

City of Alabaster, Alabama

Annual Financial Report

For the Fiscal Year Ended September 30, 2015



City of Alabaster, Alabama
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September 30, 2015

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City of Alabaster, Alabama
Elected Officials
September 30, 2015

MAYOR

Honorable Marty Handlon

TERM OF OFFICE

October 2012-2016

CITY COUNCIL MEMBERS

Scott Brakefield, President- Ward 6	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

Independent Auditor's Report

To the Manager and City Council
City of Alabaster
Alabaster, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Alabaster, Alabama, as of and for the year ended September 30, 2015, 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; 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 and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 opinions. 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 financial statement presentation of the financial statements.

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

Unmodified Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, as of September 30, 2015, and the respective changes in financial position

and, where applicable, cash flows thereof for the year then ended in accordance 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 on pages 3.1–3.9 and the schedules listed in the table of contents as required supplementary information 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 and other auditors 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 introductory section, 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 basic financial statements.

The combining 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 basic 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above and the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Car, Riggs & Ingram, L.L.C.

Birmingham, Alabama

June 24, 2016

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, 2015. We encourage users 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 2015 by \$26.9 million.
- The unrestricted net position of the business-type activities are \$3.3 million and may be used to meet the ongoing obligations of the business-type activities.
- After restatement of the beginning fund balance (see Note 18), the governmental funds fund balance increased \$1.5 million during the year, bringing the total fund balance of governmental funds to \$10.6 million. Of this amount, \$4.2 million is restricted under laws external to the City for specific purposes, \$1.7 million is nonspendable which includes \$1.5 million for the noncurrent portion of a note receivable from the component unit of the City, \$2.2 million is committed for the City's reserve account, \$391 thousand is committed to the City Board of Education, \$69 thousand is assigned by management for specific purposes, and \$2.1 million is unreserved.
- After restatement of the beginning fund balance (see Note 18), the General Fund reported a fund balance of \$5.1 million. The fund balance increased by \$1.7 million during the year.
- The General Fund gave the Alabaster Board of Education \$4.6 million which represents the education portion of the sales tax collected.

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, 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 4 and 5 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:

- The 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 52 and 53 of this report.

The basic governmental fund financial statements can be found on pages 6 through 9 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 10 through 12 of this report.

Management's Discussion and Analysis (unaudited)

September 30, 2015

Notes to the Financial Statements

City of Alabaster, Alabama

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 13 through 45 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Alabaster adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 46 through 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 52 through 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve as a useful indicator of the government's financial position. Overall, the City's assets exceed liabilities by \$26.9 million at the close of the recent fiscal year. Of this figure, \$21.1 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, \$9.8 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	
	2015	2014	2015	2014	2015	2014
Current assets	12,753	20,883	7,212	7,216	19,965	28,099
Capital assets	50,582	49,795	33,367	33,532	83,949	83,327
Total assets	63,335	70,678	40,579	40,748	103,914	111,426
Deferred outflows of resources	988		1,877	2,028	2,865	2,028
Long-term liabilities outstanding	55,167	48,146	20,792	21,338	75,959	69,484
Other liabilities	2,556	2,806	590	638	\$3,146	3,444
Total liabilities	57,722	50,952	21,383	21,976	79,105	72,928
Deferred inflows	679		67		746	
Net position:						
Net investment in capital assets	7,540	4,605	13,535	14,281	21,075	18,886
Restricted	5,693	16,009	4,141	4,442	9,834	20,451
Unrestricted	-7,312	-888	3,330	2,077	-3,982	1,189
Total net position	\$ 5,921	\$ 19,726	\$ 21,006	\$ 20,800	\$ 26,927	\$ 40,526

Management's Discussion and Analysis (unaudited)

September 30, 2015

City of Alabaster, Alabama

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

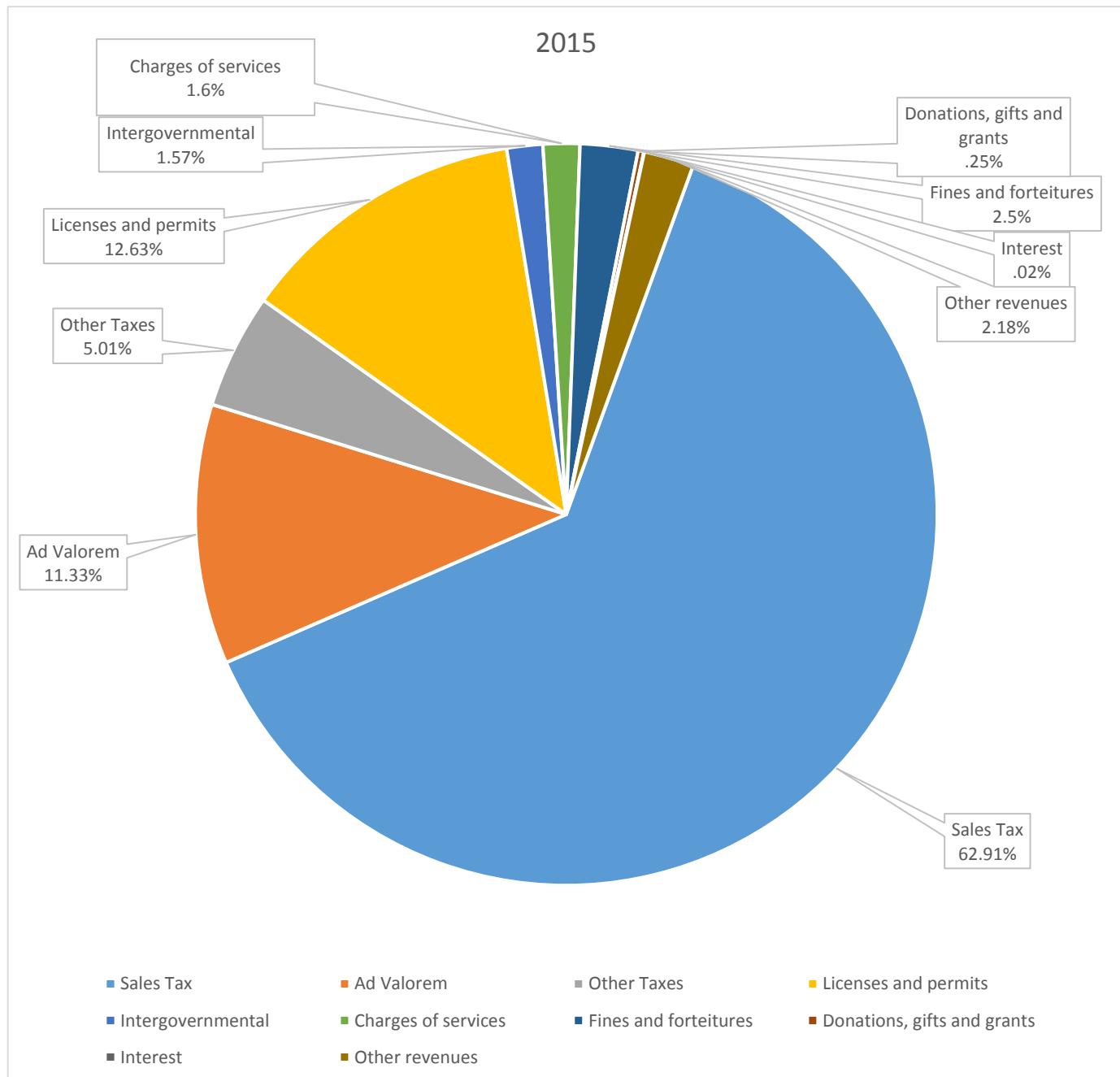
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenue:						
Fees, fines & charges for services	\$5,040	\$5,059	\$8,157	\$7,586	\$13,197	\$12,645
Operating grants & contributions	289	176			289	176
Capital grants & contributions	259	286			259	286
General revenues:					0	0
Property taxes	3,411	3,324			3,411	3,324
Sales and use taxes	18,937	17,445			18,937	17,445
Other taxes	1,508	1,232			1,508	1,232
Interest	6	6		1	6	7
Other revenue	655		-20	24	635	24
	Total revenues	30,104	27,528	8,137	7,611	38,241
						35,139
Expenses:						
General government	3,480	3,775			3,480	3,775
Public protection	13,110	12,506			13,109	12,506
Public ways and facilities	5,545	6,165			5,545	6,165
Interest and fiscal agent fees	1,248	1,416			1,248	1,416
Alabaster City Schools	4,787	5,052			4,787	5,052
Sewer Fund			4,783	4,693	4,783	4,693
Garbage Fund			1,613	1,596	1,613	1,596
	Total expenses	28,169	28,914	6,396	6,289	34,565
						35,203
Increase (decrease) in net assets before transfers and capital contributions	1,935	-1,386	1,741	1,322	3,677	-64
Capital contributions		459		25		484
Transfers	690	420	-690	-420		0
Change in net position	2,625	-507	1,051	927	3,677	420
Net position - beginning of year originally stated	19,726	20,233	20,800	19,873	40,526	40,106
Restatement (Note 18)	-16,430		-845		-17,275	
Net position - beginning of year restated	3,296	20,233	19,955	19,873	23,250	40,106
Net position - end of year	\$5,921	\$19,726	\$21,006	\$20,800	\$26,927	\$40,526

Governmental Activities

The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 11.33% and sales taxes provided 62.9% of the City's total governmental revenues. Sales tax revenue increased by 8.6% from 2014. It should be noted that program revenues covered 25.24% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 87.03% 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 46.5% of the total governmental expenses. Public protection expenses increased by \$604 thousand, or 4.8%, from 2014. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 19.68% of total governmental expenses, a decrease of 10.1% from 2014. Public ways and facilities include services such as parks and recreation, library and public works. The total cost of all governmental activities decreased by \$745 thousand, while revenues increased by \$2.58 million.

Revenue - Governmental Activities

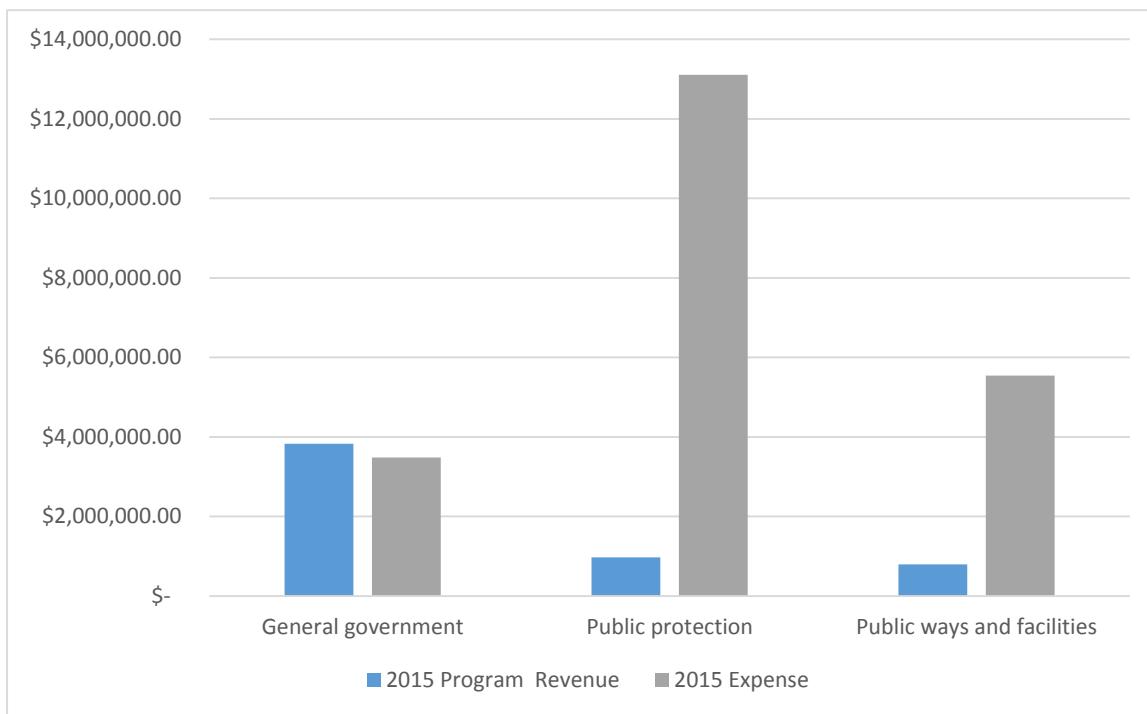


Management's Discussion and Analysis (unaudited)

September 30, 2015

City of Alabaster, Alabama

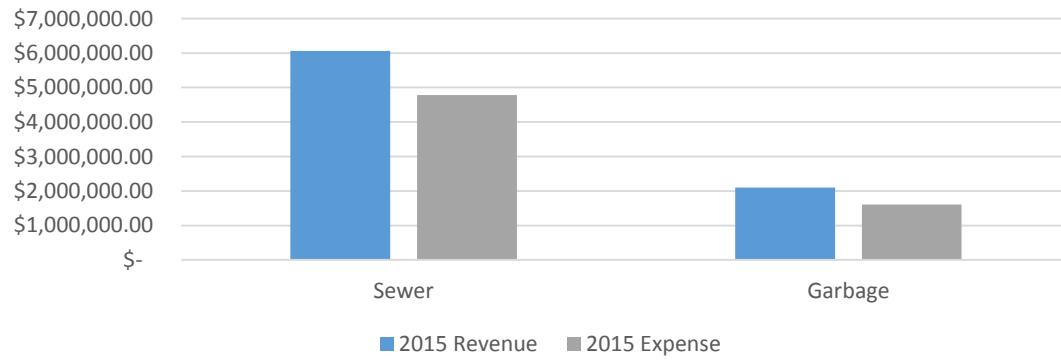
Program Revenues and Expenses - Governmental Activities



Business-Type Activities

The cost of all proprietary (business-type) activities was \$6.4 million, which is an increase of 1.7% from 2015. The amount paid by users of the sewer and garbage services was \$8.2 million, which is an increase of 7.5% from 2014. Within the total business type activities of the City, these activities reported change in net position after restatement of the beginning net position (see note 18) of \$1.1 million, which is an increase of 5.3%.

Revenues and Expenses before Transfers and Capital Contributions



Management's Discussion and Analysis (unaudited)

September 30, 2015

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 after restatement of the beginning balance (see Note 18) increased \$1.5 million in 2015 and the total balance as of September 30, 2015, was \$10.6 million. Of this amount, \$2.1 million consists of unrestricted fund balance. Nonspendable fund balance was \$1.7 million and fund balance that is committed for particular purposes, generally specified in council ordinances, totaled \$2.6 million. The remainder of the total fund balance is \$4.2 million, which is reserved, thus indicating 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 \$30.1 million, an increase of 9.32% from 2014. Sales tax revenue increased by \$1.5 million or 8.6%.

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 \$2.96 million and \$371 thousand, respectively. The total growth in net position for the Sewer Fund and Garbage Fund after the restatement of the beginning balance (see Note 18) was \$905 thousand and \$146 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 page 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, 2015, totals \$83.9 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 5) in the notes to the financial statements.

Management's Discussion and Analysis (unaudited)

September 30, 2015

City of Alabaster, Alabama

City of Alabaster's Capital Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$17,305	\$17,294	\$246	\$246	\$17,551	\$17,540
Furniture and equipment	4,760	4,234	553	523	5,313	4,757
Trucks and automobiles	6,586	6,474	877	609	7,463	7,083
Sewer plant and lines			46,506	46,051	46,506	46,051
Buildings, infrastructure and improvements	38,878	37,250	36	12	38,914	37,262
Construction in progress	471	487	119	32	590	519
	68,000	65,739	48,337	47,473	116,337	113,212
Accumulated depreciation	-17,418	-15,944	-14,970	-13,941	-32,388	-29,885
Total	\$50,582	\$49,795	\$33,367	\$33,532	\$83,949	\$83,327

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 7 to the financial statements for additional information on long-term debt.

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ending September 30, 2015, 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 an 8.55% increase in sales/use tax from fiscal year 2014. 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 2015, 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 Walmart Neighborhood Market, Ulta Cosmetics, Verizon and Aldi, Inc. opened within the City and are exceeding estimates. The City has multiple other retail establishments under construction and slated to open within fiscal year 2016. The Alabaster Promenade (north and south phases) continues to anchor national chains and is the only shopping complex in Shelby County to exceed 1 million 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 36 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 2015, 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 the 2015 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 2014 by more than 30% and will end calendar year 2015 as the highest in over 8 years. We expect this trend to continue as several hundred lots are currently under review to be considered by the Alabaster Planning Zoning Commission. 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, 2015

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Total	Component Unit	
Assets					
Cash and cash equivalents	\$ 2,069,416	\$ 1,684,491	\$ 3,753,907	\$ 121,419	
Receivables, net of allowance for uncollectible accounts	2,100,663	749,778	2,850,441	-	
Due from Water Board	-	646,644	646,644	-	
Due from other funds	6,916	(10,843)	(3,927)	-	
Tobacco stamps	12,677	-	12,677	-	
Inventory	2,122	-	2,122	-	
Prepaid expenses	155,036	148	155,184	-	
Restricted Assets:					
Cash and cash equivalents	6,814,365	4,141,396	10,955,761	-	
Due from Governmental Entity:					
Alabaster Board of Education	92,069	-	92,069	-	
Commercial Development Authority (CDA)	1,500,000	-	1,500,000	-	
Capital Assets:					
Land and construction in progress	17,776,225	245,770	18,021,995	10,410,913	
Other assets, net of accumulated depreciation	32,805,677	33,121,640	65,927,317	3,406,667	
Total Assets	\$ 63,335,166	\$ 40,579,024	\$ 103,914,190	\$ 13,938,999	
Deferred outflows of resources					
Deferred loss on refundings	-	1,779,415	1,779,415	-	
Employer retirement contribution					
subsequent to measurement date	987,583	97,673	1,085,256	-	
Total deferred outflows	987,583	1,877,088	2,864,671	-	
Liabilities					
Accounts payable	\$ 768,471	\$ 307,958	\$ 1,076,429	\$ -	
Accrued payroll and related liabilities	495,690	36,329	532,019	-	
Due to Alabaster Board of Education	756,844	-	756,844	-	
Accrued interest	425,134	246,097	671,231	-	
Municipal Court cash bonds posted	71,244	-	71,244	-	
Subdivision cash bonds posted	38,575	-	38,575	-	
Deferred property taxes	-	-	-	3,015	
Due to Governmental Entity:					
City of Alabaster	-	-	-	12,160,000	
Noncurrent Liabilities:					
Due within 1 year	4,238,137	1,713,152	5,951,289	-	
Due in more than 1 year	39,852,522	18,210,370	58,062,892	-	
Net other post employment benefit liability	2,290,733	-	2,290,733	-	
Net pension liability	8,785,142	868,860	9,654,002	-	
Total Liabilities	57,722,492	21,382,766	79,105,258	12,163,015	
Deferred inflows					
Difference between projected and actual earnings on pension plan investments	679,356	67,189	746,545	-	
Net position					
Net investment in capital assets	7,539,651	13,534,948	21,074,599	1,657,580	
Restricted For:					
Debt service	1,653,164	752,406	2,405,570	-	
Capital projects	1,701,607	3,388,991	5,090,598	118,404	
Public protection	590,596	-	590,596	-	
Library	69,561	-	69,561	-	
Noncurrent receivables (CDA)	1,500,000	-	1,500,000	-	
Infrastructure maintenance	178,219	-	178,219	-	
Unrestricted	(7,311,897)	3,329,812	(3,982,085)	-	
Total net position	\$ 5,920,901	\$ 21,006,157	\$ 26,927,058	\$ 1,775,984	

See notes to financial statements.

City of Alabaster, Alabama

Statement of Activities

September 30, 2015

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit
Primary government								
Governmental activities:								
General government	\$ 3,480,383	\$ 3,800,853	\$ 26,367	\$ -	\$ 346,837	\$ -	\$ 346,837	\$ -
Public protection	13,109,407	757,604	213,637	-	(12,138,166)	-	(12,138,166)	-
Public ways and facilities	5,544,769	481,762	48,627	258,968	(4,755,412)	-	(4,755,412)	-
Interest and fiscal agent fees	1,247,734	-	-	-	(1,247,734)	-	(1,247,734)	-
Alabaster City Schools	4,786,650	-	-	-	(4,786,650)	-	(4,786,650)	-
Total governmental activities	28,168,943	5,040,219	288,631	258,968	(22,581,125)	-	(22,581,125)	-
Business-Type Activities:								
Sewer fund	4,783,187	6,057,895	-	-	-	1,274,708	1,274,708	
Garbage fund	1,612,760	2,098,938	-	-	-	486,178	486,178	-
Total business-type activities	6,395,947	8,156,833	-	-	-	1,760,886	1,760,886	-
Total primary government	\$ 34,564,890	\$ 13,197,052	\$ 288,631	\$ 258,968	(22,581,125)	1,760,886	(20,820,239)	-
Total component units	\$ 116,982	\$ 10,000	\$ -	\$ -	-	-	-	(106,982)

General revenues:				
Taxes:				
Sales and use taxes	18,936,975	-	18,936,975	-
Property taxes	3,411,038	-	3,411,038	-
Other taxes	1,507,684	-	1,507,684	-
Interest	5,594	163	5,757	52
Other revenue	654,947	(19,564)	635,383	50,000
Transfers	690,000	(690,000)	-	-
Total general revenues and transfers	25,206,238	(709,401)	24,496,837	50,052
Change in net position	2,625,113	1,051,485	3,676,598	(56,930)
Net position - beginning of year as originally stated	19,726,187	20,799,531	40,525,718	1,832,914
Restatement (Note 18)	(16,430,399)	(844,859)	(17,275,258)	-
Net position - beginning of year restated	3,295,788	19,954,672	23,250,460	1,832,914
Net position at end of year	\$ 5,920,901	\$ 21,006,157	\$ 26,927,058	\$ 1,775,984

See notes to financial statements.

City of Alabaster, Alabama Balance Sheet – Governmental Funds

September 30, 2015

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,069,416	\$ -	\$ -	\$ -	\$ 2,069,416
Receivables, net of allowance for uncollectible accounts	2,091,849	-	-	8,814	2,100,663
Due from other funds	6,916	-	-	-	6,916
Due from Governmental Entity:					
Alabaster Board of Education	-	92,069	-	-	92,069
Commercial Development Authority (CDA)	-	1,500,000	-	-	1,500,000
Tobacco stamps	12,677	-	-	-	12,677
Inventories	2,122	-	-	-	2,122
Prepaid expenditures	155,036	-	-	-	155,036
Restricted assets:					
Cash and cash equivalents	2,752,013	1,533,698	1,653,164	875,489	6,814,364
Total Assets	\$ 7,090,030	\$ 3,125,767	\$ 1,653,164	\$ 884,303	\$ 12,753,264
Liabilities					
Accounts payable and accrued expenses	\$ 696,174	\$ 23,650	\$ -	\$ 48,647	\$ 768,471
Due to other funds	-	-	-	-	-
Accrued payroll and related liabilities	495,690	-	-	-	495,690
Due to Alabaster Board of Education	756,844	-	-	-	756,844
Municipal court cash bonds posted	71,244	-	-	-	71,244
Subdivision cash bonds posted	-	-	-	38,575	38,575
Total Liabilities	2,019,952	23,650	-	87,222	2,130,824
Fund balance					
Nonspendable:					
Note receivable (CDA)	-	1,500,000	-	-	1,500,000
Tobacco stamps	12,677	-	-	-	12,677
Inventories and prepaid expenses	157,158	-	-	-	157,158
Restricted for:					
Debt service	-	-	1,653,164	-	1,653,164
Capital improvements	-	1,602,117	-	99,490	1,701,607
Library	69,541	-	-	20	69,561
Public protection	71,244	-	-	519,352	590,596
Infrastructure maintenance	-	-	-	178,219	178,219
Committed for:					
Alabaster Reserve Account	2,220,094	-	-	-	2,220,094
City Board of Education	391,135				391,135
Assigned for:					
Library	69,540	-	-	-	69,540
Unassigned	2,078,689	-	-	-	2,078,689
Total Fund balance	5,070,078	3,102,117	1,653,164	797,081	10,622,440
Total Liabilities and Fund balance	\$ 7,090,030	\$ 3,125,767	\$ 1,653,164	\$ 884,303	\$ 12,753,264

See notes to financial statements.

City of Alabaster, Alabama
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

September 30, 2015

Total fund balance - governmental funds	\$ 10,622,440
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 5).	50,581,902
Net deferred inflows and outflows related to pensions	308,227
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 2).	<u>(55,591,668)</u>
Net position of governmental activities	<u>\$ 5,920,901</u>

See notes to financial statements.

City of Alabaster, Alabama
Statement of Revenues, Expenditures, and Changes in Fund
Balance – Governmental Funds

<i>For the year ended September 30, 2015</i>	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Sales and use taxes	\$ 18,936,975	\$ -	\$ -	\$ -	\$ 18,936,975
Property taxes	3,411,038	- -	- -	- -	3,411,038
Other taxes	1,376,372	- -	- -	131,312	1,507,684
Licenses and permits	3,800,853	- -	- -	- -	3,800,853
Intergovernmental	213,637	258,968	- -	- -	472,605
Charges for services	481,762	- -	- -	- -	481,762
Fines and forfeitures	614,252	- -	- -	143,352	757,604
Donations, gifts, and grants	26,367	27,806	- -	20,821	74,994
Interest	61	4,690	218	573	5,542
Other revenues	654,994	- -	- -	6	655,000
Total Revenues	29,516,311	291,464	218	296,064	30,104,057
Expenditures					
General government	3,105,738	- -	- -	- -	3,105,738
Public protection	12,362,621	- -	- -	89,965	12,452,586
Public ways and facilities	4,615,492	- -	- -	66,037	4,681,529
Alabaster City Schools					
Payments to the Alabaster Board of Education	4,634,081	- -	- -	- -	4,634,081
Other payments	4,472	- -	- -	- -	4,472
Debt service:					
Debt retirement	- -	- -	2,125,000	- -	2,125,000
Interest and fiscal agent fees	- -	- -	1,341,639	- -	1,341,639
Capital projects construction and outlay	747,134	155,237	- -	- -	902,371
Total Expenditures	25,469,538	155,237	3,466,639	156,002	29,247,416
Excess (deficiency) of revenues over expenditures	4,046,773	136,227	(3,466,421)	140,062	856,641
Other financing sources (uses)					
Transfers in	1,117,944	- -	3,833,011	- -	4,950,955
Transfers out	(3,483,011)	- -	(700,000)	(77,944)	(4,260,955)
Total Other financing sources (uses)	(2,365,067)	-	3,133,011	(77,944)	690,000
Net change in fund balance	1,681,706	136,227	(333,410)	62,118	1,546,641
Fund balance, beginning	2,171,649	13,625,890	1,986,574	734,963	18,519,076
Restatement (Note 18)	1,216,723	(10,660,000)	- -	- -	(9,443,277)
Fund balances - beginning as restated	3,388,372	2,965,890	1,986,574	734,963	9,075,799
Fund balance, ending	\$ 5,070,078	\$ 3,102,117	\$ 1,653,164	\$ 797,081	\$ 10,622,440

See notes to financial 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

September 30, 2015

Net change in fund balance -- total governmental funds	\$ 1,546,641
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 2).	929,322
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (Note 5).	(1,697,541)
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 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. This amount is the net effect of these differences in the treatment of long-term debt and related items (Note 2).	2,315,460
Other expenses reported in the statement of activities that do not require current financial resources.	
Accrued interest	15,838
Compensated absences	(200,465)
OPEB	(350,000)
Difference in pension expense related to deferred outflows and inflows of resources	65,858
	(468,769)
Net change in net position of governmental activities	\$ 2,625,113

See notes to financial statements.

City of Alabaster, Alabama
Statement of Net Position – Proprietary Funds

September 30, 2015

	Business-Type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,402,115	\$ 282,376	\$ 1,684,491
Receivables, net of allowance for uncollectible accounts	562,519	187,259	749,778
Due from Water Board	480,079	166,565	646,644
Prepaid expenses	148	-	148
Restricted assets:			
Cash and cash equivalents	4,141,396	-	4,141,396
Total current assets	6,586,257	636,200	7,222,457
 Noncurrent assets:			
Capital assets, net	33,162,989	204,421	33,367,410
Total Assets	39,749,246	840,621	40,589,867
 Deferred outflows of resources			
Deferred loss on refundings	1,779,415	-	1,779,415
Employer retirement contribution subsequent to measurement date	97,673	-	97,673
Total deferred outflows of resources	1,877,088	-	1,877,088
 Liabilities			
Current liabilities:			
Accounts payable	174,581	133,377	307,958
Due to other funds	10,843	-	10,843
Accrued payroll and related liabilities	36,329	-	36,329
Accrued interest	246,097	-	246,097
Compensated absences	31,783	-	31,783
Capital lease payable	-	36,369	36,369
Bonds payable	1,645,000	-	1,645,000
Total current liabilities	3,013,493	169,746	3,183,239
 Noncurrent liabilities:			
Compensated absences	61,825	-	61,825
Bonds (net of premiums and discounts)	18,016,678	-	18,016,678
Capital lease payable	-	131,867	131,867
Net pension liability	868,860	-	868,860
Total noncurrent liabilities	18,947,363	131,867	18,210,370
Total Liabilities	21,091,996	301,613	21,393,609
 Deferred inflows of resources			
Difference between projected and actual earnings on pension plan investments	67,189	-	67,189
 Net position			
Net investment in capital assets	13,366,896	168,052	13,534,948
Restricted For:			
Debt service	752,406	-	752,406
Capital projects	3,388,991	-	3,388,991
Unrestricted	2,958,856	370,956	3,329,812
Total net position	\$ 20,467,149	\$ 539,008	\$ 21,006,157

See notes to financial statements.

City of Alabaster, Alabama
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

September 30, 2015

	Business-Type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
Operating revenue			
Charges for services	\$ 6,057,895	\$ 2,098,938	\$ 8,156,833
Total operating revenue	6,057,895	2,098,938	8,156,833
Operating expenses			
Administration, operations, and maintenance	2,919,671	1,561,634	4,481,305
Depreciation and amortization	1,072,932	49,761	1,122,693
Total operating expenses	3,992,603	1,611,395	5,603,998
Operating income	2,065,292	487,543	2,552,835
Nonoperating revenues (expenses)			
Gain on disposal of assets	(37,800)	-	(37,800)
Interest income	163	-	163
Interest expense	(790,584)	(1,365)	(791,949)
Miscellaneous non operating revenue	18,236	-	18,236
Total nonoperating income	(809,985)	(1,365)	(811,350)
Income before transfers	1,255,307	486,178	1,741,485
Transfers out	(350,000)	(340,000)	(690,000)
Changes in net position	905,307	146,178	1,051,485
Net position - beginning of year as originally stated	20,406,701	392,830	20,799,531
Restatement (Note 18)	(844,859)	-	(844,859)
Net position - beginning of year restated	19,561,842	392,830	19,954,672
Net position, end of year	\$ 20,467,149	\$ 539,008	\$ 21,006,157

See notes to financial statements.

City of Alabaster, Alabama
Statement of Cash Flows – Proprietary Funds

September 30, 2015

	Business-Type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
Operating activities			
Receipts from customers	\$ 5,879,699	\$ 2,037,652	\$ 7,917,351
Payments to suppliers for services	(1,641,607)	(1,553,396)	(3,195,003)
Payments to employees for services	(1,134,858)	-	(1,134,858)
Internal activity -- receipts from other funds	11,020	-	11,020
Net cash provided by operating activities	3,114,254	484,256	3,598,510
Noncapital financing activities			
Reimbursements	18,236	-	18,236
Transfers out	(350,000)	(340,000)	(690,000)
Net cash (used) by noncapital financing activities	(331,764)	(340,000)	(671,764)
Capital and related financing activities			
Acquisition and construction of capital assets	(705,991)	(11,300)	(717,291)
Payments on capital leases	-	(17,999)	(17,999)
Principal payments on warrants	(1,600,000)	-	(1,600,000)
Principal payments on notes payable	-	(3,537)	(3,537)
Proceeds from sale of assets	(37,800)	-	(37,800)
Interest paid	(558,030)	(1,365)	(559,395)
Net cash (used) by capital and related financing activities	(2,901,821)	(34,201)	(2,936,022)
Investing activities			
Interest received	163	-	163
Net cash provided by investing activities	163	-	163
Net increase in cash and cash equivalents	(119,168)	110,055	(9,113)
Cash and cash equivalents, beginning of year	5,662,679	172,321	5,835,000
Cash and cash equivalents, end of year	\$ 5,543,511	\$ 282,376	\$ 5,825,887
Operating Income	\$ 2,065,292	\$ 487,543	\$ 2,552,835
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,220,158	49,761	1,269,919
Change in assets and liabilities:			
(Increase) in accounts receivable	(178,196)	(61,286)	(239,482)
(Increase) in prepaid expenses	15,348	-	15,348
Increase in accounts payable	(53,230)	8,238	(44,992)
Increase in accrued payroll and related liabilities	44,882	-	44,882
Net cash provided by operating activities	\$ 3,114,254	\$ 484,256	\$ 3,598,510
Supplemental information			
Noncash activities			
Acquisition of capital assets	\$ -	\$ 186,234	\$ 186,234
Cash paid for capital assets	\$ -	\$ 186,234	\$ 186,234
Reconciliation of total cash and cash equivalents			
Cash and cash equivalents	\$ 1,402,115	\$ 282,376	\$ 1,684,491
Restricted assets - cash and cash equivalents	4,141,396	-	4,141,396
\$ 5,543,511	\$ 282,376	\$ 5,825,887	

See notes to financial statements.

City of Alabaster, Alabama

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 which has been offset by an allowance for doubtful accounts of \$10,660,000. 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.

City of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

City of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major enterprise funds:

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

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

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.

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.

City of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and Payables

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

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

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

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 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.

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."

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 that are 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 240 are forfeited. Accumulated vacation leave is paid to an employee at the time of separation of service.

City employees had total incurred accumulated unpaid vacation leave amounting to \$1,370,543 reported in the government-wide statements at September 30, 2015. A liability for vacation pay is reported in the governmental funds only if they have matured. The City had a liability for matured vacation pay at September 30, 2015 and reported a liability of \$60,276 in the governmental funds financial statements.

City of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eligible employees earn sick leave at the rate of one work day for each month of service. Sick leave can be converted as years of service upon retirement in the Retirement Systems of Alabama.

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 are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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 lease obligations are reported as liabilities in the governmental activities statement of net position.

Deferred outflows and inflows of resources

The statement of net position will sometimes report separate sections for deferred outflows and inflows of resources.

The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two items that qualify for reporting in this category. The first 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. The second one is related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of net pension liability in 2016.

The statement of financial position will also report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

inflow of resources (revenue) until that time. At this time, the City has one transaction that meets the definition of deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments.

Fund Balances - Governmental Funds

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

Non-spendable 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 6). As discussed in Note 1, 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.

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.

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 2 - 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 financial statements include a 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 \$55,591,668 difference are as follows:

Bonds Payable	\$ 41,662,254
Less: (Bond discounts)/premiums, net	(548,052)
Note payable	1,500,000
Capital lease obligation	259,798
Accrued interest payable	425,134
Compensated absences	1,216,659
Net other post employment benefit liability	2,290,733
Net pension liability	<u>8,785,142</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position- governmental activities	<u>\$ 55,591,668</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 financial statements include 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 \$929,322 difference are as follows:

Capital outlay	\$ 937,240
Book value of disposed assets	<u>(7,918)</u>
Net adjustment to fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 929,322</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.

City of Alabaster, Alabama
Notes to the Financial Statements

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

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 details of this \$(2,315,460) difference is as follows:

Principal payments on general obligation debt	\$ (2,253,620)
Principal payments on capital lease obligation	(112,393)
Amortization of discounts and premiums	<u>50,553</u>
Net adjustments to fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (2,315,460)</u></u>

NOTE 3 - 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.

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 4 – RECEIVABLES

Receivable balances have been disaggregated by type and presented separately in the financial statements. The following details the description and amounts of accounts receivable for the City:

	General Fund	Other Governmental Fund	Total
Taxes	\$ 2,037,875	\$ -	\$ 2,037,875
Other receivables	53,974	8,814	62,788
Total	\$ 2,091,849	\$ 8,814	\$ 2,100,663

	Sewer Fund	Garbage Fund	Total
Charges for services	\$ 562,498	\$ 200,611	\$ 763,109
Other receivables	25,585	-	25,585
	588,083	200,611	788,694
Less allowance for uncollectible accounts	(25,564)	(13,352)	(38,916)
	\$ 562,519	\$ 187,259	\$ 749,778

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the year ended September 30, 2015, was as follows:

Governmental activities:	Balance			Balance September 30, 2015
	September 30, 2014	Additions/ Transfers-in	Deletions/ Transfers-out	
Capital assets, not being depreciated:				
Land	\$ 17,294,233	\$ 10,500	\$ -	\$ 17,304,733
Construction in progress	486,601	45,748	(60,857)	471,492
Total capital assets, not being depreciated	17,780,834	56,248	(60,857)	17,776,225
Capital assets, being depreciated:				
Infrastructure	22,414,594	1,555,652	-	23,970,246
Buildings	8,161,535	-	-	8,161,535
Building improvements	1,711,253	71,642	-	1,782,895
Communication equipment	40,603	-	(35,000)	5,603
Computer equipment	510,520	83,852	(12,000)	582,372
Office equipment	-	28,840	-	28,840
Furniture and fitting	377,097	1,920	-	379,017
Heavy trucks	3,559,389	3,186	-	3,562,575
Land improvements	4,963,089	-	-	4,963,089
Library collection	1,761,719	37,842	-	1,799,561
Light trucks	1,545,365	137,909	(34,946)	1,648,328
Motor vehicles	1,368,777	155,580	(149,309)	1,375,048
Plant and equipment	1,082,931	392,578	-	1,475,509
Software	460,911	28,500	-	489,411
Total capital assets, being depreciated	47,957,783	2,497,501	(231,255)	50,224,029
Less Accumulated depreciation for:				
Infrastructure	3,644,155	479,281	-	4,123,436
Buildings	1,428,677	203,907	-	1,632,584
Building improvements	1,032,085	58,557	-	1,090,642
Communication equipment	37,428	1,120	(35,000)	3,548
Computer equipment	305,368	48,747	(12,000)	342,115
Office equipment	-	4,314	-	4,314
Furniture and fitting	71,791	44,253	-	116,044
Heavy trucks	2,612,033	124,713	-	2,736,746
Land improvements	2,092,912	230,295	-	2,323,207
Library collection	1,430,387	102,332	-	1,532,719
Light trucks	962,729	158,828	(34,946)	1,086,611
Motor vehicles	1,271,852	62,142	(141,391)	1,192,603
Plant and equipment	714,491	91,498	-	805,989
Software	340,240	87,554	-	427,794
Total accumulated depreciation	15,944,148	1,697,541	(223,337)	17,418,352
Total capital assets, being depreciated, net	32,013,635	799,960	(7,918)	32,805,677
Governmental activities capital assets, net	\$ 49,794,469	\$ 856,208	\$ (68,775)	\$ 50,581,902

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Business-type activities:	Balance			Balance September 30, 2015
	September 30, 2014	Additions/	Deletions/	
	Transfers-in	Transfers-out		
Capital assets, not being depreciated:				
Land	\$ 245,770	\$ -	\$ -	\$ 245,770
Construction in progress	32,057	118,803	(32,057)	118,803
Total capital assets, not being depreciated	277,827	118,803	(32,057)	364,573
Capital assets, being depreciated:				
Computer equipment	-	2,743	-	2,743
Heavy trucks	376,247	267,284	-	643,531
Land improvements	11,765	24,415	-	36,180
Light trucks	233,351	-	-	233,351
Plant and equipment	379,666	-	-	379,666
Sewer and plant lines	46,050,648	495,436	(39,826)	46,506,258
Software	143,900	26,900	-	170,800
Total capital assets, being depreciated	47,195,577	816,778	(39,826)	47,972,529
Less Accumulated depreciation for:				
Computer equipment	-	352	-	352
Heavy trucks	287,581	62,494	-	350,075
Land improvements	45	13	-	58
Light trucks	143,733	18,541	-	162,274
Plant and equipment	255,169	12,450	-	267,619
Sewer and plant lines	13,175,991	883,773	-	14,059,764
Software	78,951	50,599	-	129,550
Total accumulated depreciation	13,941,470	1,028,222	-	14,969,692
Total capital assets, being depreciated, net	33,254,107	(211,444)	(39,826)	33,002,837
Governmental activities capital assets, net	\$ 33,531,934	\$ (92,641)	\$ (71,883)	\$ 33,367,410

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

<i>General Government</i>				
Administrative		\$ 354,740	\$ 354,740	
<i>Public Protection</i>				
Police	262,158			
Municipal Court		1,364		
Fire		<u>133,077</u>	396,599	
<i>Public Ways and Facilities:</i>				
Library	148,097			
Public Works		433,947		
Park and Recreation		<u>364,158</u>	946,202	
			<u>\$ 1,697,541</u>	

Business-type activities:

Sewer		\$ 978,462	
Garbage Fund		<u>\$ 49,760</u>	

Activity for the discretely presented component unit, CDA, for the year ended September 30, 2015, was as follows:

Governmental activities:	Balance	Deletions/		Balance
	September 30, 2014	Additions/	Transfers- in	September 30, 2015
Capital assets, not being depreciated:				
Land	\$ 10,260,062	\$ 150,851	\$ -	\$ 10,410,913
Total capital assets, not being depreciated	10,260,062	150,851	-	10,410,913
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	513,333	80,000	-	593,333
Total capital assets, being depreciated, net	3,486,667	(80,000)	-	3,406,667
Commercial Development Authority capital assets, net	\$ 13,746,729	\$ 70,851	\$ -	\$ 13,817,580

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, 2015.

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2015, is as follows:

Transfers In/Out:

<u>Transfers Out:</u>		
From General Fund to Debt Service Fund		\$ 3,483,011
From Nonmajor to General Fund		77,944
From Debt Service Fund to General Fund		700,000
<hr/>		
Subtotal		4,260,955
From Sewer Fund (an enterprise fund) to Debt Service Fund		350,000
From Garbage Fund (an enterprise fund) to General Fund		340,000
<hr/>		
	\$	4,950,955
<u>Transfers In:</u>		
To Debt Service Fund from General Fund		\$ 3,483,011
To General Fund from Nonmajor Fund		77,944
To General Fund from Debt Service Fund		700,000
<hr/>		
Subtotal		4,260,955
<hr/>		
To Debt Service Fund from Sewer Fund (an enterprise fund)		350,000
To General Fund from Garbage Fund (an enterprise fund)		340,000
<hr/>		
	\$	4,950,955

In the fund financial statements, total transfers out of \$4,260,955 are less than total transfers in of \$4,950,955 because during the year the Sewer Fund and Garbage Fund, enterprise funds, transferred \$690,000 to the General Fund. These transfers are shown in the Proprietary Funds, but not shown in the Governmental Funds financial statements.

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

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 7 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.

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
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

Refunding

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					
Fiscal			Outstanding	Debt Service	Economic			
Year	Series	Face Amount	Series	Refunded Amount	09/30/15	Savings	Gain/(Loss)	
2012 C		\$ 12,310,000	2005-A	\$ 10,535,000	\$ 8,920,000	\$ (260,457)	\$ 241,381	

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 7 LONG TERM DEBT (CONTINUED)

Outstanding Debt

The amount of debt outstanding at September 30, 2015, and information related to it was as follows:

Series	Original Amount	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
<u>Governmental Activities:</u>					
<i>G.O. Warrants</i>					
2005-B	\$ 555,000	4/1/2025	4.00% - 4.45%	\$ 360,000	\$ 30,000
2010-A	7,780,000	9/1/2026	2.00% - 5.80%	6,045,000	470,000
2010-B	3,055,000	9/1/2029	4.00% - 4.25%	3,055,000	-
2011-A	1,220,000	1/1/2018	1.50% - 2.40%	555,000	180,000
2011-B	4,915,000	9/1/2025	2.00% - 3.25%	4,160,000	235,000
2012-A	2,410,000	4/1/2018	1.35% - 2.50%	1,760,000	580,000
2012-B	9,975,000	4/1/2024	2.00% - 2.55%	9,530,000	155,000
2012-C	12,310,000	4/1/2028	0.75% - 3.90%	10,330,000	650,000
2012-D	5,205,000	4/1/2033	3.125% - 3.625%	5,205,000	-
2013	1,300,000	10/1/2017	1.96%	662,254	263,591
	48,725,000			41,662,254	2,563,591
Capital lease obligation	586,234	10/29/2017	1.66%	259,798	114,270
Note payable	1,500,000	3/1/2016	1.75%	1,500,000	1,500,000
Total governmental activities	50,811,234			43,422,052	4,177,861

Business-Type Activities:

<i>G.O. Warrants</i>					
2009	7,575,000	9/1/2020	2.00% - 4.00%	4,315,000	745,000
2013-B	16,920,000	4/1/2029	2.25% - 3.70%	15,245,000	900,000
	24,495,000			19,560,000	1,645,000
Capital lease obligation	183,249	3/27/2020		168,236	36,369
Total business-type activities	24,678,249			19,728,236	1,681,369
Total primary government	\$ 75,489,483			\$ 63,150,288	\$ 5,859,230

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 7 LONG TERM DEBT (CONTINUED)

Future Debt Service

The City's future debt service requirements on its outstanding warrants, notes and bonds as of September 30, 2015 are shown below.

Governmental Activities:	G.O. Warrants		Note Payable	
	Principal	Interest	Principal	Interest
2016	\$ 2,563,591	\$ 1,300,170	\$ 1,500,000	\$ 10,938
2017	2,723,783	1,241,001	-	-
2018	2,505,000	1,175,675	-	-
2019	2,515,000	1,109,175	-	-
2020	2,260,000	1,042,985	-	-
2021-2025	18,075,000	3,582,426	-	-
2026-2030	8,130,000	1,238,859	-	-
2031-2035	2,889,880	139,209	-	-
	\$41,662,254	\$10,829,500	\$ 1,500,000	\$ 10,938

Business-Type Activities:	G.O. Warrants	
	Principal	Interest
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	2,195,000	388,483
2021-2025	5,485,000	1,292,361
2026-2030	4,975,000	442,035
	\$ 19,560,000	\$ 4,255,612

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 7 LONG TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation warrants	\$43,915,874	\$ -	\$ (2,253,620)	\$ 41,662,254	\$ 2,563,591
Less amounts deferred for:					
Issue discounts and premiums, net	598,605	-	(50,553)	548,052	-
Total general obligation warrants	43,317,269	-	(2,203,067)	41,114,202	2,563,591
Note payable	1,500,000	-	-	1,500,000	1,500,000
Capital lease obligation	372,191	-	(112,393)	259,798	114,270
Compensated absences	1,016,194	292,192	(91,727)	1,216,659	60,276
Governmental activities long-term activities	<u>\$46,205,654</u>	<u>\$ 292,192</u>	<u>\$ (2,407,187)</u>	<u>\$ 44,090,659</u>	<u>\$ 4,238,137</u>
 Business-Type activities:					
General obligation warrants	\$21,160,000	\$ -	\$ (1,600,000)	\$ 19,560,000	\$ 1,645,000
Subtotal	21,160,000	-	(1,600,000)	19,560,000	1,645,000
Less amounts deferred for:					
Issue discounts, premiums and costs, net	(116,095)	-	(7,209)	(108,886)	-
Total warrants	21,276,095	-	(1,592,791)	19,668,886	1,645,000
Note payable	3,537	-	(3,537)	-	-
Capital lease obligation	183,249	-	(15,013)	168,236	36,369
Compensated absences	58,577	37,356	(2,325)	93,608	31,783
Business-type activities long-term liabilities	<u>21,521,458</u>	<u>37,356</u>	<u>(1,613,666)</u>	<u>19,930,730</u>	<u>1,713,152</u>
Total long-term liabilities	<u>\$67,727,112</u>	<u>\$ 329,548</u>	<u>\$ (4,020,853)</u>	<u>\$ 64,021,389</u>	<u>\$ 5,951,289</u>

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 8 - LEASE OBLIGATIONS

Operating Leases

The City was not obligated on any significant operating leases as of September 30, 2015.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of police vehicles and a garbage truck. This lease agreement is treated as a capital lease 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:

	Cost Basis	Accumulated Depreciation	Total
Light Trucks	\$ 456,835	\$ 134,978	\$ 321,857
Heavy Trucks	128,414	6,421	121,993
Total	\$ 585,249	\$ 141,399	\$ 443,850

The future of the minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2015, are as follows:

Governmental Activities	
<hr/>	
Year Ending September 30:	
2016	\$ 156,583
2017	156,583
2018	68,177
2019	38,708
2020	19,354
Total minimum lease payments	439,405
Less: Amount representing interest	(11,371)
Present value of minimum lease payments	\$ 428,034

City of Alabaster, Alabama Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN

Plan description

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

The ERSA 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 specific 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 ERSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Section 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 3627-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living Adjustments (COLAs) granted to retirees. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

Substantially all employees are members of the ERSA. Membership is mandatory for covered or eligible employees of the City. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age sixty or after twenty-five years of service.

City of Alabaster, Alabama Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active Members	<u>55,883</u>
Total	<u>83,874</u>

City of Alabaster, Alabama Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2015, the City's active employee contribution rate was 12.61% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2015 was 15.12% of pensionable pay for Tier 1 employees and 12.82% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2012, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$1,085,256 for the year ended September 30, 2015.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward		
Total Pension Liability		
as of September 30, 2013 (a)		\$ 33,524,098
Entry Age Normal Cost for		
October 1, 2013 – September 30, 2014 (b)		1,071,349
Actual Benefit Payment and Refunds for		
October 1, 2013 – September 30, 2014 (c)		(1,143,546)
Total Pension Liability		
as of September 30, 2014		
<u>[(a) x (1.08)] + (b) – [(c) x (1.04)]</u>		<u>\$ 36,088,087</u>

Actuarial assumptions

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%-7.25%
Investment rate of return	8.00%*

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

* Included assumed rate of Inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary		Net Pension Liability (Asset) (a)-(b)
		Net Position (b)		
Balances at September 30, 2013	\$ 33,524,098	\$ 23,097,305		\$ 10,426,793
Changes for the year:				
Service cost	1,071,349		-	1,071,349
Interest	2,636,186		-	2,636,186
Changes in assumptions	-	-	-	-
Difference between expected and actual experience	-	-	-	-
Contributions – employer	-	1,039,130	(1,039,130)	
Contributions – employee	-	691,926	(691,926)	
Net investment income	-	2,802,343	(2,802,343)	
Benefit payments, including refunds of employee contributions	(1,143,546)	(1,143,546)		-
Administrative expense	-	-	-	-
Transfers among employers	-	(53,073)		53,073
Net Changes	2,563,989	3,336,780		(772,791)
Balances at September 30, 2014	\$ 36,088,087	\$ 26,434,085		\$ 9,654,002

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

		1%	Current	1%
		Discount		
		Decrease	Rate	Increase
		7.00%	8.00%	9.00%
Plan's Net Pension Liability	\$ 14,664,793	\$ 9,654,002	\$ 5,489,456	

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$1,012,884. At September 30, 2015, the reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	- -	- -
Net difference between projected and actual earnings on plan investments	- -	746,545
Employer contributions subsequent to the Measure Date	1,085,256	- -
Total	\$ 1,085,256	\$ 746,545

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ 186,636
2017	186,636
2018	186,636
2019	186,637
2020	- -
Thereafter	- -
Total	\$ 746,545

NOTE 10 - 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 Financial Statements

NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Contribution Rates

Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents. The following is a monthly premium cost sharing for retirees and the City for FY 2015 as determined by the City Council of the City of Alabaster:

	City	Retiree	Total
Family	\$ 479	\$ 954	\$ 1,433
Single	\$ 479	\$ 300	\$ 779
Single Medicare	\$ -	\$ 394	\$ 394

Fund Policy

Until Fiscal Year Ending September 30, 2010, the City of Alabaster recognized the cost of providing post-employment medical benefits (the City of Alabaster's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning October 1, 2009, the City of Alabaster implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions* (GASB 45). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In Fiscal Year Ending September 30, 2013, the City of Alabaster's portion of health care funding cost for retired employees totaled \$51,253. 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, 2014 is \$416,000, as set forth below:

	Medical
Service Cost	\$ 218,000
Unfunded Actuarial Accrued Liability Amortization	198,000
Annual required contribution (ARC)	\$ 416,000

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Net Post-employment Benefit Obligation (Asset)

The table below shows the City of Alabaster's Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending September 30, 2015:

Beginning Net OPEB Obligation	
October 1, 2014	\$ 1,940,733
Annual required contribution	416,000
Interest on prior year Net OPEB Obligation	64,000
Amortization of prior year Net OPEB Obligation	(90,000)
Total Annual OPEB Cost	390,000
Contribution	-
Current year retiree premium	(40,000)
Change in Net OPEB Obligation	350,000
Ending Net OPEB Obligation	
Sepetember 30, 2015	\$ 2,290,733

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

Post-Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed		Net OPEB Obligation
			Annual Cost Contributed	Net OPEB Obligation	
Medical	September 30, 2014	\$ 388,244	10.35%	\$ 1,940,733	
Medical	September 30, 2015	\$ 390,000	10.26%	\$ 2,290,733	

Funded Status and Funding Progress

In the fiscal year ending September 30, 2015, the City of Alabaster made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of September 30, 2014, the most recent actuarial valuation, 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 post-employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2014/2015, the entire actuarial accrued liability of \$3,410,090 was unfunded.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Accrued Liability (AAL)	\$ 3,410,090
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 3,410,090</u>
Funded Ratio	0.00%
Covered Payroll (active plan members)	\$ 12,709,977
UAAL as a percentage of covered payroll	26.83%

Actuarial Methods and Assumptions

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

Valuation Date	10/1/2013
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+)

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

Actuarial Cost Method

The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

Actuarial Value of Plan Assets

Since the OPEB obligation has not yet been funded, there are no assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate

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

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

Post-employment Benefit Plan Eligibility Requirements

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

Investment Return Assumption (Discount Rate)

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Since the ARC is not currently being funded and not expected to be funded in the near future, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate

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

**City of Alabaster, Alabama
Notes to Financial Statements**

NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Mortality Rate

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

Method of Determining Value of Benefits

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

NOTE 11 - 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 \$646,644 at September 30, 2015, for those fees collected during the month of September.

During the year ended September 30, 2015, the City recognized a total of \$7,888,586 in sewer and garbage fees collected by the Water Board.

At September 30, 2015, 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 12 - COMMITMENTS AND CONTINGENCIES

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, 2015, the City has a remaining commitment of \$253,106 under the agreement with Volkert & Associates, Inc.

**City of Alabaster, Alabama
Notes to Financial Statements**

NOTE 13 - RISK MANAGEMENT

The City is a defendant in numerous lawsuits and has been notified of numerous claims against it arising from 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 14 - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 62.90% of total governmental fund-type revenues for the year ended September 30, 2015. Sales and use tax revenues received from one major taxpayer accounted for 13.32% of the total sales and use tax collected city-wide. In addition, business license revenues received from one major company accounted for 35.87% of the total business license revenues collected City-wide.

NOTE 16 – NEW PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Fair value measurement and application;
- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.

The City is currently evaluating the effects that these statements will have on its financial statements for subsequent fiscal years.

NOTE 17 - SUBSEQUENT EVENTS

In June 2016 the City issued \$4,235,000 in Taxable General Obligation Warrants, Series 2016-A and \$2,330,000 in General Obligation Warrants, Series 2016-B. Proceeds of the warrants will be used to advance refund a portion of the City's Taxable General Obligation Warrants, Series 2010-A, and to finance certain road improvements and other capital improvements for the City.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 18 – RESTATEMENT

The beginning fund balance of the General fund and beginning net position has been restated in the amount of \$1,216,723 to recognize sales taxes due the City at prior year end.

The beginning fund balance of the Capital Projects fund and beginning net position has been restated in the amount of (\$10,660,000) to increase the allowance for doubtful accounts from prior periods for the receivable from the Commercial Development Authority.

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No 27), in the fiscal year ended September 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effect on net position of contributions made by the City during the measurement period (fiscal year ended September 30, 2014).

A summary of the restatements is presented below:

Explanation	Net Position	Fund Balance
Governmental Activities		
To recognize sales taxes due to the City at prior year end	\$ 1,216,723	\$ 1,216,723
To record Net Pension Liability	(8,542,774)	-
To record Infrastructure	1,555,652	-
To increase the Allowance for Doubtful Accounts from prior period	(10,660,000)	(10,660,000)
	\$ (16,430,399)	\$ (9,443,277)
Business-Type Activities		
To record Net Pension Liability	\$ (844,859)	\$ -
	\$ (844,859)	\$ -

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, 2015	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Sales and use taxes	\$ 13,260,000	\$ 17,726,224	\$ 18,936,975	\$ 1,210,751
Property taxes	3,400,000	3,400,000	3,411,038	11,038
Other taxes	1,209,700	1,241,200	1,376,372	135,172
Licenses and permits	3,545,000	3,730,000	3,800,853	70,853
Intergovernmental	75,000	75,000	213,637	138,637
Charges for services	524,200	524,200	481,762	(42,438)
Fines and forfeitures	1,310,000	558,000	614,252	56,252
Donations, gifts and grants	36,000	36,000	26,367	(9,633)
Interest	500	500	61	(439)
Other revenues	743,740	815,960	654,994	(160,966)
Total revenues	\$ 24,104,140	\$ 28,107,084	\$ 29,516,311	\$ 1,409,227
Expenditures				
<u>General Government</u>				
Administrative	\$ 2,379,798	\$ 2,515,830	\$ 1,904,888	\$ 610,942
Building	556,328	557,728	531,976	25,752
Revenue	253,483	250,033	237,131	12,902
Personnel	201,287	225,107	246,466	(21,359)
Elected officials	239,187	238,944	234,276	4,668
Newsletter	120,000	120,000	108,940	11,060
Total general government	\$ 3,750,083	\$ 3,907,642	\$ 3,263,677	\$ 643,965
<u>Public Protection</u>				
Police	\$ 6,986,294	\$ 7,215,839	\$ 7,235,608	\$ (19,769)
Municipal Court	898,758	490,988	446,126	44,862
Fire	4,762,400	4,789,718	5,149,466	(359,748)
Total public protection	\$ 12,647,452	\$ 12,496,545	\$ 12,831,200	\$ (334,655)

See notes to required supplementary information.

Budgeted Amounts					
Year Ended September 30, 2015	Original	Final	Actual Amounts	Variance with Final Budget	
<u>Public Ways and Facilities</u>					
Library	\$ 782,908	\$ 783,993	\$ 765,605	\$ 18,388	
Public Works	1,945,972	1,942,772	1,710,334	232,438	
Parks and Recreation	2,517,865	2,499,930	2,260,169	239,761	
Total public ways and facilities	\$ 5,246,745	\$ 5,226,695	\$ 4,736,108	\$ 490,587	
<u>Alabaster City Schools</u>					
Payments to the Alabaster Board of Education	\$ -	\$ 4,366,224	\$ 4,634,081	\$ (267,857)	
Other payments	-	-	4,472	(4,472)	
Total Alabaster City Schools	\$ -	\$ 4,366,224	\$ 4,638,553	\$ (272,329)	
Total Expenditures	21,644,280	25,997,106	25,469,538	527,568	
Excess of revenues over expenditures	2,459,860	2,109,978	4,046,773	1,936,795	
<u>Other financing sources (uses)</u>					
Transfers in	1,400,000	1,400,000	1,117,944	(282,056)	
Transfers (out)	(3,483,331)	(3,483,331)	(3,483,011)	320	
Total other financing sources (uses)	(2,083,331)	(2,083,331)	(2,365,067)	(281,736)	
Net change in fund balance	\$ 376,529	\$ 26,647	\$ 1,681,706	\$ 1,655,059	
Fund balance, beginning as restated			3,388,372		
Fund balance, ending			\$ 5,070,078		

City of Alabaster, Alabama
Schedule of Changes in the Net Pension Liability and Related Ratios

2014	
Total pension liability	
Service cost	\$ 1,071,349
Interest	2,636,186
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	(1,143,546)
Net change in total pension liability	2,563,989
Total pension liability - beginning	33,524,098
Total pension liability - ending (a)	\$ 36,088,087
<hr/>	
Plan Fiduciary Net Position	
Contributions - employer	\$ 1,039,130
Contributions - employee	691,926
Net investment income	2,802,343
Benefit payments, including refunds of employee contributions	(1,143,546)
Transfers among employers	(53,073)
Net change in plan fiduciary net position	3,336,780
Plan net position - beginning	23,097,305
Plan net position - ending (b)	\$ 26,434,085
<hr/>	
Net pension liability (asset) - ending (a) - (b)	\$ 9,654,002
<hr/>	
Plan fiduciary net position as a percentage of total pension liability	73.25%
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Covered employee payroll	\$ 12,269,384
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Net pension liability as a percentage of covered employee payroll	127.09%

See notes to required supplementary information

City of Alabaster, Alabama
Schedule of Employer Contributions

	2015
Actuarially Determined Contribution	\$ 1,085,256
<u>Employer Contributions to Pension Plan</u>	<u>1,085,256</u>
Annual Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 12,697,022
Employer Contributions to Pension Plan as a % of Covered Employee	8.55%

See notes to required supplementary information

City of Alabaster, Alabama
Schedule of Funding Progress
Other Post-Employment Benefits

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued			UAAL as a Percentage of Covered Payroll		
		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)	
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

	09/30/12	09/30/13	09/30/14
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%	10.35%

See notes to required supplementary information

City of Alabaster, Alabama Notes to Required Supplementary Information

NOTE 1 – 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 Cents 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 date 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 indicial 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

NOTE 1 – BUDGETARY INFORMATION (CONTINUED)

The following represents expenditures in excess of appropriations of the following amounts by department for the fiscal year ended September 30, 2015:

General Government

Personnel	21,359
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Public Protection

Police	19,769
Fire	359,748

Alabaster City Schools

Payments to the Alabaster Board of Education	267,857
Other Payments	4,472

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

SUPPLEMENTARY INFORMATION

**City of Alabaster, Alabama
Combining Balance Sheets—
Nonmajor Governmental Funds
September 30, 2015**

	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	Capital Projects Fund	Subdivision Total
Assets									
Restricted cash	\$ 164,273	\$ 52,029	\$ 329,379	\$ 97,251	\$ 58,314	\$ 1,396	\$ 34,782	\$ 138,065	\$ 875,489
Accounts receivable	-	-	6,888	-	456	-	1,470	-	8,814
Total assets	\$ 164,273	\$ 52,029	\$ 336,267	\$ 97,251	\$ 58,770	\$ 1,396	\$ 36,252	\$ 138,065	\$ 884,303
Liabilities									
Accounts payable and accrued expense	\$ 38,083	\$ -	\$ 3,650	\$ -	\$ 2,440	\$ 1,376	\$ 3,098	\$ -	\$ 48,647
Subdivision cash bonds posted	-	-	-	-	-	-	-	38,575	38,575
Total liabilities	38,083	-	3,650	-	2,440	1,376	3,098	38,575	87,222
Fund balance									
Restricted for:									
Capital improvements	-	-	-	-	-	-	-	99,490	99,490
Library	-	-	-	-	-	20	-	-	20
Public protection	-	-	332,617	97,251	56,330	-	33,154	-	519,352
Infrastructure maintenance	126,190	52,029	-	-	-	-	-	-	178,219
Total fund balance	126,190	52,029	332,617	97,251	56,330	20	33,154	99,490	797,081
Total liabilities and fund balance	\$ 164,273	\$ 52,029	\$ 336,267	\$ 97,251	\$ 58,770	\$ 1,396	\$ 36,252	\$ 138,065	\$ 884,303

City of Alabaster, Alabama
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
September 30, 2015

	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	Capital Projects Fund	Subdivision Total
Revenues									
Other taxes	\$ 73,713	\$ 57,599	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,312
Fines and forfeitures	-	-	106,449	-	7,072	-	24,805	5,026	143,352
Donations, gifts, and grants	-	-	-	-	-	20,821	-	-	20,821
Interest	-	-	-	-	5	-	-	568	573
Miscellaneous	-	-	6	-	-	-	-	-	6
Total Revenues	73,713	57,599	106,455	-	7,077	20,821	24,805	5,594	296,064
Expenditures									
Public protection	-	-	55,669	-	5,690	-	28,606	-	89,965
Public ways and facilities	44,179	1,037	-	-	-	20,821	-	-	66,037
Total expenditures	44,179	1,037	55,669	-	5,690	20,821	28,606	-	156,002
Other financing sources (uses)									
Transfers out	-	-	(77,944)	-	-	-	-	-	(77,944)
Total other financing souces (uses)	-	-	(77,944)	-	-	-	-	-	(77,944)
Net change in fund balance	29,534	56,562	(27,158)	-	1,387	-	(3,801)	5,594	62,118
Fund balance, beginning	96,656	(4,533)	359,775	97,251	54,943	20	36,955	93,896	734,963
Fund balance, ending	\$ 126,190	\$ 52,029	\$ 332,617	\$ 97,251	\$ 56,330	\$ 20	\$ 33,154	\$ 99,490	\$ 797,081