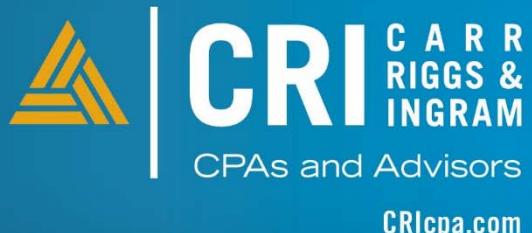


City of Alabaster, Alabama

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2017



City of Alabaster, Alabama
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September 30, 2017

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Marty B. Handlon
Mayor

Brian Binzer
City Manager
City Clerk

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

April 19, 2018

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, 2017 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, 2017. 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 of Alabaster, Alabama was incorporated in 1953 and is the largest City in Shelby County. It serves a population of approximately 32,269 and occupies 20.6 square miles. The City is governed by a Mayor-Council 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 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 2.4% while the average unemployment rate for the entire state was 3.9%.

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 3.5% over the past year. Property taxes are based on the assessed value of property within the City and have increased by 6.2% over the past year. Business licenses are generally based on the gross receipts of businesses within the City and have increased by 4.6% over the past year.

During the past year, general fund expenditures for public safety have increased 1.6% and general fund expenditures for public ways and facilities have remained consistent as the City strives to maintain a safe community and fund the infrastructure improvements necessary for the City. In addition, the City saw an increase of \$2 million in capital improvement expenditures paid out of the capital projects fund. Payments to Alabaster Board of Education represent 19.1% of all general fund expenditures for the current fiscal year. The City remits 1% 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 of Alabaster 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 \$6,086,732 representing 22.1% of total general fund expenditures for the current fiscal year. \$2,823,849 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

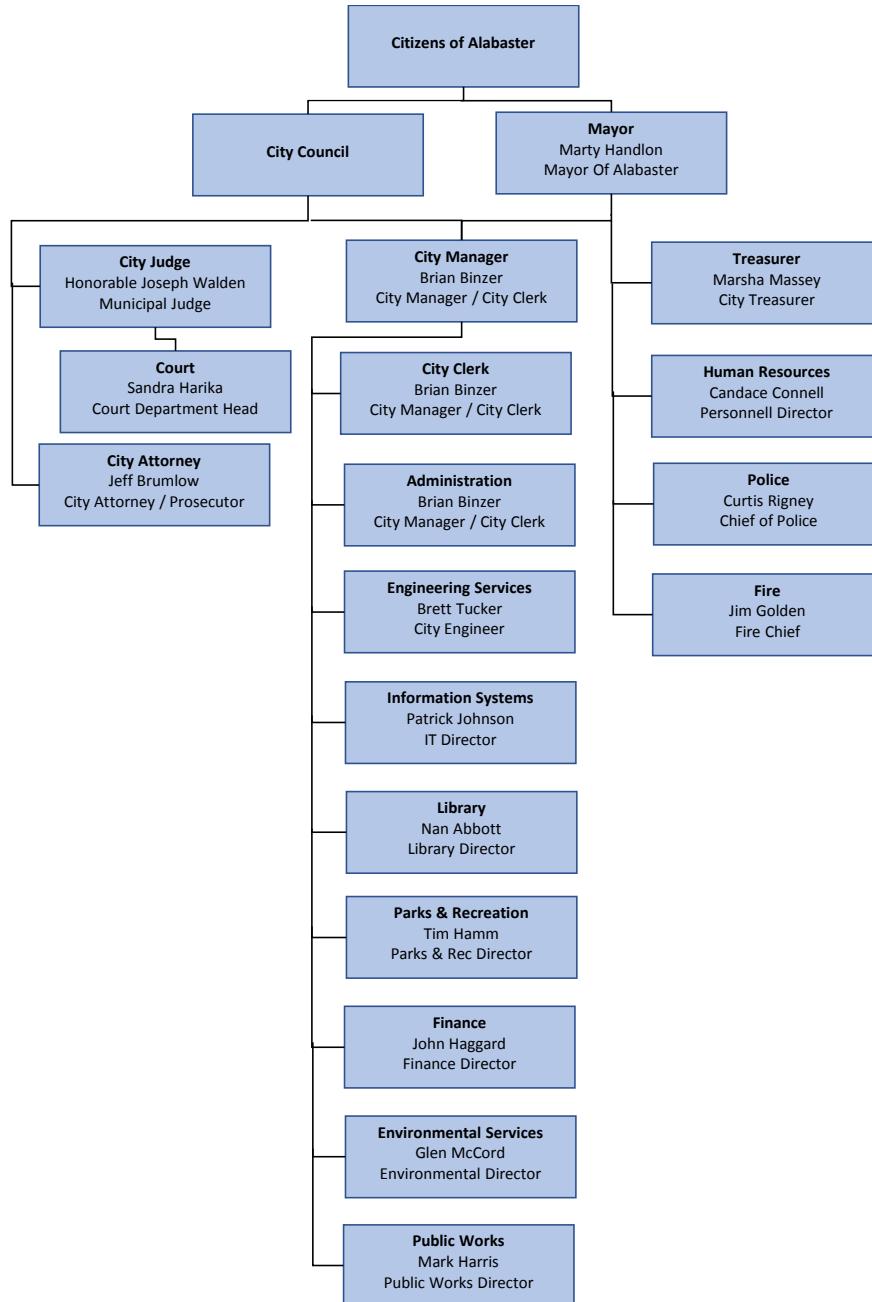
The Preparation of the comprehensive annual financial report could not be accomplished without the dedicated services of the Finance Department staff as well as all City Departments who practice fiscal responsibility and assist in collecting and recording financial data in a timely manner. We would like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

John Haggard

John Haggard, CPA, CGFM
Finance Director



City of Alabaster, Alabama
Elected and Appointed Officials
September 30, 2017

Elected Officials

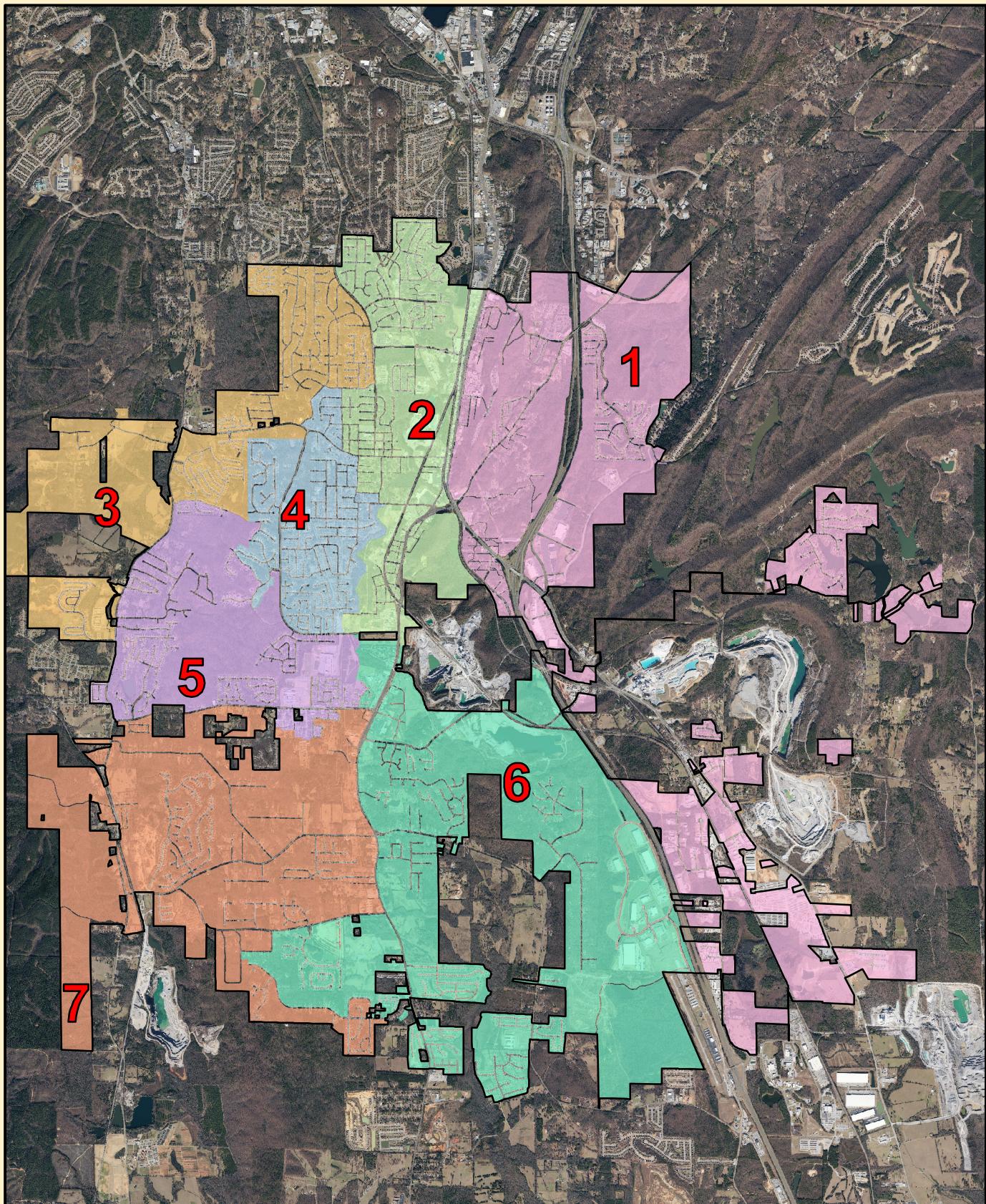
Mayor
City Council – Ward 1
City Council – Ward 2
City Council – Ward 3
City Council – Ward 4
City Council – Ward 5
City Council – Ward 6, Council President
City Council – Ward 7

Marty Handlon
Sophie Martin
Rick Ellis
Stacy Rakestraw
Greg Farrell
Russell Bedsole
Scott Brakefield
Kerri Pate

Appointed Officials

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

Brian Binzer
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





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Independent Auditors' Report

To the Mayor 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, 2017, 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.

Auditors' 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 auditors' 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, 2017, 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 April 19, 2018, 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 solely 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 the effectiveness of the City's 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.

Carr, Riggs & Ingram, L.L.C.

Birmingham, Alabama

April 19, 2018

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, 2017. 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 2017 by \$31.7 million.
- The Statement of Activities shows the Primary Government received taxes and other revenue of \$33.3 million and had expenses of \$33.5 million.
- The City's governmental funds reported a combined ending fund balance of \$10.86 million, a combined decrease in fund balance of \$1.6 million.
- The General Fund gave the Alabaster Board of Education \$5.2 million which represents the education portion of the sales tax collected.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 4 and 5 of this report.

Fund Financial Statements

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

Governmental Funds

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

The City maintains eleven individual governmental funds:

- The General Fund, the Capital Projects Fund, and the Debt Service Fund are considered *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds.
- The eight other governmental funds are considered *nonmajor* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements found on pages 58 and 59 of this report.

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

Proprietary Funds

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

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

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

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

Management's Discussion and Analysis (unaudited)

September 30, 2017

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 48 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 49 through 56 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 58 through 59 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 \$31.7 million at the close of the recent fiscal year. Of this figure, \$31.6 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, \$7.2 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	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 13,298	\$ 14,859	\$ 6,851	\$ 6,984	\$ 20,149	\$ 21,843
Capital assets	50,518	49,430	32,900	33,317	83,418	82,747
Total assets	63,816	64,289	39,751	40,301	103,567	104,590
Deferred outflows of resources	4,057	2,447	1,572	1,695	5,629	4,142
Long-term liabilities outstanding	53,877	55,807	17,726	19,388	71,603	75,195
Other liabilities	5,441	2,818	372	572	5,813	3,390
Total liabilities	59,318	58,625	18,098	19,960	77,416	78,585
Deferred inflows	77	92	22	23	99	115
Net position:						
Net investment in capital assets	13,924	9,997	17,708	16,707	31,632	26,704
Restricted	3,689	4,948	3,551	4,143	7,240	9,091
Unrestricted	-9,135	-6,926	1,944	1,163	-7,191	-5,763
Total net position	\$ 8,478	\$ 8,019	\$ 23,203	\$ 22,013	\$ 31,681	\$ 30,032

Management's Discussion and Analysis (unaudited)

September 30, 2017

City of Alabaster, Alabama

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

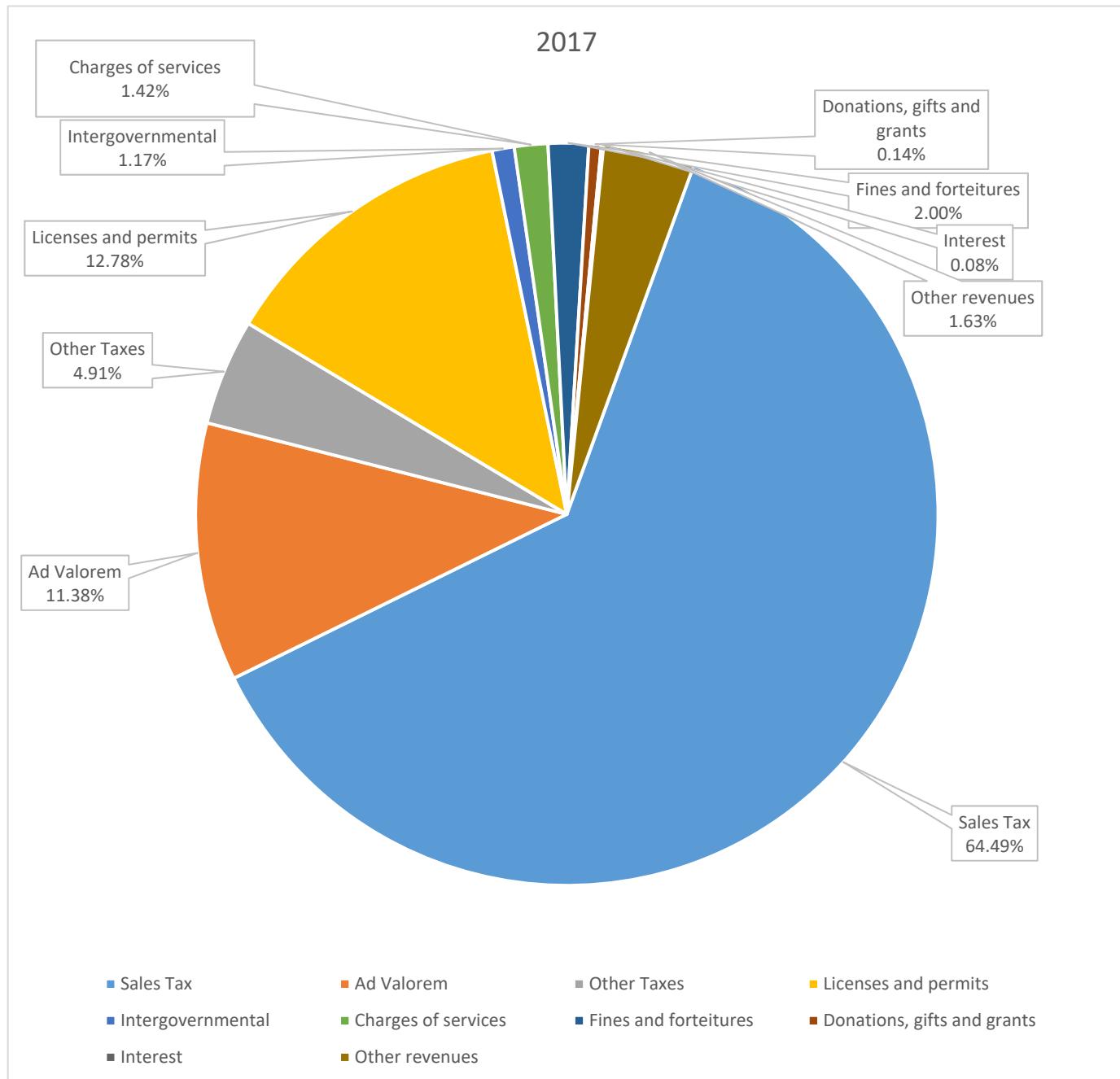
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Fees, fines, and charges for services	\$5,555	\$5,104	\$8,318	\$8,161	\$13,873	\$13,265
Operating grants and contributions	128	145			128	145
Capital grants and contributions	381	266			381	266
General revenues:						
Property taxes	3,811	3,590			3,811	3,590
Sales and use taxes	21,055	20,338			21,055	20,338
Other taxes	1,568	1,550			1,568	1,550
Interest	33	27	17	1	50	28
Other revenue	774	514	208	1	982	515
Total revenues	33,305	31,534	8,543	8,163	41,848	39,697
Expenses:						
General government	6,671	4,159			6,671	4,159
Public protection	14,576	13,457			14,576	13,457
Public ways and facilities	5,878	6,108			5,878	6,108
Interest and fiscal agent fees	1,181	1,350			1,181	1,350
Alabaster City Schools	5,249	5,052			5,249	5,052
Sewer Fund			4,960	4,802	4,960	4,802
Garbage Fund			1,684	1,664	1,684	1,664
Total expenses	33,555	30,126	6,644	6,466	40,199	36,592
Increase (decrease) in net assets before transfers and capital contributions	-250	1,408	1,899	1,697	1,649	3,105
Capital contributions						
Transfers	709	690	-709	-690		
Change in net position	459	2,098	1,190	1,007	1,649	3,105
Net position - beginning of year	8,019	5,921	22,013	21,006	30,032	26,927
Net position - end of year	\$8,478	\$8,019	\$23,203	\$22,013	\$31,681	\$30,032

Governmental Activities

The City's governmental activities rely heavily on property taxes and sales taxes to support governmental operations. Property taxes provided 11.38% and sales taxes provided 64.49% of the City's total governmental revenues. Sales tax revenue increased by 3.5% from 2016. It should be noted that program revenues covered 19.8% of governmental operating expenses and the government's taxpayers and the City's other general revenues covered 80.2% 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 43.4% of the total governmental expenses. Public protection expenses increased by \$556 thousand, or 4.1%, from 2016. The second largest cost incurred by the City for governmental activities is public ways and facilities, which is 17.52% of total governmental expenses. Public ways and facilities expenses decreased by \$160 thousand, or 2.6% from 2016. Public ways and facilities include services such as parks and recreation, library and public works. The total cost of all governmental activities increased by \$757 thousand, while revenues increased by \$2.3 million.

Revenue - Governmental Activities

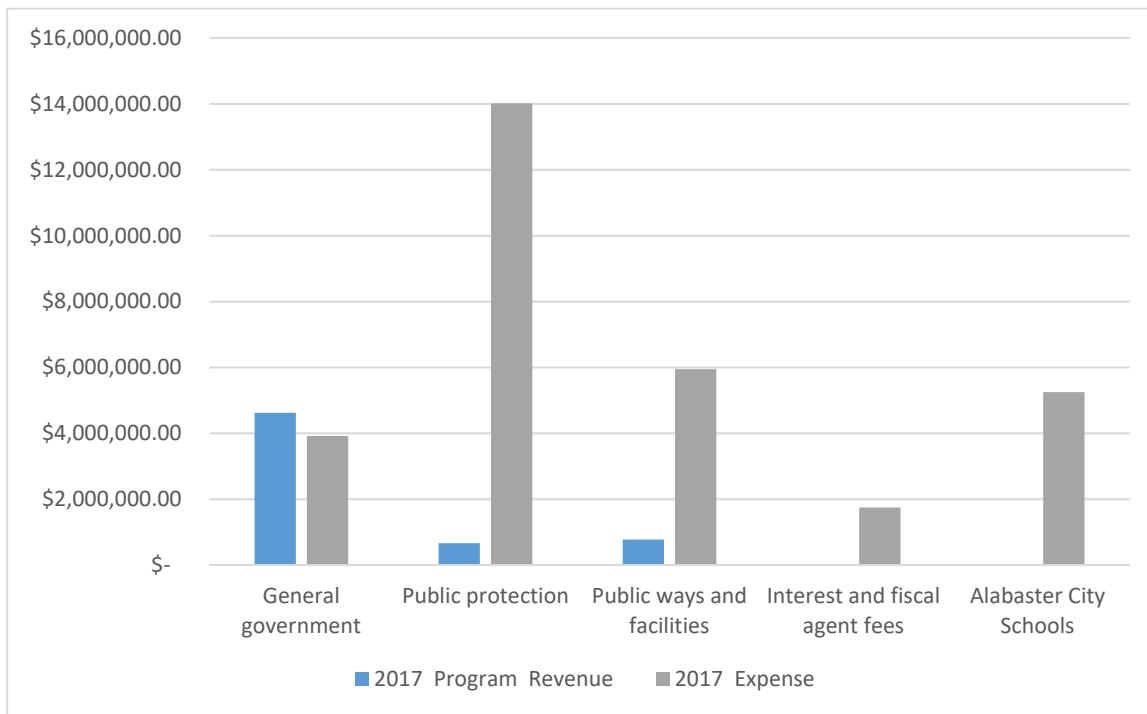


Management's Discussion and Analysis (unaudited)

September 30, 2017

City of Alabaster, Alabama

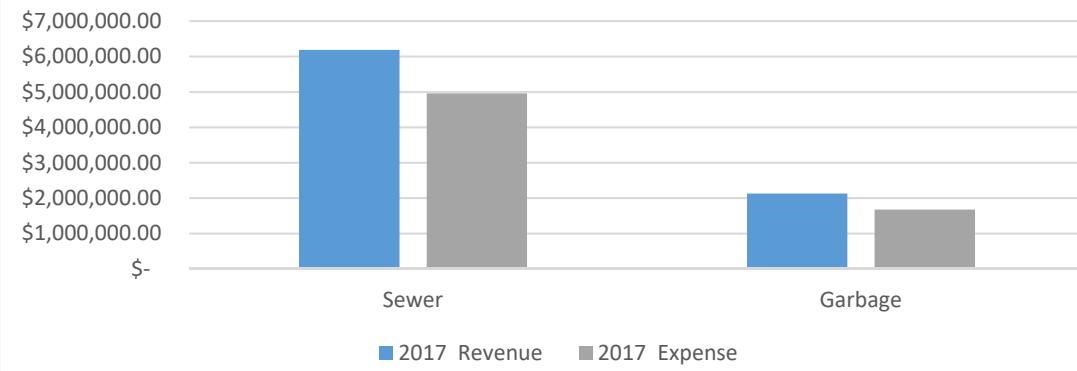
Program Revenues and Expenses - Governmental Activities



Business-Type Activities

The cost of all proprietary (business-type) activities was \$6.6 million, which is an increase of 2.6% from 2016. The amount paid by users of the sewer and garbage services was \$8.3 million, which is an increase of 1.9% from 2016. Within the total business type activities of the City, these activities reported change in net position of \$1.2 million, which is an increase of 1.9% from 2016.

Revenues and Expenses before Transfers and Capital Contributions



Management's Discussion and Analysis (unaudited)

September 30, 2017

City of Alabaster, Alabama

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds

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

The combined fund balance of the City's governmental funds decreased \$1.6 million in 2017 and the total balance as of September 30, 2017, was \$10.86 million. Of this amount, \$2.8 million consists of unassigned fund balance. Nonspendable fund balance was \$1.1 million and fund balance that is committed, generally specified in council ordinances, totaled \$3.2 million. The remainder of the total fund balance is \$3.7 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 \$33.3 million, an increase of 5.7% from 2016. Sales tax revenue increased by \$717 thousand or 3.5%.

Proprietary Funds

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

Unrestricted net position of the Sewer Fund and Garbage Fund were \$1.4 million and \$534 thousand, respectively. The total growth in net position for the Sewer Fund and Garbage Fund was \$1.1 million and \$87 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 50. 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, 2017, actual operating revenues for the general fund exceeded final budgeted amounts by \$554 thousand or 1.6%. The primary reasons for this variance were that sales and use tax receipts exceeded budgeted amounts by \$249 thousand or 1.2% because 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, 2017, actual operating expenditures for the general fund were less than final budgeted amounts by \$73 thousand or .26%. The primary reason for this variance was that Parks and Recreation expenditures were \$256 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 25.0% of sales and use tax to be given 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, 2017, totals \$83.4 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 6) in the notes to the financial statements.

Major purchases for 2017 consist of \$2.1 million in road construction and improvements and \$789 thousand in sewer pump station upgrades. No major dispositions occurred in the current year.

Management's Discussion and Analysis (unaudited)

September 30, 2017

City of Alabaster, Alabama

City of Alabaster's Capital Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$17,305	\$17,305	\$246	\$246	\$17,551	\$17,551
Furniture and equipment	5,229	5,001	734	687	5,963	5,688
Trucks and automobiles	7,297	7,311	1,389	1,327	8,686	8,638
Sewer plant and lines			47,014	46,848	47,014	46,848
Buildings, infrastructure and improvements	39,749	38,936	87	72	39,836	39,008
Construction in progress	1,373	15	571	173	1,944	188
	70,953	68,568	50,041	49,353	120,994	117,921
Accumulated depreciation	-20,435	-19,137	-17,141	-16,036	-37,567	-35,173
Total	\$50,518	\$49,431	\$32,900	\$33,317	\$83,427	\$82,748

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) and Standard & Poor's (AA-). Refer to Note 8 to the financial statements for additional information on long-term debt. As of September 30, 2017, the governmental activities had outstanding debt totaling \$37.9 million and business-type activities had outstanding debt totaling \$16.5 million.

The City's total debt decreased by \$6.6 million during the current fiscal year. This decrease was the result of payments made in accordance with regularly scheduled maturity dates as well as paying off a \$1.5 million line of credit balance ahead of schedule. The City issued no new debt in 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Warrants	\$37,395	\$40,241	\$16,215	\$17,915	\$53,610	\$58,156
Capital Lease Obligations	160	260	165	245	325	505
Notes Payable		1,500				1,500
Total	\$37,555	\$42,001	\$16,380	\$18,160	\$53,935	\$60,161

Management's Discussion and Analysis (unaudited)

September 30, 2017

City of Alabaster, Alabama

ECONOMIC CONDITIONS AFFECTING THE CITY

For the fiscal year ending September 30, 2017, the City of Alabaster has continued to show above average performance in comparison to national and state benchmarks. When compared to benchmarks such as overall unemployment, tax growth, foreclosures and general market viability, Alabaster continues its positive trend. The City realized a 3.5% increase in sales/use tax from fiscal year 2016. The City continues its emphasis on retail, healthcare, industrial and residential sectors of the economy.

During fiscal year 2017, 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 2018. The Alabaster Promenade (north and south phases) continues to anchor the local economy 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 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.

City of Alabaster, Alabama Statement of Net Position

September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 2,744,262	\$ 1,753,923	\$ 4,498,185	\$ 83,235
Receivables, net of allowance for uncollectible accounts	2,223,466	928,729	3,152,195	-
Due from Water Board	-	598,704	598,704	-
Internal balances	293	-	293	-
Tobacco stamps	4,247	-	4,247	-
Inventory	1,580	-	1,580	-
Prepaid expenses	207,957	18,995	226,952	-
Restricted Assets:				
Cash and cash equivalents	7,249,106	3,551,046	10,800,152	-
Due from Governmental Entity:				
Commercial Development Authority (CDA)	867,713	-	867,713	-
Capital Assets:				
Land and construction in progress	18,677,267	816,707	19,493,974	10,289,480
Other assets, net of accumulated depreciation	31,840,357	32,083,281	63,923,638	3,246,667
Total Assets	63,816,248	39,751,385	103,567,633	13,619,382
Deferred outflows of resources				
Deferred loss on refundings	514,187	1,281,607	1,795,794	-
Difference between projected and actual earnings on pension plan investments	2,475,082	209,635	2,684,717	-
Employer retirement contribution subsequent to measurement date	1,068,165	80,399	1,148,564	-
Total deferred outflows	4,057,434	1,571,641	5,629,075	-
Total assets and deferred outflows	67,873,682	41,323,026	109,196,708	13,619,382
Liabilities				
Accounts payable	\$ 879,142	\$ 285,724	\$ 1,164,866	\$ -
Accrued payroll and related liabilities	642,191	76,971	719,162	-
Due to Alabaster Board of Education	834,646	-	834,646	-
Accrued interest	-	9,168	9,168	-
Internal balances	293	-	293	-
Municipal Court cash bonds posted	45,984	-	45,984	-
Subdivision cash bonds posted	38,575	-	38,575	-
Estimated claims payable	3,000,000	-	3,000,000	-
Due to Governmental Entity:				
City of Alabaster	-	-	-	11,527,713
Noncurrent Liabilities:				
Due within 1 year	2,872,234	1,833,289	4,705,523	-
Due in more than 1 year	35,050,292	14,723,384	49,773,676	-
Net other post employment benefit liability	3,171,540	-	3,171,540	-
Net pension liability	12,783,356	1,169,800	13,953,156	-
Total Liabilities	59,318,253	18,098,336	77,416,589	11,527,713
Deferred inflows				
Difference between expected and actual experience	77,161	21,863	99,024	-
Total Liabilities and deferred inflows	59,395,414	18,120,199	77,515,613	11,527,713
Net position				
Net investment in capital assets	13,924,182	17,707,499	31,631,681	2,008,434
Restricted For:				
Debt service	988,432	553,443	1,541,875	-
Capital projects	1,943,113	2,997,603	4,940,716	83,235
Public protection	518,366	-	518,366	-
Library	114,184	-	114,184	-
Infrastructure maintenance	125,469	-	125,469	-
Unrestricted	(9,135,478)	1,944,282	(7,191,196)	-
Total net position	\$ 8,478,268	\$ 23,202,827	\$ 31,681,095	\$ 2,091,669

See notes to financial statements.

City of Alabaster, Alabama
Statement of Activities

September 30, 2017

Program Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position					
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Component Unit		
Primary government										
Governmental activities:										
General government	\$ 6,671,242	\$ 4,464,892	\$ 35,712	\$ 121,980	\$ (2,048,658)	\$ -	\$ (2,048,658)	\$ -		
Public protection	14,575,913	596,822	67,901	-	(13,911,190)	-	(13,911,190)	-		
Public ways and facilities	5,878,447	492,797	24,475	259,167	(5,102,008)	-	(5,102,008)	-		
Interest and fiscal agent fees	1,180,522	-	-	-	(1,180,522)	-	(1,180,522)	-		
Alabaster City Schools	5,248,608	-	-	-	(5,248,608)	-	(5,248,608)	-		
Total governmental activities	33,554,732	5,554,511	128,088	381,147	(27,490,986)	-	(27,490,986)	-		
Business-Type Activities:										
Sewer fund	4,959,354	6,188,063	-	-	-	1,228,709	1,228,709	-		
Garbage fund	1,684,341	2,130,030	-	-	-	445,689	445,689	-		
Total business-type activities	6,643,695	8,318,093	-	-	-	1,674,398	1,674,398	-		
Total primary government	\$ 40,198,427	\$ 13,872,604	\$ 128,088	\$ 381,147	(27,490,986)	1,674,398	(25,816,588)	-		
Total component units	\$ 91,923	\$ -	\$ -	\$ -	-	-	-	(91,923)		

General revenues:				
Taxes:				
Sales and use taxes	21,055,097	-	21,055,097	-
Property taxes	3,810,550	-	3,810,550	-
Other taxes	1,568,464	-	1,568,464	-
Interest	32,634	17,074	49,708	-
Other revenue	773,971	207,631	981,602	510,286
Transfers	709,273	(709,273)	-	-
Total general revenues and transfers	27,949,989	(484,568)	27,465,421	510,286
Change in net position	459,003	1,189,830	1,648,833	418,363
Net position - beginning of year	8,019,265	22,012,997	30,032,262	1,673,306
Net position at end of year	\$ 8,478,268	\$ 23,202,827	\$ 31,681,095	\$ 2,091,669

See notes to financial statements.

City of Alabaster, Alabama Balance Sheet – Governmental Funds

September 30, 2017

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,744,262	\$ -	\$ -	\$ -	\$ 2,744,262
Receivables, net of allowance for uncollectible accounts	2,215,758	-	-	7,708	2,223,466
Due from other funds	293	-	-	-	293
Due from Governmental Entity:					
Commercial Development Authority (CDA)	-	867,713	-	-	867,713
Tobacco stamps	4,247	-	-	-	4,247
Inventories	1,580	-	-	-	1,580
Prepaid expenditures	207,957	-	-	-	207,957
Restricted assets:					
Cash and cash equivalents	3,396,137	2,163,316	988,432	701,221	7,249,106
Total Assets	\$ 8,570,234	\$ 3,031,029	\$ 988,432	\$ 708,929	\$ 13,298,624
Liabilities					
Accounts payable and accrued expenses	\$ 586,748	\$ 271,024	\$ -	\$ 21,370	\$ 879,142
Due to other funds	-	-	-	293	293
Accrued payroll and related liabilities	642,191	-	-	-	642,191
Due to Alabaster Board of Education	834,646	-	-	-	834,646
Municipal court cash bonds posted	45,984	-	-	-	45,984
Subdivision cash bonds posted	-	-	-	38,575	38,575
Total Liabilities	2,109,569	271,024	-	60,238	2,440,831
Fund balance					
Nonspendable:					
Note receivable (CDA)	-	867,713	-	-	867,713
Tobacco stamps	4,247	-	-	-	4,247
Inventories and prepaid expenses	209,537	-	-	-	209,537
Restricted for:					
Debt service	-	-	988,432	-	988,432
Capital improvements	-	1,892,292	-	50,821	1,943,113
Library	114,165	-	-	19	114,184
Public protection	45,984	-	-	472,382	518,366
Infrastructure maintenance	-	-	-	125,469	125,469
Committed for:					
Alabaster Reserve Account	2,823,849	-	-	-	2,823,849
City Board of Education	412,139	-	-	-	412,139
Unassigned	2,850,744	-	-	-	2,850,744
Total Fund balance	6,460,665	2,760,005	988,432	648,691	10,857,793
Total Liabilities and Fund balance	\$ 8,570,234	\$ 3,031,029	\$ 988,432	\$ 708,929	\$ 13,298,624

See notes to financial statements.

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

September 30, 2017

Total fund balance - governmental funds	\$ 10,857,793
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 6).	50,517,624
Net deferred inflows and outflows related to pensions	3,466,086
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>(56,363,235)</u>
Net position of governmental activities	<u>\$ 8,478,268</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, 2017</i>					
Revenues					
Sales and use taxes	\$ 21,055,097	\$ -	\$ -	\$ -	\$ 21,055,097
Property taxes	3,810,550	-	-	-	3,810,550
Other taxes	1,431,234	-	-	137,230	1,568,464
Licenses and permits	4,464,892	-	-	-	4,464,892
Intergovernmental	67,901	259,167	-	-	327,068
Charges for services	492,797	-	-	-	492,797
Fines and forfeitures	436,630	-	-	160,192	596,822
Donations, gifts, and grants	35,712	121,980	-	24,475	182,167
Interest	15,518	8,136	6,425	2,559	32,638
Other revenues	735,751	-	-	-	735,751
Total Revenues	32,546,082	389,283	6,425	324,456	33,266,246
Expenditures					
General government	3,295,794	-	-	27,055	3,322,849
Public protection	13,755,324	-	-	35,071	13,790,395
Public ways and facilities	4,814,387	-	-	24,483	4,838,870
Alabaster City Schools					
Payments to the Alabaster Board of Education	5,248,608	-	-	-	5,248,608
Debt service:					
Debt retirement	-	-	4,080,000	-	4,080,000
Interest and fiscal agent fees	-	-	1,488,280	-	1,488,280
Capital projects construction and outlay	644,825	2,123,045	-	16,542	2,784,412
Total Expenditures	27,758,938	2,123,045	5,568,280	103,151	35,553,414
Excess (deficiency) of revenues over expenditures	4,787,144	(1,733,762)	(5,561,855)	221,305	(2,287,168)
Other financing sources (uses)					
Transfers from business-type activities	690,000	-	-	-	690,000
Transfers in	727,287	1,075,585	5,232,146	-	7,035,018
Transfers out	(5,862,146)	(632,287)	-	(540,585)	(7,035,018)
Total Other financing sources (uses)	(4,444,859)	443,298	5,232,146	(540,585)	690,000
Net change in fund balance	342,285	(1,290,464)	(329,709)	(319,280)	(1,597,168)
Fund balance, beginning	6,118,380	4,050,469	1,318,141	967,971	12,454,961
Fund balance, ending	\$ 6,460,665	\$ 2,760,005	\$ 988,432	\$ 648,691	\$ 10,857,793

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, 2017

Net change in fund balance -- total governmental funds	\$ (1,597,168)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period (Note 2).	2,850,226
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 6).	(1,762,886)
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).	4,395,141
Other expenses reported in the statement of activities that do not require current financial resources:	
Accrued interest	(413,542)
Compensated absences	(132,373)
OPEB	429,494
Amortization of deferred amount on refunding	55,640
Estimated claims liability	3,000,000
Difference in pension expense related to deferred outflows and inflows of resources	487,091
	(3,426,310)
Change in net position of governmental activities	\$ 459,003

See notes to financial statements.

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

September 30, 2017

	Business-Type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,453,491	\$ 300,432	\$ 1,753,923
Receivables, net of allowance for uncollectible accounts	693,497	235,232	928,729
Due from Water Board	445,886	152,818	598,704
Prepaid expenses	18,995	-	18,995
Restricted assets:			
Cash and cash equivalents	3,551,046	-	3,551,046
Total current assets	6,162,915	688,482	6,851,397
Noncurrent assets:			
Capital assets, net	32,566,457	333,531	32,899,988
Total Assets	38,729,372	1,022,013	39,751,385
Deferred outflows of resources			
Deferred loss on refundings	1,281,607	-	1,281,607
Difference between projected and actual earnings on pension plan investments	209,635	-	209,635
Employer retirement contribution subsequent to measurement date	80,399	-	80,399
Total deferred outflows of resources	1,571,641	-	1,571,641
Liabilities			
Current liabilities:			
Accounts payable	131,409	154,315	285,724
Accrued payroll and related liabilities	76,971	-	76,971
Accrued interest	9,168	-	9,168
Capital lease payable	-	83,289	83,289
Bonds payable	1,750,000	-	1,750,000
Total current liabilities	1,967,548	237,604	2,205,152
Noncurrent liabilities:			
Compensated absences	82,577	-	82,577
Bonds (net of premiums and discounts)	14,559,470	-	14,559,470
Capital lease payable	-	81,337	81,337
Net pension liability	1,169,800	-	1,169,800
Total noncurrent liabilities	15,811,847	81,337	15,893,184
Total Liabilities	17,779,395	318,941	18,098,336
Deferred inflows of resources			
Difference between expected and actual experience	21,863	-	21,863
Net position			
Net investment in capital assets	17,538,594	168,905	17,707,499
Restricted For:			
Debt service	553,443	-	553,443
Capital projects	2,997,603	-	2,997,603
Unrestricted	1,410,115	534,167	1,944,282
Total net position	\$ 22,499,755	\$ 703,072	\$ 23,202,827

See notes to financial statements.

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

September 30, 2017

	Business-Type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
Operating revenue			
Charges for services	\$ 6,188,063	\$ 2,130,030	\$ 8,318,093
Total operating revenue	6,188,063	2,130,030	8,318,093
Operating expenses			
Administration, operations, and maintenance	3,143,279	1,639,014	4,782,293
Depreciation and amortization	1,273,473	42,210	1,315,683
Total operating expenses	4,416,752	1,681,224	6,097,976
Operating income	1,771,311	448,806	2,220,117
Nonoperating revenues (expenses)			
Interest income	16,029	1,045	17,074
Interest expense	(542,602)	(3,117)	(545,719)
Miscellaneous non operating revenue	207,631	-	207,631
Total nonoperating income (loss)	(318,942)	(2,072)	(321,014)
Income before transfers	1,452,369	446,734	1,899,103
Transfers out	(350,000)	(359,273)	(709,273)
Changes in net position	1,102,369	87,461	1,189,830
Net position - beginning	21,397,386	615,611	22,012,997
Net position, ending	\$ 22,499,755	\$ 703,072	\$ 23,202,827

See notes to financial statements.

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

September 30, 2017

	Business-Type Activities -- Enterprise Funds		
	Sewer Fund	Garbage Fund	Total
Operating activities			
Receipts from customers	\$ 6,103,040	\$ 2,097,638	\$ 8,200,678
Payments to suppliers for services	(1,998,171)	(1,618,103)	(3,616,274)
Payments to employees for services	(1,134,858)	-	(1,134,858)
Net cash provided by operating activities	2,970,011	479,535	3,449,546
Noncapital financing activities			
Transfers out	(350,000)	(359,273)	(709,273)
Net cash used by noncapital financing activities	(350,000)	(359,273)	(709,273)
Capital and related financing activities			
Acquisition and construction of capital assets	(716,510)	(81,875)	(798,385)
Payments on capital leases	-	(80,188)	(80,188)
Principal payments on warrants	(1,605,530)	-	(1,605,530)
Interest paid	(533,537)	(3,117)	(536,654)
Net cash used by capital and related financing activities	(2,855,577)	(165,180)	(3,020,757)
Investing activities			
Interest received	16,029	1,045	17,074
Net cash provided by investing activities	16,029	1,045	17,074
Net decrease in cash and cash equivalents	(219,537)	(43,873)	(263,410)
Cash and cash equivalents, beginning of year	5,224,074	344,305	5,568,379
Cash and cash equivalents, end of year	\$ 5,004,537	\$ 300,432	\$ 5,304,969
Operating Income	\$ 1,771,311	\$ 448,806	\$ 2,220,117
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,273,473	42,210	1,315,683
Change in assets and liabilities:			
(Increase) in accounts receivable	(85,023)	(32,392)	(117,415)
(Increase) in prepaid expenses	(7,373)	-	(7,373)
(Decrease) Increase in accounts payable	(900)	20,911	20,011
(Decrease) Increase in accrued payroll and related liabilities	18,523	-	18,523
Net cash provided by operating activities	\$ 2,970,011	\$ 479,535	\$ 3,449,546
Reconciliation of total cash and cash equivalents			
Cash and cash equivalents	\$ 1,453,491	\$ 300,432	\$ 1,753,923
Restricted assets - cash and cash equivalents	3,551,046	-	3,551,046
Cash and cash equivalents, end of year	\$ 5,004,537	\$ 300,432	\$ 5,304,969

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 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 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 \$11,527,713 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.

The revenues susceptible to accrual are sales taxes, property taxes, lease/rental tax, lodging taxes, interest income, and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

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."

City of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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,"

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) the unexpended portion of debt proceeds that are restricted for use in construction are "restricted for capital projects," and (3) resources restricted for specific purposes pursuant to state and federal law are "restricted for other."

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets 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 of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

City employees had total incurred accumulated unpaid vacation leave amounting to \$897,474 reported in the government-wide statements at September 30, 2017. 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.

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.

City of Alabaster, Alabama Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 has 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.

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.

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses are recognized when the corresponding liability is incurred, 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 \$56,363,235 difference are as follows:

Bonds Payable	\$ 37,394,983
Less: (Bond discounts)/premiums, net	(447,389)
Deferred amount on refunding	(514,187)
Capital lease obligation	160,035
Estimated claims payable	3,000,000
Compensated absences	814,897
Net other post employment benefit liability	3,171,540
Net pension liability	<u>12,783,356</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position- governmental activities	<u>\$ 56,363,235</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 \$2,850,226 difference are as follows:

Capital outlay	\$ 2,826,860
Book value of disposed assets	<u>23,366</u>
Net adjustment to fund balances-total governmental funds	
to arrive at changes in net position of governmental activities	<u>\$ 2,850,226</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 \$4,395,141 difference is as follows:

Principal payments on general obligation debt	\$ 2,846,176
Principal payments on note payable	1,500,000
Principal payments on capital lease obligation	99,109
Amortization of discounts and premiums	<u>(50,144)</u>
Net adjustments to fund balance-total governmental funds to	
arrive at changes in net position of governmental activities	<u>\$ 4,395,141</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.

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 4 – RESTRICTED CASH

The restricted assets as of September 30, 2017 are as follows:

Governmental activities:		Business-type activities:	
General fund		Sewer fund	
Cash:		Cash:	
Library operations	\$ 114,165	Debt service	\$ 553,443
School Board payments	412,139	Sewer improvements	2,997,603
Municipal Court bonds	45,984		<u>\$ 3,551,046</u>
City Council projects	<u>2,823,849</u>		
Total	<u>\$ 3,396,137</u>		
Nonmajor Governmental funds			
Cash:			
Gas tax funds	125,468		
Subdivision forfeitures	89,396		
Corrections funds	316,231		
Police seizures	97,360		
Municipal Court funds	72,454		
Library operations	<u>312</u>		
Total	<u>701,221</u>		
Capital Projects fund			
Cash:			
Capital projects	<u>2,163,316</u>		
Total	<u>2,163,316</u>		
Debt Service fund			
Cash:			
Debt Service	<u>988,432</u>		
Total	<u>988,432</u>		
		<u>\$ 7,249,106</u>	

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 5 – 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	Governmental Fund	Other General Fund	Total
Taxes	\$ 2,127,153	\$ -	\$ 2,127,153	
Other receivables	88,605	7,708	96,313	
Total	\$ 2,215,758	\$ 7,708	\$ 2,223,466	

	Sewer Fund	Garbage Fund	Total
Charges for services	\$ 692,954	\$ 253,774	\$ 946,728
Other receivables	25,585	-	25,585
	718,539	253,774	972,313
Less allowance for uncollectible accounts	(25,042)	(18,542)	(43,584)
	\$ 693,497	\$ 235,232	\$ 928,729

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the Primary Government for the year ended September 30, 2017, was as follows:

Governmental activities:	Balance		Balance	
	September 30, 2016	Additions/ Transfers-in	Deletions/ Transfers-out	September 30, 2017
Capital assets, not being depreciated:				
Land	\$ 17,304,733	\$ -	\$ -	\$ 17,304,733
Construction in progress	14,850	1,372,534	(14,850)	1,372,534
Total capital assets, not being depreciated	17,319,583	1,372,534	(14,850)	18,677,267
Capital assets, being depreciated:				
Infrastructure	23,970,246	782,102	-	24,752,348
Buildings	8,204,290	-	-	8,204,290
Building improvements	1,782,895	18,863	-	1,801,758
Communication equipment	5,603	-	-	5,603
Computer equipment	630,840	80,034	-	710,874
Office equipment	28,840	21,882	-	50,722
Furniture and fitting	379,017	3,917	-	382,934
Heavy trucks	3,562,575	42,740	(82,466)	3,522,849
Land improvements	4,978,470	13,300	-	4,991,770
Library collection	1,807,548	-	(29,961)	1,777,587
Light trucks	2,287,995	320,837	(41,098)	2,567,734
Motor vehicles	1,460,264	-	(253,981)	1,206,283
Plant and equipment	1,660,148	168,333	(19,418)	1,809,063
Software	489,411	2,318	-	491,729
Total capital assets, being depreciated	51,248,142	1,454,326	(426,924)	52,275,544
Less accumulated depreciation for:				
Infrastructure	4,602,717	480,808	-	5,083,525
Buildings	1,828,174	265,011	(36,436)	2,056,749
Building improvements	1,159,072	59,792	-	1,218,864
Communication equipment	4,668	934	-	5,602
Computer equipment	400,120	58,817	-	458,937
Office equipment	10,167	7,874	-	18,041
Furniture and fitting	160,152	36,824	-	196,976
Heavy trucks	2,860,025	85,967	(82,467)	2,863,525
Land improvements	2,553,954	228,681	-	2,782,635
Library collection	1,627,919	62,831	-	1,690,750
Light trucks	1,288,386	319,884	(72,838)	1,535,432
Motor vehicles	1,259,633	51,199	(253,981)	1,056,851
Plant and equipment	913,469	98,332	(19,418)	992,383
Software	468,985	5,932	-	474,917
Total accumulated depreciation	19,137,441	1,762,886	(465,140)	20,435,187
Total capital assets, being depreciated, net	32,110,701	(308,560)	38,216	31,840,357
Governmental activities capital assets, net	\$ 49,430,284	\$ 1,063,974	\$ 23,366	\$ 50,517,624

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Business-type activities:	Balance			Balance
	September 30,	Additions/	Deletions/	
	2016	Transfers-in	Transfers-out	2017
Capital assets, not being depreciated:				
Land	\$ 245,770	\$ -	\$ -	\$ 245,770
Construction in progress	173,295	498,882	(101,240)	570,937
Total capital assets, not being depreciated	419,065	498,882	(101,240)	816,707
Capital assets, being depreciated:				
Computer equipment	5,501	5,016	-	10,517
Heavy trucks	864,623	-	(28,910)	835,713
Land improvements	72,248	14,693	-	86,941
Light trucks	462,479	90,886	-	553,365
Plant and equipment	510,469	42,506	-	552,975
Sewer and plant lines	46,848,180	165,694	-	47,013,874
Software	170,800	-	-	170,800
Total capital assets, being depreciated	48,934,300	318,795	(28,910)	49,224,185
Less Accumulated depreciation for:				
Computer equipment	1,256	1,518	-	2,774
Heavy trucks	413,687	52,966	-	466,653
Land improvements	1,758	3,242	-	5,000
Light trucks	193,690	67,992	(9,637)	252,045
Plant and equipment	280,365	39,648	-	320,013
Sewer and plant lines	14,991,515	938,082	-	15,929,597
Software	153,685	11,137	-	164,822
Total accumulated depreciation	16,035,956	1,114,585	(9,637)	17,140,904
Total capital assets, being depreciated, net	32,898,344	(795,790)	(19,273)	32,083,281
Business-type activities capital assets, net	\$ 33,317,409	\$ (296,908)	\$ (120,513)	\$ 32,899,988

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 6 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:

General Government	\$ 486,617
Public Protection	440,637
Public Ways and Facilities	835,632
Total	\$ 1,762,886

Business-type activities:

Sewer	\$ 1,072,375
Garbage Fund	42,210
Total	\$ 1,114,585

Activity for the discretely presented component unit, CDA, for the year ended September 30, 2017, was as follows:

	Balance		Deletions/ Transfers- out	Balance
	September 30, 2016	Additions/ Transfers-in		
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 10,411,480	\$ -	\$ (122,000)	\$ 10,289,480
Total capital assets, not being depreciated	10,411,480	-	(122,000)	10,289,480
Capital assets, being depreciated:				
Infrastructure	4,000,000	-	-	4,000,000
Total capital assets, being depreciated	4,000,000	-	-	4,000,000
Less Accumulated depreciation for:				
Infrastructure	673,333	80,000	-	753,333
Total capital assets, being depreciated, net	3,326,667	(80,000)	-	3,246,667
Commercial Development Authority capital assets, net	\$ 13,738,147	\$ (80,000)	\$ (122,000)	\$ 13,536,147

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, 2017.

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2017, is as follows:

Transfer to	Transfer From				Total	
	Capital		Other			
	General Fund	Projects Fund	Governmental Funds			
General Fund	\$ -	\$ 632,287	\$ 95,000	\$ 727,287		
Debt Service Fund	5,232,146	-	-	5,232,146		
Capital Projects Fund	630,000	-	445,585	1,075,585		
Total	\$ 5,862,146	\$ 632,287	\$ 540,585	\$ 7,035,018		

Transfer to	Transfer From			Total
	Sewer Fund		Garbage Fund	
	General Fund	Projects Fund	Governmental Funds	
General Fund	\$ 350,000	\$ 359,273	\$ 709,273	
Total	\$ 350,000	\$ 359,273	\$ 709,273	

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.

Internal balances represent short-term loans to help supplement various funds. At September 30, 2017, the outstanding internal balances were as follows:

	Interfund Receivable	Interfund Payable
General Fund		
Other Governmental Funds	\$ 293	\$ -
Other Governmental Funds		
General Fund	-	293
Total interfund receivable/payable	\$ 293	\$ 293

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 8 – 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
<u>Business-Type Activities:</u>		
G.O. Warrants	Sewer Fund	Sewer Fund
Note payable	Garbage Fund	Garbage Fund

Refunding

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

Refunding Warrants		Refunded Warrants				
Series	Face Amount	Refunded	Outstanding	Debt Service		
		Series	Amount	09/30/17	Loss on	Economic
					Refundings	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	\$ 3,490,000	\$ (419,729)	\$ 307,004
2016-B	\$ 2,330,000	2010-B	\$ 1,935,000	\$ 1,935,000	\$ (164,008)	\$ 195,936

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 8 – LONG TERM DEBT (CONTINUED)

Outstanding Debt

The amount of debt outstanding at September 30, 2017, and information related to it was as follows:

Governmental Activities	Original Amount	Final Maturity	Interest Rates (%)	Ending Balance	Amount Due Within One Year
<u>Series:</u>					
<i>G.O. Warrants</i>					
2005-B	\$ 555,000	4/1/2025	4.00% - 4.45%	\$ 300,000	\$ 30,000
2010-A	7,780,000	9/1/2026	2.00% - 5.80%	1,600,000	510,000
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%	190,000	190,000
2011-B	4,915,000	9/1/2025	2.00% - 3.25%	3,585,000	325,000
2012-A	2,410,000	4/1/2018	1.35% - 2.50%	595,000	595,000
2012-B	9,975,000	4/1/2024	2.00% - 2.55%	9,215,000	160,000
2012-C	12,310,000	4/1/2028	0.75% - 3.90%	9,010,000	695,000
2012-D	5,205,000	4/1/2033	3.125% - 3.625%	5,205,000	-
2013	1,300,000	10/1/2017	1.96%	134,983	134,983
2016-A	4,235,000	9/1/2026	1.75%-2.70%	4,140,000	100,000
2016-B	2,330,000	9/1/2029	2.00%-2.25%	2,300,000	30,000
	55,290,000			37,394,983	2,769,983
Capital lease obligation	586,234	10/29/2017	1.66%	160,035	102,251
Note payable	1,500,000	3/1/2017	1.75%	-	-
Total governmental activities	57,376,234			37,555,018	2,872,234

Business-Type Activities:

<i>G.O. Warrants</i>					
2009	7,575,000	9/1/2020	2.00% - 4.00%	2,800,000	795,000
2013-B	16,920,000	4/1/2029	2.25% - 3.70%	13,415,000	955,000
	24,495,000			16,215,000	1,750,000
 Capital lease obligation					
	314,006	3/27/2020		164,626	83,289
Total business-type activities	24,809,006			16,379,626	1,833,289
Total primary government	\$ 82,185,240			\$ 53,934,644	\$ 4,705,523

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 8 – 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, 2017 are shown below.

Governmental Activities:	G.O. Warrants	
	Principal	Interest
2018	2,769,983	1,049,969
2019	2,645,000	981,119
2020	2,395,000	912,579
2021	3,840,000	867,786
2022	4,030,000	727,759
2023-2027	14,440,000	2,156,091
2028-2032	6,520,000	635,049
2033	755,000	13,684
	\$ 37,394,983	\$ 7,344,036

Business-Type Activities:	G.O. Warrants	
	Principal	Interest
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	1,065,000	287,320
2023-2027	5,780,000	995,398
2028-2029	2,570,000	140,845
	\$ 16,215,000	\$ 3,083,408

City of Alabaster, Alabama
Notes to the Financial Statements

NOTE 8 – LONG TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation warrants	\$ 40,241,159	\$ -	\$ (2,846,176)	\$ 37,394,983	\$ 2,769,983
Less amounts deferred for:					
Issue discounts and premiums, net	(497,533)	- -	50,144	(447,389)	- -
Total general obligation warrants	39,743,626	- -	(2,796,032)	36,947,594	2,769,983
Note payable	1,500,000	- -	(1,500,000)	- -	- -
Capital lease obligation	259,144	- -	(99,109)	160,035	102,251
Compensated absences	947,270	244,469	(376,842)	814,897	- -
Governmental activities long-term activities	<u>\$ 42,450,040</u>	<u>\$ 244,469</u>	<u>\$ (4,771,983)</u>	<u>\$ 37,922,526</u>	<u>\$ 2,872,234</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.

	Beginning Balance	Additions	(Reductions)	Ending Balance	Amounts Due Within One Year
Business-Type activities:					
General obligation warrants	\$ 17,915,000	\$ -	\$ (1,700,000)	\$ 16,215,000	\$ 1,750,000
Subtotal	19,560,000	- -	(1,700,000)	16,215,000	1,750,000
Add amounts deferred for:					
Issue discounts, premiums and costs, net	101,677	- -	(7,207)	94,470	- -
Total warrants	19,661,677	- -	(1,692,793)	16,309,470	1,750,000
Capital lease obligation	244,798	- -	(80,172)	164,626	83,289
Compensated absences	79,152	26,120	(22,695)	82,577	- -
Business-type activities long-term liabilities	<u>19,930,730</u>	<u>26,120</u>	<u>(1,795,660)</u>	<u>16,556,673</u>	<u>1,833,289</u>
Total long-term liabilities	<u>\$ 64,021,389</u>	<u>\$ 270,589</u>	<u>\$ (6,567,643)</u>	<u>\$ 54,479,199</u>	<u>\$ 4,705,523</u>

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 9 - 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:

	Cost Basis	Accumulated Depreciation	Total
Light Trucks	\$ 396,661	\$ 122,367	\$ 274,294
Heavy Trucks	813,902	191,342	622,560
Total	\$ 1,210,563	\$ 313,709	\$ 896,854

The future of the minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2017, are as follows:

	Governmental Activities	Business-Type Activities
<hr/>		
Year Ending September 30:		
2018	\$ 102,251	\$ 83,289
2019	59,749	64,714
2020	-	19,354
Total minimum lease payments	162,000	167,357
Less: Amount representing interest	(1,965)	(2,731)
Present value of minimum lease payments	\$ 160,035	\$ 164,626

City of Alabaster, Alabama Notes to Financial Statements

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description

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

The ERSA was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specific benefits for State employees, State police and, on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the ERSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Section 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 3627-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living Adjustments (COLAs) granted to retirees. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

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

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

NOTE 10 - 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 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active members	<u>55,058</u>
Total	<u>85,874</u>

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

NOTE 10 - 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, 2017, 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, 2017 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, 2014, 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 \$1,148,564 for the year ended September 30, 2017.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following table:

Total Pension Liability Roll Forward			
	<u>Actual-2015</u> <u>Valuation</u>	<u>Actual-2016</u> <u>Valuation</u>	
	<u>Expected</u>	<u>Assumptions</u>	<u>Assumptions</u>
Total Pension Liability			
as of September 30, 2015	\$ 38,347,082	\$ 38,993,673	\$ 40,993,327
Discount Rate	8.00%	8.00%	7.75%
Entry Age Normal Cost for			
October 1, 2015 – September 30, 2016	1,133,362	1,133,362	1,162,036
Transfers Among Employers:		(21,679)	(21,679)
Actual Benefit Payment and Refunds for			
October 1, 2015 – September 30, 2016	(1,646,482)	(1,646,482)	(1,646,482)
Total Pension Liability			
as of September 30, 2016			
<u>[(a)x(1+(b))] +(c)+(d)+ [(e)x(1+0.5*(b))]</u>	<u>\$ 40,835,869</u>	<u>\$ 41,512,509</u>	<u>\$ 43,600,384</u>

Actuarial assumptions

The total pension liability in the September 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25%-5.00%
Investment rate of return	7.75%*

*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, 2015 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 10 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

* Included assumed rate of Inflation of 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long-term rate of return of 7.75%. 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 10 - 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)
Balances at September 30, 2015	\$ 38,347,082	\$ 26,725,100	\$ 11,621,982
Changes for the year:			
Service cost	1,133,362	-	1,133,362
Interest	3,001,907	-	3,001,907
Changes in assumptions	2,087,875	-	2,087,875
Difference between expected and actual experience	698,319	-	698,319
Contributions – employer	-	1,112,726	(1,112,726)
Contributions – employee	-	746,133	(746,133)
Net investment income	-	2,731,430	(2,731,430)
Benefit payments, including refunds of employee contributions	(1,646,482)	(1,646,482)	-
Administrative expense	-	-	-
Transfers among employers	(21,679)	(21,679)	-
Net Changes	5,253,302	2,922,128	2,331,174
Balances at September 30, 2016	\$ 43,600,384	\$ 29,647,228	\$ 13,953,156

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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1%	Current	1%
	Decrease	Discount Rate	Increase
	6.75%	7.75%	8.75%
Plan's Net Pension Liability	\$ 19,747,255	\$ 13,953,156	\$ 9,127,158

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditors' report dated March 27, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes are also available. The additional financial and actuarial information is available at www.rsa-al.gov.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 10 - 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, 2017, the City recognized pension expense of \$1,672,318. At September 30, 2017, 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	\$ 613,158	\$ 99,024
Changes of assumptions	1,833,256	
Net difference between projected and actual earnings on plan investments	238,303	-
Employer contributions subsequent to the Measure Date	1,148,564	-
Total	\$ 3,833,281	\$ 99,024

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

Year ended September 30:		
2018	\$ 380,084	
2019	380,083	
2020	566,718	
2021	206,650	
2022	323,808	
Thereafter	728,350	
Total	\$ 2,585,693	

NOTE 11 - 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 11 - 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 2017 as determined by the City Council of the City of Alabaster:

	City	Retiree	Total
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, 2017, the City of Alabaster's portion of health care funding cost for retired employees totaled \$78,818. 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, 2016 is \$567,000, as set forth below:

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

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 11 - 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, 2017:

Beginning Net OPEB Obligation		
October 1,2016	\$	2,742,046
Annual required contribution		567,268
Interest on prior year Net OPEB Obligation		109,682
Amortization of prior year Net OPEB Obligation		(155,432)
Total Annual OPEB Cost		521,518
Contribution		-
Current year retiree premium		(92,024)
Change in Net OPEB Obligation		429,494
Ending Net OPEB Obligation		
September 30, 2017	\$	3,171,540

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 30,2015	\$ 388,244	10.35%	\$ 2,290,733
Medical	September 30,2016	\$ 528,996	14.68%	\$ 2,742,046
Medical	September 30,2017	\$ 521,518	17.65%	\$ 3,171,540

Funded Status and Funding Progress

In the fiscal year ending September 30, 2017, 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, 2016, 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 2016/2017, the entire actuarial accrued liability of \$4,476,479 was unfunded.

City of Alabaster, Alabama
Notes to Financial Statements

NOTE 11 - 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 11 - POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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

Actuarial Value of Plan Assets

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

Turnover Rate

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

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

Post-employment Benefit Plan Eligibility Requirements

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

Investment Return Assumption (Discount Rate)

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

Health Care Cost Trend Rate

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

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

NOTE 11 - 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 12 - 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 \$692,954 at September 30, 2017, for those fees collected during the month of September.

During the year ended September 30, 2017, the City recognized a total of \$8,097,847 in sewer and garbage fees collected by the Water Board.

At September 30, 2017, the Commercial Development Authority (CDA) owed the Capital Projects Fund \$11,527,713. 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 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through commercial insurance carriers. During the year ended September 30, 2017, the City paid premiums of approximately \$640,000 to commercial insurance carriers for provisions of various liability, property, casualty and workers compensation insurance. The City has a deductible of \$5,000. There were no significant changes in coverage retention, or limits during the fiscal year. The General Fund handles property claims for the City and absorbs the loss for any amounts below the deductible amounts.

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

NOTE 13 - RISK MANAGEMENT (CONTINUED)

The City is a defendant in a lawsuit which resulted in a jury verdict against the City in the net amount of approximately \$3,000,000. Before entering judgement, the presiding judge asked both parties to enter into post-trial mediation which was ultimately unsuccessful. The City intends to appeal the verdict to the United States Eleventh Circuit Court as soon as judgement is entered. The City's management feels the City has a valid defense and the appeal will be successful.

The City has recorded a liability on the government-wide statement of net position in the amount of \$3,000,000 in accordance with the accounting criteria established in GASB 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

NOTE 14 - ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. Sales and use tax revenue accounted for 62.15% of total governmental fund-type revenues for the year ended September 30, 2017. Sales and use tax revenues received from one major taxpayer accounted for 15.56% of the total sales and use tax collected city-wide. In addition, business license revenues received from one major company accounted for 33.80% of the total business license revenues collected City-wide.

NOTE 15 – TAX ABATEMENTS

From time-to-time the City enters into economic development incentive agreements with entities that propose to locate businesses within the City, or expand businesses within the City, which are expected to provide a stimulus to the City's economy and tax base. Generally, the agreements provide for a rebate of taxes paid to the City according to formulas contained in the agreements. Some agreements provide for a rebate of sales, use or occupational taxes based on the payment of taxes above a base line and others provide for a sharing of the taxes (percentage rebates) above certain amounts. The agreements have limited terms. The City generally expects to receive increased revenue as a result of the agreements. These incentive agreements require approval by the Mayor and City Council and are authorized by Amendment 772 of the Constitution of Alabama. Some agreements provide for the repayment to the City of the rebated amount if the entity ceases to operate its business for a certain length of time or fails to produce a certain level of employment. The amount of taxes rebated during fiscal year 2017 was \$274,405.



City of Alabaster, Alabama Notes to Financial Statements

NOTE 16 – NEW PRONOUNCEMENTS

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

- OPEB—accounting and financial reporting by employers;
- Split-interest agreements;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

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

NOTE 17 – SUBSEQUENT EVENTS

On November 1, 2017 the City issued General Obligation Warrants, Series 2017 in the amount of \$9,605,000 for capital improvement projects within the City.

On February 15, 2018 the City issued General Obligation Warrants, Series 2018 in the amount of \$9,430,000 for debt refunding and capital improvement projects within the City.

REQUIRED SUPPLEMENTARY INFORMATION

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

Year Ended September 30, 2017	Budgeted Amounts			Actual Amounts	Variance with Final Budget
	Original	Final			
Revenues					
Sales and use taxes	\$ 20,002,000	\$ 20,806,364	\$ 21,055,097	\$ 248,733	
Property taxes	3,587,500	3,809,100	3,810,550	1,450	
Other taxes	1,401,500	1,392,180	1,431,234	39,054	
Licenses and permits	4,067,000	4,413,493	4,464,892	51,399	
Intergovernmental	60,000	66,000	67,901	1,901	
Charges for services	362,300	395,990	492,797	96,807	
Fines and forfeitures	538,000	437,000	436,630	(370)	
Donations, gifts and grants	20,000	22,659	35,712	13,053	
Interest	7,000	14,162	15,518	1,356	
Other revenues	420,400	1,267,106	735,751	(531,355)	
Total revenues	\$ 30,465,700	\$ 32,624,054	\$ 32,546,082	\$ (77,972)	
Expenditures					
General Government					
Administrative	\$ 1,680,732	\$ 1,713,272	\$ 2,072,453	\$ (359,181)	
Finance	654,792	651,792	587,969	63,823	
Personnel	291,778	310,504	294,508	15,996	
Elected officials	251,208	259,208	254,511	4,697	
Newsletter	120,000	115,000	105,155	9,845	
Total general government	\$ 2,998,510	\$ 3,049,776	\$ 3,314,596	\$ (264,820)	
Public Protection					
Police	\$ 7,360,850	\$ 7,848,460	\$ 7,870,006	\$ (21,546)	
Municipal Court	518,575	525,314	511,250	14,064	
Fire	5,636,208	5,740,430	5,761,667	(21,237)	
Total public protection	\$ 13,515,633	\$ 14,114,204	\$ 14,142,923	\$ (28,719)	

(Continued on the following page.)
See notes to required supplementary information.

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

Year Ended September 30, 2017	Budgeted Amounts			Actual Amounts	Variance with Final Budget
	Original	Final			
<u>Public Ways and Facilities</u>					
Library	\$ 789,019	\$ 791,619	\$ 758,908	\$ 32,711	
Public Works	2,005,859	1,989,172	1,846,411	142,761	
Parks and Recreation	2,634,406	2,703,693	2,447,492	256,201	
Total public ways and facilities	\$ 5,429,284	\$ 5,484,484	\$ 5,052,811	\$ 431,673	
<u>Alabaster City Schools</u>					
Payments to the Alabaster Board of Education	\$ 5,012,000	\$ 5,183,614	\$ 5,248,608	\$ (64,994)	
Total Alabaster City Schools	\$ 5,012,000	\$ 5,183,614	\$ 5,248,608	\$ (64,994)	
Total Expenditures	26,955,427	27,832,078	27,758,938		73,140
Excess of revenues over expenditures	3,510,273	4,791,976	4,787,144		(4,832)
Other financing sources (uses)					
Transfers in	920,000	926,739	1,417,287		490,548
Transfers (out)	(3,992,968)	(4,000,263)	(5,862,146)		(1,861,883)
Total other financing sources (uses)	(3,072,968)	(3,073,524)	(4,444,859)		(1,371,335)
Net change in fund balance	\$ 437,305	\$ 1,718,452	\$ 342,285		\$ (1,376,167)
Fund balance, beginning			\$ 6,118,380		
Fund balance, ending			\$ 6,460,665		

Note: The difference in presentation of expenditures from the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds is due to the City budgeting capital outlay within each department.

See notes to required supplementary information.

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

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,133,362	\$ 1,107,963	\$ 1,071,349
Interest	3,001,907	2,825,314	2,636,186
Changes in benefit terms	-	-	-
Differences between expected and actual experience	698,319	(130,968)	-
Changes of assumptions	2,087,875	-	-
Benefit payments, including refunds of employee contributions	(1,646,482)	(1,543,314)	(1,143,546)
Transfers among employers	(21,679)		
Net change in total pension liability	5,253,302	2,258,995	2,563,989
Total pension liability - beginning	38,347,082	36,088,087	33,524,098
Total pension liability - ending (a)	\$ 43,600,384	\$ 38,347,082	\$ 36,088,087
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,112,726	\$ 1,041,311	\$ 1,039,130
Contributions - employee	746,133	721,895	691,926
Net investment income	2,731,430	313,475	2,802,343
Benefit payments, including refunds of employee contributions	(1,646,482)	(1,543,314)	(1,143,546)
Transfers among employers	(21,679)	(242,352)	(53,073)
Net change in plan fiduciary net position	2,922,128	291,015	3,336,780
Plan net position - beginning	26,725,100	26,434,085	23,097,305
Plan net position - ending (b)	\$ 29,647,228	\$ 26,725,100	\$ 26,434,085
Net pension liability (asset) - ending (a) - (b)	\$ 13,953,156	\$ 11,621,982	\$ 9,654,002
Plan fiduciary net position as a percentage of total pension liability	68.00%	69.69%	73.25%
Covered employee payroll	\$ 13,162,698	\$ 12,697,022	\$ 12,269,384
Net pension liability as a percentage of covered employee payroll	94.33%	109.25%	131.52%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

City of Alabaster, Alabama
Schedule of Employer Contributions

	2017	2016	2015
Actuarially Determined Contribution	\$ 1,148,564	\$ 1,161,460	\$ 1,085,256
Employer Contributions to Pension Plan	1,148,564	1,161,460	1,085,256
Annual Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 14,053,153	\$ 13,162,698	\$ 12,697,022
Employer Contributions to Pension Plan as a percentage of Covered Employee Payroll	8.17%	8.82%	8.55%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

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 Liability (AAL) (b)	Accrued Entry Age (UAAL) (b-a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/11	\$ -	\$ 3,467,382	\$ 3,467,382		0.0%	\$ 11,556,239	30.00%
10/01/13	\$ -	\$ 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

	09/30/13	09/30/14	09/30/15	09/30/16	09/30/17
OPEB Cost	\$ 456,569	\$ 455,128	\$ 388,244	\$ 528,996	\$ 521,518
Contribution	-	-	-	-	-
Retiree premium	(50,196)	(51,609)	(40,236)	(77,683)	(92,024)
Total contribution and premium	(50,196)	(51,609)	(40,236)	(77,683)	(92,024)
Change in net OPEB obligation	<u>\$ 406,373</u>	<u>\$ 403,519</u>	<u>\$ 348,008</u>	<u>\$ 451,313</u>	<u>\$ 429,494</u>
Percentage of contribution to cost	0.00%	0.00%	0.00%	0.00%	0.00%
Percentage of contribution plus premium to cost	10.99%	11.34%	10.35%	14.68%	17.65%

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 individual departments affected.
5. Departments incorporate recommended budget changes and update budget schedules.
6. The Mayor's recommended budget is finalized for submission to the City Council.
7. The Mayor presents the proposed budget to the City Council.
8. The City Council takes final action for approval of the operating budget by the beginning date of the fiscal year.

The annual budget is prepared by fund, department and object. The Mayor or appointed City staff is authorized to make budget transfers by object within each department. Transfers of appropriations between departments or between funds require approval of the City Council. The legal level of budgetary control is by department.



City of Alabaster, Alabama Notes to Required Supplementary Information

NOTE 1 – BUDGETARY INFORMATION (CONTINUED)

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, 2017:

General Government

Administrative	359,181
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Public Protection

Police	21,546
Fire	21,237

Alabaster City Schools

Payments to the Alabaster Board of Education	64,994
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SUPPLEMENTARY INFORMATION

**City of Alabaster, Alabama
Combining Balance Sheets—
Nonmajor Governmental Funds
September 30, 2017**

	Capital Projects	Special Revenue									Total Nonmajor Governmental Funds
		Subdivision Capital Projects Fund	Gas Tax Fund	Gas Tax (4 cent)	Corrections Fund	Drug Seizure Fund	Municipal Training Fund	Library State Aid Fund	Municipal Judicial Fund	Total	
			(7 cent)								
Assets											
Restricted cash	\$ 89,396	\$ 53,083	\$ 72,386	\$ 316,231	\$ 97,360	\$ 54,536	\$ 312	\$ 17,917	\$ 611,825	\$ 701,221	
Accounts receivable	-	-	-	5,819	-	475	-	1,414	7,708	7,708	
Total assets	\$ 89,396	\$ 53,083	\$ 72,386	\$ 322,050	\$ 97,360	\$ 55,011	\$ 312	\$ 19,331	\$ 619,533	\$ 708,929	
Liabilities											
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 18,162	\$ -	\$ 3,208	\$ -	\$ -	\$ 21,370	\$ 21,370	
Due to other funds	-	-	-	-	-	-	-	293	-	293	293
Subdivision cash bonds posted	38,575	-	-	-	-	-	-	-	-	-	38,575
Total liabilities	38,575	-	-	18,162	-	3,208	293	-	21,663	60,238	
Fund balance											
Restricted for:											
Capital improvements	50,821	-	-	-	-	-	-	-	-	-	50,821
Library	-	-	-	-	-	-	19	-	-	19	19
Public protection	-	-	-	303,888	97,360	51,803	-	19,331	472,382	472,382	
Infrastructure maintenance	-	53,083	72,386	-	-	-	-	-	125,469	125,469	
Total fund balance	50,821	53,083	72,386	303,888	97,360	51,803	19	19,331	597,870	648,691	
Total liabilities and fund balance	\$ 89,396	\$ 53,083	\$ 72,386	\$ 322,050	\$ 97,360	\$ 55,011	\$ 312	\$ 19,331	\$ 619,533	\$ 708,929	

City of Alabaster, Alabama
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances – Nonmajor Governmental Funds
September 30, 2017

	Capital Projects	Special Revenue								Total Nonmajor Governmental Funds
		Subdivision Capital Projects Fund	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	
										Total
Revenues										
Other taxes	\$ -	\$ 76,911	\$ 60,319	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,230
Fines and forfeitures	67,333	-	-	71,188	-	4,847	-	16,824	92,859	160,192
Donations, gifts, and grants	-	-	-	-	-	-	24,475	-	24,475	24,475
Interest	847	246	219	885	101	129	8	124	1,712	2,559
Total Revenues	68,180	77,157	60,538	72,073	101	4,976	24,483	16,948	256,276	324,456
Expenditures										
General government	-	27,054	-	1	-	-	-	-	27,055	27,055
Public protection	-	-	-	28,750	-	6,321	-	-	35,071	35,071
Public ways and facilities	-	-	-	-	-	24,483	-	24,483	24,483	
Capital outlay	-	-	-	16,542	-	-	-	-	16,542	16,542
Total Expenditures	-	27,054	-	45,293	-	6,321	24,483	-	103,151	103,151
Other financing sources (uses)										
Transfers out	(145,585)	(200,000)	(100,000)	(55,000)	-	-	-	(40,000)	(395,000)	(540,585)
Total other financing souces (uses)	(145,585)	(200,000)	(100,000)	(55,000)	-	-	-	(40,000)	(395,000)	(540,585)
Net change in fund balance	(77,405)	(149,897)	(39,462)	(28,220)	101	(1,345)	-	(23,052)	(241,875)	(319,280)
Fund balance, beginning	128,226	202,980	111,848	332,108	97,259	53,148	19	42,383	839,745	967,971
Fund balance, ending	\$ 128,226	\$ 53,083	\$ 72,386	\$ 303,888	\$ 97,360	\$ 51,803	\$ 19	\$ 19,331	\$ 597,870	\$ 648,691

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

September 30, 2017

	Business-Type Activities -- Sewer Fund			
	Original	Final	Actual Amounts	Variance with Final Budget
Operating revenue				
Charges for services	\$ 5,953,239	\$ 6,314,365	\$ 6,188,063	\$ (126,302)
Total operating revenue	5,953,239	6,314,365	6,188,063	(126,302)
Operating expenses				
Administration, operations, and maintenance	5,655,639	5,781,073	3,143,279	2,637,794
Depreciation and amortization	-	-	1,273,473	(1,273,473)
Total operating expenses	5,655,639	5,781,073	4,416,752	1,364,321
Operating income	297,600	533,292	1,771,311	(1,490,623)
Nonoperating revenues (expenses)				
Interest income	-	-	16,029	16,029
Interest expense	(544,620)	(544,620)	(542,602)	(2,018)
Miscellaneous non operating revenue	-	-	207,631	207,631
Total nonoperating income	(544,620)	(544,620)	(318,942)	221,642
Income before transfers	(247,020)	(11,328)	1,452,369	(1,268,981)
Transfers out	(350,000)	(350,000)	(350,000)	-
Changes in net position	102,980	338,672	1,102,369	(1,268,981)
Net position - beginning	21,397,386	21,397,386	21,397,386	-
Net position, ending	\$ 21,500,366	\$ 21,736,058	\$ 22,499,755	\$ (1,268,981)

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

<i>September 30, 2017</i>	Business-Type Activities -- Garbage Fund			
	Original	Final	Actual Amounts	Variance with Final Budget
Operating revenue				
Charges for services	\$ 2,097,683	\$ 2,097,683	\$ 2,130,030	\$ 32,347
Total operating revenue	2,097,683	2,097,683	2,130,030	32,347
Operating expenses				
Administration, operations, and maintenance	3,852,398	3,837,461	1,639,014	2,198,447
Depreciation and amortization	-	-	42,210	(42,210)
Total operating expenses	3,852,398	3,837,461	1,681,224	2,156,237
Operating income	(1,754,715)	(1,739,778)	448,806	(2,123,890)
Nonoperating revenues (expenses)				
Interest income	-	-	1,045	1,045
Interest expense	2,958	2,958	(3,117)	6,075
Total nonoperating income	2,958	2,958	(2,072)	7,120
Income before transfers	(1,751,757)	(1,736,820)	446,734	(2,116,770)
Transfers out	(340,000)	(340,000)	(359,273)	19,273
Changes in net position	(2,091,757)	(2,076,820)	87,461	(2,097,497)
Net position - beginning	615,611	615,611	615,611	-
Net position, ending	\$ (1,476,146)	\$ (1,461,209)	\$ 703,072	\$ (2,097,497)

STATISTICAL SECTION



Financial Trend Data

These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

City of Alabaster, Alabama
Net Position by Component – Last Ten Fiscal Years

	2008	2009	2010
GOVERNMENTAL ACTIVITIES:			
Net investment in capital assets	\$ 5,265,954	\$ 5,004,529	\$ 6,310,780
Restricted	12,360,306	12,438,988	11,409,550
Unrestricted	100,029	191,408	287,749
Total governmental activities net position	<u>\$ 17,726,289</u>	<u>\$ 17,634,925</u>	<u>\$ 18,008,079</u>
BUSINESS-TYPE ACTIVITIES:			
Net investment in capital assets	\$ 14,427,089	\$ 12,544,323	\$ 12,929,321
Restricted	966,062	1,025,637	3,046,911
Unrestricted	586,794	2,494,055	876,803
Total business-type activities net position	<u>\$ 15,979,945</u>	<u>\$ 16,064,015</u>	<u>\$ 16,853,035</u>
PRIMARY GOVERNMENT:			
Net investment in capital assets	\$ 19,693,043	\$ 17,548,852	\$ 19,240,101
Restricted	13,326,368	13,464,625	14,456,461
Unrestricted	686,823	2,685,463	1,164,552
Total primary government activities net position	<u>\$ 33,706,234</u>	<u>\$ 33,698,940</u>	<u>\$ 34,861,114</u>

2011	2012	2013	2014	2015	2016	2017
\$ 5,877,730	\$ (1,140,094)	\$ 3,786,510	\$ 4,605,009	\$ 7,539,651	\$ 9,997,341	\$ 13,924,182
12,147,558	18,290,098	15,037,952	16,008,837	5,693,147	4,947,988	3,689,564
(231,758)	3,938,056	1,408,775	(887,659)	(7,311,897)	(6,926,064)	(9,135,478)
\$ 17,793,530	\$ 21,088,060	\$ 20,233,237	\$ 19,726,187	\$ 5,920,901	\$ 8,019,265	\$ 8,478,268
\$ 13,341,398	\$ 14,012,380	\$ 13,414,609	\$ 14,280,622	\$ 13,534,948	\$ 16,707,356	\$ 17,707,499
3,120,966	3,193,519	4,591,691	4,442,175	4,141,397	4,143,283	3,551,046
1,109,191	1,527,134	1,867,193	2,076,734	3,329,812	1,162,358	1,944,282
\$ 17,571,555	\$ 18,733,033	\$ 19,873,493	\$ 20,799,531	\$ 21,006,157	\$ 22,012,997	\$ 23,202,827
\$ 19,219,128	\$ 12,872,286	\$ 17,201,119	\$ 18,885,631	\$ 21,074,599	\$ 26,704,697	\$ 31,631,681
15,268,524	21,483,617	19,629,643	20,451,012	9,834,544	9,091,271	7,240,610
877,433	5,465,190	3,275,968	1,189,075	(3,982,085)	(5,763,706)	(7,191,196)
\$ 35,365,085	\$ 39,821,093	\$ 40,106,730	\$ 40,525,718	\$ 26,927,058	\$ 30,032,262	\$ 31,681,095

City of Alabaster, Alabama
Change in Net Position – Last Ten Fiscal Years

	2008	2009	2010	2011
Expenses				
Governmental activities:				
General government	\$ 3,290,351	\$ 3,528,601	\$ 3,357,262	\$ 3,507,981
Public protection	11,780,827	11,476,915	11,056,292	11,370,033
Public ways and facilities	5,718,630	5,081,399	4,768,224	5,212,165
Interest and fiscal agent fees	2,153,637	1,910,538	1,963,531	1,898,098
Alabaster City Schools	-	-	-	-
Total governmental activities expenses	<u>22,943,445</u>	<u>21,997,453</u>	<u>21,145,309</u>	<u>21,988,277</u>
Business-type activities:				
Sewer fund	4,419,947	4,062,995	4,001,309	3,938,504
Garbage fund	1,480,834	1,509,718	1,605,856	1,618,678
Total business-type activities expenses	<u>5,900,781</u>	<u>5,572,713</u>	<u>5,607,165</u>	<u>5,557,182</u>
Total primary government expenses	<u><u>\$ 28,844,226</u></u>	<u><u>\$ 27,570,166</u></u>	<u><u>\$ 26,752,474</u></u>	<u><u>\$ 27,545,459</u></u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 3,125,977	\$ 2,747,989	\$ 2,713,869	\$ 2,847,176
Public protection	1,594,502	1,563,901	1,317,204	995,120
Public ways and facilities	374,623	336,506	355,431	405,381
Interest and fiscal agent fees	-	-	-	-
Alabaster City Schools	-	-	-	-
Operating grants and contributions	394,905	281,484	522,868	239,596
Capital grants and contributions	2,091,634	528,066	507,933	231,215
Total governmental activities program revenues	<u>7,581,641</u>	<u>5,457,946</u>	<u>5,417,305</u>	<u>4,718,488</u>
Business-type activities:				
Charges for services:				
Sewer fund	4,288,322	4,012,667	4,630,880	4,834,150
Garbage fund	1,482,673	1,544,088	1,791,093	1,799,007
Operating grants and contributions	-	-	-	-
Capital grants and contributions	744,563	-	-	-
Total business-type activities program revenues	<u>6,515,558</u>	<u>5,556,755</u>	<u>6,421,973</u>	<u>6,633,157</u>
Total primary government program revenues	<u><u>\$ 14,097,199</u></u>	<u><u>\$ 11,014,701</u></u>	<u><u>\$ 11,839,278</u></u>	<u><u>\$ 11,351,645</u></u>

2012	2013	2014	2015	2016	2017
\$ 4,150,878	\$ 3,583,735	\$ 3,775,162	\$ 3,480,383	\$ 4,158,766	\$ 6,671,242
11,287,635	12,034,649	12,506,354	13,109,407	13,456,908	14,575,913
5,606,450	5,334,909	6,165,130	5,544,769	6,108,188	5,878,447
4,036,819	1,358,997	1,415,788	1,247,734	1,349,761	1,180,522
-	6,619,587	5,051,429	4,786,650	5,051,840	5,248,608
<u>25,081,782</u>	<u>28,931,877</u>	<u>28,913,863</u>	<u>28,168,943</u>	<u>30,125,463</u>	<u>33,554,732</u>
4,216,082	4,289,091	4,693,094	4,783,187	4,801,538	4,959,354
1,504,937	1,547,622	1,595,748	1,612,760	1,664,307	1,684,341
<u>5,721,019</u>	<u>5,836,713</u>	<u>6,288,842</u>	<u>6,395,947</u>	<u>6,465,845</u>	<u>6,643,695</u>
<u>\$ 30,802,801</u>	<u>\$ 34,768,590</u>	<u>\$ 35,202,705</u>	<u>\$ 34,564,890</u>	<u>\$ 36,591,308</u>	<u>\$ 40,198,427</u>
\$ 4,370,718	\$ 3,227,970	\$ 3,485,869	\$ 3,800,853	\$ 4,028,686	\$ 4,464,892
1,073,031	1,137,176	1,154,153	757,604	629,183	596,822
403,834	408,707	418,779	481,762	446,213	492,797
-	-	-	-	-	-
-	-	-	-	-	-
230,471	205,082	176,333	288,631	145,202	128,088
332,804	711,620	285,710	258,968	266,448	381,147
<u>6,410,858</u>	<u>5,690,555</u>	<u>5,520,844</u>	<u>5,587,818</u>	<u>5,515,732</u>	<u>6,063,746</u>
5,391,530	5,489,372	5,655,249	6,057,895	6,079,734	6,188,063
1,813,732	1,882,424	1,930,326	2,098,938	2,080,767	2,130,030
-	-	-	-	-	-
-	-	-	-	-	-
<u>7,205,262</u>	<u>7,371,796</u>	<u>7,585,575</u>	<u>8,156,833</u>	<u>8,160,501</u>	<u>8,318,093</u>
<u>\$ 13,616,120</u>	<u>\$ 13,062,351</u>	<u>\$ 13,106,419</u>	<u>\$ 13,744,651</u>	<u>\$ 13,676,233</u>	<u>\$ 14,381,839</u>

(Continued on the following page.)

City of Alabaster, Alabama
Change in Net Position – Last Ten Fiscal Years (Continued)

	2008	2009	2010	2011
General Revenues and Other Changes in Net Positions				
Governmental activities:				
Taxes:				
Sales and use taxes	\$ 12,747,042	\$ 12,002,040	\$ 11,518,703	\$ 11,909,096
Property taxes	3,098,735	3,387,736	3,350,356	3,322,359
Other taxes	1,091,052	1,175,616	1,123,204	1,145,007
Interest	128,338	20,688	23,981	1,932
Other revenue	-	-	-	76,846
Contribution of capital assets	-	-	-	-
Gain (loss) on disposal of assets	38,817	(12,910)	(15,113)	-
Total governmental activities	17,103,984	16,573,170	16,001,131	16,455,240
Business-type activities:				
Interest	114,794	76,647	74,212	72,250
Other revenue	-	-	-	128,669
Contribution of capital assets	-	-	-	41,625
Gain (loss) on disposal of assets	-	(101,619)	-	-
Total business-type activities	114,794	(24,972)	74,212	242,544
Transfers:				
Governmental activities	(27,000)	(125,000)	100,000	600,000
Business-type activities	27,000	125,000	(100,000)	(600,000)
Total transfers	-	-	-	-
Total primary government	\$ 17,218,778	\$ 16,548,198	\$ 16,075,343	\$ 16,697,784
Change in Net Position				
Governmental activities	1,715,180	(91,337)	373,127	(214,549)
Business-type activities	756,571	84,070	789,020	718,519
Total primary government	\$ 2,471,751	\$ (7,267)	\$ 1,162,147	\$ 503,970

2012	2013	2014	2015	2016	2017
\$ 15,619,295	\$ 16,896,082	\$ 17,445,165	\$ 18,936,975	\$ 20,338,071	\$ 21,055,097
3,307,312	3,292,999	3,324,069	3,411,038	3,589,515	3,810,550
1,144,543	1,205,557	1,231,616	1,507,684	1,549,645	1,568,464
51,862	5,399	5,727	5,594	26,757	32,634
-	-	-	654,947	514,107	773,971
1,092,442	97,463	459,392	-	-	-
-	-	-	-	-	-
<u>21,215,454</u>	<u>21,497,500</u>	<u>22,465,969</u>	<u>24,516,238</u>	<u>26,018,095</u>	<u>27,240,716</u>
72,899	104,928	148	163	934	17,074
76,017	389,449	24,157	(19,564)	1,250	207,631
278,319		25,000	-	-	-
-	-	-	-	-	-
<u>427,235</u>	<u>494,377</u>	<u>49,305</u>	<u>(19,401)</u>	<u>2,184</u>	<u>224,705</u>
750,000	889,000	420,000	690,000	690,000	709,273
(750,000)	(889,000)	(420,000)	(690,000)	(690,000)	(709,273)
-	-	-	-	-	-
<u>\$ 21,642,689</u>	<u>\$ 21,991,877</u>	<u>\$ 22,515,274</u>	<u>\$ 24,496,837</u>	<u>\$ 26,020,279</u>	<u>\$ 27,465,421</u>
3,294,530	(854,822)	(507,050)	2,625,113	2,098,364	459,003
1,161,478	1,140,460	926,038	1,051,485	1,006,840	1,189,830
<u>\$ 4,456,008</u>	<u>\$ 285,638</u>	<u>\$ 418,988</u>	<u>\$ 3,676,598</u>	<u>\$ 3,105,204</u>	<u>\$ 1,648,833</u>

City of Alabaster, Alabama
Fund Balances of Governmental Funds

	2008	2009	2010	2011
General Fund				
Reserved	\$ 729,491	\$ 592,577	\$ 743,365	\$ -
Unreserved	733,404	618,811	1,069,547	-
Nonspendable	-	-	-	93
Restricted	-	-	-	85,700
Committed	-	-	-	1,020,094
Assigned	-	-	-	53,389
Unassigned	-	-	-	305,101
Total general fund	\$ 1,462,895	\$ 1,211,388	\$ 1,812,912	\$ 1,464,377
 All Other Governmental Funds				
Reserved, reported in debt service fund	\$ 627,080	\$ 563,874	\$ 592,961	\$ -
Reserved, reported in capital projects fund	11,003,735	11,282,564	10,666,185	-
Reserved, reported in special revenue funds	-	-	403,215	-
Unreserved, reported in special revenue funds	142,775	272,381	-	-
Nonspendable	-	-	-	10,660,000
Restricted	-	-	-	2,016,964
Total all other governmental funds	\$ 11,773,590	\$ 12,118,819	\$ 11,662,361	\$ 12,676,964

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	170,745	169,835	234,803	213,784
88,447	99,949	102,382	140,785	111,407	160,149
4,354,853	1,937,756	1,920,094	2,611,229	2,911,229	3,235,988
49,906	46,786	46,857	69,540	93,319	-
1,553,298	1,410,366	(68,429)	2,078,689	2,767,622	2,850,744
\$ 6,046,504	\$ 3,494,857	\$ 2,171,649	\$ 5,070,078	\$ 6,118,380	\$ 6,460,665

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
10,660,000	11,188,139	12,160,000	1,500,000	1,500,000	867,713
7,914,258	4,724,628	4,187,427	4,052,362	4,836,581	3,529,415
\$ 18,574,258	\$ 15,912,767	\$ 16,347,427	\$ 5,552,362	\$ 6,336,581	\$ 4,397,128

City of Alabaster, Alabama
Changes in Fund Balance of Governmental Funds

	2008	2009	2010	2011
Revenues				
Taxes	\$ 17,066,976	\$ 16,694,706	\$ 16,122,762	\$ 16,505,916
Licenses and permits	2,802,993	2,723,703	2,663,426	2,786,737
Intergovernmental	404,450	635,529	820,525	260,923
Charges for services	673,443	323,181	333,312	390,425
Fines and forfeitures	1,372,534	1,383,601	1,062,914	822,782
Donations, gifts, and grants	1,941,992	37,896	79,776	80,434
Interest	128,338	20,688	23,981	1,932
Other revenues	296,932	224,719	338,683	247,735
Total revenues	24,687,658	22,044,023	21,445,379	21,096,884
Expenditures				
General government	3,004,505	2,891,359	2,649,722	2,805,452
Public protection	11,514,620	11,359,080	10,730,480	11,254,079
Public ways and facilities	7,338,767	4,611,613	4,465,744	4,481,033
Alabaster City Schools:				
Payments to the Alabaster Board of Education	-	-	-	-
Payments to the schools	-	-	-	-
Other payments	-	-	-	-
Debt service:				
Debt retirement	1,853,639	10,229,151	803,902	878,430
Interest and fiscal agent fees	2,133,571	2,259,959	1,875,297	1,911,822
Bond issuance cost	-	24,020	142,870	-
Capital outlay	349,404	50,119	964,285	-
Total expenditures	26,194,506	31,425,301	21,632,300	21,330,816
Other financing sources (uses)				
Other financing uses - refunding of debt	-	-	(12,237,684)	-
Proceeds of debt	-	7,750,000	12,685,000	-
Note payable issued	-	1,850,000	-	300,000
Capital lease obligation issued	-	-	-	-
Bond premium (discount)	-	-	(215,329)	-
Transfers in	4,314,467	12,782,341	2,804,527	3,451,635
Transfers out	(4,341,467)	(12,907,341)	(2,704,527)	(2,851,635)
Total other financing sources (uses)	(27,000)	9,475,000	331,987	900,000
Net changes in fund balances	\$ (1,533,848)	\$ 93,722	\$ 145,066	\$ 666,068
Debt service as a percentage of noncapital expenditures	15.43%	39.88%	13.65%	13.08%

2012	2013	2014	2015	2016	2017
\$ 20,199,559	\$ 21,521,268	\$ 22,128,499	\$ 23,855,697	\$ 25,477,231	\$ 26,434,111
3,973,668	3,078,733	3,228,987	3,800,853	4,028,686	4,464,892
325,805	742,840	294,782	472,605	367,788	327,068
467,011	472,870	479,492	481,762	446,213	492,797
820,222	1,014,464	799,065	757,604	629,183	596,822
105,393	45,146	49,525	74,994	43,862	182,167
51,862	5,398	5,727	5,542	26,757	32,638
590,348	209,870	551,345	655,000	514,107	735,751
26,533,868	27,090,589	27,537,422	30,104,057	31,533,827	33,266,246
2,974,507	2,865,565	2,873,907	3,105,738	3,116,548	3,322,849
11,121,744	11,856,429	12,128,532	12,452,586	13,372,424	13,790,395
4,936,563	4,740,265	5,185,744	4,681,529	5,090,516	4,838,870
-	6,492,064	4,969,672	4,634,081	5,051,840	5,248,608
-	90,805	69,000	-	-	-
-	36,719	12,757	4,472	-	-
1,124,522	1,987,108	2,321,875	2,125,000	2,348,188	4,080,000
1,488,590	1,284,953	1,421,465	1,341,639	1,880,661	1,488,280
155,653	7,500	-	-	-	-
723,302	5,131,319	1,763,019	902,371	971,129	2,784,412
22,524,881	34,492,727	30,745,971	29,247,416	31,831,306	35,553,414
(29,790,729)	-	-	-	(5,425,000)	-
36,035,000	1,300,000	-	-	6,865,000	-
-	-	1,500,000	-	-	-
-	-	400,000	-	-	-
(523,837)	-	-	-	-	-
4,081,712	4,513,913	4,990,654	4,950,955	5,114,941	7,725,018
(3,331,712)	(3,624,913)	(4,570,654)	(4,260,955)	(4,424,941)	(7,035,018)
6,470,434	2,189,000	2,320,000	690,000	2,130,000	690,000
\$ 10,479,421	\$ (5,213,138)	\$ (888,549)	\$ 1,546,641	\$ 1,832,521	\$ (1,597,168)

12.70%

11.17%

12.92%

12.23%

13.70%

16.99%



Revenue Capacity Data

These schedules present information to assist readers in understanding and assessing the factors affecting the City's ability to generate its own-source revenues.

City of Alabaster, Alabama
Sales Tax Revenue Payers by Category

	2008	2009	2010	2011
Automotive Sales	\$ 393,992	\$ 312,153	\$ 331,134	\$ 346,455
Food Stores	1,121,005	1,064,414	1,014,900	1,040,748
Home Furnishings & Building Supply	1,497,325	1,162,112	1,171,095	1,133,200
Medical Sales & Pharmacy	374,669	378,723	351,896	356,014
Merchandise Retail	5,435,969	5,201,070	5,128,890	5,198,818
Restaurants	1,352,783	1,528,076	1,593,000	1,657,612
Service Stations & Auto Parts	501,647	471,473	580,168	649,043
Other Sales	2,069,652	1,884,018	1,347,620	1,527,205
Total	\$ 12,747,042	\$ 12,002,040	\$ 11,518,703	\$ 11,909,096

	2012	2013	2014	2015	2016	2017
\$	453,344	\$ 478,097	\$ 500,210	\$ 615,139	\$ 704,882	\$ 713,844
	1,365,251	1,389,490	1,369,109	1,683,281	2,237,168	2,420,058
	1,569,403	1,701,205	1,823,604	2,014,108	2,188,486	2,239,012
	375,974	527,030	492,757	516,774	1,556,610	1,306,417
	6,738,323	6,987,310	7,126,430	7,687,963	7,612,708	7,647,978
	2,155,072	2,416,228	2,642,894	2,889,759	2,959,642	2,767,205
	1,035,105	1,123,627	1,352,059	1,202,440	1,219,439	3,008,709
	1,926,822	2,273,096	2,138,103	2,327,510	1,859,137	951,874
\$	15,619,295	\$ 16,896,082	\$ 17,445,165	\$ 18,936,975	\$ 20,338,071	\$ 21,055,097

**City of Alabaster, Alabama
Direct and Overlapping Sales Tax Rates**

Fiscal Year	City Direct Rate (a)	Shelby County	State of Alabama	Total Sales Tax
2008	3.00%	1.00%	4.00%	8.00%
2009	3.00%	1.00%	4.00%	8.00%
2010	3.00%	1.00%	4.00%	8.00%
2011	3.00%	1.00%	4.00%	8.00%
2012	4.00%	1.00%	4.00%	9.00%
2013	4.00%	1.00%	4.00%	9.00%
2014	4.00%	1.00%	4.00%	9.00%
2015	4.00%	1.00%	4.00%	9.00%
2016	4.00%	1.00%	4.00%	9.00%
2017	4.00%	1.00%	4.00%	9.00%

Sources: City Finance Department, Shelby County Revenue Commissioner's Office, and Alabama Department of Revenue

(a) City sales tax rate was raised from 3.00% to 4.00% effective December 1, 2011.

**City of Alabaster, Alabama
Principal Sales and Use Taxpayers**

Taxpayer	2008 Rank	2017 Rank
Walmart Supercenter	1	1
Lowe's Home Improvement	2	2
Walmart Neighborhood Market		3
Publix		4
Target		5
Best Buy		6
Belk	4	7
Aldi		8
TJ Maxx	9	9
Chick-Fil-A		10
JC Penney		3
Bruno's Supermarket		5
Earnest McCarty Ford		6
Alabama Thrift Store		7
Ross Dress for Less		8
Olive Garden		10
Total Sales and Use Taxes - Principal Payers	36.66%	38.18%

Note: The license year for businesses runs on a calendar year, which is reported here.



Debt Capacity Data

These schedules present information to help the reader asses the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

City of Alabaster, Alabama
Ratios of Outstanding Debt by Type

Fiscal Year	Governmental Activities				Business-Type Activities			
	General Obligation Warrants	Limited Obligation Warrants	Capital Lease	Term Loan	General Obligation Warrants	Limited Obligation Warrants	Capital Lease	Term Loan
	\$40,480,037	\$ -	\$ -	\$ -	\$ 8,405,000	\$ 18,030,000	\$ -	\$ -
2008	\$40,480,037	\$ -	\$ -	\$ -	\$ 8,405,000	\$ 18,030,000	\$ -	\$ -
2009	38,000,885	1,850,000	-	-	8,500,000	17,455,000	-	-
2010	39,565,000	-	-	-	7,760,000	16,865,000	-	178,851
2011	38,760,000	-	-	226,570	23,365,000	-	-	137,306
2012	46,770,000	-	-	127,047	22,065,000	-	-	94,240
2013	46,184,292	-	-	25,647	22,660,000	-	-	49,688
2014	43,915,874	-	372,191	1,500,000	21,160,000	-	-	3,537
2015	41,114,202	-	259,798	1,500,000	19,668,886	-	168,236	-
2016	40,241,159	-	259,144	1,500,000	17,915,000	-	244,798	-
2017	37,394,983	-	160,035	-	16,215,000	-	164,626	-

(a) Obtained from the U.S. Census Bureau

(b) Obtained from Shelby County Tax Assessor's Office

* Information not available

Total Primary Government	Total Personal Income (a)	Total Personal Income	Percentage of		Percentage of			Per Capita
			Estimated Value of Taxable Property (b)	Actual Value of Taxable Property	Estimated Value of Taxable Property	Actual Value of Taxable Property		
\$66,915,037	\$ 729,180,100		9.18%	\$ 334,137,680		20.03%	29,658	2,256
65,805,885	731,036,652		9.00%	339,337,780		19.39%	29,334	2,243
64,368,851	759,191,458		8.48%	333,900,180		19.28%	31,095	2,070
62,488,876	815,335,968		7.66%	330,044,780		18.93%	31,281	1,998
69,056,287	810,896,250		8.52%	323,300,340		21.36%	31,587	2,186
68,919,627	801,892,227		8.59%	334,104,300		20.63%	31,890	2,161
66,951,602	882,721,280		7.58%	339,300,940		19.73%	32,115	2,085
62,711,122	895,583,074		7.00%	356,267,120		17.60%	32,707	1,917
60,160,101	930,418,572		6.47%	403,616,580		14.91%	32,948	1,826
53,934,644	*	*		401,483,420		13.43%	*	*

City of Alabaster, Alabama
Ratios of Net General Bonded Debt Outstanding

Fiscal Year	General Obligation Debt	Less Amounts Available for Debt Service	Net General Bonded Debt	Estimated Value of Taxable Property (a)	Estimated Taxable Value of Property	Percentage of Estimated Actual Taxable Value of Property	Population (b)	Per Capita
2008	\$40,480,037	\$ 627,080	\$39,852,957	\$ 334,137,680		11.93%	29,658	1,343.75
2009	38,000,885	563,874	37,437,011	339,337,780		11.03%	29,334	1,276.23
2010	39,565,000	592,961	38,972,039	333,900,180		11.67%	31,095	1,253.32
2011	38,760,000	701,895	38,058,105	330,044,780		11.53%	31,281	1,216.65
2012	46,770,000	1,405,912	45,364,088	323,300,340		14.03%	31,587	1,436.16
2013	46,184,292	1,746,507	44,437,785	334,104,300		13.30%	31,890	1,393.47
2014	43,915,874	1,986,574	41,929,300	339,300,940		12.36%	32,115	1,305.60
2015	41,114,202	1,653,164	39,461,038	356,267,120		11.08%	32,707	1,206.50
2016	40,241,159	1,318,141	38,923,018	403,616,580		9.64%	32,948	1,181.35
2017	37,394,893	988,432	36,406,461	401,483,420		9.07%	*	*

(a) Obtained from Shelby County Tax Assessor's Office

(b) Obtained from the U.S. Census Bureau

* Information not available

City of Alabaster, Alabama
Direct and Overlapping Governmental Activities Debt

	<u>Total Debt Outstanding</u>	<u>Percentage Applicable to City of Alabaster</u>	<u>Amount Applicable to City of Alabaster</u>
Direct Debt:			
City of Alabaster	\$ 53,934,644	100.00%	<u>\$ 53,934,644</u>
Total direct debt			53,934,644
Overlapping Debt:			
Alabaster Board of Education	124,487,639	100.00%	124,487,639
Alabaster Water Board	7,202,121	100.00%	7,202,121
Shelby County	31,725,000	15.64%	4,962,802
Shelby County Board of Education	<u>184,944,152</u>	15.64%	<u>28,931,165</u>
Total overlapping debt	348,358,912		165,583,727
Total direct and overlapping debt	<u><u>\$ 402,293,556</u></u>		<u><u>\$ 219,518,371</u></u>

Note: No specific revenue base is associated with debt repayment.

(a) The percentage applicable to the City of Alabaster is calculated by taking the population for the City in the applicable county and dividing it by the estimated population in the same county.

Sources:

Alabaster Board of Education
 Alabaster Water Board
 Shelby County Commission
 Shelby County Board of Education

**City of Alabaster, Alabama
Legal Debt Margin Information**

	2008	2009	2010	2011
Debt limit	71,187,924	71,645,440	69,030,844	67,602,140
Total net debt applicable to limit	40,480,037	39,850,885	39,565,000	38,986,570
Legal debt margin	30,707,887	31,794,555	29,465,844	28,615,570
Total net debt applicable to the limit as a percentage of debt limit	56.86%	55.62%	57.31%	57.67%

2012	2013	2014	2015	2016	2017
67,380,580	68,946,508	70,005,358	73,735,676	76,763,308	77,741,452
46,897,047	46,209,939	45,788,065	43,042,236	42,245,101	37,719,554
20,483,533	22,736,569	24,217,293	30,693,440	34,518,207	40,021,898
69.60%	67.02%	65.41%	58.37%	55.03%	48.52%



Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

**City of Alabaster, Alabama
Demographic and Economic Statistics**

Fiscal Year	Per Capita		Shelby County			
	Population (a)	Personal Income (a)	Personal Income	Median Age	School Enrollment (c)	Unemployment Rate (b)
2008	29,658	729,180,100	24,586	*	5,918	4.00%
2009	29,334	731,036,652	24,921	35.3	5,998	8.20%
2010	31,095	759,191,458	24,415	36.9	6,062	6.70%
2011	31,281	815,335,968	26,065	36.1	6,048	6.10%
2012	31,587	810,896,250	25,672	36.1	6,095	4.80%
2013	31,890	801,892,227	25,146	36.2	6,090	4.60%
2014	32,115	882,721,280	27,486	36.3	6,050	4.10%
2015	32,707	895,583,074	27,382	36.6	6,012	4.20%
2016	32,948	930,418,572	28,239	37.1	6,055	4.60%
2017	*	*	*	*	6,041	2.40%

(a) Obtained from the U.S. Census Bureau

(b) Obtained from the Bureau of Labor Statistics unemployment rates by county, not seasonally adjusted as of September of each fiscal year

(c) Obtained from the Alabaster City Board of Education and the Shelby County Board of Education

* Data unavailable

**City of Alabaster, Alabama
Principal Employers**

Employer	2013			2017			Percentage of Total City Employment (a)
	Employees	Rank	Percentage of Total City Employment (a)	Employees	Rank		
Shelby Baptist Medical Center	1,050	1	NA	1,125	1	NA	
AGC Automotive Americas	405	2		395	3		
Mspark	323	3		200	9		
Lhoist North America	250	4		260	5		
Shelby Ridge Health & Rehab Select	230	5		211	7		
Chandler Health & Rehab	225	6		245	6		
Deshazo Crane	187	7		319	4		
Docupak	139	8					
Alabama Crown Distributing Co.	120	9					
Sealing Equipment Products., Inc	100	10					
Alabaster Board of Education				761	2		
Hibbett Sports				200	8		
Fresenius Medical - TruBlue Logistics				115	10		
Total top 10	<u><u>3,029</u></u>			<u><u>3,831</u></u>			
Total all employees in the City (a)	NA			NA			

Source: Greater Shelby County Chamber of Commerce

Note: Information does not include City Government employees.

Note: Schedule presents 2013 due to the fact that consistent, reliable information for 2008 (nine years ago) was not readily available. 2013 is the furthest period back which reliable information could be obtained.

(a) The City does not have an occupational tax or other mechanism to accurately know these numbers.



Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

City of Alabaster, Alabama
Full-Time Equivalent City Government Employees by Function

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Administration / City Clerk	8	8	8	8	8	8	8	8	4	4
City Manager	-	-	-	-	-	1	1	1	1	1
Human Resources	2	2	2	2	2	2	2	2	2	2
Information Technology	-	-	-	-	-	-	1	1	1	2
Finance & Revenue	5	5	5	5	4	5	5	5	6	6
Engineering	-	-	-	1	1	1	1	1	1	1
Library	9	9	9	9	9	9	9	8	8	6
Municipal Court	5	5	5	5	5	5	5	5	5	6
Public Safety										
Police										
Officers	65	62	61	65	60	64	65	62	62	66
Civilians	4	4	3	3	4	5	5	5	5	6
Animal Control	1	1	1	2	2	2	1	1	1	1
Dispatch	11	10	7	10	10	9	11	11	12	11
Fire										
Firefighters & Officers	57	57	51	51	49	53	55	55	56	56
Civilians	5	5	5	5	5	5	5	5	7	8
Public Works	16	16	16	16	16	16	14	14	14	18
Parks & Recreation										
Maintenance / Recreation	24	24	24	24	24	26	26	23	23	20
Senior Center	3	3	3	3	4	4	4	5	5	5
Sewer	20	20	17	17	17	17	19	24	24	24
Total	235	231	217	217	226	220	232	236	237	243

**City of Alabaster, Alabama
Operating Indicators by Function/Program**

Function		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government											
Business licenses issued	1	3,346	3,353	3,498	3,543	3,594	3,782	3,955	4,249	4,441	4,401
Public Safety											
Police											
Arrests	2	1,506	1,690	1,650	1,723	1,886	1,606	1,528	1,355	1,357	1,417
Fire											
Emergency responses	3	3,439	3,581	3,098	3,917	3,775	4,280	4,905	5,415	5,620	3,646
Inspections	3	11,400	16,881	14,179	10,144	11,299	9,023	3,225	5,309	6,111	3,152
Building permits issued	4	270	223	205	209	226	212	247	413	396	484
Library											
Materials checked out	5	185,154	208,495	201,927	193,706	177,162	177,340	174,989	162,944	149,844	167,772
Municipal Court											
Traffic Cases	6	5,700	5,943	6,256	4,717	3,854	3,683	2,557	2,268	2,090	2,019
Non-Traffic Cases	6	906	880	1,011	971	1,126	1,055	798	725	622	676
Sanitation											
Single homes:											
Regular garbage service	7	10,081	10,121	10,270	10,306	10,381	10,512	10,482	10,716	10,869	10,890
Recreation Services											
Participants in sports programs	8	1,984	2,019	2,027	2,083	2,114	2,212	2,184	2,238	2,277	2,202
Sewer											
Average daily flow (gallons per day)	9	2,920,000	3,920,000	3,240,000	2,920,000	3,530,000	3,590,000	3,320,000	3,370,000	3,150,000	3,340,000

1 Source: Alabaster Revenue Department (based on a calendar year)

2 Source: Alabaster Police Department (based on a calendar year)

3 Source: Alabaster Fire Department (based on a calendar year)

4 Source: Building Department (based on a calendar year)

5 Source: Albert L. Scott Library (based on a calendar year)

6 Source: Municipal Court (based on calendar year)

7 Source: Alabaster Water Board. Number reflects number of homes served for the month of September for each fiscal year.

8 Source : Parks and Recreation Department (based on a calendar year)

9 Source: Alabaster Environmental Services Department (based on a calendar year)

**City of Alabaster, Alabama
Capital Asset Statistics by Function/Program**

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Vehicles	1	1	1	1	2	2	2	3	3	3
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	39	44	51	61	62	62	74	73	83	77
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Vehicles	19	18	18	18	19	20	21	22	24	24
Refuse Collection										
Trash Trucks	2	2	2	2	2	3	5	6	6	6
Public Works										
Streets (miles)										
Streetlights	54	54	54	54	54	54	54	54	54	54
Traffic Signals	17	17	17	17	18	18	19	19	19	19
Vehicles	7	7	7	7	7	10	10	11	12	11
Recreation Services										
Parks										
Acres	141.1	141.1	141.1	141.1	141.1	141.1	141.1	141.1	141.1	141.1
Vehicles	9	10	10	10	10	11	13	14	17	17
Sewer										
Vehicles	7	7	7	7	7	7	10	10	15	17
Pump Stations	50	50	50	50	51	52	52	52	52	52