WATER WORKS BOARD OF THE

CITY OF CALERA, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

WATER WORKS BOARD OF THE
CITY OF CALERA, ALABAMA
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Water Works Board
of the City of Calera, Alabama

We have audited the accompanying financial statements of the Water Works Board, a component unit of the City of Calera, Alabama, as of and for the year ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Board'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 financial position of the Water Works Board, a component unit of the City of Calera, Alabama, as of September 30, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Water Works Board, a component unit of the City of Calera, Alabama has not presented management discussion and analysis, a schedule of funding progress, and budgetary comparison information that accounting principles generally accepted in the United States have determined is necessary to supplement, although not required to be part of, the financial statements.

Moses, Phillips, Young, Brannon, and Henninger LLP

Birmingham, Alabama
April 6, 2010

Water Works Board of the City of Calera, Alabama
Statement of Net Assets
September 30, 2009

Assets	
Current:	
Cash and cash equivalents	$ 27,135
Certificates of deposit	65,328
Accounts receivable, net	601,483
Accrued interest receivable	8,931
Prepaid expenses	8,450
Receivable from the City of Calera	680,486
Inventory - parts	142,455
Unamortized bond issue cost, current portion	28,812
Restricted assets:	
Cash and cash equivalents	74,742
Total Current Assets	1,637,822
Noncurrent:	
Restricted assets:	
Cash and cash equivalents	1,959,246
Non-Depreciable assets	240,972
Depreciable capital assets, net	18,127,954
Unamortized bond issue cost, net of current portion	434,505
Total Noncurrent Assets	20,762,677
Total Assets	$ 22,400,499
Liabilities	
Current:	
Accounts payable	$ 28,348
Accrued expenses	8,800
Current portion of long-term debt	528,181
Current portion of compensated absences	13,677
Payable from restricted assets:	
Accounts payable	87,081
Customer deposits	74,742
Accrued interest payable	132,234
Current portion of long-term debt	281,688
Total Current Liabilities	1,154,751
Noncurrent:	
Compensated absences, net of current portion	13,677
Long-term debt, net of current portion	16,784,755
Total Noncurrent Liabilities	16,798,432
Total Liabilities	17,953,183
Net Assets	
Invested in capital, net of related debt	2,121,903
Unrestricted	1,289,602
Restricted for debt service (expendable)	1,035,811
Total Net Assets	4,447,316
Total Liabilities and Net Assets	$ 22,400,499

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

Water Works Board of the City of Calera, Alabama
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Year Ended September 30, 2009

Operating Revenues	
Utility receipts	$ 2,723,845
Fees	334,181
Total Operating Revenues	3,058,026
Operating Expenses	
Personnel services	1,087,244
Supplies expense	173,131
Repairs and maintenance	188,134
Depreciation	646,098
Administrative expenses	338,086
Outside services	61,301
Total Operating Expenses	2,493,994
Operating Income	564,032
Non Operating Revenues (Expenses)	
Interest income	11,839
Interest expense	(759,268)
Amortization expense	(22,242)
Trustee fees	(15,629)
Payments from the City of Calera	89,394
Total Non Operating Revenues (Expenses)	(695,906)
Income Before Capital Contributions and Special Item	(131,874)
Developer contributions	368,051
Loss on water supply contract buy-out	(879,089)
Change in Net Assets	(642,912)
Net Assets, Beginning of Year	5,090,228
Net Assets, End of Year	$ 4,447,316

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

Water Works Board of the City of Calera, Alabama
Statement of Cash Flows
For the Year Ended September 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 2,933,573
Cash paid to employees	(1,108,915)
Cash paid to suppliers for goods and services	(787,305)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,037,353
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receivable from the City of Calera	(680,486)
Payments from the City of Calera	3,500
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(676,986)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of property, plant, and equipment	(513,742)
Proceeds from issuance of note payable	652,790
Principal payments on debt	(352,170)
Interest payments on debt	(709,771)
Trustee fees	(15,629)
Payments from the City of Calera	85,894
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(852,628)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the redemption of certificates of deposit	480,486
Interest on cash and investments	2,461
NET CASH PROVIDED BY INVESTING ACTIVITIES	482,947
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,314)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,070,437
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,061,123

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

Water Works Board of the City of Calera, Alabama
Statement of Cash Flows - Continued
For the Year Ended September 30, 2009

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS	
Cash and cash equivalents in current assets	$ 101,877
Restricted cash in noncurrent assets	1,959,246
TOTAL CASH AND CASH EQUIVALENTS	$ 2,061,123

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 564,032
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	646,098
Bad debt expense	22,888
(Increase) decrease in:	
Accounts receivable, net	(158,668)
Prepaid expenses	(8,450)
Inventory	30,264
Increase (decrease) in:	
Accounts payable	(48,466)
Customer deposits	11,327
Compensated absences	14,508
Accrued expenses	(36,180)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,037,353

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The Water Works Board of the City of Calera had amortization of bonds issue costs of $22,242, amortization of bond discounts of $7,168, and amortization on deferred refunding of bonds of $18,416.

System lines contributed by developers to the Water Works Board of the City of Calera were $368,051.

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

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. Reporting Entity

The 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. For financial reporting purposes, the Board is a component unit of the City of Calera and is included in the financial reporting entity of the City.

The fund is organized as an enterprise fund. The intent of the governing body is that the costs and expenses, including depreciation, of providing services are financed or recovered through user charges. Activities of the fund include administration, operations and maintenance of the Water Works Board, 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 water debt. The accounting objectives of the fund are determinations of operating income and changes in net assets, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets.

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

2. 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 financial statements for the Board 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.

The Board distinguishes 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 the Board's principal ongoing operations. Operating expenses for the Board 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 Water and Sewer Board applies 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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

3. Cash

The Board'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.

4. Restricted Assets

Specific assets are segregated as to use and are therefore identified as restricted assets. Restricted assets, maintained by the Board and its trustee, are restricted pursuant to various bond indenture agreements. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Allowance for Uncollectible Accounts

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

6. Inventory

Inventory consists of supplies and is recorded at the lower of cost or market, determined by first in, first out method. The cost of inventories is recorded as an expenditure/expense when consumed rather than when purchased.

7. Capital Assets

All capital assets 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 construction periods is capitalized as part of the costs of the asset.

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:

Plant and distribution system	40-50 Years
Vehicles	5 Years
Other equipment and fixtures	5-10 Years

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

8. Compensated Absences

The Board'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.

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

The Board'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.

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

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

9. Noncurrent Liabilities

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond issuance costs and deferred amount of refunding are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are recorded net of the applicable deferred amount of refunding. Bond issuance costs are reported as deferred charges and amortized over the life of the related debt.

10. 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.

NOTE B - DEPOSITS

All of the Board'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.

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.

NOTE B - DEPOSITS - CONTINUED

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.

Debt service trust funds are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

State statutes authorize the Board to invest in obligations of the U.S. Treasury, U.S. Corporate equities, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

NOTE C - RECEIVABLES AND PAYABLES

Receivables at September 30, 2009, consist of the following:

Customers	$ 615,483
Less: Allowance for Uncollectibles	(14,000)
Net Receivables	$ 601,483

Payables at September 30, 2009, consist of the following:

Trade payables	$ 28,348
Capital assets payables	87,081
Net Payables	$ 115,429

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2009 was as follows:

	Balance October 1	Additions/ Completions	Retirements/ Adjustments	Balance September 30
Capital assets not being depreciated				
Land	$ 106,653	$ -	$ -	$ 106,653
Construction in progress	105,018	134,319	(105,018)	134,319
Total Capital assets not being depreciated	211,671	134,319	(105,018)	240,972
System and facilities	19,983,883	546,307	-	20,530,190
Buildings and improvements	53,436	-	-	53,436
Vehicles	268,322	-	-	268,322
Equipment	1,102,906	10,000	(1,137)	1,111,769
Total capital assets being depreciated	21,408,547	556,307	(1,137)	21,963,717
Less accumulated depreciation for:				
System and facilities	2,251,038	465,481	-	2,716,519
Buildings and improvements	2,679	1,336	-	4,015
Vehicles	162,453	38,476	-	200,929
Equipment	774,632	140,805	(1,137)	914,300
Total accumulated depreciation	3,190,802	646,098	(1,137)	3,835,763
Total capital assets, being depreciated, net	18,217,745	(89,791)	-	18,127,954
Water Works Board capital assets, net	$ 18,429,416	$ 44,528	$ (105,018)	$ 18,368,926

Depreciation for the year ended September 30, 2009 was $641,751.

NOTE E - LONG-TERM DEBT

Notes payable at September 30, 2009, are comprised of the following:

Note payable to Central State Bank for Meter Reading software, dated October 19, 2003. Monthly payment of $5,523 maturing in 2018, including interest at 6.975%, using the simple interest method secured by equipment.	$ 445,557
Note payable to Shelby County, dated May 12, 2009, maturing in 2011.	838,088
Total Notes Payable	$ 1,283,645

NOTE E - LONG-TERM DEBT - CONTINUED

Water revenue Bonds payable at September 30, 2009, 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%.	$ 688,939
2005 Water Revenue Bonds, dated August 1, 2005 due in semi-annual installments through February, 2026, bearing interest rates of 3.70% to 4.30%.	3,354,174
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%.	8,532,165
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%.	3,735,701
Total Water Revenue Bonds Payable	$ 16,310,979

A summary of long-term liability activity for the year ended September 30, 2009 is as follows:

	Balance October 1, 2008	Issues or Additions	Payments or Expenditures	Balance September 30, 2009	Due within one year
Revenue Bonds Payable	$ 14,720,046	$ 3,734,481	$ (2,143,548)	$ 16,310,979	$ 281,688
Notes Payable	1,481,726	879,089	(1,077,170)	1,283,645	528,181
Compensated Absences	12,846	67,123	(52,615)	27,354	13,677
	$ 16,214,618	$ 4,680,693	$ (3,273,333)	$ 17,621,978	$ 823,546

NOTE E - LONG-TERM DEBT - CONTINUED

The annual requirements to service the Board's debt obligations at September 30, 2009 are as follows:

Year Ending	Revenue Bonds Payable		Notes Payable	
September 30,	Principal	Interest	Principal	Interest
2010	$ 310,000	$ 719,455	$ 528,181	$ 30,103
2011	335,000	694,119	382,454	27,497
2012	345,000	681,459	41,580	24,703
2013	360,000	667,788	44,574	21,709
2014	370,000	652,742	47,784	18,499
2015-2019	2,105,000	3,025,190	239,072	37,108
2020-2024	2,565,000	2,547,136	-	-
2025-2029	3,080,000	1,957,741	-	-
2030-2034	3,830,000	1,220,365	-	-
2035-2039	3,365,000	322,565	-	-
	$ 16,665,000	$ 12,488,560	$ 1,283,645	$ 159,619

In a prior year, the Board 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, 2009, $3,180,000 of defeased Bonds are still outstanding.

NOTE F - OPERATING LEASES

The Board has entered into 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, 2009, lease expenditures approximated $2,047 for all types of operating leases.

The Board leases various office equipment under non-cancelable operating leases. Future minimum lease payments are as follows:

2010	$ 2,047
2011	1,194
Total future minimum lease payments	$ 3,241

NOTE G - PENSION PLAN (CITY-WIDE NOTE)

Plan Description

The City of Calera Water Works Board 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 Board makes contributions to the same Retirement System account used by the City. Therefore, retirement information for the 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 Board. 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 8.33% of annual covered payroll. The contribution requirements of plan members and the Board are established and may be amended by The Retirement Systems of Alabama.

Annual Pension Cost

For September 30, 2009, the City's annual pension cost (which includes the Water Works Board) of $566,057 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2008, 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.

NOTE G - PENSION PLAN (CITY-WIDE NOTE) – CONTINUED

The remaining amortization period at September 30, 2008 was 20 years.

Three Year Trend Information (includes Water Works Board information)

Fiscal Year Ending September 30	Annual Pension Costs	Percentage of Annual Pension Cost Contributed
2008	$ 561,925	100%
2007	504,700	100%
2006	432,150	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)
9/30/2008	8,425,721	11,885,723	3,460,002	70.9%	7,209,909	48.0%

NOTE H - OTHER POST EMPLOYMENT BENEFITS (OPEB)

The Board follows the same employee policies adopted by the City of Calera. 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 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.

NOTE H - OTHER POST EMPLOYMENT BENEFITS (OPEB) CONTINUED

- 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 Board 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, 2009, the City incurred post employee health benefit expenses in the amount of $52,003. As of September 30, 2009, there were eleven retirees participating in the City retiree health insurance policy. Of those retirees, none were Water Board retirees.

As a Phase III 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, 2010. The effects of implementing the provisions of GASB 45 are estimated to create an Annual Required Contribution liability of approximately $225,000 for the City of Calera as a whole (including the Water Works Board).

NOTE I - TRUST INDENTURE COVENANTS

The Series 2000, Series 2005, Series 2006, and Series 2009 Water Revenue Bonds are secured by a pledge of all operating revenues after the payment of operating expenses. The bond indentures contain various covenants, including a prohibition against providing free service, an agreement to maintain rates adequate to pay all operating expenses and produce at least a specified net income, and to promptly discontinue service for nonpayment. The bond indentures require that the Water Works Board charge rates for water and other services provided by the Board sufficient to maintain a Debt Service Ratio (as defined in the agreement) of not less than 1.25 to 1.

NOTE J - PAYMENTS BETWEEN THE CITY AND THE WATER WORKS BOARD

The City of Calera makes payments to the Water Works Board to be used in the normal course of operations. During the year ended September 30, 2009, the City of Calera contributed $89,394 to the Water Works Board.

NOTE K - RISK MANAGEMENT

The Water Works Board 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 Board carries commercial insurance.

NOTE L - SUBSEQUENT EVENT

The Company has evaluated subsequent events through April 6, 2010, the date the financial statements were available to be issued.