

City of Homewood, Alabama

Financial Statements

September 30, 2014



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City of Homewood, Alabama
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September 30, 2014

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Independent Auditors' Report

To the Mayor and City Council
City of Homewood
Homewood, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Homewood, Alabama (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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.

Auditors' Responsibility

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 opinions. 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 obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the schedules listed in the table of contents as "required supplementary information" on pages 3.1 through 3.8 and pages 33 through 37 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit or 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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2015, on our consideration of the City's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Car, Riggs & Ingram, L.L.C.

Birmingham, Alabama
May 15, 2015

**City of Homewood
Management's Discussion & Analysis (MD&A)
September 30, 2014**

The City of Homewood Management's Discussion and Analysis report provides an overview of the City's financial activities for the fiscal year ended September 30, 2014. Please read the report in conjunction with the City's financial statements and notes to the financial statements that immediately follow this analysis.

Financial Highlights: Significant Items to Note

Governmental Activities:

- ❖ The assets of the City exceeded the liabilities at the close of the 2014 fiscal year by \$80.6 million (net position).
- ❖ The City's net position decreased by approximately \$108,397 in fiscal year 2014.
- ❖ The total cost of the City's programs for the 2014 fiscal year was \$42.2 million. The net cost was \$34.0 million after subtracting grants and charges for services.
- ❖ The General Fund revenues received for the 2014 fiscal year exceeded expenditures by over \$410,377. This was the amount of revenues exceeding expenditures after the City transferred \$500,000 from General Fund to Capital Projects Fund for future capital expenditures and also paid employees bonuses in the amount of \$350,000.
- ❖ At the end of the 2014 fiscal year, the general fund unassigned fund balance was \$11.7 million, or 38% of the total general fund operating expenditures.
- ❖ Net capital assets for the 2014 fiscal year increased by \$9.7 million. A significant portion of this increase is attributable to the new Central Park & Recreation Center completed during this fiscal year.
- ❖ The City's long-term debt decreased by approximately \$369,000. The City added a new ladder truck costing in excess of one million dollars under a capital lease during the fiscal year ending 2014.

Using the Annual Financial Report - An Overview for the User

The annual financial report consists of four parts - *management's discussion and analysis* (this section), the *independent auditors' report*, the *basic financial statements* and *required supplementary information*.

The City's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, 3) *notes to the basic financial statements*.

The financial statements for all governmental activities are based on the fiscal year ending September 30, 2014.

Government-Wide Financial Statements - The focus of these statements is to provide readers with a broad overview of the City's finances as a whole, similar to a private-sector business, instead of on an individual fund basis.

Government-wide statements report both long-term and short-term information about the City's overall financial status including the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the City's current year revenues and expenses regardless of when cash is received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The *statement of net position* (on page 4) most closely resembles a balance sheet. It presents information on all of the City's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (on page 5) most closely resembles an income statement. It presents information showing how the City's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the City. By showing the change in net position for the year, the reader may be able to determine whether the City's financial position has improved or deteriorated over the course of the current fiscal year.

However, the reader will also need to consider non-financial factors, such as changes in the City's property tax base, businesses operating within the City, and the condition of the City's infrastructure assets, in order to assess the overall health of the City.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. The City's funds include governmental funds.

Governmental Funds - Governmental *fund financial statements* begin on page 6. These statements account for basically the same governmental activities reported in the *government-wide financial statements*. *Fund financial statements* presented herein display information on each of the City's most important governmental funds or *major funds*. This is required in order to better assess the City's accountability for significant governmental programs or certain dedicated revenue. The City's *major funds* are the General Fund, 1947 School Tax Fund, Debt Service Fund, Capital Projects Fund, and the 2012 General Obligation Warrants Construction Fund. All special revenue funds are presented as *other funds*, except the 1947 School Tax Fund which is a major fund.

The *Governmental Fund Financial Statements* are measured on the modified-accrual basis of accounting. As a result, the *fund financial statements* focus more on the near term use and availability of spendable resources. The information provided in these statements is useful in determining the City's immediate financial needs. This is in contrast to the accrual-based *government-wide financial statements*, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the *government-wide financial statements* and the governmental funds reported in the *fund financial statements* are reconciled on pages 7 and 9 of these financial statements. These reconciliations are useful to readers in understanding the long-term impact of the City's short-term financing decisions.

Notes to the Basic Financial Statements - The *notes to the basic financial statements* provide additional information that is essential for the statements to fairly represent the City's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them. The *notes to the basic financial statements* begin on page 10 in this section.

Required Supplementary Information - After the presentation of the basic financial statements, the *required supplementary information* is presented following the notes to the basic financial statements. The *required supplementary information* beginning on page 33 provides a comparison of the adopted budget of the City's General Fund and 1947 School Tax Special Revenue Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Analysis of the City of Homewood's Overall Financial Position Government-Wide Funds

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to *Table 1* when reading the following analysis of net assets.

Table 1: Summary of Net Position

	As of September 30, (dollars in thousands)	
	<u>2014</u>	<u>2013</u>
Assets:		
Current and other assets	\$ 47,857	\$ 58,695
Capital assets	<u>105,370</u>	<u>95,681</u>
Total Assets	<u>153,227</u>	<u>154,376</u>
Liabilities:		
Current liabilities	5,362	6,150
Long-term liabilities	<u>67,208</u>	<u>67,456</u>
Total Liabilities	<u>72,570</u>	<u>73,606</u>
Net Position:		
Net investment in capital assets	39,826	29,767
Restricted	8,086	17,747
Unrestricted	<u>32,707</u>	<u>33,213</u>
Total Net Position	<u>\$ 80,619</u>	<u>\$ 80,727</u>

The City's assets exceeded liabilities by \$80.6 million at September 30, 2014. This consists of net investment in capital assets of \$39.8 million and \$8.0 million of assets restricted by law for specific purposes and unrestricted net position of \$32.8 million.

Net position invested in capital assets of \$39.8 million reflects the City's investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, fixtures, furniture, equipment and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations. The City opened a new Central Park & Recreation Center costing in excess of \$16.5 million in the summer of 2014.

Analysis of the City of Homewood's Operating Results

The results of this fiscal year's operations as a whole are reported in detail in the *Statement of Activities* on page 5. *Table 2* below condenses the results of operations for the fiscal year into a format where the reader can easily see the total revenues of the City for the year. It also shows the impact that operations had on changes in net position as of September 30, 2014.

Table 2: Summary of Changes in Net Position

	Fiscal Year Ended September 30, (dollars in thousands)	
	2014	2013
Program revenues:		
Charges for services	\$ 7,199	\$ 6,705
Operating grants/contributions	305	714
Capital grants/contributions	625	250
General revenues:		
Taxes	49,025	46,219
Investment earnings	276	171
Miscellaneous revenue	152	136
Total revenues	<u>57,582</u>	<u>54,195</u>
Program expenses:		
General government	9,980	10,458
Public safety	17,042	16,314
Public works	6,048	5,796
Culture/recreation	6,249	5,963
Interest on long-term debt	2,900	2,750
Total expenses	42,219	41,281
Transfer to BOE	<u>(15,471)</u>	<u>(14,367)</u>
Change in net position	(108)	(1,453)
Net position, beginning	<u>80,727</u>	<u>82,180</u>
Net position, ending	<u>\$ 80,619</u>	<u>\$ 80,727</u>

The City's revenues increased 6% (\$3.4 million). Capital and operating grants and contributions decreased by \$34,000 and tax revenue increased by \$2.8 million primarily due to increased ad valorem and sales tax revenue. The City's program expenses increased by \$938,000 compared with the prior fiscal year.

Table 3 is a condensed statement taken from the *Statement of Activities* on page 5 showing the total cost for providing services for five major City activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants and charges for services that the City used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits provided.

Table 3: Net Cost of Government-Wide Activities

	Fiscal Year Ended September 30, 2014	
	(dollars in thousands)	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 9,980	\$ 4,333
Public safety	17,042	16,925
Public works	6,048	4,505
Culture and recreation	6,249	5,426
Interest on long-term debt	<u>2,900</u>	<u>2,900</u>
Total	<u>\$ 42,219</u>	<u>\$ 34,089</u>

Performance of City Funds

As noted earlier, the City uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal and internal requirements. Using funds to account for resources for particular purposes helps the reader to determine the City's accountability for these resources whether provided by taxpayers or other entities, and to help to provide more insight into the City's overall financial health. The following analysis of the City's funds should be read in reference to the *fund financial statements* that begin on page 6.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the City's financial requirements (Note: the reconciliation statement between the *fund financial statements* and the *government-wide financial statements* is presented on page 7. At the end of the fiscal year, the City's governmental funds reported a combined fund balance of \$44.5 million available for future operations.

Budgetary Highlights of the General Fund

On or before October 1 of each year, the Mayor prepares and submits an annual budget to be adopted by the City Council. The comparison of general fund budget to the actual results is detailed in the "Statement of Revenues, Expenditures and Changes in Fund Balances - Budget

and Actual” on page 33. The City’s actual results as compared to the City’s budget can be briefly summarized as follows:

- ❖ Tax revenues exceeded budgeted amounts by over \$172,000. Total licenses and permits fell short of budgeted projections by \$94,000. Culture and recreation revenue exceeded budget by \$187,000 mainly attributable to the opening of the new Central Park and Recreation Center during the fiscal year.
- ❖ Actual expenditures were lower than budget by almost \$1.2 million or 4% of the final budget. Most city government departments were under budget at year end; with the exception being the general government administration and this is due to the increased sales tax revenues over budget paid to the Board of Education.
- ❖ Overall actual results exceeded budget projections in excess of \$410,000. This amount is the surplus existing after expensing \$350,000 in employee bonuses and \$500,000 as transfers to the capital projects fund from the general fund. The adopted budget for fiscal year 2014 included in other revenues the use of carryover fund balance of almost \$1.6 million that did not have to be utilized during the fiscal year, mainly through closely monitoring expenditures, including personnel costs. The fact that this revenue source was not utilized accounts for the majority of revenues under budgeted projections.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for governmental activities for the year ended September 30, 2014, amounted to \$105.3 million, net of accumulated depreciation. A recap of the City's capital assets at actual or estimated historical cost is shown in *Table 4*. Assets are presented net of accumulated depreciation.

Table 4: Capital Assets (net of accumulated depreciation)

	Fiscal Year Ended September 30, (dollars in thousands)	
	2014	2013
Land	\$ 9,290	\$ 9,290
Construction-in-progress	2,299	7,007
Buildings	40,401	25,238
Land/infrastructure improvements	46,984	48,586
Equipment, furniture, computers and vehicles	6,397	5,560
Capital assets, net of depreciation	<u>\$ 105,371</u>	<u>\$ 95,681</u>

Additions and reclassifications to capital assets during the current year included the following:

Construction in progress	\$ (4,708)
Buildings	15,164
Land/infrastructure improvements	(1,602)
Equipment, furniture, computers, vehicles	836
Total	<u>\$ 9,690</u>

Long-Term Debt - At year-end, the City had almost \$69 million in general obligation warrants and other long-term debt outstanding as shown in *Table 5* below.

Table 5: Outstanding Debt

As of September 30, 2014 (dollars in thousands)			
	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Governmental activities:			
Warrants payable			
2007 Warrants w/accretion	\$ 49,542	\$ (1,278)	\$ 48,264
2012 Warrants w/unamortized bond premium	16,372	(36)	16,336
Net post-employment benefits	1,107	42	1,149
Capital lease payable	0	945	945
Compensated absences	2,138	279	2,417
Totals	\$ 69,159	\$ (48)	\$ 69,111

Long-term debt activity for the year consisted of the following:

- ❖ Outstanding Warrant Obligations were \$65.9 million at the beginning of the fiscal year and consisted of the 2007 and 2012 warrant issues. The City made principal payments of \$1.595 million on the 2007 warrants and the addition to the accretion on these warrants was \$317,361. The City paid interest only on the 2012 warrants for fiscal year 2013-2014; however, reduced the outstanding amount by \$36K retired unamortized bond premium.

Economic Factors and Next Year's Budget

Fiscal Year 2015 Budget - The City Council approved an original budget of revenues and expenditures over \$52 million for all funds (General and Special Revenue), exclusive of the School Trust Fund, for fiscal year ended September 30, 2015. The General Fund budget was approved for \$40.8 million and the Capital Projects Fund budget was approved for \$3.9 million.

Economic Factors – The City of Homewood has several encouraging business developments in the various stages of development for fiscal year 2014-2015. The City is working with Graham and Company to develop the former Mountain Brook Inn into an office building with an adjoining hotel and the remodeling of the former Mazer property on Greensprings Highway for two new tenants. Samford University is purchasing the Southern Progress complex with two buildings being renovated for University use and one building being leased back to Southern Progress. There are planned improvements to Brookwood Village and planned renovations to the parking deck at Brookwood Hospital. The City also moving forward with the paving projects along West Valley and Valley Avenues.

Personnel Administration Cost – The City's personnel administration is provided by the Personnel Board of Jefferson County (PBJC). The PBJC has been operating under a 1981 Federal Consent Decree issued in connection with litigation over hiring practices. This Decree was satisfied in 2009. Costs, which are passed on to municipalities served by the PBJC, have risen substantially in recent years. In fiscal year 2009, the PBJC reached an agreement with municipalities to reduce the legal fees due to them associated from the Decree from \$10,000,000

to \$2,250,000 payable over a 5 year period. This agreement is currently awaiting approval by the U.S. District Judge and each municipality's share of the \$2,250,000 is still to be determined. The 2014-2015 budget included a line item of \$ 275,000 budgeted for this expenditure.

Actual costs invoiced to the City of Homewood by the PBJC and payable during fiscal year 2014-2015 year totaled \$290,182 or \$1,093 per employee. The costs of services are expected to potentially increase to over \$350,000 for fiscal year 2015-2016 according to estimates provided by the PBJC. The PBJC has adopted an operating budget of \$10.2 million and the City of Homewood is currently billed for 3.5% of the PBJC's operating budget.

Medical Costs – Employee health insurance is provided through the State of Alabama Insurance Board (SEIB). This Board voted not to increase health insurance rates for year 2014-2015. The City achieved preferred rating in part through meeting the wellness screening participation goals in fiscal year 2013-2014.

Retirement Costs –The City's retirement program for employees is provided through the Retirement System of Alabama (RSA). Effective October 1, 2013, the City opted to come under the provisions of Act 2011-676 thereby changing the rates contributed by employees. The City's contribution percentage for Tier 1 employees that contribute 7.5% and 8.5% to retirement is 12.88% for fiscal year 2015. The City's contribution percentage for Tier 2 employees that contribute 6% and 7% to retirement is 12.82% for the fiscal year 2015.

Cost-of-Living Raise - The City Council did not approve a cost-of-living raise for fiscal year 2014-2015; however, the Mayor recommended and Council approved the payment of bonuses in November, 2014 from the available surplus achieved during fiscal year ending September 30, 2014.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, 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 any questions about this report or need additional financial information, please contact Melody Salter, CPA, Finance Director, City of Homewood, 2850 19th Street South, Homewood, Alabama, 35209.

City of Homewood, Alabama Statement of Net Position

<i>September 30, 2014</i>	Primary Government Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 16,643,313
Receivables, net	2,542,006
Prepaid expenses	2,517
Restricted assets:	
Cash and cash equivalents	28,668,918
Total current assets	47,856,754
Noncurrent assets	
Capital assets	
Land, improvements and construction in progress	11,589,046
Other capital assets, net of depreciation	93,781,657
Total capital assets	105,370,703
Total assets	153,227,457
Liabilities	
Current liabilities	
Accounts payable	996,604
Current portion of compensated absences	120,830
Accrued interest payable	208,397
Accrued expenses	623,848
Due to other governmental units	1,630,687
Capital lease payable	106,448
Warrants payable	1,675,000
Total current liabilities	5,361,814
Long-term liabilities	
Net post-employment benefit obligation	1,149,147
Compensated absences	2,295,762
Capital lease payable	838,107
Warrants payable	62,925,324
Total long-term liabilities	67,208,340
Total liabilities	72,570,154
Deferred outflows of resources	
Deferred outflows	38,428
Total deferred outflows of resources	38,428
Net position	
Net investment in capital assets	39,825,824
Restricted for:	
Public safety	2,346,539
Public works	978,763
Capital projects	5,150
Other purposes	4,755,943
Unrestricted	32,706,656
Total net position	\$ 80,618,875

See accompanying notes to basic financial statements.

City of Homewood, Alabama
Statement of Activities

Year ended September 30, 2014

Program Activities	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Governmental
					Changes in Net Position
Primary government					Primary Government
Governmental activities:					
General government administration	\$ 9,980,304	\$ 5,422,653	\$ 224,303	\$ -	\$ (4,333,348)
Public safety	17,042,168	36,062	81,023	-	(16,925,083)
Public works	6,047,669	917,666	-	625,204	(4,504,799)
Culture and recreation	6,248,777	822,552	-	-	(5,426,225)
Interest on long-term debt	2,900,406	-	-	-	(2,900,406)
Total primary government	\$42,219,324	\$ 7,198,933	\$ 305,326	\$ 625,204	(34,089,861)
		General revenues:			
		Taxes:			
					Ad Valorem (real and personal property) 16,002,926
					Sales and use 24,027,762
					Other taxes 6,292,733
					Franchise fees 2,702,025
					Investment earnings 275,963
					Miscellaneous 151,364
					Transfer to City Board of Education (15,471,309)
					<u>33,981,464</u>
					Change in net position (108,397)
					Net position at beginning of year 80,727,272
					<u><u>\$ 80,618,875</u></u>

See accompanying notes to basic financial statements.

City of Homewood, Alabama
Balance Sheet—Governmental Funds

<i>September 30, 2014</i>	General Fund	1947 School Tax Fund	Debt Service Fund
Assets			
Cash and cash equivalents	\$ 16,643,313	\$ -	\$ -
Receivables, net	2,194,728	50,039	29,953
Prepaid expenses	2,517	-	-
Due from other funds	349,304	-	-
Cash and cash equivalents - restricted	10,719,570	313,372	10,919,571
Total assets	\$ 29,909,432	\$ 363,411	\$ 10,949,524
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 422,554	\$ -	\$ -
Accrued expenses	410,413	-	-
Due to other governmental units	1,319,098	311,589	-
Due to other funds	910,511	-	182
Deferred revenue	38,428	-	-
Total liabilities	3,101,004	311,589	182
Fund balances			
Nonspendable	2,517	-	-
Restricted	-	51,822	4,614,113
Committed	10,719,570	-	-
Assigned	4,384,146	-	6,335,229
Unassigned	11,702,195	-	-
Total fund balances	26,808,428	51,822	10,949,342
Total liabilities and fund balances	\$ 29,909,432	\$ 363,411	\$ 10,949,524

See accompanying notes to basic financial statements.

Capital Projects Fund	2012 General Obligation Warrants Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 16,643,313
159,501	-	107,785	2,542,006
-	-	-	2,517
1,071,667	64,000	522,745	2,007,716
1,761,219	268,238	4,686,948	28,668,918
<u>\$ 2,992,387</u>	<u>\$ 332,238</u>	<u>\$ 5,317,478</u>	<u>\$ 49,864,470</u>

\$ 167,023	\$ 327,088	\$ 79,939	\$ 996,604
-	-	213,435	623,848
-	-	-	1,630,687
-	-	1,097,023	2,007,716
-	-	-	38,428
<u>167,023</u>	<u>327,088</u>	<u>1,390,397</u>	<u>5,297,283</u>

-	-	-	2,517
-	5,150	3,415,310	8,086,395
-	-	-	10,719,570
2,825,364	-	511,771	14,056,510
-	-	-	11,702,195
<u>2,825,364</u>	<u>5,150</u>	<u>3,927,081</u>	<u>44,567,187</u>
<u>\$ 2,992,387</u>	<u>\$ 332,238</u>	<u>\$ 5,317,478</u>	<u>\$ 49,864,470</u>

City of Homewood, Alabama
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

September 30, 2014

Fund balance - total governmental funds \$ 44,567,187

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

Governmental capital assets	\$ 178,349,399	
Accumulated depreciation	(72,978,696)	105,370,703

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

Accrued interest payable	(208,397)	
Net post-employment benefit obligation	(1,149,147)	
Compensated absences	(2,416,592)	
Capital lease payable	(944,555)	
Warrants payable	(64,600,324)	(69,319,015)

Net position of governmental activities		\$ 80,618,875
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See accompanying notes to basic financial statements.

City of Homewood, Alabama
Statement of Revenues, Expenditures, and Changes in
Fund Balances—Governmental Funds

Year ended September 30, 2014

	General Fund	1947 School Tax Fund	Debt Service Fund
Revenues			
Taxes	\$ 30,449,724	\$ 7,762,770	\$ 4,579,627
Licenses and permits	7,129,356	-	-
Intergovernmental	81,023	-	215,610
Charges for services	1,311,386	-	-
Fines and forfeitures	683,648	-	-
Other revenues	257,453	110	40,353
Total revenues	39,912,590	7,762,880	4,835,590
Expenditures			
Current:			
General government administration	4,765,328	358,718	914,725
Public safety	15,299,627	-	-
Public works	5,454,529	-	-
Culture and recreation	5,590,679	-	-
Debt service:			
Principal retirement	-	-	1,729,167
Interest and fiscal charges	-	-	2,589,691
Capital outlay	-	-	-
Total expenditures	31,110,163	358,718	5,233,583
Excess of revenue over (under) expenditures	8,802,427	7,404,162	(397,993)
Other financing sources (uses)			
Operating transfers in	245,244	-	-
Proceeds from issuance of capital lease	-	-	1,078,722
Appropriation to City Board of Education	(8,073,294)	(7,398,015)	-
Operating transfers out	(564,000)	-	(1,078,722)
Total other financing sources (uses)	(8,392,050)	(7,398,015)	-
Excess of revenues and other sources over (under) expenditures and other uses	410,377	6,147	(397,993)
Fund balance, beginning of year	26,398,051	45,675	11,347,335
Fund balance, end of year	\$ 26,808,428	\$ 51,822	\$ 10,949,342

See accompanying notes to basic financial statements.

Capital Projects Fund	2012 General Obligation Warrants Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,967,554	\$ -	\$ 991,087	\$ 45,750,762
-	-	53,010	7,182,366
-	-	633,897	930,530
-	-	416,877	1,728,263
-	-	191,252	874,900
11,358	13,490	792,653	1,115,417
<u>1,978,912</u>	<u>13,490</u>	<u>3,078,776</u>	<u>57,582,238</u>
16,259	-	866,341	6,921,371
-	-	764,629	16,064,256
-	-	140,073	5,594,602
-	-	61,780	5,652,459
-	-	-	1,729,167
-	-	-	2,589,691
3,840,199	10,583,062	67,286	14,490,547
<u>3,856,458</u>	<u>10,583,062</u>	<u>1,900,109</u>	<u>53,042,093</u>
<u>(1,877,546)</u>	<u>(10,569,572)</u>	<u>1,178,667</u>	<u>4,540,145</u>
1,965,379	64,000	-	2,274,623
-	-	-	1,078,722
-	-	-	(15,471,309)
-	-	(631,901)	(2,274,623)
<u>1,965,379</u>	<u>64,000</u>	<u>(631,901)</u>	<u>(14,392,587)</u>
87,833	(10,505,572)	546,766	(9,852,442)
<u>2,737,531</u>	<u>10,510,722</u>	<u>3,380,315</u>	<u>54,419,629</u>
<u>\$ 2,825,364</u>	<u>\$ 5,150</u>	<u>\$ 3,927,081</u>	<u>\$ 44,567,187</u>

City of Homewood, Alabama
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Government-wide
Statement of Activities

September 30, 2014

Net change in fund balances - total governmental funds \$ (9,852,442)

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

Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 14,357,225	
Less current year depreciation	<u>(4,667,516)</u>	9,689,709

The issuance of long-term debt provides current financial resources to governmental funds, but the issuance of this debt increases long-term liabilities in the government-wide statement of net position. (1,078,722)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,729,167

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

Change in long-term compensated absences	(278,564)	
Change in accrued interest payable	6,646	
Change in accreted interest on long term debt	(317,361)	
Change in net post-employment benefit obligation	(42,448)	
Change in deferred items related to debt issuance	<u>35,618</u>	<u>(596,109)</u>

Change in net position of governmental activities \$ (108,397)

See accompanying notes to basic financial statements.

City of Homewood, Alabama
Notes to Financial Statements Index

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City of Homewood, Alabama Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Homewood, Alabama, (the "City") was incorporated in 1926. The City operates under a Mayor-Council form of government. The City's major operations include police and fire protection, culture and recreation, public works and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the City are discussed below.

A. Reporting entity

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Homewood. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Homewood.

B. Related organization

The City Council is responsible for appointing the members of the Homewood Board of Education (the Board). However, the City has no control or influence in the presentation or adoption of the Board's annual operating budget; the City is not responsible for any budget deficits incurred by the Board; and the Board has the authority to issue debt securities, which are neither secured by the City's revenues or obligations of the City. Accordingly, the financial statements of the Board are not presented in the accompanying financial statements because the City is not considered to be financially accountable for the Board.

C. Basis of presentation

The City's basic financial statements include both government-wide (reporting the government as a whole) and fund financial statements. The government-wide financial statements categorize primary activities such as the City's police and fire protection, culture and recreation, public works, and general administrative services as governmental activities.

In the government-wide Statement of Net Position, the governmental column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts — net investment in capital assets, restricted net position, and unrestricted net position.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of presentation (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). In the Statement of Activities, gross expenses (including depreciation) are offset by related program revenues and operating or capital grants, and must be directly associated with the function. The net costs (by function) are normally covered by general revenues such as property, sales and other taxes.

This government-wide focus is based more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Also, the financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The focus of the governmental funds' measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

An emphasis is placed on major funds within the governmental categories. At a minimum, governmental funds other than the general fund must be reported as major funds if they meet both of the following criteria:

- a. *Ten percent criterion.* An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- b. *Five percent criterion.* An individual governmental fund reports at least 5 percent of the aggregated total for both governmental funds and proprietary funds of any one of the items for which it met the 10 percent criterion.

The funds for the financial reporting entity are described below:

Governmental funds

1. General Fund

The general fund is the principal fund of the City and is always classified as a major fund. It is used to account for all revenues and expenditures applicable to the general operations of the City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of presentation (continued)

Governmental funds (continued)

2. Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The 1947 School Tax Fund is the City's major special revenue fund.

3. Debt Service Fund

The debt service fund is used to account for payments of principal and interest on the general obligation warrants.

4. Capital Projects Fund

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Capital Project Fund accounts for revenues to the acquisition, construction, and redevelopment of the City's capital assets and infrastructure.

5. 2012 General Obligation Warrants Construction Fund

The 2012 General Obligation Warrants Construction Fund is used to account for bond proceeds that are being used to construct the Community Center at Central Park.

The City reports all nonmajor funds in the Other Governmental funds column.

D. Measurement focus and 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental funds are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues reported in the governmental funds (excluding state and federal reimbursements) to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recorded when the related fund liability is incurred.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budget law and practice

The City Charter establishes the fiscal year as the twelve-month period beginning October 1st. The departments submit to the Mayor a budget of estimated expenditures for the ensuing fiscal year after which the Mayor subsequently submits a General Fund budget of estimated expenditures and revenues to the City Council by the first scheduled council meeting in July.

This operating budget includes proposed expenditures and means of financing them for the following departments: administrative and general government, police, court management, fire, street, sanitation, library, park and recreation, landscaping, engineering and zoning, and the municipal garage. Any revisions that alter the total budgeted expenditures of any department or any transfer of funds within or between departments must be approved by the City Council. Budgets are prepared using the modified accrual basis of accounting.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund and 1947 School Tax Fund present a comparison of budgetary data to actual results. The General Fund and 1947 School Tax Fund utilize the same basis of accounting for both budgetary purposes and actual results.

F. Cash and investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

The State Attorney General has issued a legal opinion that cities may not put public funds at risk by investing in companies not insured by the federal government.

Investments are stated at cost or amortized cost, which approximates market value.

G. Receivables

Receivables are reported as Receivables and Due from Other Governments in the government-wide financial statements and as Receivables, Due from Other Funds, and Due from Other Governments in the fund financial statements. Receivables due from other governments include amounts due to the City for property, sales and other taxes and due to the City from grantors for grants issued for specific programs and local taxes. No allowances are made for uncollectible amounts because the amounts are considered immaterial.

H. Compensated absences

Full-time employees of the City earn vacation leave at graduated rates based on length of service. Up to forty days of unused vacation leave may be carried over to the following calendar year. As of September 30, 2014, unused vacation leave totaled \$2,416,592. The current and long-term portion of the liability for unused vacation leave is reflected in the City's Statement of

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated absences (continued)

Net Position. The liabilities include required salary related expenses. In the fund financial statements, only the portion of compensated absences representing amounts due to separated employees at September 30, 2014 is recorded as a liability.

I. Property tax calendar

The Jefferson County Commission levies property taxes for all jurisdictions including the municipalities and school boards within the county. Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property taxes are assessed for property as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Real property taxes are collected and remitted to the City by the County Tax Assessor on a monthly basis.

J. Sales taxes

Sales taxes are collected by the State and remitted to the City in the month following collection. The City has appropriated one-third of its sales tax collections to the Homewood, Alabama Board of Education. All sales tax revenues are included in the City's tax revenues and the amounts transferred to the Board are included in the Statement of Net Activities as education expense.

K. Capital assets

Capital assets, which include buildings, equipment, and infrastructure assets, are reported in the applicable governmental unit columns in the government-wide financial statements. Capital assets are recorded as expenditures at the acquisition date in the fund financial statements. All capital assets are valued at historical cost or estimated historical cost 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.

City assets capitalized, not including infrastructure assets, have an original cost of \$5,000 and more than one year of useful life. Infrastructure assets capitalized have an original cost of \$50,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-50 years
Improvements	20 years
Machinery and equipment	5-10 years
Infrastructure	30-35 years

The capitalization threshold for land, construction in progress, and inexhaustible land improvements is \$1 or more. However, these capital assets are not depreciated.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-term obligations

In the government-wide financial statements, the unmatured principal of long-term debt and compensated absences are reported in the statement of position. Interest expense for long-term debt, including accrued interest payable, is reported in the statement of activities. For warrants (bonds) issued after October 1, 2002, the related premiums and discounts are amortized under accrual accounting and the annual amortization of these accruals is included in the statement of activities. The unamortized portion is reported as an asset on the statement of net position.

In the fund financial statements, bond premiums and the face amount of debt issued during the year are reported as an other financing source. Debt issuance costs are not deducted from the amount reported as an other financing source but are reported as debt service expenditures. Any discount is reported as an other financing use. Expenditures for debt principal, interest and related costs are reported in the fiscal year payment is made. The balance sheet does not reflect a liability for long-term debt.

M. Net position / fund equity

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislations, law through constitutional provisions or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund equity is reported in the fund financial statements as fund balance. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by resolutions of the Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. The classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Council and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

The City has committed \$10,719,570 of General Fund fund balance to cover City operations in situations of economic uncertainty.

N. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for the governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

O. Management estimates

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

City of Homewood, Alabama
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Subsequent events

On February 9, 2015, the City passed an ordinance authorizing the issuance of General Obligation Warrants Series 2015 in the amount of \$1,450,000. The closing date was February 13, 2015.

Subsequent events were evaluated through the date these financial statements were available to be issued.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents (highly liquid debt instruments purchased with a maturity of three months or less) of the City at September 30, 2014, are as follows:

	Cash and Demand Deposits	Restricted	Unrestricted
General Fund	\$ 27,362,883	\$ 10,719,570	\$ 16,643,313
1947 School Tax Fund	313,372	313,372	-
Debt Service Fund	10,919,571	10,919,571	-
Capital Projects Fund	1,761,219	1,761,219	-
2012 General Obligation Warrants Construction Fund	268,238	268,238	-
Other Governmental Funds	4,686,948	4,686,948	-
Total	\$ 45,312,231	\$ 28,668,918	\$ 16,643,313

The Alabama State Legislature has enacted the Security of Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that prescribes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed on deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit but excluding bonds, notes, money market mutual funds, repurchase agreements and similar investment instruments. Covered public entities include the state and its political subdivisions, including school boards. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which is mandatory, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established by the State Treasurer as SAFE Administrator. In the unlikely event a public entity should suffer a deposit loss due to QPD insolvency or default; a claim form would be filed with the State Treasurer, pool collateral or other means to reimburse the loss. All deposits of the City as of September 30, 2014 are held in a qualified public depository.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 3 – RECEIVABLES

Receivables of the City consist of the following at September 30, 2014:

	General Fund	Special Revenue Funds	1947 School Tax Fund	Debt Service Fund	Capital Projects Fund	Total
Taxes	\$ 2,187,793	\$ 107,785	\$ 50,039	\$ 29,953	\$ 159,501	\$ 2,535,071
Due from other governmental units	6,935	-	-	-	-	6,935
	<u>\$ 2,194,728</u>	<u>\$ 107,785</u>	<u>\$ 50,039</u>	<u>\$ 29,953</u>	<u>\$ 159,501</u>	<u>\$ 2,542,006</u>

NOTE 4 – CAPITAL ASSETS

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2014:

	Balance at 9/30/2013	Additions and Reclassifications	Retirements and Reclassifications	Balance at 9/30/2014
Capital assets not being depreciated:				
Land and improvements	\$ 9,289,812	\$ -	\$ -	\$ 9,289,812
Construction progress	7,007,137	1,634,911	(6,342,814)	2,299,234
Total capital assets not being depreciated	16,296,949	1,634,911	(6,342,814)	11,589,046
Capital assets being depreciated:				
Building and improvements	39,412,451	16,522,301	-	55,934,752
Land and infrastructure improvements	82,126,248	333,404	-	82,459,652
Equipment	26,156,526	2,209,423	-	28,365,949
Total capital assets being depreciated	147,695,225	19,065,128	-	166,760,353
Less accumulated depreciation for:				
Building and improvements	14,174,864	1,358,498	-	15,533,362
Land and infrastructure improvements	33,540,023	1,935,139	-	35,475,162
Equipment	20,596,293	1,373,879	-	21,970,172
Total accumulated depreciation	68,311,180	4,667,516	-	72,978,696
Total capital assets being depreciated, net	79,384,045	14,397,612	-	93,781,657
Governmental activities capital assets, net	\$ 95,680,994	\$ 16,032,523	\$ (6,342,814)	\$ 105,370,703

City of Homewood, Alabama
Notes to Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,930,988
Public safety	780,948
Streets	87,050
Sanitation	195,306
Culture and recreation	562,178
Municipal garage	111,046
Total depreciation expense	\$ 4,667,516

NOTE 5 – EMPLOYEE RETIREMENT PLAN

A. Plan description

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

Substantially all employees are members of the ERSA. Membership is mandatory for covered or eligible employees of the City. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age sixty or after twenty-five years of service.

Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The ERSA was established as of October 1, 1945, under the provisions of Act 505, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specific benefits for State employees, State police and, on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Section 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living Adjustments (COLAs) granted to retirees.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 5 – EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

B. Funding policy

ERSA Members are required to contribute 5% (6% for police officers and fire fighters) of their annual covered salary. The City is required to contribute at an actuarially determined rate, which is currently 12.75% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the ERSA Board of Control.

C. Annual pension cost

For the year ended September 30, 2014, the City's annual pension cost of \$2,213,464 for the Plan was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, and (b) projected salary increases ranging from 3.75% to 7.25%, with no cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the Plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2013 was thirty years.

Following is the schedule of funding progress obtained from most recent actuarial valuation:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
Sept. 30, 2013	\$ 52,362,593	\$ 85,637,338	\$ 33,274,745	61.10%	16,905,373	196.80%

City of Homewood, Alabama
Notes to Financial Statements

NOTE 6 – POST-EMPLOYMENT BENEFITS

Plan description

The City's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions of that system and also have fifteen years of service with the City of Homewood to receive retiree medical benefits. The state system eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age. Complete plan provisions are included in the official plan documents.

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.

Funding policy

Prior to October 1, 2008, the City recognized the cost of providing post-employment medical benefits (the City of Homewood'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 fiscal year 2013, the City of Homewood's portion of health care funding cost for retired employees totaled \$60,060.

Effective with the Fiscal Year beginning October 1, 2008, the City of Homewood implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45).

Annual required contribution

The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2014 is \$120,998, as set forth below:

	Medical
Normal cost	\$ 58,587
30-year UAL amortization amount	62,411
Annual required contribution (ARC)	\$ 120,998

City of Homewood, Alabama
Notes to Financial Statements

NOTE 6 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Net post-employment benefit obligation (asset)

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending September 30, 2014:

	Medical
Annual required contribution	\$ 120,998
ARC adjustment (including interest on net OPEB obligation)	(18,490)
Annual OPEB cost	102,508
Contributions	-
Current year retiree premium	(60,060)
Change in net OPEB obligation	42,448
Beginning net OPEB obligation, beginning of year	1,106,699
Ending net OPEB obligation 9/30/2014	\$ 1,149,147

Funded status and funding progress

In the fiscal year ending September 30, 2014, the City of Homewood made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2014, the most recent actuarial valuation, the projected Actuarial Accrued Liability (AAL) was \$1,080,111, which is defined as that portion, as determined by a particular actuarial cost method (the City of Homewood uses the Projected Unit Cost Method), for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the Plan's benefit formula. This allocation is based on each individual's service between date of hire and date of expected termination. Since no plan funding has occurred through fiscal year 2014, the entire actuarial accrued liability of \$1,080,111 was unfunded.

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)
2014	-	1,080,111	1,080,111	-	16,631,611	6.49%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about the actuarial value of the plan. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects off legal or contractual funding limitations.

NOTE 6 – POST-EMPLOYMENT BENEFITS (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 Homewood and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Homewood 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 Homewood 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 no plan assets.

Turnover rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 6%. The rates for each age are below:

Age	Percent Turnover
25	11.00%
40	4.50%
55	4.25%

NOTE 6 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Post-employment benefit plan eligibility requirements

It is assumed that entitlement to benefits will commence upon actual retirement at an assumed age of the earlier of 25 years of service or age 60 and 15 years of service as described above under "Plan Description". Medical benefits are provided to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions of that system and also have fifteen years of service with the City of Homewood to receive retiree medical benefits. The state system eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60 or, 25 years of service at any age.

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. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health care cost trend rate

The per capita claims cost are based on the current retiree premiums of the Local Government Health Insurance Plan ("LGHIP"). Retiree benefits are provided through the LGHIP and are not separately determined by the medical plan experience of the City. A 5% level trend was applied to these premiums to reflect future year health cost trends.

Mortality rate

The RP-2000 Combined Mortality Table M/F Projection AA 2015 with separate rates for male and female was used.

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. The employer pays a portion the cost of the medical insurance for the retiree and dependents. Retiree coverage ceases at age 65.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

The following is a summary of long-term debt of the City for the year ended September 30, 2014:

	Balance September 2013	Additions	Retirements	Balance September 30, 2014
Capital Lease Payable	\$ -	\$ 1,078,772	\$ 134,217	\$ 944,555
2007 Warrants	47,876,302	-	1,595,000	46,281,302
Interest Accretion on 2007 Warrants	1,665,463	317,361	-	1,982,824
2012 Warrants	15,330,000	-	-	15,330,000
Unamortized Bond Premium	1,041,816	-	35,618	1,006,198
Total	\$ 65,913,581	\$ 1,396,133	\$ 1,764,835	\$ 65,544,879

Capital Lease Payable

On December 4, 2013, the City entered into a capital lease agreement with Regions Equipment Finance Corporation to acquire a ladder truck for \$1,078,772. The lease requires nine yearly payments of \$134,217 with an interest rate of 2.94%. The balance at September 30, 2014 was \$944,555.

Future minimum lease payments under the capital lease at September 30, 2014 are as follows:

Fiscal year ending September 30,	Present value of minimum lease payments		Interest	Total lease payments
2015	\$ 106,448	\$ 27,770	\$ 134,218	
2016	109,577	24,641	134,218	
2017	112,799	21,419	134,218	
2018	116,115	18,103	134,218	
2019	119,529	14,689	134,218	
Thereafter	380,087	22,565	402,652	
Total	\$ 944,555	\$ 129,187	\$ 1,073,742	

Series 2007 General Obligations Capital Improvement and Refunding Warrants

In June 2007, the City issued \$48,576,302 in General Obligation Capital and Refunding Warrants (Series 2007 Warrants). The Warrants are secured by a pledge of revenue by the City. The Series 2007 Warrants consists of both current interest paying warrants and capital appreciation warrants. A portion of the Warrants on which interest is payable semiannually (Current Interest Paying Warrants) will occur each March and September 1, at interest rates ranging from 4% to 5% (yields from 3.62% to 5.00%) and maturing in amounts varying from \$105,000 to \$3,385,000 through 2031.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

A portion of the Series 2007 Warrants require that interest only be paid at maturity (Capital Appreciation Warrants). The Capital Appreciation Warrants pay interest at 4.85% and mature in amounts ranging from \$870,498 to \$1,054,215 in the years 2032 through 2036.

Annual requirements to retire the Series 2007 Warrants debt are as follows:

Year ending September 30,	Principal	Unaccrued Appreciation	Interest	Total
2015	\$ 1,675,000	\$ 333,132	\$ 1,853,381	\$ 3,861,513
2016	1,760,000	349,292	1,769,631	3,878,923
2017	1,830,000	366,620	1,699,231	3,895,851
2018	1,920,000	384,532	1,607,731	3,912,263
2019	2,020,000	403,224	1,511,732	3,934,956
2020 – 2024	11,495,000	2,334,258	6,153,631	19,982,889
2025 – 2029	14,160,000	2,966,060	3,491,282	20,617,342
2030 – 2034	9,637,151	3,769,197	441,388	13,847,736
2035 – 2036	1,784,151	1,779,558	-	3,563,709
Subtotal	46,281,302	12,685,873	18,528,007	77,495,182
Add: Accrued Appreciation through September 30, 2014	1,982,825	-	-	1,982,825
Total	\$ 48,264,127	\$ 12,685,873	\$ 18,528,007	\$ 79,478,007

Series 2012 General Obligations Capital Improvement Warrants

In December 2012, the City issued \$15,330,000 in General Obligation Capital Improvement Warrants (Series 2012 Warrants). Interest is payable semiannually each March and September 1, at interest rates ranging from 3.375% to 5% and maturing in varying amounts from \$2,360,000 to \$2,800,000 through 2042.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Annual requirements to retire the Series 2012 Warrants debt are as follows:

Year ending September 30,	Principal	Interest	Total
2015	\$ -	\$ 647,388	\$ 647,388
2016	-	647,388	647,388
2017	-	647,388	647,388
2018	-	647,388	647,388
2019	-	647,388	647,388
2020 – 2024	-	3,236,938	3,236,938
2025 – 2029	-	3,236,938	3,236,938
2030 – 2034	-	3,236,938	3,236,938
2035 – 2039	7,330,000	2,995,290	10,325,290
2040 – 2042	8,000,000	813,247	8,813,247
Total	\$ 15,330,000	\$ 16,756,291	\$ 32,086,291

Interest paid on long-term debt was \$2,589,505 for the year ended September 30, 2014.

NOTE 8 – CONTINGENCIES

The City is a party to various legal proceedings that are common in governmental operations. In the opinion of the City's management, these proceedings are either without merit, adequately covered by insurance or involve amounts that would not have a material adverse effect on the City's basic financial statements in the event of an unfavorable outcome to the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the City. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time. However, the City believes such amounts, if any, to be immaterial.

NOTE 9 – INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS

During the course of normal operations, the City incurs numerous transactions between funds to provide services, construct assets, service debt, etc. These transactions are generally reported as operating interfund transfers except in instances where the transfer represents the reimbursement to a fund for expenditures incurred for the benefit of another fund in which case they are reported as due to/from balances. Remaining fund balances in discontinued funds and non-recurring, non-routine transfers are accounted for as residual equity transfers.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 9 – INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS (CONTINUED)

The City’s interfund balances at September 30, 2014, consist of the following:

Due to/from other funds:

Payable from	Payable to	Amount
General Fund	Capital Projects Fund	\$ 840,896
General Fund	2012 GOW Construction Fund	64,000
General Fund	Other Governmental Funds	5,615
Debt Service Fund	Other Governmental Funds	182
Other Governmental Funds	General Fund	349,304
Other Governmental Funds	Capital Projects Fund	230,771
Other Governmental Funds	Other Governmental Funds	516,948
Total		\$ 2,007,716

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

Interfund transfers:

	General	2012 GOW	Capital	Total
Operating transfer out:	Fund	Construction	Projects	Fund
General Fund	\$ -	\$ 64,000	\$ 500,000	\$ 564,000
Debt Service Fund	-	-	1,078,722	1,078,722
Other Governmental Funds	245,244	-	386,657	631,901
Total	\$ 245,244	\$ 64,000	\$ 1,965,379	\$ 2,274,623

Interfund receivables and payables and transfers between funds within governmental activities are eliminated in the Statement of Net Position and the Statement of Activities.

NOTE 10 – DEFERRED COMPENSATION PLAN

The City offers its employees deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.



City of Homewood, Alabama Notes to Financial Statements

NOTE 10 – DEFERRED COMPENSATION PLAN (CONTINUED)

It is the opinion of the City's legal counsel that the City has no liability for losses under the plans. Under the plans, participants select investments from alternatives offered by the plan administrators, who are under contract with the City to manage the plans. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the particular plan and its administration.

The City placed the deferred compensation plan's assets into trust for the exclusive benefit of the plan's participants and beneficiaries in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

The City has little administrative involvement and does not perform the investing function for the plans. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plans. Therefore, the City employees' deferred compensation plans created in accordance with IRC 457 are not reported in the financial statements of the City.

City of Homewood, Alabama
Notes to Financial Statements

NOTE 11 – FUND BALANCE CLASSIFICATIONS

The following table details fund balance categories at September 30, 2014 (see Note 1 M.):

	General Fund	1947 School Tax Fund	Debt Service Fund	Capital Projects Fund	2012 GOW Construction Fund	Other Govern- mental Funds	Total Governmental Funds
Fund balances							
Nonspendable							
Prepaid expenses	\$ 2,517	-	-	-	-	-	\$ 2,517
Restricted for:							
Road maintenance	-	-	-	-	-	536,776	536,776
Road paving	-	-	-	-	-	441,987	441,987
Debt service	-	-	4,614,113	-	-	-	4,614,113
BOE – property tax	-	51,822	-	-	-	-	51,822
Grant expenditures	-	-	-	-	-	90,008	90,008
E911	-	-	-	-	-	1,539,090	1,539,090
Court restricted by law	-	-	-	-	-	785,205	785,205
Drug enforcement task force	-	-	-	-	-	22,244	22,244
Community Center Construction	-	-	-	-	5,150	-	5,150
Committed to:							
Reserve for economic uncertainty	10,719,570	-	-	-	-	-	10,719,570
Assigned to:							
Other capital projects	-	-	-	1,102,787	-	-	1,102,787
Encumbrances	18,765	-	-	166,762	-	-	185,527
Environmental testing	-	-	-	-	-	100,049	100,049
Inspection technology fund	-	-	-	-	-	34,262	34,262
Drug enforcement task force	-	-	-	-	-	96,618	96,618
Park activity	-	-	-	-	-	212,380	212,380
Library donations	36,259	-	-	-	-	-	36,259
Public access donation	13,121	-	-	-	-	-	13,121
Risk management	1,000,000	-	-	-	-	-	1,000,000
Compensated absences	2,295,762	-	-	-	-	-	2,295,762
Debt service	-	-	6,327,965	-	-	-	6,327,965
Insurance claims	7,700	-	-	-	-	-	7,700
Subsequent years' budget	1,012,539	-	7,264	1,555,815	-	68,462	2,644,080
Unassigned	11,702,195	-	-	-	-	-	11,702,195
Total ending fund balance at							
September 30, 2014	\$ 26,808,428	\$ 51,822	\$10,949,342	\$ 2,825,364	\$ 5,150	\$ 3,927,081	\$ 44,567,187

NOTE 12 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Accounting and financial reporting for pensions
- Mergers, acquisitions and transfers of operations; and
- Financial guarantees.

The City of Homewood is currently evaluating the effects that these statements will have on its financial statements in subsequent fiscal years.

Required Supplementary Information

City of Homewood, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual—General Fund

Year ended September 30, 2014

	Budget - Original	Budget - Final	General Fund Actual	Variance
Revenues				
Taxes				
Advalorem	\$ 4,440,559	\$ 4,440,559	\$ 4,848,410	\$ 407,851
Sales tax	21,701,887	21,826,887	22,060,209	233,322
Other taxes	4,009,990	4,009,990	3,541,105	(468,885)
Total taxes	30,152,436	30,277,436	30,449,724	172,288
Licenses and permits				
Motor vehicle licenses	73,037	73,037	70,787	(2,250)
Business licenses	4,250,356	4,250,356	4,003,493	(246,863)
Utility licenses	2,178,196	2,178,196	2,149,073	(29,123)
Building permits	722,084	722,084	906,003	183,919
Total licenses and permits	7,223,673	7,223,673	7,129,356	(94,317)
Intergovernmental				
Local	120,349	120,349	81,023	(39,326)
Total intergovernmental	120,349	120,349	81,023	(39,326)
Charges for services				
General governmental	497,409	497,409	568,203	70,794
Public safety	45,479	45,479	36,062	(9,417)
Culture and recreation	520,045	520,045	707,121	187,076
Total charges for services	1,062,933	1,062,933	1,311,386	248,453
Fines and forfeiture	623,366	623,366	683,648	60,282
Other revenues	968,984	1,960,379	257,453	(1,702,926)
Total revenues	40,151,741	41,268,136	39,912,590	(1,355,546)

Year ended September 30, 2014

	Budget - Original	Budget - Final	Actual	Variance
Expenditures				
Current:				
General government administration	\$ 4,216,229	\$ 4,573,331	\$ 4,765,328	\$ (191,997)
Public safety	16,059,123	16,064,853	15,299,627	765,226
Public works	5,619,843	5,688,215	5,454,529	233,686
Culture and recreation	6,072,120	5,982,120	5,590,679	391,441
Total expenditures	31,967,315	32,308,519	31,110,163	1,198,356
Excess of revenues over expenditures	8,184,426	8,959,617	8,802,427	(157,190)
Other financing sources (uses)				
Operating transfers in	260,078	263,887	245,244	(18,643)
Appropriations to City Board of Education	(7,944,504)	(8,069,504)	(8,073,294)	(3,790)
Operating transfers out	(500,000)	(1,154,000)	(564,000)	590,000
Total other financing sources (uses)	(8,184,426)	(8,959,617)	(8,392,050)	567,567
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	\$ 410,377	\$ 410,377

City of Homewood, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget to Actual—1947 School Tax Special Revenue Fund

Year ended September 30, 2014

	Budget - Original	Budget - Final	Actual	Variance
Revenues				
Taxes	\$ 7,533,564	\$ 7,533,564	\$ 7,762,770	\$ 229,206
Other revenue	-	-	110	110
Total revenues	7,533,564	7,533,564	7,762,880	229,316
Expenditures				
General government administration	368,881	390,140	358,718	31,422
Excess of revenues over expenditures	7,164,683	7,143,424	7,404,162	260,738
Other financing sources (uses)				
Appropriations to City Board of Education	(7,164,683)	(7,143,424)	(7,398,015)	(254,591)
Total other financing sources (uses)	(7,164,683)	(7,143,424)	(7,398,015)	(254,591)
Excess of revenues and other financing sources over expenditures	-	-	6,147	6,147
Fund balances, beginning of year	45,675	45,675	45,675	-
Fund balances, end of year	\$ 45,675	\$ 45,675	\$ 51,822	\$ 6,147

City of Homewood, Alabama
Defined Benefits Pension Plan – Trend Information, Funding Process
and Additional Information

Pension plan (See also Note 5)

A. Trend information

Following is the trend information from September 30, 2011 through September 30, 2014:

Fiscal year ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2014	\$ 2,232,104	100%	\$ -
September 30, 2013	2,272,713	100%	-
September 30, 2012	2,096,525	100%	-
September 30, 2011	2,141,647	100%	-

B. Funding progress

Following is the schedule of funding progress obtained from the most recent actuarial valuation prepared as of September 30, 2013:

Actuarial Valuation Date Sept. 30,	Actuarial Value of Assets* (a)	Entry Age Actuarial Accrued Liability (AAL) Entry Age ¹ (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
2013	3,6 \$ 52,362,593	\$ 85,637,338	\$ 33,274,745	61.10%	16,905,373	196.80%
2013	6 52,362,593	85,489,783	33,127,190	61.30%	16,905,373	196.00%
2012	5 50,126,055	80,031,915	29,905,860	62.60%	16,091,387	185.90%
2011	4 51,012,875	82,158,243	31,145,368	62.10%	16,616,171	187.40%
2010	2 52,686,127	80,767,716	28,081,589	65.20%	16,938,122	165.80%
2009	54,145,947	77,587,195	23,441,248	69.80%	16,713,019	140.30%
2008	54,901,010	74,899,340	19,998,330	73.30%	16,761,134	119.30%

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

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

3 Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

4 Reflects changes in actuarial assumptions.

5 Reflects changes to interest smoothing methodology.

6 Reflects implementation of Board Funding Policy.

* The actuarial value of assets equaled to the market value of assets as of September 30, 2012. The market value of assets as of September 30, 2013 was \$54,908,733.

City of Homewood, Alabama
Defined Benefits Pension Plan – Trend Information, Funding Process
and Additional Information

C. Additional information

Following is additional information obtained from the most recent actuarial valuation:

Valuation date	September 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	5 - year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	3.75 - 7.25%
* Includes inflation at	3.00%
Cost of living adjustments	None
Number of active members and beneficiaries	180
Annual retirement allowance	\$ 5,325,769

City of Homewood, Alabama
Other Post-Employment Benefits – Trend Information
and Funding Process

Post-employment benefits (See also Note 6)

A. Trend information

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

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical	September 30, 2012	\$ 178,743	40.28%	\$ 1,067,192
Medical	September 30, 2013	101,151	60.94%	1,106,699
Medical	September 30, 2014	102,508	58.59%	1,149,147

B. Funded status and funding progress

The following table shows the City's funded status and funding progress. The City of Homewood has made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero.

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)
2014	-	1,080,111	1,080,111	-	16,631,611	6.49%
2012	-	1,070,234	1,070,234	-	16,631,611	6.43%
2010	-	1,691,923	1,691,923	-	15,982,304	10.59%
2008	-	3,635,742	3,635,742	-	16,631,611	21.86%