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State Auditor & Inspector

TOWN OF CALERA, OKLAHOMA

Financial Statements and Independent Auditor's Report
For Year Ended June 30, 2011

TOWN OF CALERA, OKLAHOMA
JUNE 30, 2011

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MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWN OF CALERA, OKLAHOMA
JUNE 30, 2011

Our discussion and analysis of the Town of Calera's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2011. Please read this in conjunction with the Town's financial statements, which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following four parts:

- I. Management's discussion and analysis – this section
- II. Basic financial statements – consisting of:
 - A) Government-wide financial statements
 - B) Fund financial statements
 - C) Notes to the financial statements
- III. Required supplementary information – consisting of:
 - A) Budgetary comparison schedules
 - B) Defined benefit retirement plan information
- IV. Other supplementary information – consisting of:
 - A) Combining schedules
 - B) Other information

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's *overall* financial status.

The remaining statements are *fund financial statements* that focus on *individual parts* of the Town government, reporting the Town's operations *in more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* services such as public safety were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
- *Fiduciary funds* statements provide information about the financial relationships in which the Town acts solely as a *trustee or agent* for the benefit of those outside of the government.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Town's *net assets* and how they have changed. Net assets – the difference between the Town's assets and liabilities – is one way to measure the Town's financial health or *position*.

- Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, you need to consider additional nonfinancial factors such as changes in the Town's sales tax base and the condition of the Town's infrastructure networks.

In the government-wide financial statements, the Town's activities are divided into two categories:

- *Governmental activities* – Most of the Town's basic services are included here, such as the police, fire, streets, parks, and general administration. Sales taxes, fines and grants finance most of these activities.
- *Business-type activities* – The Town charges fees to customers to help cover the costs of certain services it provides. The Town's water and sewer system and sanitation services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's *funds*, focusing on its most significant or "major" funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law (such as the Cemetery Care Fund).
- Other funds are established by the Town to control and manage money for specific purposes (such as the Police Special Fund) or to show that certain taxes are being used properly (such as the Street & Alley Fund).

The Town has three kinds of funds:

- *Governmental funds* – Most of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. In fact, the Town's enterprise fund is the Calera Public Works Authority and is its only proprietary fund and business-type activity.
- *Fiduciary funds* – The Town acts as an agent, or fiduciary, for bonds posted on pending police citations that have not had a court hearing. The Town is responsible for ensuring that these bond amounts are either refunded or converted to fine revenue, depending on the results from court. The activities and assets of this fund are excluded from the Town's government-wide financial statements because these assets cannot be used to finance operations of the Town.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased from \$4,061,733 to \$4,236,224. The increase was comprised of the following:

| | | |
|--------------------------|-----------------|-------------------|
| Governmental activities | increased 11.7% | \$ 257,756 |
| Business-type activities | decreased 4.5% | (83,265) |
| | | <u>\$ 174,491</u> |

- During the year, the Town's program related expenses were \$405,080 more than revenues, and the Town received general, non-program revenues of \$579,571, resulting in the above increase in net assets.
- The Town's financial statements now reflect capital assets for governmental activities (\$1,433,413) as well as for business-type activities (\$4,962,221).
- General Fund revenues were \$110,994 more than budgeted and expenditures were \$96,998 less than budgeted
- Public Works Authority operating revenues were \$93,462 more than budgeted and operating expenses were \$8,258 less than budgeted.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Condensed government-wide statement of net assets – June 30, 2011 and 2010:

| | Governmental Activities | | Business-type Activities | | Totals | |
|---|----------------------------|------------------|-----------------------------|------------------|---------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current assets | \$ 1,243,720 | 1,114,335 | 378,731 | 344,884 | \$ 1,622,451 | 1,459,219 |
| Restricted assets | - | - | 146,263 | 427,605 | 146,263 | 427,605 |
| Capital assets | 1,433,413 | 1,345,875 | 4,962,221 | 5,122,638 | 6,395,634 | 6,468,513 |
| Other assets | - | - | 144,164 | 300,000 | 144,164 | 300,000 |
| Total assets | <u>2,677,133</u> | <u>2,460,210</u> | <u>5,631,379</u> | <u>6,195,127</u> | <u>8,308,512</u> | <u>8,655,337</u> |
| Current liabilities | 84,044 | 86,139 | 142,778 | 53,556 | 226,822 | 139,695 |
| Long-term debt | 85,874 | 132,793 | 3,620,635 | 4,200,000 | 3,706,509 | 4,332,793 |
| Other liabilities | 49,156 | 40,975 | 89,801 | 80,141 | 138,957 | 121,116 |
| Total liabilities | <u>219,074</u> | <u>259,907</u> | <u>3,853,214</u> | <u>4,333,697</u> | <u>4,072,288</u> | <u>4,593,604</u> |
| Net assets | | | | | | |
| Invested in capital assets net of related debt | 1,300,620 | 754,265 | 1,213,725 | 922,638 | 2,514,345 | 1,676,903 |
| Restricted | 481,380 | 439,186 | 92,037 | 427,605 | 573,417 | 866,791 |
| Unrestricted | <u>676,059</u> | <u>1,006,852</u> | <u>472,403</u> | <u>511,187</u> | <u>1,148,462</u> | <u>1,518,039</u> |
| Total net assets | <u>\$2,458,059</u> | <u>2,200,303</u> | <u>1,778,165</u> | <u>1,861,430</u> | <u>\$ 4,236,224</u> | <u>4,061,733</u> |

The unrestricted net asset positions of both the governmental activities and the business-type activities should provide the Town with adequate resources for future period expenditures in the event future period revenues are not sufficient or fall short of expectations. Also, such net asset position will allow the Town to make some long-term improvements to infrastructure without hindering current period operating activities.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Condensed government-wide statement of activities for the year ended June 30, 2011:

| | Governmental Activities | | Business-type Activities | | Totals All Activities | |
|-----------------------------------|----------------------------|------------------|-----------------------------|------------------|--------------------------|------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 644,904 | 677,204 | 910,338 | 848,028 | \$ 1,555,242 | 1,525,232 |
| Grants and awards | 157,995 | 508,153 | - | - | 157,995 | 508,153 |
| General revenues | | | | | | |
| Sales taxes | 441,294 | 420,985 | - | - | 441,294 | 420,985 |
| Other taxes | 84,106 | 83,007 | - | - | 84,106 | 83,007 |
| Interest earnings | 12,524 | 11,257 | 12,146 | 10,754 | 24,670 | 22,011 |
| Other revenues | 9,377 | 13,832 | 20,124 | 19,191 | 29,501 | 33,023 |
| Total revenues | <u>1,350,200</u> | <u>1,714,438</u> | <u>942,608</u> | <u>877,973</u> | <u>2,292,808</u> | <u>2,592,411</u> |
| Expenses | | | | | | |
| General government | 113,040 | 108,642 | - | - | 113,040 | 108,642 |
| Law enforcement | 697,240 | 750,844 | - | - | 697,240 | 750,844 |
| Fire protection | 133,400 | 109,216 | - | - | 133,400 | 109,216 |
| Street maintenance | 89,912 | 72,196 | - | - | 89,912 | 72,196 |
| Community services | 55,467 | 44,042 | - | - | 55,467 | 44,042 |
| Cemetery | 3,385 | 4,430 | - | - | 3,385 | 4,430 |
| Water utility services | - | - | 201,166 | 196,664 | 201,166 | 196,664 |
| Sewer utility services | - | - | 602,425 | 627,658 | 602,425 | 627,658 |
| Sanitation services | - | - | 222,282 | 208,201 | 222,282 | 208,201 |
| Total expenses | <u>1,092,444</u> | <u>1,089,370</u> | <u>1,025,873</u> | <u>1,032,523</u> | <u>2,118,317</u> | <u>2,121,893</u> |
| Revenues over (under) expenses | 257,756 | 625,068 | (83,265) | (154,550) | 174,491 | 470,518 |
| Operating transfers | - | - | - | - | - | - |
| Capital transfers | - | (281,370) | - | 281,370 | - | - |
| Increase (decrease) in net assets | \$ <u>257,756</u> | <u>343,698</u> | <u>(83,265)</u> | <u>126,820</u> | \$ <u>174,491</u> | <u>470,518</u> |

The composition of total revenues, program and general, was as follows:

| | 2011 | | 2010 | |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|
| | Amount | Percent of Total | Amount | Percent of Total |
| Sales taxes | \$ 441,294 | 19% | \$ 420,985 | 16% |
| Franchise taxes | 50,796 | 2% | 51,205 | 2% |
| Other taxes | 33,310 | 1% | 31,802 | 1% |
| Law enforcement revenues | 603,373 | 27% | 641,514 | 25% |
| Charges for utility service | 910,338 | 40% | 848,028 | 33% |
| Charges for other services | 41,531 | 2% | 35,690 | 1% |
| Grants | 157,995 | 7% | 508,153 | 20% |
| Investment earnings | 24,670 | 1% | 22,011 | 1% |
| Other revenues | 29,501 | 1% | 33,023 | 1% |
| | <u>\$ 2,292,808</u> | <u>100%</u> | <u>\$ 2,592,411</u> | <u>100%</u> |

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

The composition of total functional expenses was as follows:

| | 2011 | | 2010 | |
|--------------------|---------------------|------------------|---------------------|------------------|
| | Amount | Percent of Total | Amount | Percent of Total |
| General government | \$ 113,040 | 5% | \$ 108,642 | 5% |
| Law enforcement | 697,240 | 33% | 750,844 | 35% |
| Fire protection | 133,400 | 6% | 109,216 | 5% |
| Street maintenance | 89,912 | 4% | 72,196 | 3% |
| Community services | 55,467 | 3% | 44,042 | 2% |
| Cemetery | 3,385 | - % | 4,430 | 1% |
| Public utilities | <u>1,025,873</u> | <u>49%</u> | <u>1,032,523</u> | <u>49%</u> |
| | <u>\$ 2,118,317</u> | <u>100%</u> | <u>\$ 2,121,893</u> | <u>100%</u> |

Governmental activities

In total, non-grant related revenues and expenses for governmental activities were in line with budget amounts and expectations. The Town experienced an increase in sales tax revenue due to new businesses in the town. Also, law enforcement related revenues decreased moderately as a result of the installation of two traffic signal lights. The most significant capital expenditures during the year were equipment purchases and a street repaving project. Further, operating expenses were generally consistent with prior years.

Business-type activities

These consist entirely of the Town’s public works authority which operates the water, sewer and sanitation systems. Revenues from utility charges were increased slightly over last year. Operating revenues exceeded the projected revenue budget for the year by \$93,462. Operating expenses of the public works authority (excluding interest and depreciation charges) were in line with prior years and were in line with the budget.

FINANCIAL ANALYSIS OF THE TOWN’S INDIVIDUAL FUNDS

The financial highlights of the Town’s General Fund and Public Works Fund were discussed above as the primary components of the governmental and business-type activities, respectively. Other individual fund information is noted below:

- Street and Alley Fund decreased fund balance by \$23,214, primarily as a result of spending \$131,370 on a street paving project.
- Police Special Fund received 10% of all municipal fine revenue for a total of \$46,826 and received property forfeitures of \$3,569. The fund purchased \$30,028 in new equipment, including purchases through capital lease agreements.
- Volunteer Fire Department Fund now receives a ½-cent sales tax designated for truck and equipment purchases for a total of \$55,161. The fund purchased \$48,196 in new equipment, including purchases through capital lease agreements.
- All funds ended the year with positive fund balances.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Condensed financial summary of individual funds:

| | General Fund | Street & Alley | Volunteer Fire Dept. | Police Reserves | Police Special | Cemetery Revenue | Cemetery Care | Public Works | Municipal Court |
|-----------------------|---------------------|-------------------|----------------------|-----------------|-------------------|------------------|------------------|---------------------|-----------------|
| Current assets | \$ 746,976 | \$ 268,735 | \$ 70,592 | \$ 9,638 | \$ 88,853 | \$ 38,452 | \$ 20,474 | \$ 378,731 | \$ 2,037 |
| Restricted assets | - | - | - | - | - | - | - | 146,263 | - |
| Capital assets | 445,709 | 392,041 | 428,111 | - | 99,154 | 52,398 | 16,000 | 4,962,221 | - |
| Other assets | - | - | - | - | - | - | - | 144,164 | - |
| Total assets | <u>1,192,685</u> | <u>660,776</u> | <u>498,703</u> | <u>9,638</u> | <u>188,007</u> | <u>90,850</u> | <u>36,474</u> | <u>5,631,379</u> | <u>2,037</u> |
| Current liabilities | 21,761 | 9,520 | 30,714 | - | 22,049 | - | - | 142,778 | - |
| Long-term liabilities | 49,156 | - | 85,874 | - | - | - | - | 3,710,436 | - |
| Total liabilities | <u>70,917</u> | <u>9,520</u> | <u>116,588</u> | <u>-</u> | <u>22,049</u> | <u>-</u> | <u>-</u> | <u>3,853,214</u> | <u>-</u> |
| Net assets | \$ <u>1,121,768</u> | \$ <u>651,256</u> | \$ <u>382,115</u> | \$ <u>9,638</u> | \$ <u>165,958</u> | \$ <u>90,850</u> | \$ <u>36,474</u> | \$ <u>1,778,165</u> | \$ <u>2,037</u> |
| Revenues | \$ 986,071 | \$ 182,883 | \$ 109,283 | \$ 10,932 | \$ 53,625 | \$ 5,513 | \$ 1,891 | \$ 942,608 | \$ 13,687 |
| Expenditures | (845,685) | (89,912) | (94,546) | (8,514) | (50,402) | (3,385) | - | (1,025,873) | (14,816) |
| Transfers, net | <u>(25,470)</u> | <u>-</u> | <u>25,470</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change | 114,916 | 92,971 | 40,207 | 2,418 | 3,223 | 2,128 | 1,891 | (83,265) | (1,129) |
| Net assets, beginning | 1,006,852 | 558,285 | 341,908 | 7,220 | 162,735 | 88,722 | 34,583 | 1,861,430 | 3,166 |
| Net assets, ending | \$ <u>1,121,768</u> | \$ <u>651,256</u> | \$ <u>382,115</u> | \$ <u>9,638</u> | \$ <u>165,958</u> | \$ <u>90,850</u> | \$ <u>36,474</u> | \$ <u>1,778,165</u> | \$ <u>2,037</u> |

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town adopts an annual budget prior to the July 1st start of each fiscal year. This original budget is prepared under a modified accrual basis, wherein capital asset acquisitions are recorded as expenditures and depreciation expense is not recorded. Available resources are based on the projected current year ending fund balance and an estimate of the next year's revenues. Expenditure appropriations are then established for each department. During the year, the Town Council can amend the budget as necessary. Generally, such amendments fall into three categories:

- Adjustments for corrections to the carryover fund balance or to the estimated revenues.
- Additional appropriations for new revenue sources not included in the original budget.
- Reclassifications between departments or expenditure accounts to prevent budget overspending.

| General Fund budget summary for the year ended June 30, 2011: | | | | | |
|---|--------------------|-------------|-----------------|-------------------|------------|
| | Original Budget | Adjustments | Final Budget | Actual Amounts | Variance |
| Revenues | \$ 875,077 | \$ - | \$ 875,077 | \$ 986,071 | \$ 110,994 |
| Expenditures by department | | | | | |
| General government | 133,394 | - | 133,394 | 121,084 | 12,310 |
| Law enforcement | 692,209 | - | 692,209 | 629,852 | 62,357 |
| Fire | 81,500 | - | 81,500 | 79,777 | 1,723 |
| Community services | 63,009 | - | 63,009 | 42,401 | 20,608 |
| Total expenditures | 970,112 | - | 970,112 | 873,114 | 96,998 |
| Revenues over (under) expenditures | (95,035) | - | (95,035) | 112,957 | 207,992 |
| Transfers in | - | - | - | - | - |
| Transfers out | - | (25,470) | (25,470) | (25,470) | - |
| Beginning fund balance | 436,649 | - | 436,649 | 637,728 | 201,079 |
| Ending fund balance | \$ 341,614 | \$ (25,470) | \$ 316,144 | \$ 725,215 | \$ 409,071 |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the Town had invested \$6,395,634 (net of depreciation) in a broad range of capital assets, including land, buildings, equipment, roads and water and sewer systems. For the year ended June 30, 2011, the Town spent \$214,293 on capitalized assets.

Summary of capital assets at June 30, 2011:

| | Governmental Activities | | Business-type Activities | | Totals All Activities | |
|----------------------------|----------------------------|------------------|-----------------------------|------------------|--------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land | \$ 46,167 | 44,967 | \$ 46,807 | 46,807 | \$ 92,974 | 91,774 |
| Buildings and improvements | 354,308 | 351,681 | 26,984 | 26,984 | 381,292 | 378,665 |
| Equipment | 1,228,790 | 1,222,502 | 342,172 | 342,172 | 1,570,962 | 1,564,674 |
| Infrastructure network | 496,069 | 340,691 | 5,596,765 | 5,596,765 | 6,092,834 | 5,937,456 |
| Accumulated depreciation | <u>(691,921)</u> | <u>(613,966)</u> | <u>(1,050,507)</u> | <u>(890,090)</u> | <u>(1,742,428)</u> | <u>(1,504,056)</u> |
| Total | \$ <u>1,433,413</u> | <u>1,345,875</u> | \$ <u>4,962,221</u> | <u>5,122,638</u> | \$ <u>6,395,634</u> | <u>6,468,513</u> |

This year's major capital asset additions included:

- Parcel of land and survey costs at \$9,200 purchased by the General Fund,
- Fire station building improvements at \$17,435 purchased by the General Fund,
- Firefighting equipment at \$33,640 purchased by the General Fund,
- Street paving project at \$127,737 paid by the Street and Alley Fund,
- Completion of signal light at \$3,633 purchased by the Street and Alley Fund,
- Law enforcement equipment at \$7,233 purchased by the Police Special Fund,
- Firefighting equipment at \$14,215 purchased by the Volunteer Fire Department Fund,
- Cemetery land surveying at \$1,200 purchased by the Cemetery Revenue Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt Administration

At June 30, 2011, the Town had \$5,075,793 in outstanding notes payable and capital lease obligations, which is an increase from the June 30, 2010, balance of \$4,381,510.

| Summary of outstanding long-term debt: | | | | |
|--|----------------------|----------------|-----------------|----------------------|
| | <u>June 30, 2010</u> | <u>Issued</u> | <u>Retired</u> | <u>June 30, 2011</u> |
| <u>Police Special Fund</u> | | | | |
| Ford Motor Credit Police vehicles | \$ 19,545 | - | (9,447) | \$ 10,098 |
| First United Bank Police vehicle | 19,175 | - | (11,512) | 7,663 |
| <u>Vol. Fire Dept. Fund</u> | | | | |
| Kansas St. Bank Fire truck | 124,935 | - | (22,353) | 102,582 |
| First United Bank Poly water tanks | 17,855 | - | (5,405) | 12,450 |
| <u>Public Works Authority</u> | | | | |
| 2007 Bond/OWRB loan Sewer treatment plant | <u>4,200,000</u> | <u>785,000</u> | <u>(42,000)</u> | <u>4,943,000</u> |
| Totals | <u>\$ 4,381,510</u> | <u>785,000</u> | <u>(90,717)</u> | <u>\$ 5,075,793</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Several economic factors will influence the Town's operations and financial decisions in the next year and in years to come. Some of the most significant factors include:

- Continued population growth and business development in the Calera and surrounding areas;
- Construction and opening of new business establishments in Calera;
- Continuing improvements and additions to the Town's infrastructure systems for water, sewer and transportation services, including the installation of traffic signal lights on the major highway through town;
- Increasing costs and debt service obligations of the Public Works Authority;
- Receipt of additional grant awards to fund special projects.

These factors were all considered in the preparation and adoption of the Town's 2011-2012 budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)

Summary of 2011-2012 budget:

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Public Works</u> | <u>Total</u> |
|-----------------------------|-------------------------|---|-------------------------|-------------------|
| Resources | | | | |
| Fund Balance | \$ 252,879 | 363,965 | 269,796 | \$ 886,640 |
| Revenues | 648,800 | 307,550 | 941,500 | 1,897,850 |
| Grant & Loan Proceeds | 141,701 | 4,400 | - | 146,101 |
| Transfers | <u>75,000</u> | <u>-</u> | <u>-</u> | <u>75,000</u> |
| Total Resources | <u>1,118,380</u> | <u>675,915</u> | <u>1,211,296</u> | <u>3,005,591</u> |
| Appropriations | | | | |
| General Government | 105,894 | - | - | 105,894 |
| Law Enforcement | 649,253 | 84,605 | - | 733,858 |
| Fire & Emergency Management | 56,500 | 115,436 | - | 171,936 |
| Street | - | 409,707 | - | 409,707 |
| Community Services | 10,000 | - | - | 10,000 |
| Cemetery | - | 66,167 | - | 66,167 |
| Utility Operations | - | - | 467,423 | 467,423 |
| Water | - | - | 85,000 | 85,000 |
| Sewer | - | - | 105,000 | 105,000 |
| Sanitation | 158,101 | - | 90,000 | 248,101 |
| Debt Service | - | - | 259,188 | 259,188 |
| Transfers | <u>-</u> | <u>-</u> | <u>75,000</u> | <u>75,000</u> |
| Total Appropriations | <u>979,748</u> | <u>675,915</u> | <u>1,081,611</u> | <u>2,737,274</u> |
| Ending Fund Balance | <u>\$ 138,632</u> | <u>-</u> | <u>129,685</u> | <u>\$ 268,317</u> |

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's business office at 110 W. Main, Calera, Oklahoma 74730.

Town of Calera, Oklahoma
Statement of Net Assets
June 30, 2011

| | Governmental Activities (Sch. 1) | Business-type Activities (Exh. E) | Total Primary Government |
|---|--|---|--------------------------------|
| <u>Assets</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 594,036 | 194,537 | 788,573 |
| Certificates of deposit | 82,245 | 110,225 | 192,470 |
| Receivables (net) | <u>567,439</u> | <u>73,969</u> | <u>641,408</u> |
| Total current assets | <u>1,243,720</u> | <u>378,731</u> | <u>1,622,451</u> |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | - | 146,263 | 146,263 |
| Land | 46,167 | 46,807 | 92,974 |
| Capital assets, net of depreciation | 1,387,246 | 4,915,414 | 6,302,660 |
| Prepaid expenses | - | 17,000 | 17,000 |
| Unamortized loan issue costs | <u>-</u> | <u>127,164</u> | <u>127,164</u> |
| Total noncurrent assets | <u>1,433,413</u> | <u>5,252,648</u> | <u>6,686,061</u> |
| Total assets | <u>2,677,133</u> | <u>5,631,379</u> | <u>8,308,512</u> |
| <u>Liabilities</u> | | | |
| Current liabilities: | | | |
| Accounts payable | 37,125 | 14,917 | 52,042 |
| Accrued interest payable | - | 51,444 | 51,444 |
| Notes payable, current portion | 46,919 | 122,000 | 168,919 |
| Less deferred charge | <u>-</u> | <u>(45,583)</u> | <u>(45,583)</u> |
| Total current liabilities | <u>84,044</u> | <u>142,778</u> | <u>226,822</u> |
| Noncurrent liabilities | | | |
| Notes payable, less current portion | 85,874 | 4,821,000 | 4,906,874 |
| Less deferred charge | - | (1,200,365) | (1,200,365) |
| Customer deposits payable | - | 53,142 | 53,142 |
| Compensated absences | <u>49,156</u> | <u>36,659</u> | <u>85,815</u> |
| Total noncurrent liabilities | <u>135,030</u> | <u>3,710,436</u> | <u>3,845,466</u> |
| Total liabilities | <u>219,074</u> | <u>3,853,214</u> | <u>4,072,288</u> |
| <u>Net Assets</u> | | | |
| Invested in capital assets, net of related debt | 1,300,620 | 1,213,725 | 2,514,345 |
| Restricted for: | | | |
| Debt service | - | 92,037 | 92,037 |
| Other purposes | 481,380 | - | 481,380 |
| Unrestricted | <u>676,059</u> | <u>472,403</u> | <u>1,148,462</u> |
| Total net assets | <u>\$ 2,458,059</u> | <u>1,778,165</u> | <u>4,236,224</u> |

See accompanying notes to the financial statements.

Exhibit B

**Town of Calera, Oklahoma
Statement of Activities
For the Year Ended June 30, 2011**

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|--------------------------------|--------------------------|-------------------------|--|---|----------------------------|-----------------------------|-----------|
| | Expenses (Sch. 6 & 7) | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Functions / Programs | | | | | | | |
| Primary government: | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 113,040 | 7,450 | - | - | (105,590) | - | (105,590) |
| Law enforcement | 697,240 | 603,373 | 133,375 | 2,380 | 41,888 | - | 41,888 |
| Fire protection | 133,400 | 26,731 | 22,240 | - | (84,429) | - | (84,429) |
| Street maintenance | 89,912 | - | - | - | (89,912) | - | (89,912) |
| Public health & welfare | - | - | - | - | - | - | - |
| Community services | 55,467 | - | - | - | (55,467) | - | (55,467) |
| Cemetery | 3,385 | 7,350 | - | - | 3,965 | - | 3,965 |
| Total governmental activities | 1,092,444 | 644,904 | 155,615 | 2,380 | (289,545) | - | (289,545) |
| Business-type activities | | | | | | | |
| Water | 201,166 | 229,340 | - | - | - | 28,174 | 28,174 |
| Sewer | 602,425 | 389,774 | - | - | - | (212,651) | (212,651) |
| Sanitation | 222,282 | 291,224 | - | - | - | 68,942 | 68,942 |
| Total business-type activities | 1,025,873 | 910,338 | - | - | - | (115,535) | (115,535) |
| Total primary government | \$ 2,118,317 | 1,555,242 | 155,615 | 2,380 | (289,545) | (115,535) | (405,080) |
| General Revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Sales taxes | | | | | 441,294 | - | 441,294 |
| Franchise taxes | | | | | 50,796 | - | 50,796 |
| Alcoholic beverage tax | | | | | 11,517 | - | 11,517 |
| Commercial vehicle tax | | | | | 12,441 | - | 12,441 |
| Gasoline excise tax | | | | | 3,617 | - | 3,617 |
| Cigarette tax | | | | | 5,735 | - | 5,735 |
| Interest earnings | | | | | 12,524 | 12,146 | 24,670 |
| Miscellaneous income | | | | | 9,377 | 20,124 | 29,501 |
| Transfers | | | | | - | - | - |
| Total general revenues | | | | | 547,301 | 32,270 | 579,571 |
| Change in net assets | | | | | 257,756 | (83,265) | 174,491 |
| Contributed capital | | | | | - | - | - |
| Net assets - beginning | | | | | 2,200,303 | 1,861,430 | 4,061,733 |
| Net assets - ending | | | | | \$ 2,458,059 | 1,778,165 | 4,236,224 |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

| | General Fund | Street and Alley Fund | Vol. Fire Dept. Fund | Police Special Fund | Other Governmental Funds (Sch. 3) | Total Governmental Funds |
|---------------------------------------|-----------------|-----------------------------|----------------------------|---------------------------|--|--------------------------------|
| Revenues | | | | | | |
| Sales taxes | \$ 220,647 | 165,485 | 55,161 | - | - | 441,293 |
| Franchise taxes | 50,796 | - | - | - | - | 50,796 |
| Other taxes | 17,252 | 16,058 | - | - | - | 33,310 |
| Fines and forfeitures | 502,632 | - | - | 47,449 | - | 550,081 |
| Court pass-through fees | 42,360 | - | - | - | - | 42,360 |
| Charges for services | 7,032 | - | 26,731 | - | 18,282 | 52,045 |
| Intergovernmental grants | 131,029 | - | 21,640 | 5,326 | - | 157,995 |
| Investment earnings | 12,470 | - | - | - | 54 | 12,524 |
| Miscellaneous | 1,853 | 1,340 | 5,750 | 850 | - | 9,793 |
| Total revenues | 986,071 | 182,883 | 109,282 | 53,625 | 18,336 | 1,350,197 |
| Expenditures | | | | | | |
| General government | 109,258 | - | - | - | - | 109,258 |
| Law enforcement | 629,852 | - | - | 5,613 | 8,514 | 643,979 |
| Fire protection | 31,329 | - | 46,673 | - | - | 78,002 |
| Street maintenance | - | 74,728 | - | - | - | 74,728 |
| Community services | 42,401 | - | - | - | - | 42,401 |
| Cemetery | - | - | - | - | 1,081 | 1,081 |
| Capital outlay | 60,274 | 131,369 | 48,196 | 30,028 | 1,200 | 271,067 |
| Total expenditures | 873,114 | 206,097 | 94,869 | 35,641 | 10,795 | 1,220,516 |
| Revenues over (under) expenditures | 112,957 | (23,214) | 14,413 | 17,984 | 7,541 | 129,681 |
| Other financing sources (uses) | | | | | | |
| Transfers in | - | - | 25,470 | - | - | 25,470 |
| Transfers out | (25,470) | - | - | - | - | (25,470) |
| Net change in fund balance | 87,487 | (23,214) | 39,883 | 17,984 | 7,541 | 129,681 |
| Fund balances - beginning | 637,728 | 282,429 | 29,153 | 66,581 | 61,023 | 1,076,914 |
| Prior period adjustments | - | - | - | - | - | - |
| Fund balances - ending | \$ 725,215 | 259,215 | 69,036 | 84,565 | 68,564 | 1,206,595 |

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the year ended June 30, 2011:

| | |
|--|------------|
| Net change in fund balances - total governmental funds above | \$ 129,681 |
| Purchases of capital assets are recorded as expenditures in the fund financial statement amounts above, but are recorded as additions to assets in the government-wide financial statements. | 271,067 |
| Interest expense on fixed asset note obligations is charged as a function expense in the government-wide financial statements, but is included in capital expenditures in the fund financial statement amounts above. | (8,060) |
| Depreciation is charged as a function expense in the government-wide financial statements, but is not recorded as an expenditure in the fund financial statement amounts above. | (126,754) |
| The net change in accrued employee compensated absence liability is recorded as a function expense in the government-wide financial statements, but is not recorded as an expenditure in the fund financial statement amounts above. | (8,180) |
| Whole dollar rounding adjustment | 2 |
| Change in net assets per government-wide statement of activities | \$ 257,756 |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Statement of Net Assets
Proprietary Fund
June 30, 2011

Calera
Public Works
Authority

Assets

Current assets

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 194,537 |
| Certificates of Deposit | 110,225 |
| Receivables, net | <u>73,969</u> |

Total current assets 378,731

Noncurrent assets

| | |
|-------------------------------------|----------------|
| Restricted cash - customer deposits | 54,226 |
| Restricted cash - debt service | 92,037 |
| Land | 46,807 |
| Equipment | 342,173 |
| Buildings | 26,984 |
| Water and sewer systems | 5,596,765 |
| Less accumulated depreciation | (1,050,508) |
| Prepaid sludge removal fees | 17,000 |
| Unamortized loan issue costs | <u>127,164</u> |

Total noncurrent assets 5,252,648

Total assets 5,631,379

Liabilities

Current liabilities

| | |
|--|-----------------|
| Accounts payable | 14,917 |
| Accrued interest payable | 51,444 |
| Notes payable, current portion (OWRB) | 122,000 |
| Less deferred charge on debt refunding | <u>(45,583)</u> |

Total current liabilities 142,778

Noncurrent liabilities

| | |
|--|--------------------|
| Compensated absences | 36,659 |
| Customer utility deposits | 53,142 |
| Notes payable, less current portion (OWRB) | 4,821,000 |
| Less deferred charge on debt refunding | <u>(1,200,365)</u> |

Total noncurrent liabilities 3,710,436

Total liabilities 3,853,214

Net Assets

| | |
|--|----------------|
| Invested in capital assets net of related debt | 1,213,725 |
| Restricted for debt service | 92,037 |
| Unrestricted | <u>472,403</u> |

Total net assets \$ 1,778,165

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

| | <u>Calera Public Work Authority</u> |
|---|---|
| Operating Revenues | |
| Water sales, charges and fees | \$ 229,340 |
| Sewer charges and fees | 389,774 |
| Sanitation charges | 291,224 |
| Miscellaneous | <u>20,124</u> |
| Total operating revenues | <u>930,462</u> |
| Operating Expenses | |
| Personal services - before function allocation | 378,674 |
| Combined maintenance & operations | 57,004 |
| Water Dept. - maintenance & operations | 63,365 |
| Sewer Dept. - maintenance & operations | 77,915 |
| Sanitation Dept. - maintenance & operations | 77,401 |
| Bad debts | <u>3,288</u> |
| Total operating expenses | <u>657,647</u> |
| Operating income (loss) | <u>272,815</u> |
| Nonoperating Revenues (Expenses) | |
| Depreciation expense | (160,417) |
| Interest earnings | 12,146 |
| Interest expense | (202,309) |
| Amortized debt issue costs | (5,500) |
| Transfer from other funds | - |
| Transfer to other funds | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>(356,080)</u> |
| Change in net assets before capital contributions | (83,265) |
| Total net assets - beginning | <u>1,861,430</u> |
| Total net assets - ending | \$ <u>1,778,165</u> |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

| | |
|--|--------------------|
| <u>Cash Flows from Operating Activities</u> | |
| Received from utility customers | \$ 887,257 |
| Received from other operating revenues | 4,223 |
| Received from customers for utility deposits | 15,755 |
| Refunded or applied for utility deposits | (1,276) |
| Payments to / for employees | (355,742) |
| Payments to suppliers and vendors | <u>(282,505)</u> |
| Net cash provided by operating activities | <u>267,712</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Acquisition of capital assets | - |
| OWRB loan proceeds | 4,985,000 |
| Principal paid on OWRB loan | (42,000) |
| Interest paid on revenue bond issue/OWRB loan | (156,200) |
| OWRB loan issue costs | (130,275) |
| Escrow deposit for revenue bond debt refunding | <u>(5,191,893)</u> |
| Net cash (used) by capital and related financing activities | <u>(535,368)</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Interest and investment earnings | 11,082 |
| Transfers to General Fund | <u>-</u> |
| Net cash provided (used) by investing activities | <u>11,082</u> |
| Net increase (decrease) in cash and cash equivalents | (256,574) |
| Cash and cash equivalents - beginning of the year | <u>707,599</u> |
| Cash and cash equivalents - end of the year | <u>451,025</u> |
| <u>Reconciliation of operating income (loss) to net cash provided by operating activities</u> | |
| Operating income | 272,815 |
| Adjustments for non-cash and non-operating items: | |
| Worker's comp insurance paid from OMAG interest earnings | 1,064 |
| Decrease (increase) in net receivables | (9,079) |
| Decrease (increase) in prepaid expenses | (5,000) |
| Increase (decrease) in accounts payable | (1,749) |
| Increase (decrease) in compensated absences payable | 5,744 |
| Increase (decrease) in customer utility deposits payable | 3,916 |
| Whole dollar rounding adjustment | <u>1</u> |
| Net cash provided by operating activities | <u>267,712</u> |
| <u>Schedule of cash and cash equivalents</u> | |
| Petty cash | 400 |
| Cash in bank - operating checking account | 70,483 |
| Cash in bank - customer utility deposits | 54,226 |
| Cash in bank - debt service account | 92,037 |
| Cash in trust - OMAG escrow account | 41,620 |
| Cash in bank - savings account | 82,034 |
| Cash in bank - certificate of deposit | <u>110,225</u> |
| Total cash and cash equivalents - end of the year | <u>\$ 451,025</u> |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2011

Municipal
Court
Bond Fund

Assets

| | |
|--------------------------------|--------------|
| Cash and cash equivalents | \$ 2,037 |
| NSF returned checks receivable | <u>-</u> |
| Total assets | <u>2,037</u> |

Liabilities

| | |
|------------------|----------|
| Accounts payable | <u>-</u> |
|------------------|----------|

Net Assets

| | |
|------------------------------------|-----------------|
| Restricted for pending court cases | 1,920 |
| Unrestricted | <u>117</u> |
| Total net assets | \$ <u>2,037</u> |

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2011

| | <u>Municipal Court Bond Fund</u> |
|-----------------------------------|--|
| Additions | |
| Bonds posted for citations issued | \$ <u>13,687</u> |
| | |
| Deductions | |
| Bond refunds | 1,828 |
| Bond forfeitures | 12,955 |
| Miscellaneous | <u>33</u> |
| | |
| Total deductions | <u>14,816</u> |
| | |
| Change in net assets | (1,129) |
| | |
| Net assets - beginning | <u>3,166</u> |
| | |
| Net assets - ending | \$ <u>2,037</u> |

See accompanying notes to the financial statements

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Calera, Oklahoma operates under a statutory Town board of trustees form of government and provides the following services: law enforcement, volunteer fire, highways and streets, parks and cemeteries, public improvements, planning and zoning and general administrative services.

1A. REPORTING ENTITY

The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town (as distinct from legal relationships).

The Town's reporting entity comprises the following:

| | |
|------------------------|-------------------------------|
| Primary Government | Town of Calera |
| Blended Component Unit | Calera Public Works Authority |

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. These component units' funds are blended into those of the Town's by appropriate activity type to compose the primary government presentation.

The Calera Public Works Authority was created September 17, 1970, and is a beneficial public trust created under the authority of and pursuant to the provisions of Title 60, Oklahoma Statutes 1961, Sections 176 to 180 inclusive, as amended and to the Oklahoma Trust Act. The Town of Calera is the beneficiary of the Trust and the Town Council members are the Trustees of the Authority. The Public Works has been operated as a separate entity since January 1, 1983. On December 20, 1982, the Town of Calera leased to the Calera Public Works Authority its water, sanitary sewer, and solid waste management systems. The Authority assumed operation of the Town's water, sanitary sewer and solid waste management systems on January 1, 1983.

1B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Major individual funds are reported in separate columns with composite columns for non-major funds.

The individual funds of the reporting entity are described below. Those funds which are considered major funds are noted with (*):

Governmental Funds

General Fund (*) – The General Fund is the principle fund of the Town which accounts for all financial transactions not properly accounted for in another fund.

Special Revenue Funds – Used to account for the transactions arising from, or designated to, a specific purpose or activity. The Town maintains the following special revenue funds:

Street and Alley Fund (*) – This fund is used to account for revenues derived from specific taxes or other earmarked sources for street and alley maintenance.

Police Reserve Fund – This fund is used to account for money raised by the Police Department and their Police Reserve Unit.

Police Special Fund (*) – This fund is used to account for special donations and a portion of all citation fines which are designated for use only by the Police Department.

Volunteer Fire Department Fund (*) – This fund is used to account for revenues derived from specific taxes and for money raised by the volunteer fire department and used for equipment purchases and operating expenditures. The firemen's pension fund is maintained by the Oklahoma Firefighters Pension and Retirement Fund and is not included in the Town's financial statements.

Cemetery Revenue Fund – This fund receives 75% of the revenue from the sale of cemetery lots which is used for maintenance of the cemetery.

Cemetery Care Fund – This fund receives 25% of the revenue from the sale of cemetery lots which is set aside to be expended only for additional land or for making capital improvements.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund

Enterprise Fund – Calera Public Works Authority (*) – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund

Municipal Court Bond Fund – (Not included in government-wide statements)

Fiduciary funds, and specifically, agency funds, are used to account for assets held on behalf of outside individuals or parties. Typically, the Town holds assets on behalf of others as their agent, pending some future event. As such, agency funds do not involve the measurement of results of operations. The Town maintains its Municipal Court Bond Fund as an agency fund, wherein individuals have posted monetary bonds pending the outcome of traffic citations. If the citation is dismissed, the bond amount is refunded to the individual. If the citation is enforced, the bond amount is forfeited and transferred to the General Fund and Police Special Fund where it is then recorded as revenue.

1C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Measurement focus is a term used to describe "which" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded within the financial statements.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of the economic resources measurement focus are determination of financial position and changes in net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset is used, regardless of the timing of related cash flows.

In the fund financial statements, the measurement focus and basis of accounting is determined by the various types of funds as follows:

a. Governmental funds –

All governmental funds utilize a "current financial resources" measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Proprietary Fund –

The proprietary fund (Calera Public Works Authority) utilizes the economic resources measurement focus and accrual basis of accounting as discussed above for the government-wide financial statements. All assets and liabilities associated with the Authority's activities are reported and fund equity is classified as net assets. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

c. Fiduciary Fund –

Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable.

1D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit, including restricted assets.

The Town's only investments consist of short-term certificates of deposit.

Inventories

Consumable supplies are the only inventoriable item of the Public Works Authority. The value of supplies on hand at year-end or at any time during the year is not significant and is therefore not included as an asset in the financial statements. Purchases of such supplies are recorded as an expense at the time of purchase.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, and police fines. Business-type activities report utilities charges as their major receivables.

Interfund Receivables and Payables

During the course of operations, various transactions may occur between individual funds that result in amounts owed between funds. Those transactions are classified as "due to or from other funds" in the fund financial statements. Such amounts are eliminated from presentation in the government-wide financial statements.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

The accounting treatment for property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, capital assets are accounted for at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of infrastructure assets and improvements thereto, such as streets and bridges, prior to July 1, 2003, has not been capitalized. The Town generally capitalizes assets with cost of \$5,000 or more as purchase or construction outlays occur. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful life are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. (When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.) The range of estimated useful lives by type of asset is as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 15-40 years |
| Infrastructure | 25-40 years |
| Water & sewer systems | 10-40 years |
| Equipment | 7-15 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash accounts of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to promissory note trustee accounts and utility meter deposits.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and utility customer deposits.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets and Fund Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

1E. REVENUES, EXPENDITURES AND EXPENSES

Sales and Use Tax

Effective April 1, 2008, the Town levies a four-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors. By ordinance, this sales tax revenue is deposited and recorded one-half (2 cents) to the General Fund, three-eighths (1-1/2 cent) to the Street and Alley Fund and one-eighth (1/2 cent) to the Volunteer Fire Department Fund. Amounts collected by the State prior to June 30 and received by the Town in July are included as “receivables” in the Statement of Net Assets.

The Town also levies a four-cent use tax on personal property purchased outside the city limits but stored, used or consumed within the Town. The recording of such use tax revenues is the same as sales tax discussed above.

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

- Governmental Funds – By Character: a) Current (further classified by function)
 b) Debt Service
 c) Capital Outlay
- Proprietary Fund – By Operating and Non-operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds, if any, would be eliminated. Note 8 discusses such transfers for the year ended June 30, 2011.

1F. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The significant estimates used in these financial statements include the following:

- a. Useful lives of capital assets
- b. Allowances for uncollectible receivables
- c. Allocations of certain expenses to functions

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

2A. FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

| <u>Fund</u> | <u>Required By</u> |
|------------------------|-------------------------------|
| General Fund | State law |
| Public Works Authority | Trust indenture |
| Street & Alley Fund | State law and local ordinance |
| Cemetery Care Fund | State law |
| Police Special Fund | Local ordinance |

In addition, the Town has established other operating funds for accounting and administrative purposes.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2B. DEFICIT FUND NET ASSETS

During the year ended June 30, 2011, the Town had no funds operating with a deficit of net assets (i.e., a negative fund balance).

2C. DEPOSITORY ACCOUNTS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. At June 30, 2011, all deposits were fully insured or collateralized.

2D. REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

| <u>Revenue Source</u> | <u>Restriction</u> |
|-----------------------------------|-----------------------------------|
| Sales Tax (3/8) | Street & Alley Fund |
| Sales Tax (1/8) | Volunteer Fire Department Fund |
| Gasoline Excise Tax | Street & Alley Fund |
| Motor Vehicle Tax | Street & Alley Fund |
| Cemetery Revenue (15%) | Cemetery Care Fund |
| Police Fines (10%) | Police Special Fund |
| Water, Sewer & Sanitation Charges | Debt Service & Utility Operations |

For the year ended June 30, 2011, the Town complied, in all material respects, with these revenue restrictions.

2E. RISK MANAGEMENT

Significant losses are covered by commercial insurance for all Town programs and activities through Oklahoma Municipal Assurance Group.

2F. INCOME TAXES

The Town and the Public Works authority, as governmental units, are exempt from income taxes.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2G. DEBT RESTRICTIONS AND COVENANTS

General Obligation Debt

Article 10, Sections 26 and 27, of the Oklahoma Constitution limits the amount of outstanding general obligation bonded debt of the municipality for non-utility or non-street purposes to no more than 10 percent of net assessed valuation. For the year ended June 30, 2011, the Town had no outstanding general obligation debt.

Other Long-term Debt

Except as noted in the following paragraph, as required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue without first obtaining voter approval. For the year ended June 30, 2011, the Town incurred no such indebtedness.

Notes Payable

The various loan agreements relating to the Calera Public Works Authority note payable on the OWRB 2010 Clean Water SRF note contain some restrictions or covenants that are financial related. The following schedule presents a brief summary of the most significant requirement and the Authority's level of compliance thereon as of June 30, 2011.

| Requirement | Level of Compliance |
|--|--|
| a. Note Payable Coverage: | For the year ended June 30, 2011, net operating revenues were \$272,815; the average annual debt service is \$259,461. Actual coverage ratio is 1.05 times . |
| 1. Net operating revenues (excluding transfers, interest and depreciation) of the Authority must equal 1.25 times the average annual debt service. | |

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

2H. BUDGETARY INFORMATION

Budget Policy and Practice

The Town prepares an annual budget in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Town Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the Council adopts the annual fiscal year budgets for the Town's operating funds. Once approved, the Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Similarly, the Public Works Authority also prepares an annual budget for submission to the governing body.

Basis of Budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at the departmental total level. Budget revisions at this level are subject to final review by the Town Council. Revisions to the budget were made throughout the year.

The budgets for the operating funds and proprietary fund are prepared on the same basis of accounting used in the individual fund financial statements (modified accrual basis). Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation, is not employed by the Town. Any outstanding claims for goods or services not received by June 30 are canceled and such expenditures are recorded against the following year's budget appropriations.

2I. PENSION PLAN

As of January 1, 1998, the Town and the Authority began participation in a defined benefit retirement plan for full-time employees which is administered by the Oklahoma Municipal Retirement Fund. The plan provisions call for employee contributions of 2.25% of gross wages each year. The Town and the Authority then make additional 6.25% contributions on behalf of the employee for an amount equal to 8.5% of the employee's gross wages. For the year ending June 30, 2011, the following contributions were made:

| | <u>Town</u> | <u>Authority</u> | <u>Total</u> |
|------------------------|------------------|------------------|------------------|
| Employee Contributions | \$ 9,797 | 7,825 | \$ 17,622 |
| Employer Contributions | <u>21,815</u> | <u>17,425</u> | <u>39,240</u> |
| Total Contributions | <u>\$ 31,612</u> | <u>25,250</u> | <u>\$ 56,862</u> |

Exhibit O on page 47 provides additional information on the provisions of the plan and the plan's funding status at June 30, 2011.

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CASH AND INVESTMENTS

Oklahoma Statutes require municipalities to adequately insure or collateralize cash deposits and investment accounts. Such insurance and/or collateral is carried on the basis of separate legal entities within the Town's organizational structure and is subject to changes in the FDIC insurance rules. Further, the comparison of insurance and collateral amounts is made against the actual bank account balances at any given time, which may vary from the carrying book balances because of outstanding or transit items. The Town's depository funds are categorized to give an indication of the level of custody credit risk assumed by the Town as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name

Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement

At June 30, 2011, the Town's deposits, categorized by level of risk, were as follows:

| | Category <u>(1)</u> | Category <u>(2)</u> | Category <u>(3)</u> | Total Carrying <u>Amount</u> |
|----------------------------------|------------------------|------------------------|------------------------|------------------------------------|
| Town – Governmental & Fiduciary | | | | |
| First United Bank & Trust | \$ 250,000 | 385,998 | - | \$ 635,998 |
| Okla. Municipal Assurance Group | - | - | 41,620 | 41,620 |
| Petty Cash | - | - | <u>700</u> | <u>700</u> |
| Total | <u>\$ 250,000</u> | <u>385,998</u> | <u>42,320</u> | <u>\$ 678,318</u> |
| Public Works Authority | | | | |
| First United Bank & Trust | \$ 250,000 | 66,968 | - | \$ 316,968 |
| First United Bank Trust Accounts | - | - | 92,037 | 92,037 |
| Okla. Municipal Assurance Group | - | - | 41,620 | 41,620 |
| Petty Cash | - | - | <u>400</u> | <u>400</u> |
| Total | <u>\$ 250,000</u> | <u>66,968</u> | <u>134,057</u> | <u>\$ 451,025</u> |

At June 30, 2011, collateral pledged by First United Bank & Trust consisted of the following securities:

| | <u>Amount</u> |
|-----------------------------------|-------------------|
| Town of Calera: | |
| FHLB Letter of Credit | \$ <u>800,000</u> |
| Public Works Authority: | |
| FHLB Letter of Credit | \$ 200,000 |
| First United Bank Trust Debt Pool | |
| FHLB, FNMA, FFCB, FHLMIC | <u>92,037</u> |
| | <u>\$ 292,037</u> |

Calera Public Works Authority trust account balances are held in trust by First United Bank. Such accounts are collateralized by various government bonds pledged by the trustee institution in a collective pool for all trust accounts under the trustee's management. As such, these collateral securities are not pledged specifically or exclusively to Calera Public Works Authority.

At June 30, 2011, the Town's only investments consisted of short-term certificates of deposit which are included in the depository amounts above.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

Total Town funds above are comprised of the following cash and investment balances:

| | |
|---------------------------------|-------------------|
| General Fund | |
| Petty Cash on Hand | \$ 700 |
| General Government Account | 126,708 |
| Emergency Account | 198 |
| Certificates of Deposit | 82,245 |
| OMAG Escrow Account | <u>41,620</u> |
| | 251,471 |
| Street & Alley Fund | 254,176 |
| Police Reserves Fund | 9,638 |
| Police Special Fund | 35,831 |
| Volunteer Fire Dept. Fund | 66,239 |
| Cemetery Revenue Fund | 38,452 |
| Cemetery Care Fund | 20,474 |
| Municipal Court Fund | <u>2,037</u> |
| Total Town Cash and Investments | \$ <u>678,318</u> |
| Calera Public Works Authority | |
| Petty Cash on Hand | \$ 400 |
| Operating Account | 70,483 |
| Savings Account | 82,034 |
| Certificate of Deposit | 110,225 |
| OMAG Escrow Account | 41,620 |
| Customer Deposits | 54,226 |
| Debt Service Trustee | <u>92,037</u> |
| Total Public Works Authority | \$ <u>451,025</u> |

NOTE 4. RESTRICTED CASH

At June 30, 2011, the Town held restricted assets, the use of which is limited to designated purposes, as detailed below. These balances are also included in total cash and investments discussed in Note 3.

| | |
|---|-------------------|
| a) Public Works Authority | |
| Funds held in depository account for utility customer security deposits | \$ 54,226 |
| b) Public Works Authority | |
| Funds held in trust accounts for OWRB debt service payments | <u>92,037</u> |
| Total Restricted Cash in Bank | \$ <u>146,263</u> |

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable of the governmental activities consists of various tax revenues and police fines. Accounts receivable of the business-type activities consists of utilities charges. At June 30, 2011, the receivables detail was as follows:

| | Governmental Activities | Business-type Activities | Total |
|--------------------------------------|----------------------------|-----------------------------|-------------------|
| Sales Tax – General Fund | \$ 17,412 | - | \$ 17,412 |
| Sales Tax – Street & Alley | 13,059 | - | 13,059 |
| Sales Tax –Volunteer Fire Dept. Fund | 4,353 | - | 4,353 |
| Other Taxes – General Fund | 894 | - | 894 |
| Other Taxes – Street and Alley Fund | 1,500 | - | 1,500 |
| Police Fines – General Fund | 477,199 | - | 477,199 |
| Police Fines – Police Special | 53,022 | - | 53,022 |
| Utilities Charges | - | 77,257 | 77,257 |
| Allowance for Doubtful | - | <u>(3,288)</u> | <u>(3,288)</u> |
| Net Accounts Receivable | <u>\$ 567,439</u> | <u>73,969</u> | <u>\$ 641,408</u> |

The Town expects to collect all of the above fines and, as such, no allowance for uncollectibles has been recorded. However, an additional \$98,746 in citations from previous years is also owed to the Town, for which warrants have been issued. As collection of these citations is highly uncertain, this amount has not been recorded as receivable at June 30, 2011.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, is detailed in schedules 4 and 5 on pages 51 and 52 for the governmental activities and for the business-type activities. These detail schedules are summarized as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---------------------------------|----------------------|------------------|---------------|---------------------|
| Governmental activities | | | | |
| Land (not depreciated) | \$ 44,967 | 1,200 | - | \$ 46,167 |
| Buildings & improvements | 351,681 | 2,627 | - | 354,308 |
| Infrastructure network | 340,691 | 155,378 | - | 496,069 |
| Equipment | 1,222,502 | 55,088 | (48,800) | 1,228,790 |
| Accumulated depreciation | <u>(613,966)</u> | <u>(126,755)</u> | <u>48,800</u> | <u>(691,921)</u> |
| Net assets | <u>\$ 1,345,875</u> | <u>87,538</u> | <u>-</u> | <u>\$ 1,433,413</u> |
| Business-type activities | | | | |
| Land (not depreciated) | \$ 46,807 | - | - | \$ 46,807 |
| Buildings & improvements | 26,984 | - | - | 26,984 |
| Equipment | 342,172 | - | - | 342,172 |
| Infrastructure network | 5,596,765 | - | - | 5,596,765 |
| Accumulated depreciation | <u>(890,090)</u> | <u>(160,417)</u> | <u>-</u> | <u>(1,050,507)</u> |
| Net assets | <u>\$ 5,122,638</u> | <u>(160,417)</u> | <u>-</u> | <u>\$ 4,962,221</u> |

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

| | |
|--------------------------|-------------------|
| Governmental activities | |
| General government | \$ 3,783 |
| Law enforcement | 43,245 |
| Fire protection | 49,174 |
| Street maintenance | 15,184 |
| Community services | 13,066 |
| Cemetery | <u>2,303</u> |
| | \$ <u>126,755</u> |
| Business-type activities | |
| Water | \$ 11,982 |
| Sewer | 137,241 |
| Sanitation | <u>11,194</u> |
| | \$ <u>160,417</u> |

NOTE 7. LONG-TERM DEBT

The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. At June 30, 2011, the outstanding long-term debt obligations consisted of the following:

Governmental activities:

Compensated absences – accrued and unused vacation and sick leave calculated by individual employee then aggregated to a total liability amount.

Capital lease payable to Ford Motor Credit – originally issued August 7, 2009 at \$30,340 for the purchase of one Ford police unit. This obligation carries an interest rate of 6.9% and is payable in three annual installments due on August 7, 2009, 2010 and 2011. This obligation is secured by the vehicle.

Capital lease payable to First United Bank – originally issued February 18, 2010 at \$22,924 for the purchase of one Ford police unit. This obligation carries on interest rate of 3.5% and is payable in 24 monthly payments of \$1,000 with a final maturity of February 18, 2012. This obligation is secured by the vehicle.

Capital lease payable to Kansas State Bank – originally issued July 15, 2005 at \$221,214 for the purchase of one Pierce Kenworth fire truck. This obligation carries on interest rate of 4.55% and is payable in 120 monthly installments of \$2,298, with a final maturity of June 15, 2015. This obligation is secured by the vehicle.

Capital lease payable to First United Bank – originally issued July 31, 2008 at \$27,284 for the purchase of two 2500-gallon poly water tanks for the fire department. This obligation carries an interest rate of 6.5% and is payable in 60 monthly installments of \$534 beginning on August 31, 2008, with a final maturity of July 31, 2013. This obligation is secured by the tanks.

Business-type activities:

Compensated absences – accrued and unused vacation and sick leave calculated by individual employee then aggregated to a total liability amount.

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7. LONG-TERM DEBT (CONTINUED)

Utility note payable to Oklahoma Water Resources Board (OWRB) (discussed further in Note 16) – originally issued October 19, 2010 in the amount of \$4,985,000 as an advanced refunding of the Authority’s outstanding 2007 utility revenue bond issue debt, which was originally issued for the construction of a waste water treatment facility. The OWRB note carries an interest rate of 2.76% and is payable in semi-annual installments of approximately \$130,000 with a final maturity date of August 15, 2038.

For the year ended June 30, 2011, the changes in long-term debt were as follows:

| | <u>Balance</u> <u>June 30, 2010</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance</u> <u>June 30, 2011</u> |
|--|--|------------------|-----------------|--|
| <u>Governmental activities</u> | | | | |
| Capital lease payable to Ford Motor Credit for police vehicles | \$ 19,545 | - | (9,447) | \$ 10,098 |
| Capital lease payable to First United Bank for police vehicle | 19,175 | - | (11,512) | 7,663 |
| Capital lease payable to First United Bank for two poly tanks | 17,855 | - | (5,405) | 12,450 |
| Capital lease payable to Kansas State Bank for one fire truck | 124,935 | - | (22,353) | 102,582 |
| Compensated absences, net change only | <u>40,975</u> | <u>8,181</u> | <u>-</u> | <u>49,156</u> |
| Total governmental activities | <u>\$ 222,485</u> | <u>8,181</u> | <u>(48,717)</u> | <u>\$ 181,949</u> |
| <u>Business-type activities</u> | | | | |
| Revenue bond issue/OWRB note for sewer treatment plant | \$ 4,200,000 | 785,000 | (42,000) | \$ 4,943,000 |
| Less deferred charges from revenue bond issue refunding | - | (1,276,337) | 30,389 | (1,245,948) |
| Compensated absences, net change only | <u>30,915</u> | <u>5,744</u> | <u>-</u> | <u>36,659</u> |
| Total business-type activities | <u>\$ 4,230,915</u> | <u>(485,593)</u> | <u>(11,611)</u> | <u>\$ 3,733,711</u> |

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7. LONG-TERM DEBT (CONTINUED)

The annual debt service requirements of the various long-term obligations are as follows:

Governmental activities

| Year Ending | FORD MOTOR CREDIT | | KANSAS ST. BANK | |
|----------------|-------------------|-----------------|-------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 6-30-12 | \$ 10,098 | 697 | \$ 23,392 | 4,184 |
| 6-30-13 | - | - | 24,479 | 3,097 |
| 6-30-14 | - | - | 25,616 | 1,960 |
| 6-30-15 | - | - | <u>29,095</u> | <u>778</u> |
| Totals | \$ <u>10,098</u> | <u>697</u> | \$ <u>102,582</u> | <u>10,019</u> |

| Year Ending | FIRST UNITED BANK (Poly Tanks) | | FIRST UNITED BANK (Police Car) | |
|----------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 6-30-12 | \$ 5,766 | 639 | \$ 7,663 | 98 |
| 6-30-13 | 6,153 | 253 | - | - |
| 6-30-14 | 531 | 3 | - | - |
| 6-30-15 | - | - | - | - |
| Totals | \$ <u>12,450</u> | <u>895</u> | \$ <u>7,663</u> | <u>98</u> |

| Year Ending | TOTALS | |
|----------------|-------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 6-30-12 | \$ 46,919 | 5,618 |
| 6-30-13 | 30,632 | 3,350 |
| 6-30-14 | 26,147 | 1,963 |
| 6-30-15 | <u>29,095</u> | <u>778</u> |
| Totals | \$ <u>132,793</u> | <u>11,709</u> |

Business-type activities

The future debt service schedule for the Calera Public Works Authority note payable to Oklahoma Water Resources Board (OWRB) is detailed in Schedule 8 on page 55.

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 8. INTERFUND TRANSACTIONS AND BALANCES

During the year ended June 30, 2011, the Town General Fund transferred \$25,470 to the Volunteer Fire Department Fund to cover various equipment purchases.

NOTE 9. FUND EQUITIES

The following shows the net asset restrictions at June 30, 2011, as reported in Exhibit A on page 11:

| <u>Governmental Activities / Fund</u> | <u>Restricted By</u> | <u>Amount</u> |
|---------------------------------------|-------------------------------|-------------------|
| Street & Alley Fund | State law and local ordinance | \$ 259,215 |
| Police Special Fund | Local ordinance | 84,565 |
| Police Reserves Fund | Local ordinance | 9,638 |
| Vol. Fire Dept. Fund | Local ordinance | 69,036 |
| Cemetery Rev. Fund | Local ordinance | 38,452 |
| Cemetery Care Fund | State law | <u>20,474</u> |
| | | <u>\$ 481,380</u> |
| | | |
| <u>Business-type Activities</u> | <u>Restricted By</u> | <u>Amount</u> |
| Public Works Authority | Debt covenants | \$ 92,037 |
| Public Works Authority | Capital projects | - |
| | | <u>\$ 92,037</u> |

Included in the June 30, 2011 restricted fund balance of the Street & Alley Fund, the Town has set aside \$114,152 of accumulated special sales tax revenue which is designated for the installation of traffic signal lights on U.S. Highway 69/75 which runs through the Town. The signal light project was completed in 2010 and these funds can now be used for other street-related projects and expenditures.

NOTE 10. EMPLOYEE HEALTH INSURANCE

The Town and Public Works Authority provide medical insurance coverage to electing full-time employees. The Town or Public Works Authority pays for all of the cost of coverage for the employee and one-half of the cost of the employees' family coverage. For the year ending June 30, 2011, the following amounts were paid for such coverage:

| | <u>Town</u> | <u>Authority</u> | <u>Total</u> |
|------------------------|------------------|------------------|-------------------|
| Employee Contributions | \$ 367 | 22,328 | \$ 22,695 |
| Employer Contributions | <u>44,780</u> | <u>53,582</u> | <u>98,362</u> |
| Total Contributions | <u>\$ 45,147</u> | <u>75,910</u> | <u>\$ 121,057</u> |

In addition, the Town and Public Works Authority participated in a state health insurance reimbursement program (OEPIC) whereby a portion of qualifying premiums was reimbursed. For the year ended June 30, 2011, the Town received reimbursements of \$418 and the Public Works Authority received reimbursements totaling \$16,054.

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 11. EMPLOYEE COMPENSATED ABSENCES

Sick leave: All full-time employees accrue paid sick leave time at the rate of 10 hours per month, cumulative to a maximum of 1,200 hours (150 days). If an employee terminates service on good terms, one-half (50%) of any accumulated unused sick leave is paid to the employee as severance wages at the employee's normal rate of pay. The remaining one-half of accumulated unused sick leave is forfeited.

Vacation: All full-time employees accrue paid vacation time as follows:

| | |
|-------------------------|---------------------|
| 0 to 3 years of service | 3.3 hours per month |
| 3 to 5 years of service | 6.6 hours per month |
| 5+ years of service | 9.9 hours per month |

Such vacation time is accrued on a calendar year basis. Any unused vacation time may be carried over for only one succeeding year. If an employee terminates service on good terms, any accumulated unused vacation time is paid to the employee as severance wages at the employee's normal rate of pay.

Holidays: Paid holidays are established annually by the Town Board. Full-time employees are paid for such holidays at the regular base rate of pay. Unused holidays are forfeited if not used within 60 days of the specified holiday. At June 30, 2011, the recorded liabilities for unused compensated absences were as follows:

| | <u>Sick Leave</u> | <u>Vacation</u> | <u>Total</u> |
|--------------------------|-------------------|-----------------|------------------|
| Governmental activities | | | |
| Police Department | \$ 23,007 | 15,139 | \$ 38,146 |
| Administration | <u>6,738</u> | <u>4,272</u> | <u>11,010</u> |
| Total | <u>\$ 29,745</u> | <u>19,411</u> | <u>\$ 49,156</u> |
| Business-type activities | | | |
| Public Works Authority | <u>\$ 21,157</u> | <u>15,502</u> | <u>\$ 36,659</u> |

NOTE 12. PENDING LITIGATION, CONTINGENT LIABILITIES & SUBSEQUENT EVENTS

The Town is not currently involved in any pending litigation.

On July 16, 2003, the Town received notice of a Consent Order issued by Oklahoma Department of Environmental Quality for permit violations and unpermitted discharges relating to the Town's waste water collection and treatment system. On December 8, 2008, the Town's newly-constructed sewer treatment plant was placed in service to comply with the conditions of the consent order. The Town has received the final release from the order. No fines or penalties were assessed and the Town is in compliance with the requirements of the Consent Order.

The Town received federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by the federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Town Council, such disallowances, if any, will not be significant to the Town's financial statements.

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 13. RISK MANAGEMENT

The Town of Calera manages its risk of loss by participation in the Oklahoma Municipal Assurance Group (OMAG), organized in 1977 under the Interlocal Cooperation Act, 74 O.S. 1001-1008. OMAG was established by cities and towns to secure protection, benefits and indemnification relating to insurance coverages for themselves and other eligible participating public entities, and their employees. The Town of Calera participates in two Plans of coverage established by OMAG: the Municipal Liability Protection Plan and the Worker's Compensation Plan.

The Oklahoma Municipal Assurance Group Worker's Compensation Plan provides workers' compensation coverage through the State Insurance Fund to participating municipalities. The Town has a responsibility as a participant to pay fees set by the Plan according to an established payment schedule. Participants have a right to the return of any Loss Funds set aside for claims which have not been paid out as benefits, after a designated claim period. Also, the participant has a right to receive the interest earnings on funds held by the Plan for the participant subject to bank charges and audit fees. The following funds were being held by the Plan on June 30, 2011, for the Town of Calera and Calera Public Works Authority:

| | |
|--------------------------------------|-----------|
| Escrow (General Fund & Public Works) | \$ 83,240 |
| Rate Stabilization Reserve (RSR) | - |
| Loss Fund | 15,543 |

The Town has access to all money included in the Escrow account above; in these financial statements, that account is treated as cash (see Note 3) just as if it were held with a depository bank. However, because of the uncertainty of whether a refund will ultimately be received from the Rate Stabilization Reserve or the Loss Fund shown above, no provision for revenues or gains has been included in the Town's financial statements. Such refunds, if any, are recorded as revenue when received.

These funds represent both current and past plan year participation with the Loss Fund balances in respect to the Town's workers' compensation retention. The State Insurance Fund (SIF) provides coverage in excess of these respective retention levels so each participant's liability for claim losses is limited to these retention levels. Failure of the SIF to honor its obligation could result in losses to the Plan. However, OMAG's evaluation of the financial condition of the SIF indicates that the SIF is presently financially sound and will be able to meet its contractual obligations.

At June 30, 2011, the Town maintained the following insurance coverages:

| | |
|---|--|
| Oklahoma Municipal Assurance Group | |
| Coverage: | Comprehensive Municipal Liability |
| Limits: | \$1,000,000 Aggregate per Occurrence \$125,000 Personal Injury, \$25,000 Property Damage including Fire \$10,000 Medical Payments for Volunteers |
| Deductible: | \$1,000 Personal Injury, Errors/Omissions, Per Pollution Incident \$5,000 Defense Reimbursement \$ -0- Others |
| Policy Dates: | 11/1/10 to 11/1/11 |

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 13. RISK MANAGEMENT (CONTINUED)

Oklahoma Municipal Assurance Group

Coverage: Municipal Property
Limits: \$3,942,174 Scheduled Properties
\$200,000 Business Income
\$100,000 Computer Data Restoration
\$250,000 Demolition, Hazardous Substance & CFG
\$500,000 Newly Acquired Locations
Deductible: \$1,000 per Occurrence
Policy Dates: 3/07/11 to 3/07/12

Fidelity and Deposit Company of Maryland

Coverage: Employee Dishonesty Bonds
Limits: \$50,000 each for PWA Treasurer, PWA Clerk and Utility Clerk
Deductible: \$500 per Claimant
Policy Dates: 7/31/10 to 7/31/11

RLI Surety Company

Coverage: Employee Fidelity Bonds
Limits: \$25,000 each for Mayor, Treasurer, Utility Clerk, Town Clerk, Assistant Court Clerk
\$1,000 each for police dispatcher and officers
Deductible: \$500 per Claimant
Policy Dates: 7/22/04 until canceled

Oklahoma Municipal Assurance Group

Coverage: Worker's Compensation
Policy Dates: 7/01/10 to 6/30/11
7/01/11 to 6/30/12

NOTE 14. ARBITRAGE REBATE LIABILITY

In connection with the 2007 revenue bond issue discussed in Notes 7 and 16, the Public Works Authority is required to perform arbitrage rebate calculations as prescribed by the Internal Revenue Code. A rebate liability will occur as a result of investment income earned on the proceeds of a tax exempt municipal debt issue over a calculated allowable amount. According to calculations performed on the issue, no arbitrage rebate or yield reduction payment is currently due to the United States Treasury.

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 15. CONTRACTUAL OBLIGATIONS

On November 6, 2000, the Town entered into an agreement with Bryan County Rural Water District #5 for the Water District to provide billing and collection services to the Town for sanitary sewer and solid waste services used by various rural customers. Under the agreement, the Water District is to receive a fee for these services in an amount equal to 10% of the total revenue collections remitted to the Town. For the year ended June 30, 2011, the Town paid the Water District \$10,671 in fees.

On March 16, 2009, the Public Works Authority entered into an agreement with a local landowner for the disposal of the Authority's sewer treatment sludge in accordance with ODEQ and EPA requirements. The term of this agreement is for a period of twenty years for a total contract price of \$80,000. Payments under the contract will be made as follows:

| | |
|-------------------------|------------------|
| March 2009 | \$ 20,000 |
| 2010-2012 (\$5,000/yr.) | 15,000 |
| 2013-2016 (\$4,000/yr.) | 16,000 |
| 2017-2021 (\$3,000/yr.) | 15,000 |
| 2022-2028 (\$2,000/yr.) | <u>14,000</u> |
| | <u>\$ 80,000</u> |

Such payments will be recorded and amortized to provide an annual expenditure charge of \$4,000 per year. Any excess of the accumulated payments over this annual expenditure amount will be carried as a prepaid expense of the Public Works Authority. At June 30, 2011, this prepaid expense amount was \$17,000.

NOTE 16. PUBLIC WORKS AUTHORITY REVENUE BOND ISSUE / OWRB NOTE PAYABLE

On November 1, 2007, the Calera Public Works Authority borrowed \$4,200,000 through a utility revenue bond series to provide funding for the construction of a waste water treatment facility and to pay existing water and sewer related debt.

On October 19, 2010, the Calera Public Works Authority refinanced the 2007 sewer treatment facility bond issue discussed in Note 7 with a 30-year loan from Oklahoma Water Resources Board. The new loan carries an interest rate of 2.76% payable in semi-annual payments of approximately \$130,000 beginning February 15, 2011 with a final maturity of August 15, 2038. The Authority's sewer system and treatment facility serve as collateral for this loan.

This refinancing was executed as an advance refunding of the 2007 bond issue wherein the new loan proceeds and other funding amounts provided by the Authority were placed in escrow with an independent trustee and invested in certain U.S. government securities to provide the resources necessary to make the future required bond issue debt service payments and the issue's ultimate payoff at the earliest date allowed by the bond indenture, which will be November 1, 2017.

Following is a summary of the sources and uses of the various amounts related to the refinancing loan:

| | |
|---|---------------------|
| Sources of funds: | |
| OWRB loan proceeds | \$ 4,985,000 |
| Calera PWA prior bond account holdings | <u>452,381</u> |
| Total sources of funds | <u>\$ 5,437,381</u> |
| Uses of funds: | |
| Deposited to trustee refunding escrow account | \$ 5,302,614 |
| Legal, professional and trustee fees | 130,275 |
| Deposited to OWRB debt service account | <u>4,492</u> |
| Total uses of funds | <u>\$ 5,437,381</u> |

(continued)

TOWN OF CALERA, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 16. PUBLIC WORKS AUTHORITY REVENUE BOND ISSUE / OWRB NOTE PAYABLE (CONTINUED)

The Authority advance refunded the 2007 revenue bond issue to reduce its total debt service payments over the life of the outstanding debt as follows:

| | |
|--|---------------------|
| Debt service payments on 2007 bond issue through 11/1/2037 maturity date | \$ 8,588,575 |
| Debt service payments on OWRB note through 8/15/2038 maturity date | <u>7,207,835</u> |
| Net debt service savings | \$ <u>1,380,740</u> |

In addition, the 2007 revenue bond issue called for escalating debt service payments ranging from \$221,000 per year to \$495,000 in the year of final maturity. As shown in Schedule 8 on page 55, the debt service payments for the OWRB refunding note are essentially fixed at just under \$260,000 per year. The Authority believes the stable debt service requirements of the OWRB loan will allow for better and more consistent financial planning by the Authority's management and should require less extreme changes in the utility rate structure than was going to be necessary under the 2007 revenue bond issue.

In order to provide the funds necessary to escrow the amount required to repay the 2007 revenue bond issue, an additional borrowing of \$785,000 was necessary, thus increasing the recorded total debt from \$4,200,000 to \$4,985,000. This additional borrowing and the removal of the unamortized bond issue costs and discount associated with the 2007 issue resulted in the recognition of an accounting loss on the refunding transaction of \$1,276,337. This loss will be amortized over the life of the OWRB loan as an increase in the Authority's interest expense.

Town of Calera, Oklahoma
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2011

| | Budget Amounts | | | Actual Amounts Budget Basis (Exh. D) | Variance Positive (Negative) |
|--|-------------------|-----------------|----------------|--|------------------------------------|
| | Original | Adjustments | Final | | |
| Revenues | | | | | |
| Sales taxes | \$ 190,000 | - | 190,000 | 220,647 | 30,647 |
| Franchise taxes | 50,000 | - | 50,000 | 50,796 | 796 |
| Other taxes | 14,750 | - | 14,750 | 17,252 | 2,502 |
| Fines and forfeitures | 382,000 | - | 382,000 | 502,632 | 120,632 |
| Court pass-through fees | 45,000 | - | 45,000 | 42,360 | (2,640) |
| Charges for services | 5,000 | - | 5,000 | 7,032 | 2,032 |
| Grant proceeds | 177,327 | - | 177,327 | 131,029 | (46,298) |
| Interest earnings | 9,000 | - | 9,000 | 12,470 | 3,470 |
| Miscellaneous | 2,000 | - | 2,000 | 1,853 | (147) |
| Total revenues | <u>875,077</u> | <u>-</u> | <u>875,077</u> | <u>986,071</u> | <u>110,994</u> |
| Expenditures | | | | | |
| General government | | | | | |
| Personal services | 24,894 | - | 24,894 | 23,814 | 1,080 |
| Maintenance & operations | 85,000 | - | 85,000 | 85,443 | (443) |
| Capital outlay | 23,500 | - | 23,500 | 11,827 | 11,673 |
| Total general government | <u>133,394</u> | <u>-</u> | <u>133,394</u> | <u>121,084</u> | <u>12,310</u> |
| Law enforcement | | | | | |
| Personal services | 495,709 | - | 495,709 | 431,161 | 64,548 |
| Maintenance & operations | 105,000 | - | 105,000 | 110,208 | (5,208) |
| Court related costs | 21,000 | - | 21,000 | 17,271 | 3,729 |
| Jail & dispatch | 25,500 | - | 25,500 | 29,507 | (4,007) |
| Court pass-thru fees | 45,000 | - | 45,000 | 41,705 | 3,295 |
| Capital outlay | - | - | - | - | - |
| Total law enforcement | <u>692,209</u> | <u>-</u> | <u>692,209</u> | <u>629,852</u> | <u>62,357</u> |
| Fire protection | | | | | |
| Personal services | 3,000 | - | 3,000 | 2,844 | 156 |
| Maintenance & operations | 28,500 | - | 28,500 | 28,485 | 15 |
| Capital outlay | 50,000 | - | 50,000 | 48,448 | 1,552 |
| Total fire protection | <u>81,500</u> | <u>-</u> | <u>81,500</u> | <u>79,777</u> | <u>1,723</u> |
| Community services | | | | | |
| Personal services | 39,009 | - | 39,009 | 31,964 | 7,045 |
| Maintenance & operations | 12,000 | - | 12,000 | 10,437 | 1,563 |
| Capital outlay | 12,000 | - | 12,000 | - | 12,000 |
| Total community services | <u>63,009</u> | <u>-</u> | <u>63,009</u> | <u>42,401</u> | <u>20,608</u> |
| Total expenditures | <u>970,112</u> | <u>-</u> | <u>970,112</u> | <u>873,114</u> | <u>96,998</u> |
| Revenues over (under) expenditures | (95,035) | - | (95,035) | 112,957 | 207,992 |
| Transfers from other funds | - | - | - | - | - |
| Transfers to other funds | - | (25,470) | (25,470) | (25,470) | - |
| Budgetary fund balance - beginning of year | <u>436,649</u> | <u>-</u> | <u>436,649</u> | <u>637,728</u> | <u>201,079</u> |
| Budgetary fund balance - end of year | <u>\$ 341,614</u> | <u>(25,470)</u> | <u>316,144</u> | <u>725,215</u> | <u>409,071</u> |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Budgetary Comparison Schedule
Street and Alley Fund
For the Year Ended June 30, 2011

| | Budgeted Amounts | | | Actual | Variance |
|--|------------------|-------------|----------------|-----------------------|---------------------|
| | Original | Adjustments | Final | Budget Basis (Exh. D) | Positive (Negative) |
| Revenues | | | | | |
| Sales taxes | \$ 139,000 | - | 139,000 | 165,485 | 26,485 |
| Commercial vehicle tax | 12,000 | - | 12,000 | 12,441 | 441 |
| Gasoline excise tax | 3,400 | - | 3,400 | 3,617 | 217 |
| Intergovernmental grants | - | - | - | - | - |
| Miscellaneous | - | - | - | 1,340 | 1,340 |
| Total revenues | <u>154,400</u> | <u>-</u> | <u>154,400</u> | <u>182,883</u> | <u>28,483</u> |
| Expenditures | | | | | |
| Personal services | - | - | - | - | - |
| Maintenance and operations | 70,000 | - | 70,000 | 74,728 | (4,728) |
| Capital outlay | 300,209 | - | 300,209 | 131,369 | 168,840 |
| Total expenditures | <u>370,209</u> | <u>-</u> | <u>370,209</u> | <u>206,097</u> | <u>164,112</u> |
| Revenues over (under) expenditures | (215,809) | - | (215,809) | (23,214) | 192,595 |
| Transfers from other funds | - | - | - | - | 192,595 |
| Transfers to other funds | - | - | - | - | - |
| Budgetary fund balance - beginning of year | <u>215,809</u> | <u>-</u> | <u>215,809</u> | <u>282,429</u> | <u>66,620</u> |
| Budgetary fund balance - end of year | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>259,215</u> | <u>259,215</u> |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Budgetary Comparison Schedule
Vol. Fire Dept. Fund
For the Year Ended June 30, 2011

| | Budgeted Amounts | | | Actual Amounts Budget Basis (Exh. D) | Variance Positive (Negative) |
|--|------------------|---------------|----------------|--|------------------------------------|
| | Original | Adjustments | Final | | |
| Revenues | | | | | |
| Sales taxes | \$ 46,000 | - | 46,000 | 55,161 | 9,161 |
| Charges for services | 22,000 | - | 22,000 | 26,731 | 4,731 |
| Grant proceeds | 5,100 | 17,242 | 22,342 | 21,640 | (702) |
| Interest income | - | - | - | - | - |
| Miscellaneous | - | - | - | 5,750 | 5,750 |
| Total revenues | <u>73,100</u> | <u>17,242</u> | <u>90,342</u> | <u>109,282</u> | <u>18,940</u> |
| Expenditures | | | | | |
| Personal services | - | - | - | - | - |
| Maintenance and operations | 30,000 | 17,242 | 47,242 | 46,673 | 569 |
| Capital outlay | 57,324 | - | 57,324 | 48,196 | 9,128 |
| Total expenditures | <u>87,324</u> | <u>17,242</u> | <u>104,566</u> | <u>94,869</u> | <u>9,697</u> |
| Revenues over (under) expenditures | (14,224) | - | (14,224) | 14,413 | 28,637 |
| Transfers from other funds | - | 25,470 | 25,470 | 25,470 | - |
| Budgetary fund balance - beginning of year | 46,119 | - | 46,119 | 29,153 | (16,966) |
| Budgetary fund balance - end of year | \$ <u>31,895</u> | <u>25,470</u> | <u>57,365</u> | <u>69,036</u> | <u>11,671</u> |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Budgetary Comparison Schedule
Police Special Fund
For the Year Ended June 30, 2011

| | <u>Budgeted Amounts</u> | | | <u>Actual Amounts Budget Basis (Exh. D)</u> | <u>Variance Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------|---|---|
| | <u>Original</u> | <u>Adjustments</u> | <u>Final</u> | | |
| Revenues | | | | | |
| Fines & forfeitures | \$ 35,000 | - | 35,000 | 47,449 | 12,449 |
| Charges for services | - | - | - | - | - |
| Grant proceeds | - | 2,380 | 2,380 | 5,326 | 2,946 |
| Interest income | - | - | - | - | - |
| Miscellaneous | - | - | - | 850 | 850 |
| | <u>35,000</u> | <u>2,380</u> | <u>37,380</u> | <u>53,625</u> | <u>16,245</u> |
| Total revenues | | | | | |
| Expenditures | | | | | |
| Personal services | - | - | - | - | - |
| Maintenance and operations | 7,000 | - | 7,000 | 5,613 | 1,387 |
| Capital outlay | 80,757 | 2,380 | 83,137 | 30,028 | 53,109 |
| | <u>87,757</u> | <u>2,380</u> | <u>90,137</u> | <u>35,641</u> | <u>54,496</u> |
| Total expenditures | | | | | |
| Revenues over (under) expenditures | (52,757) | - | (52,757) | 17,984 | 70,741 |
| Budgetary fund balance - beginning of year | 52,757 | - | 52,757 | 66,581 | 13,824 |
| Budgetary fund balance - end of year | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>84,565</u> | <u>84,565</u> |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Budgetary Comparison Schedule
Proprietary Fund - Public Works Authority
For the Year Ended June 30, 2011

| | Budgeted Amounts | | | Actual Amounts Budget Basis (Exh. F) | Variance Positive (Negative) |
|---|-------------------|-------------|----------------|--|------------------------------------|
| | Original | Adjustments | Final | | |
| Operating Revenues | | | | | |
| Water sales, charges and fees | \$ 212,500 | - | 212,500 | 229,340 | 16,840 |
| Sewer charges and fees | 343,500 | - | 343,500 | 389,774 | 46,274 |
| Sanitation charges | 264,000 | - | 264,000 | 291,224 | 27,224 |
| Miscellaneous | 17,000 | - | 17,000 | 20,124 | 3,124 |
| | <u>837,000</u> | <u>-</u> | <u>837,000</u> | <u>930,462</u> | <u>93,462</u> |
| Operating Expenses | | | | | |
| Personal services - before function allocation | 370,905 | - | 370,905 | 378,674 | (7,769) |
| Combined maintenance & operations | 55,000 | - | 55,000 | 57,004 | (2,004) |
| Water Dept. - maintenance & operations | 70,000 | - | 70,000 | 63,365 | 6,635 |
| Sewer Dept. - maintenance & operations | 100,000 | - | 100,000 | 77,915 | 22,085 |
| Sanitation Dept. - maintenance & operations | 70,000 | - | 70,000 | 77,401 | (7,401) |
| Bad debts (*) (see note below) | - | - | - | 3,288 | (3,288) |
| | <u>665,905</u> | <u>-</u> | <u>665,905</u> | <u>657,647</u> | <u>8,258</u> |
| Total operating expenses | | | | | |
| Operating income | \$ <u>171,095</u> | <u>-</u> | <u>171,095</u> | <u>272,815</u> | <u>101,720</u> |
| Other Budgeted Revenues and Receipts (* Note) | | | | | |
| Interest earnings | \$ 4,400 | - | 4,400 | 12,146 | 7,746 |
| Grant proceeds | - | - | - | - | - |
| Loan proceeds | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - |
| | <u>4,400</u> | <u>-</u> | <u>4,400</u> | <u>12,146</u> | <u>7,746</u> |
| Total other budgeted revenues and receipts | \$ <u>4,400</u> | <u>-</u> | <u>4,400</u> | <u>12,146</u> | <u>7,746</u> |
| Other Budgeted Expenses and Disbursements (* Note) | | | | | |
| Debt service payments | \$ 223,945 | - | 223,945 | 244,309 | (20,364) |
| Capital expenditures | 75,000 | - | 75,000 | - | 75,000 |
| Transfers to other funds | - | - | - | - | - |
| | <u>298,945</u> | <u>-</u> | <u>298,945</u> | <u>244,309</u> | <u>54,636</u> |
| Total other budgeted expenses & disbursements | \$ <u>298,945</u> | <u>-</u> | <u>298,945</u> | <u>244,309</u> | <u>54,636</u> |

NOTE: The Public Works Authority prepares its budget on a basis of cash receipts and disbursements. As such, certain items (*) are not specifically budgeted for the year. Accordingly, the schedule above is not intended to reflect net assets or fund balance at year-end. Rather, this schedule is designed to report only a comparison of actual revenues, expenditures and disbursements with their corresponding budgeted amounts.

Town of Calera, Oklahoma
Employee Pension & Retirement Plan Information
June 30, 2011

As of January 1, 1998, the Town and the Authority began participation in a defined benefit retirement plan for full-time employees which is administered by the Oklahoma Municipal Retirement Fund. The plan provisions call for employee contributions of 3.0% of gross wages each year. The Town and the Authority then make additional contributions on behalf of the employee for an amount equal to 6.59% of the employee's gross wages. For the year ending June 30, 2011, the following contributions were made:

| | <u>Town</u> | <u>Authority</u> | <u>Total</u> |
|------------------------|------------------|------------------|------------------|
| Employee Contributions | \$ 9,797 | 7,825 | \$ 17,622 |
| Employer Contributions | <u>21,815</u> | <u>17,425</u> | <u>39,240</u> |
| Total Contributions | <u>\$ 31,612</u> | <u>25,250</u> | <u>\$ 56,862</u> |

The following provisions are applicable to the plan and its participants:

- ◆ Members participating in the plan become 100% vested in retirement benefits earned to date after 10 years of service. Members are eligible for normal retirement at or after age 65 and upon becoming vested. Early retirement benefits are available at reduced amounts as early as age 55. The normal retirement is equal to 1.5% of final compensation for each year of credited service. Final compensation is defined as the average salary for the highest five consecutive years out of the last 10 years of the member's employment.
- ◆ A member is eligible for disability benefits upon becoming vested.
- ◆ Upon separation from the Fund, nonvested defined benefit members' contributions are refundable in addition to a 6% return on their contributions.

At June 30, 2011, actuarial calculations provided by the Oklahoma Municipal Retirement Fund for the Town's portion of the plan were as follows:

| | |
|--|-------------------|
| Actuarial Pension Benefit Obligation | \$ 634,182 |
| Value of Assets Available for Benefits | (351,052) |
| Unfunded Obligation Liability | <u>\$ 283,130</u> |

The Town's annual contribution rate is set by the plan administrator at a rate designed to amortize the above unfunded obligation over a period of years based on the estimated retirement dates of the plan's participants. As such, the above unfunded liability is not, and should not be, recorded in the Town's financial statements. The following table summarizes the Town's funding progress in relation to the retirement plan benefit liability:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|---|
| 1/1/99 | 26,969 | 129,126 | 102,157 | 20.9% | 205,635 | 49.7% |
| 1/1/00 | 42,801 | 125,228 | 82,426 | 34.2% | 192,670 | 42.8% |
| 1/1/01 | 54,709 | 209,952 | 155,243 | 26.1% | 218,553 | 71.0% |
| 1/1/02 | 69,429 | 213,782 | 144,353 | 32.5% | 257,904 | 56.0% |
| 1/1/03 | 79,970 | 219,075 | 139,104 | 36.5% | 289,503 | 48.0% |
| 1/1/04 | 96,044 | 188,242 | 92,197 | 51.0% | 305,859 | 30.1% |
| 1/1/05 | 120,083 | 210,261 | 90,178 | 57.1% | 327,848 | 27.5% |
| 1/1/06 | 152,115 | 316,473 | 164,358 | 48.1% | 418,320 | 39.3% |
| 1/1/07 | 198,827 | 362,326 | 163,498 | 54.9% | 461,180 | 35.5% |
| 1/1/08 | 232,124 | 394,679 | 162,555 | 58.8% | 462,112 | 35.2% |
| 1/1/09 | 248,501 | 417,225 | 168,724 | 59.6% | 469,813 | 35.9% |
| 1/1/10 | 291,580 | 456,068 | 164,488 | 63.9% | 602,405 | 27.3% |
| 1/1/11 | 351,052 | 634,182 | 283,130 | 55.4% | 577,166 | 49.1% |

Additional information about the plan is provided in the 2011 actuarial valuation report which is available from the Town Clerk.

The Town also participates in the Oklahoma State Firefighters Pension and Retirement system which is a defined contribution plan applying only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. Contributions are made by the Town at the rate of \$60 per volunteer firefighter per year. The total contribution for 2010-2011 was \$1,500 and covered 25 volunteers. The Town also paid \$1,344 in annual membership association dues, at \$56 per volunteer firefighter.

Town of Calera, Oklahoma
Combining Statement of Net Assets
Governmental Activities
June 30, 2011

| | General Fund | Street & Alley Fund | Police Special Fund | Police Reserves Fund | Volunteer Fire Dept Fund | Cemetery Revenue Fund | Cemetery Care Fund | Combined Totals |
|---|--------------|---------------------|---------------------|----------------------|--------------------------|-----------------------|--------------------|-----------------|
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 169,226 | 254,176 | 35,831 | 9,638 | 66,239 | 38,452 | 20,474 | 594,036 |
| Certificates of deposit | 82,245 | - | - | - | - | - | - | 82,245 |
| Receivables (net) | 495,505 | 14,559 | 53,022 | - | 4,553 | - | - | 567,439 |
| Intergovernmental receivable | - | - | - | - | - | - | - | - |
| Total current assets | 746,976 | 268,735 | 88,853 | 9,638 | 70,592 | 38,452 | 20,474 | 1,243,720 |
| Noncurrent assets: | | | | | | | | |
| Restricted cash and cash equivalents | - | - | - | - | - | - | - | - |
| Land | - | - | - | - | - | 30,167 | 16,000 | 46,167 |
| Capital assets, net of depreciation | 445,709 | 392,041 | 99,154 | - | 428,111 | 22,231 | - | 1,387,246 |
| Total noncurrent assets | 445,709 | 392,041 | 99,154 | - | 428,111 | 52,398 | 16,000 | 1,433,413 |
| Total assets | 1,192,685 | 660,776 | 188,007 | 9,638 | 498,703 | 90,850 | 36,474 | 2,677,133 |
| Liabilities | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | 21,761 | 9,520 | 4,288 | - | 1,556 | - | - | 37,125 |
| Accrued interest | - | - | - | - | - | - | - | - |
| Notes payable, current portion | - | - | 17,761 | - | 29,158 | - | - | 46,919 |
| Intergovernmental payable | - | - | - | - | - | - | - | - |
| Total current liabilities | 21,761 | 9,520 | 22,049 | - | 30,714 | - | - | 84,044 |
| Noncurrent liabilities | | | | | | | | |
| Notes payable | - | - | - | - | 85,874 | - | - | 85,874 |
| Compensated absences | 49,156 | - | - | - | - | - | - | 49,156 |
| Total noncurrent liabilities | 49,156 | - | - | - | 85,874 | - | - | 135,030 |
| Total liabilities | 70,917 | 9,520 | 22,049 | - | 116,588 | - | - | 219,074 |
| Net Assets | | | | | | | | |
| Invested in capital assets, net of related debt | 445,709 | 392,041 | 81,393 | - | 313,079 | 52,398 | 16,000 | 1,300,620 |
| Restricted for: | | | | | | | | |
| Capital projects | - | - | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - | - | - |
| Other purposes | - | 259,215 | 84,565 | 9,638 | 69,036 | 38,452 | 20,474 | 481,380 |
| Unrestricted | 676,059 | - | - | - | - | - | - | 676,059 |
| Total net assets | \$ 1,121,768 | 651,256 | 165,958 | 9,638 | 382,115 | 90,850 | 36,474 | 2,458,059 |

See accompanying notes to the financial statements

Town of Calera, Oklahoma
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2011

| | <u>Police</u> <u>Reserves</u> <u>Fund</u> | <u>Cemetery</u> <u>Revenue</u> <u>Fund</u> | <u>Cemetery</u> <u>Care</u> <u>Fund</u> | <u>Total</u> <u>Non-major</u> <u>Governmental</u> <u>Funds</u> |
|---|---|--|---|---|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 9,638 | 38,452 | 20,474 | 68,564 |
| Certificates of deposit | - | - | - | - |
| Receivables, net | - | - | - | - |
| Due from other funds | - | - | - | - |
| Total assets | <u>\$ 9,638</u> | <u>38,452</u> | <u>20,474</u> | <u>68,564</u> |
| <u>Liabilities and Fund Balances</u> | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | - | - | - |
| Due to other funds | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | 20,474 | - |
| Committed | - | - | - | - |
| Assigned | 9,638 | 38,452 | - | 48,090 |
| Unassigned | - | - | - | - |
| Total fund balances | <u>9,638</u> | <u>38,452</u> | <u>-</u> | <u>48,090</u> |
| Total liabilities and fund balances | <u>\$ 9,638</u> | <u>38,452</u> | <u>-</u> | <u>48,090</u> |

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2011

| | <u>Police Reserves Fund</u> | <u>Cemetery Revenue Fund</u> | <u>Cemetery Care Fund</u> | <u>Total Non-major Governmental Funds</u> |
|---------------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|---|
| Revenues | | | | |
| Sales taxes | \$ - | - | - | - |
| Franchise taxes | - | - | - | - |
| Other taxes | - | - | - | - |
| Fines and forfeitures | - | - | - | - |
| Court pass-through fees | - | - | - | - |
| Charges for services | 10,932 | 5,513 | 1,837 | 18,282 |
| Intergovernmental grants | - | - | - | - |
| Investment earnings | - | - | 54 | 54 |
| Miscellaneous | - | - | - | - |
| Total revenues | <u>10,932</u> | <u>5,513</u> | <u>1,891</u> | <u>18,336</u> |
| Expenditures | | | | |
| General government | - | - | - | - |
| Law enforcement | 8,514 | - | - | 8,514 |
| Fire protection | - | - | - | - |
| Street maintenance | - | - | - | - |
| Community services | - | - | - | - |
| Cemetery | - | 1,081 | - | 1,081 |
| Capital outlay | - | 1,200 | - | 1,200 |
| Total expenditures | <u>8,514</u> | <u>2,281</u> | <u>-</u> | <u>10,795</u> |
| Revenues over (under) expenditures | 2,418 | 3,232 | 1,891 | 7,541 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Net change in fund balance | 2,418 | 3,232 | 1,891 | 7,541 |
| Fund balances - beginning | 7,220 | 35,220 | 18,583 | 61,023 |
| Prior period adjustments (rounding) | - | - | - | - |
| Fund balances - ending | <u>\$ 9,638</u> | <u>38,452</u> | <u>20,474</u> | <u>68,564</u> |

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
Schedules of Capital Asset Activity
For the Year Ended June 30, 2011

| <u>Governmental Activities (Sch. 4):</u> | <u>Beginning</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> |
|---|-------------------------|-------------------------|-------------------------|-----------------------|
| | <u>Balance</u> | | | <u>Balance</u> |
| General Fund | | | | |
| Buildings and improvements | \$ 351,681 | 2,627 | - | 354,308 |
| Equipment | 210,327 | 33,640 | (26,465) | 217,502 |
| Infrastructure network | 37,225 | 24,008 | - | 61,233 |
| Total capital assets at historical cost | <u>599,233</u> | <u>60,275</u> | <u>(26,465)</u> | <u>633,043</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (79,837) | (10,240) | - | (90,077) |
| Equipment | (105,035) | (13,827) | 26,465 | (92,397) |
| Infrastructure network | (4,261) | (599) | - | (4,860) |
| Total accumulated depreciation | <u>(189,133)</u> | <u>(24,666)</u> | <u>26,465</u> | <u>(187,334)</u> |
| Net capital assets, General Fund | <u>410,100</u> | <u>35,609</u> | <u>-</u> | <u>445,709</u> |
| Street and Alley Fund | | | | |
| Equipment | 67,667 | - | (6,000) | 61,667 |
| Infrastructure network | 285,829 | 131,370 | - | 417,199 |
| Total capital assets at historical cost | <u>353,496</u> | <u>131,370</u> | <u>(6,000)</u> | <u>478,866</u> |
| Less accumulated depreciation | | | | |
| Equipment | (21,213) | (3,952) | 6,000 | (19,165) |
| Infrastructure network | (56,428) | (11,232) | - | (67,660) |
| Total accumulated depreciation | <u>(77,641)</u> | <u>(15,184)</u> | <u>6,000</u> | <u>(86,825)</u> |
| Net capital assets, Street and Alley Fund | <u>275,855</u> | <u>116,186</u> | <u>-</u> | <u>392,041</u> |
| Police Special Fund | | | | |
| Equipment, at historical cost | 299,453 | 7,233 | - | 306,686 |
| Less accumulated depreciation | <u>(164,579)</u> | <u>(42,953)</u> | <u>-</u> | <u>(207,532)</u> |
| Net capital assets, Police Special Fund | <u>134,874</u> | <u>(35,720)</u> | <u>-</u> | <u>99,154</u> |
| Volunteer Fire Dept Fund | | | | |
| Equipment, at historical cost | 626,958 | 14,215 | (16,335) | 624,838 |
| Less accumulated depreciation | <u>(171,413)</u> | <u>(41,649)</u> | <u>16,335</u> | <u>(196,727)</u> |
| Net capital assets, Vol. Fire Dept Fund | <u>455,545</u> | <u>(27,434)</u> | <u>-</u> | <u>428,111</u> |

(continued)

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
Schedules of Capital Asset Activity (continued)
For the Year Ended June 30, 2011

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| <u>Governmental Activities (continued):</u> | | | | |
| Cemetery Revenue Fund | | | | |
| Equipment | \$ 18,097 | - | - | 18,097 |
| Land, not being depreciated | 28,967 | 1,200 | - | 30,167 |
| Infrastructure network | 17,637 | - | - | 17,637 |
| Total capital assets at historical cost | <u>64,701</u> | <u>1,200</u> | <u>-</u> | <u>65,901</u> |
| Less accumulated depreciation | | | | |
| Equipment | (6,631) | (1,598) | - | (8,229) |
| Infrastructure network | <u>(4,569)</u> | <u>(705)</u> | <u>-</u> | <u>(5,274)</u> |
| Net capital assets, Cemetery Revenue Fund | <u>53,501</u> | <u>(1,103)</u> | <u>-</u> | <u>52,398</u> |
| Cemetery Care Fund | | | | |
| Land, not being depreciated | <u>16,000</u> | <u>-</u> | <u>-</u> | <u>16,000</u> |
| Net capital assets, governmental activities | <u>\$ 1,345,875</u> | <u>87,538</u> | <u>-</u> | <u>1,433,413</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| General government | \$ | 3,783 | | |
| Law enforcement | | 43,245 | | |
| Fire protection | | 49,174 | | |
| Street maintenance | | 15,184 | | |
| Community services | | 13,066 | | |
| Cemetery | | <u>2,303</u> | | |
| Total depreciation expense, governmental activities | \$ | <u>126,755</u> | | |
| <u>Business-type Activities (Sch. 5):</u> | | | | |
| Public Works Authority | | | | |
| Land, not being depreciated | \$ | 46,807 | - | 46,807 |
| Buildings and improvements | 26,984 | - | - | 26,984 |
| Equipment | 342,172 | - | - | 342,172 |
| Water and sewer infrastructure network | 5,596,765 | - | - | 5,596,765 |
| Sewer projects in progress | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total capital assets at historical cost | <u>6,012,728</u> | <u>-</u> | <u>-</u> | <u>6,012,728</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (12,814) | (968) | - | (13,782) |
| Equipment | (194,937) | (19,457) | - | (214,394) |
| Water and sewer infrastructure network | <u>(682,339)</u> | <u>(139,992)</u> | <u>-</u> | <u>(822,331)</u> |
| Total accumulated depreciation | <u>(890,090)</u> | <u>(160,417)</u> | <u>-</u> | <u>(1,050,507)</u> |
| Net capital assets, business-type activities | <u>\$ 5,122,638</u> | <u>(160,417)</u> | <u>-</u> | <u>4,962,221</u> |
| Depreciation expense was charged to functions as follows: | | | | |
| Water | \$ | 11,982 | | |
| Sewer | | 137,241 | | |
| Sanitation | | <u>11,194</u> | | |
| Total depreciation expense, business-type activities | \$ | <u>160,417</u> | | |

See accompanying notes to the financial statements.

Schedule 7

Town of Calera, Oklahoma
Allocation of Fund Expenses to Statement of Activities Functions
For the Year Ended June 30, 2011

| | <u>Total</u> | <u>Water</u> | <u>Sewer</u> | <u>Sanitation</u> | <u>Basis for Allocation</u> |
|--------------------------------|---------------------|----------------|----------------|-------------------|---|
| Business-type activities | | | | | |
| Personal services | \$ 378,674 | 106,029 | 159,043 | 113,602 | Employee hour ratios (28% / 42% / 30%) |
| Maintenance & operations | | | | | |
| Combined / indirect | 57,004 | 19,001 | 19,002 | 19,001 | One-third to each function |
| Direct | 218,681 | 63,365 | 77,915 | 77,401 | Actual function expenses |
| Total maintenance & operations | <u>275,685</u> | <u>82,366</u> | <u>96,917</u> | <u>96,402</u> | |
| Bad debt write-offs | 3,288 | 789 | 1,414 | 1,085 | Relative revenue ratios (24% / 43% / 33%) |
| Interest expense | 202,309 | - | 202,309 | - | All sewer system |
| Amortized debt issue costs | 5,500 | - | 5,500 | - | All sewer system |
| Depreciation | <u>160,417</u> | <u>11,982</u> | <u>137,242</u> | <u>11,193</u> | Asset depreciation schedule |
| Totals | <u>\$ 1,025,873</u> | <u>201,166</u> | <u>602,425</u> | <u>222,282</u> | |

See accompanying notes to the financial statements.

Calera Public Works Authority
2010 OWRB Clean Water SRF Promissory Note
Debt Service Schedule

| Payment Date | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------|---------------------|------------------|---------------------|
| 8/15/2011 | \$ 61,000 | 68,592 | \$ 129,592 |
| 2/15/2012 | 61,000 | 68,869 | 129,869 |
| 8/15/2012 | 62,000 | 67,269 | 129,269 |
| 2/15/2013 | 62,000 | 67,134 | 129,134 |
| 8/15/2013 | 64,000 | 65,179 | 129,179 |
| 2/15/2014 | 64,000 | 65,356 | 129,356 |
| 8/15/2014 | 66,000 | 63,403 | 129,403 |
| 2/15/2015 | 66,000 | 63,522 | 129,522 |
| 8/15/2015 | 68,000 | 61,571 | 129,571 |
| 2/15/2016 | 68,000 | 61,632 | 129,632 |
| 8/15/2016 | 69,000 | 60,013 | 129,013 |
| 2/15/2017 | 70,000 | 59,700 | 129,700 |
| 8/15/2017 | 72,000 | 57,755 | 129,755 |
| 2/15/2018 | 72,000 | 57,696 | 129,696 |
| 8/15/2018 | 74,000 | 55,756 | 129,756 |
| 2/15/2019 | 74,000 | 55,637 | 129,637 |
| 8/15/2019 | 76,000 | 53,703 | 129,703 |
| 2/15/2020 | 76,000 | 53,521 | 129,521 |
| 8/15/2020 | 78,000 | 51,879 | 129,879 |
| 2/15/2021 | 78,000 | 51,348 | 129,348 |
| 8/15/2021 | 80,000 | 49,429 | 129,429 |
| 2/15/2022 | 80,000 | 49,119 | 129,119 |
| 8/15/2022 | 82,000 | 47,209 | 129,209 |
| 2/15/2023 | 83,000 | 46,834 | 129,834 |
| 8/15/2023 | 85,000 | 44,919 | 129,919 |
| 2/15/2024 | 85,000 | 44,464 | 129,464 |
| 8/15/2024 | 87,000 | 42,795 | 129,795 |
| 2/15/2025 | 87,000 | 42,038 | 129,038 |
| 8/15/2025 | 89,000 | 40,145 | 129,145 |
| 2/15/2026 | 90,000 | 39,555 | 129,555 |
| 8/15/2026 | 92,000 | 37,661 | 129,661 |
| 2/15/2027 | 92,000 | 36,988 | 128,988 |
| 8/15/2027 | 94,000 | 35,108 | 129,108 |
| 2/15/2028 | 95,000 | 34,363 | 129,363 |
| 8/15/2028 | 97,000 | 32,665 | 129,665 |
| 2/15/2029 | 98,000 | 31,655 | 129,655 |
| 8/15/2029 | 100,000 | 29,779 | 129,779 |
| 2/15/2030 | 101,000 | 28,862 | 129,862 |
| 8/15/2030 | 102,000 | 26,990 | 128,990 |
| 2/15/2031 | 103,000 | 25,999 | 128,999 |
| 8/15/2031 | 105,000 | 24,145 | 129,145 |
| 2/15/2032 | 106,000 | 23,064 | 129,064 |
| 8/15/2032 | 108,000 | 21,335 | 129,335 |
| 2/15/2033 | 109,000 | 20,046 | 129,046 |
| 8/15/2033 | 111,000 | 18,206 | 129,206 |
| 2/15/2034 | 113,000 | 16,942 | 129,942 |
| 8/15/2034 | 114,000 | 15,098 | 129,098 |
| 2/15/2035 | 116,000 | 13,740 | 129,740 |
| 8/15/2035 | 118,000 | 11,906 | 129,906 |
| 2/15/2036 | 119,000 | 10,439 | 129,439 |
| 8/15/2036 | 121,000 | 8,665 | 129,665 |
| 2/15/2037 | 122,000 | 7,053 | 129,053 |
| 8/15/2037 | 124,000 | 5,245 | 129,245 |
| 2/15/2038 | 126,000 | 3,583 | 129,583 |
| 8/15/2038 | <u>128,000</u> | <u>1,776</u> | <u>129,776</u> |
| Totals | \$ <u>4,943,000</u> | <u>2,177,355</u> | \$ <u>7,120,355</u> |

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
 Schedule of Federal Award Programs
 For the Year Ended June 30, 2011

| Federal/State Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Program or Award Amount | Cash/Expend Payable or (Rev Recvb1) at 7-1-10 | Contract Receipts or Revenue Recognized | Contract Disbursements/ Expenditures | Cash/Expend Payable or (Rev Recvb1) at 6-30-11 |
|--|---------------------|-------------------------------|-------------------------|---|---|--------------------------------------|--|
| FEDERAL AWARD PROGRAMS | | | | | | | |
| U.S. Dept. of Justice | | | | | | | |
| Passed through Okla. D. A. Council | | | | | | | |
| Stop Violence Against Women | 16.588 | V09-019 | \$ 39,327 | \$ - | 26,129 | 26,129 | \$ - |
| Stop Violence Against Women | 16.558 | V10-018 | 39,327 | - | 17,304 | 17,304 | - |
| JAG-LLE Equipment | 16.803 | 2009-SU-B9-003 | 2,380 | - | 2,380 | 2,380 | - |
| Passed through Okla. Bureau of Narcotics | | | | | | | |
| Area drug enforcement action | 16.--- | CV-2010-474 | \$ 49,409 | - | 49,409 | 49,409 | - |
| Total Dept. of Justice | | | | - | 95,222 | 95,222 | - |
| U.S. Dept. of Housing & Urban Devel. | | | | | | | |
| Passed through Okla. Dept. of Commerce | | | | | | | |
| Comm. Dev. Block Grant | 14.228 | 14527-CDBG-10 | \$ 83,101 | - | - | - | - |
| U.S. Dept. of Transportation | | | | | | | |
| Passed through Okla. Highway Safety Office | | | | | | | |
| Calera Traffic Safety Enforcement | 20.600 | PT-10-03-06-02 | \$ 23,050 | - | 4,588 | 4,588 | - |
| Calera Traffic Safety Enforcement | 20.600 | PT-11-03-03-03 | 38,550 | - | 22,945 | 22,945 | - |
| Total Dept. of Transportation | | | | - | 27,533 | 27,533 | - |
| U.S. Dept. of Homeland Security | | | | | | | |
| Passed through Fed. Emergency Mgmt. Agency | | | | | | | |
| Assistance to Firefighters | 97.044 | EMW-2008-FO-03093 | \$ 139,935 | - | 17,242 | 17,242 | - |
| TOTAL FEDERAL AWARD PROGRAMS | | | | \$ - | 139,977 | 139,977 | \$ - |

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
Schedule of State and Other Award Programs
For the Year Ended June 30, 2010

| Federal/State Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Program or Award Amount | Cash/Expend Payable or (Rev Recvbl) at 7-1-10 | Contract Receipts or Revenue Recognized | Contract Disbursements/Expenditures | Cash/Expend Payable or (Rev Recvbl) at 6-30-11 |
|--|---------------------|-------------------------------|-------------------------|---|---|-------------------------------------|--|
| <u>STATE AWARD PROGRAMS</u> | | | | | | | |
| <u>Oklahoma Dept. of Agriculture</u> | | | | | | | |
| Rural Fire Dept. Assistance | - | - | \$ 4,398 | \$ - | 4,398 | 4,398 | \$ - |
| <u>Rural Economic Action Plan (REAP)</u> | | | | | | | |
| Passed through S.O.D.A. Emergency Warning Siren | - | 10-039 | \$ 28,075 | - | 600 | 600 | - |
| TOTAL STATE AWARD PROGRAMS | | | | \$ - | 4,998 | 4,998 | \$ - |
| <u>OTHER AWARDS</u> | | | | | | | |
| <u>Calera Public Schools</u> | | | | | | | |
| School Resource Police Officer | - | - | \$ 13,000 | \$ - | 13,000 | 13,000 | \$ - |

See accompanying notes to the financial statements.

Town of Calera, Oklahoma
Historical comparison of Key Financial Information
For the Years Ended June 30

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---------------------------------|------------------|------------------|----------------|----------------|----------------|
| Cash in Bank & CD's | | | | | |
| General Fund | \$ 251,471 | 316,154 | 358,611 | 313,536 | 206,076 |
| Street & Alley | 254,176 | 271,718 | 225,716 | 122,978 | 98,564 |
| Police Reserves | 9,638 | 7,220 | 4,752 | 8,585 | 3,727 |
| Volunteer Fire Dept. | 66,239 | 35,314 | 38,824 | 44,811 | 31,382 |
| Cemetery Revenue | 38,452 | 35,220 | 30,185 | 26,822 | 19,397 |
| Cemetery Care | 20,474 | 18,583 | 31,971 | 29,419 | 26,586 |
| Police Special | 35,831 | 30,461 | 45,830 | 38,033 | 44,584 |
| Municipal Court Bonds | 2,037 | 3,166 | 1,495 | 3,934 | 2,670 |
| Public Works Authority | | | | | |
| Unrestricted | 304,762 | 279,994 | 281,316 | 251,887 | 218,259 |
| Customer Deposits | 54,226 | 50,309 | 45,487 | 43,154 | 38,646 |
| Debt Service & Reserves | 92,037 | 197,559 | 195,325 | 193,016 | 30,464 |
| Construction | - | 179,737 | 176,944 | 2,069,197 | - |
| General Fund | | | | | |
| Sales Tax Revenues | 220,647 | 210,493 | 194,060 | 187,530 | 152,381 |
| Other Tax Revenues | 68,048 | 67,133 | 65,289 | 60,316 | 61,172 |
| Grant Proceeds | 131,029 | 372,740 | 54,222 | 110,283 | 278,989 |
| Fines & Forfeitures | 544,992 | 584,004 | 446,396 | 570,588 | 313,829 |
| Other Revenues | 21,355 | 19,659 | 23,647 | 23,550 | 21,826 |
| Total General Fund Revenues | <u>986,071</u> | <u>1,254,029</u> | <u>783,614</u> | <u>952,267</u> | <u>828,197</u> |
| Personal Services | 489,784 | 507,896 | 371,256 | 319,716 | 333,916 |
| Maintenance & Operations | 323,056 | 345,184 | 281,031 | 284,336 | 257,481 |
| Capital Outlay | 60,274 | 52,749 | 3,933 | 26,690 | 74,952 |
| Total Gen Fund Expenditures | <u>873,114</u> | <u>905,829</u> | <u>656,220</u> | <u>630,742</u> | <u>666,349</u> |
| Special Revenue Funds | | | | | |
| Sales Tax Revenues | 220,646 | 210,492 | 194,060 | 148,514 | 114,285 |
| Other Tax Revenues | 16,058 | 15,874 | 15,828 | 15,667 | 15,812 |
| Grant Proceeds | 24,020 | 135,413 | 16,436 | 8,707 | 11,390 |
| Fines & Forfeitures | 50,395 | 48,339 | 40,780 | 48,455 | 45,324 |
| Cemetery Charges | 7,350 | 9,950 | 9,400 | 10,350 | 11,879 |
| Other Revenues | 45,657 | 40,341 | 25,838 | 45,540 | 26,046 |
| Total Special Revenues | <u>364,126</u> | <u>460,409</u> | <u>302,342</u> | <u>277,233</u> | <u>224,736</u> |
| Personal Services | - | - | - | - | - |
| Maintenance & Operations | 163,609 | 105,283 | 103,366 | 98,391 | 88,613 |
| Capital Outlay | 183,793 | 339,417 | 89,158 | 110,964 | 113,659 |
| Total Special Rev. Expenditures | <u>347,402</u> | <u>444,700</u> | <u>192,524</u> | <u>209,355</u> | <u>202,272</u> |
| Public Works Authority | | | | | |
| Water Charges | 229,340 | 220,535 | 221,979 | 203,335 | 180,457 |
| Sewer Charges | 389,774 | 357,386 | 337,459 | 318,491 | 259,686 |
| Sanitation Charges | 291,224 | 270,107 | 261,689 | 253,499 | 214,146 |
| Other Revenues | 32,270 | 29,945 | 35,192 | 87,018 | 8,706 |
| Total PWA Revenues | <u>942,608</u> | <u>877,973</u> | <u>856,319</u> | <u>862,343</u> | <u>662,995</u> |
| Personal Services | 378,674 | 353,104 | 331,005 | 306,764 | 308,921 |
| Maintenance & Operations | 278,973 | 287,392 | 256,442 | 199,747 | 207,979 |
| Depreciation | 160,417 | 159,920 | 108,942 | 62,189 | 52,061 |
| Interest Expense | 202,309 | 224,940 | 225,255 | 3,530 | 9,873 |
| Bond Issue Costs (Amortized) | 5,500 | 7,167 | 7,166 | 7,166 | - |
| Total PWA Expenses | <u>1,025,873</u> | <u>1,032,523</u> | <u>928,810</u> | <u>579,396</u> | <u>578,834</u> |

See accompanying notes to the financial statements.

Casey J. Russell CPA, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Calera, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Calera, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Calera, Oklahoma's management. Our responsibility is to express opinions 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 opinions.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Calera, Oklahoma, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows there of 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 and budgetary comparison information on pages 1 through 10 and 42 through 46 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 an 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Calera, Oklahoma's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Casey J. Russell CPA, Inc.

Casey J. Russell CPA, Inc.
Oklahoma City, OK
December 3, 2011

Casey J. Russell CPA, Inc.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Council
Town of Calera, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Calera, Oklahoma, as of and for the year ended June 30, 2011, which collectively comprise the Town of Calera, Oklahoma's basic financial statements and have issued our report thereon dated December 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Calera, Oklahoma's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Calera, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Calera, Oklahoma's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Calera, Oklahoma's financial statements are free of material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as item 2011-1.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Casey J. Russell CMAA

Casey J. Russell CPA, Inc.
Oklahoma City, OK
December 3, 2011

Schedule of Findings and Responses

2011-1 OWRB Loan Compliance

CONDITION: The OWRB 2010 Clean Water SRF note contains certain restrictions and covenants that are financial related. One such covenant is that net operating revenues of the PWA must equal 1.25 times the average annual debt service. As of June 30, 2011, the actual coverage ratio only amounted to 1.05.

CRITERIA: Net operating revenues of the PWA must equal 1.25 times the average annual debt service.

CAUSE OF CONDITION: This was the first year that the PWA was subject to such requirement.

EFFECT OF CONDITION: Unknown.

RECOMMENDATION: Management needs to periodically review the net operating revenues to annual debt service ratio to insure the required ratio is being met.

MANAGEMENT RESPONSE: During the course of the year the PWA raised rates to help increase the net operating revenues. The full effect of this rate increase should be reflected in the next years audit year. We fully anticipate this rate increase to cover the ratio requirement.