

*FINANCIAL STATEMENTS*

*Year Ended September 30, 2010*

REPORT FROM  
**TILL, HESTER, EYER & BROWN, P.C.**  
*Certified Public Accountants*  
BIRMINGHAM, ALABAMA

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**CITY OF ALABASTER, ALABAMA  
ELECTED OFFICIALS  
September 30, 2010**

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MAYOR

Honorable David M. Frings

TERM OF OFFICE

October 2008 - 2012

CITY COUNCIL MEMBERS

Jim McClain - Council President - Ward 5

October 2008 - 2012

Sophie Martin - Ward 1

October 2008 - 2012

Bob Hicks - Ward 2

October 2008 - 2012

Adam Moseley - Ward 3

October 2008 - 2012

Rick Walters - Ward 4

October 2008 - 2012

Scott Brakefield - Ward 6

October 2008 - 2012

Tommy Ryals - Ward 7

October 2008 - 2012

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
Alabaster, Alabama

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 45 through 48 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 City of Alabaster, Alabama's financial statements as a whole. The combining and individual nonmajor fund financial statements 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 schedule of Alabama Public Library System State Aid Receipts and Disbursements has 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 it.

*Jill, Hester, Eyer & Brown, P. C.*

April 20, 2011

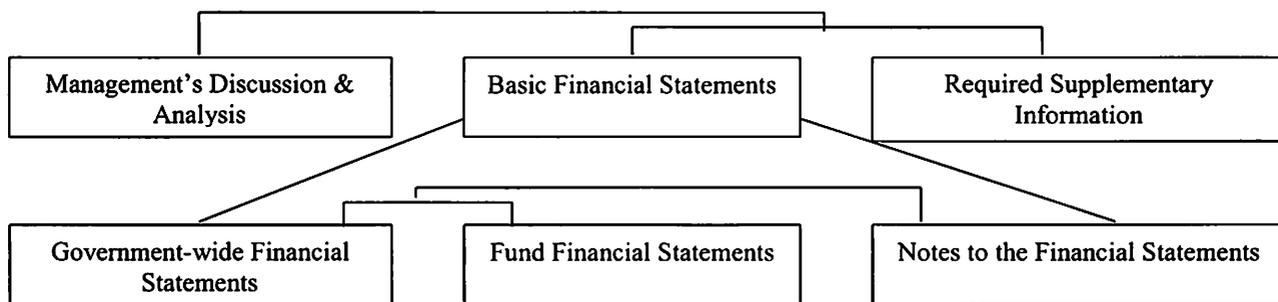
## Management's Discussion and Analysis

As management of the City of Alabaster, Alabama, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Alabaster for the fiscal year ended September 30, 2010. We encourage readers to read the information presented here in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of fiscal year 2010 by \$34.9 million.
- The unrestricted net assets of the business-type activities are \$877 thousand and may be used to meet the ongoing obligations of the business-type activities.
- The unrestricted net assets of the governmental activities are \$288 thousand and may be used to meet the ongoing obligations of the governmental activities.
- The governmental funds fund balance increased \$145 thousand during the year, bringing the total fund balance of governmental funds to \$13.5 million. Of this amount, \$1.7 million is restricted under laws external to the City for specific purposes, \$10.66 million is restricted for the noncurrent portion of a note receivable from the component unit of the City, \$853 thousand is designated by management for specific purposes, and \$217 thousand is unreserved and available to finance the activities of the governmental funds.
- The General Fund reported a fund balance of \$1.8 million. The fund balance increased by \$602 thousand during the year.

### REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

## Management's Discussion and Analysis (unaudited)

September 30, 2010

City of Alabaster, Alabama

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public protection, public ways and facilities, and intergovernmental functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities.

The business-type activities of the City include the sanitary sewer and sanitation operations. Both of these activities are collectively referred to in the financial statements as those of the *primary government*.

The government-wide financial statements can be found on pages 13 and 14 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

### Governmental Funds

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City maintains five individual governmental funds:

- General Fund, the Capital Projects Fund, and the Debt Service Fund are considered *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds.
- The two other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements found on pages 49 and 50 of this report.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

### Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and sanitation activities.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Sewer Fund and the Garbage Fund are considered major proprietary funds of the City, and information is presented separately in the *proprietary funds statement of net assets* and in the *proprietary funds statement of revenues, expenses, and changes in net assets* for these funds.

*Management's Discussion and Analysis (unaudited)*  
*September 30, 2010*

*City of Alabaster, Alabama*

The basic proprietary fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 23 through 44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Alabaster adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 45 through 48 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 49 and 50 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve as a useful indicator of a government's financial position. Overall, the City's assets exceed liabilities by \$34.9 million at the close of the recent fiscal year. Of this figure, \$19.2 million represents the City's total investment in capital assets (i.e. land, buildings, improvements, infrastructure and other), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$14.5 million, represents resources that are subject to restrictions as to how they may be used. These are restrictions that are being imposed by legal requirements other than those imposed by the City Council (i.e. state or federal law).

**City of Alabaster's Net Assets (in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 14,525	\$ 17,314	\$ 4,564	\$ 4,167	\$ 19,089	\$ 21,481
Capital assets	44,840	44,710	35,476	36,062	80,316	80,772
Total assets	59,365	62,024	40,040	40,229	99,405	102,253
Long-term liabilities outstanding	39,678	39,794	22,593	23,564	62,271	63,358
Other liabilities	1,679	4,595	594	601	2,273	5,196
Total liabilities	41,357	44,389	23,187	24,165	64,544	68,554
Net assets:						
Invested in capital assets, net of related debt	6,311	5,005	12,929	12,544	19,240	17,549
Restricted	11,409	12,439	3,047	1,026	14,456	13,465
Unrestricted	288	191	877	2,494	1,165	2,685
Total net assets	\$ 18,008	\$ 17,635	\$ 16,853	\$ 16,064	\$ 34,861	\$ 33,699

**Management's Discussion and Analysis (unaudited)**  
**September 30, 2010**

**City of Alabaster, Alabama**

City of Alabaster's Changes in Net Assets (in thousands)

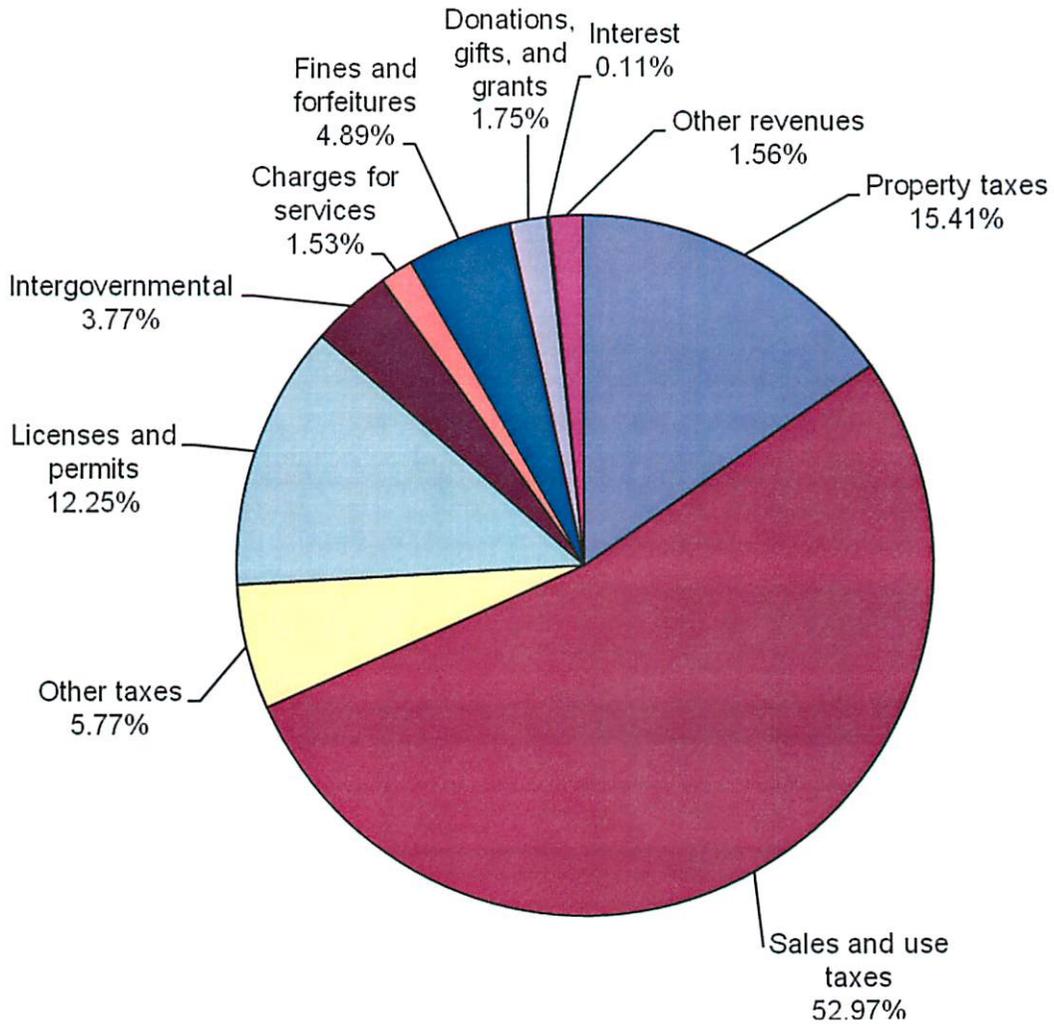
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues:</b>						
<b>Program revenues:</b>						
Fees, fines and charges for services	\$ 4,386	\$ 4,648	\$ 6,422	\$ 5,557	\$ 10,808	\$ 10,205
Operating grants and contributions	523	281	-	-	523	281
Capital grants and contributions	508	528	-	-	508	528
<b>General revenues:</b>						
Property taxes	3,350	3,388	-	-	3,350	3,388
Sales and use taxes	11,519	12,002	-	-	11,519	12,002
Other taxes	1,123	1,176	-	-	1,123	1,176
Interest	24	21	74	76	98	97
Gain (Loss) on disposal of asset	(15)	(13)	-	(101)	(15)	(114)
<b>Total revenues</b>	<b>21,418</b>	<b>22,031</b>	<b>6,496</b>	<b>5,532</b>	<b>27,914</b>	<b>27,563</b>
<b>Expenses:</b>						
General government	3,357	3,529	-	-	3,357	3,529
Public protection	11,056	11,477	-	-	11,056	11,477
Public ways and facilities	4,768	5,081	-	-	4,768	5,081
Interest and fiscal agent fees	1,964	1,910	-	-	1,964	1,910
Sewer Fund	-	-	4,001	4,063	4,001	4,063
Garbage Fund	-	-	1,606	1,510	1,606	1,510
<b>Total expenses</b>	<b>21,145</b>	<b>21,997</b>	<b>5,607</b>	<b>5,573</b>	<b>26,752</b>	<b>27,570</b>
Increase in net assets before transfers	273	34	889	(41)	1,162	(7)
Transfers	100	(125)	(100)	125	-	-
<b>Change in net assets</b>	<b>373</b>	<b>(91)</b>	<b>789</b>	<b>84</b>	<b>1,162</b>	<b>(7)</b>
Net assets - beginning of year	17,635	17,726	16,064	15,980	33,699	33,706
<b>Net assets - end of year</b>	<b>\$ 18,008</b>	<b>\$ 17,635</b>	<b>\$ 16,853</b>	<b>\$ 16,064</b>	<b>\$ 34,861</b>	<b>\$ 33,699</b>

**Governmental Activities**

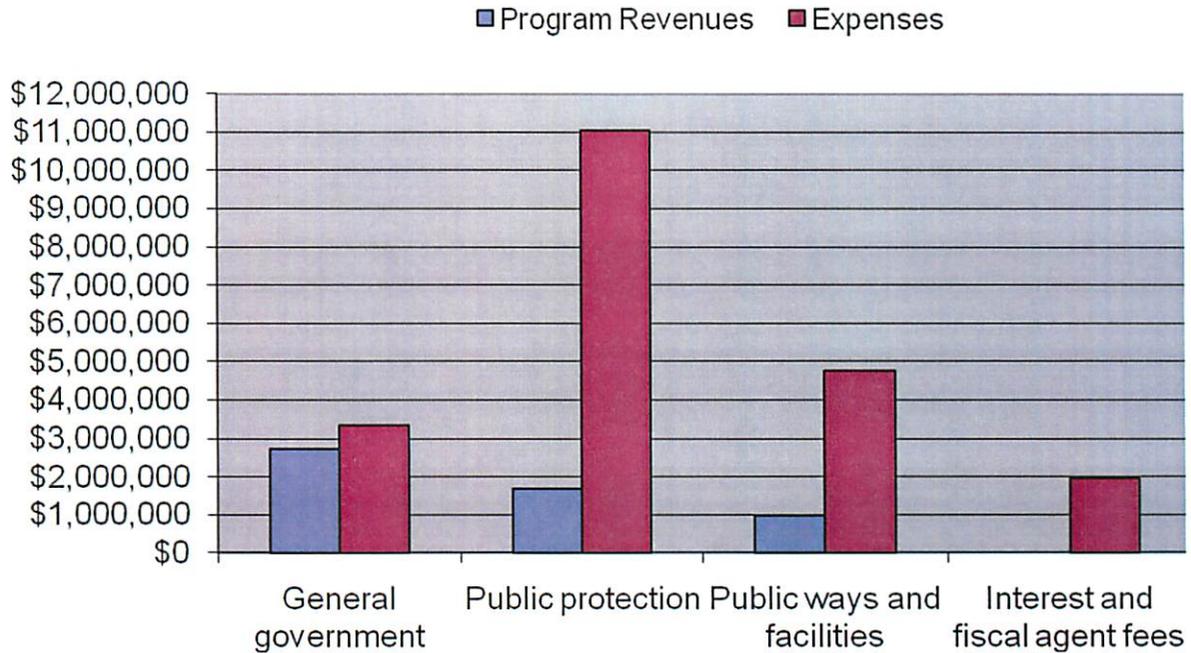
The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 15.6% and sales taxes provided 53.8% of the City's total governmental revenues. Sales tax revenue decreased by 4.0% from 2009. It should be noted that program revenues covered 25.6% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 74.4% of the governmental activities. As a result, the general economy and the local businesses have a major impact on the City's revenue streams.

The most significant governmental expense for the City is providing public protection services such as fire and police protection. This comprised 52.3% of the total governmental expenses. Public protection expenses decreased by \$421 thousand, or 3.7%, from 2009. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 22.6% of total governmental expenses, a decrease of 6.2% from 2009. Public ways and facilities include services such as parks and recreation, library and public works. Expenses for public ways and facilities are offset by charges for services, operating grants and contributions and capital grants and contributions, which totaled \$355 thousand, \$132 thousand and \$484 thousand, respectively. The charges for services include registration and program fees. The total cost of all governmental activities decreased by \$852 thousand, while revenues decreased by \$613 thousand.

Revenue by Source - Governmental Activities



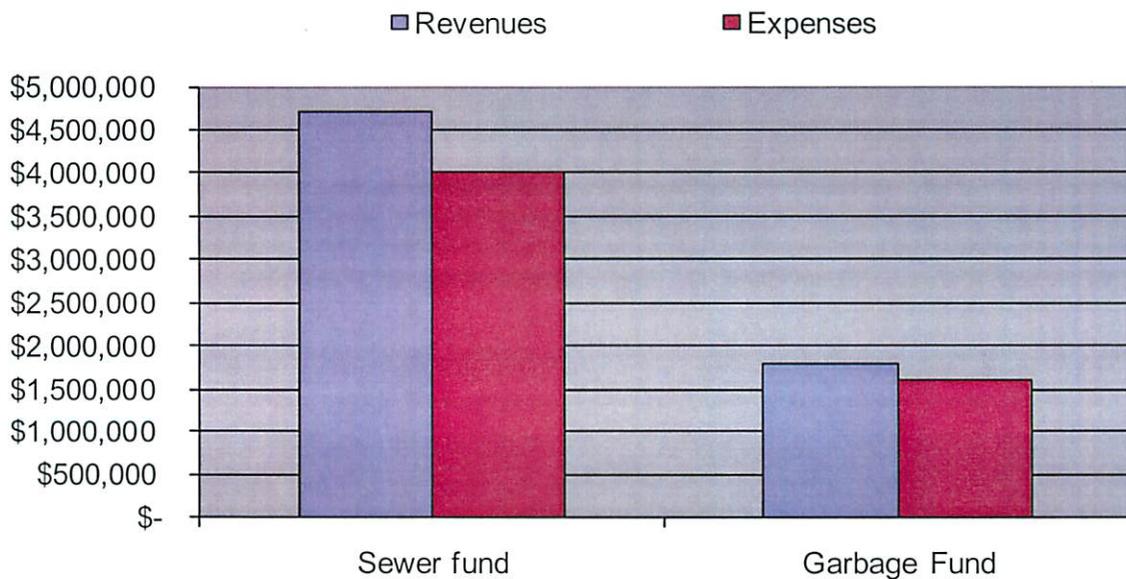
**Program Revenues and Expenses - Governmental Activities**



Business-Type Activities

The cost of all proprietary (business-type) activities was \$5.6 million, which is an increase of 0.6% from 2009. The amount paid by users of the sewer and garbage services was \$6.5 million, which is an increase of 15.6% from 2009. Within the total business type activities of the City, these activities reported an operating income of \$2.0 million, which is an increase of 55.1%.

**Revenues and Expenses before Transfers and Capital Contributions**



**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The combined fund balance of the City's governmental funds increased \$145 thousand in 2010 and the total balance as of September 30, 2010 was \$13.5 million. Of this amount, \$217 thousand consists of unreserved fund balance, which is generally available for spending at the City's discretion. Fund balance that is designated for particular purposes, generally specified in council ordinances, totaled \$853 thousand. The remainder of the total fund balance is \$12.4 million, which is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service and other purposes, or must be spent for specific purposes in the future as required by legal constraints.

Total revenues were \$21.4 million, a decrease of 2.7% from 2009. Sales tax revenue decreased by \$483 thousand or 4.0%, due to a decrease in economic development that occurred during the fiscal year ended September 30, 2010.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$1.1 million, but \$853 thousand of this amount has been designated, or earmarked by management. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures (including transfers, net). Total fund balance represents 5.5% of total general fund expenditures (including transfers, net).

**Proprietary funds.** The focus of the City's proprietary funds (enterprise) is to provide the same type of information as found in the government-wide financial statements, but in greater detail.

Unrestricted net assets of the Sewer Fund and Garbage Fund were \$633 thousand and \$244 thousand, respectively. The total growth in net assets for the funds was \$704 thousand and \$85 thousand, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Alabaster's business-type activities.

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

The Mayor and City Council approve a formal budget for the General Fund on the modified accrual basis of accounting. The other governmental funds do not have a formal budget. See required supplementary information on pages 45 through 48 for budget to actual comparisons for the General Fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The City's investment in capital assets for governmental and business-type activities as of September 30, 2010, totals \$80.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, infrastructure, sewer plant and equipment. For further information on capital assets see Note D in the notes to the financial statements.

City of Alabaster's Capital Assets  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 17,060	\$ 17,060	\$ 246	\$ 246	\$ 17,306	\$ 17,306
Furniture and equipment	2,991	2,743	273	273	3,264	3,016
Trucks and automobiles	5,181	5,276	526	311	5,707	5,587
Sewer plant and lines	-	-	44,544	44,397	44,544	44,397
Buildings, infrastructure and improvements	30,549	29,119	-	-	30,549	29,119
Construction in progress	500	760	-	-	500	760
	<u>56,281</u>	<u>54,958</u>	<u>45,589</u>	<u>45,227</u>	<u>101,870</u>	<u>100,185</u>
Accumulated depreciation	<u>(11,441)</u>	<u>(10,248)</u>	<u>(10,113)</u>	<u>(9,165)</u>	<u>(21,554)</u>	<u>(19,413)</u>
Total	\$ <u>44,840</u>	\$ <u>44,710</u>	\$ <u>35,476</u>	\$ <u>36,062</u>	\$ <u>80,316</u>	\$ <u>80,772</u>

Long-Term Debt

As of September 30, 2010, the City had \$64.4 million of long-term debt outstanding. Of this amount, \$47.5 million is debt backed by the full faith and credit of the City, and \$16.9 million is comprised of revenue bonds secured solely by specific revenue sources. During the year, the City made principal payments of \$590 thousand on revenue bonds and \$10 million on general obligation debt.

For further information on long-term debt see Note F in the notes to the financial statements.

**ECONOMIC CONDITIONS AFFECTING THE CITY**

For the fiscal year ending September 30, 2010, the City of Alabaster has once again exceeded the national and state averages. While the City did realize a reduction in tax revenues from previous years, compared to the state and federal benchmarks for unemployment, foreclosures and overall reductions in tax revenues, the city performed relatively well.

Even in this difficult economic situation, our City has continued to recruit, retain and backfill retail and industrial space. In the 2010 budget year we had a few large industrial employers open their doors which brought hundreds of jobs to the City and surrounding areas. There were also several small retail establishments that backfilled vacant retail real estate. Both the north and south Promenades are close to 100 percent occupancy. With the continued success and expansion of both Shelby Baptist and other health care providers, namely Lemak Sports Medicine, the City of Alabaster continues to boast a large concentration of excellent health care providers and specialists.

The City took steps to eliminate all variable, floating and balloon debt positions. This allowed the City to continue to position itself to best serve the needs of our residents and stakeholders. As the City plans for the future, it is clear that leadership must continue to make difficult decisions at every level. Being immune from federal or state assistance, brings certain fiscal challenges only local municipalities can fully appreciate. Therefore the continued improvements to internal processes and systems become even more important as the City strives to increasingly utilize fewer employees to work in more efficient ways.

In 2011, Alabaster will continue to aggressively market for retail and industrial growth. We currently have a large distribution corporation that will locate in the Shelby West Corporate Park and bring approximately 150 new jobs. This could increase to a total of 300 jobs in the future. We have also had inquires from two developers that are investing additional major retail facilities near the existing Promenade shopping centers. This is in the very early stages but is encouraging during this economic downturn. The outlook for Alabaster is bright and we have every reason to believe it will continue to be a vibrant community that contributes greatly to the surrounding communities, county and state at large.

**CONTACTING THE CITY**

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Alabaster City Hall, 201 1<sup>st</sup> Street North, Alabaster, Alabama 35007, by calling (205) 664-6800, or by sending an email to [cityhall@cityofalabaster.com](mailto:cityhall@cityofalabaster.com).

CITY OF ALABASTER, ALABAMA  
STATEMENT OF NET ASSETS  
September 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 656,032	\$ 399,965	\$ 1,055,997	\$ 50,977
Receivables	454,024	562,448	1,016,472	-
Due from Water Board	2,567	547,307	549,874	-
Internal balances, net	598	(598)	-	-
Prepaid expenditures	99,547	7,696	107,243	-
Restricted assets:				
Cash and cash equivalents	2,651,863	3,046,910	5,698,773	-
Due from governmental entity:				
Commercial Development Authority (CDA)	10,660,000	-	10,660,000	-
Capital assets				
Land and construction in progress	17,560,085	245,770	17,805,855	8,940,062
Other assets, net of accumulated depreciation	27,279,833	35,230,274	62,510,107	3,806,667
<b>Total assets</b>	<u>59,364,549</u>	<u>40,039,772</u>	<u>99,404,321</u>	<u>12,797,706</u>
<b>LIABILITIES</b>				
Accounts payable	257,369	148,543	405,912	-
Accrued payroll and related liabilities	721,943	49,730	771,673	-
Accrued interest	628,829	395,646	1,024,475	-
Municipal Court cash bonds posted	70,046	-	70,046	-
Due to governmental entity:				
City of Alabaster	-	-	-	10,660,000
Noncurrent liabilities:				
Due within 1 year	861,731	1,303,511	2,165,242	-
Due in more than 1 year	38,430,109	21,289,307	59,719,416	-
Net other post employment benefit liability	386,443	-	386,443	-
<b>Total liabilities</b>	<u>41,356,470</u>	<u>23,186,737</u>	<u>64,543,207</u>	<u>10,660,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,310,780	12,929,321	19,240,101	2,086,729
Restricted for:				
Debt service	-	2,517,738	2,517,738	-
Capital projects	519,373	479,173	998,546	50,977
Replacements and improvements	-	50,000	50,000	-
Public protection	160,115	-	160,115	-
Noncurrent receivables (CDA)	10,660,000	-	10,660,000	-
Other	70,062	-	70,062	-
Unrestricted	287,749	876,803	1,164,552	-
<b>Total net assets</b>	<u>\$ 18,008,079</u>	<u>\$ 16,853,035</u>	<u>\$ 34,861,114</u>	<u>\$ 2,137,706</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2010

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Governmental Activities:</b>								
General government	\$ 3,357,262	\$ 2,713,869	\$ 31,742	\$ -	\$ (611,651)	\$ -	\$ (611,651)	\$ -
Public protection	11,056,292	1,317,204	359,626	23,528	(9,355,934)	-	(9,355,934)	-
Public ways and facilities	4,768,224	355,431	131,500	484,405	(3,796,888)	-	(3,796,888)	(80,000)
Interest and fiscal agent fees	1,963,531	-	-	-	(1,963,531)	-	(1,963,531)	-
<b>Total governmental activities</b>	<u>21,145,309</u>	<u>4,386,504</u>	<u>522,868</u>	<u>507,933</u>	<u>(15,728,004)</u>	<u>-</u>	<u>(15,728,004)</u>	<u>(80,000)</u>
<b>Business-type Activities:</b>								
Sewer Fund	4,001,309	4,630,880	-	-	-	629,571	629,571	-
Garbage Fund	1,605,856	1,791,093	-	-	-	185,237	185,237	-
<b>Total business-type activities</b>	<u>5,607,165</u>	<u>6,421,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>814,808</u>	<u>814,808</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 26,752,474</u>	<u>\$ 10,808,477</u>	<u>\$ 522,868</u>	<u>\$ 507,933</u>	<u>\$ (15,728,004)</u>	<u>\$ 814,808</u>	<u>\$ (14,913,196)</u>	<u>\$ (80,000)</u>
<b>Component Unit</b>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
<b>General revenues:</b>								
<b>Taxes:</b>								
Property taxes					\$ 3,350,356	\$ -	\$ 3,350,356	\$ -
Sales and use taxes					11,518,703	-	11,518,703	-
Other taxes					1,123,204	-	1,123,204	-
Interest					23,981	74,212	98,193	211
(Loss) on disposal of assets					(15,113)	-	(15,113)	-
Transfers					100,000	(100,000)	-	-
<b>Total general revenues and transfers</b>					<u>16,101,131</u>	<u>(25,788)</u>	<u>16,075,343</u>	<u>211</u>
Change in net assets					373,127	789,020	1,162,147	(69,789)
Net assets, beginning					17,634,952	16,064,015	33,698,967	2,207,495
Net assets, ending					<u>\$ 18,008,079</u>	<u>\$ 16,853,035</u>	<u>\$ 34,861,114</u>	<u>\$ 2,137,706</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 656,032	\$ -	\$ -	\$ -	\$ 656,032
Receivables	454,024	-	-	-	454,024
Due from Water Board	2,567	-	-	-	2,567
Due from Sewer Fund	598	-	-	-	598
Due from governmental entity:					
Commercial Development Authority (CDA)	-	10,660,000	-	-	10,660,000
Prepaid expenditures	99,547	-	-	-	99,547
Restricted assets:					
Cash and cash equivalents	1,596,323	59,364	592,961	403,215	2,651,863
<b>Total assets</b>	<b>\$ 2,809,091</b>	<b>\$ 10,719,364</b>	<b>\$ 592,961</b>	<b>\$ 403,215</b>	<b>\$ 14,524,631</b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 204,190	\$ 53,179	\$ -	\$ -	\$ 257,369
Accrued payroll and related liabilities	721,943	-	-	-	721,943
Municipal Court cash bonds posted	70,046	-	-	-	70,046
<b>Total liabilities</b>	<b>996,179</b>	<b>53,179</b>	<b>-</b>	<b>-</b>	<b>1,049,358</b>
<b>FUND BALANCE</b>					
Reserved for:					
Debt service	-	-	592,961	-	592,961
Capital improvements	513,188	6,185	-	-	519,373
Public protection	160,115	-	-	-	160,115
Noncurrent receivables (CDA)	-	10,660,000	-	-	10,660,000
Special Revenue Funds	-	-	-	403,215	403,215
Other	70,062	-	-	-	70,062
Unreserved, designated for:					
Alabaster Reserve Account	770,094	-	-	-	770,094
Library	82,865	-	-	-	82,865
Unreserved and undesignated, reported in:					
General Fund	216,588	-	-	-	216,588
<b>Total fund balance</b>	<b>1,812,912</b>	<b>10,666,185</b>	<b>592,961</b>	<b>403,215</b>	<b>13,475,273</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,809,091</b>	<b>\$ 10,719,364</b>	<b>\$ 592,961</b>	<b>\$ 403,215</b>	<b>\$ 14,524,631</b>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
September 30, 2010

Total fund balance - governmental funds	\$	13,475,273
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities that are not financial resources and are not reported in the funds (Note D).		44,839,918
Long-term liabilities of governmental funds, including warrants payable, net OPEB liability and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds (Note B).		<u>(40,307,112)</u>
Net assets of governmental activities	\$	<u><u>18,008,079</u></u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 3,350,356	\$ -	\$ -	\$ -	\$ 3,350,356
Sales and use taxes	11,518,703	-	-	-	11,518,703
Other taxes	1,123,204	-	-	130,499	1,253,703
Licenses and permits	2,663,426	-	-	-	2,663,426
Intergovernmental	570,525	250,000	-	-	820,525
Charges for services	333,312	-	-	-	333,312
Fines and forfeitures	1,062,914	-	-	-	1,062,914
Donations, gifts and grants	79,776	-	-	-	79,776
Interest	11,098	289	12,259	335	23,981
Other revenues	338,683	-	-	-	338,683
<b>Total revenues</b>	<b>21,051,997</b>	<b>250,289</b>	<b>12,259</b>	<b>130,834</b>	<b>21,445,379</b>
<b>EXPENDITURES</b>					
General government	2,649,722	-	-	-	2,649,722
Public protection	10,730,480	-	-	-	10,730,480
Public ways and facilities	4,465,744	-	-	-	4,465,744
Debt service					
Debt retirement	-	-	803,902	-	803,902
Interest and fiscal agent fees	-	-	1,875,297	-	1,875,297
Bond issuance cost	-	-	142,870	-	142,870
Capital projects construction and outlay	-	964,285	-	-	964,285
<b>Total expenditures</b>	<b>17,845,946</b>	<b>964,285</b>	<b>2,822,069</b>	<b>-</b>	<b>21,632,300</b>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures	\$ 3,206,051	\$ (713,996)	\$ (2,809,810)	\$ 130,834	\$ (186,921)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	97,617	12,587,383	-	12,685,000
Payment to refunded bond escrow agent	-	-	(12,237,684)	-	(12,237,684)
Discount on bonds issued	-	-	(215,329)	-	(215,329)
Transfers in	100,000	-	2,704,527	-	2,804,527
Transfers (out)	<u>(2,704,527)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,704,527)</u>
Total other financing sources (uses)	<u>(2,604,527)</u>	<u>97,617</u>	<u>2,838,897</u>	<u>-</u>	<u>331,987</u>
Net change in fund balance	601,524	(616,379)	29,087	130,834	145,066
Fund balance, beginning	<u>1,211,388</u>	<u>11,282,564</u>	<u>563,874</u>	<u>272,381</u>	<u>13,330,207</u>
Fund balance, ending	<u>\$ 1,812,912</u>	<u>\$ 10,666,185</u>	<u>\$ 592,961</u>	<u>\$ 403,215</u>	<u>\$ 13,475,273</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2010

Net change in fund balances - total governmental funds	\$	145,066
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period (Note B).		1,555,434
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds (Note D).		(1,425,157)
For governmental funds, the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt, accrued interest and related items (Note B).		160,702
Other expenses reported in the Statement of Activities that do not require current financial resources (Note B).		<u>(62,918)</u>
Net change in net assets of governmental activities	\$	<u><u>373,127</u></u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2010

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 324,398	\$ 75,567	\$ 399,965
Receivables	406,528	155,920	562,448
Due from Water Board	403,996	143,311	547,307
Prepaid expenses	7,696	-	7,696
<b>Restricted assets:</b>			
Cash and cash equivalents	3,046,910	-	3,046,910
<b>Total current assets</b>	<b>4,189,528</b>	<b>374,798</b>	<b>4,564,326</b>
<b>Noncurrent assets:</b>			
Capital assets, net	35,287,033	189,011	35,476,044
<b>Total assets</b>	<b>39,476,561</b>	<b>563,809</b>	<b>40,040,370</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	17,910	130,633	148,543
Accrued payroll and related liabilities	49,730	-	49,730
Accrued interest	395,646	-	395,646
Internal balances	598	-	598
Compensated absences	1,966	-	1,966
Note payable	-	41,545	41,545
Bonds payable	1,260,000	-	1,260,000
<b>Total current liabilities</b>	<b>1,725,850</b>	<b>172,178</b>	<b>1,898,028</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	44,130	-	44,130
Notes payable	-	137,306	137,306
Bonds (net of issue costs, discounts and deferred amount on refunding)	21,107,871	-	21,107,871
<b>Total noncurrent liabilities</b>	<b>21,152,001</b>	<b>137,306</b>	<b>21,289,307</b>
<b>Total liabilities</b>	<b>22,877,851</b>	<b>309,484</b>	<b>23,187,335</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,919,162	10,159	12,929,321
<b>Restricted for:</b>			
Debt service	2,517,738	-	2,517,738
Capital projects	479,173	-	479,173
Replacements and improvements	50,000	-	50,000
Unrestricted	632,637	244,166	876,803
<b>Total net assets</b>	<b>\$ 16,598,710</b>	<b>\$ 254,325</b>	<b>\$ 16,853,035</b>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2010

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
<b>OPERATING REVENUE</b>			
Charges for services	\$ 4,630,880	\$ 1,762,533	\$ 6,393,413
Other revenue	-	28,560	28,560
Total operating revenue	<u>4,630,880</u>	<u>1,791,093</u>	<u>6,421,973</u>
<b>OPERATING EXPENSES</b>			
Administration, operations, and maintenance	1,866,029	1,572,816	3,438,845
Depreciation and amortization	967,104	26,923	994,027
Total operating expenses	<u>2,833,133</u>	<u>1,599,739</u>	<u>4,432,872</u>
Operating income	1,797,747	191,354	1,989,101
<b>NONOPERATING REVENUES (EXPENSE)</b>			
Interest income	74,121	91	74,212
Interest expense	(1,168,176)	(6,117)	(1,174,293)
Total nonoperating revenue (expense)	<u>(1,094,055)</u>	<u>(6,026)</u>	<u>(1,100,081)</u>
Income (loss) before transfers	703,692	185,328	889,020
TRANSFERS OUT	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
Changes in net assets	703,692	85,328	789,020
Total net assets, beginning	<u>15,895,018</u>	<u>168,997</u>	<u>16,064,015</u>
Total net assets, ending	<u>\$ 16,598,710</u>	<u>\$ 254,325</u>	<u>\$ 16,853,035</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2010

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
<b>OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 4,511,978	\$ 1,722,144	\$ 6,234,122
Payments to suppliers for services	(1,070,898)	(1,569,447)	(2,640,345)
Payments to employees for services	(790,068)	-	(790,068)
Internal activity - receipts from other funds	481	-	481
Other receipts	-	28,560	28,560
Net cash provided by operating activities	<u>2,651,493</u>	<u>181,257</u>	<u>2,832,750</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers (out)	-	(100,000)	(100,000)
Net cash (used) by noncapital financing activities	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(146,296)	-	(146,296)
Principal payments on warrants	(1,330,000)	-	(1,330,000)
Principal payments on notes payable	-	(37,083)	(37,083)
Interest paid	(1,045,454)	(6,117)	(1,051,571)
Net cash (used) by capital and related financing activities	<u>(2,521,750)</u>	<u>(43,200)</u>	<u>(2,564,950)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received	74,121	91	74,212
Net cash provided by investing activities	<u>74,121</u>	<u>91</u>	<u>74,212</u>
Net increase (decrease) in cash and cash equivalents	203,864	38,148	242,012
Cash and cash equivalents, beginning of year	<u>3,167,444</u>	<u>37,419</u>	<u>3,204,863</u>
Cash and cash equivalents, end of year	<u>\$ 3,371,308</u>	<u>\$ 75,567</u>	<u>\$ 3,446,875</u>
Operating income	\$ 1,797,747	\$ 191,354	\$ 1,989,101
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	967,104	26,923	994,027
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(118,903)	(40,390)	(159,293)
(Increase) in prepaid expenses	3,952	-	3,952
Increase (decrease) in accounts payable	2,282	3,370	5,652
Increase in accrued payroll and related liabilities	(690)	-	(690)
Net cash provided by operating activities	<u>\$ 2,651,492</u>	<u>\$ 181,257</u>	<u>\$ 2,832,749</u>
<b>SUPPLEMENTAL INFORMATION</b>			
<u>Noncash Activities</u>			
Acquisition of capital assets	\$ 146,296	\$ 215,934	\$ 362,230
Note payable cash paid for capital assets	<u>-</u>	<u>(215,934)</u>	<u>(215,934)</u>
	<u>\$ 146,296</u>	<u>\$ -</u>	<u>\$ 146,296</u>
Reconciliation of total cash and cash equivalents:			
Cash and cash equivalents	\$ 324,398	\$ 75,567	\$ 399,965
Restricted assets - cash and cash equivalents	<u>3,046,910</u>	<u>-</u>	<u>3,046,910</u>
	<u>\$ 3,371,308</u>	<u>\$ 75,567</u>	<u>\$ 3,446,875</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

The Reporting Entity

The City of Alabaster, Alabama (the "City") is a municipal organization incorporated under the Constitution and the laws of the State of Alabama. The City operates under a Council - Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture - recreation, public improvements, planning and zoning, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The discretely presented component unit has a September 30 year end.

Discretely Presented Component Unit

- *Commercial Development Authority (CDA)* - The CDA was created by Act of the Alabama Legislature to acquire, own, and lease projects for the purpose of promoting trade and commerce by inducing commercial enterprises to locate new facilities in the City and expand existing facilities in the City. The City has no control or influence over the entity's operations; however, the CDA owes the City \$10.66 million. The CDA is governed by a five-member board appointed by the City Council. The CDA is presented as a governmental fund.

Government-wide and Fund Financial Statements

Financial information of the City, the primary government, and its component unit is presented as follows:

- *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net assets and a statement of activities.

These statements report the activities of the primary government and its component unit. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services and are usually intended by management to be financially self-sustaining.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

- *Fund financial statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental and proprietary funds.

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property taxes (if levied), city-levied other taxes, licenses, fines and forfeitures, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund of the City accounts for the cost of constructing a variety of public works projects and related debt service, and the cost of various City departments' capital spending activities. Financing is provided by general obligation debt and interest revenue.

The Debt Service Fund of the City accounts for the servicing of most long-term debt not being financed by Proprietary Funds.

The City reports the following major enterprise funds:

The Sewer Fund accounts for the operation of the City's sanitary sewer services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

The Garbage Fund accounts for the operation of the City's solid waste and sanitation program, a self-supporting activity, which provides for the collection and disposal of solid waste on a user charge basis to residents and businesses located in Alabaster.

Additionally, the City reports the following governmental funds:

The Special Revenue Funds are funds used to account for revenue sources that are legally restricted to expenditures for specific purposes pertaining to the operating activities of various City departments. Such funds are established by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer and Garbage enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### Deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

#### Receivables and Payables

All outstanding balances between funds are reported as "internal balances." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Noncurrent portions of long-term receivables due to Governmental Funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," since they do not represent current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loan note receivables are offset by fund balance reserve accounts.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Shelby County, Alabama tax collector and remitted to the City net of a collection fee.

#### Prepaid expenditures

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

#### Restricted Assets

The use of certain assets is restricted pursuant to debt covenants or other externally-imposed restrictions. The amount of these assets is reported as restricted net assets in the basic financial statements. Restricted assets generally consist of the following: (1) resources set aside for the repayment of long-term debt pursuant to debt covenants and state law are "restricted for debt service," (2) the unexpended portion of debt proceeds that are restricted for use in construction are "restricted for capital projects," and (3) resources restricted for specific purposes pursuant to state and federal law are "restricted for other."

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Restricted cash and cash equivalents in the Sewer Fund are as follows:

Debt service	\$ 2,517,737
Capital outlay	479,173
Repairs and maintenance	50,000
	\$ 3,046,910

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets tangible in nature, with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of business-type activities is reflected in the capitalized value of the asset constructed.

Property, plant and equipment of the component unit are recorded using the same policy as the City.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Sidewalks and streets	50 years
Improvements:	
Pumping stations	50 years
Outfall lines	50 years
Land improvements	20 years
Furniture and equipment	5-16 years
Drainage systems	50 years

Compensated absences

All full-time employees of the City accumulate vacation (annual leave) and holiday time during the calendar year. On January 1 of each year vacation hours in excess of 320 are forfeited. Employees are encouraged to use all accumulated vacation as soon as possible after it is earned. At September 30, 2010, vacation in excess of 320 hours is accrued as a current liability in all funds since most employees would be expected to use the leave currently instead of forfeiting these amounts. Accumulated vacation and holiday time up to 320 hours is considered to be, and is accrued, as a long-term liability.

Eligible employees earn sick leave at the rate of one work day for each month of service. Sick leave earned during the calendar year but not used may be accumulated up to a maximum of 120 days. Sick leave earned in excess of the maximum shall be held in a special reserve and may be granted as supplementary sick leave in accordance with the City's Civil Service Act. Accumulated sick leave is forfeited upon termination or retirement.

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Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount and issuance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for the amounts that are not available for appropriations or are legally restricted by an outside third-party for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of Estimates

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

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between total fund balance - governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities of governmental funds, including warrants payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$40,307,112 difference are as follows:

Bonds payable		\$	39,565,000
Less: Bond issue costs			(488,054)
Less: Bond discounts			(547,808)
Accrued interest payable			628,829
Compensated absences			762,702
Net other post employment benefit liability			386,443
Net adjustment to reduce fund balance-total governmental funds			<u>386,443</u>
to arrive at net assets-governmental funds		\$	<u><u>40,307,112</u></u>

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Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and net change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,555,434 difference are as follows:

Capital outlay	\$	1,582,377
Book value of disposed assets		(26,943)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities		<u>1,555,434</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued whereas, these amounts are deferred and amortized in the Statement of Activities.” The details of this \$160,702 difference are as follows:

Refunding bonds issued	\$	12,685,000
Discounts on bonds issued		(215,329)
Deferral of bond issuance costs		(142,870)
Principal payments on general obligation debt		(803,902)
Principal payments to refunded bond escrow agent		(12,166,983)
Amortization of bond issuance costs and discounts		79,406
Accrued interest		17,533
Net other post employment benefit liability		<u>386,443</u>
Net adjustments to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(160,702)</u>

Another element of the reconciliation is a difference of \$62,918 that represents compensated absences. This difference is explained as “other expenses reported in the Statement of Activities that do not require current financial resources.”

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NOTE C - DEPOSITS AND INVESTMENTS

The City does not have a formal written investment policy; however, state law limits the kinds of investments that Alabama municipalities can make to: (1) accounts and certificates of deposits with banks or savings associations that are qualified public depositories; (2) direct obligations of the U.S. Department of the Treasury and certain federal agencies (collectively referred in this note as "USTO"); (3) certain qualified obligations of any state and their agencies; and (4) common trust funds, collective investment funds maintained by qualified institutions, or any registered mutual funds, all of which must hold a prescribed amount of obligations meeting the requirements of 1-3 above.

At year-end, the government did not have any investment balances.

Custodial credit risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has a policy that all of its deposits be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE program. The SAFE program is administered by the State Treasurer according to State of Alabama statute, and any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

CITY OF ALABASTER, ALABAMA  
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NOTE D - CAPITAL ASSETS

Capital asset activity for the Primary Government for the year ended September 30, 2010, was as follows:

	Balance September 30, 2009	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2010
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,060,028	\$ 130,000	\$ (130,000)	\$ 17,060,028
Construction in progress	760,181	1,215,295	(1,475,419)	500,057
<b>Total capital assets, not being depreciated</b>	<b>17,820,209</b>	<b>1,345,295</b>	<b>(1,605,419)</b>	<b>17,560,085</b>
Capital assets, being depreciated:				
Infrastructure	21,300,645	-	-	21,300,645
Buildings	3,022,223	976,503	-	3,998,726
Building improvements	1,263,474	-	-	1,263,474
Communication equipment	56,955	-	-	56,955
Computer equipment	256,885	6,280	-	263,165
Furniture and fitting	25,968	40,834	-	66,802
Heavy trucks	2,980,428	5,436	-	2,985,864
Land improvements	3,533,135	487,720	(34,814)	3,986,041
Library collection	1,504,665	73,910	-	1,578,575
Light trucks	907,565	29,524	(14,550)	922,539
Motor vehicles	1,387,527	85,088	(199,832)	1,272,783
Plant and equipment	702,085	137,207	(10,000)	829,292
Software	196,145	-	-	196,145
<b>Total capital assets, being depreciated</b>	<b>37,137,700</b>	<b>1,842,502</b>	<b>(259,196)</b>	<b>38,721,006</b>
Less accumulated depreciation for:				
Infrastructure	1,488,227	426,013	-	1,914,240
Buildings	844,055	75,792	-	919,847
Building improvements	793,758	49,043	-	842,801
Communication equipment	55,643	1,311	-	56,954
Computer equipment	122,093	38,746	-	160,839
Furniture and fitting	11,347	2,798	-	14,145
Heavy trucks	2,381,036	213,538	-	2,594,574
Land improvements	1,070,470	198,225	(19,453)	1,249,242
Library collection	1,342,722	45,581	-	1,388,303
Light trucks	686,452	101,681	(14,550)	773,583
Motor vehicles	957,482	172,122	(188,249)	941,355
Plant and equipment	381,738	64,880	(10,000)	436,618
Software	113,245	35,427	-	148,672
<b>Total accumulated depreciation</b>	<b>10,248,268</b>	<b>1,425,157</b>	<b>(232,252)</b>	<b>11,441,173</b>
<b>Total capital assets, being depreciated, net</b>	<b>26,889,432</b>	<b>417,345</b>	<b>(26,944)</b>	<b>27,279,833</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 44,709,641</b>	<b>\$ 1,762,640</b>	<b>\$ (1,632,363)</b>	<b>\$ 44,839,918</b>

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<u>Business-type activities:</u>	Balance September 30, 2009	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2010
Capital assets, not being depreciated:				
Land	\$ 245,770	\$ -	\$ -	\$ 245,770
<b>Total capital assets, not being depreciated</b>	<b>245,770</b>	<b>-</b>	<b>-</b>	<b>245,770</b>
Capital assets, being depreciated:				
Computer equipment	18,000	-	-	18,000
Heavy trucks	62,399	215,934	-	278,333
Light trucks	248,230	-	-	248,230
Plant equipment	255,101	-	-	255,101
Sewer plant and lines	44,397,218	146,296	-	44,543,514
<b>Total capital assets, being depreciated</b>	<b>44,980,948</b>	<b>362,230</b>	<b>-</b>	<b>45,343,178</b>
Less accumulated depreciation for:				
Computer equipment	18,000	-	-	18,000
Heavy trucks	62,399	26,923	-	89,322
Light trucks	214,472	20,085	-	234,557
Plant equipment	185,407	14,850	-	200,257
Sewer plant and lines	8,684,229	886,539	-	9,570,768
<b>Total accumulated depreciation</b>	<b>9,164,507</b>	<b>948,397</b>	<b>-</b>	<b>10,112,904</b>
<b>Total capital assets, being depreciated, net</b>	<b>35,816,441</b>	<b>(586,167)</b>	<b>-</b>	<b>35,230,274</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 36,062,211</b>	<b>\$ (586,167)</b>	<b>\$ -</b>	<b>\$ 35,476,044</b>

Depreciation expense for all depreciable assets is charged to functions/programs of the primary government as follows:

Governmental activities:

*General Government:*

Administrative	\$ 218,193	
Building	23,980	\$ 242,173

*Public Protection:*

Police	220,842	
Municipal Court	262	
Fire	209,710	430,814

*Public Ways and Facilities:*

Library	73,549	
Public Works	334,371	
Park and Recreation	344,250	752,170
		<u>\$ 1,425,157</u>

Business-type activities:

Sewer Fund		<u>\$ 921,474</u>
Garbage Fund		<u>\$ 26,923</u>

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Activity for the discretely presented component unit, CDA, for the year ended September 30, 2010 was as follows:

<u>Governmental activities:</u>	Balance September 30, 2009	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2010
Capital assets, not being depreciated:				
Land	\$ 8,940,062	\$ -	\$ -	\$ 8,940,062
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>8,940,062</u>	<u>-</u>	<u>-</u>	<u>8,940,062</u>
Capital assets, being depreciated:				
Infrastructure	<u>4,000,000</u>	-	-	<u>4,000,000</u>
Total capital assets, being depreciated	4,000,000	-	-	4,000,000
Less accumulated depreciation for:				
Infrastructure	<u>113,333</u>	<u>80,000</u>	-	<u>193,333</u>
Total capital assets, being depreciated, net	<u>3,886,667</u>	<u>(80,000)</u>	-	<u>3,806,667</u>
Commercial Development Authority capital assets, net	<u>\$ 12,826,729</u>	<u>\$ (80,000)</u>	<u>\$ -</u>	<u>\$ 12,746,729</u>

Depreciation expense for all depreciable assets is charged to functions/programs of the discretely presented component unit. Depreciation expense was \$80,000 for the year ended September 30, 2010.

CITY OF ALABASTER, ALABAMA  
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NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010 is as follows:

<b>Transfers In/Out:</b>	
<u>Transfers Out:</u>	
From General Fund to	
Debt Service Fund	\$ 2,704,527
From Garbage Fund (an enterprise fund) to	
General Fund	<u>100,000</u>
<b>Total</b>	<b>\$ <u><u>2,804,527</u></u></b>
 <u>Transfers In:</u>	
To Debt Service Fund from	
General Fund	\$ 2,704,527
To General Fund from	
Garbage Fund (an enterprise fund)	<u>100,000</u>
<b>Subtotal</b>	<b>\$ <u><u>2,804,527</u></u></b>

In the fund financial statements, total transfers out of \$2,704,527 are less than total transfers in of \$2,804,527 because during the year the Garbage Fund, an enterprise fund, transferred \$100,000 to the General Fund. These transfers are shown in the Proprietary Funds, but not shown in the Governmental Funds financial statements.

Internal balances represent the amount owed to/from other funds:

Interfund payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Governmental Activities:</u>		
General Fund	Sewer Fund	\$ <u><u>598</u></u>
 <u>Business-type Activities:</u>		
General Fund	Sewer Fund	\$ <u><u>598</u></u>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

NOTE F - LONG-TERM DEBT

General Obligation Warrants

The City issues general obligation ("G.O.") warrants, which are a direct obligation and pledge of the full faith and credit of the City, for the following purposes:

- a. For the acquisition and construction of major capital facilities.
- b. To refund other G.O. warrants.

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Sewer Revenue Warrants

The sewer revenue warrants are secured by a pledge of sewer system revenues, which are accounted for in the Sewer Fund, a business-type activity of the City.

The City is also obligated to treat the G.O. Warrants issued for sewer purposes as described above in the same manner as the sewer revenue warrants with respect to pledge and sufficiency of system revenues, although they are general obligations of the City.

The sewer revenue warrants do not constitute a direct obligation and pledge of the full faith and credit of the City.

Source of Repayment of Long-Term Debt

Repayment of the City's long-term debt is generally provided for as follows:

Type of Debt	Paid From	Resources Provided By
<u>Governmental Activities:</u>		
G.O. Warrants	Debt Service Fund	General Fund
<u>Business-Type Activities:</u>		
G.O. Warrants (sewer) and Sewer revenue warrants	Sewer Fund	Sewer Fund

Refundings

The City has issued refunding warrants to provide for the advanced refunding of other debt. For advance refunded warrants, the City uses the refunding warrant proceeds to purchase U.S. government securities that are placed in an irrevocable trust for the purpose of funding debt service requirements of the refunded warrants. As a result, the refunded warrants are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. Any resulting gain or loss is deferred and amortized over the lesser of the remaining life of the refunded or refunding warrants.

On March 10, 2010, the City issued general obligation bonds, series 2010 A, in the amount of \$7,780,000 to refund the 2008 series. The new bonds bear interest from 2.0% to 5.85% and are due in annual installments ranging from \$225,000 to \$725,000 through September 2026. On March 10, 2010, the City also issued general obligation bonds, series 2010 B, in the amount of \$3,055,000 to refund the 2001 series and the 2009 series temporary warrant. The new bonds bear interest from 4.0% to 4.25% and are due in annual installments beginning in September 2026 ranging from \$545,000 to \$870,000 through September 2029. The new issues will increase debt service payments by approximately \$5.1 million with an economic loss of \$297,559.

CITY OF ALABASTER, ALABAMA  
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Outstanding Debt

The amount of debt outstanding at September 30, 2010, and information related to it was as follows:

Series	Original Amount	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
<u>Governmental Activities:</u>					
<i>G.O. Warrants</i>					
2002 (a)	\$ 5,130,000	9/1/2027	3.70% - 5.00%	\$ 5,030,000	\$ 215,000
2003	2,040,000	1/1/2018	1.90% - 5.50%	1,285,000	135,000
2004-B	10,500,000	4/1/2024	4.00% - 4.60%	10,500,000	-
2005-A	12,540,000	4/1/2025	4.90% - 5.65%	11,425,000	430,000
2005-B	555,000	4/1/2025	4.00% - 4.45%	490,000	25,000
2010-A	7,780,000	9/1/2026	2.00% - 5.80%	7,780,000	-
2010-B	3,055,000	9/1/2029	4.00% - 4.25%	3,055,000	-
	<u>41,600,000</u>			<u>39,565,000</u>	<u>805,000</u>
Total governmental activities	<u>41,600,000</u>			<u>39,565,000</u>	<u>805,000</u>
<u>Business-Type Activities:</u>					
<i>G.O. Warrants</i>					
1998	7,085,000	9/1/2011	3.30% - 4.35%	375,000	375,000
2009	7,575,000	9/1/2020	2.00% - 4.00%	7,385,000	280,000
	<u>14,660,000</u>			<u>7,760,000</u>	<u>655,000</u>
<i>Revenue Warrants</i>					
2004-C	20,020,000	4/1/2029	2.00% - 5.00%	16,865,000	605,000
Note Payable	<u>215,934</u>	10/31/2014	3.49%	<u>178,851</u>	<u>41,545</u>
Total business-type activities	<u>34,895,934</u>			<u>24,803,851</u>	<u>1,301,545</u>
Total Primary Government	<u>\$ 76,495,934</u>			<u>\$ 64,368,851</u>	<u>\$ 2,106,545</u>

(a) The original issue was for \$15,380,000 of which \$5,130,000 pertained to the governmental activities and \$10,250,000 pertained to business-type activities which was defeased in 2004.

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Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2010 are shown below. There is \$592,961 available in the Debt Service Fund and \$2,517,737 available in the Sewer Fund to service the sewer revenue bonds.

PRIMARY GOVERNMENT

Governmental Activities:	G.O. Warrants	
	Principal	Interest
2011	\$ 805,000	\$ 1,891,231
2012	1,270,000	1,853,679
2013	1,330,000	1,804,302
2014	1,400,000	1,749,090
2015	1,985,000	1,687,517
2016-2020	11,245,000	6,972,994
2021-2025	18,250,000	3,336,738
2026-2030	3,280,000	351,443
	<u>\$ 39,565,000</u>	<u>\$ 19,646,994</u>

Business-Type Activities:	G.O. Warrants		Revenue Warrants	
	Principal	Interest	Principal	Interest
2011	\$ 655,000	\$ 249,263	\$ 605,000	\$ 749,748
2012	675,000	227,350	625,000	729,783
2013	690,000	213,850	645,000	707,908
2014	700,000	198,325	670,000	684,365
2015	725,000	179,075	695,000	658,905
2016-2020	4,315,000	527,850	3,940,000	2,843,543
2021-2025	-	-	4,880,000	1,895,262
2026-2030	-	-	4,805,000	615,250
	<u>\$ 7,760,000</u>	<u>\$ 1,595,713</u>	<u>\$ 16,865,000</u>	<u>\$ 8,884,764</u>

	Note Payable	
	Principal	Interest
2011	\$ 41,545	\$ 5,582
2012	43,019	4,108
2013	44,545	2,582
2014	46,124	1,003
2015	3,618	11
	<u>\$ 178,851</u>	<u>\$ 13,286</u>

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Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

PRIMARY GOVERNMENT	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation warrants	\$ 38,000,885	\$ 10,835,000	\$ (9,270,885)	\$ 39,565,000	\$ 805,000
Less amounts deferred for:					
Issue discounts and costs	<u>757,069</u>	<u>358,199</u>	<u>(79,406)</u>	<u>1,035,862</u>	<u>-</u>
Total general obligation warrants	37,243,816	10,476,801	(9,191,479)	38,529,138	805,000
First Commercial SBPA warrant	1,850,000	-	(1,850,000)	-	-
Series 2009 temporary warrant	-	1,850,000	(1,850,000)	-	-
Compensated absences	<u>699,784</u>	<u>478,591</u>	<u>(415,673)</u>	<u>762,702</u>	<u>56,731</u>
<b>Governmental activities long-term liabilities</b>	<u>39,793,600</u>	<u>12,805,392</u>	<u>(13,307,152)</u>	<u>39,291,840</u>	<u>861,731</u>
The City's General Fund is generally responsible for liquidating the liability for compensated absences since most of the activities affecting that liability occur with General Fund departments.					
<u>Business-Type activities:</u>					
General obligation warrants	8,500,000	-	(740,000)	7,760,000	655,000
Sewer revenue warrants	<u>17,455,000</u>	<u>-</u>	<u>(590,000)</u>	<u>16,865,000</u>	<u>605,000</u>
Subtotal	25,955,000	-	(1,330,000)	24,625,000	1,260,000
Less amounts deferred for:					
Issue premiums, discounts & costs, net	602,715	-	(45,631)	557,084	-
Refunding losses	<u>1,834,397</u>	<u>-</u>	<u>(134,352)</u>	<u>1,700,045</u>	<u>-</u>
Total warrants	23,517,888	-	(1,150,017)	22,367,871	1,260,000
Note payable	-	215,934	(37,083)	178,851	41,545
Compensated absences	<u>46,096</u>	<u>41,785</u>	<u>(41,785)</u>	<u>46,096</u>	<u>1,966</u>
<b>Business-type activities long-term liabilities</b>	<u>23,563,984</u>	<u>257,719</u>	<u>(1,228,885)</u>	<u>22,592,818</u>	<u>1,303,511</u>
<b>Total long-term liabilities</b>	<u>\$ 63,357,584</u>	<u>\$ 13,063,111</u>	<u>\$ (14,536,037)</u>	<u>\$ 61,884,658</u>	<u>\$ 2,165,242</u>

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

Arbitrage Compliance

As an issuer of tax-exempt obligations, the City must comply with Section 148 of the Internal Revenue Code whereby arbitrage on tax-exempt warrants, if any, is rebated to the IRS. The City is in compliance with Section 148 requirements.

NOTE G - LEASE OBLIGATIONS

The City was not obligated on any significant operating leases as of September 30, 2010.

NOTE H - FUND EQUITY RESERVES AND DESIGNATIONS

All Funds

*Reserved for debt service* - funds restricted for making debt service payments.

*Reserved for capital projects* - funds restricted by law for capital improvements.

*Reserved for replacements and improvements* - funds restricted for improvements and replacements to capital assets in the Sewer Fund

*Reserved for public protection* - funds restricted by law for use by police and municipal court.

*Reserved for noncurrent receivables* - amounts related to the noncurrent portion of notes receivable.

*Reserved for other* - other funds restricted by state or federal law for specific purposes.

General Fund

*Designated for Alabaster Reserve Account* - amounts set aside by Council not to be used for the day to day bills of the City of Alabaster, without a super majority vote of the City Council.

*Designated for library* - amounts set aside by management for use by the Albert L. Scott Public Library.

NOTE I - DEFINED BENEFIT PENSION PLAN

Plan Description

The City is affiliated with the Employees' Retirement System of Alabama (the "System"), an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for the various state agencies and departments.

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

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

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

As of January 1, 2001, system members who are state correction officers, certified full-time fire fighters, and certified full-time law enforcement officers are required to contribute 6% of their annual covered salary. Other system members are required to contribute 5% of their annual covered salary. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by law. During 2010, the City contributed 8.02% of the employees' annual covered payroll to the System. The contribution requirements of plan members are established and may be amended by the Employees' Retirement System of Alabama.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to The Retirement Systems of Alabama, P.O. Box 302150, Montgomery, Alabama 36130-2150 or by calling (334) 832-4140.

Funding

The total contribution to the System for the year ended September 30, 2010 was \$1,500,024. This contribution was made in accordance with actuarially determined requirements computed through an actuarial valuation. The employer contributions during fiscal year 2010 totaled \$861,317 and the employee contributions totaled \$638,707. The required contribution was determined as part of the September 30, 2009, actuarial valuation using the entry age actuarial cost method.

Actuarial Valuation

The actuarial valuation is made annually one year in arrears. The most recent valuation was made September 30, 2009.

Actuarial cost method	Entry Age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return (includes inflation at 4.50%)	8.00%
Projected salary increases (includes inflation at 4.50%)	4.61 - 7.75%
Cost-of-living adjustments	None

<u>Schedule of Funding Progress</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarial value of assets (a)	\$ 16,935,899 *	\$ 15,876,205	\$ 14,397,206
Actuarial accrued liability (AAL) entry age (b)	\$ 24,299,469	\$ 22,121,946	\$ 19,710,152
Unfunded AAL (UAAL) (b-a)	\$ 7,363,570	\$ 6,245,741	\$ 5,312,946
Funded ratio (a/b)	69.7%	71.8%	73.0%
Covered payroll ( c )	\$ 10,549,603	\$ 11,322,932	\$ 10,692,789
UAAL as a percentage of covered payroll ((b-a)/c)	69.8%	55.2%	49.7%

\* Market value of assets as of September 30, 2009 was \$13,148,771

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

<u>Trend Information</u>	2009	2008	2007
Annual Pension Cost (APC)	\$ 787,945	\$ 794,025	\$ 732,746
Percentage of APC Contributed	100.0%	100.0%	100.0%
Net Pension Obligation (NPO)	\$ -	\$ -	\$ -

**NOTE J - RELATED PARTY TRANSACTIONS**

The Alabaster Water Board bills and collects customers' monthly sewer and garbage fees for the City at no charge, in lieu of the Alabaster Water Board paying the City a franchise tax. The Board owed the City \$547,307 at September 30, 2010 for those fees collected during the month of September.

During the year ended September 30, 2010, the City received a total of \$6,191,553 in sewer and garbage fees collected by the Water Board.

The Alabaster Water Board also purchases fuel from the City. The Board owed the City \$2,567 at September 30, 2010 for fuel purchased. During the year ended September 30, 2010 the Water Board paid the City \$28,817 for the purchase of fuel.

At September 30, 2010, the Commercial Development Authority (CDA) owed the Capital Projects Fund \$10,660,000. The purpose of the loan was to enable the CDA to purchase land and fulfill contractual obligations. The note is non-interest bearing and is not expected to be received in the near-term.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

In December 2006, the City entered into an agreement with Alabaster Shadow, LLC. According to the agreement, the City has proposed the issuance of \$10.08 million Limited Obligation Sales Tax Warrants, for the purpose of providing funds with which to make a grant to Alabaster Shadow, LLC (the Company), which will enable the Company to purchase, acquire and/or improve a parcel or parcels of land in the City located adjacent to or near the Colonial Promenade in Alabaster and to construct, acquire and install certain capital improvements and equipment thereon suitable for use as one or more retail facilities. The purpose of the proposed issuance of the Warrant and the Economic Development Grant is the promotion of economic development of the City in accordance with the economic development goals and objectives of the City. The Warrant matures in twenty years or less from the date of its issuance, will not bear any interest, and will evidence indebtedness that will be a limited obligation of the City payable solely from 75% of sales tax revenues paid to the City from businesses conducted or located on the Project Land.

In March 2007, the City entered into an agreement with Volkert & Associates, Inc. for program management services for the new City Center. The total contract is for \$461,538 and as of September 30, 2010, the City has a remaining commitment of \$253,106 under the agreement with Volkert & Associates, Inc.

The City has entered into an agreement with Tunell-Spangler-Walsh & Associates for planning and design services for the new City Center. The total contract is for \$269,000 and as of September 30, 2010, the City has a remaining commitment of \$114,163 under the agreement with Tunell-Spangler-Walsh & Associates.

**NOTE L - RISK MANAGEMENT**

The City is a defendant in numerous lawsuits and has been notified of numerous claims against it arising from alleged negligence related to motor vehicles and other matters related to the normal operations of a municipality. The City believes that any liability resulting from such lawsuits and claims will be covered adequately by the liability insurance and funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

CITY OF ALABASTER, ALABAMA  
 NOTES TO THE FINANCIAL STATEMENTS  
 September 30, 2010

NOTE M - POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description

The City of Alabaster’s medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by a retirement system whose eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age. Complete plan provisions are included in the official plan documents.

Contribution Rates

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents. The following is a monthly premium cost sharing for retirees and the City for FY 2010 as determined by the City Council of the City of Alabaster:

	City	Retiree	Total
Family	\$ 479	\$ 870	\$ 1,349
Single	\$ 479	\$ 254	\$ 733

Fund Policy

Until 2009, the City of Alabaster recognized the cost of providing post-employment medical benefits (the City of Alabaster’s portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2009/2010, the City of Alabaster’s portion of health care funding cost for retired employees totaled \$34,488.

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

Annual Required Contribution

The City of Alabaster’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2009 is \$420,931, as set forth below:

		Medical
Normal cost	\$	254,791
30-year UAL amortization amount		166,140
Annual required contribution (ARC)	\$	420,931

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

Net Post-employment Benefit Obligation (Asset)

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

Beginning Net OPEB Obligation (Asset) 10/1/2009	\$	-
Annual required contribution		420,931
Interest on Net OPEB Obligation (Asset)		-
ARC Adjustment		-
OPEB Cost		420,931
Contribution		-
Current year retiree premium		(34,488)
Change in Net OPEB Obligation		386,443
Ending Net OPEB Obligation (Asset) 9/30/2010	\$	386,443

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

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2010	\$420,931	8.19%	\$386,443

Funded Status and Funding Progress

In the fiscal year ending September 30, 2010, the City of Alabaster made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of October 1, 2009, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$2,872,922, which is defined as that portion, as determined by a particular actuarial cost method (the City of Alabaster uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2009/2010, the entire actuarial accrued liability of \$2,872,922 was unfunded.

Actuarial Accrued Liability (AAL)	\$	2,872,922
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	2,872,922
Funded Ratio		0.00%
Covered Payroll (active plan members)	\$	11,095,414
UAAL as a percentage of covered payroll		25.89%

Actuarial Methods and Assumptions

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

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

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

Actuarial Cost Method

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

Actuarial Value of Plan Assets

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

Turnover Rate

An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 5%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	10.0%
26 - 40	6.0%
41 - 54	4.0%
55+	3.0%

Post employment Benefit Plan Eligibility Requirements

Based on past experience, it has been assumed that entitlement to benefits will commence three years after initial retirement eligibility. Medical benefits are provided to employees upon actual retirement. The employees are covered by a retirement system whose eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age.

Investment Return Assumption (Discount Rate)

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

CITY OF ALABASTER, ALABAMA  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2010

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2009 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate

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

Method of Determining Value of Benefits

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays for the unblended single employee rate after retirement, but only until age 65, Medicare eligibility at which time employer payment ceases.

NOTE N - LINE OF CREDIT

The City has a line of credit with a local financial institution for \$1.25 million. The line of credit expires in December 2011 and bears interest at the rate of 3.5%. Interest payments are due monthly beginning in February 2010. The City has not drawn any funds on this line of credit.

NOTE O - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 53.7% of total governmental fund-type revenues for the year ended September 30, 2010. Sales and use tax revenues received from one (1) major taxpayer accounted for 17% of the total sales and use tax collected city-wide.

NOTE P - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 20, 2011, the date the financial statements were available to be issued.

In December 2010, the City obtained a loan with a local financial institution to fund the purchase of 10 police vehicles and related equipment for \$300,000. The note is due in December 2013, bears interest at 1.87% and due in monthly installments of \$8,576.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF ALABASTER, ALABAMA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>				
Property taxes	\$ 3,300,000	\$ 3,300,000	\$ 3,350,356	\$ 50,356
Sales and use taxes	11,700,000	11,700,000	11,518,703	(181,297)
Other taxes	1,139,500	1,139,500	1,123,204	(16,296)
Licenses and permits	2,700,000	2,700,000	2,663,426	(36,574)
Intergovernmental	268,541	268,541	570,525	301,984
Charges for services	371,200	371,200	333,312	(37,888)
Fines and forfeitures	772,500	772,500	1,062,914	290,414
Donations, gifts and grants	42,500	42,500	79,776	37,276
Interest	35,000	35,000	11,098	(23,902)
Other revenues	388,934	388,934	338,683	(50,251)
<b>Total revenues</b>	<u>20,718,175</u>	<u>20,718,175</u>	<u>21,051,997</u>	<u>333,822</u>
<b>EXPENDITURES</b>				
<u>General Government</u>				
Administrative	1,286,395	1,286,395	1,156,760	129,635
Building	728,499	728,499	696,711	31,788
Revenue	329,108	329,108	287,229	41,879
Personnel	194,285	194,285	194,568	(283)
Elected Officials	246,142	246,142	223,942	22,200
Newsletter	100,000	100,000	90,512	9,488
<b>Total general government</b>	<u>2,884,429</u>	<u>2,884,429</u>	<u>2,649,722</u>	<u>234,707</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND  
Year Ended September 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<u>Public Protection</u>				
Police	\$ 5,869,767	\$ 5,869,767	\$ 5,856,325	\$ 13,442
Municipal Court	446,031	446,031	430,960	15,071
Fire	4,525,816	4,525,816	4,443,195	82,621
Total public protection	<u>10,841,614</u>	<u>10,841,614</u>	<u>10,730,480</u>	<u>111,134</u>
<u>Public Ways and Facilities</u>				
Library	763,482	763,482	790,266	(26,784)
Public Works	1,727,042	1,727,042	1,490,730	236,312
Park and Recreation	1,963,532	1,963,532	2,184,748	(221,216)
Total public ways and facilities	<u>4,454,056</u>	<u>4,454,056</u>	<u>4,465,744</u>	<u>(11,688)</u>
Total expenditures	<u>18,180,099</u>	<u>18,180,099</u>	<u>17,845,946</u>	<u>334,153</u>
Excess of revenues over expenditures	2,538,076	2,538,076	3,206,051	667,975
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	731,500	731,500	100,000	(631,500)
Transfers (out)	(3,219,658)	(3,219,658)	(2,704,527)	515,131
Total other financing sources (uses)	<u>(2,488,158)</u>	<u>(2,488,158)</u>	<u>(2,604,527)</u>	<u>(116,369)</u>
Net change in fund balance	\$ <u>49,918</u>	\$ <u>49,918</u>	601,524	\$ <u>551,606</u>
Fund balance, beginning			<u>1,211,388</u>	
Fund balance, ending			<u>\$ 1,812,912</u>	

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2010

NOTE A - BUDGETARY INFORMATION

The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following describes the budgeted and non-budgeted funds:

Annually-Budgeted Governmental Funds

General Fund

Governmental Funds Not Annually-Budgeted

Capital Projects Fund

Debt Service Fund

Special Revenue Funds:

Four Cent Gas Tax Fund

Seven Cent Gas Tax Fund

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information:

1. Instructions and budget work papers are distributed to departments and a revenue estimate for the following fiscal year is prepared.
2. Departments return copies of completed budget requests forms to the budget staff.
3. The Mayor and budget staff begin individual departmental reviews and prepare recommended changes to the departmental budgets.
4. The Mayor submits recommended departmental changes to individual departments affected with a copy to the City Council Finance Committee.
5. Departments incorporate recommended budget changes and update budget schedules.
6. The Mayor's recommended budget is finalized for submission to the City Council.
7. The Mayor presents the proposed budget to the City Council.
8. The City Council takes final action for approval of the operating budget by the beginning date of the fiscal year.

The annual budget is prepared by fund, department and object. The Mayor or appointed City staff is authorized to make budget transfers by object within each department. Transfers of appropriations between departments or between funds require approval of the City Council. The legal level of budgetary control is by department. The original and final/amended budget amounts are reflected in the required supplementary information.

CITY OF ALABASTER, ALABAMA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2010

The following represents expenditures in excess of appropriations of the following amounts by department for the fiscal year ended September 30, 2010:

General Government

Personnel	\$ 283
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Public Ways and Facilities

Library	26,784
Park and Recreation	221,216

The excess expenditures were provided by available fund balance in the General Fund.

**SUPPLEMENTARY INFORMATION**

CITY OF ALABASTER, ALABAMA  
 COMBINING BALANCE SHEET - NONMAJOR  
 SPECIAL REVENUE GOVERNMENTAL FUNDS  
 September 30, 2010

	<u>Gas Tax Fund (7 cent)</u>	<u>Gas Tax Fund (4 cent)</u>	<u>Total</u>
<b>ASSETS</b>			
Restricted cash	\$ 289,026	\$ 114,189	\$ 403,215
<b>Total assets</b>	<b><u>\$ 289,026</u></b>	<b><u>\$ 114,189</u></b>	<b><u>\$ 403,215</u></b>
<b>FUND BALANCES</b>			
Reserved	\$ 289,026	\$ 114,189	\$ 403,215
<b>Total fund balance</b>	<b><u>\$ 289,026</u></b>	<b><u>\$ 114,189</u></b>	<b><u>\$ 403,215</u></b>

CITY OF ALABASTER, ALABAMA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS  
 Year Ended September 30, 2010

	<u>Gas Tax Fund (7 cent)</u>	<u>Gas Tax Fund (4 cent)</u>	<u>Total</u>
<b>REVENUES</b>			
Other taxes	\$ 73,352	\$ 57,147	\$ 130,499
Interest	250	85	335
Total revenues	<u>73,602</u>	<u>57,232</u>	<u>130,834</u>
<b>EXPENDITURES</b>			
Public ways and facilities	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	73,602	57,232	130,834
Fund balance, beginning	<u>215,424</u>	<u>56,957</u>	<u>272,381</u>
Fund balance, ending	<u>\$ 289,026</u>	<u>\$ 114,189</u>	<u>\$ 403,215</u>

CITY OF ALABASTER, ALABAMA  
SCHEDULE OF ALABAMA PUBLIC LIBRARY SYSTEM STATE AID  
RECEIPTS AND DISBURSEMENTS FOR ALBERT L. SCOTT PUBLIC LIBRARY  
Year Ended September 30, 2010

Total amount of State Aid allotted	\$ 26,188
Amount allotted to System Headquarters	<u>(3,928)</u>
Total State Aid received	22,260
Library materials expenditures:	
Books, periodicals, etc	13,604
Library programs	7,792
Operations	<u>864</u>
Total State Aid expenditures	<u>22,260</u>
Excess of State Aid received over State Aid expenditures	<u>\$ -</u>