

City of Homewood, Alabama

Financial Statements

September 30, 2013

City of Homewood, Alabama  
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September 30, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 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 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 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 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, each major fund, the fiduciary fund, and the aggregate remaining fund information of the Department, as of September 30, 2013, 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**

The management's discussion and analysis and budgetary comparison information on pages 3.1 through 3.8 and pages 32 through 34, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2014, 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.

*Carly Riggs & Ingram, L.L.C.*

Birmingham, Alabama  
March 14, 2014

**City of Homewood  
Management's Discussion & Analysis (MD&A)  
September 30, 2013**

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, 2013. 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 2013 fiscal year by \$80.7 million (net position).
- ❖ The City's net position decreased by approximately \$1.5 million in fiscal year 2013.
- ❖ The total cost of the City's programs for the 2013 fiscal year was \$55.6 million. The net cost was \$48.0 million after subtracting grants and charges for services.
- ❖ The General Fund revenues received for the 2013 fiscal year exceeded expenditures by over \$279,000.
- ❖ At the end of the 2013 fiscal year, the general fund unassigned fund balance was \$11.9 million, or 39% of the total general fund operating expenditures.
- ❖ Net capital assets for the 2013 fiscal year increased by \$3.5 million.
- ❖ The City's long-term debt increased by \$16.5 million due to a 2012 warrant issue for construction of the new Park & Recreation Community Center and interest accretion on the 2007 warrants.

**Using the Annual Financial Report - An Overview for the User**

The annual financial report consists of five 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, 2013.

***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 following *government-wide financial statements* report is on all of the governmental activities of the City as a whole.

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.

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 32 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 position.

**Table 1: Summary of Net Position**

	As of September 30, (dollars in thousands)	
	<u>2013</u>	<u>2012</u>
Assets:		
Current and other assets	\$ 58,695	\$ 45,991
Noncurrent assets	0	376
Capital assets	<u>95,681</u>	<u>92,149</u>
Total Assets	<u>154,376</u>	<u>138,516</u>
Liabilities:		
Current liabilities	6,150	3,868
Long-term liabilities	<u>67,456</u>	<u>52,468</u>
Total Liabilities	<u>73,606</u>	<u>56,336</u>
Net Position:		
Net investment in capital assets	29,767	42,780
Restricted	17,747	4,944
Unrestricted	<u>33,213</u>	<u>34,456</u>
Total Net Position	<u>\$ 80,727</u>	<u>\$ 82,180</u>

The City's assets exceeded liabilities by \$80.7 million at September 30, 2013. This consists of net position invested in capital assets of \$30.0 million and \$17.7 million of assets restricted by law for specific purposes and unrestricted net position of \$33.0 million.

Net position invested in capital assets of \$30.0 million reflect 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.

### **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, 2013.

**Table 2: Summary of Changes in Net Position**

	<b>Fiscal Year Ended</b>	
	<b>September 30,</b>	
	(dollars in thousands)	
	<b>2013</b>	<b>2012</b>
Program revenues:		
Charges for services	\$ 6,705	\$ 7,362
Operating grants/contributions	714	400
Capital grants/contributions	250	218
General revenues:		
Taxes	46,219	47,630
Investment earnings	171	214
Gain on sale of assets	-	29
Donated property	-	-
Miscellaneous revenue	136	142
Total revenues	<u>54,195</u>	<u>55,995</u>
Program expenses:		
General government	10,458	9,586
Public safety	16,314	15,982
Public works	5,796	6,110
Education	14,367	14,882
Culture/recreation	5,963	5,619
Interest on long-term debt	2,750	2,234
Total expenses	<u>55,648</u>	<u>54,413</u>
Change in net position	(1,453)	1,582
Net position, beginning	<u>82,180</u>	<u>80,598</u>
Net position, ending	<u>\$ 80,727</u>	<u>\$ 82,180</u>



The City's revenues decreased 3% (\$1.8 million). Capital and operating grants and contributions increased by \$346,000 and tax revenue decreased by \$1.4 million.

The City's program expenses increased by \$1.2 million 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 six 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**

	<b>Fiscal Year Ended September 30, 2013</b>	
	(dollars in thousands)	
	<b><u>Total Cost of Services</u></b>	<b><u>Net Cost of Services</u></b>
General government administration	\$ 10,458	\$ 4,324
Public safety	16,314	16,133
Public works	5,796	4,808
Education	14,366	14,366
Culture and recreation	5,963	5,597
Interest on long-term debt	2,751	2,751
<b>Total</b>	<b><u><u>\$ 55,648</u></u></b>	<b><u><u>\$ 47,979</u></u></b>

### **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* are presented on pages 7 and 8). At the end of the fiscal year, the City's governmental funds reported a combined fund balance of \$54.4 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 pages 32 and 33. The City’s actual results as compared to the City’s budget can be briefly summarized as follows:

- ❖ Tax revenues fell short of budgeted projections by \$1.6 million with sales tax and ad valorem revenues not reaching budgeted projections. Total licenses and permits exceeded budgeted projections by \$79,000. Culture and recreation was short from budget by over \$268,000 due to the closing of the Park and Recreation Center for demolishing and construction of new facility.
- ❖ Actual expenditures were lower than budget by over \$2.0 million or 5% of the final budget. All city government departments were under budget at year end.
- ❖ Overall actual results exceeded budget projections in excess of \$279,000. The adopted budget for fiscal year 2013 included in other revenues the use of carryover fund balance of over \$149,000 that did not have to be utilized during the fiscal year.

### Capital Assets and Debt Administration

**Capital Assets** - The City's investment in capital assets for governmental activities for the year ended September 30, 2013, amounted to \$95.7 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)	
	2013	2012
Land	\$ 9,290	\$ 8,934
Construction-in-progress	7,007	1,147
Buildings	25,238	26,583
Land/infrastructure improvements	48,586	49,999
Equipment, furniture, computers and vehicles	5,560	5,486
Capital assets, net of depreciation	<u>\$ 95,681</u>	<u>\$ 92,149</u>

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

Land and improvements	\$ 356
Construction in progress	5,860
Buildings	(1,346)
Land/infrastructure improvements	(1,413)
Equipment, furniture, computers, vehicles	98
<b>Total</b>	<u>\$ 3,555</u>

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

**Table 5: Outstanding Debt**

<b>As of September 30, 2013</b> (dollars in thousands)			
	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Ending Balance</b>
Governmental activities:			
Warrants payable			
2007 Warrants w/accretion	\$ 49,369	\$ 173	\$ 49,542
2017 Warrants w/unamortized bond premium	-	16,372	16,372
Net post-employment	1,067	40	1,107
Compensated absences	2,162	(131)	2,031
<b>Totals</b>	<b>\$ 52,598</b>	<b>\$ 16,414</b>	<b>\$ 69,052</b>

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

- ❖ Outstanding Warrant Obligations were \$ 49 million at the beginning of the fiscal year and consisted of the 2007 issue. The City made principal payments of \$130,000 on the 2007 warrants and the addition to the accretion on these warrants was \$303,000. During the fiscal year the City issued 2012 warrants for the construction of a new Park and Recreation Center. This increased outstanding debt by \$16.4 million.

### **Economic Factors and Next Year's Budget**

**Fiscal Year 2014 Budget** - The City Council approved a budget of revenues and expenditures of \$65 million for all funds, exclusive of the School Trust Fund, for fiscal year ended September 30, 2014. \$9.7 million of this was budgeted to be spent for the new Park & Recreation Center from the Government Warrant Fund.

**Economic Factors** – The City of Homewood is pleased to announce that several new businesses are expected to open in fiscal year 2014 including DSW, Bojangles, and a new Sears outlet. There are several constructions projects also expected to be completed during this year including the new Park & Recreation Community Center. This center is scheduled to open in Spring, 2014. The City also budgeted for paving projects during 2014 along Valley and West Valley Avenue with eighty percent expected to be funded through ATRIP grants.

**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 2013-2014 budget included a line item of \$ 275,000 budgeted for this expenditure.

**Medical Costs** – Employee health insurance is provided through the State of Alabama Insurance Board (SEIB). This Board voted to increase rates by 5% for fiscal year 2013-2014 and the Mayor and Council approved for the City to cover this increase for employees.

**Retirement Costs** –The City's retirement program for employees is provided through the Retirement System of Alabama (RSA). Economic and market conditions in recent years resulted in increases in the City's required contribution to this program. 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 factors for Tier 1 employees that contribute 7.5% and 8.5% to retirement are projected for fiscal year 2014 to be 1.689 and 1.491, respectively. The City's factor for Tier 2 employees that contribute 6% and 7% to retirement are projected for the fiscal year 2013 to be 2.118 and 1.816 respectively.

**Cost-of-Living Raise** - The City Council approved a 2.5 % cost-of-living raise for fiscal year 2013-2014 to help employees with the pension increase.

### **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, Finance Director, City of Homewood, 2850 19<sup>th</sup> Street South, Homewood, Alabama, 35209.

City of Homewood, Alabama  
Government-wide Statement of Net Position

<i>September 30, 2013</i>	<b>Primary Government Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 15,875,944
Receivables, net	2,446,130
Prepaid expenses	6,153
Restricted assets:	
Cash and cash equivalents	40,367,077
<b>Total current assets</b>	<b>58,695,304</b>
<b>Noncurrent assets</b>	
<b>Capital assets</b>	
Land, improvements and construction in progress	16,296,949
Other capital assets, net of depreciation	79,384,045
<b>Total capital assets</b>	<b>95,680,994</b>
<b>Total assets</b>	<b>154,376,298</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	2,567,506
Current portion of compensated absences	106,901
Accrued interest payable	215,043
Accrued expenses	359,266
Due to other governmental units	1,306,062
Warrants payable	1,595,000
<b>Total current liabilities</b>	<b>6,149,778</b>
<b>Long-term liabilities</b>	
Net post-employment benefit obligation	1,106,699
Compensated absences	2,031,127
Warrants payable	64,318,581
<b>Total long-term liabilities</b>	<b>67,456,407</b>
<b>Total liabilities</b>	<b>73,606,185</b>
<b>Deferred inflows of resources</b>	
Deferred revenues	42,841
<b>Total deferred inflows of resources</b>	<b>42,841</b>
<b>Net position</b>	
Net investment in capital assets	29,767,413
Restricted for:	
Public safety	2,116,680
Public works	659,236
Capital projects	10,510,722
Other purposes	4,459,981
Unrestricted	33,213,240
<b>Total net position</b>	<b>\$ 80,727,272</b>

See accompanying notes to basic financial statements.

City of Homewood, Alabama

Government-wide Statement of Activities

Year ended September 30, 2013

Program Activities	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Primary Government
<b>Primary government</b>					
Governmental activities:					
General government administration	\$ 10,458,132	\$ 5,559,298	\$ 574,571	\$ -	\$ (4,324,263)
Public safety	16,313,800	41,337	139,885	-	(16,132,578)
Public works	5,796,121	738,361	-	249,714	(4,808,046)
Culture and recreation	5,962,685	365,822	-	-	(5,596,863)
Appropriation to Board of Education	14,366,762	-	-	-	(14,366,762)
Interest on long-term debt	2,750,884	-	-	-	(2,750,884)
<b>Total primary government</b>	<b>\$ 55,648,384</b>	<b>\$ 6,704,818</b>	<b>\$ 714,456</b>	<b>\$ 249,714</b>	<b>(47,979,396)</b>

General revenues:	
Taxes:	
Ad Valorem (real and personal property)	14,838,842
Sales and use	22,763,232
Other taxes	6,069,877
Franchise fees	2,547,676
Investment earnings	170,632
Miscellaneous	136,382
	<u>46,526,641</u>
Change in net position	(1,452,755)
Net position at beginning of year	82,180,027
<b>Net position at end of year</b>	<b><u>\$ 80,727,272</u></b>

See accompanying notes to basic financial statements.

City of Homewood, Alabama

Balance Sheet - Governmental Funds

<i>September 30, 2013</i>	<b>General Fund</b>	<b>1947 School Tax Fund</b>	<b>Debt Service Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 15,875,944	\$ -	\$ -
Receivables, net	2,172,120	45,670	27,338
Prepaid expenses	6,153	-	-
Due from other funds	304,793	-	-
Cash and cash equivalents - restricted	10,699,678	5	11,319,997
<b>Total assets</b>	<b>\$ 29,058,688</b>	<b>\$ 45,675</b>	<b>\$ 11,347,335</b>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 797,004	\$ -	\$ -
Accrued expenses	285,441	-	-
Due to other governmental units	1,306,062	-	-
Due to other funds	229,989	-	-
Deferred revenue	42,141	-	-
<b>Total liabilities</b>	<b>2,660,637</b>	<b>-</b>	<b>-</b>
<b>Fund balances</b>			
Nonspendable	6,153	-	-
Restricted	-	45,675	4,313,720
Committed	10,699,678	-	700,000
Assigned	3,790,947	-	6,333,615
Unassigned	11,901,273	-	-
<b>Total fund balances</b>	<b>26,398,051</b>	<b>45,675</b>	<b>11,347,335</b>
<b>Total liabilities and fund balances</b>	<b>\$ 29,058,688</b>	<b>\$ 45,675</b>	<b>\$ 11,347,335</b>

<b>Capital Projects Fund</b>	<b>2012 General Obligation Warrants Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 15,875,944
158,983	-	42,019	2,446,130
-	-	-	6,153
169,966	-	88,731	563,490
2,606,602	11,983,748	3,757,047	40,367,077
<b>\$ 2,935,551</b>	<b>\$ 11,983,748</b>	<b>\$ 3,887,797</b>	<b>\$ 59,258,794</b>

\$ 197,020	\$ 1,473,026	\$ 100,456	\$ 2,567,506
300	-	73,525	359,266
-	-	-	1,306,062
-	-	333,501	563,490
700	-	-	42,841
<b>198,020</b>	<b>1,473,026</b>	<b>507,482</b>	<b>4,839,165</b>

-	-	-	6,153
-	10,510,722	2,876,502	17,746,619
-	-	558	11,400,236
2,737,531	-	503,255	13,365,348
-	-	-	11,901,273
<b>2,737,531</b>	<b>10,510,722</b>	<b>3,380,315</b>	<b>54,419,629</b>
<b>\$ 2,935,551</b>	<b>\$ 11,983,748</b>	<b>\$ 3,887,797</b>	<b>\$ 59,258,794</b>



City of Homewood, Alabama

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position

*September 30, 2013*

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Fund balance - total governmental funds \$ 54,419,629

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	\$ 163,992,174	
Accumulated depreciation	<u>(68,311,180)</u>	95,680,994

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	(215,043)	
Net post-employment benefit obligation	(1,106,699)	
Compensated absences	(2,138,028)	
Warrants payable	<u>(65,913,581)</u>	<u>(69,373,351)</u>

<b>Net position of governmental activities</b>		<b><u><u>\$ 80,727,272</u></u></b>
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City of Homewood, Alabama

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds

Year ended September 30, 2013

	General Fund	1947 School Tax Fund	Debt Service Fund
<b>Revenues</b>			
Taxes	\$ 28,854,825	\$ 7,175,488	\$ 4,295,186
Licenses and permits	7,270,988	-	-
Intergovernmental	139,885	-	567,948
Charges for services	737,741	-	-
Fines and forfeitures	646,762	-	-
Other revenues	252,789	262	25,564
<b>Total revenues</b>	<b>37,902,990</b>	<b>7,175,750</b>	<b>4,888,698</b>
<b>Expenditures</b>			
Current:			
General government administration	4,686,281	335,726	900,962
Public safety	14,978,339	-	-
Public works	5,304,268	-	-
Culture and recreation	5,335,613	-	-
Debt service:			
Principal retirement	-	-	130,000
Interest and fiscal charges	-	-	2,394,804
Capital outlay	-	-	-
<b>Total expenditures</b>	<b>30,304,501</b>	<b>335,726</b>	<b>3,425,766</b>
<b>Excess of revenue over (under) expenditures</b>	<b>7,598,489</b>	<b>6,840,024</b>	<b>1,462,932</b>
<b>Other financing sources (uses)</b>			
Operating transfers in	208,043	-	-
Proceeds of issuance of debt	-	-	-
Premium on debt issuance	-	-	-
Appropriation to City Board of Education	(7,526,741)	(6,840,021)	-
Operating transfers out	(232)	(33,385)	-
<b>Total other financing sources (uses)</b>	<b>(7,318,930)</b>	<b>(6,873,406)</b>	<b>-</b>
<b>Excess of revenues and other sources over (under) expenditures and other uses</b>	<b>279,559</b>	<b>(33,382)</b>	<b>1,462,932</b>
<b>Fund balance, beginning of year</b>	<b>26,118,492</b>	<b>79,057</b>	<b>9,884,403</b>
<b>Fund balance, end of year</b>	<b>\$ 26,398,051</b>	<b>\$ 45,675</b>	<b>\$ 11,347,335</b>

See accompanying notes to basic financial statements.

<b>2012 General</b>				
<b>Capital Projects Fund</b>	<b>Obligation Warrants Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	
\$ 1,877,333	\$ -	\$ 995,402	\$ 43,198,234	
-	-	36,473	7,307,461	
-	-	256,338	964,171	
-	-	285,180	1,022,921	
-	-	159,503	806,265	
53,688	5,508	582,514	920,325	
<u>1,931,021</u>	<u>5,508</u>	<u>2,315,410</u>	<u>54,219,377</u>	
106,668	192,242	900,983	7,122,862	
99,115	-	725,653	15,803,107	
111,620	-	57,309	5,473,197	
55,602	-	52,212	5,443,427	
-	-	-	130,000	
-	-	-	2,394,804	
1,971,406	5,701,073	316,163	7,988,642	
<u>2,344,411</u>	<u>5,893,315</u>	<u>2,052,320</u>	<u>44,356,039</u>	
(413,390)	(5,887,807)	263,090	9,863,338	
-	-	232	208,275	
-	15,330,000	-	15,330,000	
-	1,068,529	-	1,068,529	
-	-	-	(14,366,762)	
-	-	(174,658)	(208,275)	
-	16,398,529	(174,426)	2,031,767	
(413,390)	10,510,722	88,664	11,895,105	
3,150,921	-	3,291,651	42,524,524	
<u>\$ 2,737,531</u>	<u>\$ 10,510,722</u>	<u>\$ 3,380,315</u>	<u>\$ 54,419,629</u>	

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

September 30, 2013

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Net change in fund balances - total governmental funds		\$ 11,895,105
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	\$ 7,988,642	
Less current year depreciation	<u>(4,433,207)</u>	3,555,435
The net effect of transactions involving the sale of capital assets is to decrease net position.		(23,748)
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.		(16,398,529)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		130,000
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	134,063	
Change in accrued interest payable	(53,516)	
Change in accreted interest on long term debt	(302,564)	
Change in net post-employment benefit obligation	(39,507)	
Change in deferred items related to debt issuance	<u>(349,494)</u>	<u>(611,018)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ (1,452,755)</u></b>

Notes to Financial Statements Index

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**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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. 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.

**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.

**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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of presentation (continued)**

Governmental funds (continued)

**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.

**E. Budget law and practice**

The City Charter establishes the fiscal year as the twelve-month period beginning October 1<sup>st</sup>. 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.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budget law and practice (continued)**

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 Board 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, 2013, unused vacation leave totaled \$2,138,028. The current and long-term portion of the liability for unused vacation leave is reflected in the City's Statement of 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, 2013 is recorded as a liability.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Long-term obligations (continued)**

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.

*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.



Notes to Financial Statements

**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, 2013, are as follows:

	<b>Cash and</b>		
	<b>Demand Deposits</b>	<b>Restricted</b>	<b>Unrestricted</b>
General Fund	\$ 26,575,622	\$ 10,699,678	\$ 15,875,944
1947 School Tax Fund	5	5	-
Debt Service Fund	11,319,997	11,319,997	-
Capital Projects Fund	2,606,602	2,606,602	-
2012 General Obligation Warrants Construction Fund	11,983,748	11,983,748	-
Other Governmental Funds	3,757,047	3,757,047	-
<b>Total</b>	<b>\$ 56,243,021</b>	<b>\$ 40,367,077</b>	<b>\$ 15,875,944</b>

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, 2013 are held in a qualified public depository.

**NOTE 3 – RECEIVABLES**

Receivables of the City consist of the following at September 30, 2013:

	<b>General Fund</b>	<b>Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Taxes	\$ 2,168,470	\$ 87,689	\$ 27,338	\$ 158,983	\$ 2,442,480
Due from other governmental units	3,650	-	-	-	3,650
	<b>\$ 2,172,120</b>	<b>\$ 87,689</b>	<b>\$ 27,338</b>	<b>\$ 158,983</b>	<b>\$ 2,446,130</b>

City of Homewood, Alabama

Notes to Financial Statements

**NOTE 4 – CAPITAL ASSETS**

Following is a summary of the changes in the City's capital assets for the year ended September 30, 2013:

	Balance at 09/30/12	Additions and Reclassifications	Retirements and Reclassifications	Balance at 09/30/13
<b>Capital assets not being depreciated:</b>				
Land and improvements	\$ 8,933,519	\$ 356,293	\$ -	\$ 9,289,812
Construction progress	1,147,431	5,859,706	-	7,007,137
<b>Total capital assets not being depreciated</b>	10,080,950	6,215,999	-	16,296,949
<b>Capital assets being depreciated:</b>				
Building and improvements	39,250,485	161,966	-	39,412,451
Land and infrastructure improvements	81,678,874	447,374	-	82,126,248
Equipment	25,092,492	1,163,303	(99,269)	26,156,526
<b>Total capital assets being depreciated</b>	146,021,851	1,772,643	(99,269)	147,695,225
<b>Less accumulated depreciation for:</b>				
Building and improvements	12,666,728	1,508,136	-	14,174,864
Land and infrastructure improvements	31,680,045	1,859,978	-	33,540,023
Equipment	19,606,721	1,065,093	(75,521)	20,596,293
<b>Total accumulated depreciation</b>	63,953,494	4,433,207	(75,521)	68,311,180
<b>Total capital assets being depreciated, net</b>	82,068,357	(2,660,564)	(23,748)	79,384,045
<b>Governmental activities capital assets, net</b>	\$ 92,149,307	\$ 3,555,435	\$ (23,748)	\$ 95,680,994

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,986,685
Public safety	585,425
Streets	93,570
Sanitation	102,281
Culture and recreation	527,150
Municipal garage	138,096
<b>Total depreciation expense</b>	<b>\$ 4,433,207</b>

**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.

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.

**NOTE 5 – EMPLOYEE RETIREMENT PLAN (CONTINUED)**

**C. Annual pension cost**

For the year ended September 30, 2013, the City's annual pension cost of \$2,252,356 for the Plan was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% 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, 2012 was thirty years.

Following is the three year trend information for the plan:

<b>Fiscal year ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
September 30, 2012	\$ 2,096,525	100%	\$ -
September 30, 2011	2,141,647	100%	-
September 30, 2010	2,044,686	100%	-

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets*</b>	<b>Entry Age Actuarial Accrued Liability (AAL) Entry Age</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
<b>Sept. 30,</b>	<b>(a)</b>	<b><sup>1</sup>(b)</b>	<b>(b-a)</b>	<b>(a/b)</b>	<b>(c)</b>	<b>(b-a/c)</b>
2012 3,5	\$ 50,126,055	\$ 80,162,073	\$ 30,036,018	62.5%	\$ 16,091,387	186.7%
2012 5	50,126,055	80,031,915	29,905,860	62.6%	16,091,387	185.9%
2011 4	51,012,875	82,158,243	31,145,368	62.1%	16,616,171	187.4%
2010 2	52,686,127	80,767,716	28,081,589	65.2%	16,938,122	165.8%
2009	54,145,947	77,587,195	23,441,248	69.8%	16,713,019	140.3%
2008	54,901,010	74,899,340	19,998,330	73.3%	16,761,134	119.3%
2007	54,315,609	70,944,854	16,629,245	76.6%	16,372,314	101.6%

- 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 .25% beginning October 1, 2012.
- 4 Reflects changes in actuarial assumptions.
- 5 Reflects changes to interest smoothing methodology.

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



**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 \$61,644.

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, 2013 is \$118,980, as set forth below:

	<b>Medical</b>
Normal cost	\$ 57,158
30-year UAL amortization amount	61,822
<b>Annual required contribution (ARC)</b>	<b>\$ 118,980</b>

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, 2013:

	<b>Medical</b>
Annual required contribution	\$ 118,980
ARC adjustment (including interest on net OPEB obligation)	(17,829)
<b>Annual OPEB cost</b>	<b>101,151</b>
Contributions	-
Current year retiree premium	(61,644)
Change in net OPEB obligation	39,507
Beginning net OPEB obligation, beginning of year	1,067,192
<b>Ending net OPEB obligation 9/30/2013</b>	<b>\$ 1,106,699</b>

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

<b>Post Employment Benefit</b>	<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual Cost Contributed</b>	<b>Net OPEB Obligation</b>
Medical	September 30, 2011	\$ 173,300	37.07%	\$ 960,450
Medical	September 30, 2012	178,743	40.28%	1,067,192
Medical	September 30, 2013	101,151	60.94%	1,106,699

**Funded status and funding progress**

In the fiscal year ending September 30, 2013, 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, 2013, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$1,070,234, 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 2013, the entire actuarial accrued liability of \$1,070,234 was unfunded.

	<b>Medical</b>
Actuarial Accrued Liability (AAL)	\$ 1,070,234
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	1,070,234
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	16,631,611
UAAL as a percentage of covered payroll	6.43%

**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:

<b>Age</b>	<b>Percent Turnover</b>
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.

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, 2013:

	Balance September 30, 2012		Additions	Retirements	Balance September 30, 2013	
2007 Warrants	\$ 48,006,302	\$ -	\$ -	\$ 130,000	\$ -	\$ 47,876,302
Interest Accretion on 2007 Warrants	1,362,899	302,564	-	-	-	1,665,463
2012 Warrants	-	15,330,000	-	-	-	15,330,000
Unamortized Bond Premium	-	1,068,529	26,713	-	-	1,041,816
<b>Total</b>	<b>\$ 49,369,201</b>	<b>\$ 16,701,093</b>	<b>\$ 156,713</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 65,913,581</b>

**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. 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
2014	\$ 1,595,000	\$ 317,361	\$ 1,933,131	\$ 3,845,492
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 – 2022	10,555,000	2,120,673	7,093,856	19,769,529
2023 – 2027	13,010,000	2,695,037	4,642,507	20,347,544
2028 – 2032	13,704,215	3,424,773	1,469,401	18,598,389
2033 – 2036	3,747,087	3,396,347	-	7,143,434
Subtotal	47,876,302	13,003,235	20,461,138	81,340,675
Add: Accrued Appreciation through September 30, 2013	1,665,463	-	-	1,665,463
<b>Total</b>	<b>\$ 49,541,765</b>	<b>\$ 13,003,235</b>	<b>\$ 20,461,138</b>	<b>\$ 83,006,138</b>

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**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.

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

Year ending September 30,	Principal	Interest	Total
2014	-	647,388	647,388
2015	-	647,388	647,388
2016	-	647,388	647,388
2017	-	647,388	647,388
2018	-	647,388	647,388
2019 – 2023	-	3,236,938	3,236,938
2024 – 2028	-	3,236,938	3,236,938
2029 – 2033	-	3,236,938	3,236,938
2034 – 2038	4,800,000	3,157,288	7,957,288
2039 – 2042	10,530,000	1,298,637	11,828,637
<b>Total</b>	<b>\$ 15,330,000</b>	<b>\$ \$ 17,403,679</b>	<b>\$ 32,733,679</b>

Interest paid on long-term debt was \$2,394,804 for the year ended September 30, 2013.

**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.

Notes to Financial Statements

**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.

The City's interfund balances at September 30, 2013, consist of the following:

**Due to/from other funds:**

Payable from	Payable to	Amount
General Fund	Capital Projects Fund	\$ 169,966
General Fund	Other Governmental Funds	60,023
Other Governmental Funds	General Fund	304,793
Other Governmental Funds	Other Governmental Funds	28,708
<b>Total</b>		<b>\$ 563,490</b>

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:**

Operating transfer out:	Operating transfer in:		Total
	General Fund	Other Governmental Funds	
General Fund	\$ -	\$ 232	\$ 232
1947 School Tax Fund	33,385	-	33,385
Other Governmental Funds	174,658	-	174,658
<b>Total</b>	<b>\$ 208,043</b>	<b>\$ 232</b>	<b>\$ 208,275</b>

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.

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.

**NOTE 11 – OTHER COMMITMENTS**

The City committed to pay \$1,400,000 to Colonial Properties, Inc. for infrastructure improvements related to the building of a retail store located in the City. The first \$700,000 installment was paid in March 2013, at the time of the store's opening. The remaining \$700,000 installment is due in March 2014.



City of Homewood, Alabama

Notes to Financial Statements

**NOTE 12 – FUND BALANCE CLASSIFICATIONS**

The following table details fund balance categories at September 30, 2013 (see Note 1 M.):

	General Fund	1947 School Tax Fund	Debt Service Fund	Capital Projects Fund	2012 GOW Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Fund balances</b>							
<b>Nonspendable</b>							
Prepaid expenses	\$ 6,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,153
<b>Restricted for:</b>							
Road maintenance	-	-	-	-	-	414,171	414,171
Road paving	-	-	-	-	-	245,065	245,065
Debt service	-	-	4,313,720	-	-	-	4,313,720
BOE – property tax	-	45,675	-	-	-	-	45,675
Grant expenditures	-	-	-	-	-	100,586	100,586
E911	-	-	-	-	-	1,432,770	1,432,770
Court restricted by law	-	-	-	-	-	665,297	665,297
Drug enforcement task force	-	-	-	-	-	18,613	18,613
Community Center Construction	-	-	-	-	10,510,722	-	10,510,722
<b>Committed to:</b>							
Storm water management	-	-	-	-	-	558	558
Debt service	-	-	700,000	-	-	-	700,000
Reserve for economic uncertainty	10,699,678	-	-	-	-	-	10,699,678
<b>Assigned to:</b>							
Other capital projects	-	-	-	913,524	-	-	913,524
Encumbrances	1,921	-	-	83,083	-	-	85,004
Environmental testing	-	-	-	-	-	7,014	7,014
Inspection technology fund	-	-	-	-	-	42,564	42,564
Drug enforcement task force	-	-	-	-	-	107,222	107,222
Park activity	-	-	-	-	-	240,808	240,808
Library donations	36,259	-	-	-	-	-	36,259
Public access donation	13,121	-	-	-	-	-	13,121
Risk management	1,000,000	-	-	-	-	-	1,000,000
Compensated absences	2,139,854	-	-	-	-	-	2,139,854
Debt service	-	-	5,986,043	-	-	-	5,986,043
Insurance claims	4,853	-	-	-	-	-	4,853
Subsequent years' budget	592,845	-	347,572	1,740,924	-	100,766	2,782,107
General government	2,094	-	-	-	-	4,881	6,975
<b>Unassigned</b>	<b>11,901,273</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,901,273</b>
<b>Total ending fund balance at</b>							
<b>September 30, 2013</b>	<b>\$ 26,398,051</b>	<b>\$ 45,675</b>	<b>\$ 11,347,335</b>	<b>\$ 2,737,531</b>	<b>\$ 10,510,722</b>	<b>\$ 3,380,315</b>	<b>\$ 54,419,629</b>

**NOTE 13 – FUTURE ACCOUNTING PRONOUNCEMENTS**

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

- Items previously reported as assets and liabilities
- 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, 2013

	Budget - Original	Budget - Final	General Fund Actual	Variance
<b>Revenues</b>				
<b>Taxes</b>				
Advalorem	\$ 4,607,980	\$ 4,607,980	\$ 4,212,921	\$ (395,059)
Sales tax	21,871,875	21,871,875	20,770,217	(1,101,658)
Other taxes	4,008,858	4,008,858	3,871,687	(137,171)
<b>Total taxes</b>	<b>30,488,713</b>	<b>30,488,713</b>	<b>28,854,825</b>	<b>(1,633,888)</b>
<b>Licenses and permits</b>				
Motor vehicle licenses	68,928	68,928	72,539	3,611
Business licenses	4,190,046	4,200,046	4,289,508	89,462
Utility licenses	2,167,608	2,167,608	2,178,196	10,588
Building permits	755,511	755,511	730,745	(24,766)
<b>Total licenses and permits</b>	<b>7,182,093</b>	<b>7,192,093</b>	<b>7,270,988</b>	<b>78,895</b>
<b>Intergovernmental</b>				
Local	120,349	120,349	139,885	19,536
<b>Total intergovernmental</b>	<b>120,349</b>	<b>120,349</b>	<b>139,885</b>	<b>19,536</b>
<b>Charges for services</b>				
General governmental	455,702	455,702	446,429	(9,273)
Public safety	50,695	50,695	41,337	(9,358)
Culture and recreation	518,607	518,607	249,975	(268,632)
<b>Total charges for services</b>	<b>1,025,004</b>	<b>1,025,004</b>	<b>737,741</b>	<b>(287,263)</b>
<b>Fines and forfeiture</b>	<b>665,675</b>	<b>665,675</b>	<b>646,762</b>	<b>(18,913)</b>
<b>Other revenues</b>	<b>427,371</b>	<b>587,384</b>	<b>252,789</b>	<b>(334,595)</b>
<b>Total revenues</b>	<b>39,909,205</b>	<b>40,079,218</b>	<b>37,902,990</b>	<b>(2,176,228)</b>

(Continued on the following page.)

See accompanying notes to basic financial statements.

City of Homewood, Alabama

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget to Actual - General Fund (Continued)

Year ended September 30, 2013

	Budget - Original	Budget - Final	Actual	Variance
<b>Expenditures</b>				
Current:				
General government administration	\$ 4,801,165	\$ 4,866,932	\$ 4,686,281	\$ 180,651
Public safety	15,980,599	16,039,078	14,978,339	1,060,739
Public works	5,574,258	5,619,359	5,304,268	315,091
Culture and recreation	5,850,193	5,850,859	5,335,613	515,246
<b>Total expenditures</b>	<b>32,206,215</b>	<b>32,376,228</b>	<b>30,304,501</b>	<b>2,071,727</b>
<b>Excess of revenues over expenditures</b>	<b>7,702,990</b>	<b>7,702,990</b>	<b>7,598,489</b>	<b>(104,501)</b>
<b>Other financing sources (uses)</b>				
Operating transfers in	235,010	235,010	208,043	(26,967)
Appropriations to City Board of Education	(7,938,000)	(7,938,000)	(7,526,741)	411,259
Operating transfers out	-	-	(232)	(232)
<b>Total other financing sources (uses)</b>	<b>(7,702,990)</b>	<b>(7,702,990)</b>	<b>(7,318,930)</b>	<b>384,060</b>
<b>Excess of revenues and other financing sources over expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 279,559</b>	<b>\$ 279,559</b>

See accompanying notes to basic financial statements.

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, 2013

	Budget - Original	Budget - Final	Actual	Variance
<b>Revenues</b>				
Taxes	\$ 7,827,722	\$ 7,827,722	\$ 7,175,488	\$ (652,234)
Other revenue	-	-	262	262
<b>Total revenues</b>	<b>7,827,722</b>	<b>7,827,722</b>	<b>7,175,750</b>	<b>(651,972)</b>
<b>Expenditures</b>				
General government administration	385,182	385,182	335,726	49,456
<b>Excess of revenues over expenditures</b>	<b>7,442,540</b>	<b>7,442,540</b>	<b>6,840,024</b>	<b>(602,516)</b>
<b>Other financing sources (uses)</b>				
Appropriations to City Board of Education		(7,442,540)	(6,840,021)	602,519
Operating transfers out	-	-	(33,385)	(33,385)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(7,442,540)</b>	<b>(6,873,406)</b>	<b>569,134</b>
<b>Excess of revenues and other financing sources (under) expenditures</b>	<b>7,442,540</b>	<b>-</b>	<b>(33,382)</b>	<b>(33,382)</b>
<b>Fund balances, beginning of year</b>	<b>79,057</b>	<b>79,057</b>	<b>79,057</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 7,521,597</b>	<b>\$ 79,057</b>	<b>\$ 45,675</b>	<b>\$ (33,382)</b>

See accompanying notes to basic financial statements.