

**CITY OF CALERA, ALABAMA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**



CITY OF CALERA, ALABAMA

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Calera, Alabama, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Calera, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Calera, Alabama, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 2 through 8, page 43, and page 44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and the other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Birmingham, Alabama  
February 28, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CITY OF CALERA, ALABAMA

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

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

### HIGHLIGHTS

#### Financial Highlights

- The City's combined net assets decreased by \$941,104.
- The total cost of all the City's programs was \$19,900,442.
- During the year, the City had expenses of \$13,280,766 for governmental activities which were \$1,467,280 more than the \$11,322,138 generated from general and program revenues, and transfers of \$491,348 from business-type activities.
- The City's combined assets exceeded its combined liabilities by \$32,652,045 which will allow the City to continue to meet ongoing obligations to citizens and creditors.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 9 and 10) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 11. For governmental activities, these statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

#### Reporting the City as a Whole

Our analysis of the City as a whole begins on page 3. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

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

Our analysis of the City's major funds begins on page 6. The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds - governmental and proprietary - use different accounting approaches.

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

## **THE CITY AS A WHOLE**

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

#### **Net Assets**

The City's combined net assets decreased by \$941,104 from 2009 to 2010. The governmental activities net assets decreased approximately 13.7%, while business type activities net assets increased approximately 4.1%. This decrease in governmental activities resulted primarily from a significant increase in expenses of the street department, while the increase in business type activities net assets resulted primarily from an increase in program revenues, which was partially offset by an increase in expenditures.

## GOVERNMENT-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Assets:

### Statement of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 12,088,393	\$ 11,603,887	\$ 2,298,677	\$ 2,900,719	\$ 14,387,070	\$ 14,504,606
Capital assets	40,175,495	36,621,985	23,137,727	22,923,845	63,313,222	59,545,830
Total assets	<u>52,263,888</u>	<u>48,225,872</u>	<u>25,436,404</u>	<u>25,824,564</u>	<u>77,700,292</u>	<u>74,050,436</u>
Other liabilities	4,218,398	3,328,570	711,774	746,378	4,930,172	4,074,948
Long-term liabilities	25,789,422	25,681,979	11,814,084	11,641,464	37,603,506	37,323,443
Total liabilities	<u>30,007,820</u>	<u>29,010,549</u>	<u>12,525,858</u>	<u>12,387,842</u>	<u>42,533,678</u>	<u>41,398,391</u>
Net assets:						
Invested in capital assets, net of related debt	22,845,798	18,278,359	12,406,869	12,311,299	35,252,667	30,589,658
Restricted	503,325	354,551	197,008	240,985	700,333	595,536
Unrestricted	(1,093,055)	582,413	306,669	884,438	(786,386)	1,466,851
Total net assets	<u>\$ 22,256,068</u>	<u>\$ 19,215,323</u>	<u>\$ 12,910,546</u>	<u>\$ 13,436,722</u>	<u>\$ 35,166,614</u>	<u>\$ 32,652,045</u>

For more detailed information see the Statement of Net Assets on page 9.

The City's combined net assets decreased to \$32,652,045 from \$33,593,149, or 2.8% as a result of the decrease in net assets of the governmental activities of \$1,467,280 and the increase in net assets of business-type activities of \$526,176. The City's unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, were \$582,413, which is an increase from the prior year deficit of (\$1,093,055). These numbers indicate an improvement in financial condition of the governmental activities.

### Changes in Net Assets

The City's total revenues increased by approximately 5.49% to \$18,567,258. For governmental activities, sales taxes account for approximately 51.7% of revenues. Property taxes account for approximately 14.7%. The majority of the remaining governmental activities revenues come from fees and charges for services.

The total cost of all programs and services increased by \$3,279,496, or approximately 19.7%. Expenses of business-type activities increased by \$557,272, and the cost of governmental activities increased by \$2,722,224.

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

## Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2009	2010	2009	2010	2009	2010
<b>REVENUES</b>						
Program revenues:						
Fees, fines, and charges for services	\$ 2,050,031	\$ 2,162,406	\$ 6,463,952	\$ 7,239,749	\$ 8,513,983	\$ 9,402,155
Operating grants and contributions	31,246	89,903	-	-	31,246	89,903
Capital grants and contributions	1,509,518	1,306,034	-	-	1,509,518	1,306,034
General revenues:						
Sales taxes	5,733,828	5,858,071	-	-	5,733,828	5,858,071
Property taxes	1,684,500	1,666,551	-	-	1,684,500	1,666,551
Other taxes	202,474	165,616	-	-	202,474	165,616
Interest earnings	26,589	36,867	4,599	3,641	31,188	40,508
Lease Income	-	39,465	-	-	-	39,465
Gain(loss) on sale of assets	(15,816)	(2,775)	-	1,730	(15,816)	(1,045)
Payments (to)/from component units	(89,394)	-	-	-	(89,394)	-
<b>TOTAL REVENUES</b>	<b>11,132,976</b>	<b>11,322,138</b>	<b>6,468,551</b>	<b>7,245,120</b>	<b>17,601,527</b>	<b>18,567,258</b>
<b>EXPENSES</b>						
General administration	991,922	1,179,232	-	-	991,922	1,179,232
Street	1,210,440	3,166,862	-	-	1,210,440	3,166,862
Mechanic	185,435	174,323	-	-	185,435	174,323
Planning and zoning	152,057	147,510	-	-	152,057	147,510
Engineering	463,052	487,171	-	-	463,052	487,171
Inspections	255,953	260,133	-	-	255,953	260,133
Building maintenance	213,919	252,252	-	-	213,919	252,252
Police	2,321,605	2,536,241	-	-	2,321,605	2,536,241
Fire and rescue	2,365,306	2,383,420	-	-	2,365,306	2,383,420
Library	388,579	356,146	-	-	388,579	356,146
Parks and recreation	744,709	739,404	-	-	744,709	739,404
Senior center	102,775	95,370	-	-	102,775	95,370
Donations	3,274	6,128	-	-	3,274	6,128
Municipal court	195,780	184,171	-	-	195,780	184,171
Salem cemetery	8,183	7,931	-	-	8,183	7,931
Interest on long-term debt	955,553	1,304,472	-	-	955,553	1,304,472
Natural Gas System	-	-	2,926,417	3,162,958	2,926,417	3,162,958
Sewer System	-	-	2,498,541	2,739,296	2,498,541	2,739,296
Other Proprietary Funds	-	-	637,446	717,422	637,446	717,422
<b>TOTAL EXPENSES</b>	<b>10,558,542</b>	<b>13,280,766</b>	<b>6,062,404</b>	<b>6,619,676</b>	<b>16,620,946</b>	<b>19,900,442</b>
Excess (deficiency) before transfers & capital contributions						
Transfers	574,434	(1,958,628)	406,147	625,444	980,581	(1,333,184)
Capital contributions	(108,708)	491,348	108,708	(491,348)	-	-
Change in net assets	-	-	554,605	392,080	554,605	392,080
Beginning net assets	465,726	(1,467,280)	1,069,460	526,176	1,535,186	(941,104)
Prior period adjustment	21,312,580	22,256,068	12,019,111	12,910,546	33,331,691	35,166,614
Ending net assets	477,762	(1,573,465)	(178,025)	-	299,737	(1,573,465)
	<u>\$ 22,256,068</u>	<u>\$ 19,215,323</u>	<u>\$ 12,910,546</u>	<u>\$ 13,436,722</u>	<u>\$ 35,166,614</u>	<u>\$ 32,652,045</u>

## **Governmental Activities**

The decrease in net assets of governmental activities was \$1,467,280, resulting primarily from an increase in expenses of the street department largely due to work performed on state highways during the year.

## **Business-type Activities**

The increase in net assets of business-type activities of \$526,176 resulted from operating revenues in excess of operating expenses as well as the dedication of sewer lines in the Camden Cove West and Kensington subdivisions.

## **THE CITY'S FUNDS**

### **Governmental Funds**

As of the year-end, the Governmental Funds reported a combined fund balance of \$3,832,229 which is \$3,404,608 less than the beginning of the year. The General Fund experienced a net increase of \$1,240,488, resulting primarily from an increase in sales tax revenues, licenses and permits, and grant revenues. The City received capital grants from the Office of Community Oriented Policing Services (COPS) and the Federal Emergency Management Agency (FEMA) as well as other awarding agencies during the year. The Capital Projects Fund experienced a net decrease of \$4,489,463 resulting primarily from expenditures for work performed on state highways and capital outlay for the construction of roadways as well as transfers to the General Fund and business-type activities for the construction of roadways and utility lines. The Debt Service Fund experienced a net increase of \$16,271 resulting primarily from transfers from the General Fund in excess of expenditures for principal, interest, and fiscal charges related to long term debt. The Other Governmental Funds experienced a net decrease of \$171,904 resulting primarily from transfers to the general fund.

### **Business-type Funds**

As of the year-end, the Business-type Funds reported net assets of \$13,436,722, which is approximately 4.1% more than the beginning of the year. The Natural Gas System experienced a net decrease of \$127,249 resulting primarily from transfers to the General Fund. The Sewer System Fund experienced a net increase of \$484,107 resulting primarily from transfers from the General Fund as well as the dedication of sewer lines from developers. The Garbage Fund experienced a net increase of \$169,318 resulting primarily from transfers from the General Fund.

### **General Fund Budgetary Highlights**

General Fund revenues were under budget by \$304,112. Sales tax revenues were lower than anticipated due to the weak economy. The shortfall in sales tax revenues was partially offset by greater than anticipated grant revenues.

General Fund expenditures were less than budgeted amounts by \$909,455. Actual expenditures for the majority of the City's departments were less than budgeted expenditures due to cost saving measures implemented by management.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At September 30, 2010, the City had \$59,545,830 invested in a broad range of capital assets, including the Natural Gas System, Sewer System, fire and police equipment and vehicles, buildings, and park facilities. This amount represents a net decrease (including additions and deductions) of \$3,767,392, or approximately 5.96% over last year. The City purchased various capital assets including vehicles and equipment and constructed various capital assets including roadways, gas lines, and sewer lines. These additions were offset by the sale of a parcel of land in connection with a direct financing lease entered into during the year as well as the retirements of assets no longer in service and by depreciation expense.

## Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2009	2010	2009	2010	2009	2010
Land	\$ 20,260,857	\$ 15,950,508	\$ 441,853	\$ 441,853	\$ 20,702,710	\$ 16,392,361
Construction in progress	1,229,330	2,797,881	173,265	40,414	1,402,595	2,838,295
Infrastructure, net	11,094,259	10,489,988	-	-	11,094,259	10,489,988
Systems and facilities, net	-	-	21,599,367	21,768,452	21,599,367	21,768,452
Buildings and improvements, net	5,867,226	5,668,808	39,685	37,387	5,906,911	5,706,195
Vehicles, net	796,270	727,100	627,844	467,460	1,424,114	1,194,560
Equipment, net	927,553	987,700	255,713	168,279	1,183,266	1,155,979
<b>Total capital assets, net</b>	<b>\$ 40,175,495</b>	<b>\$ 36,621,985</b>	<b>\$ 23,137,727</b>	<b>\$ 22,923,845</b>	<b>\$ 63,313,222</b>	<b>\$ 59,545,830</b>

### Commitments

The City had contractual commitments at September 30, 2010, of approximately \$192,122 for construction of various roadway projects.

The Natural Gas System has a contract with Atmos Energy Marketing, LLC requiring the Natural Gas System to purchase 100% of its natural gas requirements from Atmos. Fixed volumes which vary monthly as specified by the agreement will be purchased at specified costs ranging from \$4.57/MMBtu to \$5.33/MMBtu through April 1, 2011. Amounts purchased which exceed fixed volumes specified by the agreement will be purchased at a cost equal to the NYMEX close plus \$.03.

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

The Natural Gas System has a contract with Atmos Energy Marketing, LLC covering the management of the transportation and storage of natural gas. At various times throughout the year the Natural Gas System holds title to natural gas held in storage, however, the Natural Gas System is not charged for this gas until it is extracted from storage.

### Debt

At September 30, 2010, the City had \$36,425,431 in warrants, notes payable, and capital leases outstanding versus \$37,080,315 at September 30, 2009, decrease of 1.8%. This decrease results primarily from principal payments made during the year.

The City's warrants payable carry an insured rating of AAA from Standard & Poor's. All of the City's other debt is not rated. Other obligations of the City include accrued vacation leave, holiday leave, and compensatory time, capital leases, and other post employment benefits.

## Debt

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2009	2010	2009	2010	2009	2010
General Obligation Warrants	\$ 24,772,555	\$ 24,224,240	\$ 4,142,301	\$ 4,144,657	\$ 28,914,856	\$ 28,368,897
Limited Obligation Warrants	535,748	499,885	-	-	535,748	499,885
Revenue Bonds	-	-	7,570,000	7,448,000	7,570,000	7,448,000
Notes Payable	-	-	58,996	-	58,996	-
Capital Leases	715	108,649	-	-	715	108,649
<b>Totals</b>	<b>\$ 25,309,018</b>	<b>\$ 24,832,774</b>	<b>\$ 11,771,297</b>	<b>\$ 11,592,657</b>	<b>\$ 37,080,315</b>	<b>\$ 36,425,431</b>

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

The City's Mayor, City Clerk, Finance Director, and City Council considered many factors when setting the budget for the fiscal year ended September 30, 2011. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenses and the overall economy were some of these factors.

One of the City's major sources of income is sales tax revenue. Due to the weak economy the City has seen a decline in sales tax revenue which was taken into account when setting the budget.

Calera's local economy consists of commercial, retail, and light industrial business. Some of Calera's largest businesses are Wal-Mart, Timberline Golf Course, Alabama Power, and various restaurants and retail shops. The City's sales tax has declined over the past years due to the weak economy.

These indicators were taken into account when adopting the General Fund budget for fiscal year ended September 30, 2011. Amounts available for expenditure in the General Fund budget are \$10,188,262. The City expects a decrease in sales tax revenue related to the weak economy and no significant change in property taxes.

If these estimates are realized, the City's budgetary fund balance is expected to decrease slightly by the close of fiscal year 2011.

### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**City of Calera, Alabama  
Statement of Net Assets  
September 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Board
<b>Assets</b>				
Cash and cash equivalents	\$ 399,828	\$ 123,077	\$ 522,905	\$ 128,514
Certificates of deposit	756,513	-	756,513	158,581
Accounts receivable, net	2,115,432	646,748	2,762,180	593,330
Accrued interest receivable	-	-	-	18,485
Lease receivable	4,647,375	-	4,647,375	-
Due (to) from other funds	30,980	(30,980)	-	-
Receivable from Calera Water Board	142,454	-	142,454	-
Receivable from the City of Calera	-	-	-	226,358
Inventory	-	289,510	289,510	149,954
Restricted assets:				
Cash and cash equivalents	2,677,285	1,482,870	4,160,155	1,769,931
Certificates of deposit	120,879	228,748	349,627	-
Investments	163,218	-	163,218	-
Nondepreciable capital assets	18,748,389	482,267	19,230,656	321,685
Depreciable capital assets, net	17,873,596	22,441,578	40,315,174	18,149,593
Warrant issue costs, net	549,923	160,746	710,669	434,505
<b>Total Assets</b>	<b>\$ 48,225,872</b>	<b>\$ 25,824,564</b>	<b>\$ 74,050,436</b>	<b>\$ 21,950,936</b>
<b>Liabilities</b>				
Accounts payable	\$ 254,225	\$ 351,882	\$ 606,107	\$ 34,361
Deferred revenue	2,328,213	-	2,328,213	-
Accrued liabilities	81,897	29,619	111,516	44,729
Accrued interest payable	18,485	-	18,485	-
Payable to Calera Water Board	226,358	-	226,358	-
Payable to the City of Calera	-	-	-	142,454
Payable from restricted assets:				
Accounts payable	225,783	-	225,783	1,150
Accrued expenses	66,855	-	66,855	-
Deposits	23,230	58,551	81,781	84,572
Accrued interest payable	103,524	306,326	409,850	116,728
Noncurrent liabilities				
Due within one year	435,903	24,403	460,306	386,617
Due within one year - payable from restricted assets	808,564	125,644	934,208	307,160
Due in more than one year	24,437,512	11,491,417	35,928,929	16,092,500
<b>Total Liabilities</b>	<b>29,010,549</b>	<b>12,387,842</b>	<b>41,398,391</b>	<b>17,210,271</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	18,278,359	12,311,299	30,589,658	2,348,334
Restricted for:				
Capital projects	-	126,612	126,612	-
Cemetery	271,582	-	271,582	-
Debt service	-	114,373	114,373	944,225
Fire and rescue	12,515	-	12,515	-
Parks and recreation	1,305	-	1,305	-
Street improvements	69,149	-	69,149	-
Unrestricted	582,413	884,438	1,466,851	1,448,106
<b>Total Net Assets</b>	<b>19,215,323</b>	<b>13,436,722</b>	<b>32,652,045</b>	<b>4,740,665</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 48,225,872</b>	<b>\$ 25,824,564</b>	<b>\$ 74,050,436</b>	<b>\$ 21,950,936</b>

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

**City of Calera, Alabama**  
**Statement of Activities**  
**For the Year Ended September 30, 2010**

Program Activities:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Water Board
	Expenses	Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
<b>Governmental Activities:</b>								
General administration	\$ 1,179,232	\$ 1,552,100	\$ 5,442	\$ 23,165	\$ 401,475	\$ -	\$ 401,475	\$ -
Street	3,166,862	-	25,110	919,092	(2,222,660)	-	(2,222,660)	-
Mechanic	174,323	-	-	-	(174,323)	-	(174,323)	-
Planning and zoning	147,510	-	-	-	(147,510)	-	(147,510)	-
Engineering	487,171	-	-	-	(487,171)	-	(487,171)	-
Inspections	260,133	192,947	-	-	(67,186)	-	(67,186)	-
Building maintenance	252,252	-	-	-	(252,252)	-	(252,252)	-
Police	2,536,241	27,215	40,447	221,088	(2,247,491)	-	(2,247,491)	-
Fire and rescue	2,383,420	28,102	3,588	142,689	(2,209,041)	-	(2,209,041)	-
Library	356,146	3,883	13,088	-	(339,175)	-	(339,175)	-
Parks and recreation	739,404	11,615	-	-	(727,789)	-	(727,789)	-
Senior center	95,370	-	2,228	-	(93,142)	-	(93,142)	-
Donations	6,128	-	-	-	(6,128)	-	(6,128)	-
Municipal court	184,171	336,676	-	-	152,505	-	152,505	-
Salem cemetery	7,931	9,868	-	-	1,937	-	1,937	-
Interest and fiscal charges	1,304,472	-	-	-	(1,304,472)	-	(1,304,472)	-
<b>Total Governmental Activities</b>	<b>13,280,766</b>	<b>2,162,406</b>	<b>89,903</b>	<b>1,306,034</b>	<b>(9,722,423)</b>	<b>-</b>	<b>(9,722,423)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Natural Gas System	3,162,958	4,089,971	-	-	-	927,013	927,013	-
Sewer System	2,739,296	2,478,738	-	-	-	(260,558)	(260,558)	-
Other Proprietary Funds	717,422	671,040	-	-	-	(46,382)	(46,382)	-
<b>Total Business-type Activities</b>	<b>6,619,676</b>	<b>7,239,749</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>620,073</b>	<b>620,073</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 19,900,442</b>	<b>\$ 9,402,155</b>	<b>\$ 89,903</b>	<b>\$ 1,306,034</b>	<b>(9,722,423)</b>	<b>620,073</b>	<b>(9,102,350)</b>	<b>-</b>
<b>Component Units:</b>								
Calera Water Works Board	3,301,536	3,322,138	-	-	-	-	-	20,602
<b>Total Component Units</b>	<b>\$ 3,301,536</b>	<b>\$ 3,322,138</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,602</b>
<b>General Revenues:</b>								
<b>Taxes:</b>								
Sales					5,858,071	-	5,858,071	-
Property					1,666,551	-	1,666,551	-
Other					165,616	-	165,616	-
Interest earnings					36,867	3,641	40,508	10,829
Lease income					39,465	-	39,465	-
Gain (loss) on disposal of capital assets					(2,775)	1,730	(1,045)	(2,743)
Transfers					491,348	(491,348)	-	-
Capital contributions					-	392,080	392,080	264,661
Total general revenues and transfers					8,255,143	(93,897)	8,161,246	272,747
Change in net assets					(1,467,280)	526,176	(941,104)	293,349
Net assets - beginning					22,256,068	12,910,546	35,166,614	4,447,316
Prior period adjustment					(1,573,465)	-	(1,573,465)	-
Net assets - ending					\$ 19,215,323	\$ 13,436,722	\$ 34,225,510	\$ 4,740,665

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

**City of Calera, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2010**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 399,828	\$ -	\$ -	\$ -	\$ 399,828
Certificates of deposit	756,513	-	-	-	756,513
Accounts receivable	2,115,432	-	-	-	2,115,432
Due from other funds	30,980	-	-	-	30,980
Receivable from Calera Water Works	142,454	-	-	-	142,454
Restricted assets:					
Cash	1,305	2,201,777	323,054	151,149	2,677,285
Certificates of deposit	12,515	-	-	108,364	120,879
Investments	-	-	-	163,218	163,218
<b>Total Assets</b>	<b>\$ 3,459,027</b>	<b>\$ 2,201,777</b>	<b>\$ 323,054</b>	<b>\$ 422,731</b>	<b>\$ 6,406,589</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 254,225	\$ -	\$ -	\$ -	\$ 254,225
Deferred revenue	1,677,527	-	-	-	1,677,527
Accrued liabilities	81,897	-	-	-	81,897
Accrued interest	18,485	-	-	-	18,485
Payable to Calera Water Works	226,358	-	-	-	226,358
Payable from restricted assets:					
Accounts payable	-	223,253	-	2,530	225,783
Accrued expenses	-	-	-	66,855	66,855
Deposits	-	-	-	23,230	23,230
<b>Total Liabilities</b>	<b>2,258,492</b>	<b>223,253</b>	<b>-</b>	<b>92,615</b>	<b>2,574,360</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Fire and Rescue	12,515	-	-	-	12,515
Parks and Recreation	1,305	-	-	-	1,305
<b>Unreserved, reported in:</b>					
Capital Projects	-	1,978,524	-	-	1,978,524
Debt Service	-	-	323,054	-	323,054
General Fund	1,186,715	-	-	-	1,186,715
Special Revenue Funds	-	-	-	330,116	330,116
<b>Total Fund Balances</b>	<b>1,200,535</b>	<b>1,978,524</b>	<b>323,054</b>	<b>330,116</b>	<b>3,832,229</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,459,027</b>	<b>\$ 2,201,777</b>	<b>\$ 323,054</b>	<b>\$ 422,731</b>	<b>\$ 6,406,589</b>

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

**City of Calera, Alabama**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**September 30, 2010**

Fund Balances - Total Governmental Funds \$ 3,832,229

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

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

Lease receivable	4,647,375	
Less: Deferred revenue related to lease receivable	<u>(650,686)</u>	3,996,689

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

Governmental capital assets	45,442,938	
Less: accumulated depreciation	<u>(8,820,953)</u>	36,621,985

Interest payable reported in the governmental activities is not payable from current resources and, therefore, are not reported in the governmental funds. (103,524)

Warrant issue costs in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 549,923

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

General Obligation Warrants	(24,224,240)	
Limited Obligation Warrants	(499,885)	
Capital Leases	(108,649)	
Other Post Employment Benefit Payable	(304,217)	
Compensated Absences	<u>(544,988)</u>	<u>(25,681,979)</u>

Net Assets of Governmental Activities \$ 19,215,323

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2010**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Operating Revenues:</b>					
Taxes:					
Sales	\$ 5,858,071	\$ -	\$ -	\$ -	\$ 5,858,071
Property	1,666,551	-	-	-	1,666,551
Motor Vehicle / Gas	74,666	-	-	18,410	93,076
Other	90,950	-	-	-	90,950
Licenses and Permits	1,652,985	-	-	-	1,652,985
Fines and Forfeitures	-	-	-	321,422	321,422
Charges for Services	143,471	-	-	-	143,471
Interest	15,564	98	-	9,570	25,232
Investment Income	-	-	-	11,635	11,635
Other	487,710	-	-	15,253	502,963
<b>Total Revenues</b>	<b>9,989,968</b>	<b>98</b>	<b>-</b>	<b>376,290</b>	<b>10,366,356</b>
<b>Expenditures:</b>					
Current:					
General administration	789,192	-	-	-	789,192
Street	521,379	2,240,853	-	-	2,762,232
Mechanic	156,306	-	-	-	156,306
Planning and zoning	146,557	-	-	-	146,557
Engineering	425,203	-	-	-	425,203
Inspections	240,326	-	-	-	240,326
Building maintenance	251,701	-	-	-	251,701
Police	2,364,733	-	-	-	2,364,733
Fire and rescue	2,163,162	-	-	-	2,163,162
Library	261,592	-	-	-	261,592
Parks and recreation	668,973	-	-	-	668,973
Senior center	71,541	-	-	-	71,541
Donations	6,128	-	-	-	6,128
Municipal court	-	-	-	180,426	180,426
Salem cemetery	-	-	-	7,931	7,931
Debt Service:					
Principal	95,700	-	580,000	-	675,700
Interest and fiscal charges	28,114	-	1,197,597	-	1,225,711
Capital Outlay	386,432	1,847,801	-	-	2,234,233
<b>Total Expenditures</b>	<b>8,577,039</b>	<b>4,088,654</b>	<b>1,777,597</b>	<b>188,357</b>	<b>14,631,647</b>
<b>Excess of Revenues over Expenditures</b>	<b>1,412,929</b>	<b>(4,088,556)</b>	<b>(1,777,597)</b>	<b>187,933</b>	<b>(4,265,291)</b>

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Continued**  
**Governmental Funds**  
**For the Year Ended September 30, 2010**

	General	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>					
Proceeds from capital lease	353,125	-	-	-	353,125
Proceeds from sale of capital assets	16,210	-	-	-	16,210
Transfers (to)/from					
Capital Projects Fund	243,748	(243,748)	-	-	-
Transfers (to)/from					
Debt Service Fund	(1,793,868)	-	1,793,868	-	-
Transfers (to)/from					
Other Governmental Funds	359,837	-	-	(359,837)	-
Transfers (to)/from					
Natural Gas System	1,204,531	(148,539)	-	-	1,055,992
Transfers (to)/from					
Other Proprietary Funds	(215,700)	-	-	-	(215,700)
Transfers (to)/from					
Sewer System	(340,324)	(8,620)	-	-	(348,944)
Total Other Financing Sources (Uses)	<u>(172,441)</u>	<u>(400,907)</u>	<u>1,793,868</u>	<u>(359,837)</u>	<u>860,683</u>
Net Change in Fund Balances	1,240,488	(4,489,463)	16,271	(171,904)	(3,404,608)
Prior Period Adjustment	<u>(6,914,454)</u>	<u>6,467,987</u>	<u>306,783</u>	<u>-</u>	<u>(139,684)</u>
Fund Balances, Beginning	6,874,501	-	-	502,020	7,376,521
Fund Balances, Ending	<u>\$ 1,200,535</u>	<u>\$ 1,978,524</u>	<u>\$ 323,054</u>	<u>\$ 330,116</u>	<u>\$ 3,832,229</u>

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

**City of Calera, Alabama**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended September 30, 2010**

Net Change in Fund Balances - Total Governmental Funds \$ (3,404,608)

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

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

Expenditures for capital assets	2,234,233	
Less current year depreciation	<u>(1,111,492)</u>	1,122,741

Donations of capital assets do not provide current financial resources and are not recorded in governmental funds. However, donations of capital assets increase net assets. 919,092

The proceeds from the sale of capital assets, which is \$16,210, are reported as revenue in the governmental funds. However, the net book value of the capital assets, which is \$18,985, is removed from the capital assets account in the Statement of Net Assets and offset against the sales proceeds resulting in a loss in the Statement of Activities of \$2,775. (18,985)

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

Proceeds from capital leases	(353,125)	
Lease income	<u>39,465</u>	(313,660)

Repayment of debt principal is reported as an expenditure in governmental funds. However, the principal payments reduce liabilities in the Statement of Net Assets and do not result in an expense in the Statement of Activities. 675,700

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

Amortization of costs		(81,198)
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The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net increase in compensated absences		(64,584)
Net increase in other post employment benefit payable		(304,217)
Change in accrued interest expense		<u>2,439</u>

Change in Net Assets of Governmental Funds \$ (1,467,280)

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Net Assets**  
**September 30, 2010**

	Natural Gas System	Sewer System	Other Proprietary Funds	Total Proprietary Funds
<b>Assets</b>				
Current:				
Cash	\$ -	\$ 46,295	\$ 76,782	\$ 123,077
Accounts receivable, net	288,409	285,056	73,283	646,748
Inventory	246,494	43,016	-	289,510
Unamortized bond issue cost, current portion	-	8,007	-	8,007
<b>Total Current Assets</b>	<b>534,903</b>	<b>382,374</b>	<b>150,065</b>	<b>1,067,342</b>
Noncurrent:				
Restricted assets:				
Cash and cash equivalents	58,551	1,424,319	-	1,482,870
Certificates of deposit	-	228,748	-	228,748
Non-Depreciable assets	78,403	403,864	-	482,267
Depreciable capital assets, net	3,125,697	19,034,801	281,080	22,441,578
Unamortized bond issue cost, net of current portion	-	152,739	-	152,739
<b>Total Noncurrent Assets</b>	<b>3,262,651</b>	<b>21,244,471</b>	<b>281,080</b>	<b>24,788,202</b>
<b>Total Assets</b>	<b>\$ 3,797,554</b>	<b>\$ 21,626,845</b>	<b>\$ 431,145</b>	<b>\$ 25,855,544</b>
<b>Liabilities</b>				
Current:				
Accounts payable	\$ 295,964	\$ 39,485	\$ 16,433	\$ 351,882
Accrued expenses	13,764	9,559	6,296	29,619
Due to general fund	30,980	-	-	30,980
Current portion of compensated absences	4,100	17,433	2,870	24,403
Payable from restricted assets:				
Customer deposits	58,551	-	-	58,551
Accrued interest payable	-	306,326	-	306,326
Current portion of long-term debt	-	125,644	-	125,644
<b>Total Current Liabilities</b>	<b>403,359</b>	<b>498,447</b>	<b>25,599</b>	<b>927,405</b>
Noncurrent:				
Compensated absences, net of current portion	4,100	17,433	2,871	24,404
Long-term debt, net of current portion	-	11,467,013	-	11,467,013
<b>Total Noncurrent Liabilities</b>	<b>4,100</b>	<b>11,484,446</b>	<b>2,871</b>	<b>11,491,417</b>
<b>Total Liabilities</b>	<b>407,459</b>	<b>11,982,893</b>	<b>28,470</b>	<b>12,418,822</b>
<b>Net Assets</b>				
Invested in capital, net of related debt	3,204,100	8,826,119	281,080	12,311,299
Unrestricted	185,995	576,848	121,595	884,438
Restricted for capital projects (expendable)	-	126,612	-	126,612
Restricted for debt service (expendable)	-	114,373	-	114,373
<b>Total Net Assets</b>	<b>3,390,095</b>	<b>9,643,952</b>	<b>402,675</b>	<b>13,436,722</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,797,554</b>	<b>\$ 21,626,845</b>	<b>\$ 431,145</b>	<b>\$ 25,855,544</b>

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

**City of Calera, Alabama**  
**Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Assets**  
**For the Year Ended September 30, 2010**

	<u>Natural Gas System</u>	<u>Sewer System</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>				
Utility receipts	\$ 4,079,615	\$ 1,750,524	\$ 671,040	\$ 6,501,179
Fees	6,494	714,510	-	721,004
Miscellaneous revenue	3,862	13,704	-	17,566
Total Operating Revenues	4,089,971	2,478,738	671,040	7,239,749
<b>Operating Expenses</b>				
Gas purchases	2,244,025	-	-	2,244,025
Personnel services	583,017	704,192	382,693	1,669,902
Supplies expense	66,225	234,309	58,681	359,215
Repairs and maintenance	31,521	105,160	21,364	158,045
Depreciation	125,500	646,555	114,092	886,147
Administrative expenses	83,783	503,122	29,700	616,605
Outside services	28,887	44,895	110,892	184,674
Total Operating Expenses	3,162,958	2,238,233	717,422	6,118,613
Operating Income	927,013	240,505	(46,382)	1,121,136
<b>Non Operating Revenues (Expenses)</b>				
Interest income	-	3,641	-	3,641
Interest expense	-	(493,019)	-	(493,019)
Gain on disposal of capital assets	1,730	-	-	1,730
Amortization expense	-	(8,044)	-	(8,044)
Total Non Operating Revenues (Expenses)	1,730	(497,422)	-	(495,692)
Income (Loss) Before Capital Contributions and Interfund Operating Transfers In	928,743	(256,917)	(46,382)	625,444
Capital Contributions	-	392,080	-	392,080
Interfund Transfers	(1,055,992)	348,944	215,700	(491,348)
Change in Net Assets	(127,249)	484,107	169,318	526,176
Net Assets, Beginning of Year	3,517,344	9,159,845	233,357	12,910,546
Net Assets, End of Year	<u>\$ 3,390,095</u>	<u>\$ 9,643,952</u>	<u>\$ 402,675</u>	<u>\$ 13,436,722</u>

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Cash Flows**  
**For the Year Ended September 30, 2010**

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 4,086,959	\$ 2,457,174	\$ 675,885	\$ 7,220,018
Cash paid to employees	(575,538)	(690,974)	(374,559)	(1,641,071)
Cash paid to suppliers for goods and services	(2,427,904)	(905,764)	(225,875)	(3,559,543)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,083,517</u>	<u>860,436</u>	<u>75,451</u>	<u>2,019,404</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Due to other funds	30,980	(487,350)	(214,369)	(670,739)
Transfers to other funds	(1,208,900)	332,212	215,700	(660,988)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,177,920)</u>	<u>(155,138)</u>	<u>1,331</u>	<u>(1,331,727)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	1,730	-	-	1,730
Acquisition and construction of property, plant, and equipment	(270,845)	(18,068)	-	(288,913)
Principal payments on debt	(58,996)	(122,000)	-	(180,996)
Interest payments on debt	-	(494,438)	-	(494,438)
Transfers from other funds	152,908	16,732	-	169,640
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(175,203)</u>	<u>(617,774)</u>	<u>-</u>	<u>(792,977)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of certificates of deposit	-	(43,632)	-	(43,632)
Interest on cash and investments	-	1,586	-	1,586
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>-</u>	<u>(42,046)</u>	<u>-</u>	<u>(42,046)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(269,606)</u>	<u>45,478</u>	<u>76,782</u>	<u>(147,346)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>328,157</u>	<u>1,425,136</u>	<u>-</u>	<u>1,753,293</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 58,551</u>	<u>\$ 1,470,614</u>	<u>\$ 76,782</u>	<u>\$ 1,605,947</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 927,013	\$ 240,505	\$ (46,382)	\$ 1,121,136
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	125,500	646,555	114,092	886,147
Bad debt expense	26,968	22,796	15,557	65,321
(Increase) decrease in:				
Accounts receivable	(33,415)	(44,360)	(10,712)	(88,487)
Prepaid expenses	5,256	-	-	5,256
Inventory	(289)	(25,167)	-	(25,456)
Increase (decrease) in:				
Accounts payable	19,362	6,889	(5,238)	21,013
Customer deposits	3,435	-	-	3,435
Compensated absences	(1,977)	5,059	2,938	6,020
Accrued expenses	11,664	8,159	5,196	25,019
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,083,517</u>	<u>\$ 860,436</u>	<u>\$ 75,451</u>	<u>\$ 2,019,404</u>

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

**City of Calera, Alabama**  
**Statement of Proprietary Fund Cash Flows - continued**  
**For the Year Ended September 30, 2010**

NONCASH INVESTING, CAPITAL, AND FINANCIING ACTIVITIES

Calera Sewer System had amortization of warrant issue costs of \$8,044 and amortization of warrant discounts of \$2,356.

System lines contributed by developers to the Calera Sewer System were \$392,080.

RECONCILIATION TO STATEMENT OF NET ASSETS

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

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
Cash	\$ -	\$ 46,295	\$ 76,782	\$ 123,077
Restricted cash	58,551	1,424,319	-	1,482,870
Cash and cash equivalents	<u>\$ 58,551</u>	<u>\$ 1,470,614</u>	<u>\$ 76,782</u>	<u>\$ 1,605,947</u>

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

## NOTES TO FINANCIAL STATEMENTS

City of Calera, Alabama

September 30, 2010

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### NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. General Statement

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

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

2. Financial Reporting Entity

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

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

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

The Water Works Board of the City of Calera, Alabama

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

3. Basis of Presentation

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

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

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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

#### Fund Financial Statements

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

#### Governmental Fund Types:

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

The City reports the following major governmental funds:

#### General Fund

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

#### Capital Projects Fund

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

#### Debt Service Fund

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

Additionally, the City reports the following governmental funds:

#### Nonmajor Special Revenue Funds

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

#### Proprietary Fund Types:

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

The City reports the following major proprietary funds:

Natural Gas System

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

Sewer System

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

Additionally, the City reports the following proprietary fund:

Garbage Fund

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

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

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

4. Measurement Focus/Basis of Accounting

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

5. Cash

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

6. Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

7. Allowance for Uncollectible Accounts

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

8. Inventory

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

9. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

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

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

10. Amortization of Warrant Expense

The costs of issuance of warrants are being amortized based on the maturity dates of the warrants.

11. Interfund Operating Transfers, Receivables, and Payables

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

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

12. Compensated Absences

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

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

Certain City employees are permitted to accrue holiday leave for hours worked on holidays observed by the City. An employee who resigns or retires in good standing shall be paid for all holiday leave accrued.

The City does not have a policy for vested sick pay, thus no liability for accumulated unpaid sick leave is reflected in the accompanying financial statements. The City accrues liabilities for vacation leave, compensatory time, and holiday leave in the amount that will be owed to employees upon termination of service.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

13. Noncurrent Liabilities

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

14. Deferred Revenue

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

15. Fund Balance

The fund balance reserves for fire and rescue and parks and recreation have been recognized to signify restrictions on the use of those assets imposed by external parties.

The Municipal Court Special Revenue Fund had a deficit fund balance at September 30, 2010 of (\$10,615). This deficit will be financed through future revenues of the fund.

16. Use of Estimates

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

17. Property Tax Calendar

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

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

Debt service funds and bond proceeds held in escrow totaling \$3,582,188 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

Investments

As of September 30, 2010, the City had the following investments, which were reported in governmental activities:

	<u>Fair Value</u>		<u>Maturity</u>	<u>S &amp; P Rating</u>
7.125% U.S. Treasury Bond	\$ 122,586	75.11%	02/15/2023	AAA
6.250% U.S. Treasury Bond	<u>40,632</u>	<u>24.89%</u>	08/15/2023	AAA
	<u>\$ 163,218</u>	<u>100.00%</u>		

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

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

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

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

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

Investment Rate Risk

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

Foreign Currency Risk

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

**NOTE C - RECEIVABLES AND PAYABLES**

Receivables at September 30, 2010 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Taxes:				
Sales	\$ 429,247	\$ -	\$ 429,247	\$ -
Property	1,687,683	-	1,687,683	-
Motor vehicle/ gas	31,750	-	31,750	-
Customers		660,748	660,748	599,330
Other	54,823	-	54,823	-
Gross Receivables	<u>2,203,503</u>	<u>660,748</u>	<u>2,864,251</u>	<u>599,330</u>
Less: Allowance for Uncollectibles	<u>(88,071)</u>	<u>(14,000)</u>	<u>(102,071)</u>	<u>(6,000)</u>
Net Receivables	<u>\$ 2,115,432</u>	<u>\$ 646,748</u>	<u>\$ 2,762,180</u>	<u>\$ 593,330</u>

Payables at September 30, 2010 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Trade payables	\$ 254,225	\$ 351,882	\$ 606,107	\$ 34,361
Capital assets payables	<u>225,783</u>	<u>-</u>	<u>225,783</u>	<u>1,150</u>
	<u>\$ 480,008</u>	<u>\$ 351,882</u>	<u>\$ 831,890</u>	<u>\$ 35,511</u>

**NOTE D - CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2010, was as follows:

Primary Government:

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 20,260,857	\$ -	\$ (4,310,349)	\$ 15,950,508
Construction in progress	949,815	1,848,066	-	2,797,881
Total capital assets not being depreciated	<u>21,210,672</u>	<u>1,848,066</u>	<u>(4,310,349)</u>	<u>18,748,389</u>
Capital assets being depreciated				
Infrastructure	13,077,826	906,593	-	13,984,419
Buildings and improvements	7,200,462	-	-	7,200,462
Vehicles	2,903,853	159,423	(304,664)	2,758,612
Equipment	2,857,994	407,015	(513,953)	2,751,056
Total capital assets being depreciated	<u>26,040,135</u>	<u>1,473,031</u>	<u>(818,617)</u>	<u>26,694,549</u>
Less accumulated depreciation for:				
Infrastructure	3,137,833	356,598		3,494,431
Buildings and improvements	1,333,236	198,418		1,531,654
Vehicles	2,107,583	226,119	(302,190)	2,031,512
Equipment	1,930,441	330,357	(497,442)	1,763,356
Total accumulated depreciation	<u>8,509,093</u>	<u>1,111,492</u>	<u>(799,632)</u>	<u>8,820,953</u>
Total capital assets, being depreciated, net	<u>17,531,042</u>	<u>361,539</u>	<u>(18,985)</u>	<u>17,873,596</u>
Governmental activities capital assets, net	<u>\$ 38,741,714</u>	<u>\$ 2,209,605</u>	<u>\$ (4,329,334)</u>	<u>\$ 36,621,985</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE D - CAPITAL ASSETS - CONTINUED

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
<i>Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 441,853	\$ -	\$ -	\$ 441,853
Construction in progress	173,265	488	(133,339)	40,414
Total capital assets not being depreciated	<u>615,118</u>	<u>488</u>	<u>(133,339)</u>	<u>482,267</u>
Capital assets, being depreciated				
System and facilities	26,694,272	805,116	-	27,499,388
Buildings and improvements	112,633	-	-	112,633
Vehicles	1,204,187	-	-	1,204,187
Equipment	908,175	-	-	908,175
Total capital assets being depreciated	<u>28,919,267</u>	<u>805,116</u>	<u>-</u>	<u>29,724,383</u>
Less accumulated depreciation for:				
System and facilities	5,094,905	636,031	-	5,730,936
Buildings and improvements	72,948	2,298	-	75,246
Vehicles	576,343	160,384	-	736,727
Equipment	652,462	87,434	-	739,896
Total accumulated depreciation	<u>6,396,658</u>	<u>886,147</u>	<u>-</u>	<u>7,282,805</u>
Total capital assets, being depreciated, net	<u>22,522,609</u>	<u>(81,031)</u>	<u>-</u>	<u>22,441,578</u>
Business-type activities capital assets, net	<u>\$ 23,137,727</u>	<u>\$ (80,543)</u>	<u>\$ (133,339)</u>	<u>\$ 22,923,845</u>

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

Governmental Activities:

General administration	\$ 78,726
Street	403,980
Mechanic	16,509
Engineering	60,316
Inspections	16,677
Building maintenance	852
Police	144,700
Fire and rescue	200,085
Library	95,971
Parks and recreation	67,710
Senior center	23,650
Municipal court	2,316
Total Depreciation Expense- Governmental Activities	<u>\$ 1,111,492</u>

Business-type Activities:

Natural Gas System	\$ 125,500
Sewer System	646,555
Other Proprietary Funds	114,092
Total Depreciation Expense- Business-type Activities	<u>\$ 886,147</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE D - CAPITAL ASSETS – CONTINUED

<u>Component Unit:</u>	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
Capital assets not being depreciated				
Land	\$ 106,653	\$ -	\$ (95,168)	\$ 11,485
Construction in progress	229,951	206,315	(126,066)	310,200
Total capital assets not being depreciated	<u>336,604</u>	<u>206,315</u>	<u>(221,234)</u>	<u>321,685</u>
Capital assets being depreciated				
System and facilities	20,434,558	756,382	-	21,190,940
Buildings and improvements	53,436	-	-	53,436
Vehicles	268,322	-	-	268,322
Equipment	1,111,769	-	-	1,111,769
Total capital assets being depreciated	<u>21,868,085</u>	<u>756,382</u>	<u>-</u>	<u>22,624,467</u>
Less accumulated depreciation for:				
System and facilities	2,716,519	476,464	-	3,192,983
Buildings and improvements	4,015	1,336	-	5,351
Vehicles	200,929	28,615	-	229,544
Equipment	914,300	132,696	-	1,046,996
Total accumulated depreciation	<u>3,835,763</u>	<u>639,111</u>	<u>-</u>	<u>4,474,874</u>
Total capital assets, being depreciated, net	<u>18,032,322</u>	<u>117,271</u>	<u>-</u>	<u>18,149,593</u>
Water Works Board capital assets, net	<u>\$ 18,368,926</u>	<u>\$ 323,586</u>	<u>\$ (221,234)</u>	<u>\$ 18,471,278</u>

Depreciation expense charged to the component unit for the year ended September 30, 2010 was \$639,111.

NOTE E - LONG-TERM DEBT

Primary Government:

Warrants payable at September 30, 2010, are comprised of the following issues:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Series 2002 General Obligation Warrants, dated December 1, 2002, due in semi-annual installments through July 1, 2012, bearing interest rates of 1.65% to 3.95%. (less: unamortized discounts of \$303)	\$ 319,697	\$ -
Series 2004 General Obligation Warrants, dated December 1, 2004, due in semi-annual installments through December 1, 2024, bearing interest rates of 2% to 4.25%. (less: unamortized discounts of \$35,034 and unamortized deferred amount on refunding of \$192,184).	5,242,782	-
Series 2005-A Sewer Revenue Bonds, dated September 23, 2005, due in annual installments through January 1, 2045, bearing interest rates of 4.125%.	-	4,441,000
Series 2005-B Sewer Revenue Bonds, dated September 23, 2005, due in annual installments through January 1, 2035, bearing interest rates of 4.125%.	-	3,007,000

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE E - LONG-TERM DEBT - CONTINUED

Series 2006 General Obligation Warrants, dated November 1, 2006, due in semi-annual installments through November 1, 2033, bearing interest rates of 4.30% to 4.50%. (less: unamortized discounts of \$45,343).	-	4,144,657
Series 2007 General Obligation Warrants, dated February 22, 2007, due in semi-annual installments through May 20, 2022, bearing interest rates averaging 3.81%.	1,300,000	-
Series 2007 Limited Obligation Warrants, dated September 13, 2007, due in semi-annual installments through March 31, 2018, bearing an interest rate of 3.83%.	499,885	-
2008 Q2 772 General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through May 20, 2033, bearing an interest rate of 3.68%.	1,515,000	-
2008 Q2 REG General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through May 20, 2033, bearing an interest rate of 3.68%.	2,020,000	-
2008 Q2 LEASE General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through November 20, 2020, bearing an interest rate of 3.12%.	280,000	-
2008 Taxable General Obligation Warrants, dated September 1, 2008, due in semi-annual installments through September 1, 2028, bearing interest rates of 6.25% to 7.50%. (less: unamortized discounts of \$28,239).	4,871,761	-
2009 Q2 772CA General Obligation Warrants, dated August 31, 2009, due in semi-annual installments through May 20, 2038, bearing an interest rate of 3.51%.	<u>8,675,000</u>	-
<b>Total Warrants Payable</b>	<b><u>\$ 24,724,125</u></b>	<b><u>\$ 11,592,657</u></b>

A summary of long-term liability activity for the year ended September 30, 2010 is as follows:

	Balance October 1, 2009	Issues or Additions	Payments or Expenditures	Balance September 30, 2010	Due within one year
<u>Governmental Type Activities</u>					
General Obligation Warrants, net	\$ 24,772,555	\$ -	\$ 548,315	\$ 24,224,240	\$ 808,564
Limited Obligation Warrants	535,748	-	35,863	499,885	111,019
Capital Leases	715	167,771	59,837	108,649	52,390
Other Post Employment Benefit Payable	-	304,217	-	304,217	-
Compensated Absences	480,404	461,175	396,591	544,988	272,494
<b>Total Governmental activities</b>	<b><u>\$ 25,789,422</u></b>	<b><u>\$ 933,163</u></b>	<b><u>\$ 1,040,606</u></b>	<b><u>\$ 25,681,979</u></b>	<b><u>\$ 1,244,467</u></b>
<u>Business-type Activities:</u>					
General Obligation Warrants, net	\$ 4,142,301	\$ -	\$ (2,356)	\$ 4,144,657	\$ (2,356)
Revenue Bonds	7,570,000	-	122,000	7,448,000	128,000
Notes Payable	58,996	-	58,996	-	-
Compensated Absences	42,787	117,544	111,524	48,807	24,403
<b>Total Business-type Activities</b>	<b><u>\$ 11,814,084</u></b>	<b><u>\$ 117,544</u></b>	<b><u>\$ 290,164</u></b>	<b><u>\$ 11,641,464</u></b>	<b><u>\$ 150,047</u></b>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE E - LONG-TERM DEBT - CONTINUED

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

Annual Requirements to Retire Debt Obligations:

The annual aggregate maturities for the years subsequent to September 30, 2010 are as follows:

Year Ending September 30,	Governmental Activities			
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
2011	\$ 840,000	\$ 1,065,387	\$ 111,019	\$ 16,748
2012	790,000	1,031,498	51,668	14,894
2013	755,000	997,511	55,060	12,915
2014	930,000	963,650	58,613	10,806
2015	955,000	923,876	62,333	8,561
2016-2020	5,435,000	3,954,187	161,192	10,755
2021-2025	6,390,000	2,602,943	-	-
2026-2030	3,955,000	1,249,492	-	-
2031-2035	2,855,000	536,497	-	-
2036-2040	1,575,000	98,718	-	-
	<u>\$ 24,480,000</u>	<u>\$ 13,423,759</u>	<u>\$ 499,885</u>	<u>\$ 74,679</u>

Year Ending September 30,	Business Type Activities			
	Revenue Bonds		General Obligation Warrants	
	Principal	Interest	Principal	Interest
2011	\$ 128,000	\$ 307,230	\$ -	\$ 182,170
2012	133,000	301,950	-	182,170
2013	138,000	296,464	-	182,170
2014	144,000	290,771	-	182,170
2015	150,000	284,831	-	182,170
2016-2020	851,000	1,325,816	-	910,850
2021-2025	1,044,000	1,135,035	-	910,850
2026-2030	1,287,000	900,570	2,245,000	722,583
2031-2035	1,596,000	610,253	1,945,000	129,853
2036-2040	876,000	338,456	-	-
2041-2045	1,101,000	141,116	-	-
	<u>\$ 7,448,000</u>	<u>\$ 5,932,492</u>	<u>\$ 4,190,000</u>	<u>\$ 3,584,986</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE E - LONG-TERM DEBT - CONTINUED

Component Unit:

Notes payable at September 30, 2010, are comprised of the following:

Note payable to Central State Bank for meter reading software, dated December 19, 2003. Monthly payment of \$5,030, including interest at 5%, using the simple interest method, ballooning in December 2018, secured by equipment.	\$ 410,898
Note payable to Shelby County, dated May 12, 2009, maturing in 2011.	<u>346,088</u>
Total Notes Payable	<u>\$ 756,986</u>

Water revenue Bonds payable at September 30, 2010, are comprised of the following issues:

2000 Water Revenue Bonds, dated November 15, 2000, due in semi-annual installments through February 1, 2014, bearing interest rates of 4.75% to 5.50%.	\$ 564,323
2005 Water Revenue Bonds, dated August 1, 2005, due in semi-annual installments through February 1, 2026, bearing interest rates of 3.70% to 4.30%.	3,349,292
2006 Water Revenue Bonds, dated September 1, 2006, due in semi-annual installments through February 1, 2036, bearing interest rates of 3.50% to 4.35%.	8,490,228
2009 Water Revenue Bonds, dated July 1, 2009, due in semi-annual installments through February 1, 2038, bearing interest rates of 2.0% - 5.125%.	<u>3,625,448</u>
Total Water Revenue Bonds Payable	<u>\$ 16,029,291</u>

A summary of long-term liability activity for the year ended September 30, 2010 is as follows:

	<u>Balance October 1, 2009</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2010</u>	<u>Due within one year</u>
Revenue Bonds Payable	\$ 16,310,979	\$ -	\$ (281,688)	\$ 16,029,291	\$ 307,160
Notes Payable	<u>1,283,645</u>	<u>-</u>	<u>(526,659)</u>	<u>756,986</u>	<u>386,617</u>
	<u>\$ 17,594,624</u>	<u>\$ -</u>	<u>\$ (808,347)</u>	<u>\$ 16,786,277</u>	<u>\$ 693,777</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE E - LONG-TERM DEBT - CONTINUED

Annual Requirements to Retire Debt Obligations:

The annual aggregate maturities for the years subsequent to September 30, 2010 are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Revenue Bonds Payable</u>		<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 335,000	\$ 694,119	\$ 386,617	\$ 19,836
2012	345,000	681,459	42,522	17,842
2013	360,000	667,788	44,778	15,585
2014	370,000	652,742	47,102	13,262
2015	390,000	637,411	49,546	10,818
2016-2020	2,190,000	2,939,660	186,421	16,727
2021-2025	2,655,000	2,437,324	-	-
2026-2030	3,215,000	1,824,865	-	-
2031-2035	4,000,000	1,050,280	-	-
2036-2030	2,495,000	183,458	-	-
	<u>\$ 16,355,000</u>	<u>\$ 11,769,106</u>	<u>\$ 756,986</u>	<u>\$ 94,070</u>

NOTE F - CAPITAL LEASES

Capital lease agreements in which the City is the lessee:

The government has entered into lease agreements for financing the acquisition of equipment for the library and vehicles for the police department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments at the inception date. The assets acquired through the capital leases are as follows:

	<u>Governmental</u> <u>Activities</u>
Equipment	\$ 8,348
Vehicles	159,423
Less: Accumulated depreciation	<u>(17,091)</u>
Total	<u>\$ 150,680</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental</u> <u>Activities</u>
2011	\$ 59,122
2012	59,122
2013	<u>678</u>
Total minimum lease payments	118,922
Less: Amount representing interest	<u>(10,273)</u>
Present value of minimum lease payments	<u>\$ 108,649</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE F - CAPITAL LEASES - CONTINUED

Capital lease agreement in which the City is the lessor:

The City leases approximately twenty acres of land under a direct financing lease that expires in 2028. The lease agreement contains a bargain purchase option at the end of the lease term. The components of the City's investment in the direct financing lease at September 30, 2010 is as follows:

	<u>Governmental Activities</u>
Minimum lease payments receivable	\$ 4,647,375
Less: unearned income	<u>(650,686)</u>
Net investment in direct financing lease	<u>\$ 3,996,689</u>

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

The following is a schedule, by year, of total minimum lease payments receivable under direct financing leases as of September 30, 2010:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2011	\$ 353,125
2012	344,063
2013	334,375
2014	324,063
2015	311,813
Thereafter	<u>2,979,936</u>
Total minimum lease payments	<u>\$ 4,647,375</u>

NOTE G - OPERATING LEASES

Operating lease agreements in which the City is the lessee:

The City is the lessee in a number of operating leases, and with the exception of the non-cancelable operating leases listed below, these leases have cancellation provisions and are subject to annual appropriations. For the year ended September 30, 2010, lease expenditures for all types of operating leases were \$56,227.

The City leases various office equipment under non-cancelable operating leases in which the City is the lessee. Future minimum lease payments noncancelable operating leases with original terms of one year or longer are \$33,585 in 2011, \$32,235 in 2012, and \$11,524 in 2013.

Operating lease agreements in which the City is the lessor:

The City leases space to various agencies under operating leases. The cost of buildings and improvements under operating leases was \$121,294. Accumulated depreciation on buildings and improvements under operating leases was \$28,836 at September 30, 2010. Minimum future rentals on noncancelable operating leases with original terms of one year or longer are \$20,250 in 2011.

NOTE H - PENSION PLAN

Plan Description

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

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

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

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

Funding Policy

Calera Employees' Pension Plan members are required to contribute 5% of their annual covered salary, except for certified full-time firefighters, who, as of January 1, 2001, are required to contribute 6% of their annual covered salary. The Board is required to contribute at an actuarially determined rate; the current rate is 8.28% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by The Retirement Systems of Alabama.

Annual Pension Cost

For September 30, 2010, the City's annual pension cost of \$529,131 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2009, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (b) projected salary increases ranging from 4.61% to 7.75% per year and (c) no cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of assets was determined using the 5-year smoothed market method. Calera Employees' Pension Plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

The remaining amortization period at September 30, 2009 was 30 years.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE H - PENSION PLAN - CONTINUED

Three Year Trend Information

Fiscal Year Ending September 30	Annual Pension Costs	Percentage of Annual Pension Cost Contributed
2009	\$ 565,787	100%
2008	561,925	100%
2007	504,700	100%

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

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( b-a/ c )
9/30/2009	9,205,229	13,358,666	4,153,437	68.9%	6,932,170	59.9%

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

NOTE I - OTHER POST EMPLOYMENT BENEFITS (OPEB)

On April 7, 2008, the City adopted a post employment health insurance policy to make available post-retirement health insurance benefits to qualifying individuals. This policy allows qualifying retired employees and their surviving spouse to continue health insurance coverage under a plan designated by the State Employees Insurance Board (SEIB). The criteria to determine eligibility include the following:

- The employee must be full-time, including all elected officials, and retire subsequent to the date of the Ordinance and receive a monthly retirement check;
- The employee is required to have 25 years of creditable service, regardless of age, or the employee must have 10 years of service and be at least 60 years old or determined to be disabled by the Social Security Administration or the Retirement System of Alabama;
- The employee must enroll on the date he or she first becomes eligible for retiree health benefits. If coverage is declined, enrollment will not be allowed after the retirement date.
- Employees enrolling in the Local Government Health Insurance Program (LGHIP) under the SEIB on or after January 1, 2005, must have been enrolled in the health plan for 10 years prior to the date of retirement.
- A retiring elected official who is not eligible to receive the same pension benefits from the City due to local, state or federal law as full-time employees may be eligible to elect to continue coverage if the retired official has at least 25 years of service with the City, regardless of age, and has enrolled in the LGHIP for at least 10 years prior to the date of retirement. Before the SEIB will consider coverage for such a retired elected official, the City must submit an elected official retiree enrollment form (Form LG10) which will include reference to the local, state, or federal law that prohibits pension benefits and certify that no local, state, or federal law will be violated by continuing the retired elected official's health insurance coverage.

Eligible individuals will be allowed to subscribe to health insurance through the City for either the employee only or for the employee and family. The City assumes responsibility for the premium up to a limited amount.

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

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

Plan Description

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

Contribution Rates

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

Fund Policy

Prior to fiscal year 2010, the City of Calera recognized the cost of providing post-employment medical benefits 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 2010, the City of Calera's portion of health care funding cost for retired employees totaled \$56,563.

Effective with the Fiscal Year beginning October 1, 2009, the City of Calera implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45).

Annual Required Contribution

The City of Calera's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the 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, 2009 is \$360,780, as set forth below:

	Medical
Normal cost	\$ 199,796
30-year UAL amortization amount	<u>160,984</u>
Annual required contribution (ARC)	<u><u>\$ 360,780</u></u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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

Net Post-employment Benefit Obligation

The table below shows the City of Calera's Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending September 30, 2010:

	Medical
Beginning Net OPEB Obligation 10/1/2009	\$ -
Annual required contribution	360,780
Interest on Net OPEB Obligation	-
ARC Adjustment	-
OPEB Cost	<u>360,780</u>
Contribution	-
Current year retiree premium	<u>(56,563)</u>
Change in Net OPEB Obligation	<u>304,217</u>
Ending Net OPEB Obligation 9/30/2010	<u>\$ 304,217</u>

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

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
Medical	September 30, 2010	\$360,780	15.68%	\$304,217

Funded Status and Funding Progress

In the fiscal year ending September 30, 2010, the City of Calera 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, 2009, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$2,783,761, which is defined as that portion, as determined by a particular actuarial cost method (the City of Calera uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2010, the entire actuarial accrued liability of \$2,783,761 was unfunded.

	Medical
Actuarial Accrued Liability (AAL)	\$ 2,783,761
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	<u>2,783,761</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	6,738,678
UAAL as a percentage of covered payroll	41.30%

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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

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

Actuarial Methods and Assumptions

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

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

Actuarial Cost Method

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

Actuarial Value of Plan Assets

Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45, will be used.

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 16%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	25.0%
26 - 40	16.0%
41 - 54	14.0%
55+	8.0%

Post employment Benefit Plan Eligibility Requirements

It is assumed that entitlement to benefits will commence upon the actual retirement, which in turn has been assumed to be a six year delay after the earliest eligibility as set forth in the foregoing section entitled "Plan Description". Medial benefits are provided to employees upon actual retirement. The earliest retirement eligibility provisions as follows: 25 years of service at any age; or, age 60 and 10 years of service. Entitlement to benefits continue through Medicare to death.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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

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 expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

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 for 80% and the retiree 20% of the "local government rates" as set forth in the schedule effective October 1, 2007, provided by the administrative staff. These rates were "unblended" as required by GASB for the OPEB valuation.

NOTE J - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund payables and receivables at September 30, 2010, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 30,980	\$ -
Natural Gas System	-	30,980
	<u>\$ 30,980</u>	<u>\$ 30,980</u>

Interfund payables and receivables resulted from loans made to cover operating cash deficits.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

NOTE J - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - CONTINUED

Interfund transfers during the year ended September 30, 2010, were as follows:

Transfers Out	General Fund	Debt Service Fund	Transfers In			Total
			Natural Gas System	Sewer System	Other Proprietary Fund	
General Fund	\$ -	\$ 1,793,868	\$ -	\$ 340,324	\$ 215,700	\$ 2,349,892
Capital Projects Fund	243,748	-	148,539	8,620	-	400,907
Other Governmental Funds	359,837	-	-	-	-	359,837
Natural Gas System	1,204,531	-	-	-	-	1,204,531
<b>Total</b>	<b>\$ 1,808,116</b>	<b>\$ 1,793,868</b>	<b>\$ 148,539</b>	<b>\$ 348,944</b>	<b>\$ 215,700</b>	<b>\$ 4,315,167</b>

Transfers from the General Fund to the Debt Service Fund resulted from the accumulation of resources for future principal and interest payments on general long term debt. Transfers from the Capital Projects Fund to the General Fund and proprietary funds resulted from payments for the construction of assets. Transfers from the General Fund to proprietary funds, transfers from the other governmental funds to the General Fund, and transfers from the Natural Gas System to the General Fund are made to cover cash flow needs and are in accordance with the normal course of the City's operations.

NOTE K- RELATED PARTY TRANSACTIONS

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

The Board issued a note receivable to the City of Calera dated November 18, 2008, totaling \$680,486. Interest accrues at a rate of 1.5%. The note indicates further terms will be agreed upon by the City and the Board. At September 30, 2010, the outstanding balance was \$226,358.

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

At September 30, 2010, the Board owed the City of Calera \$142,454 resulting from expenses paid for the Board by the City.

NOTE L - COMMITMENTS

The City had contractual commitments at September 30, 2010, of approximately \$192,122 for construction of various roadway projects.

The Water Works Board of the City of Calera, Alabama (a component unit of the City of Calera) had contractual commitments at September 30, 2010, of approximately \$41,953 for construction on a water main project.

The Natural Gas System has a contract with Atmos Energy Marketing, LLC requiring the Natural Gas System to purchase 100% of its natural gas requirements from Atmos. Fixed volumes which vary monthly as specified by the agreement will be purchased at specified costs ranging from \$4.57/MMBtu to \$5.33/MMBtu through April 1, 2011. Amounts purchased which exceed fixed volumes specified by the agreement will be purchased at a cost equal to the NYMEX close plus \$.03.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2010

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NOTE L – COMMITMENTS- CONTINUED

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

The Natural Gas System has a contract with Atmos Energy Marketing, LLC covering the management of the transportation and storage of natural gas. At various times throughout the year the Natural Gas System holds title to natural gas held in storage, however, the Natural Gas System is not charged for this gas until it is extracted from storage.

NOTE M - CONTINGENCIES

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

NOTE N - RISK MANAGEMENT

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

NOTE O - MAJOR CUSTOMERS

Approximately 60% of the City's business license revenue was generated by one business. Approximately 40% of the revenues of the natural gas system was generated by two industrial customers.

NOTE P - PRIOR PERIOD ADJUSTMENT

The following adjustment was made to net assets reported by governmental activities as of October 1, 2009 related to the reduction of infrastructure assets for expenditures made for work performed on state highways, which were previously capitalized. The previously reported beginning net assets of governmental activities of \$22,256,068 were reduced by \$1,573,465.

An adjustment was made to fund balance reported by the general fund as of October 1, 2009 related to the discovery and payment of an invoice for a construction project which was completed and placed in service in the prior fiscal year. The previously reported beginning fund balance of the general fund of \$6,874,501 was reduced by \$139,684.

Adjustments were made to fund balances reported by governmental funds as of October 1, 2009 in order to reclassify the beginning fund balances of the capital projects fund and debt service fund, which were previously reported in the general fund. The previously reported beginning fund balance of the general fund of \$6,874,501 was reduced by \$6,774,770. The previously reported beginning fund balances of the capital projects fund and debt service fund of \$0 were increased by \$6,467,987 and \$306,783, respectively. This adjustment had no effect on the beginning fund balance reported in the total governmental funds.

City of Calera, Alabama  
 Required Supplementary Information  
 Schedule of Funding Progress  
 For the Year Ended September 30, 2010

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( b-a/ c )
9/30/2004	4,550,542	6,030,963	1,480,421	75.5%	4,433,460	33.4%
9/30/2005	5,364,394	7,191,039	1,826,645	74.6%	5,265,682	34.7%
9/30/2006	6,282,539	8,945,996	2,663,457	70.2%	5,961,601	44.7%
9/30/2007	7,427,642	10,369,828	2,942,186	71.6%	6,527,054	45.1%
9/30/2008	8,425,720	11,885,723	3,460,003	70.9%	7,209,909	48.0%
9/30/2009	9,205,229	13,358,666	4,153,437	68.9%	6,932,170	59.9%

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

City of Calera Other Post Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ( b-a/ c )
10/1/2009	-	2,783,761	2,783,761	0.0%	6,738,678	41.3%

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

City of Calera, Alabama  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Operating Revenues:</b>				
Taxes:				
Sales	\$ 6,644,680	\$ 6,644,680	\$ 5,858,071	\$ (786,609)
Property	1,560,000	1,560,000	1,666,551	106,551
Motor Vehicle / Gas	67,000	67,000	74,666	7,666
Other	129,300	129,300	90,950	(38,350)
Licenses and Permits	1,688,000	1,688,000	1,652,985	(35,015)
Charges for Services	119,100	154,100	143,471	(10,629)
Interest	6,000	6,000	15,564	9,564
Other	45,000	45,000	487,710	442,710
<b>Total Revenues</b>	<b>10,259,080</b>	<b>10,294,080</b>	<b>9,989,968</b>	<b>(304,112)</b>
<b>Expenditures:</b>				
Current:				
General Administration	1,163,887	1,211,687	789,192	(422,495)
Street	983,907	1,033,627	521,379	(512,248)
Mechanic	167,426	167,881	156,306	(11,575)
Planning and zoning	158,598	161,623	146,557	(15,066)
Engineering	475,016	467,711	425,203	(42,508)
Inspections	389,464	391,109	240,326	(150,783)
Building maintenance	245,560	267,285	251,701	(15,584)
Police	2,330,423	2,409,811	2,364,733	(45,078)
Fire and rescue	2,158,765	2,128,727	2,163,162	34,435
Library	319,600	319,600	261,592	(58,008)
Parks and recreation	729,906	742,981	668,973	(74,008)
Senior center	73,958	74,548	71,541	(3,007)
Donations	2,460	2,460	6,128	3,668
Debt Service:				
Principal	66,000	66,000	95,700	29,700
Interest and fiscal charges	28,114	28,114	28,114	-
Capital Outlay	-	13,330	386,432	373,102
<b>Total Expenditures</b>	<b>9,293,084</b>	<b>9,486,494</b>	<b>8,577,039</b>	<b>(909,455)</b>
Excess (Deficiency) of Revenues over Expenditures	965,996	807,586	1,412,929	605,343
<b>Other Financing Sources (Uses):</b>				
Proceeds from capital lease	353,125	353,125	353,125	-
Proceeds from sale of capital assets	-	-	16,210	16,210
Transfers (to)/from Capital Projects Fund	-	-	243,748	243,748
Transfers (to)/from Debt Service Fund	-	-	(1,793,868)	(1,793,868)
Transfers (to)/from Other Governmental Funds	132,712	132,712	359,837	227,125
Transfers (to)/from Natural Gas System	-	-	1,204,531	1,204,531
Transfers (to)/from Sewer System	-	-	(340,324)	(340,324)
Transfers (to)/from Other Proprietary Funds	-	-	(215,700)	(215,700)
<b>Total Other Financing Sources (Uses)</b>	<b>485,837</b>	<b>485,837</b>	<b>(172,441)</b>	<b>(658,278)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,451,833</b>	<b>\$ 1,293,423</b>	<b>\$ 1,240,488</b>	<b>\$ (52,935)</b>

