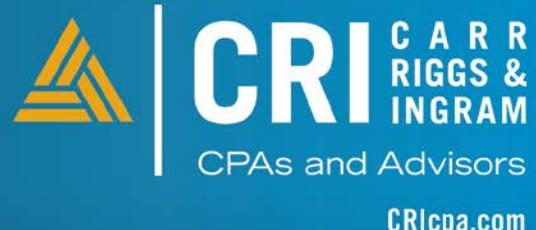


# **City of Alabaster, Alabama**

## **Annual Financial Report**

**For the Fiscal Year Ended September 30, 2016**



**City of Alabaster, Alabama**  
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**September 30, 2016**

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# Alabaster

Marty B. Handlon  
Mayor

Brian Binzer  
City Manager  
City Clerk

## City of Alabaster

Council Members  
Sophie Martin  
Rick Ellis  
Stacy Rakestraw  
Greg Farrell  
Russell Bedsole  
Scott Brakefield  
Kerri Pate

March 27, 2017

The Citizens of  
The City of Alabaster  
Alabaster, Alabama

The Comprehensive Annual Financial Report (CAFR) of The City of Alabaster (the City), for the fiscal year ended September 30, 2016 is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of our knowledge and belief, the enclosed data is accurate in all material aspects and is reported in a manner designed to present fairly the financial position and results of operation of the various funds of the government and its component unit. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

As required by State law, an annual audit of the City's financial statements is conducted in accordance with established standards. Carr, Riggs, & Ingram, Certified Public Accountants, have issued an unmodified opinion on the City's financial statements for the year ended September 30, 2016. The independent auditors' report is located at the front of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors Report located in the Financial Section of this report.

### Profile of the Government

The City was incorporated in 1953 and is the largest city in Shelby County. It serves a population of approximately 30,352 and occupies 20.6 square miles. The City is governed by a Mayor-Council-City Manager form of government. The Mayor is elected at-large to serve a four-year term. Each of the seven city councilors are elected from seven single member wards for terms of four years. The Council is presided over by a president who is chosen by the council members and is also a voting member of the Council. The City Manager is appointed by council to serve a term of four years.

The Mayor is the chief executive officer of the City. The City Manager is the administrative head of the city government and is responsible for the daily management of the City and implementing the policies of the Mayor and City Council. The Mayor and City Manager appoint, discipline, and remove the heads of the City's several departments. These department heads are responsible for the operations of their respective departments.

The City provides a full range of services including general administration, police and fire protection, building inspections, licenses and permits, refuse collection, construction and maintenance of highways, streets and related infrastructure, recreation and leisure activities, and cultural enrichment. The City evaluated various other entities within the vicinity of the City, which could possibly be subject to inclusion in the financial statements under criteria established to define the reporting entity and its component units. In the Financial Section, Notes to the Financial Statements, Note 1 discusses the reporting entity as well as the City's component unit and why it is included in the City's financial reporting.

The annual budget serves as the City's guide for financial planning and control. The Mayor submits a budget to City Council and the budget is legally adopted by resolution prior to October 1. Budgetary control is maintained at the department level. Departmental capital purchases and new personnel positions included in the budget are subject to further justification and approval by Council prior to beginning the requisition or hiring process. Budgets for all funds lapse at the end of each fiscal year.

### **Local Economy**

Over the years, Alabaster has become a major retail trade area and major medical hub for Shelby County and The City of Alabaster continued to show economic growth during the current year. Alabaster enjoys a strong sense of community ownership and responsibility among City officials and local citizens, resulting in active community participation and involvement in all current City projects and issues.

Alabaster and other cities within Shelby County enjoy lower than average unemployment due to many stable service, health, and manufacturing employers in the area. At fiscal year-end, per the Alabama Department of Labor, the unemployment rate for Shelby County was 4.2% while the average unemployment rate for the entire state was 5.4%.

The general fund accounts for day-to-day activity for the City and includes all activity not assigned to special purpose funds. The three major sources of revenue for the general fund are sales and use tax, property tax, and business licenses. Sales and use tax revenues are generated primarily by retail sales and have increased by 7.0% over the past year. Property taxes are based on the assessed value of property within the City and have increased by 5.0% over the past year. Business licenses are generally based on the gross receipts of businesses within the City and have increased by 5.0% over the past year.

During the past year, general fund expenditures for public safety have increased 9.0% and general fund expenditures for capital projects have increased by 7.0% as the City strives to maintain a safe community and fund the infrastructure improvements necessary for the City. Payments to Alabaster Board of Education represent 14.0% of all general fund expenditures for the current fiscal year. The City remits 1.0% of all sales and use tax collected by the City to the Alabaster Board of Education in order to help maintain an elite school system within the community.

### **Relevant Financial Policies**

The City strives to maintain an up-to-date set of comprehensive financial policies. New Governmental Accounting Standards Board (GASB) pronouncements are closely analyzed to determine any impact to the City's financial reporting requirements and proactive steps are taken to ensure implementation guidelines are followed and deadlines are met.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits and that the valuation of the costs and benefits requires estimates and judgments by management. We believe that the City's internal controls over financial reporting adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Management will continue to implement policies and procedures that improve and strengthen internal controls.

### **Long-Term Planning and Major Initiatives**

Unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) in the general fund as of year-end was \$5,772,170 representing 21.0% of total general fund expenditures for the current fiscal year. \$2,520,094 of the unrestricted fund balance at year-end was committed by City Council as an established reserve.

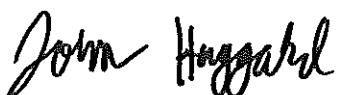
The Mayor, City Council, City Manager, and Department Heads continue to strive to adhere to the City's goals in planning for continued growth and maintaining quality of life and the highest level of governmental services to all residents of the City. The City plans to accomplish these goals through continued infrastructure improvements, fostering economic development, and providing excellent government services with maximum efficiency and fiscal responsibility.

### **Acknowledgements**

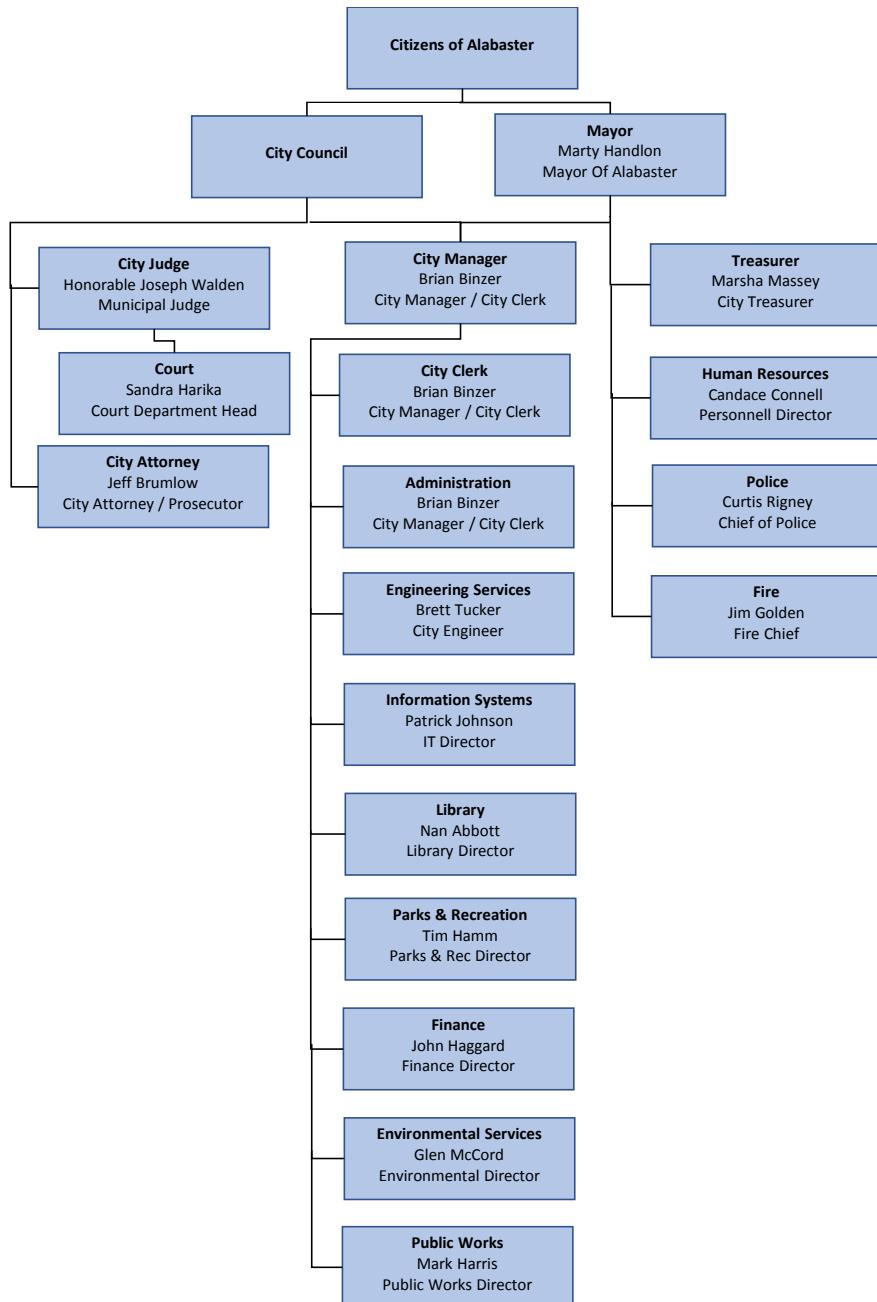
The Preparation of the comprehensive annual financial report could not be accomplished without the dedicated services of the Finance Department staff as well as all City Departments who practice fiscal responsibility and assist in collecting and recording financial data in a timely manner. We would like to express our appreciation to all City staff who assisted and contributed to the preparation of this report.

The commitment to maintaining the highest standards of accountability in financial reporting speaks to the leadership and dedication of the Mayor, City Manager, and City Council. Their support to financial integrity has been instrumental in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John Haggard".

John Haggard, CPA  
Finance Director



**City of Alabaster, Alabama**  
**Elected and Appointed Officials**  
**September 30, 2016**

Elected Officials

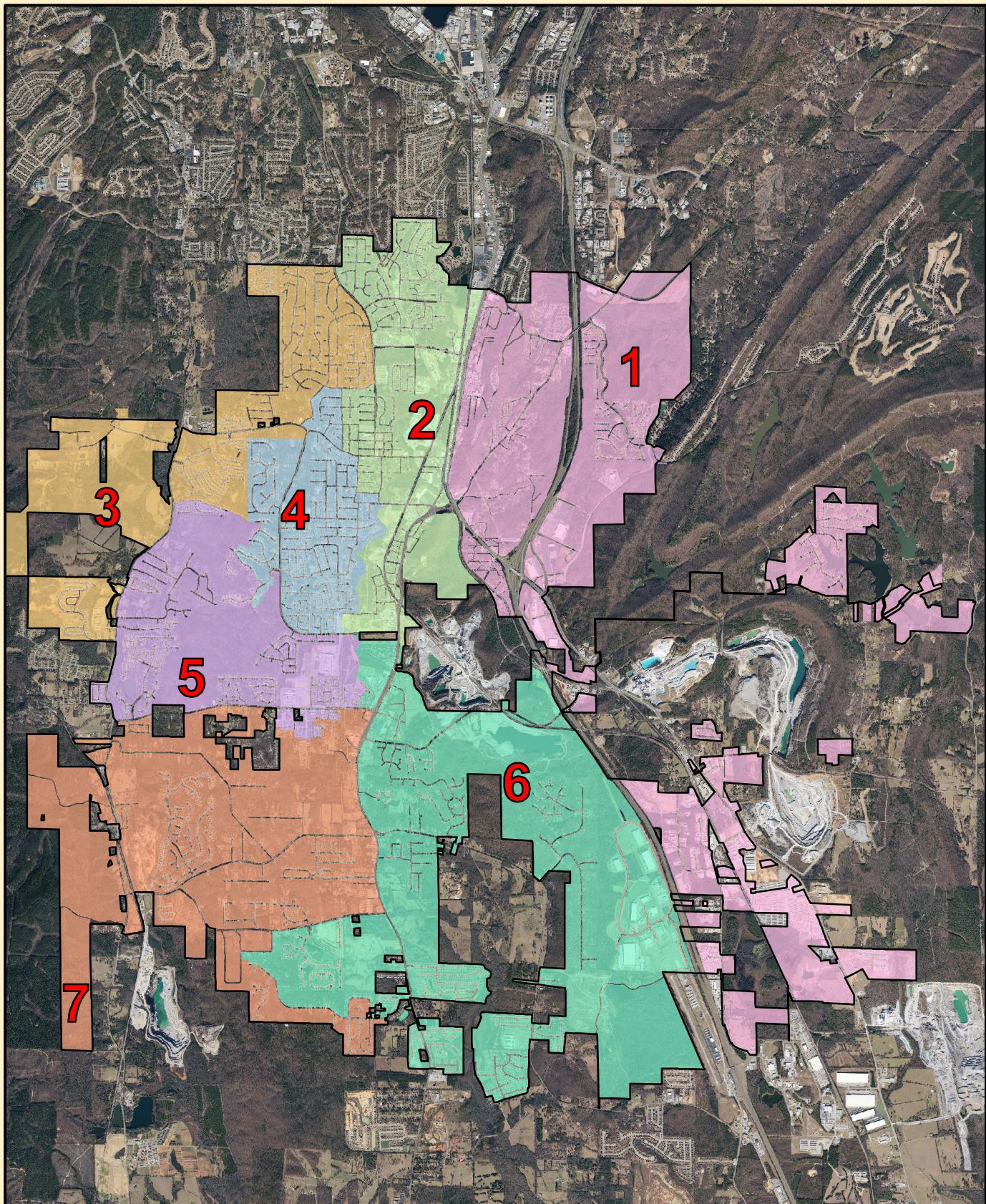
Mayor  
City Council – Ward 1  
City Council – Ward 2  
City Council – Ward 3  
City Council – Ward 4  
City Council – Ward 5  
City Council – Ward 6, Council President  
City Council – Ward 7

Marty Handlon  
Sophie Martin  
Bob Hicks  
Stacy Rakestraw  
Rick Walters  
Russell Bedsole  
Scott Brakefield  
Tommy Ryals

Appointed Officials

City Manager  
City Clerk  
Chief of Police  
Fire Chief  
Treasurer  
Personnel Director

Vacant  
Lisa Glasgow  
Curtis Rigney  
Jim Golden  
Marsha Massey  
Candace Connell



**Alabaster**

*"A City for Families, Planning for the Future"*

## Ward Map

0 0.25 0.5 1 1.5 2 Miles



## **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, 2016, 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.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, as of September 30, 2016, 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 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 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. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, 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.

*Can, Riggs & Ingram, L.L.C.*

Birmingham, Alabama

March 27, 2017

### **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, 2016. 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 2016 by \$30 million.
- The Statement of Activities shows the Primary Government received taxes and other revenue of \$39,696,515 and had expenses of \$36,591,308.
- The City's governmental funds reported a combined ending fund balance of \$12,454,961, an increase in fund balance of \$1,832,521.
- The General Fund gave the Alabaster Board of Education \$5,051,840 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

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

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, 2016

City of Alabaster, Alabama

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 13 through 44 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The City of Alabaster adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 46 through 51 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 52 through 53 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve as a useful indicator of a government's financial position. Overall, the City's assets exceed liabilities by \$30 million at the close of the recent fiscal year. Of this figure, \$26.7 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, \$9.1 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	
	2016	2015	2016	2015	2016	2015
Current assets	\$ 14,859	\$ 12,753	\$ 6,995	\$ 7,212	\$ 21,854	\$ 19,965
Capital assets	49,430	50,582	33,317	33,367	82,747	83,949
Total assets	64,289	63,335	40,312	40,579	104,601	103,914
Deferred outflows of resources	2,447	988	1,695	1,877	4,142	2,865
Long-term liabilities outstanding	55,807	55,167	19,388	20,792	75,195	75,959
Other liabilities	2,818	2,556	583	590	3,401	3,146
Total liabilities	58,625	57,722	19,971	21,383	78,596	79,105
Deferred inflows	92	679	23	67	115	746
Net position:						
Net investment in capital assets	9,997	7,540	16,754	13,535	26,751	21,075
Restricted	4,948	5,693	4,143	4,141	9,091	9,834
Unrestricted	-6,926	-7,312	1,116	3,330	-5,810	-3,982
Total net position	\$ 8,019	\$ 5,921	\$ 22,013	\$ 21,006	\$ 30,032	\$ 26,927

## Management's Discussion and Analysis (unaudited)

September 30, 2016

City of Alabaster, Alabama

### City of Alabaster's Statement of Activities (in thousands)

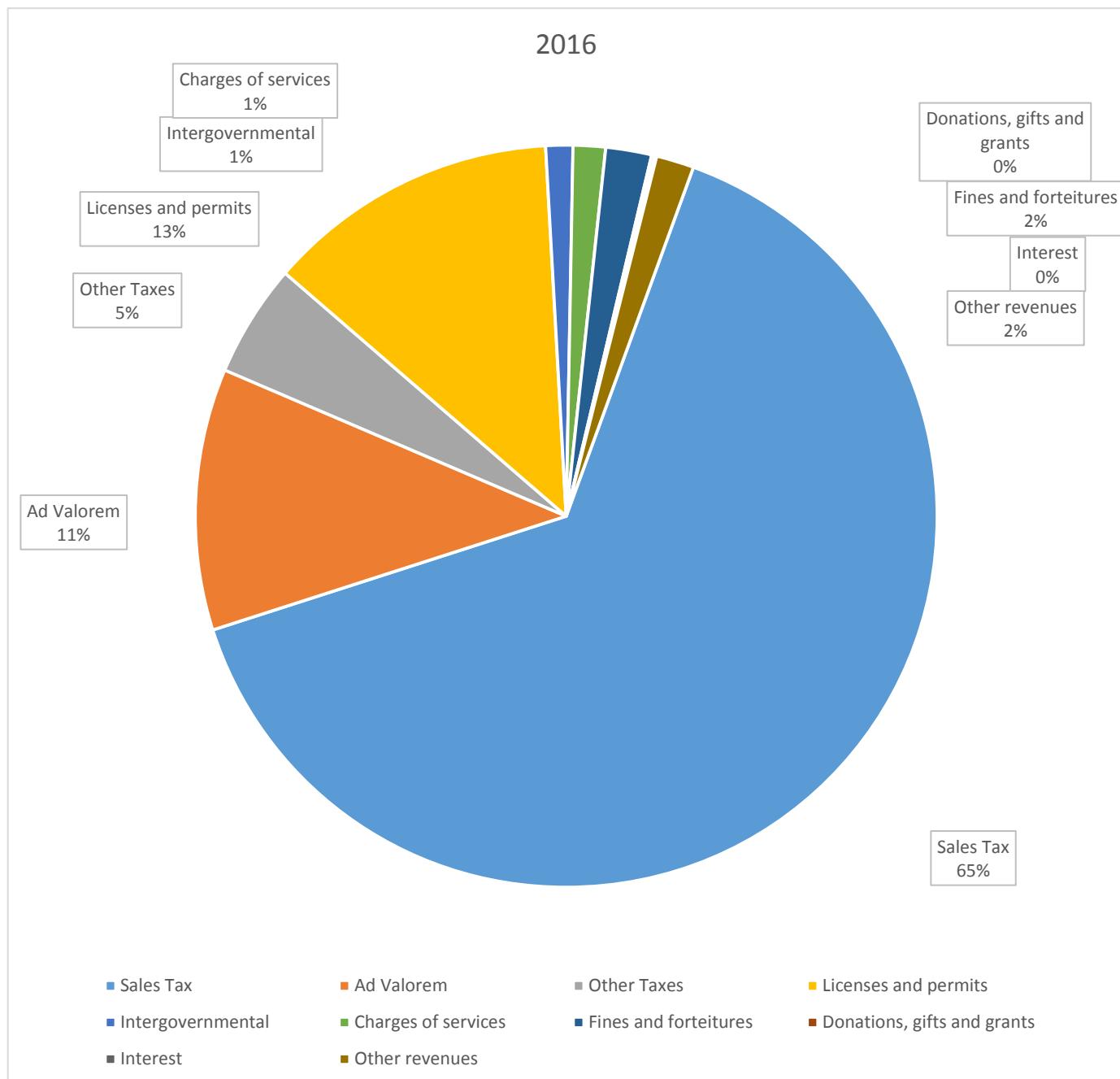
Revenues:	Governmental Activities		Business-Type Activities		Total	
Program revenues:	2016	2015	2016	2015	2016	2015
Fees, fines and charges for services	\$5,104	\$5,040	\$8,161	\$8,157	\$13,265	\$13,197
Operating grants and contributions	145	289	-	-	145	289
Capital grants and contributions	266	259	-	-	266	259
General revenues:						
Property taxes	3,590	3,411	-	-	3,590	3,411
Sales and use taxes	20,338	18,937	-	-	20,338	18,937
Other taxes	1,550	1,508	-	-	1,550	1,508
Interest	27	6	1	-	28	6
Other revenue	514	655	1	-20	515	635
Total revenues	31,534	30,104	8,163	8,137	39,697	38,241
Expenses:						
General government	4,159	3,480	-	-	4,159	3,480
Public protection	13,457	13,110	-	-	13,457	13,109
Public ways and facilities	6,108	5,545	-	-	6,108	5,545
Interest and fiscal agent fees	1,350	1,248	-	-	1,350	1,248
Alabaster City Schools	5,052	4,787	-	-	5,052	4,787
Sewer Fund	-	-	4,802	4,783	4,802	4,783
Garbage Fund	-	-	1,664	1,613	1,664	1,613
Total expenses	30,126	28,169	6,466	6,396	36,592	34,565
Increase (decrease) in net assets before transfers and capital contributions	1,408	1,935	1,697	1,741	3,105	3,677
Capital contributions						
Transfers	690	690	-690	-690	-	-
Change in net position	2,098	2,625	1,007	1,051	3,105	3,677
Net position - beginning of year	5,921	3,296	21,006	19,955	26,927	23,250
Net position - end of year	\$8,019	\$5,921	\$22,013	\$21,006	\$30,032	\$26,927

#### Governmental Activities

The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 11.0% and sales taxes provided 64.0% of the City's total governmental revenues. Sales tax revenue increased by 7.0% from 2015. It should be noted that program revenues covered 23.8% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 76.2% 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 46.7% of the total governmental expenses. Public protection expenses increased by \$560 thousand, or 4.0%, from 2015. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 20.0% of total governmental expenses. Public ways and facilities expenses increased by \$563 thousand, or 10.0% from 2015. Public ways and facilities include services such as parks and recreation, library and public works. The total cost of all governmental activities increased by \$1.1 million, while revenues increased by \$1.4 million.

Revenue - Governmental Activities

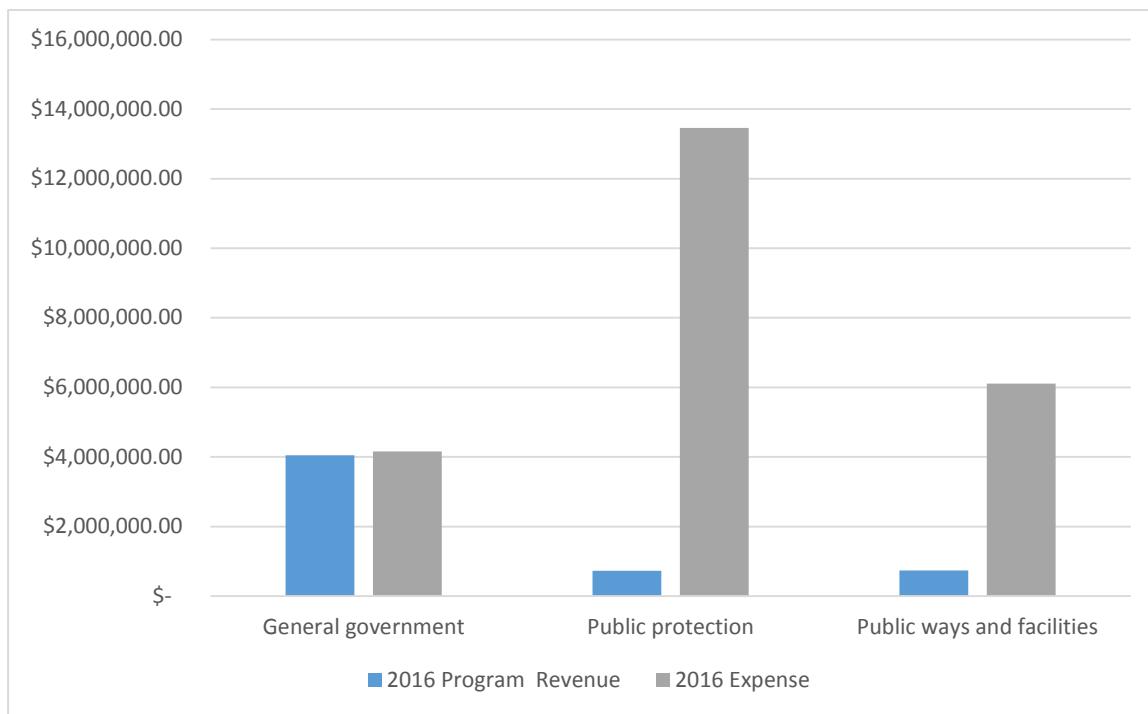


## Management's Discussion and Analysis (unaudited)

September 30, 2016

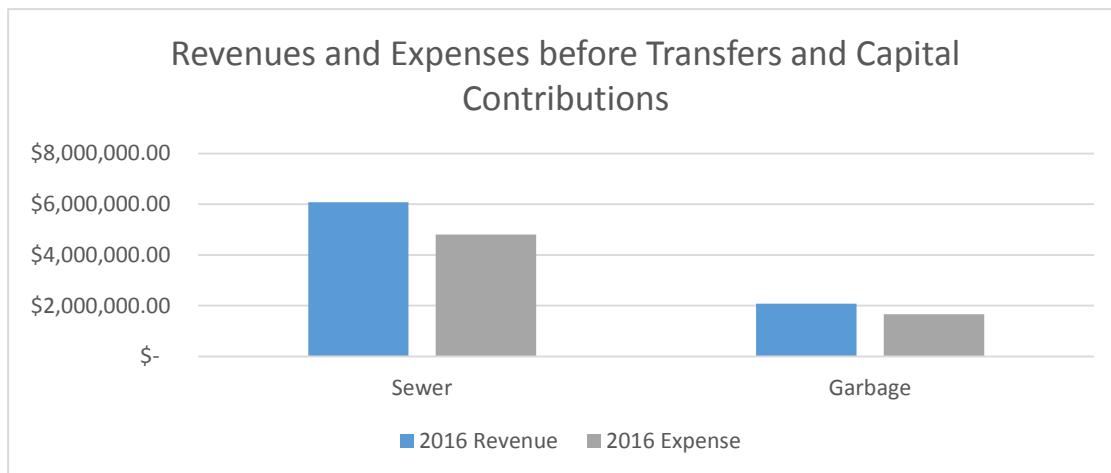
City of Alabaster, Alabama

### Program Revenues and Expenses - Governmental Activities



### Business-Type Activities

The cost of all proprietary (business-type) activities was \$6.5 million, which is an increase of 1.0% from 2015. The amount paid by users of the sewer and garbage services was \$8.2 million, which marks no change from 2015. Within the total business type activities of the City, these activities reported change in net position of \$1.0 million, which is a decrease of 4.0%.



## *Management's Discussion and Analysis (unaudited)*

September 30, 2016

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 increased \$1.8 million in 2016 and the total balance as of September 30, 2016, was \$12.5 million. Of this amount, \$2.8 million consists of unrestricted fund balance. Nonspendable fund balance was \$1.7 million and fund balance that is committed, generally specified in council ordinances, totaled \$2.9 million. The remainder of the total fund balance is \$5.1 million, which is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service and other purposes, or must be spent for specific purposes in the future as required by legal constraints.

Total revenues were \$31.5 million, an increase of 4.0% from 2015. Sales tax revenue increased by \$1.4 million or 7.0%.

#### 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 \$757 thousand and \$358 thousand, respectively. The total growth in net position for the Sewer Fund and Garbage Fund was \$930 thousand and \$77 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**

Budget to actual statements and schedules are provided in the financial statements for the general fund on page 46. Columns are provided for both the original adopted budget as well as the final budget. These budgets are followed by columns for actual revenues and expenditures and for variances between the final budget and actual revenues and expenditures.

As of September 30, 2016, actual operating revenues for the general fund exceeded final budgeted amounts by \$1.1 million or 3.0%. The primary reasons for this variance were that sales and use tax receipts exceeded budgeted amounts by \$1.1 million or 5.0% as a result of increased sales primarily due to overall economic improvement as well as the addition of a significant new taxpayer within the City.

As of September 30, 2016, actual operating expenditures for the general fund were less than final budgeted amounts by \$251 thousand or 1.0%. The primary reasons for this variance were that public ways and facilities expenditures were \$300 thousand less than final budgeted amount. 25.0% of all sales and use tax proceeds are given by the City to the Alabaster Board of Education. The City budgeted for additional amounts in excess of 25.0% of sales and use tax to be given, but did not give any additional funds to the City of Alabaster Board of Education in the current fiscal year. The general government expenditures variance was the result of general cost-saving measures implemented in the current year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### Capital Assets

The City's investment in capital *assets* for governmental and business-type activities as of September 30, 2016, totals \$83.2 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.

Major purchases of vehicles totaling \$1.2 million were made in the current year. No major dispositions occurred in the current year.

*Management's Discussion and Analysis (unaudited)*

September 30, 2016

City of Alabaster, Alabama

City of Alabaster's Capital Assets  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$17,305	\$17,305	\$246	\$246	\$17,551	\$17,551
Furniture and equipment	5,001	4,760	687	553	5,688	5,313
Trucks and automobiles	7,311	6,586	1,327	877	8,638	7,463
Sewer plant and lines			46,848	46,506	46,848	46,506
Buildings, infrastructure and improvements	38,936	38,878	72	36	39,008	38,914
Construction in progress	15	471	173	119	644	590
	68,568	68,000	49,353	48,337	118,377	116,337
Accumulated depreciation	-19,137	-17,418	-15,999	-14,970	-35,136	-32,388
<b>Total</b>	<b>\$49,431</b>	<b>\$50,582</b>	<b>\$33,354</b>	<b>\$33,367</b>	<b>\$83,241</b>	<b>\$83,949</b>

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. As of September 30, 2016, the governmental activities had outstanding debt totaling \$42.0 million and business-type activities had outstanding debt totaling \$18.1 million.

The City's total debt decreased by \$3.2 million during the current fiscal year. This decrease was the result of payments made in accordance with regularly scheduled maturity dates. The City also issued \$6.6 million of general obligation warrants to advance refund portions of the 2010-A and 2010-B general obligation warrants.

City of Alabaster's Long-Term Debt  
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation Warrants	\$40,241	\$41,662	\$17,915	\$19,560	\$58,156	\$61,222
Capital Lease Obligations	259	260	245	168	504	428
Notes Payable	1,500	1,500			1,500	1,500
<b>Total</b>	<b>\$42,000</b>	<b>\$43,422</b>	<b>\$18,160</b>	<b>\$19,728</b>	<b>\$60,160</b>	<b>\$63,150</b>

## *Management's Discussion and Analysis (unaudited)*

September 30, 2016

City of Alabaster, Alabama

### **ECONOMIC CONDITIONS AFFECTING THE CITY**

For the fiscal year ending September 30, 2016, 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 7.0% increase in sales/use tax from fiscal year 2015. The City continues its' emphasis on retail, healthcare, industrial and residential sectors of the economy.

Even in the challenging economic times the City continued to recruit new businesses while backfilling vacancies. During fiscal year 2016, 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. The City has multiple other retail establishments under construction and slated to open within fiscal year 2017. 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.

The City continues to contribute to the Alabaster Board of Education in order to create an excellent school system that will attract both new residents and economic development. The City continues to be recognized by national firms for its' affordability, safety and overall high quality of life. The City continues to place emphasis on encouraging economic development within the City in order to help fund improvements and government services as well as provide increased quality of life for all residents.

### **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](mailto:cityhall@cityofalabaster.com).

# City of Alabaster, Alabama Statement of Net Position

September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,959,238	\$ 1,425,097	\$ 4,384,335	\$ 95,159
Receivables, net of allowance for uncollectible accounts	2,204,624	777,919	2,982,543	-
Due from Water Board	-	632,098	632,098	-
Internal balances	6,295	(6,295)	-	-
Tobacco stamps	12,677	-	12,677	-
Inventory	358	-	358	-
Prepaid expenses	221,768	11,622	233,390	-
Restricted Assets:				
Cash and cash equivalents	7,920,654	4,143,282	12,063,936	-
Due from Governmental Entity:				
Alabaster Board of Education	33,747	-	33,747	-
Commercial Development Authority (CDA)	1,500,000	-	1,500,000	-
Capital Assets:				
Land and construction in progress	17,319,583	419,065	17,738,648	10,411,480
Other assets, net of accumulated depreciation	32,110,701	32,898,344	65,009,045	3,326,667
<b>Total Assets</b>	<b>64,289,645</b>	<b>40,301,132</b>	<b>104,590,777</b>	<b>13,833,306</b>
<b>Deferred outflows of resources</b>				
Deferred loss on refundings	569,827	1,530,511	2,100,338	-
Difference between projected and actual earnings on pension plan investments	797,042	83,331	880,373	-
Employer retirement contribution subsequent to measurement date	1,080,158	81,302	1,161,460	-
<b>Total deferred outflows</b>	<b>2,447,027</b>	<b>1,695,144</b>	<b>4,142,171</b>	<b>-</b>
<b>Total assets and deferred outflows</b>	<b>66,736,672</b>	<b>41,996,276</b>	<b>108,732,948</b>	<b>13,833,306</b>
<b>Liabilities</b>				
Accounts payable	\$ 661,736	\$ 269,872	\$ 931,608	\$ -
Accrued payroll and related liabilities	833,882	79,940	913,822	-
Due to Alabaster Board of Education	834,194	-	834,194	-
Accrued interest	413,542	226,802	640,344	-
Internal balances	4,159	(4,159)	-	-
Municipal Court cash bonds posted	41,854	-	41,854	-
Subdivision cash bonds posted	28,575	-	28,575	-
Deferred property taxes	-	-	-	-
Due to Governmental Entity:				
City of Alabaster	-	-	-	12,160,000
Noncurrent Liabilities:				
Due within 1 year	4,451,034	1,783,289	6,234,323	-
Due in more than 1 year	37,999,006	16,597,936	54,596,942	-
Net other post employment benefit liability	2,742,046	-	2,742,046	-
Net pension liability	10,615,364	1,006,618	11,621,982	-
<b>Total Liabilities</b>	<b>58,625,392</b>	<b>19,960,298</b>	<b>78,585,690</b>	<b>12,160,000</b>
<b>Deferred inflows</b>				
Difference between expected and actual experience	92,015	22,981	114,996	-
<b>Total liabilites and deferred inflows</b>	<b>58,717,407</b>	<b>19,983,279</b>	<b>78,700,686</b>	<b>12,160,000</b>
<b>Net position</b>				
Net investment in capital assets	9,997,341	16,707,356	26,704,697	1,578,147
Restricted For:				
Debt service	1,318,141	754,014	2,072,155	-
Capital projects	2,678,695	3,389,269	6,067,964	95,159
Public protection	566,764	-	566,764	-
Library	69,560	-	69,560	-
Infrastructure maintenance	314,828	-	314,828	-
Unrestricted	(6,926,064)	1,162,358	(5,763,706)	-
<b>Total net position</b>	<b>\$ 8,019,265</b>	<b>\$ 22,012,997</b>	<b>\$ 30,032,262</b>	<b>\$ 1,673,306</b>

*See notes to financial statements.*

# City of Alabaster, Alabama

## Statement of Activities

September 30, 2016

Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
<b>Primary government</b>									
Governmental activities:									
General government	\$ 4,158,766	\$ 4,028,686	\$ 22,974	\$ -	\$ (107,106)	\$ -	\$ (107,106)	\$ -	
Public protection	13,456,908	629,183	101,340	-	(12,726,385)	-	(12,726,385)	-	
Public ways and facilities	6,108,188	446,213	20,888	266,448	(5,374,639)	-	(5,374,639)	-	
Interest and fiscal agent fees	1,349,761	-	-	-	(1,349,761)	-	(1,349,761)	-	
Alabaster City Schools	5,051,840	-	-	-	(5,051,840)	-	(5,051,840)	-	
<b>Total governmental activities</b>	<b>30,125,463</b>	<b>5,104,082</b>	<b>145,202</b>	<b>266,448</b>	<b>(24,609,731)</b>	<b>-</b>	<b>(24,609,731)</b>	<b>-</b>	
Business-Type Activities:									
Sewer fund	4,801,538	6,079,734	-	-	-	1,278,196	1,278,196		
Garbage fund	1,664,307	2,080,767	-	-	-	416,460	416,460	-	
<b>Total business-type activities</b>	<b>6,465,845</b>	<b>8,160,501</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,694,656</b>	<b>1,694,656</b>	<b>-</b>	
<b>Total primary government</b>	<b>\$ 36,591,308</b>	<b>\$ 13,264,583</b>	<b>\$ 145,202</b>	<b>\$ 266,448</b>	<b>(24,609,731)</b>	<b>1,694,656</b>	<b>(22,915,075)</b>	<b>-</b>	
<b>Total component units</b>	<b>\$ 112,678</b>	<b>\$ 10,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(102,678)</b>	
General revenues:									
Taxes:									
Sales and use taxes									
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## City of Alabaster, Alabama Balance Sheet – Governmental Funds

September 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 2,959,238	\$ -	\$ -	\$ -	\$ 2,959,238
Receivables, net of allowance for uncollectible accounts	2,150,541	- -	- -	54,083	2,204,624
Due from other funds	- -	6,295	- -	- -	6,295
Due from Governmental Entity:					
Alabaster Board of Education	- -	33,747	- -	- -	33,747
Commercial Development Authority (CDA)	- -	1,500,000	- -	- -	1,500,000
Tobacco stamps	12,677	- -	- -	- -	12,677
Inventories	358	- -	- -	- -	358
Prepaid expenditures	221,768	- -	- -	- -	221,768
Restricted assets:					
Cash and cash equivalents	3,082,058	2,571,315	1,318,141	949,140	7,920,654
<b>Total Assets</b>	<b>\$ 8,426,640</b>	<b>\$ 4,111,357</b>	<b>\$ 1,318,141</b>	<b>\$ 1,003,223</b>	<b>\$ 14,859,361</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 594,171	\$ 60,888	\$ -	\$ 6,677	\$ 661,736
Due to other funds	4,159	- -	- -	- -	4,159
Accrued payroll and related liabilities	833,882	- -	- -	- -	833,882
Due to Alabaster Board of Education	834,194	- -	- -	- -	834,194
Municipal court cash bonds posted	41,854	- -	- -	- -	41,854
Subdivision cash bonds posted	- -	- -	- -	28,575	28,575
<b>Total Liabilities</b>	<b>2,308,260</b>	<b>60,888</b>	<b>- -</b>	<b>35,252</b>	<b>2,404,400</b>
<b>Fund balance</b>					
Nonspendable:					
Note receivable (CDA)	- -	1,500,000	- -	- -	1,500,000
Tobacco stamps	12,677	- -	- -	- -	12,677
Inventories and prepaid expenses	222,126	- -	- -	- -	222,126
Restricted for:					
Debt service	- -	- -	1,318,141	- -	1,318,141
Capital improvements	- -	2,550,469	- -	128,226	2,678,695
Library	69,541	- -	- -	19	69,560
Public protection	41,866	- -	- -	524,898	566,764
Infrastructure maintenance	- -	- -	- -	314,828	314,828
Committed for:					
Alabaster Reserve Account	2,520,094	- -	- -	- -	2,520,094
City Board of Education	391,135	- -	- -	- -	391,135
Assigned for:					
Library	93,319	- -	- -	- -	93,319
Unassigned	2,767,622	- -	- -	- -	2,767,622
<b>Total Fund balance</b>	<b>6,118,380</b>	<b>4,050,469</b>	<b>1,318,141</b>	<b>967,971</b>	<b>12,454,961</b>
<b>Total Liabilities and Fund balance</b>	<b>\$ 8,426,640</b>	<b>\$ 4,111,357</b>	<b>\$ 1,318,141</b>	<b>\$ 1,003,223</b>	<b>\$ 14,859,361</b>

*See notes to financial statements.*

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

September 30, 2016

Total fund balance - governmental funds	\$ 12,454,961
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).	49,430,284
Net deferred inflows and outflows related to pensions	1,785,185
Long-term liabilities of governmental activities, including warrants payable, deferred loss on refunding, accrued interest payable, net pension liability and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds (Note 2).	<u>(55,651,165)</u>
Net position of governmental activities	<u>\$ 8,019,265</u>

*See notes to financial statements.*

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

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<i>For the year ended September 30, 2016</i>					
<b>Revenues</b>					
Sales and use taxes	\$ 20,338,071	\$ -	\$ -	\$ -	\$ 20,338,071
Property taxes	3,589,515	-	-	-	3,589,515
Other taxes	1,413,338	-	-	136,307	1,549,645
Licenses and permits	4,028,686	-	-	-	4,028,686
Intergovernmental	101,340	266,448	-	-	367,788
Charges for services	446,213	-	-	-	446,213
Fines and forfeitures	507,928	-	-	121,255	629,183
Donations, gifts, and grants	22,974	-	-	20,888	43,862
Interest	10,530	6,949	8,458	820	26,757
Other revenues	457,553	-	-	56,554	514,107
<b>Total Revenues</b>	<b>30,916,148</b>	<b>273,397</b>	<b>8,458</b>	<b>335,824</b>	<b>31,533,827</b>
<b>Expenditures</b>					
General government	3,116,548	-	-	-	3,116,548
Public protection	13,324,656	-	-	47,768	13,372,424
Public ways and facilities	4,911,810	101,540	-	77,166	5,090,516
Alabaster City Schools					
Payments to the Alabaster Board of Education	5,051,840	-	-	-	5,051,840
Debt service:					
Debt retirement	48,188	-	2,300,000	-	2,348,188
Interest and fiscal agent fees	119	-	1,880,542	-	1,880,661
Capital projects construction and outlay	903,684	67,445	-	-	971,129
<b>Total Expenditures</b>	<b>27,356,845</b>	<b>168,985</b>	<b>4,180,542</b>	<b>124,934</b>	<b>31,831,306</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,559,303</b>	<b>104,412</b>	<b>(4,172,084)</b>	<b>210,890</b>	<b>(297,479)</b>
<b>Other financing sources (uses)</b>					
Other financing uses-refunding of debt	-	-	(5,425,000)	-	(5,425,000)
Proceeds of debt	300,000	-	6,565,000	-	6,865,000
Transfers from business-type activities	690,000	-	-	-	690,000
Transfers in	40,000	843,940	3,541,001	-	4,424,941
Transfers out	(3,541,001)	-	(843,940)	(40,000)	(4,424,941)
<b>Total Other financing sources (uses)</b>	<b>(2,511,001)</b>	<b>843,940</b>	<b>3,837,061</b>	<b>(40,000)</b>	<b>2,130,000</b>
Net change in fund balance	1,048,302	948,352	(335,023)	170,890	1,832,521
Fund balance, beginning	5,070,078	3,102,117	1,653,164	797,081	10,622,440
<b>Fund balance, ending</b>	<b>\$ 6,118,380</b>	<b>\$ 4,050,469</b>	<b>\$ 1,318,141</b>	<b>\$ 967,971</b>	<b>\$ 12,454,961</b>

*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, 2016

Net change in fund balance -- total governmental funds	\$ 1,832,521
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 5).	567,471
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).	(1,719,089)
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).	1,371,230
Other expenses reported in the statement of activities that do not require current financial resources:	
Accrued interest	(11,592)
Compensated absences	(269,389)
OPEB	451,313
Deferred amount on refunded debt	(569,827)
Difference in pension expense related to deferred outflows and inflows of resources	353,264
Change in net position of governmental activities	\$ 2,098,364

*See notes to financial statements.*

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

<i>September 30, 2016</i>	<b>Business-Type Activities -- Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,080,792	\$ 344,305	\$ 1,425,097
Receivables, net of allowance for uncollectible accounts	587,456	190,463	777,919
Due from Water Board	466,904	165,194	632,098
Due from other funds	4,159	-	4,159
Prepaid expenses	11,622	-	11,622
Restricted assets:			
Cash and cash equivalents	4,143,282	-	4,143,282
<b>Total current assets</b>	<b>6,294,215</b>	<b>699,962</b>	<b>6,994,177</b>
<b>Noncurrent assets:</b>			
Capital assets, net	33,023,558	293,851	33,317,409
<b>Total Assets</b>	<b>39,317,773</b>	<b>993,813</b>	<b>40,311,586</b>
<b>Deferred outflows of resources</b>			
Deferred loss on refundings	1,530,511	-	1,530,511
Difference between projected and actual earnings on pension plan investments	83,331	-	83,331
Employer retirement contribution subsequent to measurement date	81,302	-	81,302
<b>Total deferred outflows of resources</b>	<b>1,695,144</b>	<b>-</b>	<b>1,695,144</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	136,468	133,404	269,872
Due to other funds	6,295	-	6,295
Accrued payroll and related liabilities	79,940	-	79,940
Accrued interest	226,802	-	226,802
Capital lease payable	-	83,289	83,289
Bonds payable	1,700,000	-	1,700,000
<b>Total current liabilities</b>	<b>2,149,505</b>	<b>216,693</b>	<b>2,366,198</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	79,152	-	79,152
Bonds (net of premiums and discounts)	16,357,275	-	16,357,275
Capital lease payable	-	161,509	161,509
Net pension liability	1,006,618	-	1,006,618
<b>Total noncurrent liabilities</b>	<b>17,443,045</b>	<b>161,509</b>	<b>17,604,554</b>
<b>Total Liabilities</b>	<b>19,592,550</b>	<b>378,202</b>	<b>19,970,752</b>
<b>Deferred inflows of resources</b>			
Difference between expected and actual experience	22,981	-	22,981
<b>Net position</b>			
Net investment in capital assets	16,496,794	210,562	16,707,356
Restricted For:			
Debt service	754,014	-	754,014
Capital projects	3,389,269	-	3,389,269
Unrestricted	757,309	405,049	1,162,358
<b>Total net position</b>	<b>\$ 21,397,386</b>	<b>\$ 615,611</b>	<b>\$ 22,012,997</b>

*See notes to financial statements.*

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

*September 30, 2016*

	<b>Business-Type Activities -- Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>Total</b>
<b>Operating revenue</b>			
Charges for services	\$ 6,079,734	\$ 2,080,767	\$ 8,160,501
<b>Total operating revenue</b>	<b>6,079,734</b>	<b>2,080,767</b>	<b>8,160,501</b>
<b>Operating expenses</b>			
Administration, operations, and maintenance	2,901,895	1,619,893	4,521,788
Depreciation and amortization	1,058,327	41,326	1,099,653
<b>Total operating expenses</b>	<b>3,960,222</b>	<b>1,661,219</b>	<b>5,621,441</b>
<b>Operating income</b>	<b>2,119,512</b>	<b>419,548</b>	<b>2,539,060</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	791	143	934
Interest expense	(841,316)	(3,088)	(844,404)
Miscellaneous non operating revenue	1,250	-	1,250
<b>Total nonoperating income</b>	<b>(839,275)</b>	<b>(2,945)</b>	<b>(842,220)</b>
<b>Income before transfers</b>	<b>1,280,237</b>	<b>416,603</b>	<b>1,696,840</b>
<b>Transfers out</b>	<b>(350,000)</b>	<b>(340,000)</b>	<b>(690,000)</b>
<b>Changes in net position</b>	<b>930,237</b>	<b>76,603</b>	<b>1,006,840</b>
<b>Net position - beginning</b>	<b>20,467,149</b>	<b>539,008</b>	<b>21,006,157</b>
<b>Net position, ending</b>	<b>\$ 21,397,386</b>	<b>\$ 615,611</b>	<b>\$ 22,012,997</b>

*See notes to financial statements.*

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

*September 30, 2016*

	<b>Business-Type Activities -- Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Garbage Fund</b>	<b>Total</b>
<b>Operating activities</b>			
Receipts from customers	\$ 6,067,972	\$ 2,078,952	\$ 8,146,924
Payments to suppliers for services	(1,586,012)	(1,619,866)	(3,205,878)
Payments to employees for services	(1,134,858)	-	(1,134,858)
<b>Net cash provided by operating activities</b>	<b>3,347,102</b>	<b>459,086</b>	<b>3,806,188</b>
<b>Noncapital financing activities</b>			
Transfers out	(350,000)	(340,000)	(690,000)
<b>Net cash (used) by noncapital financing activities</b>	<b>(350,000)</b>	<b>(340,000)</b>	<b>(690,000)</b>
<b>Capital and related financing activities</b>			
Acquisition and construction of capital assets	(831,014)	-	(831,014)
Payments on capital leases	-	(54,212)	(54,212)
Principal payments on warrants	(1,645,000)	-	(1,645,000)
Interest paid	(841,316)	(3,088)	(844,404)
<b>Net cash (used) by capital and related financing activities</b>	<b>(3,317,330)</b>	<b>(57,300)</b>	<b>(3,374,630)</b>
<b>Investing activities</b>			
Interest received	791	143	934
<b>Net cash provided by investing activities</b>	<b>791</b>	<b>143</b>	<b>934</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(319,437)</b>	<b>61,929</b>	<b>(257,508)</b>
Cash and cash equivalents, beginning of year	5,543,511	282,376	5,825,887
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,224,074</b>	<b>\$ 344,305</b>	<b>\$ 5,568,379</b>
<b>Operating Income</b>	<b>\$ 2,119,512</b>	<b>\$ 419,548</b>	<b>\$ 2,539,060</b>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,314,439	41,326	1,355,765
Change in assets and liabilities:			
(Increase) in accounts receivable	(11,762)	(1,815)	(13,577)
(Increase) in prepaid expenses	(11,474)	-	(11,474)
(Decrease) Increase in accounts payable	(50,417)	27	(50,390)
(Decrease) Increase in accrued payroll and related liabilities	(13,196)	-	(13,196)
<b>Net cash provided by operating activities</b>	<b>\$ 3,347,102</b>	<b>\$ 459,086</b>	<b>\$ 3,806,188</b>
<b>Supplemental information</b>			
Noncash activities			
Acquisition of capital assets	\$ -	\$ 130,757	\$ 130,757
<b>Cash paid for capital assets</b>	<b>\$ -</b>	<b>\$ 130,757</b>	<b>\$ 130,757</b>
<b>Reconciliation of total cash and cash equivalents</b>			
Cash and cash equivalents	\$ 1,080,792	\$ 344,305	\$ 1,425,097
Restricted assets - cash and cash equivalents	4,143,282	-	4,143,282
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,224,074</b>	<b>\$ 344,305</b>	<b>\$ 5,568,379</b>

*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") was incorporated in 1953 and is governed by a Mayor-Council-City Manager form of government. The Mayor is elected at-large to serve a four-year term. Each of the seven city councilors are elected from seven single member wards for terms of four years. The Council is presided over by a president who is chosen by the council members and is also a voting member of the Council. The City Manager is appointed by council to serve a term of four years.

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 \$12,160,000 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 in a separate column on the government-wide financial statements to emphasize that it is legally separate from the City.

#### 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**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary (the City has no proprietary or fiduciary funds at year end). An emphasis is placed on major funds within the governmental categories. At a minimum, governmental funds other than the general fund must be reported as major funds if they meet both of the following criteria:

- a. Ten percent criterion. An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- b. Five percent criterion. An individual governmental fund reports at least 5 percent of the aggregated total for both governmental funds and proprietary funds of any one of the items for which it met the 10 percent criterion.

The major funds of the financial reporting entity are described below:

**General Fund**

The General Fund is the principal fund of the City and is always classified as a major fund. It is used to account for all revenues and expenditures applicable to the general operations of City government which are not properly accounted for in another fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

**Capital Projects Fund**

Capital Projects Funds are used to account for financial resources that are received and used for the acquisition, construction, or improvement of capital assets.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Debt Service Fund**

The Debt Service Fund is used to account for financial resources related to the City's debt service and debt defeasances.

**Sewer Fund**

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.

**Garbage Fund**

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.

**Measurement Focus, Basis of Accounting and Basis of Accounting**

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

## City of Alabaster, Alabama Notes to the Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### Measurement focus

On the Government-Wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

#### Basis of accounting

In the Government-Wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

#### Deposits

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

#### Receivables and Payables

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

Non current 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

## City of Alabaster, Alabama Notes to the Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

represent current assets. Non current portions of long-term loan note receivables are offset by fund balance reserve accounts.

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.

#### Proprietary funds receivables and unbilled revenues

In the Sewer and Garbage Funds, revenues are recognized on the basis of monthly billings to customers for services provided. The City therefore extends credit to its customers. As a result of this billing method, the City accrues unbilled service revenue at the end of the fiscal period with respect to service provided but not billed at such date. The City analyzes current and past due accounts and provides an allowance for doubtful accounts for the accounts deemed uncollectible.

#### Revenue Recognition

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.

#### 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 \$1,026,422 reported in the government-wide statements at September 30, 2016. A liability for vacation pay is reported in the governmental funds only if the obligation has matured, for example, as a result of an employee's resignation or retirement.

## 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 and proprietary fund type statement 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. In the fund financial statements, capital lease obligations are reported as other financing sources.

#### Deferred outflows and inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This 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. Also, in addition to liabilities, the statement of financial position will sometimes 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 inflow of resources (revenue) until that time.

#### Fund statements

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

## City of Alabaster, Alabama Notes to the Financial Statements

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance.* The classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and management have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in all governmental funds.

The City has assigned \$93,319 of the General Fund fund balance for the City's Library operations.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, assigned, and unassigned – in order as needed.

#### 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.

#### Pension

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized when due and payable in accordance with the terms of the plan. Expenses are

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

recognized when the corresponding liability is uncured, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standard Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

**Subsequent Events**

The City has evaluated subsequent events through the date of issuance of these 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 are not due and payable in the current period and, therefore, are not reported in the funds. The details of this \$55,651,165 difference are as follows:

Bonds Payable	\$ 40,241,159
Less: (Bond discounts)/premiums, net	(497,533)
Deferred amount on refunding	(569,827)
Note payable	1,500,000
Capital lease obligation	259,144
Accrued interest payable	413,542
Compensated absences	947,270
Net other post employment benefit liability	2,742,046
Net pension liability	<u>10,615,364</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position- governmental activities	<u>\$ 55,651,165</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

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

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

statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$567,471 difference are as follows:

Capital outlay	\$ 1,024,113
Book value of disposed assets	<u>(456,642)</u>
Net adjustment to fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 567,471</u>

Another element of that reconciliation states that the issuance of long-term debt provides current financial resources and the repayment of long-term debt consumes current financial resources.

Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued whereas, these amounts are deferred and amortized in the Statement of Activities. The details of this \$1,371,230 difference is as follows:

General obligation warrants issued	\$ (6,565,000)
Capital lease obligation issued	(300,000)
Principal payments on general obligation debt	7,986,095
Principal payments on capital lease obligation	300,654
Amortization of discounts and premiums	<u>(50,519)</u>
Net adjustments to fund balance-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,371,230</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.

## City of Alabaster, Alabama Notes to the Financial Statements

### **NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

If the City obtains any investments in the future, the investments will be accounted for under the fair-value approach as prescribed under GASB 72 *Fair Value Measurement and Application* which categorizes its fair value measurements in a fair value hierarchy based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

#### Custodial credit risk - Deposits

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

### **NOTE 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	\$ 2,135,516	\$ -	\$ 2,135,516
Other receivables	15,025	54,083	69,108
<b>Total</b>	<b>\$ 2,150,541</b>	<b>\$ 54,083</b>	<b>\$ 2,204,624</b>

	Sewer Fund	Garbage Fund	Total
Charges for services	\$ 591,115	\$ 209,443	\$ 800,558
Other receivables	25,585	-	25,585
	616,700	209,443	826,143
Less allowance for uncollectible accounts	(29,244)	(18,980)	(48,224)
	<b>\$ 587,456</b>	<b>\$ 190,463</b>	<b>\$ 777,919</b>

**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, 2016, was as follows:

<b>Governmental activities:</b>	<b>Balance</b>			<b>Balance</b>
	<b>September 30, 2015</b>	<b>Additions/ Transfers-in</b>	<b>Deletions/ Transfers-out</b>	
<b>Capital assets, not being depreciated:</b>				
Land	\$ 17,304,733	\$ -	\$ -	\$ 17,304,733
Construction in progress	471,492	-	(456,642)	14,850
<b>Total capital assets, not being depreciated</b>	<b>17,776,225</b>	<b>-</b>	<b>(456,642)</b>	<b>17,319,583</b>
<b>Capital assets, being depreciated:</b>				
Infrastructure	23,970,246	-	-	23,970,246
Buildings	8,161,535	42,755	-	8,204,290
Building improvements	1,782,895	-	-	1,782,895
Communication equipment	5,603	-	-	5,603
Computer equipment	582,372	48,468	-	630,840
Office equipment	28,840	-	-	28,840
Furniture and fitting	379,017	-	-	379,017
Heavy trucks	3,562,575	-	-	3,562,575
Land improvements	4,963,089	15,381	-	4,978,470
Library collection	1,799,561	7,987	-	1,807,548
Light trucks	1,648,328	639,667	-	2,287,995
Motor vehicles	1,375,048	85,216	-	1,460,264
Plant and equipment	1,475,509	184,639	-	1,660,148
Software	489,411	-	-	489,411
<b>Total capital assets, being depreciated</b>	<b>50,224,029</b>	<b>1,024,113</b>	<b>-</b>	<b>51,248,142</b>
<b>Less accumulated depreciation for:</b>				
Infrastructure	4,123,436	479,281	-	4,602,717
Buildings	1,632,584	195,590	-	1,828,174
Building improvements	1,090,642	68,430	-	1,159,072
Communication equipment	3,548	1,120	-	4,668
Computer equipment	342,115	58,005	-	400,120
Office equipment	4,314	5,853	-	10,167
Furniture and fitting	116,044	44,108	-	160,152
Heavy trucks	2,736,746	123,279	-	2,860,025
Land improvements	2,323,207	230,747	-	2,553,954
Library collection	1,532,719	95,200	-	1,627,919
Light trucks	1,086,611	201,775	-	1,288,386
Motor vehicles	1,192,603	67,030	-	1,259,633
Plant and equipment	805,989	107,480	-	913,469
Software	427,794	41,191	-	468,985
<b>Total accumulated depreciation</b>	<b>17,418,352</b>	<b>1,719,089</b>	<b>-</b>	<b>19,137,441</b>
<b>Total capital assets, being depreciated, net</b>	<b>32,805,677</b>	<b>(694,976)</b>	<b>-</b>	<b>32,110,701</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 50,581,902</b>	<b>\$ (694,976)</b>	<b>\$ (456,642)</b>	<b>\$ 49,430,284</b>

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

**NOTE 5 - CAPITAL ASSETS (CONTINUED)**

<b>Business-type activities:</b>	<b>Balance</b>			<b>Balance</b>
	<b>September 30,</b>	<b>Additions/</b>	<b>Deletions/</b>	
	<b>2015</b>	<b>Transfers-in</b>	<b>Transfers-out</b>	<b>2016</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 245,770	\$ -	\$ -	\$ 245,770
Construction in progress	118,803	54,492	-	173,295
<b>Total capital assets, not being depreciated</b>	<b>364,573</b>	<b>54,492</b>	<b>-</b>	<b>419,065</b>
<b>Capital assets, being depreciated:</b>				
Computer equipment	2,743	2,758	-	5,501
Heavy trucks	643,531	221,092	-	864,623
Land improvements	36,180	36,068	-	72,248
Light trucks	233,351	229,128	-	462,479
Plant and equipment	379,666	130,803	-	510,469
Sewer and plant lines	46,506,258	341,922	-	46,848,180
Software	170,800	-	-	170,800
<b>Total capital assets, being depreciated</b>	<b>47,972,529</b>	<b>961,771</b>	<b>-</b>	<b>48,934,300</b>
<b>Less Accumulated depreciation for:</b>				
Computer equipment	352	904	-	1,256
Heavy trucks	350,075	63,612	-	413,687
Land improvements	58	1,700	-	1,758
Light trucks	162,274	31,416	-	193,690
Plant and equipment	267,619	12,746	-	280,365
Sewer and plant lines	14,059,764	931,751	-	14,991,515
Software	129,550	24,135	-	153,685
<b>Total accumulated depreciation</b>	<b>14,969,692</b>	<b>1,066,264</b>	<b>-</b>	<b>16,035,956</b>
<b>Total capital assets, being depreciated, net</b>	<b>33,002,837</b>	<b>(104,493)</b>	<b>-</b>	<b>32,898,344</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 33,367,410</b>	<b>\$ (50,001)</b>	<b>\$ -</b>	<b>\$ 33,317,409</b>

**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		\$ 373,785	\$ 373,785	
<i>Public Protection</i>				
Police	242,057			
Municipal Court		1,643		
Fire		151,970		395,670
<i>Public Ways and Facilities:</i>				
Library	140,217			
Public Works		435,587		
Park and Recreation		373,830		949,634
<b>Total</b>				<b>\$ 1,719,089</b>

**Business-type activities:**

Sewer	\$ 1,024,938
Garbage Fund	41,326
<b>Total</b>	<b>\$ 1,066,264</b>

Activity for the discretely presented component unit, CDA, for the year ended September 30, 2016, was as follows:

<b>Governmental activities:</b>	<b>Balance</b>		<b>Deletions/</b>	<b>Balance</b>
	<b>September 30,</b>	<b>Additions/</b>	<b>Transfers-</b>	<b>September 30,</b>
	<b>2015</b>	<b>Transfers-in</b>	<b>out</b>	<b>2016</b>
Capital assets, not being depreciated:				
Land	\$ 10,410,913	\$ 567	\$ -	\$ 10,411,480
<b>Total capital assets, not being depreciated</b>	<b>10,410,913</b>	<b>567</b>	<b>-</b>	<b>10,411,480</b>
Capital assets, being depreciated:				
Infrastructure	4,000,000		-	4,000,000
<b>Total capital assets, being depreciated</b>	<b>4,000,000</b>	<b>-</b>	<b>-</b>	<b>4,000,000</b>
Less Accumulated depreciation for:				
Infrastructure	593,333	80,000	-	673,333
<b>Total capital assets, being depreciated, net</b>	<b>3,406,667</b>	<b>(80,000)</b>	<b>-</b>	<b>3,326,667</b>
Commercial Development Authority capital assets, net	\$ 13,817,580	\$ (79,433)	\$ -	\$ 13,738,147

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, 2016.

**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, 2016, is as follows:

Transfer to	Transfer From				Total	
	Debt		Other			
	General Fund	Service Fund	Governmental Funds			
General Fund	\$ -	\$ -	\$ 40,000	\$ 40,000		
Debt Service Fund	3,541,001	-	-	-	3,541,001	
Capital Projects Fund	-	843,940	-	-	843,940	
Total	\$ 3,541,001	\$ 843,940	\$ 40,000	\$ 4,424,941		

Transfer to	Transfer From			Total	
	Transfer From		Total		
	Sewer Fund	Garbage Fund			
General Fund	\$ 350,000	\$ 340,000	\$ 690,000		
Total	\$ 350,000	\$ 340,000	\$ 690,000		

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
G.O. Warrants	Debt Service Fund	General Fund
Note payable	Debt Service Fund	General Fund
Capital lease obligation	Debt Service Fund	General Fund

#### Business-Type Activities:

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				Debt Service Loss	
Fiscal Year	Series	Face Amount	Refunded Series	Amount	Outstanding on 09/30/16	Refundings	Economic Gain/(Loss)	
2012 C	\$ 12,310,000		2005-A	\$ 10,535,000	\$ 8,295,000	\$ (260,457)	\$ 241,381	
2016 A	\$ 4,235,000		2010-A	\$ 3,490,000	\$ 2,085,000	\$ (419,729)	\$ 307,004	
2016 B	\$ 2,330,000		2010-B	\$ 1,935,000	\$ 1,120,000	\$ (164,008)	\$ 195,936	

**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, 2016, and information related to it was as follows:

Governmental Activities	Original Amount	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
<b><u>Series:</u></b>					
<i>G.O. Warrants</i>					
2005-B	\$ 555,000	4/1/2025	4.00% - 4.45%	\$ 330,000	\$ 30,000
2010-A	7,780,000	9/1/2026	2.00% - 5.80%	2,085,000	485,000
2010-B	3,055,000	9/1/2029	4.00% - 4.25%	1,120,000	-
2011-A	1,220,000	1/1/2018	1.50% - 2.40%	375,000	185,000
2011-B	4,915,000	9/1/2025	2.00% - 3.25%	3,925,000	340,000
2012-A	2,410,000	4/1/2018	1.35% - 2.50%	1,180,000	585,000
2012-B	9,975,000	4/1/2024	2.00% - 2.55%	9,375,000	160,000
2012-C	12,310,000	4/1/2028	0.75% - 3.90%	9,680,000	670,000
2012-D	5,205,000	4/1/2033	3.125% - 3.625%	5,205,000	-
2013	1,300,000	10/1/2017	1.96%	401,159	268,783
2016-A	4,235,000	9/1/2026	1.75%-2.70%	4,235,000	95,000
2016-B	2,330,000	9/1/2029	2.00%-2.25%	2,330,000	30,000
	55,290,000			40,241,159	2,848,783
Capital lease obligation	586,234	10/29/2017	1.66%	259,144	102,251
Note payable	1,500,000	3/1/2017	1.75%	1,500,000	1,500,000
Total governmental activities	57,376,234			42,000,303	4,451,034

Business-Type Activities:

<i>G.O. Warrants</i>					
2009	7,575,000	9/1/2020	2.00% - 4.00%	3,570,000	770,000
2013-B	16,920,000	4/1/2029	2.25% - 3.70%	14,345,000	930,000
	24,495,000			17,915,000	1,700,000
Capital lease obligation	314,006	3/27/2020		244,798	83,289
Total business-type activities	24,809,006			18,159,798	1,783,289
Total primary government	\$ 82,185,240			\$ 60,160,101	\$ 6,234,323

**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, 2016 are shown below.

<b>Governmental Activities:</b>	<b>G.O. Warrants</b>		<b>Note Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2017	\$ 2,848,783	\$ 967,929	\$ 1,500,000	\$ 10,938
2018	2,767,376	1,049,969	-	-
2019	2,645,000	981,119	-	-
2020	2,395,000	912,579	-	-
2021	3,840,000	867,786	-	-
2022-2026	16,585,000	2,598,615	-	-
2027-2031	7,385,000	875,066	-	-
2032-2036	1,775,000	58,903	-	-
	<b>\$ 40,241,159</b>	<b>\$ 8,311,966</b>	<b>\$ 1,500,000</b>	<b>\$ 10,938</b>

<b>Business-Type Activities:</b>	<b>G.O. Warrants</b>	
	<b>Principal</b>	<b>Interest</b>
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	1,045,000	310,833
2022-2026	5,625,000	1,149,898
2027-2029	3,790,000	273,665
	<b>\$ 17,915,000</b>	<b>\$ 3,643,904</b>

# 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, 2016, was as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation warrants	\$ 41,662,254	\$ 6,565,000	\$ (7,986,095)	\$ 40,241,159	\$ 2,848,783
Less amounts deferred for:					
Issue discounts and premiums, net	(548,052)	-	50,519	(497,533)	-
Total general obligation warrants	41,114,202	6,565,000	(7,935,576)	39,743,626	2,848,783
Note payable	1,500,000	-	-	1,500,000	1,500,000
Capital lease obligation	259,798	300,000	(300,654)	259,144	102,251
Compensated absences	1,216,659	292,192	(561,581)	947,270	-
Governmental activities long-term activities	<u>\$ 44,090,659</u>	<u>\$ 7,157,192</u>	<u>\$ (8,797,811)</u>	<u>\$ 42,450,040</u>	<u>\$ 4,451,034</u>
The City's General Fund is generally responsible for liquidating the liability for compensated absences since most of the activities affecting that liability occur with General Fund departments.					
<b>Business-Type activities:</b>					
General obligation warrants	\$ 19,560,000	\$ -	\$ (1,645,000)	\$ 17,915,000	\$ 1,700,000
Subtotal	19,560,000	-	(1,645,000)	17,915,000	1,700,000
Add amounts deferred for:					
Issue discounts, premiums and costs, net	101,677	-	(40,598)	142,275	-
Total warrants	19,661,677	-	(1,604,402)	18,057,275	1,700,000
Capital lease obligation	168,236	130,757	(54,195)	244,798	83,289
Compensated absences	93,608	26,120	(40,576)	79,152	-
Business-type activities long-term liabilities	<u>19,930,730</u>	<u>156,877</u>	<u>(1,699,173)</u>	<u>18,381,225</u>	<u>1,783,289</u>
Total long-term liabilities	<u>\$ 64,021,389</u>	<u>\$ 7,314,069</u>	<u>\$ (10,496,984)</u>	<u>\$ 60,831,265</u>	<u>\$ 6,234,323</u>

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

**NOTE 8 - LEASE OBLIGATIONS**

Capital Leases

The City has three lease agreements for financing the acquisition of police vehicles, a fire truck 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:

	<b>Cost Basis</b>	<b>Accumulated Depreciation</b>	<b>Total</b>
Light Trucks	\$ 951,392	\$ 250,413	\$ 700,979
Heavy Trucks	259,171	11,869	247,302
<b>Total</b>	<b>\$ 1,210,563</b>	<b>\$ 262,282</b>	<b>\$ 948,281</b>

The future of the minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2016, are as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<hr/>		
Year Ending September 30:		
2017	\$ 102,251	\$ 83,289
2018	102,251	83,289
2019	59,749	64,714
2020	-	19,354
<b>Total minimum lease payments</b>	<b>264,251</b>	<b>250,646</b>
<b>Less: Amount representing interest</b>	<b>(5,107)</b>	<b>(5,848)</b>
<b>Present value of minimum lease payments</b>	<b>\$ 259,144</b>	<b>\$ 244,798</b>

## 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](http://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 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	<u>55,378</u>
Total	<u>84,393</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, 2016 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, 2013, 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 \$1,161,460 for the year ended September 30, 2016.

**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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

<b>Total Pension Liability Roll Forward</b>	
<b>Total Pension Liability</b>	
as of September 30, 2014 (a)	\$ 36,088,087
<b>Entry Age Normal Cost for</b>	
October 1, 2014 – September 30, 2015 (b)	1,107,963
<b>Actual Benefit Payment and Refunds for</b>	
October 1, 2014 – September 30, 2015 (c)	(1,543,314)
<b>Total Pension Liability</b>	
as of September 30, 2015	
[(a) x (1.08)] + (b) – [(c) x (1.04)]	\$ 38,478,050

**Actuarial assumptions**

The total pension liability in the September 30, 2014 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%
<b>Total</b>	<b>100.00%</b>	

\* 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 of 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 Position (b)	Net Pension Liability (Asset) (a)-(b)
<b>Balances at September 30, 2014</b>	\$ 36,088,087	\$26,434,085	\$ 9,654,002
Changes for the year:			
Service cost	1,107,963	-	1,107,963
Interest	2,825,314	-	2,825,314
Changes in assumptions	-	-	-
Difference between expected and actual experience	(130,968)	-	(130,968)
Contributions – employer	-	1,041,311	(1,041,311)
Contributions – employee	-	721,895	(721,895)
Net investment income	-	313,475	(313,475)
Benefit payments, including refunds of employee contributions	(1,543,314)	(1,543,314)	-
Administrative expense	-	-	-
Transfers among employers	-	(242,352)	242,352
<b>Net Changes</b>	<b>2,258,995</b>	<b>291,015</b>	<b>1,967,980</b>
<b>Balances at September 30, 2015</b>	<b>\$ 38,347,082</b>	<b>\$26,725,100</b>	<b>\$ 11,621,982</b>

**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%
	Decrease	Discount Rate	Increase
	7.00%	8.00%	9.00%
<b>Plan's Net Pension Liability</b>	<b>\$ 16,904,739</b>	<b>\$11,621,982</b>	<b>\$7,221,941</b>

**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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated January 15, 2016 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](http://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, 2016, the City recognized pension expense of \$1,161,460. At September 30, 2016, 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	\$ -	\$ 114,996
Net difference between projected and actual earnings on plan investments	880,373	-
Employer contributions subsequent to the Measure Date	1,161,460	-
<b>Total</b>	<b>\$ 2,041,833</b>	<b>\$ 114,996</b>

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

<b>Year ended September 30:</b>		
2017	\$ 157,463	
2018	157,463	
2019	157,462	
2020	344,097	
2021	(15,972)	
Thereafter	(35,136)	
<b>Total</b>	<b>\$ 765,377</b>	

**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 fiscal year ending 2016 as determined by the City Council of the City of Alabaster:

	<b>City</b>	<b>Retiree</b>	<b>Total</b>
Family	\$ 700	\$ 986	1,686
Single	\$ 700	\$ 216	916
Single Medicare	\$ 212	\$ 230	442

**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, 2016, the City of Alabaster's portion of health care funding cost for retired employees totaled \$77,683. 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, 2015 is \$567,268, as set forth below:

	<b>Medical</b>
Service Cost	\$ 307,334
Unfunded Actuarial Accrued Liability Amortization	259,934
<b>Annual required contribution (ARC)</b>	<b>\$ 567,268</b>

**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 1,2015		\$	2,290,733
Annual required contribution			567,268
Interest on prior year Net OPEB Obligation			91,629
Amortization of prior year Net OPEB Obligation			(129,901)
Total Annual OPEB Cost			528,996
Contribution			-
Current year retiree premium			(77,683)
Change in Net OPEB Obligation			451,313
Ending Net OPEB Obligation			
September 30, 2016		\$	2,742,046

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
Medical	September 30,2014	\$ 388,244	10.35%	\$ 1,940,733
Medical	September 30,2015	\$ 390,000	10.26%	\$ 2,290,733
Medical	September 30,2016	\$ 528,996	14.68%	\$ 2,742,046

Funded Status and Funding Progress

In the fiscal year ending September 30, 2016, 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, 2015, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$4,476,479, 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 2015/2016, the entire actuarial accrued liability of \$4,476,479 was unfunded.

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

**NOTE 10 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

Actuarial Accrued Liability (AAL)	\$ 4,476,479
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 4,476,479</u>
Funded Ratio	0.00%
Covered Payroll (active plan members)	\$ 13,449,824
UAAL as a percentage of covered payroll	33.28%

**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	10/1/2015
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	Level 5.00%

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](http://www.cms.hhs.gov)). "State and Local" rates for 2009 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**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 \$632,098 at September 30, 2016, for those fees collected during the month of September.

During the year ended September 30, 2016, the City recognized a total of \$7,866,501 in sewer and garbage fees collected by the Water Board.

At September 30, 2016, 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 - 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.



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

### **NOTE 13 - ECONOMIC DEPENDENCY**

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 64.50% of total governmental fund-type revenues for the year ended September 30, 2016. Sales and use tax revenues received from one major taxpayer accounted for 11.60% of the total sales and use tax collected city-wide. In addition, business license revenues received from one major company accounted for 31.96% of the total business license revenues collected City-wide.

### **NOTE 14 – NEW PRONOUNCEMENTS**

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

- Amendments to accounting and financial reporting for pensions;
- GAAP hierarchy;
- Tax abatement disclosures; and
- Financial reporting and accounting related to other post-employment benefits.
- Certain asset retirement obligations
- Fiduciary activities

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Alabaster, Alabama**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances – Budget and Actual – General Fund**

<b>Year Ended September 30, 2016</b>	<b>Budgeted Amounts</b>			<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>			
<b>Revenues</b>					
Sales and use taxes	\$ 13,993,550	\$ 19,273,421	\$ 20,338,071	\$ 1,064,650	
Property taxes	3,500,000	3,510,000	3,589,515	79,515	
Other taxes	1,311,700	1,324,000	1,413,338	89,338	
Licenses and permits	3,944,000	3,969,000	4,028,686	59,686	
Intergovernmental	60,000	60,000	101,340	41,340	
Charges for services	552,200	509,200	446,213	(62,987)	
Fines and forfeitures	584,200	514,200	507,928	(6,272)	
Donations, gifts and grants	36,000	69,000	22,974	(46,026)	
Interest	50	3,550	10,530	6,980	
Other revenues	894,640	606,340	457,553	(148,787)	
<b>Total revenues</b>	<b>\$ 24,876,340</b>	<b>\$ 29,838,711</b>	<b>\$ 30,916,148</b>	<b>\$ 1,077,437</b>	
<b>Expenditures</b>					
<u>General Government</u>					
Administrative	\$ 2,333,849	\$ 2,629,767	\$ 2,291,914	\$ 337,853	
Building	676,578	-	-	-	
Revenue	237,892	240,547	237,419	3,128	
Personnel	261,583	262,413	260,518	1,895	
Elected officials	344,591	344,591	269,747	74,844	
Newsletter	120,000	120,000	108,412	11,588	
<b>Total general government</b>	<b>\$ 3,974,493</b>	<b>\$ 3,597,318</b>	<b>\$ 3,168,010</b>	<b>\$ 429,308</b>	
<u>Public Protection</u>					
Police	\$ 7,300,769	\$ 7,534,329	\$ 7,952,342	\$ (418,013)	
Municipal Court	473,962	485,127	491,651	(6,524)	
Fire	5,056,686	5,593,305	5,598,526	(5,221)	
<b>Total public protection</b>	<b>\$ 12,831,417</b>	<b>\$ 13,612,761</b>	<b>\$ 14,042,519</b>	<b>\$ (429,758)</b>	

*See notes to required supplementary information.*

<b>Year Ended September 30, 2016</b>	<b>Budgeted Amounts</b>			<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>			
<u>Public Ways and Facilities</u>					
Library	\$ 806,373	\$ 806,653	\$ 763,273	\$ 43,380	
Public Works	2,016,172	2,016,772	1,911,967	104,805	
Parks and Recreation	2,560,583	2,573,911	2,419,236	154,675	
Total public ways and facilities	\$ 5,383,128	\$ 5,397,336	\$ 5,094,476	\$ 302,860	
<u>Alabaster City Schools</u>					
Payments to the Alabaster Board of Education	\$ -	\$ 5,000,000	\$ 5,051,840	\$ (51,840)	
Other payments	-	-	-	-	
Total Alabaster City Schools	\$ -	\$ 5,000,000	\$ 5,051,840	\$ (51,840)	
Total Expenditures	22,189,038	27,607,415	27,356,845	250,570	
Excess of revenues over expenditures	2,687,302	2,231,296	3,559,303	1,328,007	
Other financing sources (uses)					
Proceeds of debt	-	-	300,000	300,000	
Transfers in	1,050,000	1,390,000	730,000	(660,000)	
Transfers (out)	(3,616,722)	(3,616,722)	(3,541,001)	75,721	
Total other financing sources (uses)	(2,566,722)	(2,226,722)	(2,511,001)	(284,279)	
Net change in fund balance	\$ 120,580	\$ 4,574	\$ 1,048,302	\$ 1,043,728	
				5,070,078	
Fund balance, ending			\$ 6,118,380		

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

	2016	2015
<b>Total pension liability</b>		
Service cost	\$ 1,107,963	\$ 1,071,349
Interest	2,825,314	2,636,186
Changes in benefit terms	-	-
Differences between expected and actual experience	(130,968)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,543,314)	(1,143,546)
<b>Net change in total pension liability</b>	<b>2,258,995</b>	<b>2,563,989</b>
<b>Total pension liability - beginning</b>	<b>36,088,087</b>	<b>33,524,098</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 38,347,082</b>	<b>\$ 36,088,087</b>
 <b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 1,041,311	\$ 1,039,130
Contributions - employee	721,895	691,926
Net investment income	313,475	2,802,343
Benefit payments, including refunds of employee contributions	(1,543,314)	(1,143,546)
Transfers among employers	(242,352)	(53,073)
<b>Net change in plan fiduciary net position</b>	<b>291,015</b>	<b>3,336,780</b>
<b>Plan net position - beginning</b>	<b>26,434,085</b>	<b>23,097,305</b>
<b>Plan net position - ending (b)</b>	<b>\$ 26,725,100</b>	<b>\$ 26,434,085</b>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 11,621,982</b>	<b>\$ 9,654,002</b>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>69.69%</b>	<b>73.25%</b>
 <b>Covered employee payroll</b>	<b>\$ 13,162,698</b>	<b>\$ 12,269,384</b>
 <b>Net pension liability as a percentage of covered employee payroll</b>	<b>113.26%</b>	<b>127.09%</b>

*See notes to required supplementary information*

**City of Alabaster, Alabama**  
**Schedule of Employer Contributions**

	<b>2016</b>	<b>2015</b>
Actuarially Determined Contribution	\$ 1,161,460	\$ 1,085,256
Employer Contributions to Pension Plan	1,161,460	1,085,256
Annual Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 13,162,698	\$ 12,269,384
Employer Contributions to Pension Plan as a percentage of Covered Employee Payroll	8.82%	8.85%

*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 Liability (AAL) Entry			Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
		Age (b)	Unfunded AAL (UAAL) (b-a)				
10/01/11	\$ - \$	3,467,382	\$ 3,467,382	0.0%	\$ 11,556,239		30.00%
10/01/13	\$ - \$	3,410,090	\$ 3,410,090	0.0%	\$ 12,709,977		26.83%
10/01/15	\$ - \$	4,476,479	\$ 4,476,479	0.0%	\$ 13,449,824		33.28%

**Schedule of Funding Progress**

	09/30/12	09/30/13	09/30/14	09/30/15
OPEB Cost	\$ 456,569	\$ 455,128	\$ 388,244	\$ 528,996
Contribution	-	-	-	-
Retiree premium	(50,196)	(51,609)	(40,236)	(77,683)
Total contribution and premium	(50,196)	(51,609)	(40,236)	(77,683)
Change in net OPEB obligation	<u>\$ 406,373</u>	<u>\$ 403,519</u>	<u>\$ 348,008</u>	<u>\$ 451,313</u>
Percentage of contribution to cost	0.00%	0.00%	0.00%	0.00%
Percentage of contribution plus premium to cost	10.99%	11.34%	10.35%	14.68%

*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 data reflected in the required supplementary information:

1. Instructions and budget work papers are distributed to departments and a revenue estimate for the following fiscal year is prepared.
2. Departments return copies of completed budget requests forms to the budget staff.
3. The Mayor and budget staff begin individual departmental reviews and prepare recommended changes to the departmental budgets.
4. The Mayor submits recommended departmental changes to 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



## City of Alabaster, Alabama Notes to Required Supplementary Information

### **NOTE 1 – BUDGETARY INFORMATION (CONTINUED)**

budgetary control is by department. The original and final/amended budget amounts are reflected in the required supplementary information.

The following represents expenditures in excess of appropriations of the following amounts by department for the fiscal year ended September 30, 2016:

#### **Public Protection**

Police	418,013
Municipal Court	6,524
Fire	5,221

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, 2016**

	Gas Tax Fund (7 cent)	Gas Tax Fund (4 cent)	Gas Tax Corrections Fund	Drug Seizure Fund	Municipal Training Fund	Library State Aid Fund	Municipal Judicial Fund	Capital Projects Fund	Subdivision Total
<b>Assets</b>									
Restricted cash	\$ 158,226	\$ 111,848	\$ 326,189	\$ 97,259	\$ 56,432	\$ 563	\$ 41,822	\$ 156,801	\$ 949,140
Accounts receivable	44,754	-	7,162	-	440	-	1,727	-	54,083
<b>Total assets</b>	<b>\$ 202,980</b>	<b>\$ 111,848</b>	<b>\$ 333,351</b>	<b>\$ 97,259</b>	<b>\$ 56,872</b>	<b>\$ 563</b>	<b>\$ 43,549</b>	<b>\$ 156,801</b>	<b>\$ 1,003,223</b>
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ -	\$ -	\$ 1,243	\$ -	\$ 3,724	\$ 544	\$ 1,166	\$ -	\$ 6,677
Subdivision cash bonds posted	-	-	-	-	-	-	-	28,575	28,575
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,243</b>	<b>-</b>	<b>3,724</b>	<b>544</b>	<b>1,166</b>	<b>28,575</b>	<b>35,252</b>
<b>Fund balance</b>									
Restricted for:									
Capital improvements	-	-	-	-	-	-	-	128,226	128,226
Library	-	-	-	-	-	19	-	-	19
Public protection	-	-	332,108	97,259	53,148	-	42,383	-	524,898
Infrastructure maintenance	202,980	111,848	-	-	-	-	-	-	314,828
<b>Total fund balance</b>	<b>202,980</b>	<b>111,848</b>	<b>332,108</b>	<b>97,259</b>	<b>53,148</b>	<b>19</b>	<b>42,383</b>	<b>128,226</b>	<b>967,971</b>
<b>Total liabilities and fund balance</b>	<b>\$ 202,980</b>	<b>\$ 111,848</b>	<b>\$ 333,351</b>	<b>\$ 97,259</b>	<b>\$ 56,872</b>	<b>\$ 563</b>	<b>\$ 43,549</b>	<b>\$ 156,801</b>	<b>\$ 1,003,223</b>

**City of Alabaster, Alabama**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances – Nonmajor Governmental Funds**  
**September 30, 2016**

	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
<b>Revenues</b>									
Other taxes	\$ 76,498	\$ 59,809	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 136,307
Fines and forfeitures	-	-	71,297	-	5,197	-	16,761	28,000	121,255
Donations, gifts, and grants	-	-	-	-	-	20,888	-	-	20,888
Interest	13	10	30	8	17	2	4	736	820
Miscellaneous	56,554	-	-	-	-	-	-	-	56,554
<b>Total Revenues</b>	<b>133,065</b>	<b>59,819</b>	<b>71,327</b>	<b>8</b>	<b>5,214</b>	<b>20,890</b>	<b>16,765</b>	<b>28,736</b>	<b>335,824</b>
<b>Expenditures</b>									
Public protection	-	-	31,836	-	8,396	-	7,536	-	47,768
Public ways and facilities	56,275	-	-	-	-	20,891	-	-	77,166
<b>Total Expenditures</b>	<b>56,275</b>	<b>-</b>	<b>31,836</b>	<b>-</b>	<b>8,396</b>	<b>20,891</b>	<b>7,536</b>	<b>-</b>	<b>124,934</b>
<b>Other financing sources (uses)</b>									
Transfers out	-	-	(40,000)	-	-	-	-	-	(40,000)
<b>Total other financing souces (uses)</b>	<b>-</b>	<b>-</b>	<b>(40,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,000)</b>
<b>Net change in fund balance</b>	<b>76,790</b>	<b>59,819</b>	<b>(509)</b>	<b>8</b>	<b>(3,182)</b>	<b>(1)</b>	<b>9,229</b>	<b>28,736</b>	<b>170,890</b>
<b>Fund balance, beginning</b>	<b>126,190</b>	<b>52,029</b>	<b>332,617</b>	<b>97,251</b>	<b>56,330</b>	<b>20</b>	<b>33,154</b>	<b>99,490</b>	<b>797,081</b>
<b>Fund balance, ending</b>	<b>\$ 202,980</b>	<b>\$ 111,848</b>	<b>\$ 332,108</b>	<b>\$ 97,259</b>	<b>\$ 53,148</b>	<b>\$ 19</b>	<b>\$ 42,383</b>	<b>\$ 128,226</b>	<b>\$ 967,971</b>