

# **Financial Statements September 30, 2015**

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Including Report of  
Independent Auditor's

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, 2015, 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, 2015, 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 2015 the City adopted new accounting guidance, *GASB Statements No. 68, Accounting and Financial Reporting for Pensions- an amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB No. 68*. 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 changes in net pension liability, schedule of employer contributions, schedule of funding progress, and budgetary comparison information on pages 3 through 9 and pages 52 through 55, 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.

#### *Other Information*

The schedule of expenditures of federal awards on page 56 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Birmingham, Alabama  
March 29, 2016

## 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 \$2,852,668.
- The total cost of all the City's programs was \$20,820,096.
- During the year, the City had expenses of \$14,475,009 for governmental activities which were \$3,355,108 less than the combined \$17,830,117 generated from general and program revenues of \$16,394,116 and transfers of \$1,436,001 from business-type activities.
- The City's combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by \$39,217,453 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 \$2,852,668 from 2014 to 2015. The governmental activities net position increased by \$3,355,108, or approximately 12%, while business type activities net position decreased by \$(502,440), or approximately 4%. This increase in governmental activities resulted primarily from increases in fees, fines, and charges for services and capital grants and contributions 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,	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 22,185,391	\$ 21,732,447	\$ 2,102,649	\$ 1,842,311	\$ 24,288,040	\$ 23,574,758
Capital assets	43,417,106	46,679,949	21,634,355	20,964,056	65,051,461	67,644,005
Total assets	<u>65,602,497</u>	<u>68,412,396</u>	<u>23,737,004</u>	<u>22,806,367</u>	<u>89,339,501</u>	<u>91,218,763</u>
Deferred outflows of resources	878,699	1,319,975	695,112	720,370	1,573,811	2,040,345
Other liabilities	1,607,897	1,817,127	736,418	619,428	2,344,315	2,436,555
Long-term liabilities	35,675,043	37,684,716	11,551,908	11,648,456	47,226,951	49,333,172
Total liabilities	<u>37,282,940</u>	<u>39,501,843</u>	<u>12,288,326</u>	<u>12,267,884</u>	<u>49,571,266</u>	<u>51,769,727</u>
Deferred inflows of resources	1,750,194	2,210,667	-	61,261	1,750,194	2,271,928
Net position:						
Invested in capital assets, net of related debt	22,158,315	25,131,549	10,868,435	10,441,454	33,026,750	35,573,003
Restricted	1,829,504	2,113,355	293,325	297,917	2,122,829	2,411,272
Unrestricted	3,460,243	774,957	982,030	458,221	4,442,273	1,233,178
Total net position	<u>\$ 27,448,062</u>	<u>\$ 28,019,861</u>	<u>\$ 12,143,790</u>	<u>\$ 11,197,592</u>	<u>\$ 39,591,852</u>	<u>\$ 39,217,453</u>

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

The City's combined net position increased to \$39,217,453 from \$36,364,785 (as restated), or 8%. 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 \$774,957, which is a decrease of \$2,685,286 from the prior year. This decrease results from the implementation of GASB 68 as discussed in Note A to the financial statements.

### Changes in Net Position

The City's total revenues decreased by approximately 8% to \$23,672,764. For governmental activities, sales taxes account for approximately 55% of revenues. Property taxes account for approximately 11%. The majority of the remaining governmental activities revenues come from fees and charges for services, capital grants and contributions, and other income.

The total cost of all programs and services decreased by \$533,990, or approximately 3%. Expenses of business-type activities decreased by \$987,944, and the cost of governmental activities increased by \$453,954.

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,	
	2014	2015	2014	2015	2014	2015
<b>REVENUES</b>						
Program revenues:						
Fees, fines, and charges for services	\$ 2,478,502	\$ 2,809,121	\$ 8,440,001	\$ 7,277,562	\$ 10,918,503	\$ 10,086,683
Operating grants and contributions	321,033	271,148	-	-	321,033	271,148
Capital grants and contributions	124,003	644,886	-	-	124,003	644,886
General revenues:						
Sales taxes	8,968,638	9,063,076	-	-	8,968,638	9,063,076
Property taxes	1,950,379	1,820,193	-	-	1,950,379	1,820,193
Other taxes	246,626	263,077	-	-	246,626	263,077
Interest earnings	41,055	33,507	2,156	1,086	43,211	34,593
Lease income	59,351	54,331	-	-	59,351	54,331
Other income	2,978,592	1,349,777	-	-	2,978,592	1,349,777
Gain(loss) on sale of assets	(313)	85,000	13,525	-	13,212	85,000
<b>TOTAL REVENUES</b>	<b>17,167,866</b>	<b>16,394,116</b>	<b>8,455,682</b>	<b>7,278,648</b>	<b>25,623,548</b>	<b>23,672,764</b>
<b>EXPENSES</b>						
General administration	1,405,510	1,426,678	-	-	1,405,510	1,426,678
Street	1,056,877	1,000,497	-	-	1,056,877	1,000,497
Mechanic	180,735	170,815	-	-	180,735	170,815
Planning and zoning	54,984	53,444	-	-	54,984	53,444
Engineering	442,225	451,737	-	-	442,225	451,737
Inspections	272,148	242,291	-	-	272,148	242,291
Building maintenance	349,341	405,064	-	-	349,341	405,064
Police	3,240,779	3,205,555	-	-	3,240,779	3,205,555
Fire and rescue	3,854,137	4,086,180	-	-	3,854,137	4,086,180
Library	396,305	393,169	-	-	396,305	393,169
Parks and recreation	1,066,909	1,394,087	-	-	1,066,909	1,394,087
Senior center	106,553	87,107	-	-	106,553	87,107
Donations	13,750	19,000	-	-	13,750	19,000
Municipal court	195,434	235,292	-	-	195,434	235,292
Interest and fiscal charges	1,385,368	1,304,093	-	-	1,385,368	1,304,093
Natural Gas System	-	-	3,645,090	2,568,704	3,645,090	2,568,704
Sewer System	-	-	2,991,324	3,111,424	2,991,324	3,111,424
Other Proprietary Funds	-	-	696,617	664,959	696,617	664,959
<b>TOTAL EXPENSES</b>	<b>14,021,055</b>	<b>14,475,009</b>	<b>7,333,031</b>	<b>6,345,087</b>	<b>21,354,086</b>	<b>20,820,096</b>
Excess (deficiency) before transfers & capital contributions						
	3,146,811	1,919,107	1,122,651	933,561	4,269,462	2,852,668
Transfers	1,373,207	1,436,001	(1,373,207)	(1,436,001)	-	-
Change in net position	4,520,018	3,355,108	(250,556)	(502,440)	4,269,462	2,852,668
Beginning net position	23,648,164	27,448,062	12,576,696	12,143,790	36,224,860	39,591,852
Cumulative Effect of Change in Accounting Principle						
	(441,729)	(2,783,309)	(182,350)	(443,758)	(624,079)	(3,227,067)
Prior Period Adjustment	(278,391)	-	-	-	(278,391)	-
<b>Ending net position</b>	<b>\$ 27,448,062</b>	<b>\$ 28,019,861</b>	<b>\$ 12,143,790</b>	<b>\$ 11,197,592</b>	<b>\$ 39,591,852</b>	<b>\$ 39,217,453</b>

## THE CITY'S FUNDS

### Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$15,529,230, which is \$485,940 less than the beginning of the year. The General Fund experienced a net increase of \$1,049,423, resulting primarily from an increase in sales tax revenues, licenses and permits, and charges for services. The Capital Projects Fund experienced a net decrease of \$1,564,708 resulting primarily from capital outlays. The Debt Service Fund experienced a net decrease of \$2,306. The Other Governmental Funds experienced a net increase of \$31,651 resulting primarily from fines and forfeitures in excess of expenses.

### Proprietary Funds

As of the year-end, the Proprietary Funds reported net position of \$11,197,592, which is approximately 8% less than the beginning of the year. The Natural Gas System experienced a net decrease of \$129,894 after transfers of \$1,133,001 to the general fund. The Sewer System experienced a net decrease of \$334,431, resulting primarily from interest expense and transfer to the general fund. The Garbage Fund experienced a net increase of \$38,115 resulting primarily from increased transfers to the General Fund.

### General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by \$2,312,851. 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.

General Fund expenditures exceeded budgeted amounts by \$1,994,566 primarily due to capital outlay expenditures funded by unbudgeted items.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2015, the City had \$67,644,006 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 \$2,592,545, or approximately 4% over last year. The City purchased various capital assets including firefighting equipment and new police vehicles and performed construction work on various capital assets including a new City Hall, the Calera Sports Complex, a bridge project, and a sewer project. These additions were offset by the retirements of assets no longer in service and by depreciation expense.

## Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2014	2015	2014	2015	2014	2015
Land	\$ 19,073,799	\$ 19,842,262	\$ 441,853	\$ 441,853	\$ 19,515,652	\$ 20,284,115
Construction in progress	1,168,033	1,809,252	122,593	159,461	1,290,626	1,968,713
Land improvements, net	2,948,567	2,874,651	-	-	2,948,567	2,874,651
Infrastructure, net	11,922,301	11,503,181	-	-	11,922,301	11,503,181
Systems and facilities, net	-	-	20,568,582	19,923,779	20,568,582	19,923,779
Buildings and improvements, net	6,061,848	8,285,814	28,195	25,897	6,090,043	8,311,711
Vehicles, net	1,235,641	1,126,059	327,843	242,782	1,563,484	1,368,841
Equipment, net	1,006,917	1,238,730	145,289	170,284	1,152,206	1,409,014
<b>Total capital assets, net</b>	<b>\$ 43,417,106</b>	<b>\$ 46,679,949</b>	<b>\$ 21,634,355</b>	<b>\$ 20,964,056</b>	<b>\$ 65,051,461</b>	<b>\$ 67,644,005</b>

### Commitments

The City had contractual commitments at September 30, 2015, of approximately \$1,200,000 for construction projects at the new City Hall, the Sewer Treatment Facility, and expansions to bridges and intersections. Additionally, the City had contractual commitments of \$850,000 related to the purchase of a fire truck, garbage truck, software, and equipment.

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

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, 2015, the City had \$42,612,591 in warrants, notes payable, and capital leases outstanding versus \$44,015,812 at September 30, 2014, a decrease of 3%. This decrease results primarily from the principal payments. Other obligations of the City include accrued vacation leave, holiday leave, and compensatory time, capital leases, other post employment benefits, and the net pension liability.

**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,	
	2014	2015	2014	2015	2014	2015
General Obligation Warrants	\$ 32,045,697	\$ 30,575,060	\$ 11,476,708	\$ 11,163,938	\$ 43,522,405	\$ 41,738,998
Limited Obligation Warrants	379,816	338,070	-	-	379,816	338,070
Notes Payable	113,591	535,523	-	-	113,591	535,523
Other Post Employment Benefits Payable	2,388,639	2,974,681	-	-	2,388,639	2,974,681
Net Pension Liability	-	3,296,544	-	406,718	-	3,703,262
Compensated Absences	747,300	710,400	75,200	77,800	822,500	788,200
<b>Totals</b>	<b>\$ 35,675,043</b>	<b>\$ 38,430,278</b>	<b>\$ 11,551,908</b>	<b>\$ 11,648,456</b>	<b>\$ 47,226,951</b>	<b>\$ 50,078,734</b>

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

The City's Mayor, City Clerk, Finance Director, and City Council considered many factors when setting the budget for the fiscal year ended September 30, 2016. 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 revenue 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, 2016. Projected revenues in the General Fund budget are \$13,752,963. The City expects the major sources of revenues and expenditures to remain stable in fiscal year 2016. 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 2016.

**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, 2015**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Water Works Board</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,873,965	\$ 185,341	\$ 2,059,306	\$ 730,562
Certificates of deposit	2,846,007	-	2,846,007	425,692
Accounts receivable, net	2,821,730	871,489	3,693,219	703,742
Lease receivable	2,979,937	-	2,979,937	-
Receivable from Calera Water Board	137,339	-	137,339	-
Inventory	-	288,186	288,186	110,392
Restricted assets:				
Cash and cash equivalents	10,439,057	497,295	10,936,352	1,713,142
Certificates of deposit	598,601	-	598,601	-
Accounts receivable	35,811	-	35,811	-
Nondepreciable capital assets	21,651,514	601,314	22,252,828	104,628
Depreciable capital assets, net	<u>25,028,435</u>	<u>20,362,742</u>	<u>45,391,177</u>	<u>16,631,669</u>
<b>Total Assets</b>	<u>68,412,396</u>	<u>22,806,367</u>	<u>91,218,763</u>	<u>20,419,827</u>
<b>Deferred Outflows of Resources</b>				
Deferred charges on refunding	773,175	641,242	1,414,417	787,990
Pension	<u>546,800</u>	<u>79,128</u>	<u>625,928</u>	<u>-</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,319,975</u>	<u>720,370</u>	<u>2,040,345</u>	<u>787,990</u>
<b>Liabilities</b>				
Accounts payable	637,656	383,704	1,021,360	42,033
Unearned revenue	327,837	-	327,837	-
Accrued liabilities	375,522	36,440	411,962	62,157
Payable to the City of Calera	-	-	-	137,339
Payable from restricted assets:				
Accounts payable	344,381	-	344,381	-
Accrued expenses	(6,525)	-	(6,525)	-
Deposits	45,812	81,196	127,008	127,837
Accrued interest payable	92,444	118,088	210,532	82,708
Noncurrent liabilities:				
Due within one year	415,301	38,900	454,201	53,336
Due within one year - payable from restricted assets	1,505,000	325,000	1,830,000	475,000
Due in more than one year	<u>35,764,415</u>	<u>11,284,556</u>	<u>47,048,971</u>	<u>14,652,408</u>
<b>Total Liabilities</b>	<u>39,501,843</u>	<u>12,267,884</u>	<u>51,769,727</u>	<u>15,632,818</u>
<b>Deferred Inflows of Resources</b>				
Deferred property taxes	1,826,434	-	1,826,434	-
Pension	<u>384,233</u>	<u>61,261</u>	<u>445,494</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>2,210,667</u>	<u>61,261</u>	<u>2,271,928</u>	<u>-</u>
<b>Net Position</b>				
Invested in capital assets, net of related debt	25,131,549	10,441,454	35,573,003	2,540,101
Restricted for:				
Capital projects	-	-	-	-
Debt service	725,496	297,917	1,023,413	1,306,039
Municipal court	111,328	-	111,328	-
Parks and recreation	1,305	-	1,305	-
Street improvements	676,625	-	676,625	-
Street repairs	598,601	-	598,601	-
Unrestricted	<u>774,957</u>	<u>458,221</u>	<u>1,233,178</u>	<u>1,728,859</u>
<b>Total Net Position</b>	<u>\$ 28,019,861</u>	<u>\$ 11,197,592</u>	<u>\$ 39,217,453</u>	<u>\$ 5,574,999</u>

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

**City of Calera, Alabama**  
**Statement of Activities**  
**For the Year Ended September 30, 2015**

Program Activities:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Water Works Board
					Governmental Activities	Business-type Activities	Total	
Governmental Activities:								
General administration	\$ 1,426,678	\$ 1,874,015	\$ 1,500	\$ 214,196	\$ 663,033	\$ -	\$ 663,033	\$ -
Street	1,000,497	-	218,049	-	(782,448)	-	(782,448)	-
Mechanic	170,815	-	-	-	(170,815)	-	(170,815)	-
Planning and zoning	53,444	370	-	-	(53,074)	-	(53,074)	-
Engineering	451,737	-	-	-	(451,737)	-	(451,737)	-
Inspections	242,291	153,682	-	-	(88,609)	-	(88,609)	-
Building maintenance	405,064	-	-	-	(405,064)	-	(405,064)	-
Police	3,205,555	109,883	11,600	-	(3,084,072)	-	(3,084,072)	-
Fire and rescue	4,086,180	44,490	-	412,924	(3,628,766)	-	(3,628,766)	-
Library	393,169	6,109	9,168	-	(377,892)	-	(377,892)	-
Parks and recreation	1,394,087	144,822	29,005	9,266	(1,210,994)	-	(1,210,994)	-
Senior center	87,107	-	1,826	8,500	(76,781)	-	(76,781)	-
Donations	19,000	-	-	-	(19,000)	-	(19,000)	-
Municipal court	235,292	475,750	-	-	240,458	-	240,458	-
Interest and fiscal charges	1,304,093	-	-	-	(1,304,093)	-	(1,304,093)	-
Total Governmental Activities	<u>14,475,009</u>	<u>2,809,121</u>	<u>271,148</u>	<u>644,886</u>	<u>(10,749,854)</u>	<u>-</u>	<u>(10,749,854)</u>	<u>-</u>
Business-type Activities:								
Natural Gas System	2,568,704	3,570,968	-	-	-	1,002,264	1,002,264	-
Sewer System	3,111,424	2,922,825	-	-	-	(188,599)	(188,599)	-
Other Proprietary Funds	664,959	783,769	-	-	-	118,810	118,810	-
Total Business-type Activities	<u>6,345,087</u>	<u>7,277,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>932,475</u>	<u>932,475</u>	<u>-</u>
Total Primary Government	<u>\$ 20,820,096</u>	<u>\$ 10,086,683</u>	<u>\$ 271,148</u>	<u>\$ 644,886</u>	<u>(10,749,854)</u>	<u>932,475</u>	<u>(9,817,379)</u>	<u>-</u>
Component Unit:								
Calera Water Works Board	3,064,141	3,522,627	-	-	-	-	-	458,486
Total Component Unit	<u>\$ 3,064,141</u>	<u>\$ 3,522,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,486</u>
General Revenues:								
Taxes:								
Sales					9,063,076	-	9,063,076	-
Property					1,820,193	-	1,820,193	-
Other					263,077	-	263,077	-
Interest earnings					33,507	1,086	34,593	1,828
Lease income					54,331	-	54,331	-
Other income					1,349,777	-	1,349,777	-
Gain (loss) on disposal of capital assets					85,000	-	85,000	-
Transfers					1,436,001	(1,436,001)	-	-
Total general revenues and transfers					<u>14,104,962</u>	<u>(1,434,915)</u>	<u>12,670,047</u>	<u>1,828</u>
Change in net position					3,355,108	(502,440)	2,852,668	460,314
Net position - beginning					27,448,062	12,143,790	39,591,852	5,114,685
Cumulative Effect of Change in Accounting Principle					(2,783,309)	(443,758)	(3,227,067)	-
Net position - ending					<u>\$ 28,019,861</u>	<u>\$ 11,197,592</u>	<u>\$ 39,217,453</u>	<u>\$ 5,574,999</u>

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

**City of Calera, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2015**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,873,965	\$ -	\$ -	\$ -	\$ 1,873,965
Certificates of deposit	2,846,007	-	-	-	2,846,007
Accounts receivable	2,821,730	-	-	-	2,821,730
Due from other funds	38,633	-	-	-	38,633
Receivable from Calera Water Works	137,339	-	-	-	137,339
Restricted assets:					
Cash	471,805	8,789,008	817,940	360,304	10,439,057
Certificates of deposit	598,601	-	-	-	598,601
Accounts receivable	-	35,811	-	-	35,811
<b>Total Assets</b>	<b>\$ 8,788,080</b>	<b>\$ 8,824,819</b>	<b>\$ 817,940</b>	<b>\$ 360,304</b>	<b>\$ 18,791,143</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 637,656	\$ -	\$ -	\$ -	\$ 637,656
Accrued liabilities	375,522	-	-	-	375,522
Payable from restricted assets:					
Accounts payable	-	340,817	-	3,564	344,381
Accrued expenses	-	-	-	(6,525)	(6,525)
Due to other funds	-	38,633	-	-	38,633
Deposits	1,000	-	-	44,812	45,812
<b>Total Liabilities</b>	<b>1,014,178</b>	<b>379,450</b>	<b>-</b>	<b>41,851</b>	<b>1,435,479</b>
Deferred Inflows of Resources:					
Deferred property taxes	1,826,434	-	-	-	1,826,434
<b>Total Deferred Inflows of Resources</b>	<b>1,826,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,826,434</b>
Fund Balances:					
Restricted for:					
Capital projects	-	8,445,369	-	-	8,445,369
Debt service	-	-	817,940	-	817,940
Municipal court	-	-	-	111,328	111,328
Parks and recreation	1,305	-	-	-	1,305
Street improvements	469,500	-	-	207,125	676,625
Street repairs	598,601	-	-	-	598,601
Committed to:					
Purchase of fire truck	496,053	-	-	-	496,053
Construction of new City Hall	1,084,580	-	-	-	1,084,580
Purchase of software	56,675	-	-	-	56,675
Unassigned:	3,240,754	-	-	-	3,240,754
<b>Total Fund Balances</b>	<b>5,947,468</b>	<b>8,445,369</b>	<b>817,940</b>	<b>318,453</b>	<b>15,529,230</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,788,080</b>	<b>\$ 8,824,819</b>	<b>\$ 817,940</b>	<b>\$ 360,304</b>	<b>\$ 18,791,143</b>

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

**City of Calera, Alabama**  
**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position**  
**September 30, 2015**

Fund Balances - Total Governmental Funds \$ 15,529,230

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	2,979,937	
Less: Unearned revenue related to lease receivable	<u>(327,837)</u>	2,652,100

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

Governmental capital assets	60,330,938	
Less: accumulated depreciation	<u>(13,650,989)</u>	46,679,949

Interest payable reported in the governmental activities is not payable from current resources and, therefore, is not reported in the governmental funds.	(92,444)
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Employer pension contributions subsequent to the measurement date	546,800
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Net pension liability is not due and payable in the current period and therefore, not reported in the governmental funds balance sheet	(2,550,982)
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Net difference between projected and actual earnings on pension plan investments	(384,233)
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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	(30,600,000)	
Discounts (Premiums)	24,940	
Deferred Charges on Refunding	773,175	
Limited Obligation Warrants	(338,070)	
Notes Payable	(535,523)	
Other Post Employment Benefits Payable	(2,974,681)	
Compensated Absences	<u>(710,400)</u>	<u>(34,360,559)</u>

Net Position of Governmental Activities	<u>\$ 28,019,861</u>
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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, 2015**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Operating Revenues:</b>					
Taxes:					
Sales	\$ 9,063,076	\$ -	\$ -	\$ -	\$ 9,063,076
Property	1,820,193	-	-	-	1,820,193
Motor Vehicle / Gas	57,145	-	-	51,457	108,602
Other	205,932	-	-	-	205,932
Licenses and permits	1,947,177	-	-	-	1,947,177
Fines and forfeitures	-	-	-	475,750	475,750
Charges for services	351,592	-	-	-	351,592
Interest	32,129	9	-	1,368	33,506
Other	1,968,857	166,591	-	-	2,135,448
<b>Total Revenues</b>	<b>15,446,101</b>	<b>166,600</b>	<b>-</b>	<b>528,575</b>	<b>16,141,276</b>
<b>Expenditures:</b>					
Current:					
General administration	853,143	-	-	-	853,143
Street	593,888	-	-	-	593,888
Mechanic	169,679	-	-	-	169,679
Planning and zoning	56,534	-	-	-	56,534
Engineering	458,086	-	-	-	458,086
Inspections	233,531	-	-	-	233,531
Building maintenance	412,617	-	-	-	412,617
Police	3,172,127	-	-	-	3,172,127
Fire and rescue	3,981,564	-	-	-	3,981,564
Library	327,941	-	-	-	327,941
Parks and recreation	1,204,778	-	-	-	1,204,778
Senior center	66,713	-	-	-	66,713
Donations	19,000	-	-	-	19,000
Municipal court	-	-	-	239,733	239,733
Debt Service:					
Principal	169,814	-	1,470,000	-	1,639,814
Interest and fiscal charges	20,663	-	1,183,552	-	1,204,215
Capital Outlay	2,521,681	1,854,986	-	-	4,376,667
<b>Total Expenditures</b>	<b>14,261,759</b>	<b>1,854,986</b>	<b>2,653,552</b>	<b>239,733</b>	<b>19,010,030</b>
<b>Excess of Revenues over Expenditures</b>	<b>1,184,342</b>	<b>(1,688,386)</b>	<b>(2,653,552)</b>	<b>288,842</b>	<b>(2,868,754)</b>

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>					
Proceeds from debt	550,000	-	-	-	550,000
Proceeds from capital lease	311,813	-	-	-	311,813
Proceeds from Sale of Asset	85,000	-	-	-	85,000
Transfers (to)/from					
Capital Projects Fund	(123,577)	123,577	-	-	-
Transfers (to)/from					
Debt Service Fund	(2,651,246)	-	2,651,246	-	-
Transfers (to)/from					
Other Governmental Funds	257,191	-	-	(257,191)	-
Transfers (to)/from					
Natural Gas System	1,132,900	101	-	-	1,133,001
Transfers (to)/from					
Sewer System	146,000	-	-	-	146,000
Transfers (to)/from					
Other Proprietary Funds	157,000	-	-	-	157,000
<b>Total Other Financing Sources (Uses)</b>	<u>(134,919)</u>	<u>123,678</u>	<u>2,651,246</u>	<u>(257,191)</u>	<u>2,382,814</u>
<b>Net Change in Fund Balances</b>	1,049,423	(1,564,708)	(2,306)	31,651	(485,940)
<b>Fund Balances, Beginning</b>	<u>4,898,045</u>	<u>10,010,077</u>	<u>820,246</u>	<u>286,802</u>	<u>16,015,170</u>
<b>Fund Balances, Ending</b>	<u>\$ 5,947,468</u>	<u>\$ 8,445,369</u>	<u>\$ 817,940</u>	<u>\$ 318,453</u>	<u>\$ 15,529,230</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, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ (485,940)

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	4,376,667	
Less current year depreciation	<u>(1,227,334)</u>	3,149,333

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. 113,510

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	(311,813)	
Lease income	<u>54,331</u>	(257,482)

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. (550,000)

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. 1,639,814

The effect of the net increase (decrease) in deferred outflows of resources (71,959)

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		637
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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 decrease in compensated absences		36,900
Net increase in other post employment benefit payable		(586,042)
Net decrease in net pension liability		745,562
Change in accrued interest expense		5,008

The effect of the net (increase) decrease in the deferred inflows of resources (384,233)

Change in Net Position of Governmental Funds \$ 3,355,108

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Net Position**  
**September 30, 2015**

	Natural Gas System	Sewer System	Other Proprietary Fund	Total Proprietary Funds
<b>Assets</b>				
Current:				
Cash	\$ 70,587	\$ 69,789	\$ 44,965	\$ 185,341
Accounts receivable, net	372,358	410,697	88,434	871,489
Inventory	246,188	41,998	-	288,186
<b>Total Current Assets</b>	<b>689,133</b>	<b>522,484</b>	<b>133,399</b>	<b>1,345,016</b>
Noncurrent:				
Restricted cash and cash equivalents	81,196	416,099	-	497,295
Nondepreciable assets	78,403	522,911	-	601,314
Depreciable capital assets, net	3,083,465	17,102,040	177,237	20,362,742
<b>Total Noncurrent Assets</b>	<b>3,243,064</b>	<b>18,041,050</b>	<b>177,237</b>	<b>21,461,351</b>
<b>Total Assets</b>	<b>3,932,197</b>	<b>18,563,534</b>	<b>310,636</b>	<b>22,806,367</b>
<b>Deferred Outflows of Resources</b>				
Pension	28,903	33,348	16,877	79,128
Deferred charges on refunding	-	641,242	-	641,242
<b>Total Deferred Outflows of Resources</b>	<b>28,903</b>	<b>674,590</b>	<b>16,877</b>	<b>720,370</b>
<b>Liabilities</b>				
Current:				
Accounts payable	221,913	140,699	21,092	383,704
Accrued expenses	9,025	18,138	9,277	36,440
Compensated absences, current portion	7,550	26,550	4,800	38,900
Payable from restricted assets:				
Customer deposits	81,196	-	-	81,196
Accrued interest payable	-	118,088	-	118,088
Current portion of long-term debt	-	325,000	-	325,000
<b>Total Current Liabilities</b>	<b>319,684</b>	<b>628,475</b>	<b>35,169</b>	<b>983,328</b>
Noncurrent:				
Compensated absences, net of current portion	7,550	26,550	4,800	38,900
Long-term debt, net of current portion	142,420	11,015,862	87,374	11,245,656
<b>Total Noncurrent Liabilities</b>	<b>149,970</b>	<b>11,042,412</b>	<b>92,174</b>	<b>11,284,556</b>
<b>Total Liabilities</b>	<b>469,654</b>	<b>11,670,887</b>	<b>127,343</b>	<b>12,267,884</b>
<b>Deferred Inflows of Resources</b>				
Pension	21,452	26,649	13,160	61,261
<b>Total Deferred Inflows of Resources</b>	<b>21,452</b>	<b>26,649</b>	<b>13,160</b>	<b>61,261</b>
<b>Net Position</b>				
Invested in capital, net of related debt	3,161,868	7,102,349	177,237	10,441,454
Unrestricted	308,126	140,322	9,773	458,221
Restricted for debt service	-	297,917	-	297,917
<b>Total Net Position</b>	<b>\$ 3,469,994</b>	<b>\$ 7,540,588</b>	<b>\$ 187,010</b>	<b>\$ 11,197,592</b>

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position**  
**For the Year Ended September 30, 2015**

	<u>Natural Gas System</u>	<u>Sewer System</u>	<u>Other Proprietary Fund</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>				
Utility receipts	\$ 3,509,271	\$ 2,478,325	\$ 783,769	\$ 6,771,365
Fees	1,750	444,500	-	446,250
Miscellaneous	59,947	-	-	59,947
<b>Total Operating Revenues</b>	<b>3,570,968</b>	<b>2,922,825</b>	<b>783,769</b>	<b>7,277,562</b>
<b>Operating Expenses</b>				
Gas purchases	1,646,970	-	-	1,646,970
Personnel services	602,979	707,377	353,561	1,663,917
Supplies expense	49,501	534,068	50,411	633,980
Repairs and maintenance	44,919	188,452	54,642	288,013
Depreciation	122,188	631,174	55,590	808,952
Administrative expenses	76,989	644,269	23,351	744,609
Outside services	25,158	57,920	127,404	210,482
<b>Total Operating Expenses</b>	<b>2,568,704</b>	<b>2,763,260</b>	<b>664,959</b>	<b>5,996,923</b>
<b>Operating Income</b>	<b>1,002,264</b>	<b>159,565</b>	<b>118,810</b>	<b>1,280,639</b>
<b>Non Operating Revenues (Expenses)</b>				
Gain on disposal of property, plant & equipment	-	-	-	-
Interest income	843	168	75	1,086
Interest expense	-	(344,884)	-	(344,884)
Trustee fees	-	(3,280)	-	(3,280)
<b>Total Non Operating Revenues (Expenses)</b>	<b>843</b>	<b>(347,996)</b>	<b>75</b>	<b>(347,078)</b>
<b>Income (Loss) Before Interfund Operating Transfers</b>	<b>1,003,107</b>	<b>(188,431)</b>	<b>118,885</b>	<b>933,561</b>
<b>Interfund Transfers</b>	<b>(1,133,001)</b>	<b>(146,000)</b>	<b>(157,000)</b>	<b>(1,436,001)</b>
<b>Change in Net Position</b>	<b>(129,894)</b>	<b>(334,431)</b>	<b>(38,115)</b>	<b>(502,440)</b>
<b>Net Position, Beginning of Year</b>	<b>3,755,279</b>	<b>8,068,056</b>	<b>320,455</b>	<b>12,143,790</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>(155,391)</b>	<b>(193,037)</b>	<b>(95,330)</b>	<b>(443,758)</b>
<b>Net Position, End of Year</b>	<b>\$ 3,469,994</b>	<b>\$ 7,540,588</b>	<b>\$ 187,010</b>	<b>\$ 11,197,592</b>

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, 2015**

	Natural Gas System	Sewer System	Other Proprietary Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 3,693,453	\$ 2,901,081	\$ 779,043	\$ 7,373,577
Cash paid to employees	(632,380)	(724,579)	(361,963)	(1,718,922)
Cash paid to suppliers for goods and services	(1,964,519)	(1,385,510)	(252,338)	(3,602,367)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,096,554</b>	<b>790,992</b>	<b>164,742</b>	<b>2,052,288</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers (to) / from other funds	(1,132,900)	(146,000)	(157,000)	(1,435,900)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,132,900)</b>	<b>(146,000)</b>	<b>(157,000)</b>	<b>(1,435,900)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of property, plant, and equipment	(67,434)	(83,392)	-	(150,826)
Principal payments on debt	-	(320,000)	-	(320,000)
Interest payments on debt	-	(285,698)	-	(285,698)
Trustee fees	-	(3,280)	-	(3,280)
Transfers (to) / from other funds	(101)	-	-	(101)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(67,535)</b>	<b>(692,370)</b>	<b>-</b>	<b>(759,905)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on cash and investments	843	168	75	1,086
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>843</b>	<b>168</b>	<b>75</b>	<b>1,086</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(103,038)</b>	<b>(47,210)</b>	<b>7,817</b>	<b>(142,431)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>254,821</b>	<b>533,098</b>	<b>37,148</b>	<b>825,067</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 151,783</b>	<b>\$ 485,888</b>	<b>\$ 44,965</b>	<b>\$ 682,636</b>

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, 2015**

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Natural Gas System	Sewer System	Other Proprietary Fund	Total Proprietary Funds
Operating income	\$ 1,002,264	\$ 159,565	\$ 118,810	1,280,639
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	122,188	631,174	55,590	808,952
(Increase) decrease in:				-
Accounts receivable	117,300	(21,744)	(4,726)	90,830
Inventory	(27,931)	654	-	(27,277)
Deferred Outflows	(249)	2,248	702	2,701
Other	-	-	-	-
Increase (decrease) in:				-
Accounts payable	(97,407)	38,545	3,469	(55,393)
Customer deposits	5,185	-	-	5,185
Compensated absences	(1,500)	2,000	2,100	2,600
Accrued expenses	(3,123)	3,610	1,172	1,659
Deferred Inflows	21,452	26,649	13,160	61,261
Net Pension Liability	(41,625)	(51,709)	(25,535)	(118,869)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 1,096,554</u></b>	<b><u>\$ 790,992</u></b>	<b><u>\$ 164,742</u></b>	<b><u>\$ 2,052,288</u></b>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Calera Sewer System had amortization of warrant discounts of \$7,295, amortization of warrant premiums of \$65, and amortization of deferred charges on refunding of \$53,870.

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 Proprietary Funds
Cash	\$ 70,587	\$ 69,789	\$ 44,965	\$ 185,341
Restricted cash	81,196	416,099	-	497,295
<b>Cash and cash equivalents</b>	<b><u>\$ 151,783</u></b>	<b><u>\$ 485,888</u></b>	<b><u>\$ 44,965</u></b>	<b><u>\$ 682,636</u></b>

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

## NOTES TO FINANCIAL STATEMENTS

City of Calera, Alabama

September 30, 2015

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### NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. General Statement

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

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

2. Financial Reporting Entity

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

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

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

The Water Works Board of the City of Calera, Alabama

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

3. Basis of Presentation

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

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

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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### NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

#### Fund Financial Statements

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

#### Governmental Fund Types:

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

The City reports the following major governmental funds:

#### General Fund

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

#### Capital Projects Fund

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

#### Debt Service Fund

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

Additionally, the City reports the following other governmental funds:

#### Nonmajor Special Revenue Funds

The Municipal Court Fund 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, 2015

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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.

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, 2015

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 and deferred charges related to the pension liability. Deferred charges on refunding 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. A deferred outflow related to the pension liability results from pension contributions related to normal and accrued employer liability subsequent to the measurement date.

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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

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

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

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 and deferred inflows of resources related to the pension liability resulting from the net difference between projected and actual earnings on plan investments. The difference between projected and actual earnings on plan investments is amortized over five years beginning with the year in which the difference occurred.

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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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.

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. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, are effective for periods beginning after June 15, 2014. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The implementation of these Statements required the City to record beginning net pension liability, deferred inflows of resources, deferred outflows of resources, and the effects on net position of contributions made by the City during the measurement period. The City has implemented this reporting for the year ended September 30, 2015, resulting 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 \$10,108,614 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE C - RECEIVABLES AND PAYABLES

Receivables at September 30, 2015 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Taxes:				
Sales	\$ 833,988	\$ -	\$ 833,988	\$ -
Property	1,861,200	-	1,861,200	-
Motor vehicle/gas	42,906	-	42,906	-
Customers	-	877,789	877,789	707,942
Other	160,003	-	160,003	-
Gross Receivables	<u>2,898,097</u>	<u>877,789</u>	<u>3,775,886</u>	<u>707,942</u>
Less: Allowance for Uncollectibles	(40,556)	(6,300)	(46,856)	(4,200)
Net Receivables	<u>\$ 2,857,541</u>	<u>\$ 871,489</u>	<u>\$ 3,729,030</u>	<u>\$ 703,742</u>

Payables at September 30, 2015 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Trade payables	\$ 421,424	\$ 359,608	\$ 781,032	\$ 42,033
Capital assets payables	<u>560,613</u>	<u>24,096</u>	<u>584,709</u>	<u>-</u>
	<u>\$ 982,037</u>	<u>\$ 383,704</u>	<u>\$ 1,365,741</u>	<u>\$ 42,033</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2015, was as follows:

Primary Government:

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 19,073,799	\$ 768,463	\$ -	\$ 19,842,262
Construction in progress	1,168,033	1,191,403	(550,184)	1,809,252
Total capital assets not being depreciated	<u>20,241,832</u>	<u>1,959,865</u>	<u>(550,184)</u>	<u>21,651,514</u>
Capital assets being depreciated				
Land Improvements	2,956,643	-	-	2,956,643
Infrastructure	17,083,997	-	-	17,083,997
Buildings and improvements	8,430,549	2,480,410	-	10,910,959
Vehicles	3,716,110	158,653	(298,780)	3,575,983
Equipment	3,722,738	441,431	(12,327)	4,151,842
Total capital assets being depreciated	<u>35,910,037</u>	<u>3,080,494</u>	<u>(311,107)</u>	<u>38,679,424</u>
Less accumulated depreciation for:				
Land Improvements	8,076	73,916	-	81,992
Infrastructure	5,161,696	419,120	-	5,580,816
Buildings and improvements	2,368,701	256,444	-	2,625,145
Vehicles	2,480,469	268,235	(298,780)	2,449,924
Equipment	2,715,821	209,618	(12,327)	2,913,112
Total accumulated depreciation	<u>12,734,763</u>	<u>1,227,333</u>	<u>(311,107)</u>	<u>13,650,989</u>
Total capital assets, being depreciated, net	<u>23,175,274</u>	<u>1,853,161</u>	<u>-</u>	<u>25,028,435</u>
Governmental activities capital assets, net	<u>\$ 43,417,106</u>	<u>\$ 3,813,027</u>	<u>\$ (550,184)</u>	<u>\$ 46,679,949</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE D - CAPITAL ASSETS – CONTINUED

	<u>October 1</u>	<u>Completions</u>	<u>Adjustments</u>	<u>September 30</u>
<i>Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 441,853	\$ -	\$ -	\$ 441,853
Construction in progress	122,593	36,868	-	159,461
Total Capital assets not being depreciated	<u>564,446</u>	<u>36,868</u>	<u>-</u>	<u>601,314</u>
Capital assets, being depreciated				
System and facilities	28,948,722	38,305	-	28,987,027
Buildings and improvements	112,633	-	-	112,633
Vehicles	1,250,366	-	-	1,250,366
Equipment	985,188	63,480	-	1,048,668
Total capital assets being depreciated	<u>31,296,909</u>	<u>101,785</u>	<u>-</u>	<u>31,398,694</u>
Less accumulated depreciation for:				
System and facilities	8,380,140	683,108	-	9,063,248
Buildings and improvements	84,438	2,298	-	86,736
Vehicles	922,523	85,061	-	1,007,584
Equipment	839,899	38,485	-	878,384
Total accumulated depreciation	<u>10,227,000</u>	<u>808,952</u>	<u>-</u>	<u>11,035,952</u>
Total capital assets, being depreciated, net	<u>21,069,909</u>	<u>(707,167)</u>	<u>-</u>	<u>20,362,742</u>
Business-type activities capital assets, net	<u>\$ 21,634,355</u>	<u>\$ (670,299)</u>	<u>\$ -</u>	<u>\$ 20,964,056</u>

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

Governmental Activities:	
General administration	\$ 53,536
Street	417,150
Mechanic	6,274
Engineering	12,184
Inspections	12,683
Building maintenance	5,840
Police	171,574
Fire and rescue	235,231
Library	72,772
Parks and recreation	218,203
Senior center	<u>21,887</u>
 Total Depreciation Expense- Governmental Activities	  <u>\$ 1,227,334</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE D - CAPITAL ASSETS - CONTINUED

Business-type Activities:	
Natural Gas System	\$ 122,188
Sewer System	631,174
Other Proprietary Funds	<u>55,590</u>
Total Depreciation Expense-	
Business-type Activities	<u>\$ 808,952</u>

Component Unit:

	<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>
Capital assets not being depreciated				
Land	\$ 11,485	\$ -	\$ -	\$ 11,485
Construction in progress	49,718	43,425	-	93,143
Total capital assets not being depreciated	<u>61,203</u>	<u>43,425</u>	<u>-</u>	<u>104,628</u>
Capital assets being depreciated				
System and facilities	22,103,168	79,044	-	22,182,212
Buildings and improvements	61,492	-	-	61,492
Vehicles	310,036	-	-	310,036
Equipment	1,195,064	15,443	-	1,210,507
Total capital assets being depreciated	<u>23,669,760</u>	<u>94,487</u>	<u>-</u>	<u>23,764,247</u>
Less accumulated depreciation for:				
System and facilities	5,196,258	512,361	-	5,708,619
Buildings and improvements	11,017	1,537	-	12,554
Vehicles	250,078	16,004	-	266,082
Equipment	1,127,498	17,825	-	1,145,323
Total accumulated depreciation	<u>6,584,851</u>	<u>547,727</u>	<u>-</u>	<u>7,132,578</u>
Total capital assets, being depreciated, net	<u>17,084,909</u>	<u>(453,240)</u>	<u>-</u>	<u>16,631,669</u>
Water Works Board capital assets, net	<u>\$ 17,146,112</u>	<u>\$ (409,815)</u>	<u>\$ -</u>	<u>\$ 16,736,297</u>

Depreciation expense charged to the component unit for the year ended September 30, 2015, was \$547,727.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE E - LONG-TERM DEBT

Primary Government:

Warrants payable at September 30, 2015, 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%.	\$ 840,000	\$ -
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%.	338,070	-
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%.	1,300,000	-
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%.	1,735,000	-
2008 Q2 LEASE General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through November 20, 2020, bearing an interest rate of 3.12%.	80,000	-
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 \$4,580).	1,150,420	-
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%.	7,845,000	-
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 \$35,475).	4,335,475	-
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 \$30,645).	9,574,355	-
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 \$25,190).	3,714,810	-

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE E - LONG-TERM DEBT - CONTINUED

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
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 \$35,367).	-	2,994,633
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 \$51,466).	-	6,513,534
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 \$771).	-	<u>1,655,771</u>
<b>Total Warrants Payable</b>	<b><u>\$ 30,913,130</u></b>	<b><u>\$ 11,163,938</u></b>

Notes payable at September 30, 2015, 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.	\$ 22,946
Note payable to individual dated October 10, 2014 monthly payments of \$4,007, including interest at 2%, maturing in February 2026.	<u>512,577</u>
<b>Total Notes Payable</b>	<b><u>\$ 535,523</u></b>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE E - LONG-TERM DEBT - CONTINUED

A summary of long-term liability activity for the year ended September 30, 2015 is as follows:

	Balance October 1, 2014	Issues or Additions	Payments or Expenditures	Balance September 30, 2015	Due within one year
<i>Governmental Type Activities</i>					
General Obligation Warrants, net	\$ 32,070,000	\$ -	\$ 1,470,000	\$ 30,600,000	\$ 1,505,000
Less Deferred Amounts:					
Issuance Premium (Discount)	(24,303)	-	637	(24,940)	-
Total General Obligation Warrants	32,045,697	-	1,470,637	30,575,060	1,505,000
Limited Obligation Warrants	379,816	-	41,746	338,070	-
Notes Payable	113,591	550,000	128,068	535,523	60,101
Other Post Employment Benefit Payable	2,388,639	713,568	127,526	2,974,681	-
Net Pension Liability	3,296,544	1,740,562	2,486,124	2,550,982	-
Compensated Absences	747,300	510,957	547,857	710,400	355,200
Total Governmental Activities	<u>\$ 38,971,587</u>	<u>\$ 3,515,087</u>	<u>\$ 4,801,958</u>	<u>\$ 37,684,716</u>	<u>\$ 1,920,301</u>
<i>Business-type Activities</i>					
General Obligation Warrants, net	\$ 11,570,000	\$ -	\$ 320,000	\$ 11,250,000	\$ 325,000
Less Deferred Amounts:					
Issuance Premium (Discount)	(93,292)	-	(7,230)	(86,062)	-
Total General Obligation Warrants	11,476,708	-	312,770	11,163,938	325,000
Net Pension Liability	525,587	277,508	396,377	406,718	-
Compensated Absences	75,200	126,750	124,150	77,800	38,900
Total Business-type Activities	<u>\$ 12,077,495</u>	<u>\$ 404,258</u>	<u>\$ 833,297</u>	<u>\$ 11,648,456</u>	<u>\$ 363,900</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, 2015 are as follows:

Year Ending September 30,	Governmental Activities		Governmental Activities	
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
2016	\$ 1,505,000	\$ 975,865	\$ 243,106	\$ 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	1,735,000	772,057	-	-
2021-2025	8,900,000	3,101,839	-	-
2026-2030	6,680,000	1,852,902	-	-
2031-2035	5,365,000	737,593	-	-
2036-2040	1,575,000	98,719	-	-
	<u>\$ 30,600,000</u>	<u>\$ 10,164,557</u>	<u>\$ 338,070</u>	<u>\$ 10,755</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE E - LONG-TERM DEBT - CONTINUED

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Notes Payable		General Obligation Warrants	
	Principal	Interest	Principal	Interest
2016	\$ 61,124	\$ 9,979	\$ 325,000	\$ 280,249
2017	38,949	9,132	335,000	273,824
2018	39,735	8,346	335,000	267,299
2019	40,537	7,544	345,000	261,339
2020	41,355	6,726	350,000	255,126
2021-2025	219,637	20,766	1,855,000	1,175,928
2026-2030	94,186	1,974	3,405,000	874,049
2031-2035	-	-	2,115,000	506,349
2036-2040	-	-	1,505,000	253,100
2041-2045	-	-	680,000	23,975
	<u>\$ 535,523</u>	<u>\$ 64,467</u>	<u>\$ 11,250,000</u>	<u>\$ 4,171,238</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, 2015, the Sewer System incurred total interest costs of \$344,884. Of this amount, none was capitalized as a component of capital assets constructed during the year, and \$344,884 was charged to expense.

In prior years the City refunded the Series 2006 General Obligation Warrants and Series 2008 Taxable General Obligation Warrants. The refunded warrants are considered to be defeased and the liability has been removed from the financial statements. At September 30, 2015, \$7,110,000 of the defeased bonds remained outstanding.

Component Unit:

Notes payable at September 30, 2015, 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. \$ 179,136

Water Revenue Bonds payable at September 30, 2015, 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 \$21,520.) \$ 2,973,480

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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 \$113,429.) 8,751,571

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 \$3,443.) 3,276,557

Total Water Revenue Bonds Payable \$ 15,001,608

A summary of long-term liability activity for the year ended September 30, 2015, is as follows:

	Balance October 1, 2014	Issues or Additions	Payments or Expenditures	Balance September 30, 2015	Due within one year
Revenue Bonds Payable	\$ 15,605,000	\$ -	\$ (465,000)	\$ 15,140,000	\$ 475,000
Less Deferred Amounts: Issuance Premium (Discount)	(148,361)	-	9,969	(138,392)	-
Total Revenue Bonds	15,456,639	-	(455,031)	15,001,608	475,000
Notes Payable	230,923	-	(51,787)	179,136	53,336
	<u>\$ 15,687,562</u>	<u>\$ -</u>	<u>\$ (506,818)</u>	<u>\$ 15,180,744</u>	<u>\$ 528,336</u>

The total interest incurred for the year ended September 30, 2015, was \$586,273. Of this amount, none was capitalized as a component of the cost of capital assets constructed during the year and \$586,273 was charged to expense.

Annual Requirements to Retire Debt Obligations:

The annual requirements to service the Board's debt obligations at September 30, 2015, are as follows:

<u>Year Ending September 30,</u>	<u>Revenue Bonds Payable</u>		<u>Notes Payable</u>	
	Principal	Interest	Principal	Interest
2016	\$ 475,000	\$ 490,449	\$ 53,336	\$ 4,570
2017	485,000	478,511	54,931	2,976
2018	495,000	465,966	56,573	1,333
2019	510,000	452,589	14,297	71
2020	530,000	438,601	-	-
2021-2025	2,830,000	1,958,484	-	-
2026-2030	3,345,000	1,538,906	-	-
2031-2035	3,995,000	938,359	-	-
2036-2038	2,475,000	180,594	-	-
	<u>\$ 15,140,000</u>	<u>\$ 7,443,283</u>	<u>\$ 179,136</u>	<u>\$ 8,950</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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, 2015 are as follows:

	<u>Governmental Activities</u>
Minimum lease payments receivable	\$ 2,979,937
Less: unearned income	<u>(327,837)</u>
Net investment in direct financing lease	<u>\$ 2,652,100</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, 2015:

	<u>Governmental Activities</u>
<u>Year Ending September 30,</u>	
2016	\$ 298,863
2017	284,863
2018	269,813
2019	253,713
2020	235,950
Thereafter	<u>1,636,735</u>
Total minimum lease payments	<u>\$ 2,979,937</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, 2015, lease expenditures for all types of operating leases were \$49,922.

The City leases various office equipment under non-cancelable operating leases in which the City is the lessee. Future minimum lease payments for noncancelable operating leases with original terms of one year or longer are \$29,296 in 2016, \$27,274 in 2017 and \$27,271 in 2018.

**NOTE H - PENSION PLAN**

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

**Plan Description**

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

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

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

**Benefits Provided**

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE H - PENSION PLAN – CONTINUED

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

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	<u>55,883</u>
Total	<u>83,874</u>

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, 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,

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE H - PENSION PLAN – CONTINUED

correctional offices, and law enforcement officers hired on or after January 1, 2013 are required to contribute 7% of their annual salary, while remaining employees hired on or after January 1, 2013 are required to contribute 6% of their annual covered salary. The City's average contribution rate to fund the normal and accrued liability costs was 7.26% of covered payroll for Tier 1 employees and 4.96% of covered employee payroll for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2015 was 7.62% of pensionable pay for Tier 1 employees, and 5.32% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$625,928 for the year ended September 30, 2015.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total Pension Liability as of September 30, 2013 (a)	\$ 17,422,079
Entry Age Normal Cost for October 1, 2013—September 30, 2014 (b)	64,451
Actual Benefit Payments and Refunds for October 1, 2013— September 30, 2014 (c)	(528,688)
Total Pension Liability as of September 30, 2014 [(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 18,911,461

Actuarial Assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

\*Net of pension plan investment expense

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

\*Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a)-(b)
Balances at October 1	\$ 17,422,079	\$ 13,599,948	\$ 3,822,131
Changes for the year:			
Service cost	645,451	-	645,451
Interest	1,372,619	-	1,372,619
Differences between expected and actual experience			-
Contributions - employer	-	595,063	(595,063)
Contributions - employee	-	466,495	(466,495)
Net investment income	-	1,672,131	(1,672,131)
Benefit payments, including refunds of employee contributions	(528,688)	(528,688)	-
Administrative expenses	-	-	-
Transfers among employers	-	148,812	(148,812)
Net Changes	1,489,382	2,353,813	(864,431)
Balances at September 30	\$ 18,911,461	\$ 15,953,761	\$ 2,957,700

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increases (9.00%)
City's net pension liability	\$5,895,873	\$2,957,700	\$527,977

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE H - PENSION PLAN - CONTINUED

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

For the year ended September 30, 2015, the City recognized pension expense of \$176,126. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	445,494
Employer contributions subsequent to the measurement date	625,928	-
<b>Total</b>	<u>\$ 625,928</u>	<u>\$ 445,494</u>

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

Year Ended September 30,	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 625,928	\$ 111,374
2017	-	111,374
2018	-	111,374
2019	-	111,372
2020	-	-
Thereafter	-	-
<b>Total</b>	<u>\$ 625,928</u>	<u>\$ 445,494</u>

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.

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

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 2015 the City of Calera's portion of health care funding cost for retired employees totaled \$127,526.

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:

Normal cost	\$ 376,689
30-year UAL amortization amount	379,469
Annual required contribution (ARC)	<u>\$ 756,158</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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

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:

Beginning Net OPEB Obligation	\$ 2,388,639
Annual required contribution	756,158
Interest on Net OPEB Obligation	95,546
ARC Adjustment	<u>(138,135)</u>
OPEB Cost	713,568
Current year retiree premium	<u>(127,526)</u>
Change in Net OPEB Obligation	<u>586,042</u>
Ending Net OPEB Obligation	<u>\$ 2,974,681</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, 2015	\$ 713,568	17.87%	\$ 2,974,681
September 30, 2014	\$ 694,768	17.00%	\$ 2,388,639
September 30, 2013	\$ 604,193	15.47%	\$ 1,811,951

Funded Status and Funding Progress

In 2015, 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, 2014 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year September 30, 2015 was \$6,824,254 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.

Actuarial Accrued Liability (AAL)	\$ 6,824,254
Actuarial Value of Plan Assets (AVP)	<u>-</u>
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 6,824,254</u>
 Funded Ratio (AVP/AAL)	 0.00%
 Covered Payroll (active plan members)	 \$ 8,418,791
UAAL as a percentage of covered payroll	81.06%

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) - CONTINUED

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.

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 Codification Section P50 will be used.

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.

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

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.

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.

The following page contains a summary of OPEB cost and contributions for the last three fiscal calendar years.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
OPEB Cost	\$ 604,193	\$ 694,768	\$ 713,568
Contribution	-	-	-
Retiree premium	93,458	118,080	127,526
Total contribution and premium	<u>93,458</u>	<u>118,080</u>	<u>127,526</u>
Change in net OPEB obligation	<u>\$ 510,735</u>	<u>\$ 576,688</u>	<u>\$ 586,042</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	15.47%	17.00%	17.87%

NOTE J - INTERFUND TRANSFERS

Interfund payables and receivables at September 30, 2015, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 38,633	\$ -
Capital Projects Fund	-	38,633
Total	<u>\$ 38,633</u>	<u>\$ 38,633</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.

Interfund transfers during the year ended September 30, 2015, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>						<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Natural Gas System</u>	<u>Sewer System</u>	<u>Other Proprietary</u>	
General Fund	\$ -	\$123,577	\$2,651,246	\$ 162,100	\$ 162,000	\$ 81,000	\$3,179,923
Other Governmental Funds	257,191	-	-	-	-	-	257,191
Natural Gas System	1,295,000	101	-	-	-	-	1,295,101
Sewer System	308,000	-	-	-	-	-	308,000
Other Proprietary Fund	238,000	-	-	-	-	-	238,000
Total	<u>\$2,098,191</u>	<u>\$123,678</u>	<u>\$2,651,246</u>	<u>\$ 162,100</u>	<u>\$ 162,000</u>	<u>\$ 81,000</u>	<u>\$5,278,215</u>

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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### NOTE J - INTERFUND TRANSFERS - CONTINUED

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, 2015, the Board owed the City of Calera \$137,339 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, 2015, was \$14,000.

### NOTE L - COMMITMENTS

The City had contractual commitments at September 30, 2015, of approximately \$1,200,000 for construction projects at the new city hall, the sewer treatment facility, and expansions to bridges and intersections. Additionally, the City had contractual commitments of \$850,000 related to the purchase of a fire truck, garbage truck, software, and equipment.

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

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2015

NOTE N - RISK MANAGEMENT

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

NOTE O - MAJOR CUSTOMERS

Approximately 55% of the City's business license revenues were generated by one business. Approximately 20% 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. 68, and GASB Statement No. 71 during the fiscal year. The resulting restatement to prior year balances are as follows:

<u>Governmental Activities</u>	2014		
	<u>Previously Presented</u>	<u>Restatement</u>	<u>2014 Restated</u>
Deferred Outflows - Pension	\$ -	\$ 513,235	\$ 513,235
Net pension liability	-	(3,296,544)	(3,296,544)
Change in net position	<u>\$ -</u>	<u>\$ (2,783,309)</u>	<u>\$ (2,783,309)</u>

<u>Business-Type Activities</u>	2014		
	<u>Previously Presented</u>	<u>Restatement</u>	<u>2014 Restated</u>
Deferred Outflows - Pension	\$ -	\$ 81,829	\$ 81,829
Net pension liability	-	(525,587)	(525,587)
Change in net position	<u>\$ -</u>	<u>\$ (443,758)</u>	<u>\$ (443,758)</u>

City of Calera  
Required Supplementary Information  
Schedule of Changes in Net Pension Liability  
For the Year Ended September 30, 2015

<b>Total Pension Liability</b>	
Service Cost	\$ 645,451
Interest	1,372,619
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(528,688)
<hr/>	
Net Change in total pension liability	1,489,382
Total pension liability - beginning	17,422,079
<hr/>	
Total pension liability - ending (a)	18,911,461
<hr/>	
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	595,063
Contributions - member	466,495
Net investment income	1,672,131
Benefit payments, including refunds of employee contributions	(528,688)
Transfers among employers	148,812
<hr/>	
Net change in plan fiduciary net position	2,353,813
Plan net position - beginning	13,599,948
<hr/>	
Plan net position - ending (b)	15,953,761
<hr/>	
Net pension liability (asset) - ending (a) - (b)	2,957,700
Plan fiduciary net position as a percentage of the total pension liability	84.36%
Covered-employee payroll	8,418,791
Net pension liability (asset) as a percentage of covered-employee payroll	35.13%

\*Only one year of historical data was available for presentation at September 30, 2015

City of Calera  
 Required Supplementary Information  
 Schedule of Employer Contributions  
 For the Year Ended September 30, 2015

Actuarially determined contribution**	\$	625,928
Contributions in relation to the actuarially determined contribution*		625,928
<hr/>		
Contribution deficiency (excess)	\$	-
<hr/>		
Covered-employee payroll***	\$	8,418,791
Contributions as a percentage of covered-employee payroll		7.43%

\*\*Account of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY2015, the fiscal year is the twelve month period beginning 10/1/2014 and ending 9/30/2015.

\*\*\*Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For FY 2015, the fiscal year is the twelve month period beginning 10/1/2014 and ending 9/30/2015.

**Notes to Schedule**

Actuarially determined contribution rates are calculated as of September, 30 two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	15 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75 - 7.25%
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

\*Only one year of historical data was available for presentation at September 30, 2015.

City of Calera, Alabama  
 Required Supplementary Information  
 Schedule of Funding Progress  
 For the Year Ended September 30, 2015

City of Calera Other Post Employment Benefits Plan

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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)
10/1/2010	-	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%
10/1/2014	-	6,824,254	6,824,254	0.0%	8,418,791	81.1%

*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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Operating Revenues:</b>				
Taxes:				
Sales	\$ 8,549,250	\$ 8,549,250	\$ 9,063,076	\$ 513,826
Property	1,780,000	1,780,000	1,820,193	40,193
Motor Vehicle / Gas	77,000	77,000	57,145	(19,855)
Other	165,000	165,000	205,932	40,932
Licenses and Permits	1,806,200	1,806,200	1,947,177	140,977
Charges for Services	264,750	264,750	351,592	86,842
Interest	13,000	13,000	32,129	19,129
Other	478,050	478,050	1,968,857	1,490,807
<b>Total Revenues</b>	<b>13,133,250</b>	<b>13,133,250</b>	<b>15,446,101</b>	<b>2,312,851</b>
<b>Expenditures:</b>				
Current:				
General Administration	1,002,439	1,019,844	853,143	(166,701)
Street	801,238	801,238	593,888	(207,350)
Mechanic	185,869	185,869	169,679	(16,190)
Planning and zoning	64,665	64,665	56,534	(8,131)
Engineering	472,015	472,015	458,086	(13,929)
Inspections	314,055	314,055	233,531	(80,524)
Building maintenance	387,559	387,559	412,617	25,058
Police	3,238,888	3,293,483	3,172,127	(121,356)
Fire and rescue	3,659,063	3,659,063	3,981,564	322,501
Library	341,414	342,914	327,941	(14,973)
Parks and recreation	1,167,072	1,167,072	1,204,778	37,706
Senior center	88,299	88,299	66,713	(21,586)
Donations	19,250	19,250	19,000	(250)
Debt Service:				
Principal	70,895	70,895	169,814	98,919
Interest and fiscal charges	-	-	20,663	20,663
Capital Outlay	452,972	380,972	2,521,681	2,140,709
<b>Total Expenditures</b>	<b>12,265,693</b>	<b>12,267,193</b>	<b>14,261,759</b>	<b>1,994,566</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>867,557</b>	<b>866,057</b>	<b>1,184,342</b>	<b>318,285</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from debt	-	-	550,000	550,000
Proceeds from capital lease	311,813	311,813	311,813	-
Proceeds from disposition of capital assets	20,000	20,000	85,000	65,000
Transfers (to)/from Capital Projects Fund	-	-	(123,577)	(123,577)
Transfers (to)/from Debt Service Fund	-	-	(2,651,246)	(2,651,246)
Transfers (to)/from Other Governmental Funds	(55,000)	(55,000)	257,191	312,191
Transfers (to)/from Natural Gas System	-	-	1,132,900	1,132,900
Transfers (to)/from Sewer System	-	-	146,000	146,000
Transfers (to)/from Other Proprietary Funds	-	-	157,000	157,000
<b>Total Other Financing Sources (Uses)</b>	<b>276,813</b>	<b>276,813</b>	<b>(134,919)</b>	<b>(411,732)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,144,370</b>	<b>\$ 1,142,870</b>	<b>\$ 1,049,423</b>	<b>\$ (93,447)</b>

Notes to Required Supplementary Information - Budgetary Comparisons

Excess of Actual Expenditures over Budgeted Expenditures

For the year ended September 30, 2015, actual expenditures in the General Fund exceeded budgeted expenditures by \$1,994,566 largely due to capital outlay expenditures funded with unforeseen revenues.

**City of Calera, Alabama**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures(\$)
<b>Other Programs</b>			
Department of Homeland Security Direct Programs			
Assistance to Firefighters Grant	97.044	None	<u>\$ 412,924</u>
<i>Total Department of Homeland Security</i>			<u>412,924</u>
United States Department of Justice Direct Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-DJ-LC-016	<u>1,451</u>
<i>Total United States Department of Justice Direct Programs</i>			<u>1,451</u>
Department of Transportation Direct Programs			
ARRA-Highway Planning and Construction	20.205	Project IM-1065 (404)	<u>166,591</u>
<i>Total Department of Transportation</i>			<u>166,591</u>
<b>Total Other Programs</b>			<u>580,966</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 580,966</u></u>

See independent auditor's report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

City of Calera, Alabama

September 30, 2015

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) summarizes the federal expenditures of the City under programs of the federal government for the year ended September 30, 2015. The amounts reported as federal expenditures were obtained from the City's general ledger. Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position and cash flows of the City.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the SEFA. The City has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by OMB Circular A-133. The City had no identified clusters during the audit period.

**NOTE B – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and SEFA may differ. Some of the factors that may account for any differences include the following:

- The City's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the City's financial statement and as expenditures in the program financial reports.

**NOTE C – SUBRECIPIENTS**

From the federal expenditures presented in the SEFA, the City awarded the following to subrecipients:

Assistance to Firefighters Grant	CFDA 97.044	\$208,758
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**NOTE D – BASIS OF ACCOUNTING**

The SEFA was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property, and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred rather than being applied to reduce the outstanding principal portion of debt which conforms to the basis of reporting to grantors for reimbursement under the terms of the City's federal grants.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CONTINUED

City of Calera, Alabama

September 30, 2015

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**NOTE E – CONTINGENCIES**

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

**NOTE F – NONCASH ASSISTANCE**

The City did not receive any federal noncash assistance for the fiscal year ending September 30, 2015.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Calera, Alabama, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 29, 2016.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2015-001)

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (2015-002)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**The City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Dent Moses LLP*

Birmingham, Alabama  
March 29, 2016

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

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Calera, Alabama's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Calera, Alabama's major federal programs for the year ended September 30, 2015. City of Calera, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Basis for Qualified Opinion on Assistance to Firefighters Grant**

As described in the accompanying schedule of findings and questioned costs, the City of Calera, Alabama did not comply with requirements regarding CFDA 97.044 Assistance to Firefighters Grant as described in finding number 2015-003 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the City of Calera, Alabama to comply with the requirements applicable to that program.

**Qualified Opinion on Assistance to Firefighters Grant**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Calera, Alabama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Assistance to Firefighters Grant for the year ended September 30, 2015.

**Other Matters**

City of Calera, Alabama's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Calera, Alabama's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-003 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Calera, Alabama's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Calera, Alabama's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Birmingham, Alabama  
March 29, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Calera, Alabama

September 30, 2015

**SECTION I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified  yes  no
- Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor’s report issued on compliance for major programs: Modified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
97.044	Assistance to Firefighters Grant
Dollar threshold used to distinguish between type A and type B programs?	\$300,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

**SECTION II - Financial Statements Findings**

Material Weaknesses:

2015-001- During our audit we noted the City employs competent personnel who understand the City’s operations. While they record the City’s day-to-day transactions in a consistent manner, they lack the expertise to analyze and record complex transactions to ensure that all transactions are properly recorded in the financial statements in accordance with generally accepted accounting principles. The City’s controls over the financial reporting process would not prevent, or detect and correct, a material misstatement in the City’s financial statements, including related disclosures.

Management’s Response- The City is currently developing an action plan to improve controls over the financial reporting process.

Significant Deficiencies:

2015-002- We noted that in one instance, revenue remitted to the City was lost in the mail without the City’s awareness. Management should consider implementing a process to track revenue remitted to the City by other governments or outside parties to ensure it is collected and recorded on a timely basis.

Management’s Response- The City has established a process for the tracking of monies remitted to the City by other governmental agencies and outside parties and expects to implement the process immediately.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

City of Calera, Alabama

September 30, 2015

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**SECTION III - Federal Award Findings and Questioned Costs**

Finding: 2015-003 Material Noncompliance and Material Weakness

Agency: U.S. Department of Homeland Security

Program: Assistance to Firefighters Grant

CFDA: 97.044

**CASH MANAGEMENT**

Criteria- When awards provide for advance payment, recipients must follow procedures to minimize the time elapsing between the receipt and disbursement of those funds.

Condition- The City submitted a request for advance drawdown and the funds were not disbursed in a timely manner. The funds were disbursed more than five months after the date received.

Questioned Costs- None.

Recommendation- We recommend the City implement procedures to ensure that the time elapsing between the receipt and disbursement of those funds is in accordance with the grant agreement.

Corrective Action/ Auditee View- The City will implement procedures to ensure that the time elapsing between the receipt and disbursement of those funds is in accordance with the grant agreement.

Anticipated Completion Date: Immediately

Contact Person: Connie Payton, City Clerk Phone: (205) 668-3803; Email: cpayton@calera.org