

CITY OF CALERA, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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, 2008, 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, 2008, 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.

The management's discussion and analysis and budgetary comparison information on pages 2 through 8, and on page 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Moses, Phillips, Young, Brannon, and Henninger LLP

Birmingham, Alabama
August 5, 2009

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 \$1,301,348.
- The total cost of all the City's programs was \$18,717,771.
- During the year, the City had expenses of \$11,448,878 for governmental activities, which were \$564,604 more than the \$10,884,274 generated from general and program revenues and from transfers from business-type activities.
- The City's combined assets exceeded its combined liabilities by \$33,331,691, 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 these 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.

These two statements 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 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 help cover costs of these services.
- **Component Units** – The City includes one separate legal entity in its report – the Calera Water Works Board. 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 money. 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 \$1,301,348 from 2007 to 2008. The governmental activities net assets decreased approximately 2%. This decrease in governmental activities resulted primarily from an increase in expenditures in the current year, with a decrease in sales tax and licenses and permits. The decrease in business type activities net assets resulted primarily from an increase in expenditures from the prior year, in addition to an increase in cost of sales related to increases in natural gas prices.

GOVERNMENT-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Assets:

Statement of Net Assets

	Governmental		Business-type		Totals	
	Activities		Activities			
	For the year ended		For the year ended		For the year ended	
	September 30,		September 30,		September 30,	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 2,402,121	\$ 11,231,101	\$ 16,342,708	\$ 2,279,470	\$ 18,744,829	\$ 13,510,571
Capital assets	31,270,893	31,108,621	31,151,676	22,614,850	62,422,569	53,723,471
Total assets	<u>33,673,014</u>	<u>42,339,722</u>	<u>47,494,384</u>	<u>24,894,320</u>	<u>81,167,398</u>	<u>67,234,042</u>
Other liabilities	1,495,775	3,593,310	1,811,175	788,527	3,306,950	4,381,837
Long-term liabilities	10,441,203	17,433,832	28,133,311	12,086,682	38,574,514	29,520,514
Total liabilities	<u>11,936,978</u>	<u>21,027,142</u>	<u>29,944,486</u>	<u>12,875,209</u>	<u>41,881,464</u>	<u>33,902,351</u>
Net assets:						
Invested in capital assets,						
net of related debt	21,995,596	14,614,294	13,771,439	10,732,051	35,767,035	25,346,345
Restricted	241,290	7,253,850	1,290,468	1,721,799	1,531,758	8,975,649
Unrestricted (deficit)	(500,850)	(555,564)	2,487,991	(434,739)	1,987,141	(990,303)
	<u>21,736,036</u>	<u>21,312,580</u>	<u>17,549,898</u>	<u>12,019,111</u>	<u>39,285,934</u>	<u>33,331,691</u>
Calera WWB reclassified as a component unit 10/01/07	-	-	(5,176,193)	-	(5,176,193)	-
Total net assets	<u>\$ 21,736,036</u>	<u>\$ 21,312,580</u>	<u>\$ 12,373,705</u>	<u>\$ 12,019,111</u>	<u>\$ 34,109,741</u>	<u>\$ 33,331,691</u>

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

The City's combined net assets decreased to \$33,331,691 from \$34,109,741, or 2.3% as a result of the decrease in net assets of the governmental activities of \$423,456 and the decrease in net assets of business-type activities of \$354,594. 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 (\$555,564), which is an increase from the prior year deficit of (\$500,850). These numbers indicate a decline in financial condition of the governmental activities.

Changes in Net Assets

The City's total revenues decreased by approximately 14.0% to \$17,416,423. For governmental activities, sales taxes account for approximately 60% of revenues. Property taxes account for approximately 12%. The majority of the remaining governmental activities revenues come from fees and charges for services.

The total cost of all programs and services decreased by \$1,768,574, or approximately 9.1%. Business-type activities decreased \$1,129,541, and the cost of governmental activities decreased by \$639,033.

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,	
	2007	2008	2007	2008	2007	2008
REVENUES						
Program revenues:						
Fees, fines, and charges for services	\$ 2,603,356	\$ 2,194,855	\$ 8,242,411	\$ 6,583,022	\$ 10,845,767	\$ 8,777,877
Operating grants and contributions	89,238	48,765	-	-	89,238	48,765
Capital grants and contributions	340,055	238,235	542,763	-	882,818	238,235
General revenues:						
Sales taxes	6,515,286	6,486,907	-	-	6,515,286	6,486,907
Property taxes	1,020,174	1,340,646	-	-	1,020,174	1,340,646
Other taxes	186,684	190,421	-	-	186,684	190,421
Gain on sale of assets	51,565	213,984	-	(3,439)	51,565	210,545
Payments from component units	-	18,086	-	-	-	18,086
Capital contributions to component units	-	-	-	(8,329)	-	(8,329)
Interest earnings	31,847	51,809	629,316	61,461	661,163	113,270
TOTAL REVENUES	10,838,205	10,783,708	9,414,490	6,632,715	20,252,695	17,416,423
EXPENSES						
General administration	1,117,282	976,334	-	-	1,117,282	976,334
Street	1,414,295	1,301,638	-	-	1,414,295	1,301,638
Mechanic	168,397	198,615	-	-	168,397	198,615
Planning and zoning	122,307	130,485	-	-	122,307	130,485
Engineering	432,998	532,133	-	-	432,998	532,133
Inspections	577,165	448,055	-	-	577,165	448,055
Buiding maintenance	357,335	362,727	-	-	357,335	362,727
Police	2,483,009	2,573,976	-	-	2,483,009	2,573,976
Fire and rescue	2,387,498	2,475,809	-	-	2,387,498	2,475,809
Library	388,564	421,913	-	-	388,564	421,913
Garbage	429,892	-	-	-	429,892	-
Parks and recreation	793,439	869,426	-	-	793,439	869,426
Senior Center	-	92,136	-	-	-	92,136
Donations	739,250	189,450	-	-	739,250	189,450
Municipal Court	208,133	264,425	-	-	208,133	264,425
Salem Cemetery	8,407	8,126	-	-	8,407	8,126
Interest on long-term debt	459,940	603,630	-	-	459,940	603,630
Natural Gas System	-	-	2,893,336	3,860,832	2,893,336	3,860,832
Water Works Board	-	-	2,744,597	-	2,744,597	-
Sewer System	-	-	2,760,501	2,767,456	2,760,501	2,767,456
Garbage	-	-	-	640,605	-	640,605
TOTAL EXPENSES	12,087,911	11,448,878	8,398,434	7,268,893	20,486,345	18,717,771
Excess (deficiency) before transfers	(1,249,706)	(665,170)	1,016,056	(636,178)	(233,650)	(1,301,348)
Transfers	211,095	181,814	(211,095)	(181,814)	-	-
Capital Contributions	-	(81,248)	-	81,248	-	-
Change in net assets	(1,038,611)	(564,604)	804,961	(736,744)	(233,650)	(1,301,348)
Beginning net assets	22,774,647	21,736,036	16,744,937	12,373,705	39,519,584	34,109,741
Prior period adjustment	-	141,148	-	382,150	-	523,298
	21,736,036	21,312,580	17,549,898	12,019,111	39,285,934	33,331,691
Calera WWB reclassified as a component unit 10/01/07	-	-	(5,176,193)	-	(5,176,193)	-
Ending net assets	\$ 21,736,036	\$ 21,312,580	\$ 12,373,705	\$ 12,019,111	\$ 34,109,741	\$ 33,331,691

Governmental Activities

The decrease in net assets of governmental activities was \$564,604, resulting primarily from a decrease in revenues from the Municipal related to the weak economy.

Business-type Activities

The decrease in net assets of business-type activities of \$736,744 resulted from an increase in operating expenses, in addition to an increase in cost of sales related to natural gas prices.

THE CITY'S FUNDS

Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$7,297,484 which is \$6,591,722 more than the beginning of the year. The General Fund experienced a net increase of \$6,755,889, resulting primarily from proceeds from the issuance of warrants.

Business-type Funds

As of the year-end, the Business-type Funds reported net assets of \$12,019,111, which is approximately 2.9% less than the beginning of the year. The Proprietary Funds experienced a net decrease of \$736,744 resulting primarily from an increase in operating expenses in the current year, in addition to an increase in cost of sales related to natural gas prices.

General Fund Budgetary Highlights

General Fund revenues were under budget by (\$438,714). The City had lower than anticipated sales tax and license revenue due to the weak economy and a decline in consumer spending. The budget is based on prior year actual revenues and did not reflect the decline in the economy.

General Fund expenditures were more than budgeted amounts by \$1,284,953 largely due to additional expenses approved by the City Council after the issuance of warrants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the City had \$53,723,471 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 increase (including additions and deductions) of \$1,584,554, or approximately 3.03% over last year. The City purchased various capital assets including vehicles and equipment. These additions were offset by retirements of assets no longer in service and by depreciation expense.

Capital Assets

Commitments

The Gas System has a contract with Atmos Energy Marketing, LLC requiring the Gas System to purchase 100% of the natural gas requirements of the Gas System from Atmos at a cost of \$.035/MMbtu.

Debt

At September 30, 2008, the City had \$29,104,266 in warrants, notes payable, and capital leases outstanding versus \$21,609,472 at September 30, 2007, an increase of 34%. This increase results primarily from issuance of warrants offset by payment of debt.

The City's warrants payable carry an insured rating of AAA from Standard & Poor's. All of the City's other debt, capital leases, are not rated. Other obligations of the City include accrued vacation pay.

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2007	2008	2007	2008	2007	2008
Notes Payable	\$ 385,297	\$ -	\$ 489,477	\$ 234,851	\$ 874,774	\$ 234,851
General Obligation Warrants	7,879,274	16,490,635	4,137,589	4,139,945	12,016,863	20,630,580
Limited Obligation Warrants	559,417	548,143	-	-	559,417	548,143
Revenue Bonds	-	-	7,800,000	7,687,000	7,800,000	7,687,000
Capital Leases	358,418	3,692	-	-	358,418	3,692
Totals	<u>\$ 9,182,406</u>	<u>\$ 17,042,470</u>	<u>\$ 12,427,066</u>	<u>\$ 12,061,796</u>	<u>\$ 21,609,472</u>	<u>\$ 29,104,266</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, City Clerk, City Finance Director, and City Council considered many factors when setting the budget for the fiscal year ended September 30, 2009. 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 a weak economy.

These indicators were taken into account when adopting the General Fund budget for fiscal year ended September 30, 2009. Amounts available for expenditure in the General Fund budget are \$10,201,390. The City expects a decrease in sales tax revenue related to the weak economy and no significant change in property taxes. The City also took into a decrease in number of personnel and its effect on the City when budgeting expenditures.

If these estimates are realized, the City's budgetary fund balance is expected to increase slightly by the close of fiscal year 2009.

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, P.O. Box 130, Calera, Alabama 35073.

City of Calera, Alabama
Statement of Net Assets
September 30, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Board
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,270,688
Accounts receivable, net	2,164,465	627,689	2,792,154	465,702
Due (to) from other funds	366,296	(366,296)	-	-
Inventory	-	107,132	107,132	172,719
Restricted assets:				
Cash	7,112,819	2,228,049	9,340,868	1,343,218
Investments	250,547	-	250,547	-
Due (to) from other funds	495,073	(495,073)	-	-
Accounts receivable - court	318,170	-	318,170	-
Accrued interest receivable	1,900	1,100	3,000	1,900
Nondepreciable capital assets	17,000,513	689,290	17,689,803	211,671
Depreciable capital assets, net	14,108,108	21,925,560	36,033,668	18,217,745
Warrant issue costs, net	521,831	176,869	698,700	306,306
Total Assets	\$ 42,339,722	\$ 24,894,320	\$ 67,234,042	\$ 21,989,949
Liabilities				
Accounts payable	\$ 743,935	\$ 437,857	\$ 1,181,792	\$ 460,080
Deferred revenue	1,703,356	-	1,703,356	-
Accrued liabilities	221,360	64,811	286,171	44,980
Accrued interest payable	-	-	-	7,055
Payable from restricted assets:				
Accounts payable	16,919	-	16,919	-
Accrued expenses	3,800	-	3,800	-
Deposits	722,416	51,411	773,827	63,415
Accrued interest payable	181,524	234,448	415,972	109,573
Noncurrent liabilities				
Due within one year	732,244	272,088	1,004,332	1,290,621
Due within one year - payable from restricted assets				
Due in more than one year	16,701,588	11,814,594	28,516,182	14,923,997
Total Liabilities	21,027,142	12,875,209	33,902,351	16,899,721
Net Assets				
Invested in capital assets, net of related debt	14,614,294	10,732,051	25,346,345	2,227,644
Restricted for:				
Street improvements	31,372	-	31,372	-
Municipal court	335,672	-	335,672	-
Cemetery	250,547	-	250,547	-
Police	65	-	65	-
Capital projects	423,169	1,560,966	1,984,135	-
Debt service	6,213,025	160,833	6,373,858	919,782
Unrestricted	(555,564)	(434,739)	(990,303)	1,942,802
Total Net Assets	21,312,580	12,019,111	33,331,691	5,090,228
Total Liabilities and Net Assets	\$ 42,339,722	\$ 24,894,320	\$ 67,234,042	\$ 21,989,949

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

City of Calera, Alabama
Statement of Activities
For the Year Ended September 30, 2008

Program Activities:	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit		
	Expenses	Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities		Total	Water Board
Governmental Activities:									
General Administration	\$ 976,334	\$ 1,486,186	\$ -	\$ 178,729	\$ 688,581	\$ -	\$ 688,581	\$ -	
Street	1,301,638	-	18,359	-	(1,283,279)	-	(1,283,279)	-	
Mechanic	198,615	32,410	-	-	(166,205)	-	(166,205)	-	
Planning and zoning	130,485	1,610	-	-	(128,875)	-	(128,875)	-	
Engineering	532,133	-	-	-	(532,133)	-	(532,133)	-	
Inspections	448,055	180,725	-	-	(267,330)	-	(267,330)	-	
Building maintenance	362,727	-	-	-	(362,727)	-	(362,727)	-	
Police	2,573,976	6,021	1,000	-	(2,566,955)	-	(2,566,955)	-	
Fire and rescue	2,475,809	26,200	12,481	59,500	(2,377,628)	-	(2,377,628)	-	
Library	421,913	3,646	13,925	-	(404,342)	-	(404,342)	-	
Parks and Recreation	869,426	-	1,000	-	(868,426)	-	(868,426)	-	
Senior Center	92,136	-	2,000	-	(90,136)	-	(90,136)	-	
Donations	189,450	-	-	-	(189,450)	-	(189,450)	-	
Municipal Court	264,425	449,124	-	-	184,699	-	184,699	-	
Salem Cemetery	8,126	8,933	-	6	813	-	813	-	
Interest on long-term debt	603,630	-	-	-	(603,630)	-	(603,630)	-	
Total Governmental Activities	11,448,878	2,194,855	48,765	238,235	(8,967,023)	-	(8,967,023)	-	
Business-type Activities:									
Natural Gas System	3,860,832	4,111,635	-	-	-	250,803	250,803	-	
Sewer System	2,767,456	1,867,728	-	-	-	(899,728)	(899,728)	-	
Garbage Fund	640,605	603,659	-	-	-	(36,946)	(36,946)	-	
Total Business-type Activities	7,268,893	6,583,022	-	-	-	(685,871)	(685,871)	-	
Total Primary Government	\$ 18,717,771	\$ 8,777,877	\$ 48,765	\$ 238,235	(8,967,023)	(685,871)	(9,652,894)	-	
Component Units:									
Calera Water Works Board	3,041,277	2,753,641	-	-	-	-	-	(287,636)	
Total Component Units	\$ 3,041,277	\$ 2,753,641	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (287,636)	
General Revenues:									
Taxes:									
Sales					6,486,907		6,486,907		
Property					1,340,646		1,340,646		
Other					190,421		190,421		
Interest earnings					51,809	61,461	113,270	39,558	
Gain (loss) on disposal of capital assets					213,984	(3,439)	210,545	(472)	
Transfers					181,814	(181,814)	-	-	
Capital contributions					(81,248)	81,248	-	-	
Capital contributions to (from) component units					-	(8,329)	(8,329)	8,329	
Payments (to) from primary government					18,086	-	18,086	(18,086)	
Total general revenues and transfers					8,402,419	(50,873)	8,351,546	29,329	
Change in net assets					(564,604)	(736,744)	(1,301,348)	(258,307)	
Net assets - beginning					21,736,036	12,373,705	34,109,741	5,176,193	
Prior period adjustments					141,148	382,150	523,298	172,342	
Net assets - ending					\$ 21,312,580	\$ 12,019,111	\$ 33,331,691	\$ 5,090,228	

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

**City of Calera, Alabama
Balance Sheet
Governmental Funds
September 30, 2008**

	General Fund	Other Governmental Funds	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	2,164,465	-	2,164,465
Due from other funds	366,296	-	366,296
Restricted assets:			
Cash	6,960,987	151,832	7,112,819
Due from other funds	495,073	-	495,073
Investments	-	250,547	250,547
Accounts receivable	-	318,170	318,170
Accrued interest receivable	1,900	-	1,900
Total Assets	\$ 9,988,721	\$ 720,549	\$ 10,709,270
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 743,935	\$ -	\$ 743,935
Deferred revenue	1,703,356	-	1,703,356
Accrued liabilities	221,360	-	221,360
Payable from restricted assets:			
Accounts payable	-	16,919	16,919
Accrued expenses	-	3,800	3,800
Deposits	640,177	82,239	722,416
Total Liabilities	3,308,828	102,958	3,411,786
Fund Balances:			
Unreserved, reported in:			
General Fund	6,679,893	-	6,679,893
Special Revenue Funds	-	617,591	617,591
Total Fund Balances	6,679,893	617,591	7,297,484
 Total Liabilities and Fund Balances	 \$ 9,988,721	 \$ 720,549	 \$ 10,709,270

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, 2008

Fund Balances - Total Governmental Funds \$ 7,297,484

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

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

Governmental capital assets	38,503,753	
Less: accumulated depreciation	<u>(7,395,132)</u>	31,108,621

Interest payable used in the governmental activities are not payable from current resources and, therefore, are not reported in the governmental funds. (181,524)

Warrant issue costs in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 521,831

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	(16,490,635)	
Limited Obligation Warrants	(548,143)	
Capital leases	(3,692)	
Compensated absences	<u>(391,362)</u>	<u>(17,433,832)</u>

Net Assets of Governmental Activities \$ 21,312,580

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, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Operating Revenues:			
Taxes:			
Sales	\$ 6,486,907	\$ -	\$ 6,486,907
Property	1,340,646	-	1,340,646
Motor Vehicle / Gas	68,564	18,359	86,923
Other	121,857	-	121,857
Licenses and Permits	1,532,471	-	1,532,471
Fines and Forfeitures	-	448,921	448,921
Charges for Services	207,951	-	207,951
Interest	33,783	18,026	51,809
Other	836,207	209	836,416
	<u>10,628,386</u>	<u>485,515</u>	<u>11,113,901</u>
Total Revenues			
Expenditures:			
Current:			
General Administration	1,274,176	-	1,274,176
Street	972,016	-	972,016
Mechanic	183,067	-	183,067
Planning and zoning	127,266	-	127,266
Engineering	454,490	-	454,490
Inspections	440,282	-	440,282
Building maintenance	354,343	-	354,343
Police	2,445,190	-	2,445,190
Fire and rescue	2,245,588	-	2,245,588
Library	325,720	-	325,720
Parks and Recreation	794,743	-	794,743
Senior Center	74,167	-	74,167
Donations	189,450	-	189,450
Municipal court	-	262,958	262,958
Salem cemetery	-	8,126	8,126
Debt Service:			
Principal	1,106,297	-	1,106,297
Interest	503,556	-	503,556
Investment fees	4,912	-	4,912
Capital Outlay	1,683,782	-	1,683,782
	<u>13,179,045</u>	<u>271,084</u>	<u>13,450,129</u>
Total Expenditures			
Excess of Revenues over Expenditures	<u>(2,550,659)</u>	<u>214,431</u>	<u>(2,336,228)</u>

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, 2008

	General	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):			
Proceeds from debt	8,970,000	-	8,970,000
Transfers (to)/from General Fund	136,648	(136,648)	-
Transfers from Natural Gas System	163,728	-	163,728
Transfers from Sewer System	18,086	-	18,086
Payments from Calera Water Work	18,086	-	18,086
Total Other Financing Sources (Uses)	9,306,548	(136,648)	9,169,900
Net Change in Fund Balances	6,755,889	77,783	6,833,672
Fund Balances, Beginning	546,718	159,044	705,762
Prior Period Adjustment	(622,714)	380,764	(241,950)
Fund Balances, Ending	\$ 6,679,893	\$ 617,591	\$ 7,297,484

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, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 6,833,672

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	1,683,782	
Less current year depreciation	<u>(1,104,394)</u>	579,388

Transfers of capital assets between governmental funds and proprietary funds do not provide current financial resources and are not reported as transfers in the funds.

Capital asset transfers from Sewer System		13,531
Capital asset transfers to Gas System		<u>(94,779)</u>

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.

4,500

The proceeds from the sale of capital assets (\$566,765) are reported as revenue (other revenue) in the governmental funds. However, the net book value of the capital assets (\$352,781) is removed from the capital assets account in the Statement of Net Assets and offset against the sales proceeds resulting in a gain in the Statement of Activities of \$213,984.

(352,781)

Debt proceeds are reported as financing sources in governmental funds. However, the debt proceeds increase liabilities in the Statement of Net Assets and do not affect the Statement of Activities.

(8,970,000)

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.

1,106,297

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

Issue costs		446,560
Discounts		<u>(53,827)</u>

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

Net decrease in compensated absences		2,561
Change in accrued interest expense		<u>(79,726)</u>

Change in Net Assets of Governmental Funds \$ (564,604)

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

City of Calera, Alabama
Statement of Proprietary Fund Net Assets
September 30, 2008

	Natural Gas System	Sewer System	Other Proprietary Funds	Total Proprietary Funds
Assets				
Current:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	364,719	194,674	68,296	627,689
Accrued interest receivable	-	1,100	-	1,100
Inventory - parts	87,600	19,532	-	107,132
Unamortized bond issue cost, current portion	-	8,079	-	8,079
Restricted assets:				
Cash and cash equivalents	51,411	-	-	51,411
Total Current Assets	<u>503,730</u>	<u>223,385</u>	<u>68,296</u>	<u>795,411</u>
Noncurrent:				
Restricted assets:				
Cash and cash equivalents	-	2,176,638	-	2,176,638
Non-Depreciable assets	90,260	599,030	-	689,290
Depreciable capital assets, net	2,912,356	18,503,940	509,264	21,925,560
Unamortized bond issue cost, net of current portion	-	168,790	-	168,790
Total Noncurrent Assets	<u>3,002,616</u>	<u>21,448,398</u>	<u>509,264</u>	<u>24,960,278</u>
Total Assets	<u>\$ 3,506,346</u>	<u>\$ 21,671,783</u>	<u>\$ 577,560</u>	<u>\$ 25,755,689</u>
Liabilities				
Current:				
Accounts payable	\$ 207,266	\$ 206,142	\$ 24,449	\$ 437,857
Accrued expenses	37,711	19,000	8,100	64,811
Due to General Fund	34,048	510,339	316,982	861,369
Current portion of long-term debt	120,000	25,000	-	145,000
Current portion of compensated absences	2,102	7,517	2,825	12,444
Payable from restricted assets:				
Customer deposits	51,411	-	-	51,411
Accrued interest payable	-	234,448	-	234,448
Current portion of long-term debt	-	114,644	-	114,644
Total Current Liabilities	<u>452,538</u>	<u>1,117,090</u>	<u>352,356</u>	<u>1,921,984</u>
Noncurrent:				
Compensated absences, net of current portion	2,101	7,517	2,824	12,442
Long-term debt, net of current portion	58,996	11,743,156	-	11,802,152
Total Noncurrent Liabilities	<u>61,097</u>	<u>11,750,673</u>	<u>2,824</u>	<u>11,814,594</u>
Total Liabilities	<u>513,635</u>	<u>12,867,763</u>	<u>355,180</u>	<u>13,736,578</u>
Net Assets				
Invested in capital, net of related debt	3,002,616	7,220,171	509,264	10,732,051
Unrestricted	(9,905)	(137,950)	(286,884)	(434,739)
Restricted for debt service (expendable)	-	160,833	-	160,833
Restricted for capital projects (expendable)	-	1,560,966	-	1,560,966
Total Net Assets	<u>2,992,711</u>	<u>8,804,020</u>	<u>222,380</u>	<u>12,019,111</u>
Total Liabilities and Net Assets	<u>\$ 3,506,346</u>	<u>\$ 21,671,783</u>	<u>\$ 577,560</u>	<u>\$ 25,755,689</u>

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, 2008

	Natural Gas System	Sewer System	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues				
Utility receipts	\$ 4,089,142	\$ 1,144,578	\$ 603,659	\$ 5,837,379
Fees	8,825	557,150	-	565,975
Grant proceeds	-	1,000	-	1,000
Miscellaneous revenue	13,668	165,000	-	178,668
Total Operating Revenues	4,111,635	1,867,728	603,659	6,583,022
Operating Expenses				
Gas purchases	2,768,090	-	-	2,768,090
Personnel services	709,997	811,290	353,314	1,874,601
Supplies expense	74,783	314,071	51,784	440,638
Repairs and maintenance	40,461	65,310	21,419	127,190
Depreciation	125,034	548,732	91,611	765,377
Administrative expenses	86,114	455,177	21,919	563,210
Outside services	53,446	42,402	95,026	190,874
Total Operating Expenses	3,857,925	2,236,982	635,073	6,729,980
Operating Income	253,710	(369,254)	(31,414)	(146,958)
Non Operating Revenues (Expenses)				
Interest income	-	61,461	-	61,461
Interest expense	(2,907)	(510,777)	(5,532)	(519,216)
Amortization expense	-	(10,386)	-	(10,386)
Trustee fees	-	(9,311)	-	(9,311)
Gain (loss) on sale of capital assets	221	(3,660)	-	(3,439)
Total Non Operating Revenues (Expenses)	(2,686)	(472,673)	(5,532)	(480,891)
Income (Loss) Before Capital Contributions and Interfund Operating Transfers In (Out)	251,024	(841,927)	(36,946)	(627,849)
Capital Contributions	94,779	(21,860)	-	72,919
Interfund Transfers (Out)	(163,728)	(18,086)	-	(181,814)
Change in Net Assets	182,075	(881,873)	(36,946)	(736,744)
Net Assets, Beginning of Year	2,708,396	9,665,309	-	12,373,705
Prior Period Adjustment (See Note M)	102,240	20,584	259,326	382,150
Net Assets, End of Year	\$ 2,992,711	\$ 8,804,020	\$ 222,380	\$ 12,019,111

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, 2008

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,005,741	\$ 1,828,028	\$ 596,198	\$ 6,429,967
Cash paid to employees	(681,039)	(815,072)	(347,441)	(1,843,552)
Cash paid to suppliers for goods and services	(2,978,435)	(897,073)	(187,368)	(4,062,876)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>346,267</u>	<u>115,883</u>	<u>61,389</u>	<u>523,539</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to other funds	34,048	510,339	316,982	861,369
Transfers (to) from other funds	(163,728)	(18,086)	-	(181,814)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(129,680)</u>	<u>492,253</u>	<u>316,982</u>	<u>679,555</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of property, plant, and equipment	(97,498)	(1,618,621)	(338,563)	(2,054,682)
Proceeds from sale of capital assets	1,440	-	-	1,440
Principal payments on debt	(120,000)	(139,178)	(108,448)	(367,626)
Interest payments on debt	(2,907)	(509,770)	(5,532)	(518,209)
Trustee fees	-	(9,311)	-	(9,311)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(218,965)</u>	<u>(2,276,880)</u>	<u>(452,543)</u>	<u>(2,948,388)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on cash and investments	-	68,161	-	68,161
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>-</u>	<u>68,161</u>	<u>-</u>	<u>68,161</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,378)</u>	<u>(1,600,583)</u>	<u>(74,172)</u>	<u>(1,677,133)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>53,789</u>	<u>3,777,221</u>	<u>74,172</u>	<u>3,905,182</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 51,411</u>	<u>\$ 2,176,638</u>	<u>\$ -</u>	<u>\$ 2,228,049</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 253,710	\$ (369,254)	\$ (31,415)	\$ (146,959)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	125,034	548,732	91,611	765,377
Bad debt expense	19,029	4,379	4,271	27,679
(Increase) decrease in:				
Accounts receivable	(128,368)	(44,079)	(11,732)	(184,179)
Inventory	(4,240)	(10,262)	-	(14,502)
Increase (decrease) in:				
Accounts payable	48,699	(9,851)	2,781	41,629
Customer deposits	30,749	-	-	30,749
Compensated absences	3,445	(3,982)	2,573	2,036
Accrued expenses	(1,791)	200	3,300	1,709
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 346,267</u>	<u>\$ 115,883</u>	<u>\$ 61,389</u>	<u>\$ 523,539</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, 2008

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Calera Sewer System had amortization of warrant issue costs of \$10,386 and amortization of warrant discounts of \$3,338.

Calera Sewer System transferred capital assets to the City in the amount of \$13,531.

Calera Sewer System donated capital assets to the Calera Water Works Board in the amount of \$8,329.

The City transferred capital assets to the Calera Gas System in the amount of \$94,779.

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

	Natural Gas	Sewer System	Other Proprietary Funds	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ -	\$ -	\$ -	\$ -
Restricted cash	51,411	2,176,638	-	2,228,049
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	<u>\$ 51,411</u>	<u>\$ 2,176,638</u>	<u>\$ -</u>	<u>\$ 2,228,049</u>

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

NOTES TO FINANCIAL STATEMENTS

City of Calera, Alabama

September 30, 2008

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 five 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 units:

The City of Calera Water Works Board

The City of Calera Water Works Board (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 Water Works Board of the City of Calera, Alabama.

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, 2008

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 following are the City's governmental fund types.

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.

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted or designated to expenditures for specified purposes.

Proprietary Fund Types:

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net assets, financial position, and cash flows. All assets and liabilities are included on the Statement of Net Assets. The following are the City's 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. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for gas debt.

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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

6. Restricted Assets

Restricted cash accounts in the general fund are expendable accounts designated for bond principal and interest payments. Cash in other governmental funds (special revenue) is classified as restricted because it can only be used for specified purposes. Restricted cash accounts reported in business-type activities are expendable accounts designated for bond principal and interest payments and for the purchase of supplies. None of the net assets are restricted by enabling legislation.

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 and is recorded at the lower of cost or market. 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.

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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

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.

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 in 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, 2008

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

13. Noncurrent Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, 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. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

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 not yet recognizable.

15. 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.

16. 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 trust funds 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, 2008

NOTE B – DEPOSITS AND INVESTMENTS - CONTINUED

Investments

As of September 30, 2008, the City had the following investments, which were reported in governmental activities:

		<u>Fair Value</u>	<u>Maturity</u>	<u>S & P Rating</u>
7.125% U.S. Treasury Bond	\$ 109,457	75.28%	02/15/2023	AAA
6.250% U.S. Treasury Bond	<u>35,937</u>	<u>24.72%</u>	08/15/2023	AAA
	<u>\$ 145,394</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 will minimize 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 will do business.

The Board will minimize 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 will be minimized.

Investment Rate Risk

The Board will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will 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, 2008

NOTE C – RECEIVABLES AND PAYABLES

Receivables at September 30, 2008, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Taxes:			
Sales	\$ 423,204	\$ -	\$ 423,204
Property	1,683,683	-	1,683,683
Motor vehicles/gas	35,305	-	35,305
Customers	-	650,689	650,689
Other	<u>1,065,774</u>	<u>-</u>	<u>1,065,774</u>
Gross Receivables	3,207,966	650,689	3,802,952
Less: Allowance for Uncollectibles	<u>(725,331)</u>	<u>(23,000)</u>	<u>(748,331)</u>
 Net Receivables	 <u>\$ 2,482,635</u>	 <u>\$ 627,689</u>	 <u>\$ 3,110,324</u>

Payables at September 30, 2008, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Trade payables	\$ 540,515	\$ 320,480	\$ 860,995
Capital assets payables	<u>220,339</u>	<u>117,377</u>	<u>337,716</u>
 Net Payables	 <u>\$ 760,854</u>	 <u>\$ 437,857</u>	 <u>\$ 1,198,711</u>

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2008, was as follows:

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 15,506,157	\$ 461,551	\$ -	\$ 15,967,708
Construction in progress	<u>619,062</u>	<u>515,314</u>	<u>(101,571)</u>	<u>1,032,805</u>
Total capital assets not being depreciated	<u>16,125,219</u>	<u>976,865</u>	<u>(101,571)</u>	<u>17,000,513</u>
Capital assets being depreciated				
Infrastructure	9,199,534	-	-	9,199,534
Buildings and improvements	6,594,491	497,750	(431,829)	6,660,412
Vehicles	3,184,702	101,017	(372,034)	2,913,685
Equipment	<u>2,895,234</u>	<u>227,751</u>	<u>(393,377)</u>	<u>2,729,608</u>
Total capital assets being depreciated	<u>21,873,961</u>	<u>826,518</u>	<u>(1,197,240)</u>	<u>21,503,239</u>
Less accumulated depreciation for:				
Infrastructure	2,502,061	248,538	-	2,750,599
Buildings and improvements	1,118,886	176,821	(151,302)	1,144,405
Vehicles	1,830,926	314,877	(262,301)	1,883,502
Equipment	<u>1,588,545</u>	<u>364,157</u>	<u>(336,077)</u>	<u>1,616,625</u>
Total accumulated depreciation	<u>7,040,418</u>	<u>1,104,393</u>	<u>(749,680)</u>	<u>7,395,131</u>
Total capital assets being depreciated, net	<u>14,833,543</u>	<u>(277,875)</u>	<u>(447,560)</u>	<u>14,108,108</u>
Governmental activities capital assets, net	<u>\$ 30,958,762</u>	<u>\$ 698,990</u>	<u>\$ (549,131)</u>	<u>\$ 31,108,621</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

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>
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 441,853	\$ -	\$ -	\$ 441,853
Construction in progress	<u>1,046,635</u>	<u>96,838</u>	<u>(896,036)</u>	<u>247,437</u>
Total capital assets not being depreciated	<u>1,488,488</u>	<u>96,838</u>	<u>(896,036)</u>	<u>689,290</u>
Capital assets being depreciated				
System and facilities	22,959,161	2,271,668	-	25,230,829
Buildings and improvements	103,592	9,041	-	112,633
Vehicles	640,380	648,723	(59,722)	1,229,381
Equipment	<u>878,830</u>	<u>109,807</u>	<u>(83,464)</u>	<u>905,173</u>
Total capital assets being depreciated	<u>24,581,963</u>	<u>3,039,239</u>	<u>(143,186)</u>	<u>27,478,016</u>
Less accumulated depreciation for:				
System and facilities	3,940,580	543,855	-	4,484,435
Buildings and improvements	68,409	2,241	-	70,650
Vehicles	340,047	133,938	(34,201)	439,784
Equipment	<u>541,259</u>	<u>98,572</u>	<u>(82,244)</u>	<u>557,587</u>
Total accumulated depreciation	<u>4,890,295</u>	<u>778,606</u>	<u>(116,445)</u>	<u>5,552,456</u>
Total capital assets being depreciated, net	<u>19,691,668</u>	<u>2,260,633</u>	<u>(26,741)</u>	<u>21,925,560</u>
Business-type activities capital assets, net	<u>\$ 21,180,156</u>	<u>\$ 2,357,471</u>	<u>\$ (922,777)</u>	<u>\$ 22,614,850</u>

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

Governmental Activities:	
General Administration	\$ 109,248
Street	336,622
Mechanic	15,859
Planning and zoning	4,810
Engineering	77,028
Inspections	14,099
Building maintenance	8,319
Police	112,825
Fire and rescue	231,436
Library	97,848
Parks and Recreation	76,450
Senior Center	17,533
Municipal Court	<u>2,316</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 1,104,393</u>
Business-type Activities:	
Natural Gas System	\$ 125,034
Sewer System	561,961
Other Proprietary Funds	<u>91,611</u>
Total Depreciation Expense-Business-type Activities	<u>\$ 778,606</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE E - LONG-TERM DEBT

Notes payable at September 30, 2008, are comprised of the following:

	<u>Business-type Activities</u>
Note payable to Alabama Power maturing in 2011	\$ 55,855
Note payable to Southern Natural maturing in 2010	<u>178,996</u>
 Total Notes Payable	 <u>\$ 234,851</u>

Warrants payable at September 30, 2008, are comprised of the following issues:

	<u>Governmental Activities</u>	<u>Business-type 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: original Issuer Discount, net of \$1,194)	\$ 673,806	\$ -
Series 2004 General Obligation Warrants, dated December 1, 2004, due in semi-annual installments through December 1, 2024 bearing interest of 2.00% to 4.25%. (less: unamortized discounts of \$43,410 and unamortized deferred amount on refunding of \$241,491).	5,420,099	-
Series 2005-A Sewer Revenue Bonds, dated September 23, 2005, due in annual installments through January 1, 2045, bearing interest of 4.125%.	-	4,549,000
Series 2005-B Sewer Revenue Bonds, dated September 23, 2005, due in annual installments through January 1, 2035, bearing interest rates of 4.125%.	-	3,138,000
Series 2006 General Obligation Warrants, dated November 1, 2006, due in semi-annual installments through November 1, 2032, bearing interest rates of 4.30% to 4.50%. (less: unamortized discounts of \$50,055).	-	4,139,945

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE E - LONG-TERM DEBT - CONTINUED

Series 2007 General Obligation Warrants, dated February 22, 2007, due in semi-annual installments through May 20, 2022 bearing interest rates averaging 3.81%.	1,460,000	-
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%.	548,143	-
2005 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%.	1,595,000	-
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%.	2,120,000	-
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%.	355,000	-
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 \$33,270).	<u>4,866,730</u>	<u>-</u>
Total Warrants Payable	<u>\$ 17,038,778</u>	<u>\$ 11,826,945</u>

	Balance October 1, 2007	Issues or Additions	Payments or Expenditures	Balance September 30, 2008	Due within one year
<u>Governmental Activities:</u>					
Notes Payable	\$ 385,297	\$ -	\$ 385,297	\$ -	\$ -
General Obligation Warrants, net	7,879,274	8,936,520	325,159	16,490,635	468,080
Limited Obligation Warrants	559,417	-	11,274	548,143	65,506
Capital Leases	358,418	-	354,726	3,692	2,977
Compensated Absences	<u>393,923</u>	<u>412,848</u>	<u>415,409</u>	<u>391,362</u>	<u>195,681</u>
Total Governmental Fund Types	<u>\$ 9,576,329</u>	<u>\$ 9,349,368</u>	<u>\$ 1,491,865</u>	<u>\$ 17,433,832</u>	<u>\$ 732,244</u>
<u>Business-type Activities:</u>					
General Obligation Warrants	\$ 4,137,589	\$ -	\$ (2,356)	\$ 4,139,945	\$ (2,356)
Revenue Bonds	7,800,000	-	113,000	7,687,000	117,000
Notes Payable	489,477	-	254,626	234,851	145,000
Compensated Absences	<u>28,087</u>	<u>71,760</u>	<u>74,961</u>	<u>24,886</u>	<u>12,444</u>
Total Business-type Activities	<u>\$ 12,455,153</u>	<u>\$ 71,760</u>	<u>\$ 440,231</u>	<u>\$ 12,086,682</u>	<u>\$ 272,088</u>

For governmental activities, notes payable, general obligation warrants, limited obligation warrants, capital leases, and compensated absences are liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE E - LONG-TERM DEBT – CONTINUED

Annual Retirements to Retire Debt Obligations-----

The annual aggregate maturities of governmental activities for the years subsequent to September 30, 2008, are as follows:

Year Ending September 30,	Governmental Activities			
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
2009	\$ 500,000	\$ 797,281	\$ 65,506	\$ 20,994
2010	505,000	780,053	45,340	18,485
2011	690,000	762,211	48,431	16,748
2012	630,000	733,674	51,668	14,893
2013	590,000	705,303	55,060	12,915
2014-2018	4,030,000	3,036,501	282,138	30,122
2019-2023	4,880,000	1,999,056	-	-
2024-2028	3,900,000	807,315	-	-
2029-2033	1,085,000	110,661	-	-
	<u>\$ 16,810,000</u>	<u>\$ 9,732,055</u>	<u>\$ 548,143</u>	<u>\$ 114,157</u>

The annual aggregate maturities of business activities for the years subsequent to September 30, 2008, are as follows:

Year Ending September 30,	Business Activities			
	Revenue Bonds		General Obligation Warrants	
	Principal	Interest	Principal	Interest
2009	\$ 117,000	\$ 317,089	\$ -	\$ 182,170
2010	122,000	312,263	-	182,170
2011	128,000	307,230	-	182,170
2012	133,000	301,950	-	182,170
2013	138,000	296,464	-	182,170
2014-2018	784,000	1,391,858	-	910,850
2019-2023	962,000	1,216,050	-	910,850
2024-2028	1,183,000	1,000,272	1,075,000	865,162
2029-2033	1,468,000	733,920	3,115,000	351,613
2034-2038	1,179,000	429,619	-	-
2039-2043	996,000	225,431	-	-
2044-2048	477,000	29,700	-	-
	<u>\$ 7,687,000</u>	<u>\$ 6,561,846</u>	<u>\$ 4,190,000</u>	<u>\$ 3,949,325</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE E - LONG-TERM DEBT – CONTINUED

Year Ending September 30,	Business-type Activities	
	Notes Payable	
	Principal	Interest
2009	\$ 145,000	\$ -
2010	83,996	-
2011	5,855	-
	<u>\$ 234,851</u>	<u>\$ -</u>

In a prior year, the City defeased \$3,380,000 of Series 1999 Warrants by placing new warrant proceeds in an irrevocable trust to provide for future debt service payments on the defeased warrants. Accordingly, the trust account assets and liability for the defeased warrants are not included in the government's financial statements. At September 30, 2008, \$3,380,000 of defeased warrants are still outstanding.

In a prior year, the Water Works Board of the City of Calera, Alabama (a component unit) defeased \$3,180,000 of Series 2000 Bonds by placing new warrant proceeds in an irrevocable trust to provide for future debt service payments on the defeased Bonds. Accordingly, the trust account assets and liability for the defeased Bonds are not included in the Board's financial statements. At September 30, 2008, \$3,180,000 of defeased Bonds are still outstanding.

NOTE F - CAPITAL LEASES

The government has entered into a lease agreement for financing the acquisition of equipment for the library. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the inception date.

The assets acquired through the capital lease are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 9,730
Less: accumulated depreciation	<u>(3,881)</u>
Total	<u>\$ 5,849</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2008, were as follows:

	Governmental Activities
<u>Year Ending September 30,</u>	
2009	\$ 3,301
2010	<u>778</u>
Total minimum lease payments	4,079
Less: Amount representing interest	<u>(387)</u>
Present value of minimum lease payments	<u>\$ 3,692</u>

NOTE G - 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. The Water Works Board of the City of Calera, Alabama (a component unit of the City) makes contributions to the same Retirement System account used by the City. Therefore, retirement information for the Water Works Board is included in the information of the City.

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 City is required to contribute at an actuarially determined rate; the current rate is 7.87% 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE G - PENSION PLAN – CONTINUED

Annual Pension Cost

For September 30, 2008, the City's annual pension cost (which includes the Water Works Board) of \$561,887 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2007, 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, 2007, was 20 years.

Three Year Trend Information (includes Water Works Board information)

<u>Fiscal Year Ending September 30</u>	<u>Annual Pension Costs</u>	<u>Percentage of Annual Pension Cost Contributed</u>
2007	\$ 504,700	100%
2006	432,150	100%
2005	371,971	100%

Schedule of Funding Progress for Calera Employees' Pension Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/ c)</u>
9/30/2002	3,370,790	4,459,458	1,088,668	75.6%	3,135,519	34.7%
9/30/2003	3,908,635	5,369,907	1,461,272	72.8%	3,824,289	38.2%
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%

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE H - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund payables and receivables during the year ended September 30, 2008, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 861,369	\$ -
Natural Gas System	-	34,048
Sewer System	-	510,339
Garbage Fund	-	316,982
	<u>\$ 861,369</u>	<u>\$ 861,369</u>

Interfund transfers during the year ended September 30, 2008, were as follows:

	<u>Transfers In</u>
	<u>General Fund</u>
<u>Transfers Out</u>	
Natural Gas System	\$ 163,728
Sewer System	<u>18,086</u>
	<u>\$ 181,814</u>

Transfers from the Natural Gas System and the Sewer System to the General Fund are in accordance with the normal course of the System's operations.

NOTE I - COMMITMENTS

The Gas System has a contract with Atmos Energy Marketing, LLC requiring the Gas System to purchase 100% of the natural gas requirements of the Gas System from Atmos at a cost of \$.035/MMbtu.

NOTE J - 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 K - OTHER POST-EMPLOYMENT BENEFITS

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 employee and their surviving spouse to continue health insurance coverage under a plan designated by the State Employees Benefits 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 draw a monthly retirement check;

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE K - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

- 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 the 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. For the year ended September 30, 2008, the City incurred post employee health benefit expenses in the amount of \$69,603. As of September 30, 2008, there were eight retirees participating in the City retiree health insurance policy.

As a Phase II implementer, the City of Calera is required to comply with Governmental Accounting Standards Board Statement No. 45 beginning in the fiscal year ending September 30, 2009. The effects of implementing the provisions of GASB 45 are estimated to create an Annual Required Contribution liability of approximately \$200,000 for the City of Calera as a whole.

NOTE L - 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE M – PRIOR PERIOD ADJUSTMENT

The following adjustments were made to net assets as of October 1, 2007:

	<u>Governmental Activities</u>
Prior period adjustment to fund balance (see below)	\$ (241,950)
Adjustment to capital assets	(312,131)
Adjustment to accrued interest	(101,798)
Adjustment to compensated absences	356,877
Adjustment to long term debt	<u>440,150</u>
Total prior period adjustment to net assets	141,148
Net Assets, as previously reported	<u>34,109,741</u>
Net Assets, as restated	<u><u>\$ 34,250,889</u></u>

	<u>Business Type Activities</u>			
	<u>Natural Gas System</u>	<u>Sewer System</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Reclass Garbage Fund as a proprietary fund	\$ -	\$ -	\$ 259,326	\$ 259,326
Adjust compensated absences	17,007	5,943	-	22,950
Adjust accumulated depreciation	<u>85,233</u>	<u>14,641</u>	-	<u>99,874</u>
Total prior period adjustment to net assets	102,240	20,584	259,326	382,150
Net Assets, as previously reported	<u>2,708,396</u>	<u>9,556,309</u>	-	<u>12,264,705</u>
Net Assets, as restated	<u><u>\$ 2,810,636</u></u>	<u><u>\$ 9,576,893</u></u>	<u><u>\$ 259,326</u></u>	<u><u>\$ 12,646,855</u></u>

The following adjustments were made to fund balance as of October 1, 2007:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Remove Garbage Fund from General Fund	\$ (108,539)	\$ -	\$ (108,539)
Reclass Municipal Court and Cemetery to Other Governmental Funds	(511,447)	511,447	-
Reclass Capital Projects and Debt Service to General Fund	130,683	(130,683)	-
Remove accrued interest from fund level	101,798		101,798
Adjust deferred revenue	(55,289)		(55,289)
Adjust accounts receivable	<u>(179,920)</u>		<u>(179,920)</u>
Total prior period adjustment to net assets	(622,714)	380,764	(241,950)
Fund Balance, as previously reported	<u>546,718</u>	<u>159,044</u>	<u>705,762</u>
Fund Balance, as restated	<u><u>\$ (75,996)</u></u>	<u><u>\$ 539,808</u></u>	<u><u>\$ 463,812</u></u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2008

NOTE N – SUBSEQUENT EVENTS

In March 2009 the City purchased land in the amount of \$4,300,179. This land will be used to further economic development within the City.

City of Calera, Alabama
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenues:				
Taxes:				
Sales	\$ 7,750,000	\$ 6,819,000	\$ 6,486,907	\$ (332,093)
Property	1,225,000	1,425,000	1,340,646	(84,354)
Motor Vehicle / Gas	85,100	61,100	68,564	7,464
Other	118,500	135,500	121,857	(13,643)
Licenses and Permits	1,485,000	1,599,000	1,532,471	(66,529)
Charges for Services	208,000	202,500	207,951	5,451
Interest	14,000	13,000	33,783	20,783
Other	259,000	812,000	836,207	24,207
Total Revenues	11,144,600	11,067,100	10,628,386	(438,714)
Expenditures:				
Current:				
General Administration	868,000	829,500	1,274,176	444,676
Street	1,162,500	979,000	972,016	(6,984)
Mechanic	183,600	188,100	183,067	(5,033)
Planning and zoning	119,000	127,000	127,266	266
Engineering	450,500	456,000	454,490	(1,510)
Inspections	516,500	469,500	440,282	(29,218)
Building maintenance	388,000	389,000	354,343	(34,657)
Police	2,599,000	2,554,500	2,445,190	(109,310)
Fire and rescue	2,312,000	2,274,500	2,245,588	(28,912)
Library	336,500	338,000	325,720	(12,280)
Parks and recreation	786,000	817,500	794,743	(22,757)
Senior center	72,000	69,500	74,167	4,667
Donations	32,700	32,700	189,450	156,750
Debt Service:				
Principal	405,000	1,041,000	1,106,297	65,297
Interest	5,000	25,000	503,556	478,556
Investment fees	-	-	4,912	4,912
Capital Outlay	361,000	1,303,292	1,683,782	380,490
Total Expenditures	10,597,300	11,894,092	13,179,045	1,284,953
Excess (Deficiency) of Revenues over Expenditures	547,300	(826,992)	(2,550,659)	(1,723,667)
Other Financing Sources (Uses):				
Proceeds from debt	-	-	8,970,000	8,970,000
Transfers (to)/from General Fund	(494,000)	987,000	136,648	(850,352)
Transfers from Natural Gas System	-	163,000	163,728	728
Transfers from Sewer System	-	20,000	18,086	(1,914)
Payments from Calera Water Works	-	20,000	18,086	(1,914)
Total Other Financing Sources (Uses)	(494,000)	1,190,000	9,306,548	8,116,548
Net Change in Fund Balance	\$ 53,300	\$ 363,008	\$ 6,755,889	\$ 6,392,881

Notes to Required Supplementary Information - Budget Comparisons

Excess of Actual Expenditures over Budgeted Expenditures

For the year ended September 30, 2008, actual expenditures in the General Fund exceeded budgeted expenditures by \$1,284,853 largely due to additional expenditures approved by the City Council after the issuance of warrants.

