

CITY OF CALERA, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

CITY OF CALERA, ALABAMA

TABLE OF CONTENTS

FINANCIAL SECTION:	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION Management's Discussion and Analysis	2-8
BASIC FINANCIAL STATEMENTS:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets	9
Statement of Activities	10
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	13-14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	15
Statement of Proprietary Fund Net Assets	16
Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Assets	17
Statement of Proprietary Fund Cash Flows	18-19
Notes to Financial Statements	20-43
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Funding Progress	44
Budgetary Comparison Schedule – General Fund	45

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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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 2 through 8, page 44, and page 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moses, Phillips, Young, Brannon, and Henninger LLP

Birmingham, Alabama
February 27, 2012

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 increased by \$2,205,285.
- The total cost of all the City's programs was \$18,128,849.
- During the year, the City had expenses of \$12,111,183 for governmental activities which were \$3,011,577 less than the combined \$15,122,760 generated from general and program revenues of \$14,230,246 and transfers of \$892,514 from business-type activities.
- The City's combined assets exceeded its combined liabilities by \$34,857,330 which will allow the City to continue to meet ongoing obligations to citizens and creditors.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

Reporting the City's Most Significant Funds

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

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

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Assets

The City's combined net assets increased by \$2,205,285 from 2010 to 2011. The governmental activities net assets increased approximately 15.7%, while business type activities net assets decreased approximately 6.0%. This increase in governmental activities resulted primarily from capital contributions and transfers from business type activities, while the decrease in business type activities net assets resulted primarily from transfers to governmental activities.

GOVERNMENT-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Assets:

Statement of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 11,603,887	\$ 11,938,097	\$ 2,900,719	\$ 2,841,344	\$ 14,504,606	\$ 14,779,441
Capital assets	36,621,985	38,601,477	22,923,845	22,094,929	59,545,830	60,696,406
Total assets	<u>48,225,872</u>	<u>50,539,574</u>	<u>25,824,564</u>	<u>24,936,273</u>	<u>74,050,436</u>	<u>75,475,847</u>
Other liabilities	3,328,570	2,970,332	746,378	791,631	4,074,948	3,761,963
Long-term liabilities	25,681,979	25,342,342	11,641,464	11,514,212	37,323,443	36,856,554
Total liabilities	<u>29,010,549</u>	<u>28,312,674</u>	<u>12,387,842</u>	<u>12,305,843</u>	<u>41,398,391</u>	<u>40,618,517</u>
Net assets:						
Invested in capital assets, net of related debt	18,278,359	20,835,454	12,311,299	11,607,280	30,589,658	32,442,734
Restricted	354,551	373,856	240,985	284,343	595,536	658,199
Unrestricted	582,413	1,017,590	884,438	738,807	1,466,851	1,756,397
Total net assets	<u>\$ 19,215,323</u>	<u>\$ 22,226,900</u>	<u>\$ 13,436,722</u>	<u>\$ 12,630,430</u>	<u>\$ 32,652,045</u>	<u>\$ 34,857,330</u>

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

The City's combined net assets increased to \$34,857,330 from \$32,652,045, or 6.8% as a result of the increase in net assets of the governmental activities of \$3,011,577 and the decrease in net assets of business-type activities of \$806,292. 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 \$1,017,590, which is an increase of \$435,177 from the prior year. These numbers indicate an improvement in financial condition of the governmental activities.

Changes in Net Assets

The City's total revenues increased by approximately 9.5% to \$20,334,134. For governmental activities, sales taxes account for approximately 47.2% of revenues. Property taxes account for approximately 12.2%. The majority of the remaining governmental activities revenues come from fees and charges for services and capital grants and contributions.

The total cost of all programs and services decreased by \$1,771,593, or approximately 8.9%. Expenses of business-type activities decreased by \$602,010, and the cost of governmental activities decreased by \$1,169,583.

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,	
	2010	2011	2010	2011	2010	2011
REVENUES						
Program revenues:						
Fees, fines, and charges for services	\$ 2,162,406	\$ 2,166,179	\$ 7,239,749	\$ 6,101,091	\$ 9,402,155	\$ 8,267,270
Operating grants and contributions	89,903	556,067	-	-	89,903	556,067
Capital grants and contributions	1,306,034	2,276,994	-	-	1,306,034	2,276,994
General revenues:						
Sales taxes	5,858,071	6,710,892	-	-	5,858,071	6,710,892
Property taxes	1,666,551	1,731,190	-	-	1,666,551	1,731,190
Other taxes	165,616	186,637	-	-	165,616	186,637
Interest earnings	36,867	36,050	3,641	2,797	40,508	38,847
Lease income	39,465	74,990	-	-	39,465	74,990
Other income	-	482,459	-	-	-	482,459
Gain(loss) on sale of assets	(2,775)	8,788	1,730	-	(1,045)	8,788
TOTAL REVENUES	11,322,138	14,230,246	7,245,120	6,103,888	18,567,258	20,334,134
EXPENSES						
General administration	1,179,232	1,317,144	-	-	1,179,232	1,317,144
Street	3,166,862	1,043,872	-	-	3,166,862	1,043,872
Mechanic	174,323	178,934	-	-	174,323	178,934
Planning and zoning	147,510	126,899	-	-	147,510	126,899
Engineering	487,171	470,754	-	-	487,171	470,754
Inspections	260,133	255,430	-	-	260,133	255,430
Building maintenance	252,252	224,143	-	-	252,252	224,143
Police	2,536,241	2,822,877	-	-	2,536,241	2,822,877
Fire and rescue	2,383,420	2,870,252	-	-	2,383,420	2,870,252
Library	356,146	391,473	-	-	356,146	391,473
Parks and recreation	739,404	783,762	-	-	739,404	783,762
Senior center	95,370	89,628	-	-	95,370	89,628
Donations	6,128	11,660	-	-	6,128	11,660
Municipal court	184,171	194,180	-	-	184,171	194,180
Salem cemetery	7,931	1,815	-	-	7,931	1,815
Interest on long-term debt	1,304,472	1,328,360	-	-	1,304,472	1,328,360
Natural Gas System	-	-	3,162,958	2,503,894	3,162,958	2,503,894
Sewer System	-	-	2,739,296	2,776,732	2,739,296	2,776,732
Other Proprietary Funds	-	-	717,422	737,040	717,422	737,040
TOTAL EXPENSES	13,280,766	12,111,183	6,619,676	6,017,666	19,900,442	18,128,849
Excess (deficiency) before transfers & capital contributions	(1,958,628)	2,119,063	625,444	86,222	(1,333,184)	2,205,285
Transfers	491,348	892,514	(491,348)	(892,514)	-	-
Capital contributions	-	-	392,080	-	392,080	-
Change in net assets	(1,467,280)	3,011,577	526,176	(806,292)	(941,104)	2,205,285
Beginning net assets	22,256,068	19,215,323	12,910,546	13,436,722	35,166,614	32,652,045
Prior period adjustment	(1,573,465)	-	-	-	(1,573,465)	-
Ending net assets	<u>\$ 19,215,323</u>	<u>\$ 22,226,900</u>	<u>\$ 13,436,722</u>	<u>\$ 12,630,430</u>	<u>\$ 32,652,045</u>	<u>\$ 34,857,330</u>

Governmental Activities

The increase in net assets of governmental activities was \$3,011,577, resulting primarily from capital contributions related to site preparation work performed by Lhoist North America, Inc. at the site of the Calera Sports Complex in accordance with a previous agreement as well as transfers received from the business type activities.

Business-type Activities

The decrease in net assets of business-type activities of \$806,292 resulted from transfers to the governmental activities.

THE CITY'S FUNDS

Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$4,846,640, which is \$1,014,411 more than the beginning of the year. The General Fund experienced a net increase of \$1,076,337, resulting primarily from an increase in sales tax revenues, property tax revenues, and grant revenues as well as revenues received from Lhoist North America, Inc. in relation to an agreement. During the year, the City received grant revenues from the Alabama Department of Transportation related to work performed on State Highway 31 as well as revenues from Lhoist North America, Inc. related to work performed at the Calera Sports Complex. The Capital Projects Fund experienced a net decrease of \$82,325 resulting primarily from expenditures for the construction of roadways as well repairs made to existing roadways. The Debt Service Fund experienced a net decrease of \$22,036 resulting primarily from expenditures for principal, interest, and fiscal charges related to long term debt in excess of transfers from the General Fund. The Other Governmental Funds experienced a net increase of \$42,435 resulting primarily from an increase in fines and forfeitures as well as a decrease in transfers to the general fund.

Proprietary Funds

As of the year-end, the Proprietary Funds reported net assets of \$12,630,430, which is approximately 6% less than the beginning of the year. The Natural Gas System experienced a net decrease of \$280,482 resulting primarily from transfers to the General Fund. The Sewer System Fund experienced a net decrease of \$500,923 resulting primarily from a decrease in tapping fees, impact fees, and capital contributions along with an increase in personnel expense, supplies expense, and repairs and maintenance expense. The Garbage Fund experienced a net decrease of \$24,887 resulting primarily from an increase in operating expenses due to rising fuel costs.

General Fund Budgetary Highlights

General Fund revenues exceeded budgeted revenues by \$1,860,084. Sales tax revenues were higher than anticipated. Additionally, the City did not budget for grant revenues or revenues received from Lhoist North America, Inc. related to an agreement.

General Fund expenditures exceeded budgeted amounts by \$244,408 primarily due to capital outlay expenditures funded by revenues received related to an agreement, which were not budgeted items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2011, the City had \$60,696,406 invested in a broad range of capital assets, including the Natural Gas System, Sewer System, land, roadways, fire and police equipment and vehicles, buildings, and park facilities. This amount represents a net increase (including additions and deductions) of \$1,140,496, or approximately 1.9% over last year. The City purchased various capital assets including land and equipment and performed construction work on various capital assets including roadways, a concession stand, and the Calera Sports Complex. These additions were offset by the retirements of assets no longer in service and by depreciation expense.

Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2010	2011	2010	2011	2010	2011
Land	\$ 15,950,508	\$ 16,315,508	\$ 441,853	\$ 441,853	\$ 16,392,361	\$ 16,757,361
Construction in progress	2,797,881	3,222,095	40,414	40,414	2,838,295	3,262,509
Infrastructure, net	10,489,988	12,365,545	-	-	10,489,988	12,365,545
Systems and facilities, net	-	-	21,768,452	21,134,440	21,768,452	21,134,440
Buildings and improvements, net	5,668,808	5,473,844	37,387	35,089	5,706,195	5,508,933
Vehicles, net	727,099	498,094	467,460	325,283	1,194,559	823,377
Equipment, net	997,781	726,391	168,279	117,850	1,166,060	844,241
Total capital assets, net	\$ 36,632,065	\$ 38,601,477	\$ 22,923,845	\$ 22,094,929	\$ 59,555,910	\$ 60,696,406

Commitments

The Natural Gas System has a contract with Atmos Energy Marketing, LLC requiring the Natural Gas System to purchase 100% of its natural gas requirements from Atmos. Purchased volumes up to the City's daily pipeline threshold will be purchased at a cost equal to the NYMEX close plus \$.03/MMBtu. Purchased volumes in excess of the City's daily pipeline threshold will be purchased at a cost equal to the published *Gas Daily*, Daily Louisiana-Onshore South, Southern Natural, La. Midpoint rate plus \$.30/MMBtu.

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

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

Debt

At September 30, 2011, the City had \$35,421,325 in warrants, notes payable, and capital leases outstanding versus \$36,425,431 at September 30, 2010, decrease of 2.8%. This decrease results primarily from principal payments made during the year.

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

Debt

	Governmental Activities		Business-type Activities		Totals	
	For the year ended September 30,		For the year ended September 30,		For the year ended September 30,	
	2010	2011	2010	2011	2010	2011
General Obligation Warrants	\$ 24,224,240	\$ 23,415,676	\$ 4,144,657	\$ 4,147,012	\$ 28,368,897	\$ 27,562,688
Limited Obligation Warrants	499,885	482,378	-	-	499,885	482,378
Revenue Bonds	-	-	7,448,000	7,320,000	7,448,000	7,320,000
Capital Leases	108,649	56,259	-	-	108,649	56,259
Totals	\$ 24,832,774	\$ 23,954,313	\$ 11,592,657	\$ 11,467,012	\$ 36,425,431	\$ 35,421,325

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, City Clerk, Finance Director, and City Council considered many factors when setting the budget for the fiscal year ended September 30, 2012. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures, 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 taken a conservative approach in projecting sales tax revenues when setting the budget.

Calera's local economy consists of commercial, retail, and light industrial business. Some of Calera's largest businesses are Wal-Mart, Timberline Golf Course, Alabama Power, and various restaurants and retail shops. The City's sales tax has declined over the past years due to the weak economy; however, the City is beginning to see a trend reflecting a slight increase in sales tax revenues.

These indicators were taken into account when adopting the General Fund budget for fiscal year ended September 30, 2012. Amounts available for expenditure in the General Fund budget are \$10,605,926. The City expects the major sources of revenues and expenditures to remain stable in fiscal year 2012.

If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Calera, Alabama
Statement of Net Assets
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Water Board
Assets				
Cash and cash equivalents	\$ 784,741	\$ 165,472	\$ 950,213	\$ 28,975
Certificates of deposit	1,466,940	-	1,466,940	160,234
Accounts receivable, net	2,107,446	556,014	2,663,460	617,056
Accrued interest receivable	-	-	-	20,997
Lease receivable	4,294,250	-	4,294,250	-
Due (to) from other funds	13,453	(13,453)	-	-
Receivable from Calera Water Board	43,562	-	43,562	-
Receivable from the City of Calera	-	-	-	84,358
Prepaid expenses	-	13,786	13,786	7,266
Inventory	-	205,348	205,348	151,543
Restricted assets:				
Cash and cash equivalents	2,447,063	1,487,298	3,934,361	1,734,318
Certificates of deposit	107,404	274,140	381,544	-
Investments	170,977	-	170,977	-
Nondepreciable capital assets	19,537,603	482,267	20,019,870	107,944
Depreciable capital assets, net	19,063,874	21,612,662	40,676,536	17,934,416
Warrant issue costs, net	502,261	152,739	655,000	406,729
Total Assets	<u>\$ 50,539,574</u>	<u>\$ 24,936,273</u>	<u>\$ 75,475,847</u>	<u>\$ 21,253,836</u>
Liabilities				
Accounts payable	\$ 280,798	\$ 202,237	\$ 483,035	\$ 29,471
Deferred revenue	2,189,026	199,503	2,388,529	-
Accrued liabilities	163,179	22,803	185,982	52,018
Accrued interest payable	20,997	-	20,997	-
Payable to Calera Water Board	84,358	-	84,358	-
Payable to the City of Calera	-	-	-	43,562
Payable from restricted assets:				
Accounts payable	89,208	-	89,208	-
Accrued expenses	10,202	-	10,202	-
Deposits	32,874	64,721	97,595	96,600
Accrued interest payable	99,690	302,367	402,057	114,644
Noncurrent liabilities				
Due within one year	495,460	23,600	519,060	42,522
Due within one year - payable from restricted assets	759,302	130,644	889,946	317,656
Due in more than one year	24,087,580	11,359,968	35,447,548	15,731,872
Total Liabilities	<u>28,312,674</u>	<u>12,305,843</u>	<u>40,618,517</u>	<u>16,428,345</u>
Net Assets				
Invested in capital assets, net of related debt	20,835,454	11,607,280	32,442,734	2,209,541
Restricted for:				
Capital projects	-	147,273	147,273	-
Cemetery	286,147	-	286,147	-
Debt service	-	137,070	137,070	946,187
Municipal court	83,322	-	83,322	-
Parks and recreation	1,305	-	1,305	-
Street improvements	3,082	-	3,082	-
Unrestricted	1,017,590	738,807	1,756,397	1,669,763
Total Net Assets	<u>22,226,900</u>	<u>12,630,430</u>	<u>34,857,330</u>	<u>4,825,491</u>
Total Liabilities and Net Assets	<u>\$ 50,539,574</u>	<u>\$ 24,936,273</u>	<u>\$ 75,475,847</u>	<u>\$ 21,253,836</u>

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

City of Calera, Alabama
Statement of Activities
For the Year Ended September 30, 2011

Program Activities:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit Water Board
	Expenses	Fees, Fines, & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-type Activities	Total	
Governmental Activities:								
General administration	\$ 1,317,144	\$ 1,607,559	\$ -	\$ 2,249,776	\$ 2,540,191	\$ -	\$ 2,540,191	\$ -
Street	1,043,872	-	477,814	-	(566,058)	-	(566,058)	-
Mechanic	178,934	-	-	-	(178,934)	-	(178,934)	-
Planning and zoning	126,899	1,011	-	-	(125,888)	-	(125,888)	-
Engineering	470,754	-	5,639	-	(465,115)	-	(465,115)	-
Inspections	255,430	-	-	-	(151,420)	-	(151,420)	-
Building maintenance	224,143	-	-	-	(224,143)	-	(224,143)	-
Police	2,822,877	35,576	46,657	10,080	(2,730,564)	-	(2,730,564)	-
Fire and rescue	2,870,252	40,781	7,816	17,138	(2,804,517)	-	(2,804,517)	-
Library	391,473	2,647	8,714	-	(380,112)	-	(380,112)	-
Parks and recreation	783,762	11,705	-	-	(772,057)	-	(772,057)	-
Senior center	89,628	-	9,427	-	(80,201)	-	(80,201)	-
Donations	11,660	-	-	-	(11,660)	-	(11,660)	-
Municipal court	194,180	360,938	-	-	166,758	-	166,758	-
Salem cemetery	1,815	1,952	-	-	137	-	137	-
Interest and fiscal charges	1,328,360	-	-	-	(1,328,360)	-	(1,328,360)	-
Total Governmental Activities	12,111,183	2,166,179	556,067	2,276,994	(7,111,943)	-	(7,111,943)	-
Business-type Activities:								
Natural Gas System	2,503,894	3,232,287	-	-	-	728,393	728,393	-
Sewer System	2,776,732	2,152,751	-	-	-	(623,981)	(623,981)	-
Other Proprietary Funds	737,040	716,053	-	-	-	(20,987)	(20,987)	-
Total Business-type Activities	6,017,666	6,101,091	-	-	-	83,425	83,425	-
Total Primary Government	\$ 18,128,849	\$ 8,267,270	\$ 556,067	\$ 2,276,994	(7,111,943)	83,425	(7,028,518)	-
Component Units:								
Calera Water Works Board	3,253,021	3,335,674	-	-	-	-	-	82,653
Total Component Units	\$ 3,253,021	\$ 3,335,674	\$ -	\$ -	\$ -	\$ -	\$ -	82,653
General Revenues:								
Taxes:								
Sales					6,710,892		6,710,892	
Property					1,731,190		1,731,190	
Other					186,637		186,637	
Interest earnings					36,050	2,797	38,847	4,184
Lease income					74,990		74,990	
Other income					482,459		482,459	
Gain (loss) on disposal of capital assets					8,788		8,788	(2,011)
Transfers					892,514	(892,514)	-	
Total general revenues and transfers					10,123,520	(899,717)	9,233,803	2,173
Change in net assets					3,011,577	(806,292)	2,205,285	84,826
Net assets - beginning					19,215,323	13,436,722	32,652,045	4,740,665
Net assets - ending					\$ 22,226,900	\$ 12,630,430	\$ 34,857,330	\$ 4,825,491

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

City of Calera, Alabama
Balance Sheet
Governmental Funds
September 30, 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ 784,741	\$ -	\$ -	\$ -	\$ 784,741
Certificates of deposit	1,466,940	-	-	-	1,466,940
Accounts receivable	2,107,446	-	-	-	2,107,446
Due from other funds	13,453	-	-	-	13,453
Receivable from Calera Water Works	43,562	-	-	-	43,562
Restricted assets:					
Cash	23,392	1,983,429	301,018	139,224	2,447,063
Certificates of deposit	-	-	-	107,404	107,404
Investments	-	-	-	170,977	170,977
Total Assets	\$ 4,439,534	\$ 1,983,429	\$ 301,018	\$ 417,605	\$ 7,141,586
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 280,798	\$ -	\$ -	\$ -	\$ 280,798
Deferred revenue	1,613,330	-	-	-	1,613,330
Accrued liabilities	163,179	-	-	-	163,179
Accrued interest	20,997	-	-	-	20,997
Payable to Calera Water Works	84,358	-	-	-	84,358
Payable from restricted assets:					
Accounts payable	-	87,230	-	1,978	89,208
Accrued expenses	-	-	-	10,202	10,202
Deposits	-	-	-	32,874	32,874
Total Liabilities	2,162,662	87,230	-	45,054	2,294,946
Fund Balances:					
Restricted for:					
Capital Projects	22,087	1,896,199	-	-	1,918,286
Cemetery	-	-	-	286,147	286,147
Debt Service	-	-	301,018	-	301,018
Municipal Court	-	-	-	83,322	83,322
Parks and Recreation	1,305	-	-	-	1,305
Street Improvements	-	-	-	3,082	3,082
Assigned to:					
Construction of Concession Stand	139,361	-	-	-	139,361
Unassigned:	2,114,119	-	-	-	2,114,119
Total Fund Balances	2,276,872	1,896,199	301,018	372,551	4,846,640
Total Liabilities and Fund Balances	\$ 4,439,534	\$ 1,983,429	\$ 301,018	\$ 417,605	\$ 7,141,586

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

City of Calera, Alabama
Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets
September 30, 2011

Fund Balances - Total Governmental Funds \$ 4,846,640

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

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

Lease receivable	4,294,250	
Less: Deferred revenue related to lease receivable	<u>(575,696)</u>	3,718,554

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

Governmental capital assets	48,488,489	
Less: accumulated depreciation	<u>(9,887,012)</u>	38,601,477

Interest payable reported in the governmental activities is not payable from current resources and, therefore, is not reported in the governmental funds. (99,690)

Warrant issue costs in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 502,261

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	(23,415,676)	
Limited Obligation Warrants	(482,378)	
Capital Leases	(56,259)	
Other Post Employment Benefit Payable	(798,729)	
Compensated Absences	<u>(589,300)</u>	<u>(25,342,342)</u>

Net Assets of Governmental Activities \$ 22,226,900

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, 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Operating Revenues:					
Taxes:					
Sales	\$ 6,710,892	\$ -	\$ -	\$ -	\$ 6,710,892
Property	1,731,190	-	-	-	1,731,190
Motor Vehicle / Gas	72,560	-	-	18,268	90,828
Other	114,077	-	-	-	114,077
Licenses and Permits	1,595,259	-	-	-	1,595,259
Fines and Forfeitures	-	-	-	360,938	360,938
Charges for Services	172,285	-	-	-	172,285
Interest	19,237	-	-	9,054	28,291
Investment Income	-	-	-	7,759	7,759
Other	1,164,215	-	-	-	1,164,215
Total Revenues	11,579,715	-	-	396,019	11,975,734
Expenditures:					
Current:					
General administration	740,579	-	-	-	740,579
Street	633,158	8,008	-	-	641,166
Mechanic	163,335	-	-	-	163,335
Planning and zoning	131,525	-	-	-	131,525
Engineering	430,969	-	-	-	430,969
Inspections	241,101	-	-	-	241,101
Building maintenance	222,153	-	-	-	222,153
Police	2,649,351	-	-	-	2,649,351
Fire and rescue	2,609,382	-	-	-	2,609,382
Library	298,220	-	-	-	298,220
Parks and recreation	722,633	-	-	-	722,633
Senior center	66,569	-	-	-	66,569
Donations	11,660	-	-	-	11,660
Municipal court	-	-	-	191,806	191,806
Salem cemetery	-	-	-	1,815	1,815
Debt Service:					
Principal	69,897	-	840,000	-	909,897
Interest and fiscal charges	25,992	-	1,227,104	-	1,253,096
Capital Outlay	780,575	73,828	-	84,766	939,169
Total Expenditures	9,797,099	81,836	2,067,104	278,387	12,224,426
Excess of Revenues over Expenditures	1,782,616	(81,836)	(2,067,104)	117,632	(248,692)

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, 2011

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):					
Proceeds from capital lease	353,125	-	-	-	353,125
Proceeds from sale of capital assets	17,464	-	-	-	17,464
Transfers (to)/from					
Capital Projects Fund	489	(489)	-	-	-
Transfers (to)/from					
Debt Service Fund	(2,045,068)	-	2,045,068	-	-
Transfers (to)/from					
Other Governmental Funds	75,197	-	-	(75,197)	-
Transfers (to)/from					
Natural Gas System	1,008,875	-	-	-	1,008,875
Transfers (to)/from					
Sewer System	(120,261)	-	-	-	(120,261)
Transfers (to)/from					
Other Proprietary Funds	3,900	-	-	-	3,900
Total Other Financing Sources (Uses)	<u>(706,279)</u>	<u>(489)</u>	<u>2,045,068</u>	<u>(75,197)</u>	<u>1,263,103</u>
Net Change in Fund Balances	1,076,337	(82,325)	(22,036)	42,435	1,014,411
Fund Balances, Beginning	<u>\$ 1,200,535</u>	<u>\$ 1,978,524</u>	<u>\$ 323,054</u>	<u>\$ 330,116</u>	<u>\$ 3,832,229</u>
Fund Balances, Ending	<u><u>\$ 2,276,872</u></u>	<u><u>\$ 1,896,199</u></u>	<u><u>\$ 301,018</u></u>	<u><u>\$ 372,551</u></u>	<u><u>\$ 4,846,640</u></u>

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

City of Calera, Alabama
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances- Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$ 1,014,411

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	939,169	
Less current year depreciation	<u>(1,121,735)</u>	(182,566)

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. 2,170,744

Proceeds of \$17,464 from the sale of capital assets are reported as revenue in the governmental funds. However, the net book value of the capital assets, \$8,686, 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 \$8,778. (8,686)

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

Proceeds from capital leases	(353,125)	
Lease income	<u>74,990</u>	(278,135)

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. 909,897

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

Amortization of costs		(79,098)
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The following expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Net increase in compensated absences		(44,312)
Net increase in other post employment benefit payable		(494,512)
Change in accrued interest expense		<u>3,834</u>

Change in Net Assets of Governmental Funds \$ 3,011,577

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

City of Calera, Alabama
Statement of Proprietary Fund Net Assets
September 30, 2011

	Natural Gas System	Sewer System	Other Proprietary Funds	Total Proprietary Funds
Assets				
Current:				
Cash	\$ 24,092	\$ -	\$ 141,380	\$ 165,472
Accounts receivable, net	178,770	300,816	76,428	556,014
Prepaid expenses	13,786	-	-	13,786
Inventory	145,711	59,637	-	205,348
Unamortized bond issue cost, current portion	-	7,968	-	7,968
Total Current Assets	362,359	368,421	217,808	948,588
Noncurrent:				
Restricted assets:				
Cash and cash equivalents	64,721	1,422,577	-	1,487,298
Certificates of deposit	-	274,140	-	274,140
Non-Depreciable assets	78,403	403,864	-	482,267
Depreciable capital assets, net	3,011,504	18,415,871	185,287	21,612,662
Unamortized bond issue cost, net of current portion	-	144,771	-	144,771
Total Noncurrent Assets	3,154,628	20,661,223	185,287	24,001,138
Total Assets	\$ 3,516,987	\$ 21,029,644	\$ 403,095	\$ 24,949,726
Liabilities				
Current:				
Accounts payable	\$ 127,666	\$ 59,121	\$ 15,450	\$ 202,237
Accrued expenses	9,484	7,862	5,457	22,803
Due to general fund	-	13,453	-	13,453
Deferred revenue	199,503	-	-	199,503
Current portion of compensated absences	3,000	18,400	2,200	23,600
Payable from restricted assets:				
Customer deposits	64,721	-	-	64,721
Accrued interest payable	-	302,367	-	302,367
Current portion of long-term debt	-	130,644	-	130,644
Total Current Liabilities	404,374	531,847	23,107	959,328
Noncurrent:				
Compensated absences, net of current portion	3,000	18,400	2,200	23,600
Long-term debt, net of current portion	-	11,336,368	-	11,336,368
Total Noncurrent Liabilities	3,000	11,354,768	2,200	11,359,968
Total Liabilities	407,374	11,886,615	25,307	12,319,296
Net Assets				
Invested in capital, net of related debt	3,089,907	8,332,086	185,287	11,607,280
Unrestricted	19,706	526,600	192,501	738,807
Restricted for capital projects (expendable)	-	147,273	-	147,273
Restricted for debt service (expendable)	-	137,070	-	137,070
Total Net Assets	3,109,613	9,143,029	377,788	12,630,430
Total Liabilities and Net Assets	\$ 3,516,987	\$ 21,029,644	\$ 403,095	\$ 24,949,726

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, 2011

	<u>Natural Gas System</u>	<u>Sewer System</u>	<u>Other Proprietary Funds</u>	<u>Total Proprietary Funds</u>
Operating Revenues				
Utility receipts	\$ 3,227,029	\$ 1,773,255	\$ 716,053	\$ 5,716,337
Fees	5,258	379,496	-	384,754
Total Operating Revenues	3,232,287	2,152,751	716,053	6,101,091
Operating Expenses				
Gas purchases	1,535,652	-	-	1,535,652
Personnel services	648,410	721,897	395,725	1,766,032
Supplies expense	47,176	283,418	72,531	403,125
Repairs and maintenance	37,319	133,506	33,463	204,288
Depreciation	129,446	643,070	95,793	868,309
Administrative expenses	83,002	461,458	26,887	571,347
Outside services	22,889	37,577	112,641	173,107
Total Operating Expenses	2,503,894	2,280,926	737,040	5,521,860
Operating Income	728,393	(128,175)	(20,987)	579,231
Non Operating Revenues (Expenses)				
Interest income	-	2,797	-	2,797
Interest expense	-	(487,799)	-	(487,799)
Amortization expense	-	(8,007)	-	(8,007)
Total Non Operating Revenues (Expenses)	-	(493,009)	-	(493,009)
Income (Loss) Before Capital Contributions and Interfund Operating Transfers In	728,393	(621,184)	(20,987)	86,222
Interfund Transfers	(1,008,875)	120,261	(3,900)	(892,514)
Change in Net Assets	(280,482)	(500,923)	(24,887)	(806,292)
Net Assets, Beginning of Year	3,390,095	9,643,952	402,675	13,436,722
Net Assets, End of Year	<u>\$ 3,109,613</u>	<u>\$ 9,143,029</u>	<u>\$ 377,788</u>	<u>\$ 12,630,430</u>

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

City of Calera, Alabama
Statement of Proprietary Fund Cash Flows
For the Year Ended September 30, 2011

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,547,599	\$ 2,136,991	\$ 712,909	\$ 6,397,499
Cash paid to employees	(654,890)	(721,660)	(397,905)	(1,774,455)
Cash paid to suppliers for goods and services	(1,807,318)	(930,444)	(246,506)	(2,984,268)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,085,391</u>	<u>484,887</u>	<u>68,498</u>	<u>1,638,776</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Due to other funds	(30,980)	13,453	-	(17,527)
Transfers (to) / from other funds	(1,007,600)	132,090	(3,900)	(879,410)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,038,580)</u>	<u>145,543</u>	<u>(3,900)</u>	<u>(896,937)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of property, plant, and equipment	(15,274)	(6,640)	-	(21,914)
Principal payments on debt	-	(128,000)	-	(128,000)
Interest payments on debt	-	(489,403)	-	(489,403)
Transfers to other funds	(1,275)	(11,829)	-	(13,104)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,549)</u>	<u>(635,872)</u>	<u>-</u>	<u>(652,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of certificates of deposit	-	(43,630)	-	(43,630)
Interest on cash and investments	-	1,035	-	1,035
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(42,595)</u>	<u>-</u>	<u>(42,595)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>30,262</u>	<u>(48,037)</u>	<u>64,598</u>	<u>46,823</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>58,551</u>	<u>1,470,614</u>	<u>76,782</u>	<u>1,605,947</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 88,813</u>	<u>\$ 1,422,577</u>	<u>\$ 141,380</u>	<u>\$ 1,652,770</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 728,393	\$ (128,175)	\$ (20,987)	\$ 579,231
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	129,446	643,070	95,793	868,309
(Increase) decrease in:				
Accounts receivable	109,639	(15,760)	(3,145)	90,734
Prepaid expenses	(13,786)	-	-	(13,786)
Inventory	(3,769)	(16,621)	-	(20,390)
Increase (decrease) in:				
Accounts payable	(63,725)	2,136	(983)	(62,572)
Customer deposits	6,170	-	-	6,170
Compensated absences	(2,200)	1,934	(1,341)	(1,607)
Accrued expenses	(4,280)	(1,697)	(839)	(6,816)
Deferred revenue	199,503	-	-	199,503
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,085,391</u>	<u>\$ 484,887</u>	<u>\$ 68,498</u>	<u>\$ 1,638,776</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, 2011

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Calera Sewer System had amortization of warrant issue costs of \$8,007 and amortization of warrant discounts of \$2,355.

RECONCILIATION TO STATEMENT OF NET ASSETS

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

	Natural Gas System	Sewer System	Other Proprietary Funds	Total
Cash	\$ 24,092	\$ -	\$ 141,380	\$ 165,472
Restricted cash	64,721	1,422,577	-	1,487,298
Cash and cash equivalents	<u>\$ 88,813</u>	<u>\$ 1,422,577</u>	<u>\$ 141,380</u>	<u>\$ 1,652,770</u>

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

NOTES TO FINANCIAL STATEMENTS

City of Calera, Alabama

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES

1. General Statement

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

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

2. Financial Reporting Entity

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

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

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

The Water Works Board of the City of Calera, Alabama

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

3. Basis of Presentation

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Fund Financial Statements

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

Governmental Fund Types:

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

The City reports the following major governmental funds:

General Fund

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

Capital Projects Fund

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

Debt Service Fund

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

Additionally, the City reports the following governmental funds:

Nonmajor Special Revenue Funds

The Municipal Court Fund, Cemetery Fund, and Gas Tax 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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

The City reports the following major proprietary funds:

Natural Gas System

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

Sewer System

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

Additionally, the City reports the following proprietary fund:

Garbage Fund

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

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

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

4. Measurement Focus/Basis of Accounting

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

5. Cash

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

6. Restricted Assets

The use of restricted assets is limited by legal requirements or restrictions imposed externally by creditors or contributors. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted, as they are needed.

7. Allowance for Uncollectible Accounts

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

8. Inventory

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

9. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

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

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

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

10. Amortization of Warrant Expense

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

11. Interfund Operating Transfers, Receivables, and Payables

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

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

12. Compensated Absences

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

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

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

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

The accrued amounts of vacation leave, holiday leave, and compensatory time are recorded as noncurrent liabilities, net of current portion 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 and Other Governmental Funds are recorded as noncurrent liabilities in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

13. Noncurrent Liabilities

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

14. Deferred Revenue

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

15. Fund Balance

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

- Nonspendable - amounts that are not in spendable form or are required to be maintained intact.
- Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned - amounts that are available for any purpose.

It is the City's policy to use restricted balances first, followed by committed resources, assigned resources, and finally unassigned resources, as needed.

16. Use of Estimates

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

17. Property Tax Calendar

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

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

Debt service funds and bond proceeds held in escrow totaling \$3,341,551 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

Investments

As of September 30, 2011, 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	\$ 128,218	75%	02/15/2023	AAA
6.250% U.S. Treasury Bond	<u>42,759</u>	<u>25%</u>	08/15/2023	AAA
	<u>\$ 170,977</u>	<u>100%</u>		

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

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

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

Investment Rate Risk

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE C - RECEIVABLES AND PAYABLES

Receivables at September 30, 2011 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Taxes:				
Sales	\$ 493,503	\$ -	\$ 493,503	\$ -
Property	1,592,457	-	1,592,457	-
Motor vehicle/ gas	35,373	-	35,373	-
Customers	-	562,854	562,854	622,216
Other	57,240	-	57,240	-
Gross Receivables	<u>2,178,573</u>	<u>562,854</u>	<u>2,741,427</u>	<u>622,216</u>
Less: Allowance for Uncollectibles	<u>(71,127)</u>	<u>(6,840)</u>	<u>(77,967)</u>	<u>(5,160)</u>
Net Receivables	<u>\$ 2,107,446</u>	<u>\$ 556,014</u>	<u>\$ 2,663,460</u>	<u>\$ 617,056</u>

Payables at September 30, 2011 consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Trade payables	\$ 268,265	\$ 184,737	\$ 453,002	\$ 29,471
Capital assets payables	<u>101,741</u>	<u>17,500</u>	<u>119,241</u>	<u>-</u>
	<u>\$ 370,006</u>	<u>\$ 202,237</u>	<u>\$ 572,243</u>	<u>\$ 29,471</u>

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2011, was as follows:

Primary Government:

	<u>Balance October 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance September 30</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 15,950,508	\$ 365,000	\$ -	\$ 16,315,508
Construction in progress	2,797,881	2,488,438	(2,064,224)	3,222,095
Total capital assets not being depreciated	<u>18,748,389</u>	<u>2,853,438</u>	<u>(2,064,224)</u>	<u>19,537,603</u>
Capital assets being depreciated				
Infrastructure	13,984,419	2,252,454	-	16,236,873
Buildings and improvements	7,200,462	3,559	-	7,204,021
Vehicles	2,775,612	-	(58,081)	2,717,531
Equipment	2,774,056	54,606	(36,201)	2,792,461
Total capital assets being depreciated	<u>26,734,549</u>	<u>2,310,619</u>	<u>(94,282)</u>	<u>28,950,886</u>
Less accumulated depreciation for:				
Infrastructure	3,494,431	376,897	-	3,871,328
Buildings and improvements	1,531,654	198,523	-	1,730,177
Vehicles	2,048,513	226,531	(55,607)	2,219,437
Equipment	1,776,275	319,784	(29,989)	2,066,070
Total accumulated depreciation	<u>8,850,873</u>	<u>1,121,735</u>	<u>(85,596)</u>	<u>9,887,012</u>
Total capital assets, being depreciated, net	<u>17,883,676</u>	<u>1,188,884</u>	<u>(8,686)</u>	<u>19,063,874</u>
Governmental activities capital assets, net	<u>\$ 36,632,065</u>	<u>\$ 4,042,322</u>	<u>\$ (2,072,910)</u>	<u>\$ 38,601,477</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE D - CAPITAL ASSETS - CONTINUED

	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
<i>Business-type activities</i>				
Capital assets not being depreciated				
Land	\$ 441,853	\$ -	\$ -	\$ 441,853
Construction in progress	40,414	-	-	40,414
Total Capital assets not being depreciated	<u>482,267</u>	<u>-</u>	<u>-</u>	<u>482,267</u>
Capital assets, being depreciated				
System and facilities	27,499,388	12,780	-	27,512,168
Buildings and improvements	112,633	-	-	112,633
Vehicles	1,204,187	2,473	(18,236)	1,188,424
Equipment	908,175	24,140	-	932,315
Total capital assets being depreciated	<u>29,724,383</u>	<u>39,393</u>	<u>(18,236)</u>	<u>29,745,540</u>
Less accumulated depreciation for:				
System and facilities	5,730,936	646,792	-	6,377,728
Buildings and improvements	75,246	2,298	-	77,544
Vehicles	736,727	144,650	(18,236)	863,141
Equipment	739,896	74,569	-	814,465
Total accumulated depreciation	<u>7,282,805</u>	<u>868,309</u>	<u>(18,236)</u>	<u>8,132,878</u>
Total capital assets, being depreciated, net	<u>22,441,578</u>	<u>(828,916)</u>	<u>-</u>	<u>21,612,662</u>
Business-type activities capital assets, net	<u>\$ 22,923,845</u>	<u>\$ (828,916)</u>	<u>\$ -</u>	<u>\$ 22,094,929</u>

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

Governmental Activities:		
General administration		\$ 83,194
Street		404,346
Mechanic		15,785
Engineering		41,966
Inspections		14,396
Building maintenance		852
Police		165,327
Fire and rescue		212,729
Library		95,970
Parks and recreation		62,093
Senior center		22,761
Municipal court		2,316
Total Depreciation Expense- Governmental Activities		<u>\$ 1,121,735</u>
Business-type Activities:		
Natural Gas System		\$ 129,446
Sewer System		643,070
Other Proprietary Funds		95,793
Total Depreciation Expense- Business-type Activities		<u>\$ 868,309</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE D - CAPITAL ASSETS – CONTINUED

<u>Component Unit:</u>	<u>Balance</u> <u>October 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirements/</u> <u>Adjustments</u>	<u>Balance</u> <u>September 30</u>
Capital assets not being depreciated				
Land	\$ 11,485	\$ -	\$ -	\$ 11,485
Construction in progress	310,200	-	(213,741)	96,459
Total capital assets not being depreciated	<u>321,685</u>	<u>-</u>	<u>(213,741)</u>	<u>107,944</u>
Capital assets being depreciated				
System and facilities	21,190,940	328,454	-	21,519,394
Buildings and improvements	53,436	-	-	53,436
Vehicles	268,322	-	-	268,322
Equipment	1,111,769	-	(8,067)	1,103,702
Total capital assets being depreciated	<u>22,624,467</u>	<u>328,454</u>	<u>(8,067)</u>	<u>22,944,854</u>
Less accumulated depreciation for:				
System and facilities	3,192,983	491,471	-	3,684,454
Buildings and improvements	5,351	1,336	-	6,687
Vehicles	229,544	24,426	-	253,970
Equipment	1,046,996	24,387	(6,056)	1,065,327
Total accumulated depreciation	<u>4,474,874</u>	<u>541,620</u>	<u>(6,056)</u>	<u>5,010,438</u>
Total capital assets, being depreciated, net	<u>18,149,593</u>	<u>(213,166)</u>	<u>(2,011)</u>	<u>17,934,416</u>
Water Works Board capital assets, net	<u>\$ 18,471,278</u>	<u>\$ (213,166)</u>	<u>\$ (215,752)</u>	<u>\$ 18,042,360</u>

Depreciation expense charged to the component unit for the year ended September 30, 2011 was \$541,620.

NOTE E - LONG-TERM DEBT

Primary Government:

Warrants payable at September 30, 2011, are comprised of the following issues:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Series 2002 General Obligation Warrants, dated December 1, 2002, due in semi-annual installments through July 1, 2012, bearing interest rates of 1.65% to 3.95%. (less: unamortized discounts of \$80).	\$ 129,920	\$ -
Series 2004 General Obligation Warrants, dated December 1, 2004, due in semi-annual installments through December 1, 2024, bearing interest rates of 2% to 4.25%. (less: unamortized discounts of \$30,984 and unamortized deferred amount on refunding of \$167,530).	5,146,486	-
Series 2005-A Sewer Revenue Bonds, dated September 23, 2005, due in annual installments through January 1, 2045, bearing an interest rate of 4.125%.	-	4,383,000
Series 2005-B Sewer Revenue Bonds, dated September 23, 2005, due in annual installments through January 1, 2035, bearing an interest rate of 4.125%.	-	2,937,000

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE E - LONG-TERM DEBT - CONTINUED

Series 2006 General Obligation Warrants, dated November 1, 2006, due in semi-annual installments through November 1, 2033, bearing interest rates of 4.30% to 4.50%. (less: unamortized discounts of \$42,988).	-	4,147,012
Series 2007 General Obligation Warrants, dated February 22, 2007, due in semi-annual installments through May 20, 2022, bearing interest rates averaging 3.81%.	1,215,000	-
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%.	482,378	-
2008 Q2 772 General Obligation Warrants, dated March 18, 2008, due in semi-annual installments through May 20, 2033, bearing an interest rate of 3.68%.	1,475,000	-
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%.	1,970,000	-
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%.	225,000	-
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 \$25,730).	4,729,270	-
2009 Q2 772CA General Obligation Warrants, dated August 31, 2009, due in semi-annual installments through May 20, 2038, bearing an interest rate of 3.51%.	<u>8,525,000</u>	<u>-</u>
Total Warrants Payable	<u>\$ 23,898,054</u>	<u>\$ 11,467,012</u>

A summary of long-term liability activity for the year ended September 30, 2011 is as follows:

	Balance October 1, 2010	Issues or Additions	Payments or Expenditures	Balance September 30, 2011	Due within one year
<i><u>Governmental Type Activities</u></i>					
General Obligation Warrants, net	\$ 24,224,240	\$ -	\$ 808,564	\$ 23,415,676	\$ 759,302
Limited Obligation Warrants	499,885	-	17,507	482,378	145,180
Capital Leases	108,649	-	52,390	56,259	55,630
Other Post Employment Benefit Payable	304,217	494,512	-	798,729	-
Compensated Absences	544,988	476,303	431,991	589,300	294,650
Total Governmental Activities	<u>\$ 25,681,979</u>	<u>\$ 970,815</u>	<u>\$ 1,310,452</u>	<u>\$ 25,342,342</u>	<u>\$ 1,254,762</u>
<i><u>Business-type Activities</u></i>					
General Obligation Warrants, net	\$ 4,144,657	\$ -	\$ (2,355)	\$ 4,147,012	\$ (2,356)
Revenue Bonds	7,448,000	-	128,000	7,320,000	133,000
Compensated Absences	48,807	107,701	109,308	47,200	23,600
Total Business-type Activities	<u>\$ 11,641,464</u>	<u>\$ 107,701</u>	<u>\$ 234,953</u>	<u>\$ 11,514,212</u>	<u>\$ 154,244</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE E - LONG-TERM DEBT - CONTINUED

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

Annual Requirements to Retire Debt Obligations:

The annual aggregate maturities for the years subsequent to September 30, 2011 are as follows:

Year Ending September 30,	Governmental Activities			
	General Obligation Warrants		Limited Obligation Warrants	
	Principal	Interest	Principal	Interest
2012	\$ 790,000	\$ 1,031,498	\$ 145,180	\$ 14,894
2013	755,000	997,511	55,060	12,915
2014	930,000	963,650	58,613	10,806
2015	955,000	923,876	62,333	8,561
2016	985,000	882,938	66,228	6,174
2017-2021	5,695,000	3,709,206	94,964	4,581
2022-2026	6,030,000	2,308,929	-	-
2027-2031	3,675,000	1,056,200	-	-
2032-2036	2,750,000	436,828	-	-
2037-2041	1,075,000	47,736	-	-
	<u>\$ 23,640,000</u>	<u>\$ 12,358,372</u>	<u>\$ 482,378</u>	<u>\$ 57,931</u>

Year Ending September 30,	Business-type Activities			
	Revenue Bonds		General Obligation Warrants	
	Principal	Interest	Principal	Interest
2012	\$ 133,000	\$ 301,950	\$ -	\$ 182,170
2013	138,000	296,464	-	182,170
2014	144,000	290,771	-	182,170
2015	150,000	284,831	-	182,170
2016	157,000	278,644	-	182,170
2017-2021	886,000	1,290,712	-	910,850
2022-2026	1,089,000	1,091,970	-	910,850
2027-2031	1,346,000	847,481	2,870,000	611,860
2032-2036	1,461,000	544,418	1,320,000	58,405
2037-2041	913,000	302,321	-	-
2042-2046	903,000	95,700	-	-
	<u>\$ 7,320,000</u>	<u>\$ 5,625,262</u>	<u>\$ 4,190,000</u>	<u>\$ 3,402,815</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE E - LONG-TERM DEBT - CONTINUED

Component Unit:

Notes payable at September 30, 2011, are comprised of the following:

Note payable to Central State Bank for meter reading software, dated December 19, 2003. Monthly payment of \$5,030, including interest at 5%, using the simple interest method, ballooning in December 2018, secured by equipment.	\$ 370,370
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Water Revenue Bonds payable at September 30, 2011, 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%.	\$ 434,626
2005 Water Revenue Bonds, dated August 1, 2005, due in semi-annual installments through February 1, 2026, bearing interest rates of 3.70% to 4.30%.	3,339,251
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%.	8,447,825
2009 Water Revenue Bonds, dated July 1, 2009, due in semi-annual installments through February 1, 2038, bearing interest rates of 2.0% to 5.125%.	<u>3,499,978</u>
Total Water Revenue Bonds Payable	<u>\$ 15,721,680</u>

A summary of long-term liability activity for the year ended September 30, 2011 is as follows:

	<u>Balance October 1, 2010</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance September 30, 2011</u>	<u>Due within one year</u>
Revenue Bonds Payable	\$ 16,029,291	\$ -	\$ 307,611	\$ 15,721,680	\$ 317,656
Notes Payable	<u>756,986</u>	<u>-</u>	<u>386,616</u>	<u>370,370</u>	<u>42,522</u>
	<u>\$ 16,786,277</u>	<u>\$ -</u>	<u>\$ 694,227</u>	<u>\$ 16,092,050</u>	<u>\$ 360,178</u>

The total interest incurred for the year ended September 30, 2011 was \$739,261. Of this amount, \$12,195 was capitalized as a component of the cost of capital assets constructed during the year and \$727,066 was charged to expense.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE E - LONG-TERM DEBT - CONTINUED

Annual Requirements to Retire Debt Obligations:

The annual aggregate maturities for the years subsequent to September 30, 2011 are as follows:

Year Ending September 30,	Revenue Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2012	\$ 345,000	\$ 681,459	\$ 42,522	\$ 17,842
2013	360,000	667,788	44,778	15,585
2014	370,000	652,742	47,102	13,262
2015	390,000	637,411	49,546	10,818
2016	405,000	621,980	52,093	8,270
2017-2021	2,285,000	2,849,228	134,329	8,457
2022-2026	2,745,000	2,323,366	-	-
2027-2031	3,355,000	1,685,365	-	-
2032-2036	4,175,000	873,135	-	-
2037-2041	1,590,000	82,513	-	-
	<u>\$ 16,020,000</u>	<u>\$ 11,074,987</u>	<u>\$ 370,370</u>	<u>\$ 74,234</u>

NOTE F - TRUST INDENTURE COVENANTS

The Series 2005 Sewer Revenue Bonds are secured by a pledge of all operating revenues after the payments of operating expenses. The bond indentures contain various covenants, including a prohibition against providing free service, an agreement to maintain rates adequate to cover all operating expenses and principal and interest obligations and build and maintain reserve funds for system maintenance and improvements, and an agreement to promptly discontinue service for nonpayment.

NOTE G - CAPITAL LEASES

Capital lease agreements in which the City is the lessee:

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

	<u>Governmental Activities</u>
Equipment	\$ 8,348
Vehicles	159,423
Less: Accumulated depreciation	<u>(50,645)</u>
Total	<u>\$ 117,126</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE G - CAPITAL LEASES - CONTINUED

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011, were as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2012	\$ 59,122
2013	<u>678</u>
Total minimum lease payments	59,800
Less: Amount representing interest	<u>(3,541)</u>
 Present value of minimum lease payments	 <u>\$ 56,259</u>

Capital lease agreement in which the City is the lessor:

The City leases approximately twenty acres of land under a direct financing lease that expires in 2028. The lease agreement contains a bargain purchase option at the end of the lease term. The components of the City's investment in the direct financing lease at September 30, 2011 is as follows:

	<u>Governmental Activities</u>
Minimum lease payments receivable	\$ 4,294,250
Less: unearned income	<u>(575,696)</u>
 Net investment in direct financing lease	 <u>\$ 3,718,554</u>

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

The following is a schedule, by year, of total minimum lease payments receivable under direct financing leases as of September 30, 2011:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>
2012	\$ 344,063
2013	334,375
2014	324,063
2015	311,813
2016	298,863
Thereafter	<u>2,681,073</u>
 Total minimum lease payments	 <u>\$ 4,294,250</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE H - OPERATING LEASES

Operating lease agreements in which the City is the lessee:

The City is the lessee in a number of operating leases, and with the exception of the non-cancelable operating leases listed below, these leases have cancellation provisions and are subject to annual appropriations. For the year ended September 30, 2011, lease expenditures for all types of operating leases were \$50,020.

The City leases various office equipment under non-cancelable operating leases in which the City is the lessee. Future minimum lease payments noncancelable operating leases with original terms of one year or longer are \$31,047 in 2012 and \$11,524 in 2013.

Operating lease agreements in which the City is the lessor:

The City leases space to various agencies under operating leases. The cost of buildings and improvements under operating leases was \$121,294. Accumulated depreciation on buildings and improvements under operating leases was \$40,649 at September 30, 2011. Minimum future rentals on noncancelable operating leases with original terms of one year or longer are \$27,000 in 2012, \$27,000 in 2013, and \$20,250 in 2014.

NOTE I - PENSION PLAN

Plan Description

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

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

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE I - PENSION PLAN - CONTINUED

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 8.40% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by The Retirement Systems of Alabama.

Annual Pension Cost

For September 30, 2011, the City's annual pension cost of \$587,844 was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2010, 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, 2010 was 30 years.

Three Year Trend Information

Fiscal Year Ending September 30	Annual Pension Costs	Percentage of Annual Pension Costs Contributed	Net Pension Obligation
2010	\$ 529,131	100%	\$ -
2009	565,787	100%	-
2008	561,925	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)
9/30/2010	9,856,548	13,974,807	4,118,259	70.5%	6,472,978	63.6%

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

NOTE J - OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

Plan Description

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

Contribution Rates

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

Fund Policy

Prior to fiscal year 2010, the City of Calera recognized the cost of providing post-employment medical benefits (the City of Calera's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due, and thus, financed the cost of the post-employment benefits on a pay-as-you-go basis.

Effective with the fiscal year beginning October 1, 2009, the City of Calera implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs. In fiscal year 2011, the City of Calera's portion of health care funding cost for retired employees totaled \$80,125. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

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

Annual Required Contribution

The City of Calera's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years, the maximum amortization period allowed by GASB 43/45, has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2010 is \$580,061, as set forth below:

	Medical
Normal cost	\$ 317,273
30-year UAL amortization amount	<u>262,788</u>
Annual required contribution (ARC)	<u>\$ 580,061</u>

Net Post-employment Benefit Obligation

The table below shows the City of Calera's Net Other Post-employment Benefit (OPEB) Obligation for the fiscal year ending September 30, 2011:

	Medical
Beginning Net OPEB Obligation 10/1/2010	\$ 304,217
Annual required contribution	580,061
Interest on Net OPEB Obligation	12,169
ARC Adjustment	<u>(17,593)</u>
OPEB Cost	574,637
Contribution	-
Current year retiree premium	<u>(80,125)</u>
Change in Net OPEB Obligation	<u>494,512</u>
Ending Net OPEB Obligation 9/30/2011	<u>\$ 798,729</u>

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

Two Year Trend Info

<u>Post Employment Benefit</u>	<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Obligation</u>
Medical	September 30, 2011	\$ 574,637	13.94%	\$ 798,729
Medical	September 30, 2010	\$ 360,780	15.68%	\$ 304,217

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

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

Funded Status and Funding Progress

In the fiscal year ending September 30, 2011, the City of Calera made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2010, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$4,544,152, which is defined as that portion, as determined by a particular actuarial cost method (the City of Calera uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2011, the entire actuarial accrued liability of \$4,544,152 was unfunded.

	Medical
Actuarial Accrued Liability (AAL)	\$ 4,544,152
Actuarial Value of Plan Assets	-
Unfunded Act. Accrued Liability (UAAL)	<u>4,544,152</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	6,953,806
UAAL as a percentage of covered payroll	65.35%

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

Actuarial Methods and Assumptions

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

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

Actuarial Cost Method

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

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

Actuarial Value of Plan Assets

Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45, will be used.

Turnover Rate

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

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	20.0%
26 - 40	12.0%
41 - 54	8.0%
55+	6.0%

Post employment Benefit Plan Eligibility Requirements

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

Investment Return Assumption (Discount Rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

Health Care Cost Trend Rate

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

Mortality Rate

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

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

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. After retirement, the employer pays 80% and the retiree 20% of the "local government rates" as set forth in the census data provided by the administrative staff. These rates were "unblended" as required by GASB for the OPEB valuation.

NOTE K - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund payables and receivables at September 30, 2011, were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 13,453	\$ -
Sewer System	-	13,453
 Total	 <u>\$ 13,453</u>	 <u>\$ 13,453</u>

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

Interfund transfers during the year ended September 30, 2011, were as follows:

<u>Transfers Out</u>	<u>General Fund</u>	<u>Transfers In</u>		<u>Total</u>
		<u>Debt Service Fund</u>	<u>Sewer System</u>	
General Fund	\$ -	\$ 2,045,068	\$ 120,261	\$ 2,165,329
Capital Projects Fund	489	-	-	489
Other Governmental Funds	75,197	-	-	75,197
Natural Gas System	1,008,875	-	-	1,008,875
Other Proprietary Fund	3,900	-	-	3,900
 Total	 <u>\$ 1,088,461</u>	 <u>\$ 2,045,068</u>	 <u>\$ 120,261</u>	 <u>\$ 3,253,790</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

City of Calera, Alabama

September 30, 2011

NOTE L - RELATED PARTY TRANSACTIONS

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

The Board issued a note receivable to the City of Calera dated November 18, 2008, totaling \$680,486. Interest accrues at a rate of 1.5%. The note indicates further terms will be agreed upon by the City and the Board. At September 30, 2011, the outstanding balance was \$84,358.

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

At September 30, 2011, the Board owed the City of Calera \$43,562 resulting from expenses paid for the Board by the City.

The Board leases space at City Hall and the City Shop Building from the City of Calera. Rent charged during fiscal year 2011 totaled \$6,000. For fiscal year 2012, the rent has been increased to \$7,000.

NOTE M - COMMITMENTS

The Natural Gas System has a contract with Atmos Energy Marketing, LLC requiring the Natural Gas System to purchase 100% of its natural gas requirements from Atmos. Purchased volumes up to the City's daily pipeline threshold will be purchased at a cost equal to the NYMEX close plus \$.03/MMBtu. Purchased volumes in excess of the City's daily pipeline threshold will be purchased at a cost equal to the published Gas Daily, Daily Louisiana-Onshore South, Southern Natural, La. Midpoint rate plus \$.30/MMBtu.

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

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

NOTE N - 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 O - 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, 2011

NOTE P - MAJOR CUSTOMERS

Approximately 60% of the City's business license revenue was generated by one business. Approximately 30% of the revenues of the natural gas system was generated by one industrial customer.

City of Calera, Alabama
 Required Supplementary Information
 Schedule of Funding Progress
 For the Year Ended September 30, 2011

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

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/ c)
9/30/2005	5,364,394	7,191,039	1,826,645	74.6%	5,265,682	34.7%
9/30/2006 ²	6,282,539	8,945,996	2,663,457	70.2%	5,961,601	44.7%
9/30/2007	7,427,642	10,369,828	2,942,186	71.6%	6,527,054	45.1%
9/30/2008	8,425,720	11,885,723	3,460,003	70.9%	7,209,909	48.0%
9/30/2009	9,205,229	13,358,666	4,153,437	68.9%	6,932,170	59.9%
9/30/2010 ³	9,856,548	13,974,807	4,118,259	70.5%	6,472,978	63.6%

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

² Reflects changes in actuarial assumptions.

³ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

* Market Value of Assets as of September 30, 2010: \$8,444,684.

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

City of Calera Other Post Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/ c)
10/1/2007	-	2,783,761	2,783,761	0.0%	6,738,678	41.3%
10/1/2010	-	4,544,152	4,544,152	0.0%	6,953,806	65.3%

For information regarding assumptions and amortization methods, see Note J.

City of Calera, Alabama
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Operating Revenues:				
Taxes:				
Sales	\$ 6,358,762	\$ 5,922,456	\$ 6,710,892	\$ 788,436
Property	1,680,000	1,680,000	1,731,190	51,190
Motor Vehicle / Gas	74,000	74,000	72,560	(1,440)
Other	96,500	96,500	114,077	17,577
Licenses and Permits	1,736,000	1,608,500	1,595,259	(13,241)
Charges for Services	237,500	245,675	172,285	(73,390)
Interest	6,500	6,500	19,237	12,737
Other	86,000	86,000	1,164,215	1,078,215
Total Revenues	10,275,262	9,719,631	11,579,715	1,860,084
Expenditures:				
Current:				
General Administration	1,050,943	907,943	740,579	(167,364)
Street	712,686	709,986	633,158	(76,828)
Mechanic	166,773	166,773	163,335	(3,438)
Planning and zoning	164,894	164,894	131,525	(33,369)
Engineering	475,328	475,328	430,969	(44,359)
Inspections	321,564	321,564	241,101	(80,463)
Building maintenance	278,479	279,748	222,153	(57,595)
Police	2,604,560	2,611,749	2,649,351	37,602
Fire and rescue	2,477,617	2,528,519	2,609,382	80,863
Library	350,237	350,237	298,220	(52,017)
Parks and recreation	758,648	764,508	722,633	(41,875)
Senior center	66,400	65,215	66,569	1,354
Donations	9,410	11,910	11,660	(250)
Debt Service:				
Principal	169,100	169,100	69,897	(99,203)
Interest and fiscal charges	25,217	25,217	25,992	775
Capital Outlay	-	-	780,575	780,575
Total Expenditures	9,631,856	9,552,691	9,797,099	244,408
Excess (Deficiency) of Revenues over Expenditures	643,406	166,940	1,782,616	1,615,676
Other Financing Sources (Uses):				
Proceeds from capital lease	17,656	353,125	353,125	-
Proceeds from sale of capital assets	-	-	17,464	17,464
Transfers (to)/from Capital Projects Fund	-	-	489	489
Transfers (to)/from Debt Service Fund	(538,528)	(538,528)	(2,045,068)	(1,506,540)
Transfers (to)/from Other Governmental Funds	78,000	78,000	75,197	(2,803)
Transfers (to)/from Natural Gas System	-	-	1,008,875	1,008,875
Transfers (to)/from Sewer System	-	-	3,900	3,900
Transfers (to)/from Other Proprietary Funds	-	-	(120,261)	(120,261)
Total Other Financing Sources (Uses)	(442,872)	(107,403)	(706,279)	(598,876)
Net Change in Fund Balance	\$ 200,534	\$ 59,537	\$ 1,076,337	\$ 1,016,800

Notes to Required Supplementary Information - Budgetary Comparisons

Excess of Actual Expenditures over Budgeted Expenditures

For the year ended September 30, 2011, actual expenditures in the General Fund exceeded budgeted expenditures by \$244,408 largely due to capital outlay expenditures funded with revenues received pursuant to an agreement.