



FINANCIAL STATEMENTS

Year Ended September 30, 2014

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

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**CITY OF ALABASTER, ALABAMA
ELECTED OFFICIALS
September 30, 2014**

MAYOR

Honorable Marty Handlon

TERM OF OFFICE

October 2012 - 2016

CITY COUNCIL MEMBERS

Scott Brakefield - Ward 6
Council President

October 2012 - 2016

Sophie Martin - Ward 1

October 2012 - 2016

Bob Hicks - Ward 2

October 2012 - 2016

Stacy Rakestraw - Ward 3

October 2012 - 2016

Rick Walters - Ward 4

October 2012 - 2016

Russell Bedsole - Ward 5

October 2012 - 2016

Tommy Ryals - Ward 7

October 2012 - 2016

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

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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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Alabaster, Alabama, as of September 30, 2014, 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.

Other Matters

Required Supplementary Information

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 45 through 50 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Alabaster, Alabama's basic financial statements. The combining and individual General fund and 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 General fund and 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual General fund and nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Birmingham, AL
March 13, 2015

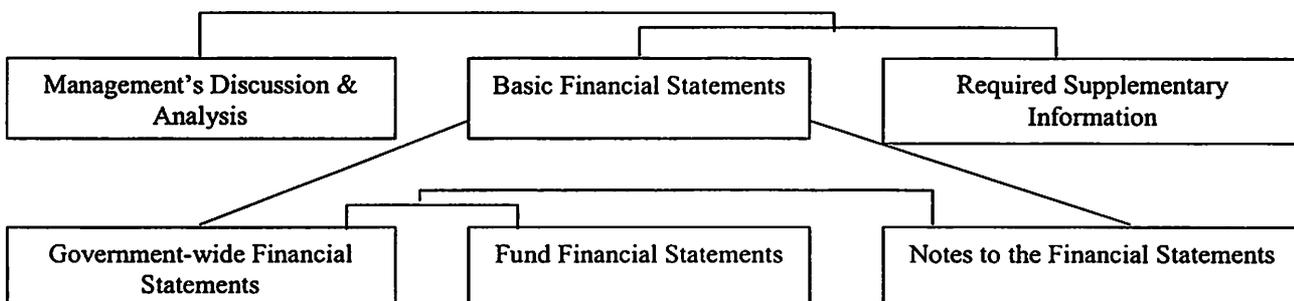
Management's Discussion and Analysis

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, 2014. 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 2014 by \$40.5 million.
- The unrestricted net position of the business-type activities are \$2 million and may be used to meet the ongoing obligations of the business-type activities.
- The governmental funds fund balance decreased \$889 thousand during the year, bringing the total fund balance of governmental funds to \$18.5 million. Of this amount, \$4.3 million is restricted under laws external to the City for specific purposes, \$12.3 million is nonspendable which includes \$12.2 million which is for the noncurrent portion of a note receivable from the component unit of the City, \$1.9 million is committed for the City's reserve account, \$47 thousand is assigned by management for specific purposes, and a deficit of \$68 thousand is unreserved.
- The General Fund reported a fund balance of \$2.2 million. The fund balance decreased by \$1.3 million during the year.
- The General Fund gave the Alabaster Board of Education \$5 million which represents the education portion of the sales tax collected.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs,

Management's Discussion and Analysis (unaudited)

September 30, 2014

City of Alabaster, Alabama

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 position 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 eleven 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 eight 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 53 and 54 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 position* and in the *proprietary funds statement of revenues, expenses, and changes in net position* for these funds.

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

Management's Discussion and Analysis (unaudited)

September 30, 2014

City of Alabaster, Alabama

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Alabaster adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 45 through 50 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 51 through 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of a government's financial position. Overall, the City's assets exceed liabilities by \$40.5 million at the close of the recent fiscal year. Of this figure, \$18.9 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 position, \$20.5 million, represents resources that are subject to restrictions as to how they may be used. These are restrictions that are being imposed by legal requirements other than those imposed by the City Council (i.e. state or federal law).

City of Alabaster's Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 20,883	\$ 20,983	\$ 7,216	\$ 6,986	\$ 28,099	\$ 27,969
Capital assets	49,795	49,082	33,532	33,843	83,327	82,925
Total assets	70,678	70,065	40,748	40,829	111,426	110,894
Deferred outflows of resources	-	-	2,028	-	2,028	-
Long-term liabilities outstanding	48,146	47,810	21,338	20,476	69,484	68,286
Other liabilities	2,806	2,022	638	480	3,444	2,502
Total liabilities	50,952	49,832	21,976	20,956	72,928	70,788
Net position:						
Net investment in capital assets	4,605	3,787	14,281	13,415	18,886	17,202
Restricted	16,009	15,037	4,442	4,591	20,451	19,628
Unrestricted	(888)	1,409	2,077	1,867	1,189	3,276
Total net position	\$ 19,726	\$ 20,233	\$ 20,800	\$ 19,873	\$ 40,526	\$ 40,106

Management's Discussion and Analysis (unaudited)
September 30, 2014

City of Alabaster, Alabama

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

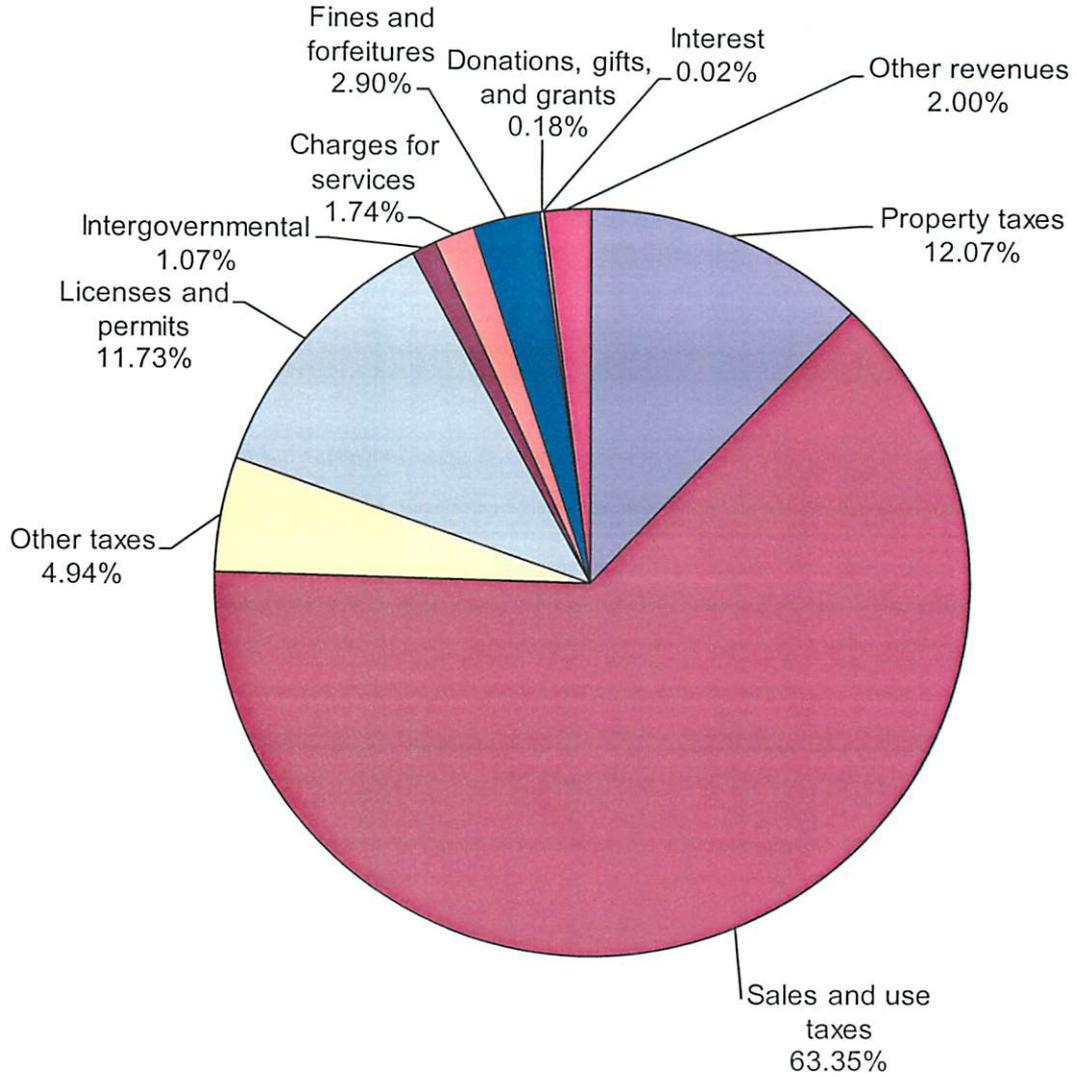
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Fees, fines and charges for services	\$ 5,059	\$ 4,774	\$ 7,586	\$ 7,372	\$ 12,645	\$ 12,146
Operating grants and contributions	176	205	-	-	176	205
Capital grants and contributions	286	712	-	-	286	712
General revenues:						
Property taxes	3,324	3,293	-	-	3,324	3,293
Sales and use taxes	17,445	16,896	-	-	17,445	16,896
Other taxes	1,232	1,206	-	-	1,232	1,206
Interest	6	6	1	105	7	111
Other revenue	-	-	24	389	24	389
Total revenues	27,528	27,092	7,611	7,866	35,139	34,958
Expenses:						
General government	3,775	3,584	-	-	3,775	3,584
Public protection	12,506	12,035	-	-	12,506	12,035
Public ways and facilities	6,165	5,335	-	-	6,165	5,335
Interest and fiscal agent fees	1,416	1,359	-	-	1,416	1,359
Alabaster City Schools	5,052	6,620	-	-	5,052	6,620
Sewer Fund	-	-	4,693	4,289	4,693	4,289
Garbage Fund	-	-	1,596	1,548	1,596	1,548
Total expenses	28,914	28,933	6,289	5,837	35,203	34,770
Increase (decrease) in net assets before transfers and capital contributions	(1,386)	(1,841)	1,322	2,029	(64)	188
Capital contributions	459	97	25	-	484	97
Transfers	420	889	(420)	(889)	-	-
Change in net position	(507)	(855)	927	1,140	420	285
Net position - beginning of year	20,233	21,088	19,873	18,733	40,106	39,821
Net position - end of year	\$ 19,726	\$ 20,233	\$ 20,800	\$ 19,873	\$ 40,526	\$ 40,106

Governmental Activities

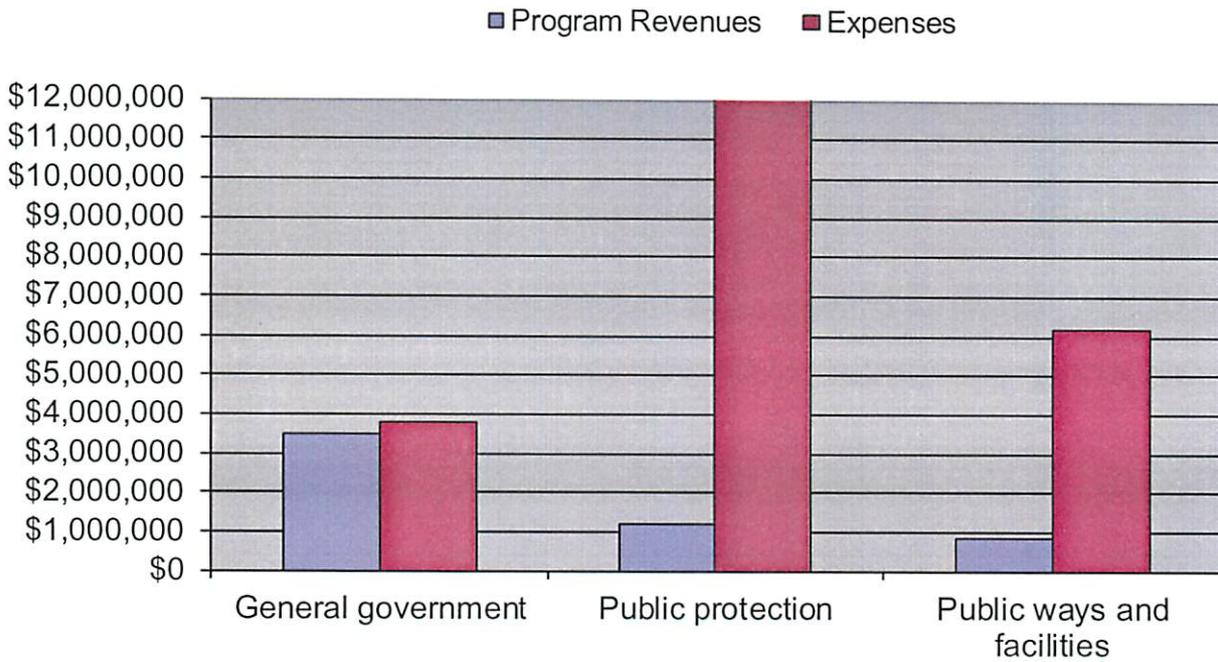
The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 12.07% and sales taxes provided 63.37% of the City's total governmental revenues. Sales tax revenue increased by 3.25% from 2013. It should be noted that program revenues covered 24.60% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 76.11% 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 43.25% of the total governmental expenses. Public protection expenses increased by \$471 thousand, or 3.91%, from 2013. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 21.32% of total governmental expenses, an increase of 15.56% from 2013. 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 \$418 thousand, \$135 thousand and \$286 thousand, respectively. The charges for services include registration and program fees. The total cost of all governmental activities decreased by \$19 thousand, while revenues increased by \$436 thousand.

Revenue by Source - Governmental Activities



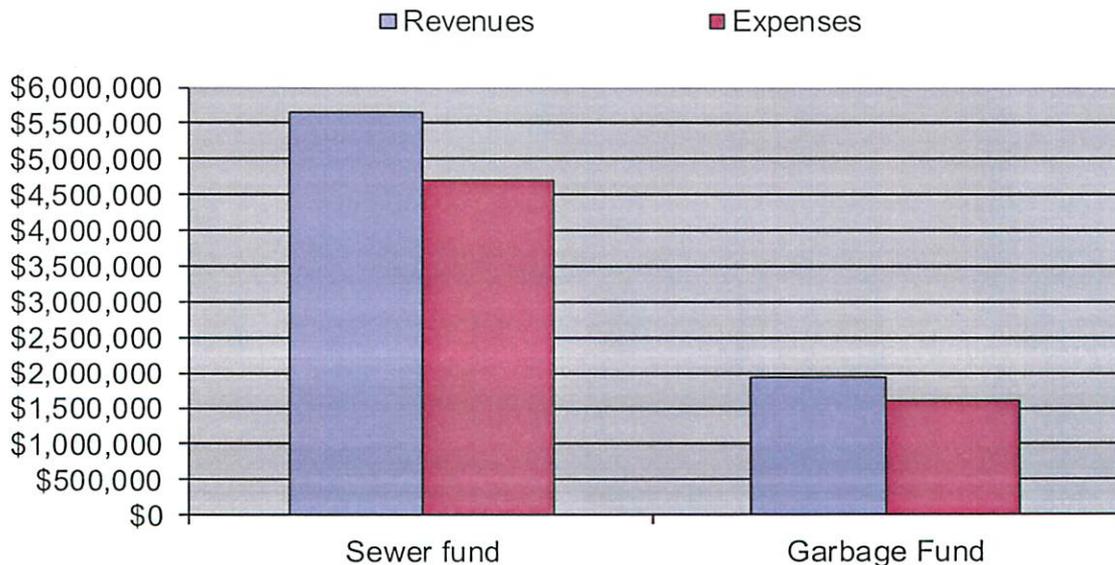
Program Revenues and Expenses - Governmental Activities



Business-Type Activities

The cost of all proprietary (business-type) activities was \$6.3 million, which is an increase of 7.75% from 2013. The amount paid by users of the sewer and garbage services was \$7.6 million, which is an increase of 2.90% from 2013. Within the total business type activities of the City, these activities reported change in net position of \$927 thousand, which is a decrease of 18.68%.

Revenues and Expenses before Transfers and Capital Contributions



Management's Discussion and Analysis (unaudited)

September 30, 2014

City of Alabaster, Alabama

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

The combined fund balance of the City's governmental funds decreased \$889 thousand in 2014 and the total balance as of September 30, 2014, was \$18.5 million. Of this amount, \$68 thousand consists of a deficit unrestricted fund balance. Nonspendable fund balance was \$12.3 million and fund balance that is designated for particular purposes, generally specified in council ordinances, totaled \$1.9 million. The remainder of the total fund balance is \$4.3 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 \$27.5 million, an increase of 1.61% from 2013. Sales tax revenue increased by \$549 thousand or 3.25%.

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 position of the Sewer Fund and Garbage Fund were \$1.73 million and \$340 thousand, respectively. The total growth in net position for the Sewer fund and Garbage fund was \$861 thousand and \$65 thousand respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Alabaster's business-type activities.

GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

The Mayor and City Council approve a formal budget for the General Fund on the modified accrual basis of accounting. The other governmental funds do not have a formal budget. See required supplementary information on pages 45 and 46 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, 2014, totals \$83 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 E in the notes to the financial statements.

City of Alabaster's Capital Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 17,294	\$ 17,294	\$ 246	\$ 246	\$ 17,540	\$ 17,540
Furniture and equipment	4,234	3,920	523	396	4,757	4,316
Trucks and automobiles	6,474	5,514	609	624	7,083	6,138
Sewer plant and lines	-	-	46,051	45,626	46,051	45,626
Buildings, infrastructure and improvements	37,250	31,925	12	-	37,262	31,925
Construction in progress	487	5,342	32	-	519	5,342
	<u>65,739</u>	<u>63,995</u>	<u>47,473</u>	<u>46,892</u>	<u>113,212</u>	<u>110,887</u>
Accumulated depreciation	<u>(15,944)</u>	<u>(14,913)</u>	<u>(13,941)</u>	<u>(13,049)</u>	<u>(29,885)</u>	<u>(27,962)</u>
Total	\$ <u>49,795</u>	\$ <u>49,082</u>	\$ <u>33,532</u>	\$ <u>33,843</u>	\$ <u>83,327</u>	\$ <u>82,925</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 G to the financial statements for additional information on long-term debt.

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ending September 30, 2014, the City of Alabaster has continued to show above average performance in comparison to national and state benchmarks. When compared to benchmarks such as overall unemployment, tax growth, foreclosures and general market viability, Alabaster continues its' positive trend. The City realized a 3.25% increase in sales/use tax from fiscal year 2013. While this alone is an important indicator of overall health, the City continues its' emphasis on retail, healthcare, industrial and residential sectors of the economy. By so doing, we enjoy a balanced approach to taxation and overall growth.

Even in the challenging economic times the City continued to recruit new businesses while backfilling vacancies. During fiscal year 2014, the City had numerous businesses along the entire spectrum of industrial, retail and healthcare either open in a new location, expand or backfill existing space.

In the retail sector, national brands such as Dick's Sporting Goods and Panda Express opened in the southern promenade and are exceeding estimates. The City has multiple other retail establishments under construction and slated to open within the 1st and 2nd quarters of fiscal year 2015. The Alabaster Promenade (north and south phases) continues to anchor national chains and is the only shopping complex in Shelby County to exceed 1million square feet. Both phases continue to remain almost 100% occupied. Generally speaking the retail segment of the City is performing very well, all things considered.

The City launched the Main Street Medical Mile initiative during the 2014 fiscal year to bring focus and awareness to the quantity and quality of medical services available within the City's core corridor. The healthcare industry in Alabaster continues to be a driver of redevelopment and commercial permitting. Within the last 24 months, several new doctor offices were either built new, redeveloped or renovated. The City is also recruiting other medical providers such as assisted living facilities, skilled care providers, specialists and general practitioners to complement the existing services and primary hospital offerings.

During fiscal year 2014, the industrial base of the City grew by several hundred thousand square feet of office, industrial and distribution space largely within the corporate parks of the City. In addition to new tenants, existing businesses renovated and expanded by a few hundred thousand square feet of space. By having a vibrant industrial base, it generates traffic to bolster retail sales, healthcare services, increased property tax revenue and general population growth.

The City expanded or enhanced its' parks during to the 2014 fiscal year to create more opportunities for its' residents and stakeholders to have a high quality of life. The City continues to be recognized by national firms for its' affordability, safety and overall high quality of life. Residential permits exceeded past years by more than 10% and will end calendar year 2014 as the highest in over 6 years. Alabaster is home to a top notch city public education system and numerous high quality private schools. Overall Alabaster continues to be a destination choice for families and businesses.

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, 1953 Municipal Way, Alabaster, Alabama 35007, by calling (205) 664-6800, or by sending an email to cityhall@cityofalabaster.com.

CITY OF ALABASTER, ALABAMA
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 614,672	\$ 1,608,142	\$ 2,222,814	\$ 248,533
Receivables, net of allowance for uncollectible accounts	531,995	495,146	1,027,141	-
Due from Water Board	1,248	661,794	663,042	-
Due from other funds	7,025	(7,025)	-	-
Tobacco stamps	18,533	-	18,533	-
Prepaid expenses	152,212	15,496	167,708	-
Restricted assets:				
Cash and cash equivalents	7,378,543	4,442,175	11,820,718	-
Due from governmental entity:				
Alabaster Board of Education	19,248	-	19,248	-
Commercial Development Authority (CDA)	12,160,000	-	12,160,000	-
Capital assets:				
Land and construction in progress	17,780,834	277,827	18,058,661	10,260,062
Other assets, net of accumulated depreciation	32,013,635	33,254,107	65,267,742	3,486,667
Total assets	70,677,945	40,747,662	111,425,607	13,995,262
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refundings	-	2,028,319	2,028,319	-
LIABILITIES				
Accounts payable	1,130,567	345,758	1,476,325	2,348
Accrued payroll and related liabilities	388,075	37,244	425,319	-
Due to Alabaster Board of Education	709,700	-	709,700	-
Accrued interest	440,972	255,239	696,211	-
Municipal Court cash bonds posted	102,482	-	102,482	-
Subdivision cash bonds posted	33,575	-	33,575	-
Due to governmental entity:				
City of Alabaster	-	-	-	12,160,000
Noncurrent liabilities:				
Due within 1 year	2,457,740	1,605,862	4,063,602	-
Due in more than 1 year	43,747,914	19,732,347	63,480,261	-
Net other post employment benefit liability	1,940,733	-	1,940,733	-
Total liabilities	50,951,758	21,976,450	72,928,208	12,162,348
NET POSITION				
Net investment in capital assets	4,605,009	14,280,622	18,885,631	1,586,729
Restricted for:				
Debt service	1,545,602	753,184	2,298,786	-
Capital projects	1,559,786	3,688,991	5,248,777	246,185
Public protection	651,306	-	651,306	-
Library	20	-	20	-
Noncurrent receivables (CDA)	12,160,000	-	12,160,000	-
Infrastructure maintenance	92,123	-	92,123	-
Unrestricted	(887,659)	2,076,734	1,189,075	-
Total net position	\$ 19,726,187	\$ 20,799,531	\$ 40,525,718	\$ 1,832,914

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

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	\$ 3,775,162	\$ 3,485,869	\$ 6,414	\$ -	\$ (282,879)	\$ -	\$ (282,879)	\$ -
Public protection	12,506,354	1,154,153	35,266	-	(11,316,935)	-	(11,316,935)	-
Public ways and facilities	6,165,130	418,779	134,653	285,710	(5,325,988)	-	(5,325,988)	(100,615)
Interest and fiscal agent fees	1,415,788	-	-	-	(1,415,788)	-	(1,415,788)	-
Alabaster City Schools	5,051,429	-	-	-	(5,051,429)	-	(5,051,429)	-
Total governmental activities	<u>28,913,863</u>	<u>5,058,801</u>	<u>176,333</u>	<u>285,710</u>	<u>(23,393,019)</u>	<u>-</u>	<u>(23,393,019)</u>	<u>(100,615)</u>
Business-type Activities:								
Sewer Fund	4,693,094	5,655,249	-	-	-	962,155	962,155	-
Garbage Fund	1,595,748	1,930,326	-	-	-	334,578	334,578	-
Total business-type activities	<u>6,288,842</u>	<u>7,585,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,296,733</u>	<u>1,296,733</u>	<u>-</u>
Total Primary Government	<u>\$ 35,202,705</u>	<u>\$ 12,644,376</u>	<u>\$ 176,333</u>	<u>\$ 285,710</u>	<u>\$ (23,393,019)</u>	<u>\$ 1,296,733</u>	<u>\$ (22,096,286)</u>	<u>\$ (100,615)</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:								
					\$ 17,445,165	\$ -	\$ 17,445,165	\$ -
					3,324,069	-	3,324,069	-
					1,231,616	-	1,231,616	-
					5,727	148	5,875	140
					-	24,157	24,157	-
					459,392	25,000	484,392	-
					420,000	(420,000)	-	-
					<u>22,885,969</u>	<u>(370,695)</u>	<u>22,515,274</u>	<u>140</u>
					(507,050)	926,038	418,988	(90,475)
					<u>20,233,237</u>	<u>19,873,493</u>	<u>40,106,730</u>	<u>1,923,389</u>
					<u>\$ 19,726,187</u>	<u>\$ 20,799,531</u>	<u>\$ 40,525,718</u>	<u>\$ 1,832,914</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 614,672	\$ -	\$ -	\$ -	\$ 614,672
Receivables	531,995	-	-	-	531,995
Due from Water Board	1,248	-	-	-	1,248
Due from other funds	13,689	120,369	-	-	134,058
Due from governmental entity:					
Alabaster Board of Education	-	19,248	-	-	19,248
Commercial Development Authority (CDA)	-	12,160,000	-	-	12,160,000
Tobacco stamps	18,533	-	-	-	18,533
Prepaid expenditures	152,212	-	-	-	152,212
Restricted assets:					
Cash and cash equivalents	2,732,176	1,469,595	1,986,574	1,190,198	7,378,543
Total assets	\$ 4,064,525	\$ 13,769,212	\$ 1,986,574	\$ 1,190,198	\$ 21,010,509
LIABILITIES					
Accounts payable and accrued expenses	\$ 692,619	\$ 143,322	\$ -	\$ 294,626	\$ 1,130,567
Due to other funds	-	-	-	127,034	127,034
Accrued payroll and related liabilities	388,075	-	-	-	388,075
Due to Alabaster Board of Education	709,700	-	-	-	709,700
Municipal Court cash bonds posted	102,482	-	-	-	102,482
Subdivision cash bonds posted	-	-	-	33,575	33,575
Total liabilities	\$ 1,892,876	\$ 143,322	\$ -	\$ 455,235	\$ 2,491,433
FUND BALANCE					
Nonspendable:					
Note receivable (CDA)	-	12,160,000	-	-	12,160,000
Tobacco stamps	18,533	-	-	-	18,533
Prepaid expenses	152,212	-	-	-	152,212
Restricted for:					
Debt service	-	-	1,986,574	-	1,986,574
Capital improvements	-	1,465,890	-	93,896	1,559,786
Library	-	-	-	20	20
Public protection	102,382	-	-	548,924	651,306
Infrastructure maintenance	-	-	-	92,123	92,123
Committed for:					
Alabaster Reserve Account	1,920,094	-	-	-	1,920,094
Assigned for:					
Library	46,857	-	-	-	46,857
Unassigned	(68,429)	-	-	-	(68,429)
Total fund balance	\$ 2,171,649	\$ 13,625,890	\$ 1,986,574	\$ 734,963	\$ 18,519,076
Total liabilities and fund balance	\$ 4,064,525	\$ 13,769,212	\$ 1,986,574	\$ 1,190,198	\$ 21,010,509

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 POSITION
September 30, 2014

Total fund balance - governmental funds	\$	18,519,076
Amounts reported for governmental activities in the Statement of Net Position 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 E).		49,794,469
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>(48,587,358)</u>
Net position of governmental activities	\$	<u><u>19,726,187</u></u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales and use taxes	\$ 17,445,165	\$ -	\$ -	\$ -	\$ 17,445,165
Property taxes	3,324,069	-	-	-	3,324,069
Other taxes	1,231,616	-	-	127,649	1,359,265
Licenses and permits	3,228,987	-	-	-	3,228,987
Intergovernmental	35,266	259,516	-	-	294,782
Charges for services	479,492	-	-	-	479,492
Fines and forfeitures	632,500	-	-	166,565	799,065
Donations, gifts and grants	23,419	-	-	26,106	49,525
Interest	62	4,957	168	540	5,727
Other revenues	551,258	87	-	-	551,345
Total revenues	26,951,834	264,560	168	320,860	27,537,422
EXPENDITURES					
General government	2,873,907	-	-	-	2,873,907
Public protection	12,032,796	-	-	95,736	12,128,532
Public ways and facilities	4,746,376	-	-	439,368	5,185,744
Alabaster City Schools					
Payments to the Alabaster Board of Education	4,969,672	-	-	-	4,969,672
Payments to the schools	69,000	-	-	-	69,000
Other payments	12,757	-	-	-	12,757
Debt service					
Debt retirement	-	-	2,321,875	-	2,321,875
Interest and fiscal agent fees	-	-	1,421,465	-	1,421,465
Capital projects construction and outlay	-	1,763,019	-	-	1,763,019
Total expenditures	24,704,508	1,763,019	3,743,340	535,104	30,745,971

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, 2014

	<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	\$ 2,247,326	\$ (1,498,459)	\$ (3,743,172)	\$ (214,244)	\$ (3,208,549)
OTHER FINANCING SOURCES (USES)					
Note payable issued	-	1,500,000	-	-	1,500,000
Capital lease obligation issued	-	400,000	-	-	400,000
Transfers in	710,060	297,311	3,983,238	45	4,990,654
Transfers (out)	<u>(4,280,594)</u>	<u>(290,060)</u>	<u>-</u>	<u>-</u>	<u>(4,570,654)</u>
Total other financing sources (uses)	<u>(3,570,534)</u>	<u>1,907,251</u>	<u>3,983,238</u>	<u>45</u>	<u>2,320,000</u>
Net change in fund balance	(1,323,208)	408,792	240,066	(214,199)	(888,549)
Fund balance, beginning	<u>3,494,857</u>	<u>13,217,098</u>	<u>1,746,508</u>	<u>949,162</u>	<u>19,407,625</u>
Fund balance, ending	<u>\$ 2,171,649</u>	<u>\$ 13,625,890</u>	<u>\$ 1,986,574</u>	<u>\$ 734,963</u>	<u>\$ 18,519,076</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, 2014

Net change in fund balance - total governmental funds	\$	(888,549)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period (Note B).		2,329,517
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 E).		(1,617,452)
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 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).		(235,895)
Other expenses reported in the Statement of Activities that do not require current financial resources (Note B).		<u>(94,671)</u>
Net change in net position of governmental activities	\$	<u><u>(507,050)</u></u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,435,821	\$ 172,321	\$ 1,608,142
Receivables, net of allowance for uncollectible accounts	372,018	123,128	495,146
Due from Water Board	492,384	169,410	661,794
Prepaid expenses	15,496	-	15,496
Restricted assets:			
Cash and cash equivalents	4,442,175	-	4,442,175
Total current assets	6,757,894	464,859	7,222,753
Noncurrent assets:			
Capital assets, net	33,475,287	56,647	33,531,934
Total assets	40,233,181	521,506	40,754,687
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refundings	2,028,319	-	2,028,319
LIABILITIES			
Current liabilities:			
Accounts payable	220,619	125,139	345,758
Due to other funds	7,025	-	7,025
Accrued payroll and related liabilities	37,244	-	37,244
Accrued interest	255,239	-	255,239
Compensated absences	2,325	-	2,325
Note payable	-	3,537	3,537
Bonds payable	1,600,000	-	1,600,000
Total current liabilities	2,122,452	128,676	2,251,128
Noncurrent liabilities:			
Compensated absences	56,253	-	56,253
Bonds (net of premiums and discounts)	19,676,094	-	19,676,094
Total noncurrent liabilities	19,732,347	-	19,732,347
Total liabilities	21,854,799	128,676	21,983,475
NET POSITION			
Net investment in capital assets	14,227,512	53,110	14,280,622
Restricted for:			
Debt service	753,184	-	753,184
Capital projects	3,688,991	-	3,688,991
Unrestricted	1,737,014	339,720	2,076,734
Total net position	\$ 20,406,701	\$ 392,830	\$ 20,799,531

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
OPERATING REVENUE			
Charges for services	\$ 5,655,249	\$ 1,930,326	\$ 7,585,575
Total operating revenue	<u>5,655,249</u>	<u>1,930,326</u>	<u>7,585,575</u>
OPERATING EXPENSES			
Administration, operations, and maintenance	2,615,663	1,558,731	4,174,394
Depreciation and amortization	1,102,532	36,041	1,138,573
Total operating expenses	<u>3,718,195</u>	<u>1,594,772</u>	<u>5,312,967</u>
Operating income	1,937,054	335,554	2,272,608
NONOPERATING REVENUES (EXPENSE)			
Reimbursements	18,376	-	18,376
Gain on disposal of assets	5,781	-	5,781
Interest income	148	-	148
Interest expense	(974,899)	(976)	(975,875)
Total nonoperating revenue (expense)	<u>(950,594)</u>	<u>(976)</u>	<u>(951,570)</u>
Income before contributions and transfers	986,460	334,578	1,321,038
CAPITAL CONTRIBUTIONS	25,000	-	25,000
TRANSFERS OUT	<u>(150,000)</u>	<u>(270,000)</u>	<u>(420,000)</u>
Changes in net position	861,460	64,578	926,038
Total net position, beginning	<u>19,545,241</u>	<u>328,252</u>	<u>19,873,493</u>
Total net position, ending	<u>\$ 20,406,701</u>	<u>\$ 392,830</u>	<u>\$ 20,799,531</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, 2014

	Business-type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
OPERATING ACTIVITIES			
Receipts from customers	\$ 5,693,065	\$ 1,958,492	\$ 7,651,557
Payments to suppliers for services	(1,489,588)	(1,557,372)	(3,046,960)
Payments to employees for services	(992,959)	-	(992,959)
Internal activity - receipts from other funds	7,025	-	7,025
Net cash provided by operating activities	<u>3,217,543</u>	<u>401,120</u>	<u>3,618,663</u>
NONCAPITAL FINANCING ACTIVITIES			
Reimbursements	18,376	-	18,376
Transfers out	(150,000)	(270,000)	(420,000)
Net cash (used) by noncapital financing activities	<u>(131,624)</u>	<u>(270,000)</u>	<u>(401,624)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(682,417)	(11,765)	(694,182)
Principal payments on warrants	(1,500,000)	-	(1,500,000)
Principal payments on notes payable	-	(46,151)	(46,151)
Proceeds from sale of assets	14,625	-	14,625
Interest paid	(702,958)	(976)	(703,934)
Net cash (used) by capital and related financing activities	<u>(2,870,750)</u>	<u>(58,892)</u>	<u>(2,929,642)</u>
INVESTING ACTIVITIES			
Interest received	148	-	148
Net cash provided by investing activities	<u>148</u>	<u>-</u>	<u>148</u>
Net increase in cash and cash equivalents	215,317	72,228	287,545
Cash and cash equivalents, beginning of year	<u>5,662,679</u>	<u>100,093</u>	<u>5,762,772</u>
Cash and cash equivalents, end of year	<u>\$ 5,877,996</u>	<u>\$ 172,321</u>	<u>\$ 6,050,317</u>
Operating income	\$ 1,937,054	\$ 335,554	\$ 2,272,608
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,102,532	36,041	1,138,573
Change in assets and liabilities:			
Decrease in accounts receivable	37,816	28,165	65,981
(Increase) in prepaid expenses	(15,496)	-	(15,496)
Increase in accounts payable	124,226	1,360	125,586
Increase in accrued payroll and related liabilities	31,411	-	31,411
Net cash provided by operating activities	<u>\$ 3,217,543</u>	<u>\$ 401,120</u>	<u>\$ 3,618,663</u>
SUPPLEMENTAL INFORMATION			
<u>Noncash Activities</u>			
Acquisition of capital assets	\$ 707,417	\$ 11,765	\$ 719,182
Contribution from developer	(25,000)	-	(25,000)
Cash paid for capital assets	<u>\$ 682,417</u>	<u>\$ 11,765</u>	<u>\$ 694,182</u>
<u>Reconciliation of total cash and cash equivalents:</u>			
Cash and cash equivalents	\$ 1,435,821	\$ 172,321	\$ 1,608,142
Restricted assets - cash and cash equivalents	4,442,175	-	4,442,175
	<u>\$ 5,877,996</u>	<u>\$ 172,321</u>	<u>\$ 6,050,317</u>

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

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 \$12.16 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 position 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, 2014

- *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 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.

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.

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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

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

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

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 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.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Tobacco stamps

Tobacco stamps are valued at cost using the first-in/first-out (FIFO) method. The cost of tobacco stamps are recorded as expenditures when consumed rather than when purchased.

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.

CITY OF ALABASTER, ALABAMA
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September 30, 2014

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 position 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.”

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 Position. Capital assets are depreciated using the straight line method over the following estimated useful lives:

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

Compensated absences

All full-time employees of the City accumulate vacation (annual leave) and holiday time during the calendar year. On January 1 of each year vacation hours in excess of 320 are forfeited. Employees are encouraged to use all accumulated vacation as soon as possible after it is earned. At September 30, 2014, 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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

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 position. 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.

Lease Obligations

The City leases various assets under both operating and capital lease agreements. In the government-wide financial statements, capital leases and the related lease obligations are reported as liabilities in the governmental activities statement of net position.

Deferred outflows of resources

The statement of financial position reports a separate section for deferred outflows of resources, which represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The City currently only has one item that qualifies for reporting in this category and it is the deferred loss on refunding debt for the sewer fund. A deferred loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt.

Fund Balances - Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable fund balance - amounts that are not in a spendable 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.

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.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2014

Use of Estimates

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

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

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

The governmental fund balance sheet includes reconciliation between total fund balance - governmental funds and net position - governmental activities as reported in the government-wide statement of net position. 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 \$48,587,358 difference are as follows:

Bonds payable	\$	43,915,874
Less bond discounts		(656,003)
Bond premiums		57,398
Note payable		1,500,000
Capital lease obligation		372,191
Accrued interest payable		440,972
Compensated absences		1,016,193
Net other post employment benefit liability		<u>1,940,733</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental funds	\$	<u><u>48,587,358</u></u>

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 position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,329,517 difference are as follows:

Capital outlay	\$	2,332,086
Book value of disposed assets		<u>(2,569)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$	<u><u>2,329,517</u></u>

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued whereas, these amounts are deferred and amortized in the Statement of Activities." The detail of this \$235,895 difference is as follows:

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
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Note payable issued	\$	1,500,000
Capital lease obligation issued		400,000
Principal payments on general obligation debt		(2,268,418)
Principal payments on note payable		(25,647)
Principal payments on capital lease obligation		(27,809)
Amortization of discounts and premiums		50,520
Disposal of bond issue costs		264,917
Accrued interest		(5,676)
Net other post employment benefit liability		348,008
Net adjustments to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	\$	235,895

Another element of the reconciliation is a difference of \$94,671 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; (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.

NOTE D - RECEIVABLES

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables with allowances for uncollectible accounts as of September 30, 2014, are presented below:

	Sewer Fund	Garbage Fund	Total
Charges for services	\$ 384,324	\$ 141,607	\$ 525,931
Other receivables	25,585	-	25,585
	409,909	141,607	551,516
Less allowance for uncollectible accounts	(37,891)	(18,479)	(56,370)
	\$ 372,018	\$ 123,128	\$ 495,146

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE E - CAPITAL ASSETS

Capital asset activity for the Primary Government for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,294,233	\$ -	\$ -	\$ 17,294,233
Construction in progress	5,342,285	186,053	(5,041,737)	486,601
Total capital assets, not being depreciated	22,636,518	186,053	(5,041,737)	17,780,834
Capital assets, being depreciated:				
Infrastructure	21,591,124	823,470	-	22,414,594
Buildings	3,998,726	4,162,809	-	8,161,535
Building improvements	1,558,317	152,936	-	1,711,253
Communication equipment	62,558	-	(21,955)	40,603
Computer equipment	417,167	113,601	(20,248)	510,520
Furniture and fitting	66,802	310,295	-	377,097
Heavy trucks	3,051,709	744,580	(236,900)	3,559,389
Land improvements	4,776,743	186,346	-	4,963,089
Library collection	1,920,253	96,859	(255,393)	1,761,719
Light trucks	1,093,363	495,993	(43,991)	1,545,365
Motor vehicles	1,368,777	-	-	1,368,777
Plant and equipment	992,379	100,880	(10,328)	1,082,931
Software	460,911	-	-	460,911
Total capital assets, being depreciated	41,358,829	7,187,769	(588,815)	47,957,783
Less accumulated depreciation for:				
Infrastructure	3,198,656	445,499	-	3,644,155
Buildings	1,216,637	212,040	-	1,428,677
Building improvements	974,664	57,421	-	1,032,085
Communication equipment	58,262	1,121	(21,955)	37,428
Computer equipment	269,569	56,047	(20,248)	305,368
Furniture and fitting	34,204	37,587	-	71,791
Heavy trucks	2,724,521	124,412	(236,900)	2,612,033
Land improvements	1,862,827	230,085	-	2,092,912
Library collection	1,593,682	92,098	(255,393)	1,430,387
Light trucks	899,652	107,068	(43,991)	962,729
Motor vehicles	1,183,817	88,035	-	1,271,852
Plant and equipment	644,455	77,793	(7,757)	714,491
Software	251,994	88,246	-	340,240
Total accumulated depreciation	14,912,940	1,617,452	(586,244)	15,944,148
Total capital assets, being depreciated, net	26,445,889	5,570,317	(2,571)	32,013,635
Governmental activities capital assets, net	\$ 49,082,407	\$ 5,756,370	\$ (5,044,308)	\$ 49,794,469

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

	Balance September 30, 2013	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2014
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 245,770	\$ -	\$ -	\$ 245,770
Construction in progress	-	32,057	-	32,057
Total capital assets, not being depreciated	245,770	32,057	-	277,827
Capital assets, being depreciated:				
Computer equipment	18,000	-	(18,000)	-
Heavy trucks	376,247	-	-	376,247
Land improvements	-	11,765	-	11,765
Light trucks	248,230	93,673	(108,552)	233,351
Plant equipment	261,263	124,565	(6,162)	379,666
Sewer plant and lines	45,625,926	430,222	(5,500)	46,050,648
Software	117,000	26,900	-	143,900
Total capital assets, being depreciated	46,646,666	687,125	(138,214)	47,195,577
Less accumulated depreciation for:				
Computer equipment	18,000	-	(18,000)	-
Heavy trucks	242,355	45,226	-	287,581
Land improvements	-	45	-	45
Light trucks	248,230	4,055	(108,552)	143,733
Plant equipment	246,583	10,323	(1,737)	255,169
Sewer plant and lines	12,261,368	915,703	(1,080)	13,175,991
Software	32,586	46,365	-	78,951
Total accumulated depreciation	13,049,122	1,021,717	(129,369)	13,941,470
Total capital assets, being depreciated, net	33,597,544	(334,592)	(8,845)	33,254,107
Business-type activities capital assets, net	\$ 33,843,314	\$ (302,535)	\$ (8,845)	\$ 33,531,934

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

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

<u>Governmental activities:</u>			
<i>General Government:</i>			
Administrative	\$ 352,149	\$	352,149
<i>Public Protection:</i>			
Police	257,130		
Municipal Court	1,628		
Fire	99,803		358,561
<i>Public Ways and Facilities:</i>			
Library	136,262		
Public Works	405,157		
Park and Recreation	365,323		906,742
		\$	1,617,452
<u>Business-type activities:</u>			
Sewer Fund		\$	985,676
Garbage Fund		\$	36,041

Activity for the discretely presented component unit, CDA, for the year ended September 30, 2014, was as follows:

	Balance September 30, 2013	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2014
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 8,940,062	\$ 1,320,000	\$ -	\$ 10,260,062
Total capital assets, not being depreciated	8,940,062	1,320,000	-	10,260,062
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	433,333	80,000	-	513,333
Total capital assets, being depreciated, net	3,566,667	(80,000)	-	3,486,667
Commercial Development Authority capital assets, net	\$ 12,506,729	\$ 1,240,000	\$ -	\$ 13,746,729

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, 2014.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2014

NOTE F - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

Transfers In/Out:

Transfers Out:

From General Fund to Debt Service Fund	\$	3,983,238
From General Fund to Capital Projects Fund		297,311
From General Fund to Nonmajor Fund		45
From Capital Projects Fund to General Fund		290,060
Subtotal		4,570,654
From Sewer Fund (an enterprise fund) to General Fund		150,000
From Garbage Fund (an enterprise fund) to General Fund		270,000
	\$	4,990,654

Transfers In:

To Debt Service Fund from General Fund	\$	3,983,238
To Capital Projects Fund from General Fund		297,311
To Nonmajor Fund from General Fund		45
To General Fund from Capital Projects Fund		290,060
Subtotal		4,570,654
To General Fund from:		
Sewer Fund (an enterprise fund)		150,000
Garbage Fund (an enterprise fund)		270,000
	\$	4,990,654

In the fund financial statements, total transfers out of \$4,570,654 are less than total transfers in of \$4,990,654 because during the year the Sewer Fund and Garbage Fund, enterprise funds, transferred \$420,000 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.

NOTE G - 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.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

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
Capital lease obligation	Debt Service Fund	General Fund
<u>Business-Type Activities:</u>		
G.O. 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 position. Any resulting gain or loss is deferred and amortized over the lesser of the remaining life of the refunded or refunding warrants.

Refunding Warrants			Refunded Warrants			Debt Service Savings	Economic Gain/(Loss)
Fiscal Year	Series	Face Amount	Series	Refunded Amount	Outstanding 09/30/14		

PRIMARY GOVERNMENT

Governmental Activities

2012	C	\$ 12,310,000	2005-A	\$ 10,535,000	\$ 9,500,000	\$ (260,457)	\$ 241,381
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CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

Outstanding Debt

The amount of debt outstanding at September 30, 2014, 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>					
2005-B	\$ 555,000	04/01/25	4.00% - 4.45%	\$ 390,000	\$ 30,000
2010-A	7,780,000	09/01/26	2.00% - 5.80%	6,495,000	450,000
2010-B	3,055,000	09/01/29	4.00% - 4.25%	3,055,000	-
2011-A	1,220,000	01/01/18	1.50% - 2.40%	740,000	185,000
2011-B	4,915,000	09/01/25	2.00% - 3.25%	4,275,000	115,000
2012-A	2,410,000	04/01/18	1.35% - 2.50%	2,325,000	565,000
2012-B	9,975,000	04/01/24	2.00% - 2.55%	9,685,000	155,000
2012-C	12,310,000	04/01/28	0.75% - 3.90%	10,955,000	625,000
2012-D	5,205,000	04/01/33	3.125% - 3.625%	5,205,000	-
2013	<u>1,300,000</u>	10/01/17	1.96%	<u>790,874</u>	<u>128,620</u>
	48,725,000			43,915,874	2,253,620
Capital lease obligation	400,000	10/29/17	1.66%	372,191	112,393
Note payable	<u>1,500,000</u>	03/01/16	1.75%	<u>1,500,000</u>	<u>-</u>
Total governmental activities	<u>50,625,000</u>			<u>45,788,065</u>	<u>2,366,013</u>
<u>Business-Type Activities:</u>					
<i>G.O. Warrants</i>					
2009	7,575,000	09/01/20	2.00% - 4.00%	5,040,000	725,000
2013-B	<u>16,920,000</u>	04/01/29	2.25% - 3.70%	<u>16,120,000</u>	<u>875,000</u>
	24,495,000			21,160,000	1,600,000
Note payable	<u>215,934</u>	10/31/14	3.49%	<u>3,537</u>	<u>3,537</u>
Total business-type activities	<u>24,710,934</u>			<u>21,163,537</u>	<u>1,603,537</u>
Total Primary Government	<u>\$ 75,335,934</u>			<u>\$ 66,951,602</u>	<u>\$ 3,969,550</u>

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

Future Debt Service

The City's future debt service requirements on its outstanding warrants, notes and bonds as of September 30, 2014 are shown below. There is \$1,986,574 available in the Debt Service Fund and \$753,185 available in the Sewer Fund to service the G.O. Warrants.

PRIMARY GOVERNMENT

Governmental Activities:	G.O. Warrants		Note Payable	
	Principal	Interest	Principal	Interest
2015	\$ 2,253,620	\$ 1,349,391	\$ -	\$ 39,375
2016	2,561,033	1,313,573	1,500,000	10,938
2017	2,721,174	1,256,515	-	-
2018	2,640,047	1,192,964	-	-
2019	2,515,000	1,125,938	-	-
2020-2024	18,205,000	4,307,996	-	-
2025-2029	9,305,000	1,688,643	-	-
2030-2033	3,715,000	316,563	-	-
	<u>\$ 43,915,874</u>	<u>\$ 12,551,583</u>	<u>\$ 1,500,000</u>	<u>\$ 50,313</u>

Business-Type Activities:	G.O. Warrants		Note Payable	
	Principal	Interest	Principal	Interest
2015	\$ 1,600,000	\$ 659,708	\$ 3,537	\$ 10
2016	1,645,000	611,708	-	-
2017	1,700,000	560,496	-	-
2018	1,750,000	509,496	-	-
2019	1,810,000	451,033	-	-
2020-2024	6,525,000	1,479,556	-	-
2025-2029	6,130,000	643,322	-	-
	<u>\$ 21,160,000</u>	<u>\$ 4,915,319</u>	<u>\$ 3,537</u>	<u>\$ 10</u>

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

PRIMARY GOVERNMENT

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation warrants	\$ 46,184,292	\$ -	\$ (2,268,418)	\$ 43,915,874	\$ 2,253,620
Less amounts deferred for: Issue discounts, premiums and costs, net	914,042	-	(315,437)	598,605	-
Total general obligation warrants	45,270,250	-	(1,952,981)	43,317,269	2,253,620
Note payable	25,647	1,500,000	(25,647)	1,500,000	-
Capital lease obligation	-	400,000	(27,809)	372,191	112,393
Compensated absences	921,522	600,542	(505,870)	1,016,194	91,727
Governmental activities long-term liabilities	46,217,419	2,500,542	(2,512,307)	46,205,654	2,457,740

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	22,660,000	-	(1,500,000)	21,160,000	1,600,000
Subtotal	22,660,000	-	(1,500,000)	21,160,000	1,600,000
Less amounts deferred for: Issue premiums, discounts & costs, net	761	-	(116,856)	(116,095)	-
Total warrants	22,659,239	-	(1,383,144)	21,276,095	1,600,000
Note payable	49,688	-	(46,151)	3,537	3,537
Compensated absences	46,951	42,496	(30,870)	58,577	2,325
Business-type activities long-term liabilities	22,755,878	42,496	(1,460,165)	21,338,209	1,605,862
Total long-term liabilities	\$ 68,973,297	\$ 2,543,038	\$ (3,972,472)	\$ 67,543,863	\$ 4,063,602

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2014

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 H - LEASE ACTIVITIES

Operating Leases

The City was not obligated on any significant operating leases as of September 30, 2014.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of police vehicles. This lease agreement is treated as a capital leases for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements. Amortization of assets under capital leases is included in depreciation expense.

The assets acquired through capital leases are as follows:

	<u>Cost Basis</u>	<u>Accumulated Depreciation</u>	<u>Total</u>
Light trucks	\$ 453,320	\$ 54,808	\$ 398,512

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2014, are as follows:

	<u>Governmental Activities</u>
Year Ending September 30:	
2015	\$ 117,875
2016	117,875
2017	117,875
2018	29,468
Total minimum lease payments	383,093
Less: Amount representing interest	(10,902)
Present value of minimum lease payments	\$ 372,191

Other leases

In September 2013, the City entered into a lease agreement with the Alabaster Board of Education (BOE). The agreement is a cancellable operating lease at a rate of \$3,800 per month through June 2016 for office space located inside the City Administration building. The City received \$45,600 from the BOE according to the terms of this lease agreement during the year ended September 30, 2014. Subsequent to September 30, 2014, the City entered into a new cancellable lease agreement with the BOE that increased the rent to \$5,000 per month through June 2017.

NOTE I - DEFINED BENEFIT PENSION PLAN

Plan Description

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

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

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 benefit 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.

During the 2012 regular session of the Alabama Legislature, Act 2012-377 was enacted which created a new defined benefit plan tier for employees with no previous creditable retirement service hired on or after January 1, 2013 (Tier 2 employees). Employees hired prior to January 1, 2013 or with previous creditable retirement service are considered Tier 1 employees. The City is required to contribute the remaining amounts necessary to fund the System, using the actuarial basis specified by law. The contribution requirements of plan members are established and may be amended by the Employees' Retirement System of Alabama.

Tier 1 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 Tier 1 System members are required to contribute 5% of their annual covered salary. During fiscal year 2014, the City contributed 8.75% of the Tier 1 employees' annual covered payroll to the System.

Tier 2 System members who are state correction officers, certified full-time fire fighters, and certified full-time law enforcement officers are required to contribute 7% of their annual covered salary. Other Tier 2 System members are required to contribute 6% of their annual covered salary. During fiscal year 2014, the City contributed 6.45% of the Tier 2 employees' annual covered payroll to the System.

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, 2014, was \$1,751,074. This contribution was made in accordance with actuarially determined requirements computed through an actuarial valuation. The employer contributions during fiscal year 2014 totaled \$1,060,851 and the employee contributions totaled \$690,223. The required contribution was determined as part of the September 30, 2013, actuarial valuation using the entry age actuarial cost method.

Trend Information

The trend information provided by the Retirement Systems of Alabama is for the period ended September 30, 2013, the most recent actuarial valuation date.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (NPO)
09/30/11	\$ 936,514	100%	\$ -
09/30/12	\$ 892,976	100%	\$ -
09/30/13	\$ 974,512	100%	\$ -

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

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/13	\$ 22,056,431	\$ 32,044,707	\$ 9,988,276	68.8%	\$ 11,802,215	84.6%

* Market Value of Assets as of September 30, 2013: \$23,097,305

¹ Reflects implementation of Board Funding Policy

Actuarial Assumptions

Valuation date	9/30/13
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return (includes inflation at 3.00%)	8.00%
Projected salary increases (includes inflation at 3.00%)	3.75 - 7.25%
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.

NOTE J - 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.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2014

Contribution Rates

Employees do not contribute to their postemployment 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 fiscal year 2014 as determined by the City Council of the City of Alabaster:

	City	Retiree	Total
Family	\$ 479	\$ 1,023	\$ 1,502
Single	\$ 479	\$ 338	\$ 817
Single Medicare	\$ -	\$ 394	\$ 394

Fund Policy

Until fiscal year ending September 30, 2010, the City of Alabaster recognized the cost of providing postemployment 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 postemployment 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 Postemployment 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, 2014, the City of Alabaster's portion of health care funding cost for retired employees totaled \$40,236. 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, 2013 is \$414,854, as set forth below:

Service Cost	\$	217,177
Unfunded Actuarial Accrued Liability Amortization		197,677
Annual required contribution (ARC)	\$	414,854

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

Net Post-employment Benefit Obligation (Asset)

The table below shows the City of Alabaster's Net Other Postemployment Benefit (OPEB) Obligation for fiscal year ending September 30, 2014:

Beginning Net OPEB Obligation October 1, 2013		\$	1,592,725
Annual required contribution			414,854
Interest on prior year Net OPEB Obligation			63,709
Amortization of prior year Net OPEB Obligation			(90,319)
Total Annual OPEB Cost			388,244
Contribution			-
Expected Net OPEB contributions			(40,236)
Change in Net OPEB Obligation			348,008
 Ending Net OPEB Obligation September 30, 2014		 \$	 1,940,733

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

Post- Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
Medical	September 30, 2014	\$388,244	10.36%	\$1,940,733

Funded Status and Funding Progress

In the fiscal year ending September 30, 2014, the City of Alabaster made no contributions to its postemployment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of September 30, 2014, the end of the fiscal year, the Actuarial Accrued Liability (AAL) was \$3,410,090, which is defined as that portion, as determined by a particular actuarial cost method (the City of Alabaster uses the Projected Unit Credit Cost Method), of the actuarial present value of postemployment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2013/2014, the entire actuarial accrued liability of \$3,410,090 was unfunded.

Actuarial Accrued Liability (AAL)		\$	3,410,090
Actuarial Value of Plan Assets			-
Unfunded Actuarial Accrued Liability (UAAL)		\$	3,410,090
Funded Ratio			0.00%
 Covered Payroll (active plan members)		 \$	 12,328,713
UAAL as a percentage of covered payroll			27.66%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment and termination, mortality, and the healthcare costs trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to the basic financial statements, provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF ALABASTER, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2014

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan, as understood by the City and participating members, and include the types of benefits provided at the time of each valuation date and the historical pattern of sharing of benefit costs between the City and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Valuation date	10/1/13
Actuarial cost method	Projected Unit Cost Method
Amortization method	Level dollar
Remaining amortization period	open, 30 years
Actuarial assumptions:	
Discount rate (includes inflation at 3.00%)	4.00%
Healthcare cost trend rate	7.5% (grading to 4.5% for FY 2022+)

NOTE K - 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 \$661,794 at September 30, 2014, for those fees collected during the month of September.

During the year ended September 30, 2014, the City received a total of \$7,397,551 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 \$1,248 at September 30, 2014, for fuel purchased. During the year ended September 30, 2014, the Water Board paid the City \$52,393 for the purchase of fuel.

At September 30, 2014, the Commercial Development Authority (CDA) owed the Capital Projects Fund \$12,160,000. The purpose of the loan was to enable the CDA to purchase land and fulfill contractual obligations. The note is non-interest bearing and is not expected to be received in the near-term.

NOTE L - 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, 2014, 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, 2014, the City has a remaining commitment of \$114,163 under the agreement with Tunell-Spangler-Walsh & Associates.

CITY OF ALABASTER, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

The City, in order to foster economic growth has entered into a grant agreement with a local developer. According to the terms of the grant, the City will return a portion of the City's 3% sales tax proceeds for ten years or until a maximum of \$1,938,750 has been paid to the developer, whichever comes first. The balance remaining to be paid under this agreement as of September 30, 2014 cannot be determined since the total to be paid is dependent upon future sales tax revenue from the development.

During the year, the City entered into a Funding and Pledge Agreement with a financial institution and the City committed to remit to the Alabaster Board of Education (BOE) the 1% general sales tax that was enacted by the City in October 2011. The City has agreed to pledge the 1% general sales tax to the BOE for payment of a portion of the principal of, and the premium (if any) and the interest on the Series 2014 Warrants issued by the BOE or for such other public school purposes as determined by the BOE. This is considered a limited obligation indebtedness of the City, payable solely from pledged City sales and use tax revenues and does not give rise to a debt of the City. The pledge is effective until the Series 2014 Warrants (and any refunding warrants thereof) have been paid in full.

NOTE M - 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 N - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 67.56% of total governmental fund-type revenues for the year ended September 30, 2014. Sales and use tax revenues received from one (1) major taxpayer accounted for 13.71% of the total sales and use tax collected city-wide. In addition, business license revenues received from one (1) major company accounted for 39.04% of the total business license revenues collected city-wide.

NOTE O - LINE OF CREDIT

The City has a line of credit with a local financial institution for \$2,500,000 as of September 30, 2014; it bears interest at the rate of 1.75% with an expiration date of March 2016. Interest payments are due monthly. As of September 30, 2014, the City has drawn \$1.5 million on the line of credit.

NOTE P - NEW PRONOUNCEMENT

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with the fiscal year ended September 30, 2014, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Due to this implementation, the unamortized bond issue costs (\$264,917) at September 30, 2013 were fully amortized in the fiscal year ended September 30, 2014, rather than adjusted through a prior period adjustment due to materiality.

NOTE Q - SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through March 13, 2015, 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, 2014

	<u>Budgeted Amounts</u>			Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Sales and use taxes	\$ 13,300,000	\$ 17,466,224	\$ 17,445,165	\$ (21,059)
Property taxes	3,400,000	3,400,000	3,324,069	(75,931)
Other taxes	1,179,700	1,179,700	1,231,616	51,916
Licenses and permits	3,365,000	3,265,000	3,228,987	(36,013)
Intergovernmental	46,000	46,000	35,266	(10,734)
Charges for services	478,200	478,200	479,492	1,292
Fines and forfeitures	850,000	850,000	632,500	(217,500)
Donations, gifts and grants	18,000	18,000	23,419	5,419
Interest	500	500	62	(438)
Other revenues	815,290	815,290	551,258	(264,032)
Total revenues	<u>23,452,690</u>	<u>27,518,914</u>	<u>26,951,834</u>	<u>(567,080)</u>
EXPENDITURES				
<u>General Government</u>				
Administrative	1,520,417	1,537,218	1,656,249	(119,031)
Building	572,930	568,931	439,595	129,336
Revenue	246,856	245,656	220,239	25,417
Personnel	188,799	188,798	208,110	(19,312)
Elected officials	240,841	236,441	240,236	(3,795)
Newsletter	100,000	100,000	109,478	(9,478)
Total general government	<u>2,869,843</u>	<u>2,877,044</u>	<u>2,873,907</u>	<u>3,137</u>
<u>Public Protection</u>				
Police	6,668,507	6,668,507	6,862,286	(193,779)
Municipal Court	467,700	460,501	446,227	14,274
Fire	4,734,791	4,734,791	4,724,283	10,508
Total public protection	<u>11,870,998</u>	<u>11,863,799</u>	<u>12,032,796</u>	<u>(168,997)</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Public Ways and Facilities</u>				
Library	\$ 773,450	\$ 773,450	\$ 764,946	\$ 8,504
Public Works	1,635,822	1,635,822	1,628,096	7,726
Park and Recreation	2,320,920	2,320,920	2,353,334	(32,414)
Total public ways and facilities	<u>4,730,192</u>	<u>4,730,192</u>	<u>4,746,376</u>	<u>(16,184)</u>
<u>Alabaster City Schools</u>				
Payments to the Alabaster Board of Education	-	4,432,890	4,969,672	(536,782)
Payments to the schools	88,500	88,500	69,000	19,500
Other payments	-	-	12,757	(12,757)
	<u>88,500</u>	<u>4,521,390</u>	<u>5,051,429</u>	<u>(530,039)</u>
Total expenditures	<u>19,559,533</u>	<u>23,992,425</u>	<u>24,704,508</u>	<u>(712,083)</u>
Excess of revenues over expenditures	3,893,157	3,526,489	2,247,326	(1,279,163)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers in	700,000	700,000	710,060	10,060
Transfers (out)	(4,226,130)	(4,226,130)	(4,280,594)	(54,464)
Total other financing sources (uses)	<u>(3,526,130)</u>	<u>(3,526,130)</u>	<u>(3,570,534)</u>	<u>(44,404)</u>
Net change in fund balance	<u>\$ 367,027</u>	<u>\$ 359</u>	<u>(1,323,208)</u>	<u>\$ (1,323,567)</u>
Fund balance, beginning			<u>3,494,857</u>	
Fund balance, ending			<u>\$ 2,171,649</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, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
09/30/11 ¹	\$ 18,762,355	\$ 28,867,166	\$ 10,104,811	65.0%	\$ 11,704,066	86.3%
09/30/12 ³	\$ 19,841,329	\$ 28,135,368	\$ 8,294,039	70.5%	\$ 10,680,244	77.7%
09/30/13 ⁴	\$ 22,056,431	\$ 32,044,707	\$ 9,988,276	68.8%	\$ 11,802,215	84.6%

* The actuarial value of assets was set equal to the market value of assets as of September 30, 2012.
Market Value of Assets as of September 30, 2013: \$23,097,305

- 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
- ³ Reflects changes to interest smoothing methodology
- ⁴ Reflects implementation of Board Funding Policy

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	9/30/13
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Ultimate investment rate of return (includes inflation at 3.00%)	8.00%
Projected salary increases (includes inflation at 3.00%)	3.75 - 7.25%
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, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b- a)/c)
10/01/11	\$ -	\$ 3,467,382	\$ 3,467,382	0.0%	\$ 11,556,239	30.00%
10/01/12	\$ -	\$ 3,653,691	\$ 3,653,691	0.0%	\$ 11,727,562	31.15%
10/01/13	\$ -	\$ 3,410,090	\$ 3,410,090	0.0%	\$ 12,709,977	26.83%

Schedule of Funding Progress

	<u>09/30/12</u>	<u>09/30/13</u>	<u>09/30/14</u>
OPEB Cost	\$ 456,569	\$ 455,128	\$ 388,244
Contribution	-	-	-
Retiree premium	50,196	51,609	40,236
Total contribution and premium	<u>50,196</u>	<u>51,609</u>	<u>40,236</u>
Change in net OPEB obligation	<u>\$ 406,373</u>	<u>\$ 403,519</u>	<u>\$ 348,008</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	10.99%	11.34%	10.36%

The accompanying notes are an integral part of these statements.

CITY OF ALABASTER, ALABAMA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014

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

Subdivision Capital Projects Fund

Debt Service Fund

Special Revenue Funds:

Four Cent Gas Tax Fund

Seven Cent Gas Tax Fund

Corrections Fund

Drug Seizure Fund

Municipal Training Fund

Library State Aid Fund

Municipal Judicial 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, 2014

The following represents expenditures in excess of appropriations of the following amounts by department for the fiscal year ended September 30, 2014:

<u>General Government</u>	
Administrative	\$ 119,031
Personnel	19,312
Elected officials	3,795
Newsletter	9,478
<u>Public Protection</u>	
Police	193,779
<u>Public Ways and Facilities</u>	
Park and Recreation	32,414
<u>Alabaster City Schools</u>	
Payments to the Alabaster Board of Education	536,782
Other payments	12,757

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

SUPPLEMENTARY INFORMATION

CITY OF ALABASTER, ALABAMA
 COMBINING BALANCE SHEET
 GENERAL FUND
 September 30, 2014

	<u>General Fund</u>	<u>Education Fund</u>	<u>Total General Fund</u>
ASSETS			
Cash and cash equivalents	\$ 614,672	\$ -	\$ 614,672
Receivables	531,995	-	531,995
Due from Water Board	1,248	-	1,248
Due from other funds	13,689	-	13,689
Tobacco stamps	18,533	-	18,533
Prepaid expenses	152,212	-	152,212
Restricted assets:			
Cash and cash equivalents	2,732,176	-	2,732,176
Total assets	<u>\$ 4,064,525</u>	<u>\$ -</u>	<u>\$ 4,064,525</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 692,619	\$ -	\$ 692,619
Accrued payroll and related liabilities	388,075	-	388,075
Due to Alabaster Board of Education	709,700	-	709,700
Municipal Court cash bonds posted	102,482	-	102,482
Total liabilities	<u>1,892,876</u>	<u>-</u>	<u>1,892,876</u>
FUND BALANCE			
Nonspendable:			
Tobacco stamps	18,533	-	18,533
Prepaid expenses	152,212	-	152,212
Restricted for:			
Public protection	102,382	-	102,382
Committed for:			
Alabaster Reserve Account	1,920,094	-	1,920,094
Assigned for:			
Library	46,857	-	46,857
Unrestricted	(68,429)	-	(68,429)
Total fund balance	<u>2,171,649</u>	<u>-</u>	<u>2,171,649</u>
Total liabilities and fund balance	<u>\$ 4,064,525</u>	<u>\$ -</u>	<u>\$ 4,064,525</u>

CITY OF ALABASTER, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GENERAL FUND
 For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Education Fund</u>	<u>Total General Fund</u>
REVENUES			
Sales and use taxes	\$ 17,445,165	\$ -	\$ 17,445,165
Property taxes	3,324,069	-	3,324,069
Other taxes	1,231,616	-	1,231,616
Licenses and permits	3,228,987	-	3,228,987
Intergovernmental	35,266	-	35,266
Charges for services	479,492	-	479,492
Fines and forfeitures	632,500	-	632,500
Donations, gifts and grants	23,419	-	23,419
Interest	62	-	62
Other revenues	551,258	-	551,258
Total revenues	<u>26,951,834</u>	<u>-</u>	<u>26,951,834</u>
EXPENDITURES			
General government	2,873,907	-	2,873,907
Public protection	12,032,796	-	12,032,796
Public ways and facilities	4,746,376	-	4,746,376
Alabaster City Schools:			
Payments to the Alabaster Board of Education	4,652,010	317,662	4,969,672
Payments to the schools	69,000	-	69,000
Other payments	12,757	-	12,757
Total expenditures	<u>24,386,846</u>	<u>317,662</u>	<u>24,704,508</u>
Excess (deficiency) of revenues over expenditures	<u>2,564,988</u>	<u>(317,662)</u>	<u>2,247,326</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	710,060	-	710,060
Transfers (out)	(4,280,594)	-	(4,280,594)
Total other financing sources (uses)	<u>(3,570,534)</u>	<u>-</u>	<u>(3,570,534)</u>
Net change in fund balance	(1,005,546)	(317,662)	(1,323,208)
Fund balance, beginning	<u>3,177,195</u>	<u>317,662</u>	<u>3,494,857</u>
Fund balance, ending	<u>\$ 2,171,649</u>	<u>\$ -</u>	<u>\$ 2,171,649</u>

CITY OF ALABASTER, ALABAMA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2014

	Gas Tax Fund (7 cent)	Gas Tax Fund (4 cent)	Corrections Fund	Drug Seizure Fund	Municipal Training Fund	Library State Aid Fund	Municipal Judicial Fund	Subdivision Capital Projects Fund	Total
ASSETS									
Restricted cash	\$ 286,125	\$ 215,836	\$ 367,989	\$ 97,251	\$ 58,092	\$ 20	\$ 37,414	\$ 127,471	\$ 1,190,198
Total assets	<u>\$ 286,125</u>	<u>\$ 215,836</u>	<u>\$ 367,989</u>	<u>\$ 97,251</u>	<u>\$ 58,092</u>	<u>\$ 20</u>	<u>\$ 37,414</u>	<u>\$ 127,471</u>	<u>\$ 1,190,198</u>
LIABILITIES									
Accounts payable and accrued expenses	\$ 189,469	\$ 100,000	\$ 3,676	\$ -	\$ 1,022	\$ -	\$ 459	\$ -	\$ 294,626
Due to other funds	-	120,369	4,538	-	2,127	-	-	-	127,034
Subdivision cash bonds posted	-	-	-	-	-	-	-	33,575	33,575
Total liabilities	<u>189,469</u>	<u>220,369</u>	<u>8,214</u>	<u>-</u>	<u>3,149</u>	<u>-</u>	<u>459</u>	<u>33,575</u>	<u>455,235</u>
FUND BALANCES									
Restricted for:									
Capital improvements	-	-	-	-	-	-	-	93,896	93,896
Library	-	-	-	-	-	20	-	-	20
Public protection	-	-	359,775	97,251	54,943	-	36,955	-	548,924
Infrastructure maintenance	96,656	(4,533)	-	-	-	-	-	-	92,123
Total fund balance	<u>96,656</u>	<u>(4,533)</u>	<u>359,775</u>	<u>97,251</u>	<u>54,943</u>	<u>20</u>	<u>36,955</u>	<u>93,896</u>	<u>734,963</u>
Total liabilities and fund balance	<u>\$ 286,125</u>	<u>\$ 215,836</u>	<u>\$ 367,989</u>	<u>\$ 97,251</u>	<u>\$ 58,092</u>	<u>\$ 20</u>	<u>\$ 37,414</u>	<u>\$ 127,471</u>	<u>\$ 1,190,198</u>

CITY OF ALABASTER, ALABAMA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 Year Ended September 30, 2014

	Gas Tax Fund (7 cent)	Gas Tax Fund (4 cent)	Corrections Fund	Drug Seizure Fund	Municipal Training Fund	Library State Aid Fund	Municipal Judicial Fund	Subdivision Capital Projects Fund	Total
REVENUES									
Other taxes	\$ 71,676	\$ 55,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,649
Fines and forfeitures	-	-	100,644	-	5,900	-	23,127	36,894	166,565
Donations, gifts and grants	-	-	-	-	-	26,106	-	-	26,106
Interest	-	-	-	-	5	-	-	535	540
Total revenues	<u>71,676</u>	<u>55,973</u>	<u>100,644</u>	<u>-</u>	<u>5,905</u>	<u>26,106</u>	<u>23,127</u>	<u>37,429</u>	<u>320,860</u>
EXPENDITURES									
Public protection	-	-	65,797	-	9,873	-	20,066	-	95,736
Public ways and facilities	192,892	220,370	-	-	-	26,106	-	-	439,368
Total expenditures	<u>192,892</u>	<u>220,370</u>	<u>65,797</u>	<u>-</u>	<u>9,873</u>	<u>26,106</u>	<u>20,066</u>	<u>-</u>	<u>535,104</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	45	-	-	45
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>45</u>
Net change in fund balance	(121,216)	(164,397)	34,847	-	(3,968)	45	3,061	37,429	(214,199)
Fund balance, beginning	<u>217,872</u>	<u>159,864</u>	<u>324,928</u>	<u>97,251</u>	<u>58,911</u>	<u>(25)</u>	<u>33,894</u>	<u>56,467</u>	<u>949,162</u>
Fund balance, ending	<u>\$ 96,656</u>	<u>\$ (4,533)</u>	<u>\$ 359,775</u>	<u>\$ 97,251</u>	<u>\$ 54,943</u>	<u>\$ 20</u>	<u>\$ 36,955</u>	<u>\$ 93,896</u>	<u>\$ 734,963</u>