

CITY OF CALERA, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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 unit, each major fund, and the aggregate remaining fund information of the City of Calera, Alabama, as of and for the year ended September 30, 2014, 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 unit, each major fund, and the aggregate remaining fund information of the City of Calera, Alabama, as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2014 the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 45, and page 46, 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 Herrington LLP

Birmingham, Alabama
March 4, 2015

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 \$4,269,462.
- The total cost of all the City's programs was \$21,354,086.
- During the year, the City had expenses of \$14,021,055 for governmental activities which were \$4,520,018 less than the combined \$18,541,073 generated from general and program revenues of \$17,167,866 and transfers of \$1,373,207 from business-type activities.
- The City's combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by \$39,591,852 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, senior center, and the municipal court. 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 \$4,269,462 from 2013 to 2014. The governmental activities net position increased by \$4,520,018, or approximately 19%, while business type activities net position decreased by \$(250,556), or approximately 2%. This increase in governmental activities resulted primarily from increases in sales taxes, other income, and transfers from business type activities while the decrease in business type activities resulted primarily from transfers to governmental activities.

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,	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 11,177,400	\$ 22,185,391	\$ 2,329,092	\$ 2,102,649	\$ 13,506,492	\$ 24,288,040
Capital assets	40,570,639	43,417,106	21,957,415	21,634,355	62,528,054	65,051,461
Total assets	<u>51,748,039</u>	<u>65,602,497</u>	<u>24,286,507</u>	<u>23,737,004</u>	<u>76,034,546</u>	<u>89,339,501</u>
Deferred outflows of resources	-	878,699	-	695,112	-	1,573,811
Other liabilities	3,018,788	1,607,897	605,519	736,418	3,624,307	2,344,315
Long-term liabilities	25,081,087	35,675,043	11,104,292	11,551,908	36,185,379	47,226,951
Total liabilities	<u>28,099,875</u>	<u>37,282,940</u>	<u>11,709,811</u>	<u>12,288,326</u>	<u>39,809,686</u>	<u>49,571,266</u>
Deferred inflows of resources	-	1,750,194	-	-	-	1,750,194
Net position:						
Invested in capital assets, net of related debt	22,696,813	22,158,315	11,027,733	10,868,435	33,724,546	33,026,750
Restricted	965,829	1,829,504	52,742	293,325	1,018,571	2,122,829
Unrestricted	(14,478)	3,460,243	1,496,221	982,030	1,481,743	4,442,273
Total net position	<u>\$ 23,648,164</u>	<u>\$ 27,448,062</u>	<u>\$ 12,576,696</u>	<u>\$ 12,143,790</u>	<u>\$ 36,224,860</u>	<u>\$ 39,591,852</u>

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

The City's combined net position increased to \$39,591,852 from \$35,322,390 (as restated), or 12%. 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 \$3,460,243, which is an increase of \$3,474,721 from the prior year.

Changes in Net Position

The City's total revenues increased by approximately 29% to \$25,623,548. For governmental activities, sales taxes account for approximately 52% of revenues. Property taxes account for approximately 11%. The majority of the remaining governmental activities revenues come from fees and charges for services, operating grants and contributions, and other income.

The total cost of all programs and services increased by \$2,904,863, or approximately 16%. Expenses of business-type activities increased by \$1,327,732, and the cost of governmental activities increased by \$1,577,131.

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,	
	2013	2014	2013	2014	2013	2014
REVENUES						
Program revenues:						
Fees, fines, and charges for services	\$ 2,268,255	\$ 2,478,502	\$ 6,595,725	\$ 8,440,001	\$ 8,863,980	\$ 10,918,503
Operating grants and contributions	121,156	321,033	-	-	121,156	321,033
Capital grants and contributions	433,229	124,003	-	-	433,229	124,003
General revenues:						
Sales taxes	7,126,301	8,968,638	-	-	7,126,301	8,968,638
Property taxes	1,712,201	1,950,379	-	-	1,712,201	1,950,379
Other taxes	233,135	246,626	-	-	233,135	246,626
Interest earnings	18,980	41,055	7,493	2,156	26,473	43,211
Lease income	64,480	59,351	-	-	64,480	59,351
Other income	1,176,122	2,978,592	-	-	1,176,122	2,978,592
Gain(loss) on sale of assets	36,036	(313)	-	13,525	36,036	13,212
TOTAL REVENUES	13,189,895	17,167,866	6,603,218	8,455,682	19,793,113	25,623,548
EXPENSES						
General administration	1,367,635	1,405,510	-	-	1,367,635	1,405,510
Street	987,602	1,056,877	-	-	987,602	1,056,877
Mechanic	180,899	180,735	-	-	180,899	180,735
Planning and zoning	54,880	54,984	-	-	54,880	54,984
Engineering	418,712	442,225	-	-	418,712	442,225
Inspections	247,636	272,148	-	-	247,636	272,148
Building maintenance	249,275	349,341	-	-	249,275	349,341
Police	3,040,973	3,240,779	-	-	3,040,973	3,240,779
Fire and rescue	3,099,407	3,854,137	-	-	3,099,407	3,854,137
Library	396,893	396,305	-	-	396,893	396,305
Parks and recreation	864,016	1,066,909	-	-	864,016	1,066,909
Senior center	99,125	106,553	-	-	99,125	106,553
Donations	44,250	13,750	-	-	44,250	13,750
Municipal court	208,796	195,434	-	-	208,796	195,434
Salem cemetery	3,823	-	-	-	3,823	-
Interest and fiscal charges	1,180,002	1,385,368	-	-	1,180,002	1,385,368
Natural Gas System	-	-	2,391,727	3,645,090	2,391,727	3,645,090
Sewer System	-	-	2,865,939	2,991,324	2,865,939	2,991,324
Other Proprietary Funds	-	-	747,633	696,617	747,633	696,617
TOTAL EXPENSES	12,443,924	14,021,055	6,005,299	7,333,031	18,449,223	21,354,086
Excess (deficiency) before transfers & capital contributions	745,971	3,146,811	597,919	1,122,651	1,343,890	4,269,462
Transfers	515,500	1,373,207	(515,500)	(1,373,207)	-	-
Change in net position	1,261,471	4,520,018	82,419	(250,556)	1,343,890	4,269,462
Beginning net position	22,386,693	23,648,164	12,494,277	12,576,696	34,880,970	36,224,860
Cumulative Effect of Change in Accounting Principle	-	(441,729)	-	(182,350)	-	(624,079)
Prior Period Adjustment	-	(278,391)	-	-	-	(278,391)
Ending net position	\$ 23,648,164	\$ 27,448,062	\$ 12,576,696	\$ 12,143,790	\$ 36,224,860	\$ 39,591,852

THE CITY'S FUNDS

Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$16,015,170, which is \$11,689,836 more than the beginning of the year. The General Fund experienced a net increase of \$2,030,946, resulting primarily from an increase in sales tax revenues, property tax revenues, and other revenues. The Capital Projects Fund experienced a net increase of \$9,113,283 resulting primarily from proceeds from the Series 2014 General Obligation Warrants. The Debt Service Fund experienced a net increase of \$412,049 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 \$133,558 resulting primarily from fines and forfeitures in excess of expenses.

Proprietary Funds

As of the year-end, the Proprietary Funds reported net position of \$12,143,790, which is approximately 2% less than the beginning of the year. The Natural Gas System experienced a net increase of \$2,499 after transfers of \$1,311,729 to the general fund. The Sewer System experienced a net decrease of \$379,302, resulting primarily from interest expense and transfer to the general fund. The Garbage Fund experienced a net increase of \$126,247 resulting primarily from increased revenues and transfers from the Capital Projects Fund.

General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by \$3,899,820. 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 \$2,838,250 primarily due to capital outlay expenditures funded by unbudgeted items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2014, the City had \$65,051,461 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 \$2,523,407, or approximately 4% over last year. The City purchased various capital assets including a garbage truck and new police vehicles and performed construction work on various capital assets including Fire Station #3, the Calera Sports Complex, a bridge project, gas project, and 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,	
	2013	2014	2013	2014	2013	2014
Land	\$ 16,468,544	\$ 19,073,799	\$ 441,853	\$ 441,853	\$ 16,910,397	\$ 19,515,652
Construction in progress	5,393,567	1,168,033	40,414	122,593	5,433,981	1,290,626
Land improvements, net	-	2,948,567	-	-	-	2,948,567
Infrastructure, net	12,348,201	11,922,301	-	-	12,348,201	11,922,301
Systems and facilities, net	-	-	21,197,045	20,568,582	21,197,045	20,568,582
Buildings and improvements, net	5,467,258	6,061,848	30,493	28,195	5,497,751	6,090,043
Vehicles, net	432,512	1,235,641	121,475	327,843	553,987	1,563,484
Equipment, net	460,557	1,006,917	126,135	145,289	586,692	1,152,206
Total capital assets, net	\$ 40,570,639	\$ 43,417,106	\$ 21,957,415	\$ 21,634,355	\$ 62,528,054	\$ 65,051,461

Commitments

The City had contractual commitments at September 30, 2014, of approximately \$850,000 for construction projects at the Sports Complex. Additionally, the City had a contractual commitment of \$550,000 related to the purchase of property on Highway 31 in Calera, Alabama.

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.

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

Debt

At September 30, 2014, the City had \$44,015,812 in warrants, notes payable, and capital leases outstanding versus \$34,568,101 at September 30, 2013, an increase of 27%. This increase results primarily from the issuance of Series 2014 General Obligation Warrants and Series 2014-B Taxable General Obligation Warrants. 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,	
	2013	2014	2013	2014	2013	2014
General Obligation Warrants	\$22,162,146	\$32,045,697	\$11,784,430	\$11,476,708	\$33,946,576	\$ 43,522,405
Limited Obligation Warrants	419,083	379,816	-	-	419,083	379,816
Notes Payable	202,442	113,591	-	-	202,442	113,591
Other Post Employment Benefit Payable	1,811,951	2,388,639	-	-	1,811,951	2,388,639
Compensated Absences	679,200	747,300	69,200	75,200	748,400	822,500
Totals	\$25,274,822	\$35,675,043	\$11,853,630	\$11,551,908	\$37,128,452	\$ 47,226,951

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, 2015. 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, 2015. Projected revenues in the General Fund budget are \$13,515,063. The City expects the major sources of revenues and expenditures to remain stable in fiscal year 2015. 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 2015.

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, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Works Board
Assets				
Cash and cash equivalents	\$ 2,289,824	\$ 320,053	\$ 2,609,877	\$ 262,730
Certificates of deposit	1,981,599	-	1,981,599	423,866
Accounts receivable, net	2,517,466	962,319	3,479,785	667,013
Lease receivable	3,291,750	-	3,291,750	-
Receivable from Calera Water Board	92,820	-	92,820	-
Inventory	-	315,263	315,263	117,399
Restricted assets:				
Cash and cash equivalents	11,556,186	505,014	12,061,200	1,724,834
Certificates of deposit	397,706	-	397,706	-
Accounts receivable	58,040	-	58,040	-
Nondepreciable capital assets	20,241,832	564,446	20,806,278	61,203
Depreciable capital assets, net	23,175,274	21,069,909	44,245,183	17,084,909
Total Assets	65,602,497	23,737,004	89,339,501	20,341,954
Deferred Outflows of Resources				
Deferred charges on refunding	878,699	695,112	1,573,811	858,876
Total Deferred Outflows of Resources	878,699	695,112	1,573,811	858,876
Liabilities				
Accounts payable	749,197	505,624	1,254,821	41,072
Unearned revenue	382,168	-	382,168	-
Accrued liabilities	315,902	34,781	350,683	63,849
Payable to the City of Calera	-	-	-	92,820
Payable from restricted assets:				
Accounts payable	7,773	-	7,773	-
Accrued expenses	12,153	-	12,153	-
Deposits	43,252	76,011	119,263	116,609
Accrued interest payable	97,452	120,002	217,454	84,233
Noncurrent liabilities				
Due within one year	682,920	37,600	720,520	51,787
Due within one year - payable from restricted assets	1,470,000	320,000	1,790,000	465,000
Due in more than one year	33,522,123	11,194,308	44,716,431	15,170,775
Total Liabilities	37,282,940	12,288,326	49,571,266	16,086,145
Deferred Inflows of Resources				
Deferred property taxes	1,750,194	-	1,750,194	-
Total Deferred Inflows of Resources	1,750,194	-	1,750,194	-
Net Position				
Invested in capital assets, net of related debt	22,158,315	10,868,435	33,026,750	2,526,077
Restricted for:				
Capital projects	54,153	-	54,153	-
Debt service	722,794	293,325	1,016,119	1,315,341
Municipal court	132,222	-	132,222	-
Parks and recreation	1,305	-	1,305	-
Street improvements	521,324	-	521,324	-
Street repairs	397,706	-	397,706	-
Unrestricted	3,460,243	982,030	4,442,273	1,273,267
Total Net Position	\$ 27,448,062	\$ 12,143,790	\$ 39,591,852	\$ 5,114,685

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

City of Calera, Alabama
Statement of Activities
For the Year Ended September 30, 2014

Program Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Water Works Board
		Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Governmental Activities:								
General administration	\$ 1,405,510	\$ 1,755,150	\$ 2,000	\$ 124,003	\$ 475,643	\$ -	\$ 475,643	\$ -
Street	1,056,877	1,050	292,404	-	(763,423)	-	(763,423)	-
Mechanic	180,735	-	-	-	(180,735)	-	(180,735)	-
Planning and zoning	54,984	375	-	-	(54,609)	-	(54,609)	-
Engineering	442,225	-	-	-	(442,225)	-	(442,225)	-
Inspections	272,148	147,594	-	-	(124,554)	-	(124,554)	-
Building maintenance	349,341	-	-	-	(349,341)	-	(349,341)	-
Police	3,240,779	81,883	5,903	-	(3,152,993)	-	(3,152,993)	-
Fire and rescue	3,854,137	34,789	250	-	(3,819,098)	-	(3,819,098)	-
Library	396,305	1,072	12,826	-	(382,407)	-	(382,407)	-
Parks and recreation	1,066,909	93,575	-	-	(973,334)	-	(973,334)	-
Senior center	106,553	-	7,650	-	(98,903)	-	(98,903)	-
Donations	13,750	-	-	-	(13,750)	-	(13,750)	-
Municipal court	195,434	363,014	-	-	167,580	-	167,580	-
Interest and fiscal charges	1,385,368	-	-	-	(1,385,368)	-	(1,385,368)	-
Total Governmental Activities	<u>14,021,055</u>	<u>2,478,502</u>	<u>321,033</u>	<u>124,003</u>	<u>(11,097,517)</u>	<u>-</u>	<u>(11,097,517)</u>	<u>-</u>
Business-type Activities:								
Natural Gas System	3,645,090	4,884,809	-	-	-	1,239,719	1,239,719	-
Sewer System	2,991,324	2,791,117	-	-	-	(200,207)	(200,207)	-
Other Proprietary Funds	696,617	764,075	-	-	-	67,458	67,458	-
Total Business-type Activities	<u>7,333,031</u>	<u>8,440,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,106,970</u>	<u>1,106,970</u>	<u>-</u>
Total Primary Government	<u>\$ 21,354,086</u>	<u>\$ 10,918,503</u>	<u>\$ 321,033</u>	<u>\$ 124,003</u>	<u>(11,097,517)</u>	<u>1,106,970</u>	<u>(9,990,547)</u>	<u>-</u>
Component Unit:								
Calera Water Works Board	<u>3,222,921</u>	<u>3,423,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,854</u>
Total Component Unit	<u>\$ 3,222,921</u>	<u>\$ 3,423,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,854</u>
General Revenues:								
Taxes:								
Sales					8,968,638	-	8,968,638	-
Property					1,950,379	-	1,950,379	-
Other					246,626	-	246,626	-
Interest earnings					41,055	2,156	43,211	1,580
Lease income					59,351	-	59,351	-
Other income					2,978,592	-	2,978,592	-
Gain (loss) on disposal of capital assets					(313)	13,525	13,212	-
Transfers					1,373,207	(1,373,207)	-	-
Total general revenues and transfers					<u>15,617,535</u>	<u>(1,357,526)</u>	<u>14,260,009</u>	<u>1,580</u>
Change in net position					4,520,018	(250,556)	4,269,462	202,434
Net position - beginning					23,648,164	12,576,696	36,224,860	5,250,475
Cumulative Effect of Change in Accounting Principle					(441,729)	(182,350)	(624,079)	(338,224)
Prior Period Adjustment					(278,391)	-	(278,391)	-
Net position - ending					<u>\$ 27,448,062</u>	<u>\$ 12,143,790</u>	<u>\$ 39,591,852</u>	<u>\$ 5,114,685</u>

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

City of Calera, Alabama
Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 2,289,824	\$ -	\$ -	\$ -	\$ 2,289,824
Certificates of deposit	1,981,599	-	-	-	1,981,599
Accounts receivable	2,517,466	-	-	-	2,517,466
Due from other funds	65,874	-	-	-	65,874
Receivable from Calera Water Works	92,820	-	-	-	92,820
Restricted assets:					
Cash	369,049	10,021,798	820,246	345,093	11,556,186
Certificates of deposit	397,706	-	-	-	397,706
Accounts receivable	-	58,040	-	-	58,040
Total Assets	\$ 7,714,338	\$ 10,079,838	\$ 820,246	\$ 345,093	\$ 18,959,515
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities:					
Accounts payable	\$ 749,197	\$ -	\$ -	\$ -	\$ 749,197
Accrued liabilities	315,902	-	-	-	315,902
Payable from restricted assets:					
Accounts payable	-	3,887	-	3,886	7,773
Accrued expenses	-	-	-	12,153	12,153
Due to other funds	-	65,874	-	-	65,874
Deposits	1,000	-	-	42,252	43,252
Total Liabilities	1,066,099	69,761	-	58,291	1,194,151
Deferred Inflows of Resources:					
Deferred property taxes	1,750,194	-	-	-	1,750,194
Total Deferred Inflows of Resources	1,750,194	-	-	-	1,750,194
Fund Balances:					
Restricted for:					
Capital projects	-	10,010,077	-	-	10,010,077
Debt service	-	-	820,246	-	820,246
Municipal court	-	-	-	132,222	132,222
Parks and recreation	1,305	-	-	-	1,305
Street improvements	366,744	-	-	154,580	521,324
Street repairs	397,706	-	-	-	397,706
Committed to:					
Purchase of real property	550,000	-	-	-	550,000
Unassigned:	3,582,290	-	-	-	3,582,290
Total Fund Balances	4,898,045	10,010,077	820,246	286,802	16,015,170
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,714,338	\$ 10,079,838	\$ 820,246	\$ 345,093	\$ 18,959,515

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, 2014

Fund Balances - Total Governmental Funds \$ 16,015,170

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. Unearned revenue related to future lease income reduces net position reported in governmental activities but is not reported in the governmental funds.

Lease receivable	3,291,750	
Less: Unearned revenue related to lease receivable	<u>(382,168)</u>	2,909,582

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

Governmental capital assets	56,151,869	
Less: accumulated depreciation	<u>(12,734,763)</u>	43,417,106

Interest payable reported in the governmental activities is not payable from current resources and, therefore, is not reported in the governmental funds. (97,452)

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	(32,070,000)	
Discounts (Premiums)	24,303	
Deferred Charges on Refunding	878,699	
Limited Obligation Warrants	(379,816)	
Notes Payable	(113,591)	
Other Post Employment Benefit Payable	(2,388,639)	
Compensated Absences	<u>(747,300)</u>	<u>(34,796,344)</u>

Net Position of Governmental Activities \$ 27,448,062

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, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Operating Revenues:					
Taxes:					
Sales	\$ 8,968,638	\$ -	\$ -	\$ -	\$ 8,968,638
Property	1,950,379	-	-	-	1,950,379
Motor Vehicle / Gas	67,872	-	-	50,022	117,894
Other	178,753	-	-	-	178,753
Licenses and permits	1,803,566	-	-	-	1,803,566
Fines and forfeitures	-	-	-	363,014	363,014
Charges for services	272,279	-	-	-	272,279
Interest	24,697	8,771	6,605	983	41,056
Other	3,166,858	223,285	-	-	3,390,143
Total Revenues	16,433,042	232,056	6,605	414,019	17,085,722
Expenditures:					
Current:					
General administration	765,687	-	-	-	765,687
Street	632,161	-	-	-	632,161
Mechanic	172,274	-	-	-	172,274
Planning and zoning	54,884	-	-	-	54,884
Engineering	428,658	-	-	-	428,658
Inspections	265,701	-	-	-	265,701
Building maintenance	345,283	-	-	-	345,283
Police	3,077,815	-	-	-	3,077,815
Fire and rescue	3,475,350	68,630	-	-	3,543,980
Library	318,436	-	-	-	318,436
Parks and recreation	979,347	-	-	-	979,347
Senior center	86,010	-	-	-	86,010
Donations	13,750	-	-	-	13,750
Municipal court	-	-	-	194,461	194,461
Debt Service:					
Principal	128,118	-	965,000	-	1,093,118
Debt issuance costs	-	89,870	65,150	-	155,020
Interest and fiscal charges	14,043	-	1,054,751	-	1,068,794
Capital Outlay	3,380,148	555,978	-	-	3,936,126
Total Expenditures	14,137,665	714,478	2,084,901	194,461	17,131,505
Excess of Revenues over Expenditures	2,295,377	(482,422)	(2,078,296)	219,558	(45,783)

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, 2014

	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):					
Proceeds from debt	-	10,000,000	3,825,000	-	13,825,000
Payment to escrow agent	-	-	(3,721,337)	-	(3,721,337)
Discount on issuance of debt	-	(36,948)	(28,366)	-	(65,314)
Proceeds from capital lease	324,063	-	-	-	324,063
Transfers (to)/from					
Capital Projects Fund	14,389	(14,389)	-	-	-
Transfers (to)/from					
Debt Service Fund	(2,404,912)	(10,136)	2,415,048	-	-
Transfers (to)/from					
Other Governmental Funds	86,000	-	-	(86,000)	-
Transfers (to)/from					
Natural Gas System	1,311,729	(73,131)	-	-	1,238,598
Transfers (to)/from					
Sewer System	228,200	(34,936)	-	-	193,264
Transfers (to)/from					
Other Proprietary Funds	176,100	(234,755)	-	-	(58,655)
Total Other Financing Sources (Uses)	<u>(264,431)</u>	<u>9,595,705</u>	<u>2,490,345</u>	<u>(86,000)</u>	<u>11,735,619</u>
Net Change in Fund Balances	2,030,946	9,113,283	412,049	133,558	11,689,836
Fund Balances, Beginning	2,867,099	896,794	408,197	431,635	4,603,725
Prior Period Adjustment	-	-	-	(278,391)	(278,391)
Fund Balances, Ending	<u>\$ 4,898,045</u>	<u>\$ 10,010,077</u>	<u>\$ 820,246</u>	<u>\$ 286,802</u>	<u>\$ 16,015,170</u>

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 11,689,836

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	3,936,126	
Less current year depreciation	<u>(1,112,452)</u>	2,823,674

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. 23,106

Proceeds of \$0 from the sale of capital assets are reported as revenue in the governmental funds. However, the net book value of the capital assets, \$313, is removed from the capital assets account in the Statement of Net Position and offset against the sales proceeds resulting in a loss in the Statement of Activities of \$313. (313)

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 unearned 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	(324,063)	
Lease income	<u>59,351</u>	(264,712)

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. (13,825,000)

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. 4,814,455

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of costs		(36,337)
Discount cost on current year issuance		65,314

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		(68,100)
Net increase in other post employment benefit payable		(576,688)
Change in accrued interest expense		<u>(125,217)</u>

Change in Net Position of Governmental Funds \$ 4,520,018

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

City of Calera, Alabama
Statement of Proprietary Fund Net Position
September 30, 2014

	Natural Gas System	Sewer System	Other Proprietary Fund	Total Proprietary Funds
Assets				
Current:				
Cash	\$ 178,810	\$ 104,095	\$ 37,148	\$ 320,053
Accounts receivable, net	489,658	388,953	83,708	962,319
Inventory	272,611	42,652	-	315,263
Total Current Assets	941,079	535,700	120,856	1,597,635
Noncurrent:				
Restricted cash and cash equivalents	76,011	429,003	-	505,014
Nondepreciable assets	78,403	486,043	-	564,446
Depreciable capital assets, net	3,138,219	17,698,863	232,827	21,069,909
Total Noncurrent Assets	3,292,633	18,613,909	232,827	22,139,369
Total Assets	4,233,712	19,149,609	353,683	23,737,004
Deferred Outflows of Resources				
Deferred charges on refunding	-	695,112	-	695,112
Total Deferred Outflows of Resources	-	695,112	-	695,112
Liabilities				
Current:				
Accounts payable	373,674	114,327	17,623	505,624
Accrued expenses	12,148	14,528	8,105	34,781
Compensated absences, current portion	8,300	25,550	3,750	37,600
Payable from restricted assets:				
Customer deposits	76,011	-	-	76,011
Accrued interest payable	-	120,002	-	120,002
Current portion of long-term debt	-	320,000	-	320,000
Total Current Liabilities	470,133	594,407	29,478	1,094,018
Noncurrent:				
Compensated absences, net of current portion	8,300	25,550	3,750	37,600
Long-term debt, net of current portion	-	11,156,708	-	11,156,708
Total Noncurrent Liabilities	8,300	11,182,258	3,750	11,194,308
Total Liabilities	478,433	11,776,665	33,228	12,288,326
Net Position				
Invested in capital, net of related debt	3,216,622	7,418,986	232,827	10,868,435
Unrestricted	538,657	355,745	87,628	982,030
Restricted for debt service	-	293,325	-	293,325
Total Net Position	\$ 3,755,279	\$ 8,068,056	\$ 320,455	\$ 12,143,790

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, 2014

	Natural Gas System	Sewer System	Other Proprietary Fund	Total Proprietary Funds
Operating Revenues				
Utility receipts	\$ 4,801,669	\$ 2,378,117	\$ 764,075	\$ 7,943,861
Fees	-	413,000	-	413,000
Miscellaneous	83,140	-	-	83,140
Total Operating Revenues	4,884,809	2,791,117	764,075	8,440,001
Operating Expenses				
Gas purchases	2,692,405	-	-	2,692,405
Personnel services	613,266	731,746	366,199	1,711,211
Supplies expense	65,994	470,920	53,520	590,434
Repairs and maintenance	45,923	178,088	55,225	279,236
Depreciation	129,991	655,288	73,699	858,978
Administrative expenses	69,200	545,899	21,276	636,375
Outside services	28,311	56,254	126,698	211,263
Total Operating Expenses	3,645,090	2,638,195	696,617	6,979,902
Operating Income	1,239,719	152,922	67,458	1,460,099
Non Operating Revenues (Expenses)				
Gain on disposal of property, plant & equipment	-	13,525	-	13,525
Interest income	1,378	644	134	2,156
Interest expense	-	(349,849)	-	(349,849)
Trustee fees	-	(3,280)	-	(3,280)
Total Non Operating Revenues (Expenses)	1,378	(338,960)	134	(337,448)
Income (Loss) Before Interfund Operating Transfers	1,241,097	(186,038)	67,592	1,122,651
Interfund Transfers	(1,238,598)	(193,264)	58,655	(1,373,207)
Change in Net Position	2,499	(379,302)	126,247	(250,556)
Net Position, Beginning of Year	3,752,780	8,629,708	194,208	12,576,696
Cumulative Effect of Change in Accounting Principle	-	(182,350)	-	(182,350)
Net Position, End of Year	<u>\$ 3,755,279</u>	<u>\$ 8,068,056</u>	<u>\$ 320,455</u>	<u>\$ 12,143,790</u>

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, 2014

	Natural Gas System	Sewer System	Other Proprietary Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,837,235	\$ 2,771,310	\$ 762,701	\$ 8,371,246
Cash paid to employees	(611,088)	(728,402)	(362,172)	(1,701,662)
Cash paid to suppliers for goods and services	(2,821,844)	(1,118,272)	(255,876)	(4,195,992)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,404,303</u>	<u>924,636</u>	<u>144,653</u>	<u>2,473,592</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers (to) / from other funds	(1,312,100)	(228,200)	(176,100)	(1,716,400)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,312,100)</u>	<u>(228,200)</u>	<u>(176,100)</u>	<u>(1,716,400)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from disposition of property, plant, and equipment	-	13,525	-	13,525
Acquisition and construction of property, plant, and equipment	(132,160)	(156,829)	(234,755)	(523,744)
Principal payments on debt	-	(315,000)	-	(315,000)
Interest payments on debt	-	(290,104)	-	(290,104)
Trustee fees	-	(3,280)	-	(3,280)
Transfers (to) / from other funds	73,502	34,936	234,755	343,193
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(58,658)</u>	<u>(716,752)</u>	<u>-</u>	<u>(775,410)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on cash and investments	1,378	644	134	2,156
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,378</u>	<u>644</u>	<u>134</u>	<u>2,156</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,923	(19,672)	(31,313)	(16,062)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>219,898</u>	<u>552,770</u>	<u>68,461</u>	<u>841,129</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 254,821</u>	<u>\$ 533,098</u>	<u>\$ 37,148</u>	<u>\$ 825,067</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, 2014

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Natural Gas System	Sewer System	Other Proprietary Fund	Total
Operating income	\$ 1,239,719	\$ 152,922	\$ 67,458	\$ 1,460,099
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	129,991	655,288	73,699	858,978
(Increase) decrease in:				
Accounts receivable	(47,959)	(19,807)	(1,374)	(69,140)
Inventory	7,652	19,926	-	27,578
Other	-	91,085	-	91,085
Increase (decrease) in:				
Accounts payable	79,089	21,878	843	101,810
Customer deposits	385	-	-	385
Compensated absences	1,400	1,400	3,200	6,000
Accrued expenses	(5,974)	1,944	827	(3,203)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,404,303</u>	<u>\$ 924,636</u>	<u>\$ 144,653</u>	<u>\$ 2,473,592</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Calera Sewer System had amortization of warrant discounts of \$7,343, amortization of warrant premiums of \$65, and amortization of deferred charges on refunding of \$54,225.

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 Fund	Total
Cash	\$ 178,810	\$ 104,095	\$ 37,148	\$ 320,053
Restricted cash	76,011	429,003	-	505,014
Cash and cash equivalents	<u>\$ 254,821</u>	<u>\$ 533,098</u>	<u>\$ 37,148</u>	<u>\$ 825,067</u>

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

NOTES TO FINANCIAL STATEMENTS

City of Calera, Alabama

September 30, 2014

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, 2014

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 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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 transactions and events that affect the total economic resources during the period are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred, regardless of the timing of related cash inflows and outflows.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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.

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, 2014

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. Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently reports deferred outflows of resources related to deferred charges on refunding, which result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt in the statement of activities.

11. 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.

12. 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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.

13. 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 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 and discounts.

14. Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City currently reports deferred inflows of resources related to property taxes reported as receivables before the period for which they are levied.

15. 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.

16. 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

17. 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.

18. New GASB Pronouncements

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The City has implemented this reporting for the year ended September 30, 2014. Implementation of GASB Statement No. 65 resulted in a restatement of beginning net position.

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 (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 \$11,237,767 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

Investments

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

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.

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, 2014 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Taxes:				
Sales	\$ 703,559	\$ -	\$ 703,559	\$ -
Property	1,726,450	-	1,726,450	-
Motor vehicle/ gas	38,051	-	38,051	-
Customers		969,219	969,219	672,313
Other	175,061	-	175,061	-
Gross Receivables	<u>2,643,121</u>	<u>969,219</u>	<u>3,612,340</u>	<u>672,313</u>
Less: Allowance for Uncollectibles	(67,615)	(6,900)	(74,515)	(5,300)
Net Receivables	<u>\$ 2,575,506</u>	<u>\$ 962,319</u>	<u>\$ 3,537,825</u>	<u>\$ 667,013</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE C - RECEIVABLES AND PAYABLES - CONTINUED

Payables at September 30, 2014 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Trade payables	\$ 385,609	\$ 493,451	\$ 879,060	\$ 41,072
Capital assets payables	<u>371,361</u>	<u>12,173</u>	<u>383,534</u>	<u>-</u>
	<u>\$ 756,970</u>	<u>\$ 505,624</u>	<u>\$ 1,262,594</u>	<u>\$ 41,072</u>

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2014, was as follows:

Primary Government:

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 16,468,544	\$ 2,605,255	\$ -	\$ 19,073,799
Construction in progress	5,393,567	909,716	(5,135,250)	1,168,033
Total capital assets not being depreciated	<u>21,862,111</u>	<u>3,514,971</u>	<u>(5,135,250)</u>	<u>20,241,832</u>
Capital assets being depreciated				
Land Improvements	-	2,956,643	-	2,956,643
Infrastructure	17,083,997	-	-	17,083,997
Buildings and improvements	7,614,206	816,343	-	8,430,549
Vehicles	2,784,641	1,031,068	(99,599)	3,716,110
Equipment	2,982,582	752,351	(12,195)	3,722,738
Total capital assets being depreciated	<u>30,465,426</u>	<u>5,556,405</u>	<u>(111,794)</u>	<u>35,910,037</u>
Less accumulated depreciation for:				
Land Improvements	-	8,076	-	8,076
Infrastructure	4,735,796	425,900	-	5,161,696
Buildings and improvements	2,146,948	221,753	-	2,368,701
Vehicles	2,329,023	251,045	(99,599)	2,480,469
Equipment	2,522,025	205,678	(11,882)	2,715,821
Total accumulated depreciation	<u>11,733,792</u>	<u>1,112,452</u>	<u>(111,481)</u>	<u>12,734,763</u>
Total capital assets, being depreciated, net	<u>18,731,634</u>	<u>4,443,953</u>	<u>(313)</u>	<u>23,175,274</u>
Governmental activities capital assets, net	<u>\$ 40,593,745</u>	<u>\$ 7,958,924</u>	<u>\$ (5,135,563)</u>	<u>\$ 43,417,106</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE D - CAPITAL ASSETS - CONTINUED

	<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	40,414	82,179	-	122,593
Total Capital assets not being depreciated	<u>482,267</u>	<u>82,179</u>	<u>-</u>	<u>564,446</u>
Capital assets, being depreciated				
System and facilities	28,895,190	53,532	-	28,948,722
Buildings and improvements	112,633	-	-	112,633
Vehicles	1,188,424	342,822	(280,880)	1,250,366
Equipment	944,835	57,385	(17,032)	985,188
Total capital assets being depreciated	<u>31,141,082</u>	<u>453,739</u>	<u>(297,912)</u>	<u>31,296,909</u>
Less accumulated depreciation for:				
System and facilities	7,698,145	681,995	-	8,380,140
Buildings and improvements	82,140	2,298	-	84,438
Vehicles	1,066,949	136,454	(280,880)	922,523
Equipment	818,700	38,231	(17,032)	839,899
Total accumulated depreciation	<u>9,665,934</u>	<u>858,978</u>	<u>(297,912)</u>	<u>10,227,000</u>
Total capital assets, being depreciated, net	<u>21,475,148</u>	<u>(405,239)</u>	<u>-</u>	<u>21,069,909</u>
Business-type activities capital assets, net	<u>\$ 21,957,415</u>	<u>\$ (323,060)</u>	<u>\$ -</u>	<u>\$ 21,634,355</u>

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

Governmental Activities:

General administration	\$ 61,235
Street	423,216
Mechanic	7,261
Engineering	10,167
Inspections	12,547
Building maintenance	258
Police	179,364
Fire and rescue	234,657
Library	78,569
Parks and recreation	83,362
Senior center	21,243
Municipal court	<u>573</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 1,112,452</u>

Business-type Activities:

Natural Gas System	\$ 129,991
Sewer System	655,288
Other Proprietary Funds	<u>73,699</u>
Total Depreciation Expense- Business-type Activities	<u>\$ 858,978</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE D - CAPITAL ASSETS – CONTINUED

<u>Component Unit:</u>	<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	9,216	49,718	(9,216)	49,718
Total capital assets not being depreciated	<u>20,701</u>	<u>49,718</u>	<u>(9,216)</u>	<u>61,203</u>
Capital assets being depreciated				
System and facilities	21,956,203	146,965	-	22,103,168
Buildings and improvements	61,492	-	-	61,492
Vehicles	317,793	30,475	(38,232)	310,036
Equipment	1,184,043	11,021	-	1,195,064
Total capital assets being depreciated	<u>23,519,531</u>	<u>188,461</u>	<u>(38,232)</u>	<u>23,669,760</u>
Less accumulated depreciation for:				
System and facilities	4,686,825	509,433	-	5,196,258
Buildings and improvements	9,480	1,537	-	11,017
Vehicles	274,909	13,401	(38,232)	250,078
Equipment	1,105,762	21,736	-	1,127,498
Total accumulated depreciation	<u>6,076,976</u>	<u>546,107</u>	<u>(38,232)</u>	<u>6,584,851</u>
Total capital assets, being depreciated, net	<u>17,442,555</u>	<u>(357,646)</u>	<u>-</u>	<u>17,084,909</u>
Water Works Board capital assets, net	<u>\$ 17,463,256</u>	<u>\$ (307,928)</u>	<u>\$ (9,216)</u>	<u>\$ 17,146,112</u>

Depreciation expense charged to the component unit for the year ended September 30, 2014, was \$546,107.

NOTE E - LONG-TERM DEBT

Primary Government:

Warrants payable at September 30, 2014, 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%.	940,000	-
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%.	379,816	-
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%.	1,350,000	-
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%.	1,795,000	-

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE E - LONG-TERM DEBT - CONTINUED

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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%.	110,000	-
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 \$6,298).	1,333,702	-
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%.	8,025,000	-
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 \$43,870).	4,728,870	-
Series 2014 General Obligation Warrants, dated February 1, 2014, due in semi-annual installments through February 1, 2034, bearing interest rates of 1.5% to 3.65%. (less: unamortized discounts of \$33,753).	9,966,247	-
2014-B Taxable General Obligation Warrants, dated August 1, 2014, due in semi-annual installments through September 1, 2028, bearing interest rates of 0.65% to 3.7%. (less: unamortized discounts of \$28,122).	3,796,878	-
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 \$38,338).	-	3,011,662
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 \$55,790).	-	6,684,210
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 \$836).	-	1,780,836
Total Warrants Payable	<u>\$ 32,425,513</u>	<u>\$ 11,476,708</u>

Notes payable at September 30, 2014, 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>\$ 113,591</u>
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE E - LONG-TERM DEBT - CONTINUED

A summary of long-term liability activity for the year ended September 30, 2014 is as follows:

	Balance October 1, 2013	Issues or Additions	Payments or Expenditures	Balance September 30, 2014	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Warrants, net	\$ 22,130,000	\$ 13,825,000	\$ 3,885,000	\$ 32,070,000	\$ 1,470,000
Less Deferred Amounts:					
Issuance Premium (Discount)	32,146	(65,314)	(8,865)	(24,303)	-
Total General Obligation Warrants	22,162,146	13,759,686	3,876,135	32,045,697	1,470,000
Limited Obligation Warrants	419,083	-	39,267	379,816	218,625
Notes Payable	202,442	-	88,851	113,591	90,645
Other Post Employment Benefit Payable	1,811,951	694,768	118,080	2,388,639	-
Compensated Absences	679,200	596,653	528,553	747,300	373,650
Total Governmental Activities	<u>\$ 25,274,822</u>	<u>\$ 15,051,107</u>	<u>\$ 4,650,886</u>	<u>\$ 35,675,043</u>	<u>\$ 2,152,920</u>
<u>Business-type Activities</u>					
General Obligation Warrants, net	\$ 11,885,000	\$ -	\$ 315,000	\$ 11,570,000	\$ 320,000
Less Deferred Amounts:					
Issuance Premium (Discount)	(100,570)	-	(7,278)	(93,292)	-
Total General Obligation Warrants	11,784,430	-	307,722	11,476,708	320,000
Compensated Absences	69,200	131,628	125,628	75,200	37,600
Total Business-type Activities	<u>\$ 11,853,630</u>	<u>\$ 131,628</u>	<u>\$ 433,350</u>	<u>\$ 11,551,908</u>	<u>\$ 357,600</u>

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.

Annual Requirements to Retire Debt Obligations:

The annual aggregate maturities for the years subsequent to September 30, 2014 are as follows:

Year Ending September 30,	Governmental Activities		Governmental Activities	
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
2015	\$ 1,470,000	\$ 1,020,053	\$ 218,624	\$ 8,561
2016	1,505,000	975,865	66,228	6,174
2017	1,565,000	927,212	70,306	3,637
2018	1,605,000	874,579	24,658	944
2019	1,670,000	823,791	-	-
2020-2024	8,800,000	3,353,697	-	-
2025-2029	7,360,000	2,096,398	-	-
2030-2034	6,045,000	946,466	-	-
2035-2039	2,050,000	166,550	-	-
	<u>\$ 32,070,000</u>	<u>\$ 11,184,611</u>	<u>\$ 379,816</u>	<u>\$ 19,316</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE E - LONG-TERM DEBT - CONTINUED

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Notes Payable		General Obligation Warrants	
	Principal	Interest	Principal	Interest
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	-	-	345,000	261,339
2020-2024	-	-	1,820,000	1,210,970
2025-2029	-	-	3,245,000	952,607
2030-2034	-	-	2,385,000	568,355
2035-2039	-	-	1,455,000	303,131
2040-2044	-	-	1,005,000	53,463
	<u>\$ 113,591</u>	<u>\$ 1,520</u>	<u>\$ 11,570,000</u>	<u>\$ 4,456,945</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, 2014, the Sewer System incurred total interest costs of \$349,849. Of this amount, \$0 was capitalized as a component of capital assets constructed during the year, and \$349,849 was charged to expense.

On August 1, 2014 the City issued Series 2014-B Taxable General Obligation Warrants in the amount of \$3,825,000 for the purpose of advance refunding \$2,920,000 of the outstanding Series 2008 Taxable General Obligation Warrants. The refunded 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 \$724,854. This amount is being 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 fourteen years by \$339,238, and resulted in an economic gain of \$294,556. At September 30, 2014, \$2,920,000 of the defeased bonds remained outstanding. In 2013 the City defeased the Series 2006 General Obligation Warrants. At September 30, 2014, \$4,190,000 of the defeased bonds remained outstanding.

Component Unit:

Notes payable at September 30, 2014, are comprised of the following:

Note payable to Central State Bank for meter reading software, dated December 3, 2013. Monthly payment of \$4,826, including interest at 2.95%, using the simple interest method, maturing in December 2018, secured by equipment. \$ 230,923

Water Revenue Bonds payable at September 30, 2014, 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 \$23,142.) \$ 3,121,858

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE E - LONG-TERM DEBT - CONTINUED

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 \$121,215.) 8,843,785

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 \$4,004.) 3,490,996

Total Water Revenue Bonds Payable \$ 15,456,639

A summary of long-term liability activity for the year ended September 30, 2014, is as follows:

	Balance October 1, 2013	Issues or Additions	Payments or Expenditures	Balance September 30, 2014	Due within one year
Revenue Bonds Payable	\$ 16,055,000	\$ -	\$ 450,000	\$ 15,605,000	\$ 465,000
Less Deferred Amounts:					
Issuance Premium (Discount)	<u>(158,567)</u>	-	<u>(10,206)</u>	<u>(148,361)</u>	-
Total Revenue Bonds	\$ 15,896,433	\$ -	\$ 439,794	\$ 15,456,639	\$ 465,000
Notes Payable	<u>\$ 276,903</u>	<u>\$ -</u>	<u>\$ 45,980</u>	<u>\$ 230,923</u>	<u>\$ 51,787</u>
	<u>\$ 16,173,336</u>	<u>\$ -</u>	<u>\$ 485,774</u>	<u>\$ 15,687,562</u>	<u>\$ 516,787</u>

The total interest incurred for the year ended September 30, 2014, was \$599,792. Of this amount, \$0 was capitalized as a component of the cost of capital assets constructed during the year and \$599,792 was charged to expense.

Annual Requirements to Retire Debt Obligations:

The annual requirements to service the Board's debt obligations at September 30, 2014, are as follows:

Year Ending September 30,	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2014	\$ 465,000	\$ 500,824	\$ 51,787	\$ 6,119
2015	475,000	490,449	53,336	4,570
2016	485,000	478,511	54,931	2,976
2017	495,000	465,966	56,573	1,333
2018	510,000	452,589	14,296	71
2019-2023	2,775,000	2,035,986	-	-
2024-2028	3,210,000	1,634,171	-	-
2029-2033	3,860,000	1,074,021	-	-
2034-2038	3,330,000	310,766	-	-
2039-2043	-	-	-	-
	<u>\$ 15,605,000</u>	<u>\$ 7,443,283</u>	<u>\$ 230,923</u>	<u>\$ 15,069</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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, 2014 are as follows:

	<u>Governmental Activities</u>
Minimum lease payments receivable	\$ 3,291,750
Less: unearned income	<u>(382,168)</u>
Net investment in direct financing lease	<u>\$ 2,909,582</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, 2014:

	<u>Governmental Activities</u>
<u>Year Ending September 30,</u>	
2015	311,813
2016	298,863
2017	284,863
2018	269,813
2019	253,713
Thereafter	<u>1,872,685</u>
Total minimum lease payments	<u>\$ 3,291,750</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, 2014, lease expenditures for all types of operating leases were \$58,770.

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 \$34,939 in 2015 and \$3,161 in 2016.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE H - PENSION PLAN - CONTINUED

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, 2014, the City's annual pension cost of \$602,760 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2013, 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 a closed basis.

The remaining amortization period at September 30, 2013 was 15 years.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE H - PENSION PLAN - CONTINUED

Three Year Trend Information

Fiscal Year Ending September 30	Annual Pension Costs	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2013	\$ 553,730	100%	\$ -
2012	\$ 520,031	100%	\$ -
2011	\$ 587,844	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)
9/30/2013	12,987,753	16,567,733	3,579,980	78.4%	7,322,224	48.9%

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.

Medical benefits are provided to employees upon actual retirement. The earliest retirement eligibility provisions are as follows: age 55 and 25 years of service; or, age 60 and 10 years of service. For employees hired on or after January 1, 2013, the retirement eligibility is age 62 and 10 years of service.

Contribution Rates

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

Fund Policy

Until 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. In 2014 the City of Calera's portion of health care funding cost for retired employees totaled \$118,080.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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

Effective 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). This amount was 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 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:

	<u>2014</u>	
Normal cost	\$	<u>362,201</u>
30-year UAL amortization amount		<u>364,874</u>
Annual required contribution (ARC)	\$	<u><u>727,075</u></u>

Net Post-employment Benefit Obligation

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

	<u>2014</u>	
Beginning Net OPEB Obligation	\$	<u>1,811,951</u>
Annual required contribution		727,075
Interest on Net OPEB Obligation		72,478
ARC Adjustment		<u>(104,785)</u>
OPEB Cost		694,768
Current year retiree premium		<u>(118,080)</u>
Change in Net OPEB Obligation		<u>576,688</u>
Ending Net OPEB Obligation	\$	<u><u>2,388,639</u></u>

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:

Three Year Trend Info

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Liability (Asset)</u>
September 30, 2014	\$ 694,768	17.00%	\$ 2,388,639
September 30, 2013	\$ 604,193	15.47%	\$ 1,811,951
September 30, 2012	\$ 589,022	14.69%	\$ 1,301,216

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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

Funded Status and Funding Progress

In 2014, 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. Based on the October 1, 2013 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year September 30, 2014 was \$6,561,782 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.

		<u>2014</u>
Actuarial Accrued Liability (AAL)	\$	6,561,782
Actuarial Value of Plan Assets (AVP)		-
Unfunded Act. Accrued Liability (UAAL)	\$	<u>6,561,782</u>
Funded Ratio (AVP/AAL)		0.00%
Covered Payroll (active plan members)	\$	6,573,443
UAAL as a percentage of covered payroll		99.82%

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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

Actuarial Value of Plan Assets

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 ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate

An age-related turnover scale based on actual experience 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 actual retirement, which in turn has been assumed to be a five year delay after the earliest eligibility as set forth in the foregoing section entitled "Plan Description". Medical benefits are provided to employees upon actual retirement.

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 5.0% for ten years out and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is 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 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

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

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>2012</u>	<u>2013</u>	<u>2014</u>
OPEB Cost	\$ 589,022	\$ 604,193	\$ 694,768
Contribution	-	-	-
Retiree premium	86,535	93,458	118,080
Total contribution and premium	<u>86,535</u>	<u>93,458</u>	<u>118,080</u>
Change in net OPEB obligation	<u>\$ 502,487</u>	<u>\$ 510,735</u>	<u>\$ 576,688</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	14.69%	15.47%	17.00%

NOTE J - INTERFUND TRANSFERS

Interfund payables and receivables at September 30, 2014, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 65,874	\$ -
Capital Projects Fund	-	65,874
Total	<u>\$ 65,874</u>	<u>\$ 65,874</u>

Interfund payables and receivables resulted from capital project invoices liquidated from the general fund's cash accounts and subsequently reimbursed from capital project cash accounts.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE J - INTERFUND TRANSFERS - CONTINUED

Interfund transfers during the year ended September 30, 2014, were as follows:

Transfers Out	Transfers In					Total
	General Fund	Debt Service Fund	Natural Gas System	Sewer System	Other Proprietary	
General Fund	\$ -	\$ 2,404,912	\$ -	\$ -	\$ -	\$ 2,404,912
Capital Projects Fund	14,389	10,136	73,131	34,936	234,755	367,347
Other Governmental Funds	86,000	-	-	-	-	86,000
Natural Gas System	1,311,729	-	-	-	-	1,311,729
Sewer System	228,200	-	-	-	-	228,200
Other Proprietary Fund	176,100	-	-	-	-	176,100
Total	\$ 1,816,418	\$ 2,415,048	\$ 73,131	\$ 34,936	\$ 234,755	\$ 4,574,288

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 capital projects fund to the proprietary funds resulted from the transfer of bond proceeds for the purpose of purchasing capital assets. 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, 2014, the Board owed the City of Calera \$92,820 resulting from expenses paid for the Board by the City.

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, 2014, was \$14,000.

NOTE L - COMMITMENTS

The City had contractual commitments at September 30, 2014, of approximately \$850,000 for construction projects at the Sports Complex. Additionally, the City had a contractual commitment of \$550,000 related to the purchase of property on Highway 31 in Calera, Alabama.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2014

NOTE L - COMMITMENTS - CONTINUED

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. Additionally, the 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. 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 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 57% of the City's business license revenues were generated by one business. Approximately 33% of the revenues of the natural gas system were generated by one industrial customer.

NOTE P - RESTATEMENTS AND RECLASSIFICATIONS AND PRIOR PERIOD ADJUSTMENTS

As mentioned in Note A to the financial statements, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously, bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB Statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of the October 1, 2013 beginning net positions of governmental activities and business type activities of \$441,729 and \$182,350, respectively. Assets were reduced by the same amount. In addition, deferred charges on refunding of \$878,699 for governmental activities and \$695,112 for business type activities were reclassified as Deferred Outflows of Resources for 2014, instead of netting the amount against noncurrent liabilities due in more than one year. Deferred property taxes of \$1,750,194 for governmental activities and the general fund were reclassified as Deferred Inflows of Resources for 2014, instead of being reported as a liability.

The beginning net position of governmental activities and the beginning fund balance of the other governmental funds have been decreased by \$278,391 to remove the cemetery fund.

NOTE Q - SUBSEQUENT EVENTS

On October 10, 2014, the City purchased property on Highway 31 in Calera, Alabama valued at \$660,000. The City signed a promissory note for \$550,000 and the remaining \$110,000 was donated by the seller. The City intends to use this property for future City facilities.

City of Calera, Alabama
 Required Supplementary Information
 Schedule of Funding Progress
 For the Year Ended September 30, 2014

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) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/ c)
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 ²	9,856,548	13,974,807	4,118,259	70.5%	6,472,978	63.6%
9/30/2011 ³	10,481,317	14,571,038	4,089,721	71.9%	6,906,673	59.2%
9/30/2012 ⁴	11,463,122	14,547,743	3,084,621	78.8%	6,815,374	45.3%
9/30/2013 ⁵	12,987,753	16,567,733	3,579,980	78.4%	7,322,224	48.9%

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

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

³ Reflects changes in actuarial assumptions.

⁴ Reflects changes to interest smoothing methodology.

⁵ Reflects implementation of Board Funding Policy.

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2013.
 Market Value of Assets as of September 30, 2014: \$13,595,192

For information regarding assumptions and amortization methods, see Note H.

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%
10/1/2013	-	6,561,782	6,561,782	0.0%	6,573,443	99.8%

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

City of Calera, Alabama
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenues:				
Taxes:				
Sales	\$ 8,439,500	\$ 8,439,500	\$ 8,968,638	\$ 529,138
Property	1,715,000	1,715,000	1,950,379	235,379
Motor Vehicle / Gas	69,800	69,800	67,872	(1,928)
Other	141,872	141,872	178,753	36,881
Licenses and Permits	1,723,100	1,723,100	1,803,566	80,466
Charges for Services	259,000	259,000	272,279	13,279
Interest	12,000	12,000	24,697	12,697
Other	171,900	172,950	3,166,858	2,993,908
Total Revenues	12,532,172	12,533,222	16,433,042	3,899,820
Expenditures:				
Current:				
General Administration	893,765	903,765	765,687	(138,078)
Street	724,193	768,996	632,161	(136,835)
Mechanic	174,575	178,575	172,274	(6,301)
Planning and zoning	60,380	61,880	54,884	(6,996)
Engineering	427,000	457,000	428,658	(28,342)
Inspections	243,550	278,850	265,701	(13,149)
Building maintenance	334,996	360,693	345,283	(15,410)
Police	3,080,827	3,091,618	3,077,815	(13,803)
Fire and rescue	3,396,056	3,428,773	3,475,350	46,577
Library	332,196	333,196	318,436	(14,760)
Parks and recreation	1,022,061	1,035,755	979,347	(56,408)
Senior center	71,544	73,844	86,010	12,166
Donations	11,750	11,750	13,750	2,000
Debt Service:				
Principal	148,113	148,113	128,118	(19,995)
Interest and fiscal charges	3,237	3,237	14,043	10,806
Capital Outlay	-	163,370	3,380,148	3,216,778
Total Expenditures	10,924,243	11,299,415	14,137,665	2,838,250
Excess (Deficiency) of Revenues over Expenditures	1,607,929	1,233,807	2,295,377	1,061,570
Other Financing Sources (Uses):				
Proceeds from capital lease	324,063	324,063	324,063	-
Proceeds from disposition of capital assets	20,000	20,000	-	(20,000)
Transfers (to)/from Capital Projects Fund	-	-	14,389	14,389
Transfers (to)/from Debt Service Fund	-	-	(2,404,912)	(2,404,912)
Transfers (to)/from Other Governmental Funds	55,000	55,000	86,000	31,000
Transfers (to)/from Natural Gas System	-	-	1,311,729	1,311,729
Transfers (to)/from Sewer System	-	-	228,200	228,200
Transfers (to)/from Other Proprietary Funds	-	-	176,100	176,100
Total Other Financing Sources (Uses)	399,063	399,063	(264,431)	(663,494)
Net Change in Fund Balance	\$ 2,006,992	\$ 1,632,870	\$ 2,030,946	\$ 398,076

Notes to Required Supplementary Information - Budgetary Comparisons

Excess of Actual Expenditures over Budgeted Expenditures

For the year ended September 30, 2014, actual expenditures in the General Fund exceeded budgeted expenditures by \$2,838,250 largely due to capital outlay expenditures funded with unforeseen revenues.