



FINANCIAL STATEMENTS

Year Ended September 30, 2011

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

TABLE OF CONTENTS

	Page No.
LIST OF ELECTED OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS (REQUIRED SUPPLEMENTAL INFORMATION) (UNAUDITED)	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets - Proprietary Funds	20
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Notes to the Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	46
Schedule of Funding Progress - Employees' Retirement System of Alabama	48
Schedule of Funding Progress - Other Post-Employment Benefits	49
Notes to Required Supplementary Information	50
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	52
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	53

**CITY OF ALABASTER, ALABAMA
ELECTED OFFICIALS
September 30, 2011**

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

TILL, HESTER, EYER, & BROWN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
MOUNTAIN BROOK CENTER, SUITE 400
2700 HIGHWAY 280 EAST
BIRMINGHAM, ALABAMA 35223
TELEPHONE (205) 871-9855
FACSIMILE (205) 871-9832

MEMBERS
AMERICAN INSTITUTE
OF CERTIFIED
PUBLIC ACCOUNTANTS

ALABAMA SOCIETY
OF CERTIFIED
PUBLIC ACCOUNTANTS

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules for funding progress for the Employees' Retirement System of Alabama and Other Post-Employment Benefits on pages 4 through 12 and 46 through 51 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.

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

April 2, 2012

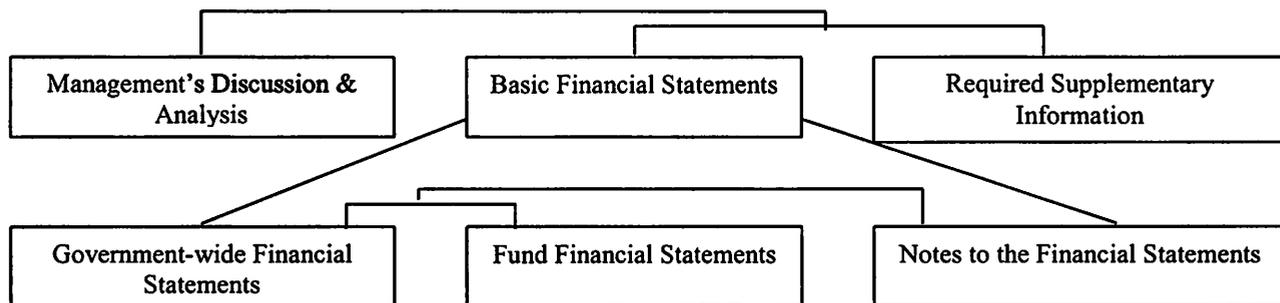
Management's Discussion and Analysis

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, 2011. 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 2011 by \$35.4 million.
- The unrestricted net assets of the business-type activities are \$1.1 million and may be used to meet the ongoing obligations of the business-type activities.
- The unrestricted fund balance of the governmental activities is \$305 thousand and may be used to meet the ongoing obligations of the governmental activities.
- The governmental funds fund balance increased \$666 thousand during the year, bringing the total fund balance of governmental funds to \$14.1 million. Of this amount, \$2.1 million is restricted under laws external to the City for specific purposes, \$10.66 million is nonspendable which is for the noncurrent portion of a note receivable from the component unit of the City, \$1 million is committed for the City's reserve account, \$53 thousand is assigned by management for specific purposes, and \$305 thousand is unreserved and available to finance the activities of the governmental funds.
- The General Fund reported a fund balance of \$1.5 million. The fund balance increased by \$295 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, 2011

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 ten 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 seven 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 52 and 53 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, 2011

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 45 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 46 through 51 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 52 and 53 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 \$35.4 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, \$14.6 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 14,726	\$ 14,525	\$ 4,827	\$ 4,564	\$ 19,553	\$ 19,089
Capital assets	<u>43,897</u>	<u>44,840</u>	<u>34,766</u>	<u>35,476</u>	<u>78,663</u>	<u>80,316</u>
Total assets	<u>58,623</u>	<u>59,365</u>	<u>39,593</u>	<u>40,040</u>	<u>98,216</u>	<u>99,405</u>
Long-term liabilities outstanding	39,630	39,678	21,469	22,593	61,099	62,271
Other liabilities	<u>1,200</u>	<u>1,679</u>	<u>553</u>	<u>594</u>	<u>1,753</u>	<u>2,273</u>
Total liabilities	<u>40,830</u>	<u>41,357</u>	<u>22,022</u>	<u>23,187</u>	<u>62,852</u>	<u>64,544</u>
Net assets:						
Invested in capital assets, net of related debt	5,878	6,311	13,341	12,929	19,219	19,240
Restricted	12,147	11,409	3,121	3,047	15,268	14,456
Unrestricted	<u>(232)</u>	<u>288</u>	<u>1,109</u>	<u>877</u>	<u>877</u>	<u>1,165</u>
Total net assets	\$ <u>17,793</u>	\$ <u>18,008</u>	\$ <u>17,571</u>	\$ <u>16,853</u>	\$ <u>35,364</u>	\$ <u>34,861</u>

Management's Discussion and Analysis (unaudited)
September 30, 2011

City of Alabaster, Alabama

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

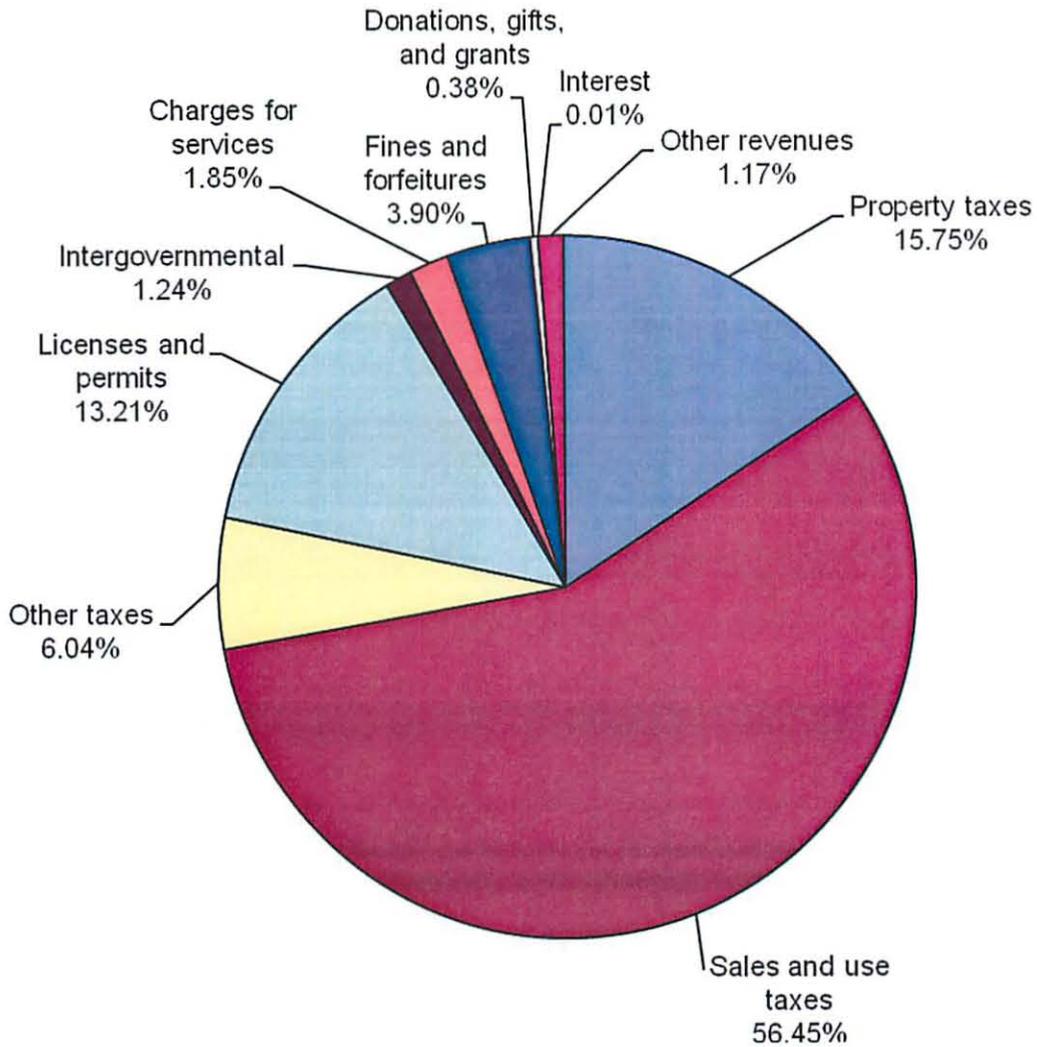
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ 4,248	\$ 4,386	\$ 6,633	\$ 6,422	\$ 10,881	\$ 10,808
Operating grants and contributions	240	523	-	-	240	523
Capital grants and contributions	231	508	-	-	231	508
General revenues:						
Property taxes	3,322	3,350	-	-	3,322	3,350
Sales and use taxes	11,909	11,519	-	-	11,909	11,519
Other taxes	1,145	1,123	-	-	1,145	1,123
Interest	2	24	72	74	74	98
Other revenue	-	-	129	-	129	-
(Loss) on disposal of asset	-	(15)	-	-	-	(15)
Total revenues	21,097	21,418	6,834	6,496	27,931	27,914
Expenses:						
General government	3,508	3,357	-	-	3,508	3,357
Public protection	11,370	11,056	-	-	11,370	11,056
Public ways and facilities	5,212	4,768	-	-	5,212	4,768
Interest and fiscal agent fees	1,898	1,964	-	-	1,898	1,964
Sewer Fund	-	-	3,939	4,001	3,939	4,001
Garbage Fund	-	-	1,619	1,606	1,619	1,606
Total expenses	21,988	21,145	5,558	5,607	27,546	26,752
Increase (decrease) in net assets before transfers and capital contributions	(891)	273	1,276	889	385	1,162
Capital contributions	77	-	42	-	119	-
Transfers	600	100	(600)	(100)	-	-
Change in net assets	(214)	373	718	789	504	1,162
Net assets - beginning of year	18,008	17,635	16,853	16,064	34,861	33,699
Net assets - end of year	\$ 17,794	\$ 18,008	\$ 17,571	\$ 16,853	\$ 35,365	\$ 34,861

Governmental Activities

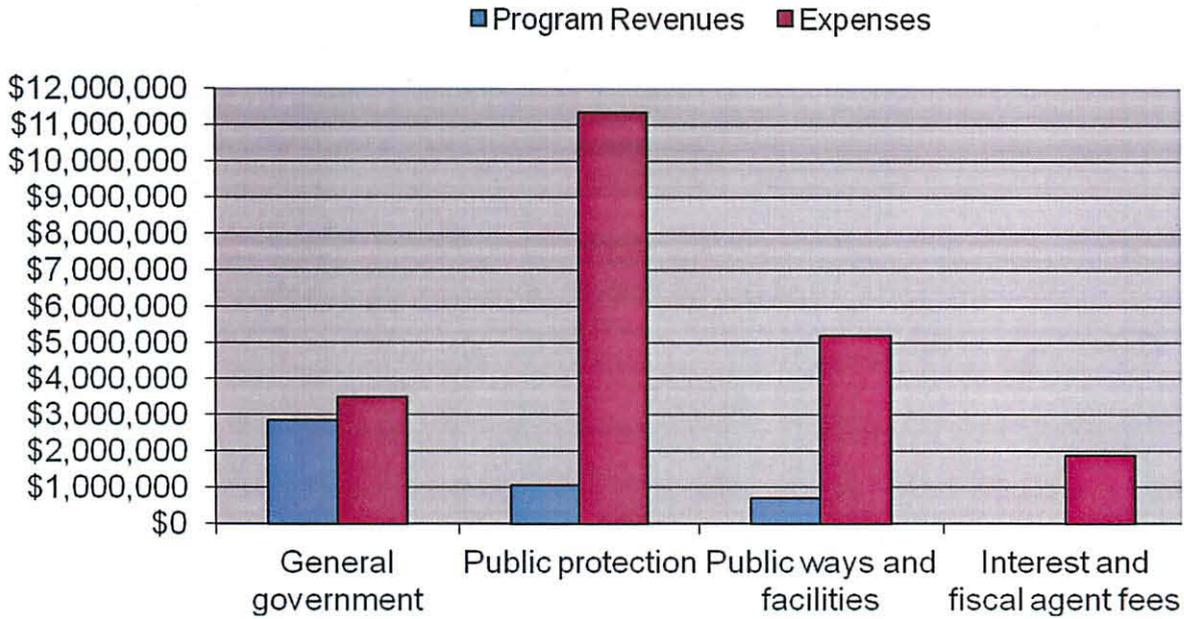
The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 15.7% and sales taxes provided 56.45% of the City's total governmental revenues. Sales tax revenue increased by 3.4% from 2010. It should be noted that program revenues covered 21.46% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 78.54% 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 51.7% of the total governmental expenses. Public protection expenses increased by \$314 thousand, or 2.84%, from 2010. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 23.7% of total governmental expenses, an increase of 9.31% from 2010. 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 \$405 thousand, \$168 thousand and \$222 thousand, respectively. The charges for services include registration and program fees. The total cost of all governmental activities increased by \$843 thousand, while revenues decreased by \$321 thousand.

Revenue by Source - Governmental Activities



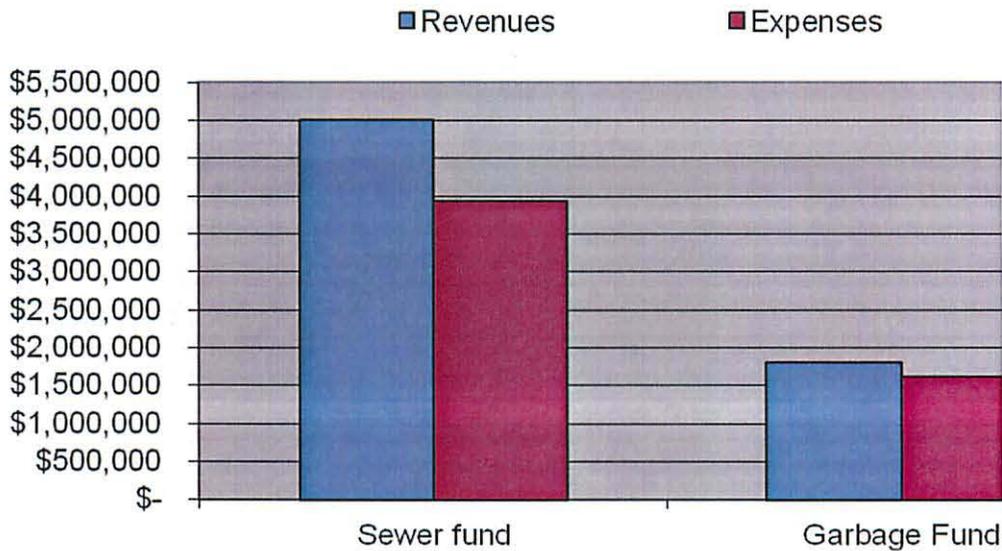
Program Revenues and Expenses - Governmental Activities



Business-Type Activities

The cost of all proprietary (business-type) activities was \$5.6 million, which is a decrease of 0.9% from 2010. The amount paid by users of the sewer and garbage services was \$6.8 million, which is an increase of 5.3% from 2010. Within the total business type activities of the City, these activities reported an operating income of \$2.3 million, which is an increase of 17.2%.

Revenues and Expenses before Transfers and Capital Contributions



FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Management's Discussion and Analysis (unaudited)

September 30, 2011

City of Alabaster, Alabama

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 \$666 thousand in 2011 and the total balance as of September 30, 2011, was \$14.1 million. Of this amount, \$305 thousand consists of unrestricted fund balance, which is generally available for spending at the City's discretion. Nonspendable fund balance was \$10.66 million and fund balance that is designated for particular purposes, generally specified in council ordinances, totaled \$1.02 million. The remainder of the total fund balance is \$2.1 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 \$21.1 million, a decrease of 1.6% from 2010. Sales tax revenue increased by \$390 thousand or 3.4%, due to an increase in economic development that occurred during the fiscal year ended September 30, 2011.

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 \$940 thousand and \$169 thousand, respectively. The total growth in net assets for the Sewer fund was \$788 thousand and a loss \$(70) thousand for the Garbage Fund. 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 46 through 47 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, 2011, totals \$78.7 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.

Management's Discussion and Analysis (unaudited)
September 30, 2011

City of Alabaster, Alabama

City of Alabaster's Capital Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 17,089	\$ 17,060	\$ 246	\$ 246	\$ 17,335	\$ 17,306
Furniture and equipment	3,043	2,991	279	273	3,322	3,264
Trucks and automobiles	5,370	5,181	526	526	5,896	5,707
Sewer plant and lines	-	-	44,781	44,544	44,781	44,544
Buildings, infrastructure and improvements	30,609	30,549	-	-	30,609	30,549
Construction in progress	500	500	-	-	500	500
	<u>56,611</u>	<u>56,281</u>	<u>45,832</u>	<u>45,589</u>	<u>102,443</u>	<u>101,870</u>
Accumulated depreciation	<u>(12,713)</u>	<u>(11,441)</u>	<u>(11,066)</u>	<u>(10,113)</u>	<u>(23,779)</u>	<u>(21,554)</u>
Total	<u>\$ 43,898</u>	<u>\$ 44,840</u>	<u>\$ 34,766</u>	<u>\$ 35,476</u>	<u>\$ 78,664</u>	<u>\$ 80,316</u>

Long-Term Debt

General obligation warrants are secured by the full faith and credit of the City and payable from the proceeds of various taxes. The City continues to maintain a high bond rating from Moody's Investors Service (Aa3). Refer to Note F to the financial statements for additional information on long-term debt.

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ending September 30, 2011, 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 2011 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, the City of Alabaster continues to boast a large concentration of excellent health care providers and specialists.

The City refinanced debt to take advantage of lower fixed rates, reducing cash flow requirements for debt service. 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 fiscal year 2012, Alabaster continues to aggressively market for retail and industrial growth. In Fiscal year 2011, 3 large distribution centers opened their doors, bringing a few hundred jobs with them. We also have a developer planning to bring an additional 300,000 sq ft of 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 1st Street North, Alabaster, Alabama 35007, by calling (205) 664-6800, or by sending an email to cityhall@cityofalabaster.com.

CITY OF ALABASTER, ALABAMA
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 428,002	\$ 626,919	\$ 1,054,921	\$ 61,095
Receivables	403,907	516,976	920,883	-
Due from Water Board	3,480	562,335	565,815	-
Prepaid expenditures	93	-	93	-
Restricted assets:				
Cash and cash equivalents	3,230,603	3,120,966	6,351,569	-
Due from governmental entity:				
Commercial Development Authority (CDA)	10,660,000	-	10,660,000	-
Capital assets				
Land and construction in progress	17,588,833	245,770	17,834,603	8,940,062
Other assets, net of accumulated depreciation	26,308,317	34,520,788	60,829,105	3,726,667
Total assets	58,623,235	39,593,754	98,216,989	12,727,824
LIABILITIES				
Accounts payable	191,834	157,730	349,564	-
Accrued payroll and related liabilities	278,590	11,356	289,946	-
Accrued interest	615,106	383,837	998,943	-
Municipal Court cash bonds posted	85,745	-	85,745	-
Subdivision cash bonds posted	28,575	-	28,575	-
Due to governmental entity:				
City of Alabaster	-	-	-	10,660,000
Noncurrent liabilities:				
Due within 1 year	1,433,945	1,346,297	2,780,242	-
Due in more than 1 year	37,413,077	20,122,979	57,536,056	-
Net other post employment benefit liability	782,833	-	782,833	-
Total liabilities	40,829,705	22,022,199	62,851,904	10,660,000
NET ASSETS				
Invested in capital assets, net of related debt	5,877,730	13,341,398	19,219,128	2,006,729
Restricted for:				
Debt service	1,494	2,591,764	2,593,258	-
Capital projects	682,335	479,202	1,161,537	61,095
Replacements and improvements	-	50,000	50,000	-
Public protection	284,927	-	284,927	-
Library	164	-	164	-
Noncurrent receivables (CDA)	10,660,000	-	10,660,000	-
Infrastructure maintenance	518,638	-	518,638	-
Unrestricted	(231,758)	1,109,191	877,433	-
Total net assets	\$ 17,793,530	\$ 17,571,555	\$ 35,365,085	\$ 2,067,824

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Governmental Activities:								
General government	\$ 3,507,981	\$ 2,847,176	\$ 6,658	\$ -	\$ (654,147)	\$ -	\$ (654,147)	\$ -
Public protection	11,370,033	995,120	64,604	9,500	(10,300,809)	-	(10,300,809)	-
Public ways and facilities	5,212,165	405,381	168,334	221,715	(4,416,735)	-	(4,416,735)	(80,000)
Interest and fiscal agent fees	1,898,098	-	-	-	(1,898,098)	-	(1,898,098)	-
Total governmental activities	<u>21,988,277</u>	<u>4,247,677</u>	<u>239,596</u>	<u>231,215</u>	<u>(17,269,789)</u>	<u>-</u>	<u>(17,269,789)</u>	<u>(80,000)</u>
Business-type Activities:								
Sewer Fund	3,938,504	4,834,150	-	-	-	895,646	895,646	-
Garbage Fund	1,618,678	1,799,007	-	-	-	180,329	180,329	-
Total business-type activities	<u>5,557,182</u>	<u>6,633,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,075,975</u>	<u>1,075,975</u>	<u>-</u>
Total Primary Government	<u>\$ 27,545,459</u>	<u>\$ 10,880,834</u>	<u>\$ 239,596</u>	<u>\$ 231,215</u>	<u>\$ (17,269,789)</u>	<u>\$ 1,075,975</u>	<u>\$ (16,193,814)</u>	<u>\$ (80,000)</u>
Component Unit	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>
General revenues:								
Taxes:								
Property taxes					\$ 3,322,359	\$ -	\$ 3,322,359	\$ -
Sales and use taxes					11,909,096	-	11,909,096	-
Other taxes					1,145,007	-	1,145,007	-
Interest					1,932	72,250	74,182	118
Fair market value of property contributed to City					76,846	41,625	118,471	-
Transfers					600,000	(600,000)	-	-
Other revenue					-	128,669	128,669	-
Total general revenues and transfers					<u>17,055,240</u>	<u>(357,456)</u>	<u>16,697,784</u>	<u>118</u>
Change in net assets					(214,549)	718,519	503,970	(69,882)
Net assets, beginning					18,008,079	16,853,036	34,861,115	2,137,706
Net assets, ending					<u>\$ 17,793,530</u>	<u>\$ 17,571,555</u>	<u>\$ 35,365,085</u>	<u>\$ 2,067,824</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 428,002	\$ -	\$ -	\$ -	\$ 428,002
Receivables	394,407	-	-	9,500	403,907
Due from Water Board	3,480	-	-	-	3,480
Due from Other Funds	86,520	-	-	-	86,520
Due from governmental entity:					
Commercial Development Authority (CDA)	-	10,660,000	-	-	10,660,000
Prepaid expenditures	93	-	-	-	93
Restricted assets:					
Cash and cash equivalents	1,105,794	652,730	701,895	770,184	3,230,603
Total assets	\$ 2,018,296	\$ 11,312,730	\$ 701,895	\$ 779,684	\$ 14,812,605
LIABILITIES					
Accounts payable and accrued expenses	\$ 189,584	\$ -	\$ -	\$ 2,250	\$ 191,834
Due to other funds	-	-	85,295	1,225	86,520
Accrued payroll and related liabilities	278,590	-	-	-	278,590
Municipal Court cash bonds posted	85,745	-	-	-	85,745
Subdivision cash bonds posted	-	-	-	28,575	28,575
Total liabilities	553,919	-	85,295	32,050	671,264
FUND BALANCE					
Nonspendable:					
Note receivable (CDA)	-	10,660,000	-	-	10,660,000
Prepaid expenses	93	-	-	-	93
Restricted for:					
Debt service	-	-	616,600	-	616,600
Capital improvements	-	652,730	-	29,605	682,335
Public protection	-	-	-	284,927	284,927
Library	-	-	-	164	164
Infrastructure maintenance	85,700	-	-	432,938	518,638
Committed:					
Alabaster Reserve Account	1,020,094	-	-	-	1,020,094
Assigned for:					
Library	53,389	-	-	-	53,389
Unrestricted	305,101	-	-	-	305,101
Total fund balance	1,464,377	11,312,730	616,600	747,634	14,141,341
Total liabilities and fund balance	\$ 2,018,296	\$ 11,312,730	\$ 701,895	\$ 779,684	\$ 14,812,605

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, 2011

Total fund balance - governmental funds	\$ 14,141,341
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).	43,897,150
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>(40,244,961)</u>
Net assets of governmental activities	<u>\$ 17,793,530</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, 2011

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,322,359	\$ -	\$ -	\$ -	\$ 3,322,359
Sales and use taxes	11,909,096	-	-	-	11,909,096
Other taxes	1,145,007	-	-	129,454	1,274,461
Licenses and permits	2,786,737	-	-	-	2,786,737
Intergovernmental	102,129	149,294	-	9,500	260,923
Charges for services	390,425	-	-	-	390,425
Fines and forfeitures	643,231	-	-	179,551	822,782
Donations, gifts and grants	8,013	50,000	-	22,421	80,434
Interest	566	612	56	698	1,932
Other revenues	218,582	-	-	29,153	247,735
Total revenues	20,526,145	199,906	56	370,777	21,096,884
EXPENDITURES					
General government	2,805,452	-	-	-	2,805,452
Public protection	11,190,711	-	-	63,368	11,254,079
Public ways and facilities	4,358,668	-	-	122,365	4,481,033
Debt service					
Debt retirement	-	-	878,430	-	878,430
Interest and fiscal agent fees	-	-	1,911,822	-	1,911,822
Total expenditures	18,354,831	-	2,790,252	185,733	21,330,816

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, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over expenditures	\$ 2,171,314	\$ 199,906	\$ (2,790,196)	\$ 185,044	\$ (233,932)
OTHER FINANCING SOURCES (USES)					
Note payable issued	300,000	-	-	-	300,000
Transfers in	637,800	-	2,813,835	-	3,451,635
Transfers (out)	<u>(2,813,835)</u>	-	<u>-</u>	<u>(37,800)</u>	<u>(2,851,635)</u>
Total other financing sources (uses)	<u>(1,876,035)</u>	<u>-</u>	<u>2,813,835</u>	<u>(37,800)</u>	<u>900,000</u>
Net change in fund balance	295,279	199,906	23,639	147,244	666,068
Fund balance, beginning	<u>1,169,098</u>	<u>11,112,824</u>	<u>592,961</u>	<u>600,390</u>	<u>13,475,273</u>
Fund balance, ending	<u>\$ 1,464,377</u>	<u>\$ 11,312,730</u>	<u>\$ 616,600</u>	<u>\$ 747,634</u>	<u>\$ 14,141,341</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, 2011

Net change in fund balances - total governmental funds	\$	666,068
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.		431,620
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).		(1,374,388)
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).		127,051
Other expenses reported in the Statement of Activities that do not require current financial resources (Note B).		<u>(64,900)</u>
Net change in net assets of governmental activities	\$	<u><u>(214,549)</u></u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 618,637	\$ 8,282	\$ 626,919
Receivables	369,256	147,720	516,976
Due from Water Board	418,006	144,329	562,335
Restricted assets:			
Cash and cash equivalents	3,120,966	-	3,120,966
Total current assets	4,526,865	300,331	4,827,196
Noncurrent assets:			
Capital assets, net	34,613,543	153,015	34,766,558
Total assets	39,140,408	453,346	39,593,754
LIABILITIES			
Current liabilities:			
Accounts payable	26,345	131,385	157,730
Accrued payroll and related liabilities	11,356	-	11,356
Accrued interest	383,837	-	383,837
Compensated absences	3,278	-	3,278
Note payable	-	43,019	43,019
Bonds payable	1,300,000	-	1,300,000
Total current liabilities	1,724,816	174,404	1,899,220
Noncurrent liabilities:			
Compensated absences	40,838	-	40,838
Notes payable	-	94,287	94,287
Bonds (net of issue costs, discounts and deferred amount on refunding)	19,987,854	-	19,987,854
Total noncurrent liabilities	20,028,692	94,287	20,122,979
Total liabilities	21,753,508	268,691	22,022,199
NET ASSETS			
Invested in capital assets, net of related debt	13,325,689	15,709	13,341,398
Restricted for:			
Debt service	2,591,764	-	2,591,764
Capital projects	479,202	-	479,202
Replacements and improvements	50,000	-	50,000
Unrestricted	940,245	168,946	1,109,191
Total net assets	\$ 17,386,900	\$ 184,655	\$ 17,571,555

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, 2011

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
OPERATING REVENUE			
Charges for services	\$ 4,834,150	\$ 1,799,007	\$ 6,633,157
Total operating revenue	<u>4,834,150</u>	<u>1,799,007</u>	<u>6,633,157</u>
OPERATING EXPENSES			
Administration, operations, and maintenance	1,854,140	1,577,101	3,431,241
Depreciation and amortization	962,810	35,996	998,806
Total operating expenses	<u>2,816,950</u>	<u>1,613,097</u>	<u>4,430,047</u>
Operating income	2,017,200	185,910	2,203,110
NONOPERATING REVENUES (EXPENSE)			
Shelby County Commission Highway 17 project	128,669	-	128,669
Interest income	72,250	-	72,250
Interest expense	(1,121,554)	(5,581)	(1,127,135)
Total nonoperating revenue (expense)	<u>(920,635)</u>	<u>(5,581)</u>	<u>(926,216)</u>
Income before contributions and transfers	1,096,565	180,329	1,276,894
CAPITAL CONTRIBUTIONS	41,625	-	41,625
TRANSFERS OUT	<u>(350,000)</u>	<u>(250,000)</u>	<u>(600,000)</u>
Changes in net assets	788,190	(69,671)	718,519
Total net assets, beginning	<u>16,598,710</u>	<u>254,326</u>	<u>16,853,036</u>
Total net assets, ending	<u>\$ 17,386,900</u>	<u>\$ 184,655</u>	<u>\$ 17,571,555</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, 2011

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 4,857,411	\$ 1,806,189	\$ 6,663,600
Payments to suppliers for services	(1,060,775)	(1,576,348)	(2,637,123)
Payments to employees for services	(817,587)	-	(817,587)
Internal activity - payments to other funds	(598)	-	(598)
Miscellaneous revenue			
Net cash provided by operating activities	2,978,451	229,841	3,208,292
NONCAPITAL FINANCING ACTIVITIES			
Shelby County Commission Highway 17 project	128,669	-	128,669
Transfers (out)	(350,000)	(250,000)	(600,000)
Net cash (used) by noncapital financing activities	(221,331)	(250,000)	(471,331)
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(202,064)	-	(202,064)
Principal payments on warrants	(1,260,000)	-	(1,260,000)
Principal payments on notes payable	-	(41,545)	(41,545)
Interest paid	(999,011)	(5,581)	(1,004,592)
Net cash (used) by capital and related financing activities	(2,461,075)	(47,126)	(2,508,201)
INVESTING ACTIVITIES			
Interest received	72,250	-	72,250
Net cash provided by investing activities	72,250	-	72,250
Net increase (decrease) in cash and cash equivalents	368,295	(67,285)	301,010
Cash and cash equivalents, beginning of year	3,371,308	75,567	3,446,875
Cash and cash equivalents, end of year	\$ 3,739,603	\$ 8,282	\$ 3,747,885
Operating income	\$ 2,017,200	\$ 185,910	\$ 2,203,110
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	962,810	35,996	998,806
Change in assets and liabilities:			
Decrease in accounts receivable	23,262	7,182	30,444
Decrease in prepaid expenses	7,696	-	7,696
Increase in accounts payable	7,837	753	8,590
(Decrease) in accrued payroll and related liabilities	(40,354)	-	(40,354)
Net cash provided by operating activities	\$ 2,978,451	\$ 229,841	\$ 3,208,292
SUPPLEMENTAL INFORMATION			
<u>Noncash Activities</u>			
Acquisition of capital assets	\$ 243,689	\$ -	\$ 243,689
Contributions from developers	(41,625)	-	(41,625)
Cash paid for capital assets	\$ 202,064	\$ -	\$ 202,064
Reconciliation of total cash and cash equivalents:			
Cash and cash equivalents	\$ 618,637	\$ 8,282	\$ 626,919
Restricted assets - cash and cash equivalents	3,120,966	-	3,120,966
	\$ 3,739,603	\$ 8,282	\$ 3,747,885

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

- *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.

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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Nonmajor funds are aggregated and presented in a single column. The City's nonmajor funds are comprised of special revenue funds and a capital projects fund.

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

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.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2011

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.”

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

Debt service	\$ 2,591,764
Capital outlay	479,202
Repairs and maintenance	50,000
	\$ 3,120,966

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

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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, 2011, 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.

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

Beginning with fiscal year 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2011

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 15). As discussed in Note A, restricted funds are used first as appropriate. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

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.

Implementation of New Accounting Principle

For the year ending September 30, 2011, the City implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions which was issued by the Governmental Accounting Standards Board.

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency. The statements contained herein reflect the changes in fund balance reporting and presentation.

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 \$40,244,961 difference are as follows:

Bonds payable	\$	38,760,000
Less: Bond issue costs		(455,971)
Less: Bond discounts		(511,179)
Note payable		226,570
Accrued interest payable		615,106
Compensated absences		827,602
Net other post employment benefit liability		782,833
Net adjustment to reduce fund balance-total governmental funds		
to arrive at net assets-governmental funds	\$	40,244,961

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2011

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 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 \$127,051 difference are as follows:

Note payable issued		\$	300,000
Principal payments on general obligation debt			(805,000)
Principal payments on note payable			(73,430)
Amortization of bond issuance costs and discounts			68,712
Accrued interest			(13,723)
Net other post employment benefit liability			<u>396,390</u>
Net adjustments to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities		\$	<u>(127,051)</u>

Another element of the reconciliation is a difference of \$64,900 that represents compensated absences. This difference is explained as “other expenses reported in the Statement of Activities that do not require current financial resources.”

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
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE D - CAPITAL ASSETS

Capital asset activity for the Primary Government for the year ended September 30, 2011, was as follows:

<u>Governmental activities:</u>	Balance September 30, 2010	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2011
Capital assets, not being depreciated:				
Land	\$ 17,060,028	\$ 28,748	\$ -	\$ 17,088,776
Construction in progress	500,057	-	-	500,057
Total capital assets, not being depreciated	17,560,085	28,748	-	17,588,833
Capital assets, being depreciated:				
Infrastructure	21,300,645	48,097	-	21,348,742
Buildings	3,998,726	-	-	3,998,726
Building improvements	1,263,474	11,550	-	1,275,024
Communication equipment	56,955	-	-	56,955
Computer equipment	263,165	-	-	263,165
Furniture and fitting	66,802	-	-	66,802
Heavy trucks	2,985,864	-	(93,631)	2,892,233
Land improvements	3,986,041	-	-	3,986,041
Library collection	1,578,575	20,080	-	1,598,655
Light trucks	922,539	-	-	922,539
Motor vehicles	1,272,783	290,766	(8,500)	1,555,049
Plant and equipment	829,292	32,379	-	861,671
Software	196,145	-	-	196,145
Total capital assets, being depreciated	38,721,006	402,872	(102,131)	39,021,747
Less accumulated depreciation for:				
Infrastructure	1,914,240	426,015	-	2,340,255
Buildings	919,847	98,883	-	1,018,730
Building improvements	842,801	44,327	-	887,128
Communication equipment	56,954	-	-	56,954
Computer equipment	160,839	36,836	-	197,675
Furniture and fitting	14,145	6,680	-	20,825
Heavy trucks	2,594,574	149,775	(93,631)	2,650,718
Land improvements	1,249,242	199,301	-	1,448,543
Library collection	1,388,303	60,276	-	1,448,579
Light trucks	773,583	71,447	-	845,030
Motor vehicles	941,355	176,048	(8,500)	1,108,903
Plant and equipment	436,618	69,373	-	505,991
Software	148,672	35,427	-	184,099
Total accumulated depreciation	11,441,173	1,374,388	(102,131)	12,713,430
Total capital assets, being depreciated, net	27,279,833	(971,516)	-	26,308,317
Governmental activities capital assets, net	\$ 44,839,918	\$ (942,768)	\$ -	\$ 43,897,150

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

	Balance September 30, 2010	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 245,770	\$ -	\$ -	\$ 245,770
Total capital assets, not being depreciated	245,770	-	-	245,770
Capital assets, being depreciated:				
Computer equipment	18,000	-	-	18,000
Heavy trucks	278,333	-	-	278,333
Light trucks	248,230	-	-	248,230
Plant equipment	255,101	6,162	-	261,263
Sewer plant and lines	44,543,514	237,527	-	44,781,041
Total capital assets, being depreciated	45,343,178	243,689	-	45,586,867
Less accumulated depreciation for:				
Computer equipment	18,000	-	-	18,000
Heavy trucks	89,322	35,997	-	125,319
Light trucks	234,557	11,337	-	245,894
Plant equipment	200,257	15,351	-	215,608
Sewer plant and lines	9,570,768	890,490	-	10,461,258
Total accumulated depreciation	10,112,904	953,175	-	11,066,079
Total capital assets, being depreciated, net	35,230,274	(709,486)	-	34,520,788
Business-type activities capital assets, net	\$ 35,476,044	\$ (709,486)	\$ -	\$ 34,766,558

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

Governmental activities:

General Government:

Administrative	\$ 212,141	
Building	18,018	\$ 230,159

Public Protection:

Police	219,071	
Municipal Court	262	
Fire	151,401	370,734

Public Ways and Facilities:

Library	88,282	
Public Works	334,560	
Park and Recreation	350,653	773,495
		<u>\$ 1,374,388</u>

Business-type activities:

Sewer Fund		<u>\$ 917,179</u>
Garbage Fund		<u>\$ 35,996</u>

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Activity for the discretely presented component unit, CDA, for the year ended September 30, 2011, was as follows:

	Balance September 30, 2010	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,940,062	\$ -	\$ -	\$ 8,940,062
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	8,940,062	-	-	8,940,062
Capital assets, being depreciated:				
Infrastructure	4,000,000	-	-	4,000,000
Total capital assets, being depreciated	4,000,000	-	-	4,000,000
Less accumulated depreciation for:				
Infrastructure	193,333	80,000	-	273,333
Total capital assets, being depreciated, net	3,806,667	(80,000)	-	3,726,667
Commercial Development Authority capital assets, net	\$ 12,746,729	\$ (80,000)	\$ -	\$ 12,666,729

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, 2011.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2011, is as follows:

Transfers In/Out:	
<u>Transfers Out:</u>	
From General Fund to Debt Service Fund	\$ 2,813,835
From Nonmajor Fund to General Fund	<u>37,800</u>
Subtotal	2,851,635
From Sewer Fund (an enterprise fund) to General Fund	350,000
From Garbage Fund (an enterprise fund) to General Fund	<u>250,000</u>
	<u>\$ 3,451,635</u>
 <u>Transfers In:</u>	
To Debt Service Fund from General Fund	\$ 2,813,835
To General Fund from Nonmajor Fund	<u>37,800</u>
Subtotal	2,851,635
To General Fund from	
Sewer Fund (an enterprise fund)	350,000
Garbage Fund (an enterprise fund)	<u>250,000</u>
	<u>\$ 3,451,635</u>

In the fund financial statements, total transfers out of \$3,451,635 are less than total transfers in of \$2,851,635 because during the year the Sewer Fund and Garbage Fund, enterprise funds, transferred \$600,000 to the General Fund. These transfers are shown in the Proprietary Funds, but not shown in the Governmental Funds financial statements.

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.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2011

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.

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
Note payable	Debt Service Fund	General Fund
<u>Business-Type Activities:</u>		
G.O. Warrants (sewer) and Sewer revenue warrants	Sewer Fund	Sewer Fund
Note payable	Garbage Fund	Garbage 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.

There were no advance refunding transactions for the year ended September 30, 2011.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Outstanding Debt

The amount of debt outstanding at September 30, 2011, and information related to it was as follows:

Series	Original Amount	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT					
<u>Governmental Activities:</u>					
<i>G.O. Warrants</i>					
2002 (a)	\$ 5,130,000	09/01/27	3.70% - 5.00%	\$ 4,815,000	\$ 225,000
2003	2,040,000	01/01/18	1.90% - 5.50%	1,150,000	140,000
2004-B	10,500,000	04/01/24	4.00% - 4.60%	10,500,000	-
2005-A	12,540,000	04/01/25	4.90% - 5.65%	10,995,000	460,000
2005-B	555,000	04/01/25	4.00% - 4.45%	465,000	25,000
2010-A	7,780,000	09/01/26	2.00% - 5.80%	7,780,000	420,000
2010-B	3,055,000	09/01/29	4.00% - 4.25%	3,055,000	-
	<u>41,600,000</u>			<u>38,760,000</u>	<u>1,270,000</u>
Note payable	<u>300,000</u>	12/31/13	1.87%	<u>226,570</u>	<u>99,522</u>
Total governmental activities	<u>41,900,000</u>			<u>38,986,570</u>	<u>1,369,522</u>
<u>Business-Type Activities:</u>					
<i>G.O. Warrants</i>					
2009	7,575,000	09/01/20	2.00% - 4.00%	7,105,000	675,000
<i>Revenue Warrants</i>					
2004-C	20,020,000	04/01/29	2.00% - 5.00%	16,260,000	625,000
Note Payable	<u>215,934</u>	10/31/14	3.49%	<u>137,306</u>	<u>43,019</u>
Total business-type activities	<u>27,810,934</u>			<u>23,502,306</u>	<u>1,343,019</u>
Total Primary Government	<u>\$ 69,710,934</u>			<u>\$ 62,488,876</u>	<u>\$ 2,712,541</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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Future Debt Service

The City's future debt service requirements on its outstanding warrants, notes and bonds as of September 30, 2011 are shown below. There is \$701,895 available in the Debt Service Fund and \$2,591,764 available in the Sewer Fund to service the sewer revenue bonds.

PRIMARY GOVERNMENT

Governmental Activities:	G.O. Warrants		Note Payable	
	Principal	Interest	Principal	Interest
2012	\$ 1,270,000	\$ 1,853,679	\$ 99,522	\$ 3,387
2013	1,330,000	1,804,302	101,400	1,509
2014	1,400,000	1,749,090	25,648	80
2015	1,985,000	1,687,517	-	-
2016	2,090,000	1,599,255	-	-
2017-2021	12,895,000	6,437,812	-	-
2022-2026	15,280,000	2,411,463	-	-
2027-2031	2,510,000	212,645	-	-
	<u>\$ 38,760,000</u>	<u>\$ 17,755,763</u>	<u>\$ 226,570</u>	<u>\$ 4,976</u>

Business-Type Activities:	G.O. Warrants		Revenue Warrants	
	Principal	Interest	Principal	Interest
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	745,000	157,325	725,000	631,105
2017-2021	3,570,000	370,525	4,105,000	2,676,113
2022-2026	-	-	5,105,000	1,671,837
2027-2031	-	-	3,690,000	375,000
	<u>\$ 7,105,000</u>	<u>\$ 1,346,450</u>	<u>\$ 16,260,000</u>	<u>\$ 8,135,016</u>

	Note Payable	
	Principal	Interest
2012	\$ 43,019	\$ 4,108
2013	44,545	2,582
2014	46,124	1,003
2015	3,618	11
2016	-	-
	<u>\$ 137,306</u>	<u>\$ 7,704</u>

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

PRIMARY GOVERNMENT

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation warrants	\$ 39,565,000	\$ -	\$ (805,000)	\$ 38,760,000	\$ 1,270,000
Less amounts deferred for:					
Issue discounts and costs	<u>1,035,862</u>	<u>-</u>	<u>(68,712)</u>	<u>967,150</u>	<u>-</u>
Total general obligation warrants	38,529,138	-	(736,288)	37,792,850	1,270,000
Note payable	-	300,000	(73,430)	226,570	99,522
Compensated absences	<u>762,702</u>	<u>531,422</u>	<u>(466,522)</u>	<u>827,602</u>	<u>64,423</u>
Governmental activities long-term liabilities	<u>39,291,840</u>	<u>831,422</u>	<u>(1,276,240)</u>	<u>38,847,022</u>	<u>1,433,945</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.

Business-Type activities:

General obligation warrants	7,760,000	-	(655,000)	7,105,000	675,000
Sewer revenue warrants	<u>16,865,000</u>	<u>-</u>	<u>(605,000)</u>	<u>16,260,000</u>	<u>625,000</u>
Subtotal	24,625,000	-	(1,260,000)	23,365,000	1,300,000
Less amounts deferred for:					
Issue premiums, discounts & costs, net	557,084	-	(45,631)	511,453	-
Refunding losses	<u>1,700,045</u>	<u>-</u>	<u>(134,352)</u>	<u>1,565,693</u>	<u>-</u>
Total warrants	22,367,871	-	(1,080,017)	21,287,854	1,300,000
Note payable	178,851	-	(41,545)	137,306	43,019
Compensated absences	<u>46,096</u>	<u>40,010</u>	<u>(41,990)</u>	<u>44,116</u>	<u>3,278</u>
Business-type activities long-term liabilities	<u>22,592,818</u>	<u>40,010</u>	<u>(1,163,552)</u>	<u>21,469,276</u>	<u>1,346,297</u>
Total long-term liabilities	<u>\$ 61,884,658</u>	<u>\$ 871,432</u>	<u>\$ (2,439,792)</u>	<u>\$ 60,316,298</u>	<u>\$ 2,780,242</u>

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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, 2011.

NOTE H - 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.

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 2011, 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 Policy and Annual Pension Cost

The total contribution to the System for the year ended September 30, 2011, was \$1,589,813. This contribution was made in accordance with actuarially determined requirements computed through an actuarial valuation. The employer contributions during fiscal year 2011 totaled \$936,514 and the employee contributions totaled \$653,299. The required contribution was determined as part of the September 30, 2010, actuarial valuation using the entry age actuarial cost method.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Trend Information

The trend information provided by the Retirement Systems of Alabama is for the period ended September 30, 2010, the most recent actuarial valuation date.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (NPO)
09/30/08	\$ 794,025	100%	\$ -
09/30/09	\$ 787,945	100%	\$ -
09/30/10	\$ 860,756	100%	\$ -

As of the most recent actuarial valuation date, funding progress on the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/10 ¹	\$ 17,857,707	\$ 28,333,469	\$ 10,475,762	63.0%	\$ 11,703,274	89.5%

* Market value of assets as of September 30, 2010 was \$15,205,841

¹ Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011

Actuarial Assumptions

Valuation date	9/30/10
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

Required Supplementary Information

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing and decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2011

NOTE I - 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 2011 as determined by the City Council of the City of Alabaster:

	City	Retiree	Total
Family	\$ 479	\$ 954	\$ 1,433
Single	\$ 479	\$ 300	\$ 779

Fund Policy

Until Fiscal Year Ending September 30, 2010, 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. 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). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In Fiscal Year Ending September 30, 2011, the City of Alabaster's portion of health care funding cost for retired employees totaled \$34,488. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

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, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning October 1, 2010 is \$437,768, as set forth below:

Normal cost	\$ 264,982
30-year UAL amortization amount	172,786
Annual required contribution (ARC)	\$ 437,768

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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, 2011:

Beginning Net OPEB Obligation (Asset) 10/1/2010	\$	386,443
Annual required contribution		437,768
Interest on Net OPEB Obligation (Asset)		15,458
ARC Adjustment		<u>(22,348)</u>
OPEB Cost		430,878
Contribution		-
Current year retiree premium		<u>(34,488)</u>
Change in Net OPEB Obligation		396,390
 Ending Net OPEB Obligation (Asset) 9/30/2011	 \$	 <u><u>782,833</u></u>

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, 2011	\$430,878	8.00%	\$782,833

Funded Status and Funding Progress

In the fiscal year ending September 30, 2011, 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 September 30, 2011, the end of the fiscal year, the Actuarial Accrued Liability (AAL) was \$3,107,352, 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 2010/2011, the entire actuarial accrued liability of \$3,107,352 was unfunded.

Actuarial Accrued Liability (AAL)	\$	3,107,352
Actuarial Value of Plan Assets		<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	3,107,352
Funded Ratio		0.00%
 Covered Payroll (active plan members)	 \$	 12,034,461
UAAL as a percentage of covered payroll		25.82%

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

Actuarial Methods and Assumptions

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

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of 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 Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

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

Turnover Rate

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

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

Health Care Cost Trend Rate

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration (www.cms.hhs.gov). "State and Local" rates for 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 a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

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 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 \$562,335 at September 30, 2011, for those fees collected during the month of September.

During the year ended September 30, 2011, the City received a total of \$6,537,644 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 \$3,480 at September 30, 2011, for fuel purchased. During the year ended September 30, 2011, the Water Board paid the City \$35,307 for the purchase of fuel.

At September 30, 2011, 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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

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, 2011, 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, 2011, 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.

NOTE M - 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 2012 and bears interest at the rate of 2.5%. Interest payments are due monthly. The City has not drawn any funds on this line of credit.

NOTE N - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 57.85% of total governmental fund-type revenues for the year ended September 30, 2011. Sales and use tax revenues received from one (1) major taxpayer accounted for 16.43% of the total sales and use tax collected city-wide.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011

NOTE O - SUBSEQUENT EVENTS

Sales Tax Increase and Creation of School District

In October 2011, the City elected to separate from the Shelby County Board of Education and form a new city school district. The City authorized a one percent increase in sales/use taxes for the City of Alabaster which has been earmarked specifically for the new school system.

Issuance of General Obligation Warrants

In October 2011, the City issued Series 2011-A General Obligation Warrants and Series 2011-B General Obligation Warrants. The purpose of the issuance of the Series 2011-A G.O. Warrants was to refund the Series 2003 G.O. Warrants. The Series 2011-A G.O. Warrants principal debt service schedule is based upon full amortization of the Warrant over a 7-year period at interest varying from 2.00% to 2.40% and principal payments beginning in January 2012. The purpose of the issuance of the Series 2011-B G.O. Warrants was to refund the Series 2002 G.O. Warrants. The Series 2011-B G.O. Warrants principal debt service schedule is based upon full amortization of the Warrant over a 14-year period with interest ranging from 2.00% to 3.25% and principal payments beginning in September 2013.

In January 2012, the City received a \$500,000 in-kind donation for a Beneful Dream Dog Park that will be located in Veteran's Park.

In February 2012, the City issued Series 2012-A General Obligation Warrants and Series 2012-B General Obligation Warrants. The purpose of the issuance of the Series 2012-A G.O. Warrants was to refund the Series 2004-B G.O. Warrants. The Series 2012-A G.O. Warrants principal debt service schedule is based upon full amortization of the Warrant over a 6-year period at interest varying from 1.35% to 2.50% and principal payments beginning in April 2013. The purpose of the issuance of the Series 2012-B G.O. Warrants was to refund the remaining portion of the Series 2004-B G.O. Warrants and provide funding for capital improvements in the City. The Series 2012-B G.O. Warrants principal debt service schedule is based upon full amortization of the Warrant over a 12-year period with interest ranging from 2.00% to 2.55% and principal payments beginning in April 2013.

In February 2012, the City entered into a contract for \$226,349 for the expansion of the Albert L. Scott Library.

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 2, 2012, the date the financial statements were available to be issued.

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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Property taxes	\$ 3,090,000	\$ 3,090,000	\$ 3,322,359	\$ 232,359
Sales and use taxes	11,800,000	11,800,000	11,909,096	109,096
Other taxes	1,119,500	1,119,500	1,145,007	25,507
Licenses and permits	2,700,000	2,700,000	2,786,737	86,737
Intergovernmental	303,472	303,472	102,129	(201,343)
Charges for services	416,500	416,500	390,425	(26,075)
Fines and forfeitures	772,500	775,000	643,231	(131,769)
Donations, gifts and grants	42,500	42,500	8,013	(34,487)
Interest	35,000	35,000	566	(34,434)
Other revenues	475,719	477,319	218,582	(258,737)
Total revenues	<u>20,755,191</u>	<u>20,759,291</u>	<u>20,526,145</u>	<u>(233,146)</u>
EXPENDITURES				
<u>General Government</u>				
Administrative	1,349,349	1,312,349	1,357,037	(44,688)
Building	638,440	636,940	638,388	(1,448)
Revenue	315,255	315,255	285,138	30,117
Personnel	208,659	208,659	193,431	15,228
Elected Officials	246,141	283,141	258,942	24,199
Newsletter	75,000	75,000	72,516	2,484
Total general government	<u>2,832,844</u>	<u>2,831,344</u>	<u>2,805,452</u>	<u>25,892</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, 2011

	<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	\$ 6,036,602	\$ 6,038,202	\$ 6,200,104	\$ (161,902)
Municipal Court	448,805	452,805	422,417	30,388
Fire	4,583,824	4,583,824	4,568,190	15,634
Total public protection	<u>11,069,231</u>	<u>11,074,831</u>	<u>11,190,711</u>	<u>(115,880)</u>
<u>Public Ways and Facilities</u>				
Library	814,703	814,703	754,656	60,047
Public Works	1,765,480	1,765,480	1,551,289	214,191
Park and Recreation	1,931,750	1,931,750	2,052,723	(120,973)
Total public ways and facilities	<u>4,511,933</u>	<u>4,511,933</u>	<u>4,358,668</u>	<u>153,265</u>
Total expenditures	<u>18,414,008</u>	<u>18,418,108</u>	<u>18,354,831</u>	<u>63,277</u>
Excess of revenues over expenditures	2,341,183	2,341,183	2,171,314	(169,869)
OTHER FINANCING SOURCES (USES)				
Note payable issued	-	-	300,000	300,000
Transfers in	620,000	620,000	637,800	17,800
Transfers (out)	(2,956,965)	(2,956,965)	(2,813,835)	143,130
Total other financing sources (uses)	<u>(2,336,965)</u>	<u>(2,336,965)</u>	<u>(1,876,035)</u>	<u>460,930</u>
Net change in fund balance	<u>\$ 4,218</u>	<u>\$ 4,218</u>	295,279	<u>\$ 291,061</u>
Fund balance, beginning			<u>1,169,098</u>	
Fund balance, ending			<u>\$ 1,464,377</u>	

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
SCHEDULE OF FUNDING PROGRESS
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
September 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/05	\$ 10,748,176	\$ 13,167,767	\$ 2,419,591	81.6%	\$ 7,393,077	32.7%
09/30/06 ¹	\$ 12,458,072	\$ 16,979,419	\$ 4,521,347	73.4%	\$ 9,369,483	48.3%
09/30/07	\$ 14,397,206	\$ 19,710,152	\$ 5,312,946	73.0%	\$ 10,692,789	49.7%
09/30/08	\$ 15,876,205	\$ 22,121,946	\$ 6,245,741	71.8%	\$ 11,322,932	55.2%
09/30/09	\$ 16,935,900	\$ 24,299,469	\$ 7,363,569	69.7%	\$ 10,549,603	69.8%
09/30/10 ²	\$ 17,857,707	\$ 28,333,469	\$ 10,475,762	63.0%	\$ 11,703,274	89.5%

* Market value of assets as of September 30, 2010 was \$15,205,841

¹ Reflects changes in actuarial assumptions

² Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011

The information presented in the above required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation can be found in the Notes to the Financial Statements.

Actuarial Information

Valuation date	9/30/10
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

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS
September 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2009	\$ -	\$ 3,107,352	\$ 3,107,352	0.0%	\$ 12,034,461	25.82%

N/A - The year ended September 30, 2010 was the first year of implementation of GASB 45, as such preceding years's information is not applicable.

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011

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, 2011

The following represents expenditures in excess of appropriations of the following amounts by department for the fiscal year ended September 30, 2011:

<u>General Government</u>	
Administrative	\$ 44,688
Building	1,448
<u>Public Protection</u>	
Police	161,902
<u>Public Ways and Facilities</u>	
Park and Recreation	120,973

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

SUPPLEMENTARY INFORMATION

CITY OF ALABASTER, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2011

	Gas Tax Fund (7 cent)	Gas Tax Fund (4 cent)	Corrections Fund	Drug Seizure Fund	Municipal Training Fund	Library State Aid Fund	Subdivision Capital Projects Fund	Total
ASSETS								
Receivables	\$ -	\$ -	\$ 9,500	\$ -	\$ -	\$ -	\$ -	\$ 9,500
Restricted cash	361,878	71,060	157,943	62,851	58,108	164	58,180	770,184
Total assets	<u>\$ 361,878</u>	<u>\$ 71,060</u>	<u>\$ 167,443</u>	<u>\$ 62,851</u>	<u>\$ 58,108</u>	<u>\$ 164</u>	<u>\$ 58,180</u>	<u>\$ 779,684</u>
LIABILITIES								
Accounts payable and accrued expenses	\$ -	\$ -	\$ 1,506	\$ -	\$ 744	\$ -	\$ -	\$ 2,250
Due to other funds	-	-	1,225	-	-	-	-	1,225
Subdivision cash bonds posted	-	-	-	-	-	-	28,575	28,575
Total liabilities	<u>-</u>	<u>-</u>	<u>2,731</u>	<u>-</u>	<u>744</u>	<u>-</u>	<u>28,575</u>	<u>32,050</u>
FUND BALANCES								
Restricted for:								
Capital improvements	-	-	-	-	-	-	29,605	29,605
Public protection	-	-	164,712	62,851	57,364	-	-	284,927
Library	-	-	-	-	-	164	-	164
Infrastructure maintenance	361,878	71,060	-	-	-	-	-	432,938
Total fund balance	<u>361,878</u>	<u>71,060</u>	<u>164,712</u>	<u>62,851</u>	<u>57,364</u>	<u>164</u>	<u>29,605</u>	<u>747,634</u>
Total liabilities and fund balance	<u>\$ 361,878</u>	<u>\$ 71,060</u>	<u>\$ 167,443</u>	<u>\$ 62,851</u>	<u>\$ 58,108</u>	<u>\$ 164</u>	<u>\$ 58,180</u>	<u>\$ 779,684</u>

CITY OF ALABASTER, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2011

	Gas Tax Fund (7 cent)	Gas Tax Fund (4 cent)	Corrections Fund	Drug Seizure Fund	Municipal Training Fund	Library State Aid Fund	Subdivision Capital Projects Fund	Total
REVENUES								
Other taxes	\$ 72,664	\$ 56,790	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,454
Intergovernmental	-	-	9,500	-	-	-	-	9,500
Fines and forfeitures	-	-	171,283	-	8,268	-	-	179,551
Donations, gifts and grants	-	-	-	-	-	22,421	-	22,421
Interest	188	81	49	-	9	-	371	698
Other revenues	-	-	-	-	-	-	29,153	29,153
Total revenues	<u>72,852</u>	<u>56,871</u>	<u>180,832</u>	<u>-</u>	<u>8,277</u>	<u>22,421</u>	<u>29,524</u>	<u>370,777</u>
EXPENDITURES								
Public protection	-	-	35,151	21,711	6,506	-	-	63,368
Public ways and facilities	-	100,000	-	-	-	22,273	92	122,365
Total expenditures	<u>-</u>	<u>100,000</u>	<u>35,151</u>	<u>21,711</u>	<u>6,506</u>	<u>22,273</u>	<u>92</u>	<u>185,733</u>
Excess (deficiency) of revenues over expenditures	72,852	(43,129)	145,681	(21,711)	1,771	148	29,432	185,044
OTHER FINANCING SOURCES (USES)								
Transfers (out)	-	-	-	-	-	-	(37,800)	(37,800)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,800)</u>	<u>(37,800)</u>
Net change in fund balance	72,852	(43,129)	145,681	(21,711)	1,771	148	(8,368)	147,244
Fund balance, beginning	<u>289,026</u>	<u>114,189</u>	<u>19,031</u>	<u>84,562</u>	<u>55,593</u>	<u>16</u>	<u>37,973</u>	<u>600,390</u>
Fund balance, ending	<u>\$ 361,878</u>	<u>\$ 71,060</u>	<u>\$ 164,712</u>	<u>\$ 62,851</u>	<u>\$ 57,364</u>	<u>\$ 164</u>	<u>\$ 29,605</u>	<u>\$ 747,634</u>