<sup>4</sup> Reflects changes to interest smoothing methodology.

\* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.

*For information regarding assumptions and amortization methods, see Note I.*

City of Calera Other Post Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( b-a/ c )
10/1/2009	-	2,783,761	2,783,761	0.0%	6,738,678	41.3%
10/1/2010	-	4,544,152	4,544,152	0.0%	6,953,806	65.3%
10/1/2011	-	4,725,918	4,725,918	0.0%	5,846,276	80.8%
10/1/2012	-	4,914,955	4,914,955	0.0%	6,045,608	81.3%

*For information regarding assumptions and amortization methods, see Note J.*

City of Calera, Alabama  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Operating Revenues:</b>				
Taxes:				
Sales	\$ 6,539,500	\$ 6,539,500	\$ 7,126,301	\$ 586,801
Property	1,685,000	1,685,000	1,712,201	27,201
Motor Vehicle / Gas	74,500	74,500	69,931	(4,569)
Other	124,872	124,872	163,204	38,332
Licenses and Permits	1,632,000	1,632,000	1,703,659	71,659
Charges for Services	255,000	255,000	216,045	(38,955)
Interest	16,000	16,000	17,958	1,958
Other	300,000	323,407	1,553,199	1,229,792
<b>Total Revenues</b>	<b>10,626,872</b>	<b>10,650,279</b>	<b>12,562,498</b>	<b>1,912,219</b>
<b>Expenditures:</b>				
Current:				
General Administration	808,082	832,716	764,992	(67,724)
Street	777,198	777,198	547,121	(230,077)
Mechanic	170,375	170,375	169,582	(793)
Planning and zoning	65,280	65,280	54,680	(10,600)
Engineering	480,295	480,295	416,294	(64,001)
Inspections	264,773	264,773	234,489	(30,284)
Building maintenance	278,778	282,278	242,326	(39,952)
Police	2,731,648	2,984,320	2,845,841	(138,479)
Fire and rescue	2,682,500	2,902,000	2,857,494	(44,506)
Library	315,869	316,869	303,517	(13,352)
Parks and recreation	895,002	954,502	801,592	(152,910)
Senior center	70,224	71,424	77,230	5,806
Donations	26,750	27,750	44,250	16,500
Debt Service:				
Principal	152,060	419,985	103,581	(316,404)
Interest and fiscal charges	-	3,915	16,548	12,633
Capital Outlay	3,000	270,925	1,675,541	1,404,616
<b>Total Expenditures</b>	<b>9,721,834</b>	<b>10,824,605</b>	<b>11,155,078</b>	<b>330,473</b>
Excess (Deficiency) of Revenues over Expenditures	905,038	(174,326)	1,407,420	1,581,746
<b>Other Financing Sources (Uses):</b>				
Proceeds from debt	-	-	267,925	267,925
Proceeds from capital lease	353,126	353,126	334,375	(18,751)
Proceeds from disposition of capital assets	-	-	68,231	68,231
Transfers (to)/from Capital Projects Fund	-	-	(17,337)	(17,337)
Transfers (to)/from Debt Service Fund	-	-	(1,941,878)	(1,941,878)
Transfers (to)/from Other Governmental Funds	161,000	161,000	138,391	(22,609)
Transfers (to)/from Natural Gas System	-	-	348,721	348,721
Transfers (to)/from Sewer System	-	-	155,365	155,365
Transfers (to)/from Other Proprietary Funds	-	-	31,100	31,100
<b>Total Other Financing Sources (Uses)</b>	<b>514,126</b>	<b>514,126</b>	<b>(615,107)</b>	<b>(1,129,233)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,419,164</b>	<b>\$ 339,800</b>	<b>\$ 792,313</b>	<b>\$ 452,513</b>

Notes to Required Supplementary Information - Budgetary Comparisons

Excess of Actual Expenditures over Budgeted Expenditures

For the year ended September 30, 2013, actual expenditures in the General Fund exceeded budgeted expenditures by \$330,473 largely due to capital outlay expenditures funded with unforeseen revenues.