

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of the



COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of the



FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017

Prepared by
Finance Department



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Decatur
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO

CITY OF Decatur
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2017

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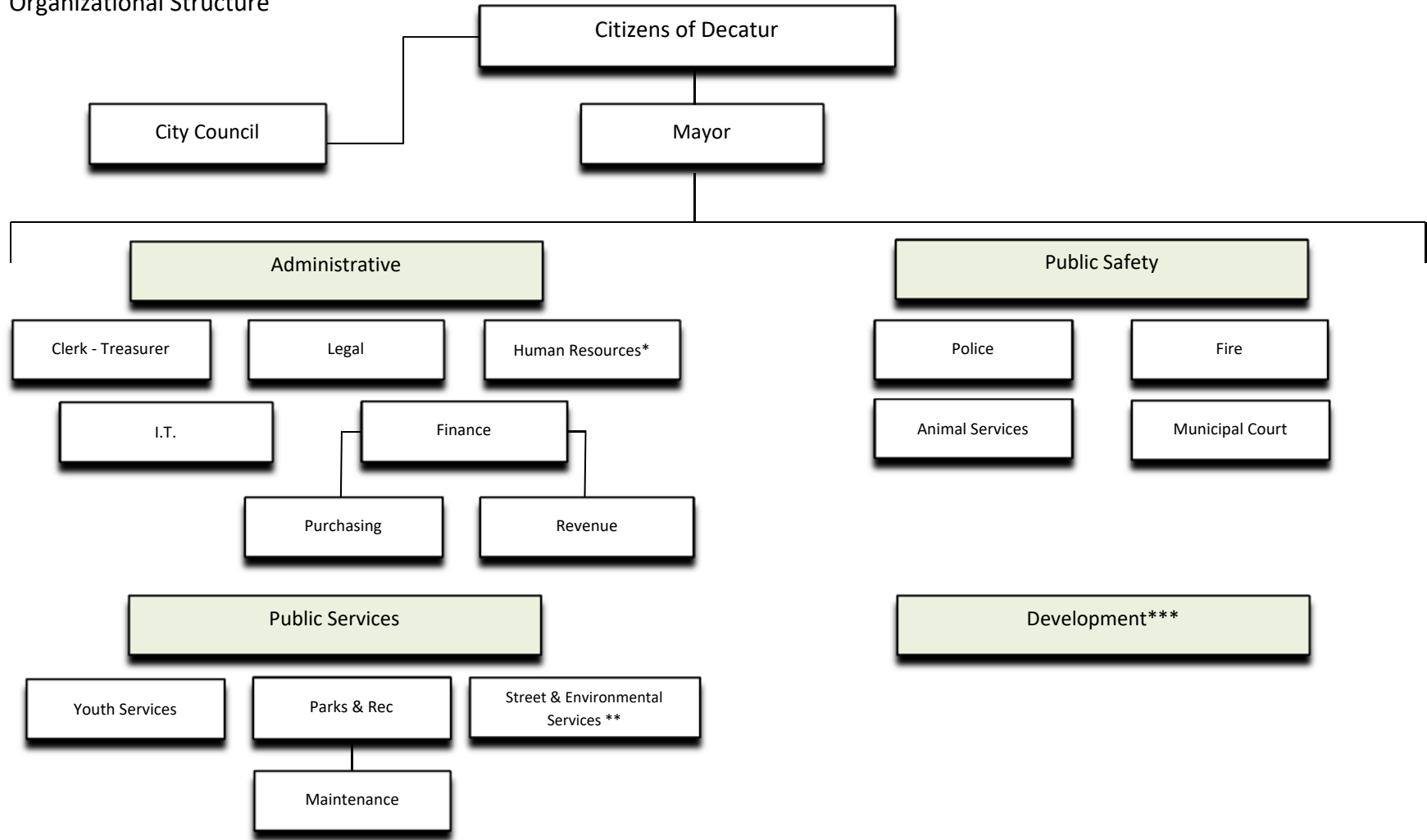
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City of Decatur, Alabama

Organizational Structure



* Human Resources works independently and answers to the Personnel Board whose members are appointed by the City Council.

** Includes former Public Works, Garage, Street, Sanitation, Landfill, and Recycling.

*** A consolidated group of departments under one Director/Manager. Areas included are Planning, Engineering, Building (Code Enforcement), And Community Development.

City of Decatur

Boards and Commissions

Historic Preservation Commission	Decatur Library Board
Industrial Development Board	Planning Commission
Public Building Authority	Board of Zoning and Adjustment
Housing Authority	Decatur Animal Services Board
Board of Examinations and Appeals	Personnel Board
Parks & Recreation Board	Municipal Utilities Board
Old Bank Building Board	City Board of Education
Community Preservation Board	Educational Building Authority
Downtown Redevelopment Authority	Bingo Review Committee
Medical Clinic Board	

City / County Boards

North Central Mental Retardation Authority	Mental Health Center of North Central Alabama
State Products Mart Authority	Board of Equalization
E-911 Board	Healthcare Authority of Morgan County
Decatur/Morgan County Port Authority	Airport Authority
EMS Advisory Committee	Decatur/Morgan County Farmer's Market
Morgan County Industrial Park & Economic Development Cooperative District	
Downtown Parking Advisory Task Force	

OFFICIALS OF THE CITY OF DECATUR

2017

MAYOR

TAB BOWLING

CITY COUNCIL

Paige Bibbee - President

Chuck Ard – President Pro Tempore
Charles Kirby

Billy Jackson
Kristi Hill

DEPARTMENT DIRECTORS

City Attorney	Herman Marks
City Clerk	Stacy Gilley
Building	Wally Terry
Community Development & Planning	Wally Terry
Engineering	Wally Terry
Fire Chief	Anthony Grande
Information Systems	Brad Phillips
Municipal Judge	Bill Cook, Jr.
Landfill	Rickey Terry
Parks & Recreation	Jeff Dunlap
Personnel	Richelle Sandlin
Police Chief	Nathaniel Allen
Street & Environmental Services	Rickey Terry
Youth Services	Bruce Jones

OTHER KEY PERSONNEL

City Engineer

Court Magistrate

Decatur/Morgan County Landfill

Maintenance Supervisor

Old State Bank Coordinator

Purchasing Agent

Recycling Coordinator

Revenue Administrator

Solid Waste Department

The Street Department

The City Shop

Carl Prewitt

Jessica Hayes

Shawn Luker

Kurt Johnson

David Breland

Charles Booth

Emily Johnson

Tina Boyles

Reginald Carter

Wayne Wascavage

Tom Jones

FINANCIAL SECTION



June 29, 2018

To the Honorable Mayor, Members of the City Council and Citizens of Decatur, Alabama

The Comprehensive Annual Financial Report of the City of Decatur, Alabama, for the fiscal year ending September 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. This report including the exhibits and statistical data contained herein, has been prepared by the Finance Department of the City of Decatur in conformity with the standards established by the Governmental Accounting Standards Board and complies with accounting principles generally accepted in the United States of America (GAAP). We believe the data as presented is accurate in all material aspects, and that it is presented in a manner to fairly set forth the financial position and results of operations of the City.

An accounting system is designed to assemble, analyze, clarify, record and report financial data. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable but not absolute assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition, and (2) the valuation of costs and benefits requires estimates and judgments made by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. Key controls are evaluated periodically by the City's finance department.

Alabama state law requires an annual audit to be made, in accordance with generally accepted auditing standards, of all books and accounts of the City by independent certified public accountants. This requirement has been complied with and the report of Warren Averett, Certified Public Accountants, for the fiscal year ended September 30, 2017 is included in this report. This year's annual audit included a single audit of all federal grants, which complies with federal legislation. The single audit report is forwarded to the City's grantor agencies for review.

GAAP 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 of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Decatur's MD&A can be found immediately following the report of our independent auditors, Warren Averett, Certified Public Accountants.

Profile of the Government

Decatur, Alabama was named in honor of the illustrious naval hero, Commodore Stephen Decatur, famed for his gallantry in the conflict with the Barbary States of North Africa, and later in the War of 1812. The town was incorporated December 8, 1826 by an act of the legislature.

Decatur, the county seat of Morgan County, is situated in northern Alabama, on the Tennessee River, midway between Nashville, Tennessee (110 miles to the north), Birmingham, Alabama (85 miles to the south), Atlanta, Georgia (200 miles to the east), and Memphis, Tennessee (200 miles to the west). Huntsville, Alabama is twenty miles east of Decatur.

Since October 1968, the City of Decatur has been governed by a mayor-council form of government. The mayor is chief executive officer of the city and is elected by general election to a four year term. The city council is the

legislative body and consists of five (5) members, who are elected for four year terms. Prior to 1988, members of the city council were elected on an "at large" basis. In 1988, the city council established five (5) electoral districts, one of which is primarily African American in population. An election was held August 23, 1988, on a "single member district" basis to fill all five places on the city council, elections continue to be held on this basis quadrennially.

The City of Decatur provides a full range of services. These include police and fire protection, sanitation services, the construction and maintenance of streets and infrastructure, recreational facilities (26 parks comprising 1,278 acres, 22 developed playgrounds, 46 tennis courts, 5 recreation centers, 35 ball fields, 3 pools, 4 golf courses both public & private, 62 acres of soccer fields), cultural events, community services, and general administrative services. Utility services are provided through a separate Municipal Utilities Board, which is a major proprietary fund included in the City's financial statements.

The city operates Point Mallard Park, a premier outdoor family park on the Tennessee River, and home of America's first wave pool. The City continues to make investments in the park to attract visitors to the area as well as serve the citizens of Decatur.

The City maintains budgetary controls to ensure compliance with legal provisions in the annually appropriated budgets adopted by the City Council. Activities of the general fund and special revenue funds are included in the budget process. A formal budget is not adopted for the debt service funds because effective control is achieved through the related debt's indenture provisions. Although not legally required, the City Council also approves operating budgets for the Point Mallard and Landfill enterprise funds and the Cemetery permanent fund. The legal level of budgetary control is the department level. A formal amendment to the original budget is adopted after the Council reviews and approves changes at mid-year. All annual appropriations lapse at year-end.

Local economy

The information in the financial statements is better understood when it is considered from the broader perspective of the specific environment within which the City of Decatur operates.

Decatur Morgan County is home to approximately 150 Industries, including 12 Fortune 500 companies and eight Global 500 companies. There were two new companies, thirteen non-confidential expansions, and five confidential expansions or equipment for a total of over \$535 million in new capital investments and 436 new jobs in FY 2017. This is the largest amount of capital investments announced in over five years. Wolverine Tube will reopen with a capital investment of \$16 million dollars after nearly a decade bringing 250 jobs within three years manufacturing aluminum components replacing the copper of the past plant. 3M invested \$39.5 million dollars in upgrading existing building to expand production of one of their product lines. Bunge invested \$72.5 million in their soybean oil production line as they continue to expand that product line in Decatur. Daikin announced a \$5 million dollar expansion to install a process for the blending of refrigerant components to produce refrigerant blends. United Launch Alliance invested \$115.6 million dollars for the production of the new Vulcan thrust structure assembly, which is ULA's next generation launch system. Dynetics is investing \$21 million dollars in a facility that will be used to build components for NASA's new Space Launch System as well as perform structural testing on rocket components for the Department of Defense and NASA commercial customers. This will be the first Test Stand built in Decatur. Dynetics is spending \$7.3 million dollars to construct the second building adjacent to ULA supporting the development and structural testing of launch vehicles and large aerospace structures. RUAG, a Swiss company, opened a 100,000 square foot space within ULA to produce the payload fairing and other carbon fiber structures. 3GIS, a local Decatur company which provides Web-based fiber network design and management software, was recognized as one of INC 500 fastest growing private companies. Wayne farms built a new 15,000 square foot Customer Innovation Center, a state of the Industry research and development facility and culinary kitchen. The City, in partnership with the Morgan County Economic Development Association and NASA's Marshall Space Flight Center, hosted over 150 Prime Contractors and businesses at the Alabama Center for the Arts. Hexel, supplier to Airbus, announced a \$199,400 million dollar expansion which will ramp up production to meet increasing demand in the aerospace and industrial markets. This investment will add a polyacrylonitrile line and its first carbonization line. In 2017 two companies celebrated their 50 year anniversaries of doing business in Decatur, Doyles Supply and G & J Automatic Screw. Several of Decatur's industries were honored with "first place and second" place safety awards from Manufacture Alabama, Indorama Ventures, 3M Film Plant and Nucor Steel. Redstone Federal Credit Union presented the city a check for \$250,000 and Daiken presented the City a check for \$100,000 to use in the continued upgrades of our historical downtown Princess Theatre. The Capital investment in the 62,000 square foot Cook Museum of Natural Science being constructed in Downtown Decatur has increased its investment since conception from \$15.9 million dollars to \$32.4 million dollars. The museum will include the only aquarium in Alabama to house an endangered green sea turtle. The Museum also continues to expand with a restaurant option and is expected to open in late 2018.

Retail Expansion

The Decatur Mall continues to reshape its offering by investing over \$8 million dollars in removing the vacant Sear's and Penny's building which provides a better entrance to the theatre built in 2015. They have built an out parcel occupied by Aspen Dental and Chicken Salad Chick. The interior has been remodeled with new lighting and city related photos. They have removed all tenants that do not meet their standards as a retailer and are looking now to attract a new retail market. The Mellow Mushroom restaurant reopened under new management. The Rail Yard Restaurant opened the Whisk'd Café, a new venue for breakfast and lunch. Jamie Hood Jewelers opened on Bank Street. Yarn Boutique opened on 2nd Avenue. Cross Eyed Owl began construction in a remodeled historic building and opened in February 2018 as our first Micro Brewery. Cheeseburger Bobby's, and two other restaurants yet to be announced, replaced a vacant car dealership. A Panda Express has been announced with construction to start in early 2018. Marco's Pizza has opened on Sandlin Road. A NTB Tire Store opened. MAPCO opened another location in Decatur. Lidl grocery store announced its intention to open a new store, being the first Lidl to be announced in Alabama. Residence Inn Extended Stay hotel is under construction with opening in early 2018. A new Chick Filet has been announced to begin construction in early 2018. Walmart Fuel station opened on the site of the Walmart Market. Bargain Hunt opened in the prior Food World location. Home2Suite Hotel opened at Ingalls Park. Publix Supermarket opened in February 2018. Taco Bell, Nail Boutique and Spa, and Great Clips announced new stores.

Comprehensive Plan

One Decatur is the name of an effort launched in 2016 to create a new comprehensive plan for our city that is rooted in community values and aspirations. A 40 member steering committee was selected from some 200 applications in a blind selection process that assured a fair representation of our community. Through over 15 months and many workshops, focus groups, and online tools, over 800 people provided more than 2,000 data points for One Decatur. Jamie Greene of Planning Next and his team facilitated and led the process with the support of the city planning department. The plan once approved will serve as a guide for decision makers and the community for future development and many aspects of our City's quality of life. The cornerstone of the plan resides in a formal Capital Improvement Plan (CIP) that is consistent with the plan's recommendations. This CIP will be a fundamental management document that outlines projected capital needs, and time-frames for completion. This Comprehensive Plan is scheduled for adoption in the first quarter of 2018. A copy of the One Decatur Executive Summary is provided in this report.

Other Expansion and Investment

The \$30 million public private investment in the new Cook Museum of Natural Science will serve as a catalyst for retail foot traffic with over 200,000 visitors estimated annually. The investments by two colleges, Athens State College and Calhoun Community College, creating a four year arts program Downtown, is creating an arts based atmosphere that along with the Cook Museum will permeate throughout our community. The third phase of the college system is in the planning stages and will hopefully bring another new concept to our community. The investments in the renovated Depot, the Amphitheatre, streetscaping projects including handicap accessible curb cuts are making the entire area more inviting and accessible for developments to flourish. We are home to Hub Zones that are being marketed for the first time creating opportunities for business owners to invest and grow. These zones are around our downtown area as well as two historical districts thus creating a housing market that can often be a Hub Zone challenge. The first apartments have been opened and are commanding a rent level that helps to raise the level of property values where higher quality investments can be made.

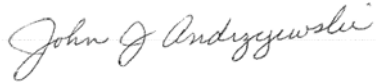
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Decatur for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2016. This was the twenty-sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report is possible because of the efficient and dedicated service of the entire staff of the Finance Department, particularly that of retired Finance Supervisor, Joy Hill. We wish to express our appreciation to our independent auditors, especially Jeremy Jefferys, CPA. We would also like to thank the Mayor and members of the City Council for their interest and support of the financial operations of the City.

Respectfully submitted,

A handwritten signature in cursive script that reads "John J. Andrzejewski".

John J. Andrzejewski
Chief Financial Officer
City of Decatur

Independent Auditor's Report

The Honorable Mayor and Members
of the City Council
City of Decatur
Decatur, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Decatur, Alabama (the City), 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Decatur's Board of Education ("Board of Education"), which is a component unit of the City, or the financial statements of the Municipal Utilities Board Enterprise Fund ("Utilities Board"). The Board of Education's financial statements represent 100 percent, of the assets, net position, and revenues of the discretely presented component units. The Utilities Board's financial statements represent 89.9 percent, 89.1 percent, and 92.6 percent, respectively, of the assets, net position, and revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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 of material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of Decatur, Alabama, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and The School Fund 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, starting on page 3, and the pension information, starting on page 73, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We and the other auditors 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 Decatur, Alabama's basic financial statements. The introductory section, supplementary information section, and statistical section, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The general fund budgetary comparison by activity starting on page 77, the combining and individual nonmajor fund financial statements starting on page 87, the nonmajor governmental fund budgetary comparison schedules starting on page 89, the nonmajor proprietary funds combining statements starting on page 97 and the schedule of expenditures of federal awards 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 by us and the other auditors 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 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, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of the City of Decatur, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Huntsville, Alabama
June 29, 2018



Management's Discussion and Analysis

As management of the City of Decatur (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the challenges of the coming and subsequent years), (d) identify any material deviations from the financial plan (the adopted budget) and (e) identify individual fund issues or concerns.

Because the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and known facts, we encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

2017 Highlights

Financial Highlights

- The total net position of the City is \$259 million. Of this amount, (\$44) million from governmental activities is considered unrestricted and is the result of the increased liability for the City's Pension Obligation and Post-Employment Benefits (OPEB) obligation. The City implemented previous GASB Standards in prior years which increased the amount of net liabilities substantially going forward. In the current year, the additional liabilities related to the Pension and OPEB obligations has resulted in a cumulative amount of \$77 million in Noncurrent liabilities as of September 30, 2017.
- The unrestricted net position of the business-type activities is \$38 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net position increased by \$8.4 million. The governmental net position decreased \$96 thousand and business-type net position increased by \$8.5 million.
- Governmental activities revenues increased \$7 million due in large part to a \$3.2 million increase in Sales Tax revenues.
- As of September 30, 2017, governmental funds reported a combined ending fund balance of \$41 million, a decrease of \$3.7 million from the prior year. Of that ending fund balance, \$10.3 million is unassigned and available to finance the activities of the governmental funds and \$27 million is committed or assigned to meet existing obligations.
- General Fund reported a fund balance of \$31.4 million, \$10.3 million of this amount is available for general use. This reflects a \$473 thousand increase over the prior year ending balance available for general use.
- The policy of the City is at all times to maintain a minimum reserve of 3 months (90 days) General Fund Operating Expenses. \$6 million of the \$21 million committed fund balance is related to this reserve. At fiscal year-end, there were sufficient funds to meet the reserve and exceed the requirement by \$10.3 million.
- The City's total debt decreased by \$3 million during 2017. Debt of governmental activities increased by \$2.2 million with the issuance of 2016-B warrants for \$5 million and new capital leases for two garbage trucks for \$400 thousand exceeding the total reduction of debt through scheduled principal payments. Business type activities debt service decreased by \$5.2 million through scheduled principal reduction.

Management's Discussion and Analysis- Continued

City Highlights

Industrial Expansion:

Decatur-Morgan County is home to approximately 150 Industries, including 12 Fortune 500 companies and eight Global 500 companies. During 2017 there were two new companies, thirteen non-confidential expansions, and five confidential expansions/equipment for a total of \$535,439,962 in new capital investments and 436 new jobs. This is the largest amount of capital investments announced in the area in over five years. Below are some further details on some of the expansions and announcements which are not confidential in nature:

- Wolverine Tube is set to reopen nearly a decade after the company's closure to manufacture aluminum components which will replace the copper of the past. This is expected to bring 250 new jobs to the area and a total capital investment of \$16 million dollars.
- 3M invested \$39.5 million dollars towards upgrades of their existing building for purposes of expanding production of one product line.
- Bungee invested \$72.5 million in their soybean oil production line as they continue to expand the product line in Decatur.
- Daikin announced a \$5 million dollar expansion to install a process for the blending of refrigerant components.
- United Launch Alliance (ULA) invested \$115.6 million dollars for the production of the new Vulcan thrust structure assembly expected to be the ULA next generation launch system.
- Dynetics is investing \$21 million dollars in a facility that will be used to build components for NASA's new Space Launch System. The facility will also be used to perform structural testing on rocket components for the Department of Defense and NASA commercial customers which will be the first Test Stand built in Decatur.
- Dynetics is spending \$7.3 million dollars to construct the second building adjacent to ULA supporting the development and structural testing of launch vehicles and large aerospace structures.
- RUAG, a Swiss company, opened a 100,000 square foot space within ULA to produce the payload fairing and other carbon fiber structures.
- 3GIS, a local Decatur company which provides Web-based fiber network design and management software, was recognized as one of INC 500's fastest growing private companies.
- Wayne farms built a new 15,000 square foot Customer Innovation Center which will house a state of the art research and development facility along with a culinary kitchen.
- Hexel, supplier to Airbus, announced a \$200 million dollar expansion which will ramp up production to meet the increasing demand in the aerospace and industrial markets. This investment will add a polyacrylonitrile line and its first carbonization line.

Other industry accomplishments which occurred during the year consisted of:

- The City in partnership with the Morgan County Economic Development Association and NASA's Marshall Space Flight Center hosted over 150 Prime Contractors and businesses at the Alabama Center for the Arts.
- In 2017 two companies celebrated their 50 year anniversaries of doing business in Decatur:
 - Doyles Supply
 - G & J Automatic Screw
- Several of Decatur's industries were honored with "first place and second" place safety awards from Manufacture Alabama. These included Indorama Ventures, 3M Film Plant and Nucor Steel.
- Redstone Federal Credit Union presented the city a check for \$250,000 and Daiken presented the City a check for \$100,000 for use in the continued upgrades of our historical downtown Princess Theatre.

Retail Districts Expanding:

In addition to the industrial expansion noted above, the City's retail establishments have continued to thrive and expand as well. Some of the more notable items during 2017 and continuing into 2018 are as follows:

- The Capital investment in the 62,000 square foot Cook Museum of Natural Science being constructed in Downtown Decatur has increased its investment since conception from \$15.9 million dollars to \$32.4 million dollars. The museum will include the only aquarium in Alabama to house an endangered green sea turtle. The Museum also continues to expand with a to-be-announced restaurant option. The museum is expected to open in late 2018

Management's Discussion and Analysis- Continued

- The Mellow Mushroom restaurant on the corner of 2nd Avenue and Moulton Street reopened under new management.
- The Rail Yard Restaurant opened Whisk'd Café, a neighborhood breakfast spot and event space that specializes in local, farm-to-table, seasonal southern fare.
- 307 Second Avenue opened including new apartments, the High Point Market, and the BreatheYoga Barre
- Jamie Hood Jewelers opened a new location on Bank Street
- City Center Village, an upscale community apartment catering to retirees, opened on Bank Street. The establishment a \$3 million project by a Las Vegas developer converted from the former Amberley Suite Hotel on Bank Street. A subsequent \$3 million second phase of the project has also been planned.
- The Yarn Boutique opened on 2nd Avenue
- Cross Eyed Owl opened in a remodeled historical building in February 2018 as the City's first Micro Brewery
- The Decatur Mall continues to reshape its offering by removing all tenants that do not meet their standards as a retailer and looking to attract a new retail market. The owners have also invested over \$8 million dollars for the following:
 - Removing the vacant Sear's and JC Penny's building which provided a better entrance to the AMC movie theatre.
 - Building an out parcel which is now occupied by Aspen Dental and Chicken Salad Chick which both opened in 2017
 - Remodeling the interior with new lighting and city related photos.
- Cheeseburger Bobby's, Lawler's Barbeque, and one other restaurant which has yet to be announced made plans to start construction in a once vacant car dealership in 2018.
- Panda Express announced their plans to start construction in early 2018.
- Marco's Pizza opened an establishment on Sandlin Road.
- NTB Tire Store opened its location on Beltline Road
- MAPCO opened another location in Decatur on Highway 67
- Lidl USA, a German-based grocery chain, announced its intentions to open the first Lidl in Alabama. The store will be built on the site of the Calvary Assembly building on Beltline Road
- Residence Inn extended stay hotel is under construction with opening in early 2018
- A new Chick Filet has been announced to begin construction in early 2018 near the Crossings shopping center on Highway 31.
- Walmart Fuel station opens on the site of the Walmart Market on 6th Avenue.
- Upsurge, a Trampoline Park and event center, announced its plans to open in Gateway shopping center.
- Bargain Hunt, a discount retail chain, opened in the prior Food World location on 6th Avenue
- Home2Suite Hotel, an extended stay hotel, opened at Ingalls Harbor
- Publix is set to open in early 2018 as construction comes to completion in the Point Mallard Centre located at Highway 67 and Indian Hills Road. The Center will also house Taco Bell in a new store out parcel, and Nail Boutique and Spa, and Great Clips with the adjoining spaces.

Comprehensive Plan

One Decatur is the name of an effort launched in 2016 to create a new comprehensive plan for our city that is rooted in community values and aspirations. A 40 member steering committee was selected from some 200 applications in a blind selection process that assured a fair representation of our community. Through over 15 months and many workshops, focus groups, and online tools, over 800 people provided more than 2,000 data points for One Decatur. Jamie Greene of Planning Next and his team facilitated and led the process with the support of the city planning department. The plan, once approved, will serve as a guide for decision makers and the community for future development and many aspects of our City's quality of life. The cornerstone of the plan resides in a formal Capital Improvement Plan (CIP) that is consistent with the plan's recommendations. This CIP will be a fundamental management document that outlines projected capital needs, and time-frames for completion. This Comprehensive Plan is scheduled for adoption in the first quarter of 2018. A full copy of the plan is also included as a supplement to this reporting package.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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.

Management's Discussion and Analysis- Continued

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 *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 assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Government-wide financial statements

- The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).
- Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public services, intergovernmental, community service, community development, and personnel board functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities, primarily the Decatur Board of Education for support of the city school system.
- The business-type activities of the City include the Municipal Utilities Board, Sanitary Landfill and Point Mallard. All of these activities are collectively referred to in the financial statements as those of the *primary government*.
- As described in the letter of transmittal and notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Board of Education is referred to in the financial statements as those of the *discretely-presented component units*. This discussion and analysis focuses on the primary government, and the complete financial statements (including MD&A) of the component units may be obtained from the Finance Department of the City
- The government-wide financial statements can be found beginning on page 19 of this report.
- A fund is a grouping of related accounts that is 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 of the funds of the City can be divided into two categories: governmental funds and proprietary funds.
- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements
- Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Management's Discussion and Analysis- Continued

Fund financial statements

- Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains eighteen individual governmental funds:

- General Fund and the School Fund are considered to be *major* funds, and information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for these funds.
- The sixteen other governmental funds are considered to be non-major 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 elsewhere in this report.

The basic governmental fund financial statements can be found beginning on page 21 of this report.

Proprietary funds

- The City maintains only 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 Landfill and Point Mallard operations and the Municipal Utilities Board Fund.
- Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows.
 - The Municipal Utilities Board Fund is considered to be a *major* proprietary fund of the City, and information is presented separately in the *proprietary statement of net assets* and in the *proprietary fund statement of revenues, expenditures, and changes in fund net assets* for these funds.
 - The other two enterprise activities are considered to be non-major proprietary 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 elsewhere in this report.

The basic proprietary fund financial statements can be found beginning on page 25 of this report.

Notes to the financial statements

- The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on pages 28 of this report.

Other information

- In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Because the City adopts an annual operating budget for most of its governmental funds, a comparison of budget to actual results is provided for these funds to demonstrate compliance with the budget. This information and the combining non-major funds statements referred to earlier can be found beginning on page 79 of this report.

Government-wide Financial Analysis

- As noted earlier, net position may serve as a useful indicator of a government's financial position. Overall, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$259 million at the close of the most recent fiscal year

Management's Discussion and Analysis- Continued

- The largest portion of the City's net position, 92% reflects its investment in capital assets (e.g. Land, buildings, improvements other than buildings, 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 10.3% represents resources that are subject to restrictions as to how they may be used, such restrictions being imposed by legal requirements other than those imposed by the City Council (e.g. state or federal law).
- The remaining balance of unrestricted net position is \$(6.1) million, which consists of \$(43.9) million from governmental activities and \$37.8 million from business-type activities.
- The positive unrestricted net position of the business-type activities are available to be used to fund governmental activities if deemed necessary by the City Council because they are only restricted for business-type activities by local ordinance.
- Net position from governmental activities decreased \$96 thousand in fiscal year 2017. This is mostly attributed to Pension and OPEB liabilities for the FY17.
- Cash in General Fund increased \$406 thousand and General Fund's revenue, lease proceeds and transfers-in exceeded expenditures and transfers out by \$310 thousand.
- Sales tax revenues in governmental funds increased \$3 million and property taxes remained fairly stable at 2016 rates only increasing by \$305 thousand in 2017.
- Net position from business-type activities increased \$8.5 million as long term liabilities decreased by \$2.7 million and Capital assets increased by \$7 million.
- Decatur Utilities continued to make upgrades and improvements to its Wastewater system as well as continuing work on the Beltline Sewer Project.

Management's Discussion and Analysis- Continued

City of Decatur's Net Position

	Governmental Activities			Business-Type Activities			Total	
	September 30, 2017	September 30, 2016	Change	September 30, 2017	September 30, 2016	Change	September 30, 2017	September 30, 2016
ASSETS								
Current and other asset	\$ 50,462,611	\$ 51,131,244	\$ (668,633)	\$120,157,065	\$113,910,505	\$ 6,246,560	\$170,619,676	\$165,041,749
Capital Assets	84,871,289	72,813,318	12,057,971	261,668,616	254,629,701	7,038,915	346,539,905	327,443,019
Total assets	135,333,900	123,944,562	11,389,338	381,825,681	368,540,206	13,285,475	517,159,581	492,484,768
DEFERRED OUTFLOWS OF RESOURCES								
Losses on debt refundings	941,701	1,071,273	(129,572)	-	-	-	941,701	1,071,273
Pension contributions subsequent to measurement date	8,314,400	5,627,084	2,687,316	2,980,026	2,750,033	229,993	11,294,426	8,377,117
Total deferred outflows of resources	9,256,101	6,698,357	2,557,744	2,980,026	2,750,033	229,993	12,236,127	9,448,390
LIABILITIES								
Long-term liabilities outstanding	138,844,090	127,699,180	11,144,910	90,340,610	93,054,181	(2,713,571)	229,184,700	220,753,361
Other liabilities	8,464,379	5,917,130	2,547,249	31,770,283	23,873,392	7,896,891	40,234,662	29,790,522
Total liabilities	147,308,469	133,616,310	13,692,159	122,110,893	116,927,573	5,183,320	269,419,362	250,543,883
DEFERRED INFLOWS OF RESOURCES								
Excess of actual earnings over projected earnings on pension plan investments	351,017	-	351,017	718,602	887,741	(169,139)	1,069,619	887,741
Total deferred inflows of resources	351,017	-	351,017	718,602	887,741	(169,139)	1,069,619	887,741
NET POSITION								
Net investment in capital assets	37,209,341	31,327,171	5,882,170	201,146,976			238,356,317	31,327,171
Restricted:								
Debt service	-	-	-	23,056,896	188,974,450	(165,917,554)	23,056,896	188,974,450
Capital Improvements	326,626	736,716	(410,090)	-	28,639,263	-	326,626	29,375,979
Other	3,356,188	3,051,641	304,547	-	-	-	3,356,188	3,051,641
Unrestricted (deficit)	(43,961,640)	(38,088,919)	(5,872,721)	37,772,340	35,861,212	1,911,128	(6,189,300)	(2,227,707)
Total net position	\$ (3,069,485)	\$ (2,973,391)	\$ (96,094)	\$261,976,212	\$253,474,925	\$ 8,501,287	\$258,906,727	\$250,501,534

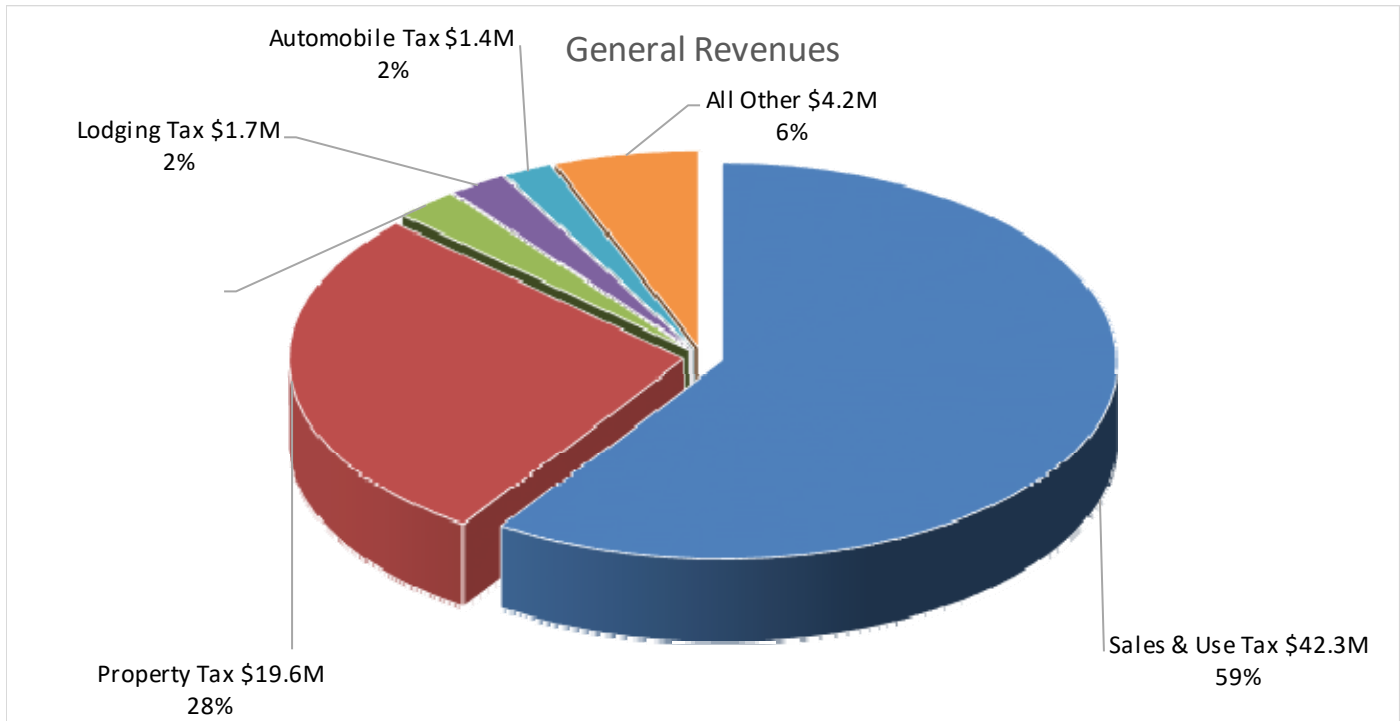
Management's Discussion and Analysis- Continued

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

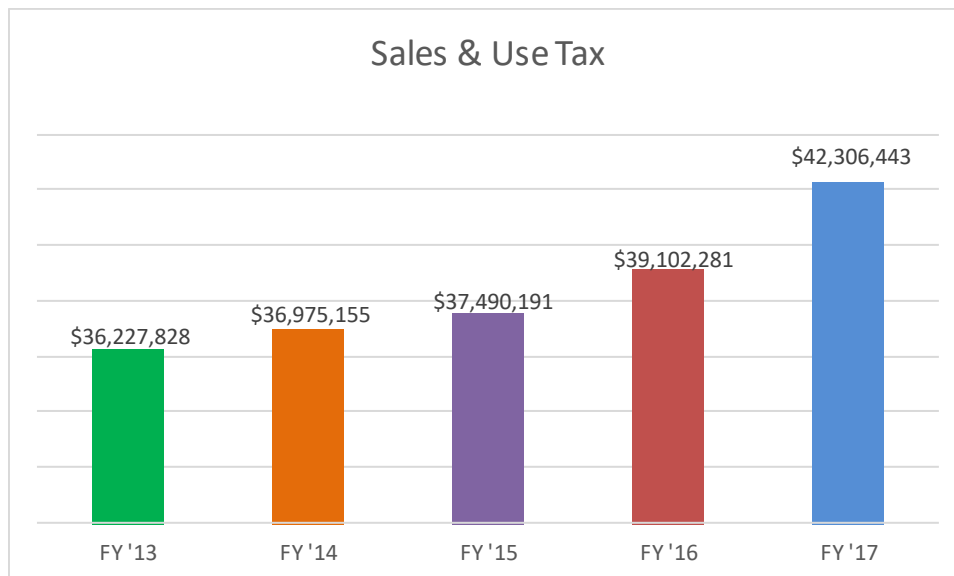
	Governmental Activities			Business Type Activities			Total	
	September 30,	September 30,	Change	September 30,	September 30,	Change	September 30,	September 30,
	2017	2016		2017	2016		2017	2016
REVENUES								
Program revenues:								
Charges for services	\$ 13,091,243	\$ 12,723,070	\$ 368,173	\$150,198,781	\$148,054,878	\$ 2,143,903	\$163,290,024	\$160,777,948
Operating grants and contributions	3,930,964	2,191,970	1,738,994	-	-	-	3,930,964	2,191,970
Capital grants and contributions	3,436,810	2,011,637	1,425,173	1,195,833	2,539,845	(1,344,012)	4,632,643	4,551,482
General revenues							-	-
Sales taxes	42,306,443	39,102,654	3,203,789	-	-	-	42,306,443	39,102,654
Property taxes and payemnts in lieu of taxes	19,644,780	18,863,532	781,248	-	-	-	19,644,780	18,863,532
Other taxes	9,250,401	9,434,971	(184,570)	-	-	-	9,250,401	9,434,971
Interest on investments	163,743	85,679	78,064	438,987	182,828	-	602,730	268,507
Other revenue	206,279	711,482	(505,203)	87,799	49,311	38,488	294,078	760,793
Total revenues	92,030,663	85,124,995	6,905,668	151,921,400	150,826,862	838,379	243,952,063	235,951,857
EXPENSES								
General government	5,901,291	5,955,991	(54,700)	-	-	-	5,901,291	5,955,991
Public safety	25,332,134	23,111,083	2,221,051	-	-	-	25,332,134	23,111,083
Public works	9,539,842	6,950,859	2,588,983	-	-	-	9,539,842	6,950,859
Public services	10,272,836	10,196,003	76,833	-	-	-	10,272,836	10,196,003
Intergovernmental assistance	34,031,485	30,856,146	3,175,339	-	-	-	34,031,485	30,856,146
Community service contracts	2,474,565	2,357,213	117,352	-	-	-	2,474,565	2,357,213
Community development	838,904	873,261	(34,357)	-	-	-	838,904	873,261
Personnel board	801,764	611,900	189,864	-	-	-	801,764	611,900
Interest on long-term debt	1,625,845	1,586,551	39,294	-	-	-	1,625,845	1,586,551
Unallocated depreciation	2,173,814	2,320,990	(147,176)	-	-	-	2,173,814	2,320,990
Municipal Utilities Board	-	-	-	130,290,772	129,940,544	350,228	130,290,772	129,940,544
Point Mallard	-	-	-	5,587,125	5,591,696	(4,571)	5,587,125	5,591,696
Sanitary Landfill	-	-	-	6,676,493	5,946,289	730,204	6,676,493	5,946,289
Total expenses	92,992,480	84,819,997	8,172,483	142,554,390	141,478,529	1,075,861	235,546,870	226,298,526
Increase (decrease) in net position before transfer	(961,817)	304,998	(1,266,815)	9,367,010	9,348,333	18,677	8,405,193	9,653,331
Transfers	865,723	(2,142,585)	3,008,308	(865,723)	2,142,585	(3,008,308)	-	-
Increase (decrease) in net position	(96,094)	(1,837,587)	1,741,493	8,501,287	11,490,918	(2,989,631)	8,405,193	9,653,331
Net position - beginning of year	(2,973,391)	(1,135,804)	6,629,198	253,474,925	241,984,007	11,490,918	250,501,534	240,848,203
Net position - end of year	\$ (3,069,485)	\$ (2,973,391)	\$ 5,362,383	\$261,976,212	\$253,474,925	\$ 11,509,595	\$258,906,727	\$250,501,534

Management's Discussion and Analysis- Continued

Governmental Activities



- Revenues from governmental activities increased \$6.9 million during 2017. Revenue from property taxes decreased slightly with sales taxes increasing \$3 million in 2017. Operating grants and contributions and Capital grants and contributions also increased in the current year by \$1.7 and \$1.4 million, respectively with the majority of this related to road repairs and State additions of roads, both through the Alabama Transportation Rehabilitation and Improvement Project. All other taxes remained fairly constant with increases in one area offsetting decreases in another.



Management's Discussion and Analysis- Continued

- In the General Fund, fiscal 2017 Public Safety expenditures exceeded fiscal 2016 expenditures by \$3 million mainly as a result of agreements between the City and Morgan County. The City contributed \$1 million toward the new Morgan County Jail in FY 17 as all city jail inmates were moved to this new facility and also paid an additional \$740,000 for related contract services. On addition, the fire department purchased two new fire trucks at a cost of \$1.2 million.
- Business license revenue decreased by \$27 thousand from FY16, the majority of industrial and business expansions happened during late FY 16 and finished early in FY 17.
- Revenue from building permits decreased by \$38 thousand and is also reflected by expansions that were started in 2016 and ending early 2017 as noted above.
- The City paid an additional \$674 thousand to the City Board of Education in FY2017 resulting from an increase in sales tax revenue.
- Revenue from capital grants and contributions increased \$1.4 million as previously stated related to money received from ALDOT for reconstruction of Spring Avenue related to Metropolitan Planning. Operating grants and contributions increased by \$1.7 million primarily related to funds received from ALDOT for repair and maintenance to streets under the Alabama Transportation Rehabilitation and Improvement Program.
- Overall revenue from fines decreased by \$33 thousand as this trend continued from the previous year. Some persons are given the choice to pay a fine or go to driving school, those persons who choose driving school pay program costs rather than a fine. This revenue is recorded as program revenue rather than a fine.

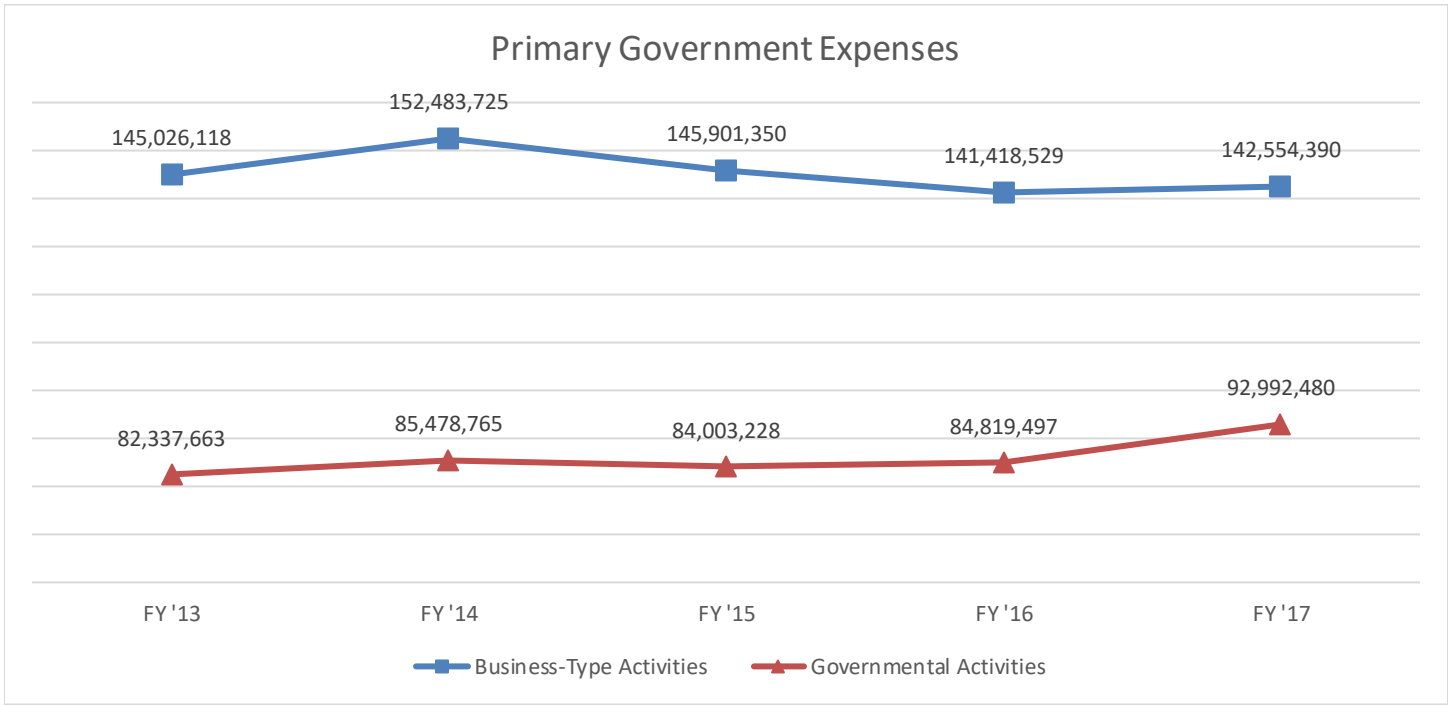
Intergovernmental expenses

- Overall intergovernmental expenses increased in the current year due to the increase in transfers to the Board of Education related to sales tax collected, as noted above, along with increased maintenance agreements for the new accounting system which went into place in April of 2017. In addition to these items, the costs of retiree insurance also continued to climb as more employees retired in the past year.

Business-Type Activities

- The business-type activities total net position increased \$8.5 million over 2016 primarily due to increases in revenue from the Municipal Utilities which were coupled with significant reductions in costs. The net position for the nonmajor proprietary funds offset this slightly as the expenses for these funds increased due to a partial cell closure of the landfill in the current year.
- From fiscal year 2016 to 2017, the Gas System operating revenues increased 6.5% from higher rates in all classes. The overall transfers to the City for payments in lieu of taxes were likewise increased.
- Operating revenues for the Water System increased 7.3% as a result of volumetric increases coming from all customer classes, except residential, as well as continued implementation of Residential access fee increases approved in prior years. Volumetric increases were due primarily to the hot dry summer. Net position increased 6.5% due primarily to the above mentioned items resulting in a positive operating income.
- Operating revenues for the Wastewater System increased 3.45% due primarily to higher sales volumes and increased industrial surcharges. Aid in construction was significantly lower than in the previous year. Net position increased 5.7% over the prior year.

Management's Discussion and Analysis- Continued



Financial Analysis of the Governments Funds

As noted earlier, the City used 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, the unassigned, assigned, and committed fund balance categories 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 balances of the City’s governmental funds as of September 30, 2017 were \$41 million, a decrease of \$3.7 million from the 2016 fiscal year. Of this amount, \$10.3 million constitutes unassigned and \$29.6 assigned, and committed fund balance, which is generally available for spending at the City's discretion, although it is subject to certain commitments made within each fund by the City Council.

Governmental funds

- Fund balance of General Fund increased \$310 thousand over 2016. Revenues increased \$3.1 million as sales taxes in general fund increased by \$3.7 million while other revenues increases and decreases mostly offset one another. General Fund expenditures increased \$5.4 million mainly due to increases in Public Safety, Public Services and Intergovernmental Assistance.

Other notes to General fund Expenses

- The School Fund has a zero fund balance as all funds are remitted directly to the Board of Education as their debt has been paid in full.

Management's Discussion and Analysis- Continued

- The Room Occupancy Fund has a negative fund balance of \$1.4 million which is related to the internal loan balances to General Fund and the Landfill Fund to finance the construction of the Ingalls' Harbor Pavilion. The loan is to be repaid by the Room Occupancy Fund over the course of fifteen years from its \$2 per room night charge through the Hospitality Association.
- Fund balance in the non-major capital project funds decreased by \$2.9 million due to continued capital projects. The City borrowed an additional \$5.1 million in fiscal 2017 to finance capital projects. A significant portion of the projects in 2017 were related to State road projects and continued expansion of the sewer system.
- The General Fund is the primary operating fund of the City. The unassigned, assigned, and committed fund balance of the General Fund was \$31.4 million.

Proprietary funds

- The focus of the City's proprietary funds (enterprise and internal service funds) is to provide the same type of information as found in the government-wide financial statements, but in more detail.
- The net position of the enterprise funds increased \$8.5 million.
- Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

Governmental Funds Budgetary Highlights

General Fund

- The FY17 revenue budget was \$315 thousand above FY16 due primarily to a budgeted increase for a capital grant.
- Sales tax was \$3.4 million over budget due to increased expansion of commerce and conservative budgeting of revenue increases. As new retail and restaurant businesses open we expect both property and sales taxes to continue to increase.
- Business licenses and permits fell short of FY17 budget by \$368 thousand. In 2017 there were several large industrial completed expansions, as opposed to few larger industrial expansions in 2016.
- In lieu of property tax payments fell short of the budgeted amount by \$677 thousand for 2017, this was due primarily to a very mild winter as the largest part of these are received from the Electric System of Decatur Utilities.
- All expenses were lower than budgeted amounts by \$3.9 million in total. This was due to conservative budgeting of revenue and expenditures being monitored against the anticipated overall revenue.
- Overall, revenues for FY 2017 exceeded amended budget by \$3.3 million and also exceeded FY16 actual revenues by \$3.1 million.
- The 2017 actual expenditures of \$60.6 million exceeded the final amended revenue budget of \$58.5 million by \$2.1 million.

Capital Asset and Debt Administration

- The City's investment in capital assets for governmental and business-type activities as of September 30, 2017, totals \$347 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, utility plant-in-service, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets increased \$19.1 million in 2017. Those used for governmental activities increased by \$12.1 million attributable to additions in the current year exceeding depreciation on assets in use.
- Capital assets used for business-type activities increased by \$7.0 million.

Management's Discussion and Analysis- Continued

Major Capital events during the fiscal year included the following

- \$2.8 was spent on Spring Ave. Improvements.
- \$8.7 million was spent on the Beltline Sewer Extension.
- \$734 thousand was spent on turf at Jack Allen Park.
- \$423 thousand was spent on new garbage trucks for the sanitation department (which was acquired through a capital lease)
- \$904 thousand was spent on Chevy Tahoes for the police department
- \$337 thousand was spent on a new tractor for the landfill
- \$407 thousand was spent on equipment for the street department
- \$522 thousand was spent on additional modules and implementation of the new Tyler Software for the City
- \$2.2 million was spent on Trucks for the Fire Department

City of Decatur's Capital Assets (in thousands)

	Governmental Activities			Business-Type Activities			Total	
	September 30,	September 30,	Change	September 30,	September 30,	Change	September 30,	September 30,
	2017	2016		2017	2016		2017	2016
Land	\$ 10,087,108	\$ 10,115,957	\$ (28,849)	\$ 4,478,052	\$ 4,472,293	\$ 5,759	\$ 14,565,160	\$ 14,588,250
Land improvements	11,073,457	11,535,923	(462,466)	-	-	-	11,073,457	11,535,923
Buildings and improvements	19,947,101	20,760,914	(813,813)	9,055,580	10,264,528	(1,208,948)	29,002,681	31,025,442
Infrastructure	19,362,299	21,414,424	(2,052,125)	-	-	-	19,362,299	21,414,424
Construction in progress	17,634,247	5,260,438	12,373,809	17,004,364	21,829,665	(4,825,301)	34,638,611	27,090,103
Machinery and equipment	6,767,077	3,725,662	3,041,415	2,162,788	2,358,827	(196,039)	8,929,865	6,084,489
Utility plant-in-service	-	-	-	228,967,832	215,704,388	13,263,444	228,967,832	215,704,388
	<u>\$ 84,871,289</u>	<u>\$ 72,813,318</u>	<u>\$ 12,057,971</u>	<u>\$261,668,616</u>	<u>\$254,629,701</u>	<u>\$ 7,038,915</u>	<u>\$346,539,905</u>	<u>\$327,443,019</u>

Additional information on the City's capital assets can be found in Note 4B beginning on page 42 of this report.

Long-term debt

- As of September 30, 2017, the City had 117.7 million of long-term debt outstanding. Of this amount, \$57.1 million is debt backed by the full faith and credit of the City and \$60.6 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (utility system debt). Long-term debt of the governmental activities increased by net amount \$2.2 million. The increase is attributable to issuance of the 2016-B Capital Improvement GO Warrant and new capital leases for garbage trucks exceeding the overall principal reductions on existing debt during the year.
- Decatur Utilities and the City issue revenue bonds primarily to finance improvements to the Water and Wastewater Systems. These bonds are repaid from revenues derived by DU from operation of the Systems.
- Decatur City Board of Education long term debt as of September 30, 2017 amounted to \$210 million in capital outlay warrants, notes, capital leases and its net pension obligation. The School System's ad valorem tax payments, other local taxes and public school funds have been pledged for repayment of this debt.

Management's Discussion and Analysis- Continued

City of Decatur's Outstanding Debt (in thousands) General Obligation and Revenue Debt

	Governmental Activities			Business-Type Activities			Total	
	September 30, 2017	September 30, 2016	Change	September 30, 2017	September 30, 2016	Change	September 30, 2017	September 30, 2016
Governmental Activities								
General obligation warrants	\$ 56,647,651	\$ 54,840,758	\$1,806,893	\$ -	\$ -	\$ -	\$ 56,647,651	\$ 54,840,758
Revenue warrants	-	-	-	60,640,000	65,855,000	(5,215,000)	60,640,000	65,855,000
Capital leases	435,125	23,741	411,384	-	-	-	435,125	23,741
	<u>\$ 57,082,776</u>	<u>\$ 54,864,499</u>	<u>\$2,218,277</u>	<u>\$ 60,640,000</u>	<u>\$ 65,855,000</u>	<u>\$(5,215,000)</u>	<u>\$117,722,776</u>	<u>\$120,719,499</u>

Bond Ratings

The City's general obligation bond rating:

Standard & Poor's Corporation: **AA**

Moody's Investor Services, Inc. **Aa2**

Other than debt paid from proprietary fund revenue sources (e.g. revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2017 the City's allocable debt outstanding was \$81 million less than the legal debt limit. Additional information regarding the City's long-term debt can be found in Notes 4E and 4D starting on page 48 of this report.

2018 Budget

The Mayor and City Council have considered many factors in the development of the fiscal year 2018 budget. The approach to the budget process has been one of conservatism. Revenue projections are based on estimates from the source of the revenue as well as trend analysis, historical data, and current economic conditions with an overall increase of %, as requested. Department expenditures were level funded in operations to accommodate normal salary increases. Management believes revenues and expenditures will meet overall budgetary goals.

Request for Information

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 the current Mayor, Tab Bowling, P.O. Box 488 Decatur, Alabama 35602, by calling (256) 341-4501, or by sending an email to the mayor tbowling@decatur-al.gov.

This report and other City financial information are available on the City's website at www.decaturalabamausa.com.

Management's Discussion and Analysis- Continued

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BASIC FINANCIAL STATEMENTS

CITY OF DECATUR
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Decatur City Board of Education
ASSETS				
Cash & investments, at cost	\$ 41,547,681	\$ 77,915,850	\$ 119,463,531	\$ 71,761,879
Receivables (net of allowances)	4,913,650	15,928,912	20,842,562	-
Due from governmental entities	3,219,683	-	3,219,683	20,145,616
Inventories	25,204	1,951,891	1,977,095	196,799
Prepaid items	28,178	-	28,178	-
Other	625,335	956,597	1,581,932	-
Internal balances	102,880	(102,880)	-	-
Restricted assets				
Cash & investments, at cost	-	23,506,695	23,506,695	2,049,222
Capital assets				
Land, collections and construction in process	27,721,355	21,482,416	49,203,771	74,867,740
Other assets, net of accum. depreciation	57,149,934	240,186,200	297,336,134	62,379,831
Total assets	135,333,900	381,825,681	517,159,581	231,401,087
DEFERRED OUTFLOWS OF RESOURCES				
Losses on debt refundings	941,701	-	941,701	-
Employer pension contribution	-	-	-	5,935,141
Pension contributions subsequent to measurement date	8,314,400	2,980,026	11,294,426	6,975,000
Total deferred outflows of resources	9,256,101	2,980,026	12,236,127	12,910,141
LIABILITIES				
Accounts payable	4,613,359	19,548,505	24,161,864	4,738,595
Accrued liabilities	1,460,214	2,101,641	3,561,855	7,463,299
Contract retainages	102,639	-	102,639	-
Due to component units	1,985,083	-	1,985,083	-
Due to governmental entities	11,651	-	11,651	-
Customer deposits	235,197	4,930,137	5,165,334	-
Unearned revenue	27,278	-	27,278	32,332
Other	28,958	-	28,958	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	5,190,000	5,190,000	-
Noncurrent liabilities				
Due within one year	6,811,672	212,044	7,023,716	2,900,996
Due in more than one year	132,032,418	90,128,566	222,160,984	206,624,050
Total liabilities	147,308,469	122,110,893	269,419,362	221,759,272
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	16,127,414
Net difference between projected and actual earnings on pension plan investments	351,017	718,602	1,069,619	4,203,000
Total deferred inflows of resources	351,017	718,602	1,069,619	20,330,414
NET POSITION				
Invested in capital assets, net of related debt	37,209,341	201,146,976	238,356,317	35,920,163
Restricted for:				
Highways and Streets	326,626	-	326,626	33,129,775
Debt service	-	23,056,896	23,056,896	6,186,210
Other	2,320,216	-	2,320,216	2,530,667
Perpetual care:				
Expendable	-	-	-	-
Nonexpendable	1,035,972	-	1,035,972	-
Unrestricted	(43,961,640)	37,772,340	(6,189,300)	(75,545,273)
Total net position	\$ (3,069,485)	\$ 261,976,212	\$ 258,906,727	\$ 2,221,542

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 5,901,291	\$ 6,495,047	\$ -	\$ 473,373	\$ 1,067,129	\$ -	\$ 1,067,129	\$ -
Public safety	25,332,134	1,959,213	86,624	-	(23,286,297)	-	(23,286,297)	-
Public works	9,539,842	3,930,481	2,844,058	2,668,873	(96,430)	-	(96,430)	-
Public services	10,272,836	704,558	89,004	256,750	(9,222,524)	-	(9,222,524)	-
Intergovernmental assistance	34,031,485	-	-	-	(34,031,485)	-	(34,031,485)	-
Community service contracts	2,474,565	-	-	-	(2,474,565)	-	(2,474,565)	-
Community development	838,904	1,944	911,278	37,814	112,132	-	112,132	-
Personnel board	801,764	-	-	-	(801,764)	-	(801,764)	-
Interest on long-term debt	1,625,845	-	-	-	(1,625,845)	-	(1,625,845)	-
Unallocated depreciation	2,173,814	-	-	-	(2,173,814)	-	(2,173,814)	-
Total governmental activities	92,992,480	13,091,243	3,930,964	3,436,810	(72,533,463)	-	(72,533,463)	-
Business-type activities								
Municipal Utilities Board	130,290,772	139,081,130	-	1,195,833	-	9,986,191	9,986,191	-
Point Mallard	5,587,125	5,076,812	-	-	-	(510,313)	(510,313)	-
Sanitary Landfill	6,676,493	6,040,839	-	-	-	(635,654)	(635,654)	-
Total business-type activities	142,554,390	150,198,781	-	1,195,833	-	8,840,224	8,840,224	-
Total primary government	235,546,870	163,290,024	3,930,964	4,632,643	(72,533,463)	8,840,224	(63,693,239)	-
Component Unit								
Decatur City Board of Education	100,367,444	7,689,588	52,190,943	2,279,768	-	-	-	(38,207,145)
Total component units	\$ 100,367,444	\$ 7,689,588	\$ 52,190,943	\$ 2,279,768	-	-	-	(38,207,145)
General Revenues								
Sales & use taxes					42,306,443	-	42,306,443	17,795,822
Property taxes					19,644,780	-	19,644,780	16,648,041
Alcoholic beverage taxes					1,867,412	-	1,867,412	-
Gasoline taxes					790,070	-	790,070	-
Automobile taxes					1,439,929	-	1,439,929	-
Lodging taxes					1,707,366	-	1,707,366	-
Rental taxes					1,174,924	-	1,174,924	-
Other taxes					2,270,700	-	2,270,700	988,537
Interest on investments					163,743	438,987	602,730	951,359
Other					206,279	87,799	294,078	4,052,788
Transfers					865,723	(865,723)	-	-
Total general revenues & transfers					72,437,369	(338,937)	72,098,432	40,436,547
Change in net position								
					(96,094)	8,501,287	8,405,193	2,229,402
Net position, beginning					(2,973,391)	253,474,925	250,501,534	(7,860)
Net position, ending					\$ (3,069,485)	\$ 261,976,212	\$ 258,906,727	\$ 2,221,542

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2017**

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 27,967,572	\$ 974,009	\$ 11,773,677	\$ 40,715,258
Cash with fiscal agents	707,741	-	124,682	832,423
Receivables (net of allowances)				
Accounts	417,114	1,733	174,584	593,431
Notes	-	-	242,054	242,054
Taxes	3,200,067	831,443	46,655	4,078,165
Due from other funds	1,984,106	69,832	54,391	2,108,329
Due from governmental entities	447,917	116,077	2,655,689	3,219,683
Deposits	62,005	-	563,330	625,335
Prepays	28,178	-	-	28,178
Inventories	25,204	-	-	25,204
Total assets	34,839,904	1,993,094	15,635,062	52,468,060
DEFERRED OUTFLOWS OF RESOURCES				
	-	-	-	-
LIABILITIES				
Accounts payable	1,942,909	8,011	2,662,439	4,613,359
Accrued liabilities	913,397	-	16,717	930,114
Contract retainages	32,015	-	70,624	102,639
Due to other funds	-	-	2,005,449	2,005,449
Due to component units	-	1,985,083	-	1,985,083
Due to governmental entities	-	-	11,651	11,651
Customer deposits	234,203	-	994	235,197
Other	28,942	-	16	28,958
Total liabilities	3,151,466	1,993,094	4,767,890	9,912,450
DEFERRED INFLOWS OF RESOURCES				
	294,665	-	1,281,977	1,576,642
FUND BALANCES				
Nonspendable	53,382	-	1,035,972	1,089,354
Restricted	1,312	-	2,645,530	2,646,842
Committed	21,062,702	-	5,903,693	26,966,395
Unassigned	10,276,377	-	-	10,276,377
Total fund balance	31,393,773	-	9,585,195	40,978,968
Total liabilities, inflows and fund balance	\$ 34,839,904	\$ 1,993,094	\$ 15,635,062	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 84,871,289
Other long-term receivables are not available for current-period expenditures and, therefore, are deferred inflows in the funds.	1,549,364
The deferred outflows of resources, deferred inflows of resources, and the net pension liability related to the City's pension plan are not expected to be liquidated with expendable financial resources and, therefore, are not reported in the funds	(36,221,743)
The net other post retirement obligation resulting from the amount of annual required contribution in excess of contributions are not current financial obligations and, therefore, are not reported in the funds.	(32,394,218)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(61,853,145)
Net position of governmental activities	<u>\$ (3,069,485)</u>

CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2017

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Sales & use taxes	\$ 32,398,731	\$ 9,907,712	\$ -	\$ 42,306,443
Property taxes	3,677,028	9,399,801	-	13,076,829
Other taxes	7,198,069	1,206,113	497,797	8,901,979
Licenses & permits	6,419,707	-	-	6,419,707
Fines & forfeitures	467,158	-	617,357	1,084,515
Revenues from money & property	301,340	-	94,513	395,853
Charges for services	5,341,448	-	-	5,341,448
Intergovernmental	5,203,734	583,743	6,585,370	12,372,847
Gifts & donations	202,127	-	78,278	280,405
Other revenues	128,316	-	1,140,628	1,268,944
Total revenues	61,337,658	21,097,369	9,013,943	91,448,970
EXPENDITURES				
Current				
General government	4,652,323	-	276,842	4,929,165
Public safety	26,191,139	-	1,277,500	27,468,639
Public works	6,674,583	-	15,458,906	22,133,489
Public services	9,444,607	-	390,600	9,835,207
Intergovernmental assistance	7,056,987	21,097,369	1,452	28,155,808
Community services contracts	2,474,565	-	-	2,474,565
Community development	-	-	973,435	973,435
Personnel Board	-	-	801,764	801,764
Miscellaneous	-	-	-	-
Debt service				
Principal	2,954,319	-	390,000	3,344,319
Interest and fiscal charges	1,135,906	-	304,374	1,440,280
Debt issuance costs	-	-	86,803	86,803
Total expenditures	60,584,429	21,097,369	19,961,676	101,643,474
Excess (deficiency) of revenues over expenditures	753,229	-	(10,947,733)	(10,194,504)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	5,140,000	5,140,000
Premium on debt issue	-	-	97,594	97,594
Capital lease proceeds	422,596	-	-	422,596
Transfers in	21,830	-	5,974,372	5,996,202
Transfers (out)	(887,460)	-	(4,243,019)	(5,130,479)
Total other financing (uses) sources	(443,034)	-	6,968,947	6,525,913
Net change in fund balance	310,195	-	(3,978,786)	(3,668,591)
Fund balance, beginning	31,083,578	-	13,563,981	44,647,559
Fund balance, ending	\$ 31,393,773	\$ -	\$ 9,585,195	\$ 40,978,968

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2017**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	\$ (3,668,591)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense.	12,107,020
Governmental funds report the sales of capital assets as revenues and unlike the Statement of Activities, do not recognize the effect of the cost of those assets and their related depreciation. This is the amount by which the cost of assets sold, minus their accumulated depreciation, was exceeded by the proceeds from the sales. This amount is included in Other revenue in the Statement of Activities.	(49,045)
Revenues in the statement of activities that do not provide current financial resources	561,690
For governmental funds, the issuance of long-term debt (e.g. warrants and leases) provide current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,392,451)
Other expenses reported in the Statement of Activities that do not require current financial resources.	<u>(6,654,717)</u>
Change In Net Position Of Governmental Activities	<u>\$ (96,094)</u>

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL
For the Year Ended September 30, 2017**

	General Fund				School Fund			
	<u>Budget</u>		Actual Amounts	Variance with Final Budget Positive (Negative)	<u>Budget</u>		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Taxes and payments in lieu of taxes	\$ 39,334,611	\$ 39,334,611	\$ 43,273,828	\$ 3,939,217	\$ 20,045,181	\$ 20,045,181	\$ 21,097,369	\$ 1,052,188
Licenses and permits	6,780,158	6,780,158	6,419,707	(360,451)	-	-	-	-
Fines and forfeitures	418,715	418,715	467,158	48,443	-	-	-	-
Revenues from money and property	244,168	244,168	301,340	57,172	-	-	-	-
Charges for services	5,264,664	5,264,664	5,341,448	76,784	-	-	-	-
Intergovernmental	5,845,233	5,845,233	5,203,734	(641,499)	-	-	-	-
Gifts and donations	140,200	140,200	202,127	61,927	-	-	-	-
Other revenues	10,550	10,550	128,316	117,766	-	-	-	-
Total revenues	58,038,299	58,038,299	61,337,658	3,299,359	20,045,181	20,045,181	21,097,369	1,052,188
EXPENDITURES								
Current								
General government	5,050,336	5,187,064	4,652,323	534,741	-	-	-	-
Public safety	23,772,127	27,268,664	26,191,139	1,077,525	-	-	-	-
Public works	6,235,621	7,500,520	6,674,583	825,937	-	-	-	-
Public services	8,643,328	9,733,025	9,444,607	288,418	-	-	-	-
Intergovernmental assistance	6,765,130	7,712,596	7,056,987	655,609	20,045,181	20,045,181	21,097,369	(1,052,188)
Community services contracts	2,176,507	2,537,246	2,474,565	62,681	-	-	-	-
Debt service								
Principal	2,880,873	3,338,021	2,954,319	383,702	-	-	-	-
Interest	1,159,872	1,221,891	1,135,906	85,985	-	-	-	-
Total expenditures	56,683,794	64,499,027	60,584,429	3,914,598	20,045,181	20,045,181	21,097,369	(1,052,188)
Excess of revenues over expenditures	1,354,505	(6,460,728)	753,229	7,213,957	-	-	-	-
OTHER FINANCING SOURCES (USES)								
Capital lease proceeds	-	422,596	422,596	-	-	-	-	-
Transfers in	7,611	7,611	21,830	14,219	-	-	-	-
Transfers out	(989,655)	(989,655)	(887,460)	102,195	-	-	-	-
Total other financing sources (uses)	(982,044)	(559,448)	(443,034)	116,414	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	372,461	(7,020,176)	310,195	7,330,371	-	-	-	-
Fund balance, beginning	23,185,346	23,185,346	31,083,578	7,898,232	-	-	-	-
Fund balance, ending	\$ 23,557,807	\$ 16,165,170	\$ 31,393,773	\$ 15,228,603	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 September 30, 2017**

	Municipal Utilities Board	Other Enterprise Funds	Totals
ASSETS			
Current assets			
Cash & cash equivalents	\$ 53,672,929	\$ 24,242,921	\$ 77,915,850
Receivables (net of allowance)			
Accounts	13,110,824	650,515	13,761,339
Other	2,167,573	-	2,167,573
Due from other funds	-	864,652	864,652
Due from governmental entities	-	-	-
Inventories, at cost	1,886,661	65,230	1,951,891
Other	956,597	-	956,597
Total current assets	71,794,584	25,823,318	97,617,902
Noncurrent assets			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	23,506,695	-	23,506,695
Deferred costs	-	-	-
Capital assets:			
Land	2,981,323	1,496,730	4,478,053
Buildings	6,244,395	9,688,124	15,932,519
Improvements other than buildings	-	21,172,369	21,172,369
Furniture & equipment	-	8,927,464	8,927,464
Utility plant in service	391,741,961	-	391,741,961
Construction work in progress	17,004,363	-	17,004,363
Less accumulated depreciation	(169,018,498)	(28,569,615)	(197,588,113)
Total capital assets (net of accumulated depreciation)	248,953,544	12,715,072	261,668,616
Total noncurrent assets	272,460,239	12,715,072	285,175,311
Total assets	344,254,823	38,538,390	382,793,213
DEFERRED OUTFLOWS OF RESOURCES	2,513,488	466,538	2,980,026
LIABILITIES			
Current liabilities			
Accounts payable	18,849,259	699,246	19,548,505
Accrued liabilities	2,034,429	67,212	2,101,641
Compensated absences	89,016	20,647	109,663
Claims payable	-	100,000	100,000
Customer deposits	4,930,137	-	4,930,137
Revenue warrants payable - current	5,190,000	-	5,190,000
Due to other funds	967,532	-	967,532
Total current liabilities	32,060,373	889,486	32,949,859
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	4,997,870	4,997,870
Revenue notes payable	55,329,259	-	55,329,259
Claims payable	-	100,000	100,000
Compensated absences	801,143	185,828	986,971
Net pension liability	18,153,350	2,403,078	20,556,428
Net other postemployment benefit obligation	6,230,434	1,927,604	8,158,038
Total noncurrent liabilities	80,514,186	9,614,380	90,128,566
Total liabilities	112,574,559	10,503,866	123,078,425
DEFERRED INFLOWS OF RESOURCES	702,000	16,602	718,602
NET POSITION			
Invested in capital assets, net of related debt	188,434,285	12,712,691	201,146,976
Restricted for debt service	23,056,896	-	23,056,896
Unrestricted	22,000,571	15,771,769	37,772,340
Total net position	\$ 233,491,752	\$ 28,484,460	\$ 261,976,212

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 For the Year Ended September 30, 2017**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating revenue			
Charges for services	\$ 139,081,130	\$ 11,117,651	\$ 150,198,781
Premiums & fees	-	50,415	50,415
Total operating revenue	139,081,130	11,168,066	150,249,196
Operating expenses			
Personnel, operations & maintenance	109,473,535	8,179,884	117,653,419
Closure and postclosure costs	-	1,027,441	1,027,441
Depreciation and amortization	10,263,914	1,808,398	12,072,312
Administrative costs	8,380,473	1,247,895	9,628,368
Total operating expenses	128,117,922	12,263,618	140,381,540
Operating income (loss)	10,963,208	(1,095,552)	9,867,656
Nonoperating revenue (expenses)			
Interest income	366,646	72,341	438,987
Interest expense	(2,172,850)	-	(2,172,850)
Bad debt recoveries (expense)	-	-	-
Intergovernmental grant income	-	-	-
Gain (loss) on disposition of assets	(28,490)	28,614	124
Miscellaneous revenue (expense)	-	37,260	37,260
Total nonoperating revenue (expenses)	(1,834,694)	138,215	(1,696,479)
Income (loss) before contributions, transfers & special items	9,128,514	(957,337)	8,171,177
Capital contributions	1,195,833	-	1,195,833
Transfers in	-	3,689	3,689
Transfers (out)	(869,412)	-	(869,412)
Change in net position	9,454,935	(953,648)	8,501,287
Total net position, beginning	224,036,817	29,438,108	253,474,925
Total net position, ending	\$ 233,491,752	\$ 28,484,460	\$ 261,976,212

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating activities			
Receipts from customers and users	\$ 139,985,892	\$ 11,061,672	\$ 151,047,564
Other operating cash receipts	-	50,415	50,415
Payments to suppliers	(95,081,218)	(4,336,523)	(99,417,741)
Payments to employees	(15,551,895)	(4,988,536)	(20,540,431)
Payments for interfund services	-	(19,296)	(19,296)
Net cash provided by operating activities	29,352,779	1,767,732	31,120,511
Noncapital financing activities			
Payments received from advances to other funds	-	106,249	106,249
Transfers in	-	3,689	3,689
Transfers (out)	(869,412)	-	(869,412)
Net cash provided by noncapital financing activities	(869,412)	109,938	(759,474)
Capital and related financing activities			
Acquisition and construction of capital assets	(19,022,258)	(403,410)	(19,425,668)
Proceeds from sale of capital assets	-	28,614	28,614
Capital contributions	1,195,833	-	1,195,833
Principal payments on warrants	(5,215,000)	-	(5,215,000)
Interest paid on warrants	(2,136,329)	-	(2,136,329)
Net cash (used) by capital and related financing activities	(25,177,754)	(374,796)	(25,552,550)
Investing activities			
Decrease (increase) in restricted assets	5,624,854	-	5,624,854
Interest received	366,646	72,341	438,987
Net cash provided (used) by investing activities	5,991,500	72,341	6,063,841
Net increase (decrease) in cash and cash equivalents	9,297,113	1,575,215	10,872,328
Cash and cash equivalents, beginning	44,375,816	22,667,706	67,043,522
Cash and cash equivalents, ending	\$ 53,672,929	\$ 24,242,921	\$ 77,915,850
Operating income (loss)	\$ 10,963,208	\$ (1,095,552)	\$ 9,867,656
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	10,263,914	1,808,398	12,072,312
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(817,758)	(93,239)	(910,997)
Accounts payable	7,628,792	386,897	8,015,689
Contract retainages	(859,550)	-	(859,550)
Claims payable	-	(16,119)	(16,119)
Inventory	(184,933)	-	(184,933)
Prepaid items	(429,935)	-	(429,935)
Due to (from) other funds	497,623	(19,296)	478,327
Accrued liabilities	382,398	63,017	445,415
Net pension liability	647,657	105,660	753,317
Net OPEB obligation	1,042,889	279,740	1,322,629
Customer deposits	347,658	-	347,658
Other items	(129,184)	37,260	(91,924)
Net cash provided by operating activities	\$ 29,352,779	\$ 1,767,732	\$ 31,120,511

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Decatur, Alabama (the “City”) was established in 1820, incorporated in 1826, and since October 1968 has been governed by an elected Mayor and five-member Council. The City is the County Seat of Morgan County.

The City complies with Accounting Principles Generally Accepted in the United States of America (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The blended component unit, although a legally separate entity, is in substance part of the government’s operations, and so data from this unit is combined with data of the primary government. The City has one component unit that meets the blended criteria. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a September 30 year-end.

Primary Government

The primary government consists of various departments, agencies and other organizational units governed directly by the mayor and council of the City of Decatur. The following organizations were evaluated and found to be an integral part of the primary government. This means that all financial information is integrated into the body of the primary government and they are in no way separate from that entity.

- Community Preservation Board
- Board of Examination and Appeals for Construction Industries
- Board of Zoning Adjustment
- City of Decatur Business Development Board
- City of Decatur Historic Preservation Commission
- Landfill
- Old Bank Board
- Parks and Recreation Board
- Planning Commission
- Municipal Utilities Board

Blended Component Unit

Personnel Board: The Personnel Board is responsible for overseeing all employee related matters for the City. Responsibilities of the Board include maintaining employee records, reviewing payroll data and approving new employees and pay increases. The members of the Board are appointed by the City Council and the City provides financial support to the Board. The Personnel Board is presented as a governmental fund type.

Discretely Presented Component Unit

City of Decatur Board of Education: The Board of Education is responsible for elementary and secondary education within the government’s jurisdiction. The voters elect the members of the Board and the Board approves all budgets. However, the Board is fiscally dependent upon the government due to the tax levies received from the City of Decatur. The Board of Education is presented as a governmental fund type.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Complete financial statements for the Board of Education, a component unit, may be obtained at the entity's administrative offices.

Board of Education
302 Fourth Avenue Northeast
Decatur, Alabama 35601

Separate financial statements are not prepared for the Personnel Board.

B. Government-wide and Fund Financial Statements

Financial information of the City, the primary government, and the Board of Education, the City's 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.
- Government-wide financial statements consist of a statement of net position and a statement of activities.

These statements report all activities of the primary government and its component units. 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 from services and are usually intended by management to be financially self-sustaining.

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the City are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes, payments in lieu of taxes, property taxes, licenses and permits, courts fines and costs, and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

The following are the City's major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the government, except those accounted for in another fund.
- The *School Fund* accounts for the specific revenues that are for specific expenditures – which include sales and use tax, and the designated portion of the tobacco tax, general property tax, automotive tax, and tax-equivalent – Electric and Water departments.

The following are the City's major enterprise funds:

- The *Municipal Utilities Board Fund* accounts for the operations of the Municipal Utilities Board (commonly referred to as Decatur Utilities), which provides electricity, gas, water, and wastewater treatment to the City of Decatur and other regions. Decatur Utilities is managed by a three-member Board appointed by the City Council.

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects or permanent funds). Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.
- The *Capital Projects Funds* account for financial resources used to refund other G.O. Warrants held by the City and for future capital projects related to additional funding received.
- The *Permanent Fund* accounts for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the City's programs.

Proprietary Funds:

- *Enterprise Funds* account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule, the effect of interfund activity has been removed 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 expense from nonoperating items. Operating revenues and expense 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 Municipal Utilities Board enterprise fund are charges to customers for services and fees. 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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Deposits and Investments

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. State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama Municipalities.

Cash and investments classified as restricted assets on the Municipal Utilities Board Enterprise Fund balance sheet were created per the warrant indentures and are to be used only for the repayment of outstanding revenue warrants of the Municipal Utilities Board Enterprise Fund.

State statute requires the City and its component units to invest in or collateralize funds with direct obligations of the United States, obligations of certain Federal agencies for which the full faith and credit of the United States of America has been pledged, general obligation issues of other states, the State of Alabama, Alabama counties and Alabama Municipalities.

Investments consist of U.S. Treasury obligations with original maturities greater than three months from the date of acquisition. Thus, investments of the City, as well as its component units, are stated at cost, plus accrued interest, which is approximately the same as their fair value. The State Treasurer's investment pool operates in accordance with appropriate state laws. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Amounts receivable and payable from federal, state, county, and local governments are classified as "due from/to other governmental entities." The only individually significant amounts due from any single entity as of September 30, 2017, was \$553,117 due from Morgan County for various tax receivables and \$2,531,195 due from Alabama Department of Transportation.

Ad valorem, sales, franchise and liquor taxes and beverages licenses and taxes recorded within the General Fund and the non-major governmental funds are recognized under the susceptible to accrual concept.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Non-current portions of long-term receivables due to Governmental Funds are reported on their balance sheets, in spite of their measurement focus. Special reporting treatments are used to indicate however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables are deferred until they become current receivables and are reported as deferred inflows of resources for unavailable revenue. Noncurrent portions of non-revenue related long-term loans receivable are offset by non-spendable fund balance.

Property taxes are levied in May for the following year beginning October 1, at which time a lien is attached. These taxes are due and payable on October 1 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 June 15th following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are collected. The taxes are collected by the Morgan County Revenue and License Commissioners and remitted to the City net of a collection fee ranging from 1 to 4 percent for the different taxes.

Privilege licenses and city liquor taxes are collected directly by the City and recorded when received since they are taxpayer-assessed.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The costs of Governmental Fund type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the purchases method to account for monthly medical insurance payments. The average monthly payment is \$644,756.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 government as assets tangible in nature, with an initial individual cost of more than \$7,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. When capital assets are disposed, the cost and related accumulated depreciation are removed, and any gain or loss arising from the disposal is credited or charged to operations.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

Property, plant and equipment of the component units are generally recorded using the same policy as the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions whereas the infrastructure depreciation is unallocated. Property, plant, equipment, and infrastructure of the primary government, as well as the component units, are depreciated using the straight-line method over the estimated useful lives as follows:

Building improvements	10-20 years
Buildings	20-40 years
Sidewalks, streets, and bridges	20-50 years
Traffic signals	15 years
Utility plants in service	40-50 years
Improvements:	
Pumping stations	50 years
Outfall lines	50 years
Land improvements	12-25 years
Surface lots	15-20 years
Furniture and equipment	3-12 years
Greenways	15 years
Drainage systems	40 years
Motor vehicles	5 years

Compensated Absences

City employees may accumulate up to three-hundred and seventy (370) days of sick leave. Employees of the City who were employed by the City prior to January 1, 2013 and who have twenty-five (25) years of service or, who have reached sixty (60) years of age and have 10 years of service, are entitled to payment for one-half (1/2) of their accumulated sick leave upon retirement, not to exceed a maximum of 600 hours. Employees of the City hired after January 1, 2013 who have reached sixty-two (62) years of age (age 56 for certified full-time firefighter and law enforcement officer) and have 10 years of service credit are entitled to payment for one-half (1/2) of their accumulated sick leave upon retirement, not to exceed a maximum of 600 hours. The liability is calculated according to GASB Statement No. 16 using the termination payment method for governmental funds and the vesting method for proprietary funds. Vacation is accrued when incurred in proprietary funds and reported as a fund liability. Compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it only at the time they mature. Amounts not expected to be liquidated with expendable available financial resources are considered to be and are accrued as a long-term liability within the governmental activities of the government-wide statement of net assets and within the proprietary fund statement of net position. Compensated absences have been historically liquidated through the fund from which the employee is paid, which is primarily, the General Fund and the nonmajor proprietary funds of Pt. Mallard and Sanitary Landfill. All reimbursable leave is paid at the time of an employee's resignation or retirement.

Deferred Outflows/Inflows of Resources

The City has deferred outflows and deferred inflows of resources. The deferred outflows of resources are a consumption of net position by the City that is applicable to a future reporting period and consists of the unamortized amounts for losses on debt refundings as well as pension contributions made subsequent to the measurement date for reporting of net pension liabilities. Deferred inflows of resources are an acquisition of net position by the City that is applicable to a future reporting period and consists of unavailable revenue and net differences between projected and actual earnings on pension plan investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories and the non-revenue related long-term portion of loans receivable; 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- Amounts committed by ordinance by the highest level of decision-making (City Council) cannot be used for any other purpose unless the highest level of decision-making (City Council) removes or changes the specified use by taking the same type of action imposing the commitment or by its language it expires. An ordinance and a resolution are equally binding to the City.

Assigned fund balance- This 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 with "intent" to be used for specific purposes or may designate a finance committee or official for that purpose. Currently the City has not assigned a committee or official for that purpose and therefore has not classified any fund balances as assigned.

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

Encumbrances-The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2017, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$ 86,975
Other Governmental Funds	<u>194,173</u>
	<u>\$281,148</u>

These encumbrances are already included in the classifications of net position and fund balances in the financial statements as of September 30, 2017.

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

The City Council has set a General Fund minimum fund balance target at 25% or 3 months of budgeted expenditures and resolves to maintain unassigned fund balance at a minimum of 10% of budgeted revenues. The policy of the City is at all times to maintain a minimum reserve of 3 months (90 days) General Fund operating expenditures and in addition maintain unassigned fund balance at a minimum of 10% of budgeted revenues. At fiscal year-end, there were sufficient funds to meet the reserve and exceed the requirement by more than \$10.0 million. The General Fund Operating Expenditure Reserve is classified as committed and can only be used in state of emergencies as declared by City Council and during revenue shortfall situations as defined by policy and determined by City Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. GASB Accounting Pronouncements

Pronouncements Effective for the 2017 Financial Statements:

The City adopted GASB No 77, *Tax Abatement Disclosures*, in fiscal year 2017. This statement improves financial reporting by providing users essential information regarding tax abatements by requiring more detailed information about the abatements and organizing the information in a consistent and comprehensive manner. The implementation of this statement did not have a significant impact on the City's financial statements.

The City adopted GASB No 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan*, in fiscal year 2017. This statement amends the scope of Statement No. 68 to exclude certain pensions provided to state or local government employees if it includes benefits to non-state or local government beneficiaries. It also includes new disclosure requirements. This statement is not applicable to the City.

The City adopted GASB No 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*, in fiscal year 2017. The statement amends blending requirements to include a component unit incorporated as a not-for-profit corporation when the primary government is the sole corporate member. The implementation of this statement did not have a significant impact on the City's financial statements.

Pronouncements issued, but not yet effective, which will be adopted by the City in future years:

The City plans to adopt GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. This statement will make financial information more useful for decision making as it requires recognition of the entire OPEB liability and more in depth measure of OPEB expense. New disclosure and supplemental information requirements will also improve the financial reporting surrounding OPEB.

The City plans to adopt GASB No 81, *Irrevocable Split-Interest Agreements*, in fiscal year 2018. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The City plans to adopt GASB No 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017, in fiscal 2017 and 2018. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues.

The City plans to adopt GASB No 83, *Certain Asset Retirement Obligation*, in fiscal year 2019. The Statement will enhance comparability of financial statements among governments by providing uniform criteria to measure and recognize certain asset retirement obligations.

The City plans to adopt GASB No 84, *Fiduciary Activities*, in fiscal year 2020. The Statement establishes criteria for identifying fiduciary activities and will enhance comparability of financial statements through this added criteria and clarity of whether and how business-type activities should report fiduciary activities.

GASB Statement No. 85, *Omnibus 2017*, was issued to address practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this statement are effective for fiscal year 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for fiscal year 2018.

GASB Statement No. 87, *Leases*, was issued to improve accounting and financial reporting for leases by governments. The requirements of this statement are effective for fiscal year 2021.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. The requirements of this statement are effective in fiscal year 2019.

Management is in the process of determining the effects that the adoption of these statements will have on the City’s basic financial statements.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between fund balance-total 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, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$61,853,145 difference are as follows:

Warrants Payable	\$ 56,371,151
Capital lease payable	435,125
Accrued interest payable	530,100
Compensated absences	2,604,965
Claims Payable	<u>1,911,804</u>
	<u>\$ 61,853,145</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes 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 statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$12,107,020 difference are as follows:

Capital outlay	\$ 18,228,577
Depreciation expense	<u>(6,121,557)</u>
	<u>\$ 12,107,020</u>

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS-CONTINUED

Another element of that reconciliation states that “the issuance of long-term debt (e.g., warrants and leases) 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 \$(2,392,451) difference are as follows:

Debt issued or incurred:	
General Obligation debt	\$ (5,140,000)
Capital Lease	(422,596)
Principal repayments:	
General obligation debt	3,333,107
Capital lease	11,212
Deferral of premiums	(97,594)
Amortization of premium, discounts, and refunding loss	<u>(76,580)</u>
	<u>\$ (2,392,451)</u>

Another element of that reconciliation states that “other expenses reported in the statement of activities that do not require current financial resources.” The detail of this \$(6,654,717) difference is as follows:

Compensated absences	\$ (333,606)
Claims	(808,418)
Accrued interest	(108,985)
Net pension obligation	(1,877,731)
Other postemployment expenses	<u>(3,525,977)</u>
	<u>\$ (6,654,717)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The following section describes the budgeted and non-budgeted funds:

Annually-Budgeted Governmental Funds
General Fund

Special Revenue Funds

- 7 Cent Gas Tax Fund
- 4&5 Cent Gas Tax Fund
- School Fund
- Personnel Board Fund
- Heritage Trust Fund
- Docket Fees Fund
- Room Occupancy Fund
- Corrections Fund
- Drug Seizure Fund

Governmental Funds Not Annually-Budgeted
Special Revenue Funds

- Community Development Fund
- Municipal Court Fund

Capital Projects Funds

- Capital Projects Fund
- Sewer Fund
- 2012 Capital Improvements Fund
- 2016 Capital Improvements Fund

Permanent Fund

- Perpetual Care Fund

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

The Municipal Utilities Board Fund is managed by a separate board appointed by the City Council. This Fund is independent of the City’s budgeting process. The Community Development Fund adopts a grant-length budget as prescribed by grantor provisions. The Debt Service Funds are not annually budgeted since budgetary control exists through general obligation bond indenture provisions. While annual budgets are adopted for the Capital Projects Funds for management purposes, budgetary control is exercised using formally adopted project length budgets.

The City Council adopts budgets on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds, with the exception of the Community Development Fund.

The legal level of budgetary control is the department level. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments and expenditure requests, which result in a budget overrun, require the approval of the City Council. The council reviews and approves these changes at mid-year when a formal amendment to the original budget is adopted. All annual appropriations lapse at year-end.

Prior to the beginning of the fiscal year, each city department prepares budget requests for submission to the finance department that will compile them and, together with an estimate of anticipated revenues, submit them to the mayor’s office. The mayor and budget staff begins individual department reviews with department heads.

After changes are recommended and budget schedules are updated, the budget is finalized for submission to the City Council. The City Council reviews the budget, makes changes, and approves the budget. Budgeted amounts are as originally adopted, or as amended by the City Council.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as either committed or assigned in fund balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

On or before October 1 of each year, the City of Decatur Board of Education, a discretely presented component unit, is required to prepare and submit to the state superintendent of education the annual budget to be adopted by the Board. The city superintendent of education or Board cannot approve any budget for operations of the school system for any fiscal year, which shows expenditures in excess of income estimated to be available, plus any balances on hand. The superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The superintendent may approve amendments to program budgets without Board approval. Individual amendments to the budget as originally adopted are not considered material.

B. Excess of Expenditures over Appropriations

The following funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2017:

<u>School Fund</u>	
Intergovernmental assistance	\$ 1,052,188
<u>7 Cent Gas Tax Fund</u>	
Operating expenditures	\$ 60,651
<u>4 & 5 Cent Gas Tax Fund</u>	
Operating expenditures	\$ 2,408,215

The excess expenditures were provided by available fund balance in the related funds.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The following information is provided to give an indication of the steps the City takes to protect its cash deposits and the level of risk assumed for certain investments.

At fiscal year end, the entire bank balances of the City, and the Board of Education were covered by federal depository insurance and insured by the Security for Alabama Funds Enhancement, or SAFE Program. The SAFE Program is administered by the State Treasurer according to State of Alabama statute. Effective January 1, 2001, 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.

A reconciliation of cash and investments as shown on the Combined Balance Sheet for the primary government is as follows:

Cash and deposits	\$ 142,970,226
Total	<u>\$ 142,970,226</u>
Per Governmental Funds Balance Sheet-total governmental funds	
Cash and investments	\$ 41,547,681
Per Proprietary Funds Statement of Net Position	
Total enterprise funds	
Cash and investments	77,915,850
Restricted cash for debt service	<u>23,506,695</u>
	<u>101,422,545</u>
Total	<u>\$ 142,970,226</u>

A reconciliation of Discretely Presented Component Unit's cash and investments is as follows:

	<u>Board of Education</u>
Cash on hand	\$ 51,512,335
Carrying amount of investments	<u>20,249,544</u>
Total Cash and investments	<u>\$ 71,761,879</u>

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Investments

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by pledge of the three-mill school tax and other obligations as outlined in the Code of Alabama 1975, Section 19-3-120 and Section 19-3-120.1. As of September 30, 2017, the Board had the following investments and maturities recorded at fair value.

The Board of Education's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1- Investments reflect prices quoted in active markets

Level 2- Investments reflect prices that are based on similar observable assets either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3- Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments by Fair Value Level	Fair Value Measurements		
	Level 1	Level 2	Level 3
U.S. Treasury Note	\$ 2,558,029	\$ -	\$ -
Federal National Mortgage Association, Note	12,756,790	-	-
Federal Home Loan Bank, Bond	1,942,724	-	-
Federal National Mortgage Association, Note	1,844,164	-	-
Certificates of Deposit	1,147,837	-	-
	<u>\$ 20,249,544</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect fair value of an investment. Generally, the longer maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. For this reason, The Board only has guaranteed investments in treasury bills or notes issued by the U.S. Government.

Credit risk

As described above, state law limits the kind of investments the City can make. The City has made no further laws in addition to state law related to investments allowed. The City has held no investments other than certificates of deposit in the past and currently holds no deposits or other investments.

The Board of Education has funds invested in obligations of the United States Treasury, Federal National Mortgage Association, and Federal Home Loan Bank, which each have a credit risk rating of Aaa from Moody's Investors Service.

Custodial credit risk

The City requires all bank deposits, which includes USTO money market funds held by banks, be insured by federal depository insurance or the Security for Alabama Funds Enhancement, or SAFE Program, which was the case for all bank deposits as of September 30, 2017, except for minor cash deposits and cash on hand. The SAFE Program is administered by the State Treasurer, 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. Also, the deposits with banks complied with state investment policies.

The Board of Education's investment policy limits the custodial credit risk by only investing in U.S. Government obligations and certificates of deposit.

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets

Capital asset activity for governmental activities for the year ended September 30, 2017 was as follows:

	Balance September 30, 2016	Additions	Deletions	Transfers In/ (Transfers Out)	Balance September 30, 2017
<u>Governmental Activities:</u>					
Capital assets, not being depreciated:					
Land	\$ 10,115,957	\$ 20,200	\$ (49,049)	\$ -	\$ 10,087,108
Construction in progress	5,260,438	13,425,077		(1,051,268)	17,634,247
Total capital assets, not being depreciated	15,376,395	13,445,277	(49,049)	(1,051,268)	27,721,355
Capital assets, being depreciated:					
Building and improvements	46,091,403	47,105		447,067	46,585,575
Land improvements	25,922,818	89,555		604,201	26,616,574
Furniture, equipment, and other	26,983,367	4,524,950	(1,213,683)		30,294,634
Infrastructure	97,157,732	121,690			97,279,422
Total capital assets, being depreciated	196,155,320	4,783,300	(1,213,683)	1,051,268	200,776,205
Less accumulated depreciation for:					
Building and improvements	(25,330,489)	(1,307,985)			(26,638,474)
Land improvements	(14,386,895)	(1,156,222)			(15,543,117)
Furniture, equipment, and other	(23,257,705)	(1,483,535)	1,213,683		(23,527,557)
Infrastructure	(75,743,308)	(2,173,815)			(77,917,123)
Total accumulated depreciation	(138,718,397)	(6,121,557)	1,213,683	-	(143,626,271)
Total capital assets, being depreciated, net	57,436,923	(1,338,257)	-	1,051,268	57,149,934
Governmental activities capital assets, net	\$ 72,813,318	\$ 12,107,020	\$ (49,049)	\$ -	\$ 84,871,289

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital asset activity for business-type activities for the year ended September 30, 2017 was as follows:

<u>Business-Type Activities:</u>	Balance September 30, 2016	Additions	Deletions	Transfers In/ (Transfers Out)	Balance September 30, 2017
Capital assets, not being depreciated:					
Land	\$ 4,472,293	\$ 5,759	\$ -	\$ -	\$ 4,478,052
Construction in progress	21,829,665	53,275,879	(58,101,180)	-	17,004,364
Total capital assets, not being depreciated	26,301,958	53,281,638	(58,101,180)	-	21,482,416
Capital assets, being depreciated:					
Buildings and improvements	30,860,493	-	-	-	30,860,493
Furniture, equipment and other	8,796,479	403,411	(272,425)	-	8,927,465
Utility plant-in-service	377,182,177	23,530,114	(2,725,949)	-	397,986,342
Total capital assets, being depreciated	416,839,149	23,933,525	(2,998,374)	-	437,774,300
Less accumulated depreciation for:					
Buildings and improvements	(20,595,965)	(1,208,948)	-	-	(21,804,913)
Furniture, equipment and other	(6,437,652)	(599,450)	272,425	-	(6,764,677)
Utility plant-in-service	(161,477,789)	(10,263,914)	2,723,193	-	(169,018,510)
Total accumulated depreciation	(188,511,406)	(12,072,312)	2,995,618	-	(197,588,100)
Total capital assets, being depreciated, net	228,327,743	11,861,213	(2,756)	-	240,186,200
Business-Type activities capital assets, net	\$ 254,629,701	\$ 65,142,851	\$ (58,103,936)	\$ -	\$ 261,668,616

Depreciation expense of \$2,173,815 for the Governmental activities Infrastructure assets is not allocated to the functions. The depreciation expense for all other depreciable assets is charged to functions/programs of the primary government as follows:

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

<u>Governmental Activities:</u>	
General governmental	\$ 668,421
Public Safety	1,221,215
Public Works	378,791
Public Services	1,638,802
Intergovernmental	<u>40,513</u>
Total allocated depreciation expense - governmental activities	3,947,742
Total unallocated depreciation expense - governmental activities	<u>2,173,815</u>
Total depreciation expense - governmental activities	<u>\$ 6,121,557</u>
 <u>Business-type Activities:</u>	
Municipal Utilities Board Fund	\$ 10,263,914
Sanitary Landfill Fund	1,120,537
Point Mallard Fund	<u>687,861</u>
Total depreciation expense - business-type activities	<u>\$ 12,072,312</u>

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

	Balance September 30, 2016	Additions	Deletions	Transfers In/ (Transfers Out)	Balance September 30, 2017
Capital assets, not being depreciated:					
Land	\$ 8,016,633	\$ -	\$ -	\$ -	\$ 8,016,633
Construction in progress	17,629,809	49,221,298	-	-	66,851,107
Total capital assets, not being depreciated	25,646,442	49,221,298	-	-	74,867,740
Capital assets, being depreciated:					
Buildings and improvements	112,727,404	1,083,006	(557,408)	-	113,253,002
Furniture, equipment and other	10,538,900	212,943	(48,893)	-	10,702,950
Total capital assets, being depreciated	123,266,304	1,295,949	(606,301)	-	123,955,952
Less accumulated depreciation for:	(58,491,815)	(3,675,788)	591,482	-	(61,576,121)
Total capital assets, being depreciated, net	64,774,489	(2,379,839)	(14,819)	-	62,379,831
Component Unit capital assets, net	<u>\$ 90,420,931</u>	<u>\$ 46,841,459</u>	<u>\$ (14,819)</u>	<u>\$ -</u>	<u>\$ 137,247,571</u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables and Transfers

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

Due To/From Other Funds

Due To:	General Fund	School Fund	Non-major Government	Non-major Enterprise	Total In
Due From:					
Municipal Utilities Board	\$ 843,309	\$ 69,832	\$ 54,391	\$ -	\$ 967,532
Non-Major Government	1,140,797	-	-	864,653	2,005,450
Non-Major Enterprise	-	-	-	-	-
Total Out	\$ 1,984,106	\$ 69,832	\$ 54,391	\$ 864,653	\$ 2,972,982

\$1,080,817 of the balance due to the general fund and \$864,653 due to non-major proprietary funds from non-major governmental funds resulted from advances made for the construction of Ingalls Harbor Pavilion.

Transfers In/Out

Transfers From:	General Fund	Decatur Utilities	Non-major Government	Non-major Enterprise	Total In
Transfers To:					
General Fund	\$ -	\$ -	\$ 21,830	\$ -	\$ 21,830
Non-Major Government	887,460	869,413	4,217,500	-	5,974,373
Non-Major Enterprise	-	-	3,689	-	3,689
Total Out	\$ 887,460	\$ 869,413	\$ 4,243,019	\$ -	\$ 5,999,892

Transfers have been 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 during the current year. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Due To/From Primary Government and Component Units:

Due To:	Component Unit Board of Education	Total In
Due From:		
Primary Government-School Fund	\$ 1,985,083	\$ 1,985,083
Total Out	<u>\$ 1,985,083</u>	<u>\$ 1,985,083</u>

D. Leases

Operating Leases

The City had various non-cancelable operating leases as of September 30, 2017. The future minimum lease payments on all leases with terms greater than one year are as follows:

Year Ending September 30	Future Minimum Lease Payments
2018	\$ 155,438
2019	155,438
2020	83,238
2021	23,803
2022	-
Total minimum lease payments	<u>\$ 417,917</u>

Capital Leases

The City entered into a lease agreement as lessee for financing the acquisition of computer equipment during 2014. During 2017, the City also entered into a lease agreement for new garbage trucks for the sanitation department. These lease agreements are treated as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements. The assets acquired through capital lease are as follows:

	Governmental Activities
Furniture, equipment, and other	\$ 477,196
Less: accumulated amortization	<u>(97,200)</u>
Total	<u>\$ 379,996</u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2018	\$ 159,813
2019	148,976
2020	<u>147,991</u>
Total minimum lease payments	456,780
Less: amount representing interest	<u>(21,702)</u>
Present value of minimum lease payments	<u>\$ 435,078</u>

The future debt service requirements of the governmental activities leases at September 30, 2017 are primarily to be provided by the General Fund.

Component Unit

The discretely presented component unit, Board of Education, has entered into various lease agreements as lessee for financing the acquisition of transportation and computer equipment. These lease agreements are treated as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the basic financial statements.

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2018	\$ 618,033
2019	157,371
2020	157,371
2021	<u>17,520</u>
Total minimum lease payments	950,295
Less: amount representing interest	<u>(22,434)</u>
Present value of minimum lease payments	<u>\$ 927,861</u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. 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:

<u>Type of Debt</u>	<u>Paid From</u>	<u>Resources Provided By</u>
<u>Governmental Activities:</u>		
G.O. warrants - major capital facilities	General Fund Crossings Warrant Fund	General Fund Crossings Warrant Fund
G.O. warrants- infrastructure development	General Fund Sewer Fund	General Fund Sewer Fund
<u>Business-Type Activities:</u>		
Revenue warrants	Municipal Utilities Board Fund	Municipal Utilities Board Fund

Outstanding Debt

The amount of debt outstanding at September 30, 2017 was as follows:

Series	Face Amount (in thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
PRIMARY GOVERNMENT							
<u>Governmental activities:</u>							
<i>G.O. Warrants - general purposes</i>							
2009-A	\$ 13,170	6/1/2009	7/1/2020	2.0% - 4.0%	1,860-2,015	\$ 5,805	\$ 1,860
2011-Sewer	6,500	6/1/2011	6/1/2029	3.0% - 4.0%	325-480	4,680	325
2012 General Obligation	17,160	7/1/2012	7/1/2033	2.00% - 3.125%	730-1,145	14,350	730
2012-C	1,354	8/7/2012	8/7/2019	1.45%	185-199	384	199
2012-D	2,750	8/7/2012	8/7/2022	2.11%	112-1,645	2,158	124
2015-A	2,500	6/1/2015	4/1/2018	1.36%	-	2,500	2,500
2016-A	21,630	5/12/2016	10/1/2036	2.0-3.0%	295-2,765	21,630	295
2016-B	5,140	11/2/2016	10/1/2036	2.0-3.0%	210-320	5,140	210
Total Governmental Activities	<u>\$ 70,204</u>					<u>\$ 56,647</u>	<u>\$ 6,243</u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Series	Face Amount (in thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
<i>Business-Type activities:</i>							
<i>Water System Revenue Warrants</i>							
2009	\$ 12,980	6/1/2009	6/1/2009	2.0% - 4.0%	1690-2050	\$ 4,025	\$ 1,975
2009 SRF/ARRA	3,100	6/1/2009	6/1/2033	3.50%	140-220	2,475	140
2012 SRF	490	6/1/2012	8/15/2033	2.75%	20-30	410	20
2013	10,410	11/1/2013	5/1/2033	3.00% - 3.5%	605-905	10,410	-
	<u>\$ 26,980</u>					<u>\$ 17,320</u>	<u>\$ 2,135</u>
<i>Wastewater System Revenue Warrants</i>							
2009 SRF/ARRA	\$ 10,530	6/1/2009	6/1/2033	3.50%	455-720	\$ 8,105	\$ 455
2010	15,590	12/22/1999	8/15/2020	3.85%	1,015-1,095	3,165	1,015
2012	855	6/1/2012	8/15/2033	2.75%	35-55	720	35
2013	37,125	8/15/2013	8/15/2033	2.0-3.5%	1,550-2,455	31,330	1,550
	<u>\$ 64,100</u>					<u>\$ 43,320</u>	<u>\$ 3,055</u>
Total Business-Type Activities	<u>\$ 91,080</u>					<u>\$ 60,640</u>	<u>\$ 5,190</u>
Total Primary Government	<u>\$ 161,284</u>					<u>\$117,287</u>	<u>\$ 11,433</u>

DISCRETELY PRESENTED COMPONENT UNIT

Board of Education

Series	Face Amount (in thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities	Ending Balance	Amount Due Within One Year
2010 QSCB	\$ 1,050	2010	46,631	5.15%	1,050	\$ 1,050	\$ -
2011QZAB	5,000	2011	46,143	4.60%	5,000	5,000	-
2013 BRAC	1,830	2013	48,731	3.25 5.00%	70 572	1,572	71
Series 2013	30,325	2013	49,341	2.75 5.00%	1,100 2,100	28,230	1,105
Series 2015	87,750	2015	52,994	2.00 5.00%	870 6,535	86,080	870
Series 2015	769	2015	52,994	2.00 5.00%	78-93	769	78
	<u>\$ 126,724</u>					<u>\$ 122,701</u>	<u>\$ 2,124</u>

The City is not obligated in any manner for the debt of the Board of Education, a discretely presented component unit.

Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2017 are shown below. There is \$23,506,695 available in the Municipal Utilities Board Enterprise Fund to service the revenue warrants.

The Municipal Utilities Board Fund received multiple loans made available by the American Recovery and Reinvestment Act (the "ARRA") in 2010, 2011 and 2012. The Alabama Drinking Water Finance Authority loaned \$7,367,402 to the Municipal Utilities Board Fund of which \$3,662,402 was previously forgiven pursuant to the ARRA and recorded as forgiveness of long-term debt on the statement of activities and a special item on the proprietary statement of revenues, expenses and changes in fund net assets. The fund was required to issue water and sewer warrants, respectively, in the amount of the loans less the ARRA forgiveness portion. The 2009 Series SRF/ARRA Water Warrants were issued in the amount of \$3,215,000. The 2012 Series SRF/ARRA Water Warrants were issued in the amount of \$490,000. Total bonds outstanding at September 30, 2017 were \$2,885,000 with final maturity in 2031 and 2033.

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The Alabama Water Pollution Control Authority also loaned \$16,620,364 to the Municipal Utilities Board Fund of which \$5,235,364 was previously forgiven pursuant to the ARRA and recorded as forgiveness of long-term debt on the statement of activities and a special item on the proprietary statement of revenues, expenses and changes in fund net assets. The fund was required to issue water and sewer warrants, respectively, in the amount of the loans less the ARRA forgiveness portion. The 2009 Series SRF/ARRA Wastewater Warrants were issued in the amount of \$10,530,000. The 2012 Series SRF/ARRA Wastewater Warrants were issued in the amount of \$855,000. Total bonds outstanding at September 30, 2017 were \$8,105,000 and \$720,000 with final maturity in 2031 and 2033, respectively.

PRIMARY GOVERNMENT	(thousands)	
	G.O. Warrants	
Governmental Activities:	Principal	Interest
2018	\$ 6,244	\$ 1,466
2019	3,837	1,343
2020	3,785	1,236
2021	2,752	1,106
2022	4,825	3,565
2023-2027	20,825	1,105
2028-2032	9,390	1,519
2033-2037	4,989	331
Total governmental activities	<u>\$ 56,647</u>	<u>\$ 11,671</u>
Business-Type Activities:	Principal	Interest
2018	\$ 5,190	\$ 1,965
2029	5,370	1,790
2020	4,045	1,610
2021	3,045	1,490
2022	3,140	1,395
2023-2027	17,215	5,453
2028-2032	19,190	2,526
2033-2034	3,445	120
Total business-type activities	<u>\$ 60,640</u>	<u>\$ 16,350</u>
COMPONENT UNITS - BOARD OF EDUCATION		
Governmental Activities: Board of Education	Principal	Interest
2018	\$ 2,124	\$ 5,181
2019	2,214	5,095
2020	2,300	5,006
2021	2,405	4,901
2022	2,526	4,780
2023-2027	20,424	21,803
2028-2032	18,821	17,428
2033-2037	22,727	13,523
2038-2042	28,748	7,497
2043-2045	20,410	1,286
Total Governmental Activities - Comp. Unit	<u>\$ 122,701</u>	<u>\$ 86,500</u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

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

PRIMARY GOVERNMENT

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
General obligation warrants	\$ 54,841	\$ 5,140	\$ (3,333)	\$ 56,648	\$ 6,244
Less amounts deferred for:					
Issue discounts & premiums	620	98	(53)	665	-
Total warrant, bonds, & notes	55,461	5,238	(3,386)	57,313	6,244
Capitalized Leases	24	422	(11)	435	148
Compensated absences	2,271	986	(652)	2,605	261
Claims Payable	1,103	1,671	(862)	1,912	159
Net pension obligation	39,971	4,214	-	44,185	
Other post-employment benefits	28,868	3,526	-	32,394	
Governmental Activities Long-Term Liabilities	\$ 127,698	\$ 16,057	\$ (4,911)	\$ 138,844	\$ 6,812

Business-Type activities:

Revenue warrants	\$ 65,855	\$ -	\$ (5,215)	\$ 60,640	\$ 5,190
Less amounts deferred for:					
Issue discounts & premiums	(201)	-	80	(121)	-
Total warrants	65,654	-	(5,135)	60,519	5,190
Landfill closure and postclosure	4,686	312	-	4,998	-
Compensated absences	1,030	129	(62)	1,097	110
Claims payable	200	-	-	200	100
Net pension obligation	19,862	695	-	20,557	-
Other post-employment benefits	6,837	1,322	-	8,159	-
Business-Type Activities Long-Term Liabilities	\$ 98,269	\$ 2,458	\$ (5,197)	\$ 95,530	\$ 5,400

COMPONENT UNITS - BOARD OF EDUCATION

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Revenue Warrants	\$ 123,910	\$ 769	\$ (1,977)	\$ 122,702	\$ 2,124
Issue discounts & premiums	4,052		(159)	3,893	159
Capitalized Leases	1,191	467	(730)	928	618
Net pension Liability	79,655	2,348		82,003	-
Governmental Activities Long-Term Liabilities	\$ 208,808	\$ 3,584	\$ (2,866)	\$ 209,526	\$ 2,901

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. Conduit Debt Obligations

From time to time, the City has, through its Industrial Development Board, issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2017, there were six series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the six outstanding issues was approximately \$85,020,213. The original issue amounts of these series totaled \$95,140,000.

G. Fund Balance Constraints

The constraints on fund balance as listed in aggregate in the Governmental Funds Balance Sheet are detailed according to balance classification and fund below:

	General Fund	Other Governmental Funds	Total
Fund Balances:			
Nonspendable			
Inventories	\$ 25,204	\$ -	\$ 25,204
Permanent Fund	-	1,035,972	1,035,972
Total Nonspendable	25,204	1,035,972	1,061,176
Restricted:			
Special Revenues	-	2,474,503	2,474,503
Tri-Centennial	1,312	-	1,312
Grant Funds	-	171,027	171,027
Total Restricted	1,312	2,645,530	2,646,842
Committed:			
OPEB Reserve	2,022,819	-	2,022,819
Reserve Policy	15,177,556	-	15,177,556
Water for Resale	760,031	-	760,031
Crossings	1,069,967	-	1,069,967
Sanitation	680,456	-	680,456
Ingalls Rental Fees	50,080	-	50,080
Jack Allen Capital Improvement	124,674	-	124,674
Room Occupancy Designation	1,080,817	-	1,080,817
Encumbrances	86,975	-	86,975
Police Boat Designation	9,327	-	9,327
Capital Improvements	-	6,295,203	6,295,203
Personnel Board	-	81,254	81,254
Sewer Extension	-	918,226	918,226
Other	-	(1,390,990)	(1,390,990)
Total Committed	21,062,702	5,903,693	26,966,395
Unassigned:	10,304,555	-	10,304,555
Total Fund Balance:	\$ 31,393,773	\$ 9,585,195	\$ 40,978,968

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

H. Tax Equivalents

The Municipal Utilities Board Fund is required to pay to the City a tax equivalent which is determined by applying the current property tax rates to the Utilities' net plant in service at the end of the preceding year. The amount of tax equivalents paid to the City by the Municipal Utilities Board Fund during 2017 was \$1,703,462 by the Electric System, \$617,616 by the Water System and \$823,166 by the Wastewater System. These amounts are reported as intergovernmental revenue in the General Fund, the School Fund, and the 2011 Sewer Fund (a nonmajor governmental fund) of the City and as operating expenses in the financial statements of the Municipal Utility Board Enterprise Fund.

I. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will only be paid near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The total amount of \$4,997,870 reported for landfill closure and postclosure care liability at September 30, 2017 within the proprietary statement of net position, represents the cumulative amount reported to date based on the use of 48 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of \$5,348,305 as the remaining capacity is filled. These costs are based on the amount required to be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of September 30, 2017. The City expects to close the landfill in the year 2032. Actual costs of closure and postclosure may be higher due to inflation, changes in technology, or changes in laws and regulations.

NOTE 5 – OTHER INFORMATION

A. Contingent Liabilities and Commitments

Grants

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. As of September 30, 2017, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

Construction Contracts

The City has entered into various construction contracts as of September 30, 2017. The unfulfilled balance of these contracts that relate to the non-major governmental funds operations are included in the "Committed" fund balance classification as described more fully in Note 4G.

Purchase Commitments

Under its wholesale power agreement, the Electric System is committed to purchase its electric power and energy requirement from the Tennessee Valley Authority. The rates for such purchases are subject to review periodically. Additionally, the Electric System has entered into a TVA agreement that allows customers to finance new and/or replacement HVAC units and repay on their monthly utility bill. Decatur Utilities serves as the collection agent for repayment of these loans. The outstanding balance of these loans receivable was \$2,606,403 and the outstanding balance due to TVA for collection of the loans was also \$2,606,403.

Occasionally, the Gas System enters into natural gas purchase commitments to purchase minimum volumes of gas at fixed prices over a one to three year period. These futures can either be held for use in the contracted future month or cashed out at a profit and the proceeds used to reduce the cost of gas in future months. At September 30, 2017, contract commitments total \$1,161,714 for fiscal year 2018, \$967,200 for fiscal years 2018 through 2021, and \$748,800 for fiscal year 2022. At September 30, 2017, no purchase commitments extended beyond October 2022. Additional outstanding commitments were \$890,200 for fiscal year 2018, \$948,600 for fiscal years 2018 through 2021, \$887,400 for fiscal year 2022 and \$61,200 for fiscal year 2023.

NOTE 5 – OTHER INFORMATION - CONTINUED

Litigation

The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that are not covered by insurance will not exceed \$775,000, \$250,000 and \$100,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund and the Sanitary Landfill Fund, a nonmajor proprietary fund, respectively at September 30, 2017. \$425,000 of the remaining portion has been reported in the government-wide statement of net assets as noncurrent liabilities due in more than one year, with \$325,000 and \$100,000 being represented in the Governmental Activities and Business-Type Activities columns, respectively.

The Board of Education is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Board's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Board.

B. Jointly Governed Organizations

Joint Ventures

The City of Decatur is involved in three joint ventures:

Decatur- Morgan County Port Authority was incorporated in 1982 for the purpose of developing the port and industrial park located in Morgan County on the Tennessee River. The Authority has a five-member board, of which two members are appointed by the City and a third in conjunction with the County. There are no financial assets, liabilities or ongoing activity related to the authority during the year or at September 30, 2017.

Morgan County Industrial Park Economic Development Cooperative District Board was incorporated in 2008, as a joint venture between the seven municipalities with Morgan County and the Morgan County Commission. The Authority has a nine-member board, in which the City appoints one member. During 2010, the Board issued \$16.7 million in bonds to purchase 166 acres and infrastructure improvements for a new industrial park in Morgan County near Decatur. The new park will focus on the aerospace, biotech and defense industries in Huntsville. The City pledged a 48.55 percent share (based on population/census) of the cooperative district's TVA in-lieu-of tax funds received by Morgan County, and has that share of voting power on the Board

Wheeler Basin Regional Library Board was organized in 1962 to provide information resources to the citizens of Decatur and surrounding areas. It has a ten-member board of which the City Council appoints three members. The City owns and maintains the building in which the library is located. This ongoing equity interest is recorded within the City's capital assets, as ownership is not attributable to any individual fund. The Library Board issues separately audited financial statements available from the Wheeler Basin Regional Library Board at 504 Cherry Street Northeast, Decatur, Alabama, 35601.

The City in conjunction with Morgan County created the following agencies and authorities in order to better service the citizens of Decatur and Morgan County.

Jointly Governed

Decatur-Morgan County Emergency Management Agency provides measures for the mobilization, organization, and direction of the civilian population and necessary support agencies to prevent, or minimize, the effect of fire, flood, earthquake and epidemic. The officers and employees of the City and Morgan County comprise the agency. The City provided \$23,450 in appropriations during the fiscal year ending September 30, 2017.

Decatur-Morgan County Farmers Market Board manages the operation of the facility known as the farmers market located adjacent to the intersection of First Avenue Southeast and Second Street Southeast in Decatur. The Board is comprised of five members who are jointly appointed by the governing bodies of the City of Decatur and Morgan County.

NOTE 5 – OTHER INFORMATION - CONTINUED

The Health Care Authority of Morgan County-Decatur operates the Decatur General health care facilities located on Seventh Street, Decatur, Alabama. The Authority is comprised of five directors who are jointly appointed by the governing bodies of the City of Decatur and Morgan County.

Morgan County Emergency Management Commission District is commonly known as 911. This seven-member board, of which the City Council appoints three members, manages the emergency phone service 911 along with other duties. The City of Decatur provided \$462,327 in appropriations during the fiscal year.

North Central Alabama Mental Health Board provides mental health and general welfare services to the citizens of North Alabama. The Board is comprised of nine members of whom three are appointed by the City Council.

North Central Alabama Mental Retardation Authority provides services to mentally disabled children. The Board is comprised of five members of whom one is appointed by the City Council.

Pryor Field Airport Authority was organized in 1963 to oversee the Pryor Field Airport located within Limestone County. Its board is comprised of five members of whom one member is appointed by each of the following: Limestone County Commission, Decatur City Council, Morgan County Commission, and Athens City Council. The City contributed \$30,000 to the Authority during the fiscal year.

C. Related Organizations

The City's officials are responsible for appointing the members of the boards of other organizations, but the City's accountability does not extend beyond member appointments. The City Council appoints the board members of the Board of Equalization; Decatur, Alabama Health Care Authority; Downtown Redevelopment Authority; Industrial Development Board of the City of Decatur; and Medical Clinic Board. The Mayor appoints the board members of the Housing Authority of the City of Decatur, Alabama.

D. Pension Plans

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. 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.

NOTE 5 – OTHER INFORMATION - 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 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

	Employee Retirement System	City of Decatur	Municipal Utilities Board
Retired members of their beneficiaries currently receiving benefits	23,007	320	107
Vested inactive members	1,155	10	26
Non-vested inactive members	6,654	25	7
Active members	55,058	518	172
Post-DROP retired members still in active service	-	4	-
	<u>85,874</u>	<u>877</u>	<u>312</u>

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.

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION - CONTINUED

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 (or other year-end if not September), the City's active employee contribution rate was 11.77 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 14.80 percent of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2017 was 12.94% of pensionable pay for Tier 1 employees, and 10.69% 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 from the System were \$3,058,616 for the year ended September 30, 2017.

Net Pension Liability

The City's and Municipal Utility Board's (the "Board") net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

City of Decatur

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability <i>as of September 30, 2014 (a)</i>	\$ 119,098,613	\$ 123,993,170
Discount Rate (b)	8.00%	7.75%
Entry Age Normal Cost for <i>October 1, 2015 - September 30, 2016 (c)</i>	\$ 2,145,903	\$ 2,174,864
Transfers Among Employees (d)	\$ -	\$ (231,427)
Actual Benefit Payments and Refunds for <i>October 1, 2015 - September 30, 2016 (e)</i>	\$ (7,635,873)	\$ (7,635,873)
Total Pension Liability <i>as of September 30, 2016</i> [(a) x (1 + (b))] + (c) + (d) + [(e) x 1+.5* (b)]]	\$ 122,831,097	\$ 127,614,315
Difference between expected and actual		\$ 4,783,217

NOTE 5 – OTHER INFORMATION - CONTINUED

Municipal Utilities

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability <i>as of September 30, 2014 (a)</i>	\$ 47,801,969	\$ 48,843,082
Discount Rate (b)	8.00%	7.75%
Entry Age Normal Cost for <i>October 1, 2015 - September 30, 2016 (c)</i>	\$ 762,211	\$ 730,191
Transfers Among Employees (d)	\$ -	\$ 6,054
Actual Benefit Payments and Refunds for <i>October 1, 2015 - September 30, 2016 (e)</i>	\$ (3,069,854)	\$ (3,069,854)
Total Pension Liability <i>as of September 30, 2016</i> [(a) x (1 + (b))] + (c) + (d) + [(e) x 1.5* (b))]	\$ 49,195,689	\$ 50,175,855
Difference between expected and actual		\$ 980,166

Actuarial assumptions

The total pension liability in the September 30, 2016 actuarial valuation was determined based on the annual actuarial funding valuation report prepared as of September 30, 2015. The key actuarial assumptions are summarized below:

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

*Net of pension plan investment expense

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

NOTE 5 – OTHER INFORMATION - CONTINUED

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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

* Includes assumed rate of inflation at 2.50%

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 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 pan 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 DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION - CONTINUED

Changes in Net Pension Liability - City of Decatur

Benefits provided-Continued

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(a)-(b)
Balances at 09/30/2015	\$ 119,098,613	\$ 76,961,624	\$ 42,136,989
Changes for the year:			
Service cost	2,145,903	-	2,145,903
Interest	9,222,454	-	9,222,454
Changes of assumptions	5,451,626	-	5,451,626
Differences between expected and actual experience	(436,981)	-	(436,981)
Contributions - employer	-	2,844,967	(2,844,967)
Contributions - employee	-	1,431,785	(1,431,785)
Net investment income	-	7,655,033	(7,655,033)
Benefit payments, including refunds of employee contributions	(7,635,873)	(7,635,873)	-
Administrative expense	-	-	-
Transfers among Employers	(231,427)	(231,427)	0
Net changes	\$ 8,515,702	\$ 4,064,485	\$ 4,451,217
Balances at 9/30/2016	\$ 127,614,315	\$ 81,026,109	\$ 46,588,206

Changes in Net Pension Liability - Municipal Utilities Board

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Position Liability
	(a)	(b)	(a)-(b)
Balances at 09/30/2015	\$ 47,801,969	\$ 30,106,279	\$ 17,695,690
Changes for the year:			
Service cost	762,211	-	762,211
Interest	3,701,363	-	3,701,363
Changes of assumptions	1,011,888	-	1,011,888
Differences between expected and actual experience	(37,776)	-	(37,776)
Contributions - employer	-	1,451,760	(1,451,760)
Contributions - employee	-	517,917	(517,917)
Net investment income	-	3,010,348	(3,010,348)
Benefit payments, including refunds of employee contributions	(3,069,854)	(3,069,854)	-
Administrative expense	-	-	-
Transfers among employers	6,054	6,054	-
Net Changes	2,373,886	1,916,225	457,661
Balances at 09/30/2016	\$ 50,175,855	\$ 32,022,504	\$ 18,153,351

NOTE 5 – OTHER INFORMATION - CONTINUED

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

The following table presents the City (independent of the Municipal Utility Board as the Board is reported separately) and the Municipal Utility Board's net pension liability calculated using the discount rate of 7.75%, as well as what the City's and the Municipal Utility Board'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 (7.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increases (8.75%)
City's net pension liability	\$ 61,293,077	\$ 46,588,206	\$ 34,190,372
Board's net pension liability	\$ 23,647,091	\$ 18,153,350	\$ 13,482,794

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 auditor's report dated September 18, 2017 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION - 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 and Board recognized pension expense of \$1,983,091 and \$1,451,818 respectively. At September 30, 2017, the City 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
	<u> </u>	<u> </u>
Differences between expected and actual experiences	\$ 432,296	\$ 367,619
Changes of assumption	4,586,289	-
Net difference between projected and actual earnings on pension plan investments	703,737	-
Employer contributions subsequent to the measurement date	<u>3,058,616</u>	<u>-</u>
Total	<u><u>\$ 8,780,938</u></u>	<u><u>\$ -</u></u>

At September 30, 2017, the Board 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
	<u> </u>	<u> </u>
Differences between expected and actual experiences	\$ -	\$ 702,000
Changes of assumption	824,501	-
Net difference between projected and actual earnings on pension plan investments	273,586	-
Employer contributions subsequent to the measurement date	<u>1,415,401</u>	<u>-</u>
Total	<u><u>\$ 2,513,488</u></u>	<u><u>\$ 702,000</u></u>

NOTE 5 – OTHER INFORMATION - CONTINUED

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:	<u>City of Decatur</u>	<u>Municipal Utilities Board</u>
2017	\$ 1,050,846	\$ 24,457
2018	1,050,846	24,458
2019	1,619,917	245,401
2020	568,164	29,614
2021	826,135	72,157
Thereafter	238,795	-

Component Unit

Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established September 15, 1939 under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 16-Chapter 25 of the Code of Alabama grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 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. 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 TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 TRS members are eligible for retirement after age 62 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 TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. 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.

Contributions. Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS 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 TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

NOTE 5 – OTHER INFORMATION - CONTINUED

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, 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 from the System were \$5,935,141 for the year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At September 30, 2017 the System reported a liability of \$82,003,000 for its proportionate share of the collective net pension liability. The collective 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 of September 30, 2015. The System's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2016 the System's proportion was .757463%, which was a decrease of .003646% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the System recognized pension expense of \$7,654,000. At September 30, 2017 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 2,112,000
Changes of assumption	5,790,000	-
Net difference between projected and actual earnings on pension plan investments	1,185,000	-
Changes in proportion and differences between employer contributions and proportionate share of contribution:	-	2,091,000
Employer contributions subsequent to the measurement date	5,935,141	-
Total	<u><u>\$ 12,910,141</u></u>	<u><u>\$ 4,203,000</u></u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION - CONTINUED

\$5,935,141 reported as deferred outflows of resources related to pensions resulting from system contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources to the pension will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$ 379,000
2018	379,000
2019	1,764,000
2020	(8,000)
2021	258,000
Thereafter	-

Actuarial assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected Salary increases	3.5% - 8.25%
Investment rate of return*	8.00%

**Net of pension plan investment expense*

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

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 Stock	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%	

* Includes assumed rate of inflation at 2.50%

NOTE 5 – OTHER INFORMATION - CONTINUED

Discount rate

The discount rate used to measure the total pension liability was the long term rate of return, 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 at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

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

The following table presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the System'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% Decrease (6.75%)	Current Rate (7.75%)	1% Increases (8.75%)
System's proportionate share of collective net pension liability	\$ 109,246,000	\$ 82,003,000	\$ 58,939,000

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. 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated March 27, 2017 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2016 along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

E. Post-Retirement Health Plan

Plan Description

The City of Decatur provides certain post-retirement medical benefits to certain retired employees, through a single-employer defined benefit plan, an other postemployment benefit plan ("OPEB") as defined by GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions. For all employees hired before October 1, 2009, the City provides post employment health, dental and vision care benefits to each permanent full-time employee who has twenty-five years of qualified service or reaches age sixty (60) with at least ten years under the state requirements of service with the City of Decatur and retires from the City of Decatur through the Employees Retirement System of the State of Alabama (ERS), prior to the age of sixty-five (65) and whose effective date of retirement, as approved by the ERS, falls on or after July 1, 1995.

All employees hired after October 1, 2009 who desire to retire and continue their health insurance coverage, as previously provided by the City, will be responsible for the total cost of continued coverage.

All OPEB benefits are administered by City personnel. There are no separate financial statements published or available for the plan

NOTE 5 – OTHER INFORMATION - CONTINUED

Funding Policy

Retirees with family coverage are required to pay premiums for a portion of the benefits in an amount established by City Ordinance, which is \$100 or 8.58% (for individuals not yet reaching the age of retirement) and 13.48% (for those over the age of 65) of the total cost to the City as of September 30, 2017 unless Medicare is involved, in which case, retirees pay the State Employee's Insurance benefit Medicare rate. The City pays all costs of retirees with single coverage. This is equivalent to the required premiums of active employees. In addition, when an eligible retiree reaches Medicare eligibility, the City will continue to pay for the medical insurance (at a reduced rate) with Medicare becoming primary.

The City is required to pay the remaining premiums and has funded the plan on a projected pay-as-you-go basis in the current year. \$34,321,827 has been recognized in total for OPEB liabilities as of year-end, but the City will continue to fund the plan on a projected pay-as-you-go basis until after the next valuation. At that time, the City plans to begin contributing the remaining cost of benefits at a rate determined by an actuarial valuation that is prepared in accordance with certain parameters.

Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the City's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty (30) years.

For 2017, the required contribution was determined as part of the September 30, 2016 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 3.00% inflation rate (b) 4.0% investment rate of return; (c) a 5.00 – 7.75% medical cost trend rate; (d) 100% participation rate by retirees and 80.0% participation rate by spouses of participating retirees; (e) retirement rates consistent with the City's pension plan actuarial valuation; and (f) a thirty-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis. The actuarially determined rate as a percentage of annual covered payroll was 35.24%.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Employer Annual Required Contribution	\$ 6,140,910
Interest on Net OPEB Obligation	1,220,644
Adjustment to Annual Required Contribution	<u>1,166,095</u>
Annual OPEB Cost	6,195,460
Employer Contributions made for Fiscal Year Ending 09/30/2017	<u>2,389,744</u>
Increase (decrease) in Net OPEB Obligation	3,805,716
Net OPEB Obligation Beginning of Fiscal Year	<u>30,516,111</u>
Net OPEB Obligation End of Fiscal Year	<u><u>\$ 34,321,827</u></u>

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION - CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2017 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2017	\$ 6,016,599	39.72%	\$ 34,321,827
9/30/2016	\$ 5,963,552	37.00%	\$ 30,516,111
9/30/2015	\$ 5,819,725	34.50%	\$ 26,707,155

The funded status of the plan as of September 30, 2016, the date of the latest actuarial valuations, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2016	\$ -	\$ 83,856,035	\$ 83,856,035	0.00%	\$ 16,915,903	495.72%
9/30/2014	\$ -	\$ 68,128,013	\$ 68,128,013	0.00%	\$ 19,566,916	348.18%
9/30/2012	\$ -	\$ 65,817,918	\$ 65,817,918	0.00%	\$ 21,877,494	300.85%
9/30/2010	\$ -	\$ 69,145,336	\$ 69,145,336	0.00%	\$ 22,950,035	301.29%

The City elected to implement GASB Statement No. 45, prospectively in the year of implementation, fiscal year 2009. Therefore, comparative data prior to 2009 is not available.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Municipal Utilities Board Enterprise Fund provides post-employment benefits other than pension benefits to all full time employees who retire as an eligible participant in the qualified retirement plan. Benefits provided retirees at September 30, 2017 include:

1. Retiree group health/dental benefits to age 65. Retiree contributes a percentage of total premiums.
2. Retiree Medicare supplement policy at age 65. Retiree contributes a percentage of total premiums.
3. Dependent group health/dental benefits to age 65 with retiree contributing a percentage of the total premium.
4. Spouse Medicare supplemental policy at age 65. Retiree contributes a percentage of total premiums. (Provided until death of retiree)
5. Retirees who have a hire date on or after 1/1/04 and are 55 or older have group health/dental for a reduced 10-year period and contribute a higher percentage of the total premium.
6. Early Retirement Medical Option – Employees retiring under age 55 or older also have a reduced 10-year benefit period and pay a higher percentage of the total premium.
7. Life insurance based upon an amount agreed upon prior to retirement (Not restricted to those who retire at age 55 or older). Employees hired after January 1, 2003 no longer have life insurance benefits as an active or retired employee.

The Board administers the provisions of post-employment benefits, other than pension benefits. The benefits are expensed when paid.

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2017, the required contribution of the Board was determined as part of the October 1, 2016 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.0% discount rate; (b) 3.0% projected salary increases; (c) an 8% medical cost trend rate graded to 5.0% over six years; (d) 100% participation rate by retirees and 60.0% participation rate by spouses of participating retirees; (e) retirement rates consistent with the City's pension plan actuarial valuation; and (f) a thirty-year amortization period of the actuarial liability. The actuarially determined rate as a percentage of annual covered payroll was 21.34%.

The Board's annual OPEB cost, the annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2017 are as follows:

Annual Required Contribution:

	2016	2017
Normal Cost	587,443	616,815
Amortization	1,234,381	1,307,345
Interest	36,079	38,106
Total ARC	<u>1,857,903</u>	<u>1,962,266</u>

Net OPEB Obligation:

Net OPEB obligation- October 1	\$ 4,179,463	\$ 5,187,544
Annual Required Contribution	1,857,903	1,962,266
Interest	167,179	207,502
Adjustment to annual required contribution	(186,809)	(234,422)
Annual OPEB cost	1,838,273	1,935,346
Contributions made	(830,192)	(892,456)
Increase in Net OPEB Obligation	1,008,081	1,042,890
Net OPEB obligation	<u>\$ 5,187,544</u>	<u>\$ 6,230,434</u>

Present Value of Future Benefits as of October 1, 2013:

Active Employees	\$ 18,769,572	\$ 19,491,331
Retirees	13,626,891	13,337,591
Total	<u>\$ 32,396,463</u>	<u>\$ 32,828,922</u>

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2016-2017	\$ -	\$ 26,437,292	\$ 26,437,292	0.00%	\$ 9,484,773	278.7%
2015-2016	\$ -	\$ 25,633,222	\$ 25,633,222	0.00%	\$ 9,253,437	277.0%
2014-2015	\$ -	\$ 22,930,269	\$ 22,930,269	0.00%	\$ 8,976,397	255.5%

NOTE 5 – OTHER INFORMATION – CONTINUED

Component Units

Plan Description

The Board of Education contributes to the Alabama Retired Education Employees’ Health Care Trust (the “Trust”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees’ Health Insurance Board (PEEHIB) members. The **Code of Alabama 1975**, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees’ Health Insurance Plan website, <http://www.rsa-al.gov> under the Trust Fund Financial tab.

Funding Policy

The Public Education Employees’ Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust Fund assets used in paying administrative costs and retiree benefits are transferred to and paid from PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

Individual Coverage - Non-Medicare Eligible	\$	166
Individual Coverage - Medicare Eligible	\$	25
Family Coverage - Non Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	\$	421
Family Coverage - Non Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spou	\$	521
Family Coverage - Non Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$	280
Family Coverage - Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$	310
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - No Spouse	\$	280
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - With Non-Medicare Eligible Spouse	\$	380
Family Coverage - Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$	139
Family Coverage - Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$	169
Tobacco Surcharge	\$	50
Wellness Premium	\$	50
Surviving Spouse - Non-Medicare Eligible	\$	816
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$	1,028
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	\$	1,067
Surviving Spouse- Medicare Eligible	\$	430
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	\$	720
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	\$	759

NOTE 5 – OTHER INFORMATION – CONTINUED

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

Optional Plans (Hospital Indemnity, Cancer, Dental, Vision) – up to two optional plans can be taken by retirees at no cost if the retiree is not also taking one of the Hospital Medical Plans. Otherwise, retirees can purchase the Optional Plans at the normal monthly rate of \$38.00 or \$50.00 for family dental.

Members who retired on or after October 1, 2005, and before January 1, 2012, pay two percent of the employer premium for each year under 25 years of service, and for each year over 25 years of service, the retiree premium is reduced by two percent. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. Additionally, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than age 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium will no longer apply. However, the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a five year period.

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30,	2017	2016	2015
Active Health Insurance Premiums Paid by the Board	\$ 800.00	\$ 780.00	\$ 714.00
Amount of Premium Attributable to Retirees	152.57	180.76	220.09
Percentage of Active Employee Premiums Attributable to Retirees	19.07%	23.17%	30.83%
Percentage of Required Amount Contributed	100.00%	100.00%	100.00%
Total Amount Paid Attributable to Retirees	\$2,058,183.00	\$ 2,390,282.00	\$ 3,053,976.00

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method. The Board accounts for "on-behalf" payments made by the federal government for retiree drug subsidy programs as offsetting revenues and expenditures. The amount recognized in the 2017 financial statements for these payments is \$656,182.

F. Risk Financing Programs

The City elected to retain risk related to the employees' health and dental insurance for the first time beginning December 1, 1999. Then, on January 1, 2002 the City elected to no longer retain the health insurance risk and purchased health insurance. The City currently pays premiums to the State Employee Insurance Board. However, the City still retains the risk for the period under the health self-insurance. The amount of outstanding claims liability remaining as of September 30, 2017 is insignificant and immaterial to the City's statements as a whole.

The City has chosen to finance risks associated with workers compensation coverage through the City's general fund. The City maintains insurance coverage for individual claims in excess of \$300,000 or an aggregate of 115% of annual standard premium. Claims liabilities are based on estimated claim settlements.

CITY OF DECATUR
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – OTHER INFORMATION – CONTINUED

Anticipated legal claims are estimated by the City's legal counsel. All legal claims estimated to possibly be paid within the next fiscal year, even if not reported to the City until after September 30, 2017, are recorded as a liability within the General Fund and likewise, as liabilities due within one year under governmental activities on the government-wide statement of net position. The portion of estimated legal claims expected to be paid beyond the next fiscal year have been included as a noncurrent liability due in more than one year within the governmental activities of the government-wide statement of net position.

Changes in the balance of long-term claims liability (net of anticipated insurance coverage) for the year ended September 30, 2017 are as follows:

	<u>Workers</u>		<u>Legal Claims</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Unpaid claims, beginning of year	\$ 728,387	\$ 680,828	\$ 375,000	\$ 425,000	\$ 1,103,387	\$ 1,105,828
Incurred claims	1,429,005	310,580	245,467	177,250	1,674,472	487,830
Less claim payments	<u>(570,588)</u>	<u>(263,021)</u>	<u>(295,467)</u>	<u>(227,250)</u>	<u>(866,055)</u>	<u>(490,271)</u>
Unpaid claims, end of year	<u>\$1,586,804</u>	<u>\$ 728,387</u>	<u>\$ 325,000</u>	<u>\$ 375,000</u>	<u>\$ 1,911,804</u>	<u>\$ 1,103,387</u>

The Electric, Water and Gas systems of the Utilities are also self-insured for general liability, health insurance and workers' compensation insurance. Reinsurance has been purchased to limit the exposure to catastrophic loss for health insurance and workers' compensation insurance claims.

G. Subsequent Events

The City has evaluated subsequent events through May 31, 2018, the date on which the financial statements were available for issue.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF DECATUR
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30'

	City of Decatur			Municipal Utilities Board		
	2016	2015	2014	2016	2015	2014
Total pension liability						
Service cost	\$ 2,145,903	\$ 2,168,298	\$ 2,211,718	\$ 762,211	\$ 735,009	\$ 719,118
Interest	9,222,454	8,867,007	8,567,542	3,701,363	3,669,670	3,551,873
Changes in benefit terms	-	-	-	-	-	-
Differences between actual & expected experience	(436,981)	633,364	-	(37,776)	(1,104,264)	-
Changes of assumptions	5,451,626	-	-	1,011,888	-	-
Benefit payments, including refunds of employee contributions	(7,635,873)	(6,815,284)	(7,256,603)	(3,069,854)	(2,738,647)	(2,858,415)
Transfers among employers	(231,427)	-	-	6,054	-	-
Net change in total pension liability	8,515,702	4,853,385	3,522,657	2,373,886	561,768	1,412,576
Total pension liability - beginning	119,098,613	114,245,228	110,722,571	47,801,969	47,240,201	45,827,625
Total pension liability - ending (a)	<u>127,614,315</u>	<u>119,098,613</u>	<u>114,245,228</u>	<u>50,175,855</u>	<u>47,801,969</u>	<u>47,240,201</u>
Plan fiduciary net position						
Contribution-employer	2,844,967	2,967,587	3,049,380	1,451,760	1,481,898	1,439,683
Contribution-employee	1,431,785	1,451,728	1,488,936	517,917	588,751	478,274
Net investment income	7,655,033	915,644	8,538,093	3,010,349	357,511	3,314,923
Benefit payments, including refunds of employee contributions	(7,635,873)	(6,815,284)	(7,256,603)	(3,069,854)	(2,738,647)	(2,858,415)
Administrative expense	(231,427)	127,694	(47,845)	6,054	(103,901)	96,722
Transfers among employers	-	-	-	-	-	-
Net change in plan fiduciary net position - beginning	4,064,485	(1,352,631)	5,771,961	1,916,226	(414,388)	2,471,187
Plan fiduciary net position - beginning	76,961,624	78,314,255	72,542,294	30,106,279	30,520,667	28,049,480
Plan fiduciary net position - ending (b)	<u>81,026,109</u>	<u>76,961,624</u>	<u>78,314,255</u>	<u>32,022,505</u>	<u>30,106,279</u>	<u>30,520,667</u>
Net pension liability (asset) - ending (a)-(b)	46,588,206	42,136,989	35,930,973	18,153,350	17,695,690	16,719,534
Plan fiduciary net position as a percentage of total pension liability	63.49%	64.62%	68.55%	63.82%	62.98%	64.61%
Covered- employee payroll	23,801,380	24,283,101	25,172,255	10,397,431	9,916,527	9,655,596
Net pension liability (asset) as a percentage of covered-employee payro	195.74%	173.52%	142.74%	174.59%	178.45%	173.16%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**CITY OF DECATUR
SCHEDULE OF EMPLOYER CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEMS OF ALABAMA
Last 10 Fiscal Years Ending September 30***

	City of Decatur			Municipal Utilities Board		
	2017	2016	2015	2017	2016	2015
Actuarially determined contribution	\$ 3,058,616	\$ 2,967,587	\$ 3,049,380	\$ 1,481,898	\$ 1,481,898	\$ 1,439,683
Contributions in relation to the actuarially determined contribution	3,058,616	2,967,587	3,049,380	1,481,898	1,481,898	1,439,683
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	\$ 25,990,353	\$ 23,801,380	\$ 24,283,101	\$ 9,916,527	\$ 9,916,527	\$ 9,655,596
Contribution as percentage of covered employee-payroll	11.77%	12.47%	12.56%	14.94%	14.94%	14.91%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

<i>Actuarial cost method</i>	<i>Entry Age</i>
<i>Amortization method</i>	<i>Level percent closed</i>
<i>Remaining amortization period</i>	<i>30 years</i>
<i>Asset valuation method</i>	<i>Five year smoothed market</i>
<i>Inflation</i>	<i>3.00%</i>
<i>Salary increases</i>	<i>3.75 - 7.25%, including inflation</i>
<i>Investment rate of return</i>	<i>8.00%, net of pension plan investment expense, including inflation</i>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

**CITY OF DECATUR
BOARD OF EDUCATION
SCHEDULE OF SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT SYSTEMS OF ALABAMA
SEPTEMBER 30***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
System's proportion of the net pension liability	0.757463%	0.761109%	0.785686%
System's proportionate share of the net pension liability	\$82,003,000	\$79,655,000	\$71,376,000
System's covered-employee payroll	\$48,021,155	\$47,934,304	\$49,729,459
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.76%	166.18%	143.53%
Plan fiduciary net position as a percentage of the total pension liability	67.93%	67.51%	71.01%

**CITY OF DECATUR
 BOARD OF EDUCATION SCHEDULE OF EMPLOYER CONTRIBUTIONS
 TEACHERS' RETIREMENT SYSTEMS OF ALABAMA
 Last 10 Fiscal Years Ending September 30***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,935,142	\$ 5,697,027	\$ 5,654,232
Contributions in relation to the contractually required contribution	<u>5,935,142</u>	<u>5,697,027</u>	<u>5,654,232</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
System's covered-employee payroll	\$ 50,033,648	\$ 48,021,155	\$ 47,934,304
Contributions as a percentage of covered-employee payroll	11.86%	11.86%	11.80%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years to which information is available.

SUPPLEMENTAL INFORMATION

**CITY OF DECATUR
GENERAL FUND
BALANCE SHEET
September 30, 2017**

ASSETS

Cash & cash equivalents	\$ 27,967,572
Cash with fiscal agent	707,741
Receivables (net of allowances):	
Accounts	417,114
Taxes	3,200,067
Accrued interest	-
Due from other funds	1,984,106
Due from other governmental entities	447,917
Deposits	62,005
Prepays	28,178
Inventories	25,204

Total assets \$ 34,839,904

DEFERRED OUTFLOWS OF RESOURCES -

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,942,909
Accrued liabilities	913,397
Contract retainages	32,015
Customer deposits	234,203
Other	28,942

Total liabilities 3,151,466

DEFERRED INFLOWS OF RESOURCES 294,665

FUND BALANCE

Nonspendable	53,382
Restricted	1,312
Committed	21,062,702
Assigned	-
Unassigned	10,276,377

Total fund balance 31,393,773

Total liabilities, deferred resources and fund balance \$ 34,839,904

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET & ACTUAL
September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 39,334,611	\$ 39,334,611	\$ 43,273,828	\$ 3,939,217
Licenses and permits	6,780,158	6,780,158	6,419,707	(360,451)
Fines and forfeitures	418,715	418,715	467,158	48,443
Revenues from money and property	244,168	244,168	301,340	57,172
Charges for services	5,264,664	5,264,664	5,341,448	76,784
Intergovernmental	5,845,233	5,845,233	5,203,734	(641,499)
Gifts and donations	140,200	140,200	202,127	61,927
Other revenues	10,550	10,550	128,316	117,766
Total revenues	58,038,299	58,038,299	61,337,658	3,299,359
EXPENDITURES				
Current				
General government	5,050,336	5,187,064	4,652,323	534,741
Public safety	23,772,127	27,268,664	26,191,139	1,077,525
Public works	6,235,621	7,500,520	6,674,583	825,937
Public services	8,643,328	9,733,025	9,444,607	288,418
Intergovernmental assistance	6,765,130	7,712,596	7,056,987	655,609
Community services contracts	2,176,507	2,537,246	2,474,565	62,681
Debt service:				
Principal	2,880,873	3,338,021	2,954,319	383,702
Interest and fiscal charges	1,159,872	1,221,891	1,135,906	85,985
Total expenditures	56,683,794	64,499,027	60,584,429	3,914,598
Excess of revenues over expenditures	1,354,505	(6,460,728)	753,229	7,213,957
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	422,596	422,596	-
Operating transfers in	7,611	7,611	21,830	14,219
Operating transfers out	(989,655)	(989,655)	(887,460)	102,195
Total other financing sources (uses)	(982,044)	(559,448)	(443,034)	116,414
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	372,461	(7,020,176)	310,195	7,330,371
Fund balance, beginning	23,185,346	23,185,346	31,083,578	7,898,232
Fund balance, ending	\$ 23,557,807	\$ 16,165,170	\$ 31,393,773	\$ 15,228,603

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017**

Page 1 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$ 29,000,000	\$ 29,000,000	\$ 32,398,731	\$ 3,398,731
Ad valorem	3,581,391	3,581,391	3,677,028	95,637
Other	6,753,220	6,753,220	7,198,069	444,849
Total	39,334,611	39,334,611	43,273,828	3,939,217
Licenses and permits				
Motor Vehicle	171,978	171,978	176,365	4,387
Business Licenses and Permits	6,046,180	6,046,180	5,715,663	(330,517)
Building Permits and Inspection Fees	562,000	562,000	527,679	(34,321)
Total	6,780,158	6,780,158	6,419,707	(360,451)
Fines and forfeitures	418,715	418,715	467,158	48,443
Revenues from money and property				
Interest	66,951	66,951	117,530	50,579
Other	177,217	177,217	183,810	6,593
Total	244,168	244,168	301,340	57,172
Charges for current services				
Recreation	559,716	559,716	590,732	31,016
Animal shelter	35,850	35,850	24,054	(11,796)
General government	445,720	445,720	470,273	24,553
Public safety	214,284	214,284	279,947	65,663
Public works	3,961,583	3,961,583	3,930,481	(31,102)
Cemetery	46,531	46,531	45,475	(1,056)
Old bank	900	900	455	(445)
Youth services	80	80	31	(49)
Total	5,264,664	5,264,664	5,341,448	76,784
Intergovernmental				
Tax equivalents	5,533,194	5,533,194	4,855,312	(677,882)
State Grants	-	-	-	-
State Shared Taxes	312,039	312,039	348,422	36,383
State contributions	-	-	-	-
Total	5,845,233	5,845,233	5,203,734	(641,499)
Gifts & donations	140,200	140,200	202,127	61,927
Other revenues	10,550	10,550	128,316	117,766
TOTAL REVENUES	58,038,299	58,038,299	61,337,658	3,299,359

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017**

Page 2 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
General Government				
Mayor and Council				
Personal services	285,096	285,764	289,731	(3,967)
Operating expenses	134,968	145,368	139,586	5,782
Total	420,064	431,132	429,317	1,815
Legal Services				
Personal services	389,483	402,625	401,707	918
Operating expenses	60,550	60,550	43,574	16,976
Total	450,033	463,175	445,281	17,894
Municipal Court				
Personal services	769,821	815,505	810,779	4,726
Operating expenses	18,000	18,000	12,570	5,430
Total	787,821	833,505	823,349	10,156
City Clerk				
Personal services	466,335	478,018	475,699	2,319
Operating expenses	182,350	182,350	110,834	71,516
Total	648,685	660,368	586,533	73,835
Revenue department				
Personal services	217,670	217,670	188,551	29,119
Operating expenses	107,255	107,255	40,950	66,305
Total	324,925	324,925	229,501	95,424
Finance department				
Personal services	681,401	734,627	655,358	79,269
Operating expenses	23,800	23,800	7,341	16,459
Total	705,201	758,427	662,699	95,728
Public building				
Personal services	130,246	132,171	128,346	3,825
Operating expenses	761,835	761,835	644,931	116,904
Total	892,081	894,006	773,277	120,729
Community development				
Personal services	681,946	681,946	589,343	92,603
Operating expenses	139,580	139,580	107,623	31,957
Capital outlay	-	-	5,400	(5,400)
Total	821,526	821,526	702,366	119,160
Total general government	5,050,336	5,187,064	4,652,323	534,741

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017**

Page 3 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Fire				
Personal services	8,847,558	9,063,452	8,936,672	126,780
Operating expenses	924,650	929,650	842,276	87,374
Capital outlay	-	2,273,097	2,280,436	(7,339)
Total	9,772,208	12,266,199	12,059,384	206,815
Inspection				
Personal services	709,324	709,324	672,263	37,061
Operating expenses	55,050	55,050	45,954	9,096
Capital outlay	-	-	-	-
Total	764,374	764,374	718,217	46,157
Police				
Personal services	10,640,745	10,967,627	10,398,864	568,763
Operating expenses	2,594,800	2,366,541	1,999,615	366,926
Capital outlay	-	903,923	1,015,059	(111,136)
Total	13,235,545	14,238,091	13,413,538	824,553
Total public safety	23,772,127	27,268,664	26,191,139	1,077,525
Public Works				
Director				
Personal services	309,240	313,660	311,817	1,843
Operating expenses	76,670	76,670	57,753	18,917
Total	385,910	390,330	369,570	20,760
Streets				
Personal services	1,613,740	1,613,740	1,358,404	255,336
Operating expenses	949,610	949,610	890,532	59,078
Capital Outlay	-	430,858	406,453	24,405
Total	2,563,350	2,994,208	2,655,389	338,819
Projects				
Operating expenses	15,000	66,990	47,230	19,760
Total	15,000	66,990	47,230	19,760
Engineering				
Personal services	212,587	216,428	208,953	7,475
Operating expenses	61,000	86,000	65,872	20,128
Total	273,587	302,428	274,825	27,603
Sanitation				
Personal services	1,422,034	1,503,228	1,407,809	95,419
Operating expenses	1,575,740	1,575,740	1,497,164	78,576
Capital Outlay	-	667,596	422,596	245,000
Total	2,997,774	3,746,564	3,327,569	418,995
Total public works	6,235,621	7,500,520	6,674,583	825,937

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017**

Page 4 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Services				
Animal Shelter				
Personal services	427,192	427,192	414,025	13,167
Operating expenses	184,300	184,300	117,783	66,517
Total	611,492	611,492	531,808	79,684
Parks and recreation				
Personal services	4,200,648	4,220,515	3,879,558	340,957
Operating expenses	2,752,200	2,890,635	3,167,821	(277,186)
Capital outlay	-	760,337	777,340	(17,003)
Total	6,952,848	7,871,487	7,824,719	46,768
Cemetery				
Personal services	100,719	102,210	98,510	3,700
Operating expenses	97,636	103,786	91,302	12,484
Total	198,355	205,996	189,812	16,184
Youth services				
Personal services	566,043	482,385	546,502	(64,117)
Operating expenses	208,190	301,499	187,115	114,384
Capital outlay		26,923	26,923	-
Total	774,233	810,807	760,540	50,267
Culture				
Old Bank	98,900	98,900	90,223	8,677
Train Depot	7,500	47,368	47,505	(137)
Princess	-	86,975	-	86,975
Total	106,400	233,243	137,728	95,515
Total public services	8,643,328	9,733,025	9,444,607	288,418

CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017

Page 5 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Intergovernmental assistance</i>				
Garage				
Personal services	301,724	301,724	292,652	9,072
Operating expenses	55,282	55,282	57,494	(2,212)
Total	357,006	357,006	350,146	6,860
Purchasing				
Personal services	206,500	206,500	190,498	16,002
Operating expenses	20,100	20,100	10,753	9,347
Total	226,600	226,600	201,251	25,349
Information services				
Personal services	795,192	801,974	794,011	7,963
Operating expenses	955,200	955,200	948,960	6,240
Capital outlay	-	805,485	380,000	425,485
Total	1,750,392	2,562,659	2,122,971	439,688
Miscellaneous				
Workman's compensation	625,000	625,000	789,964	(164,964)
Insurance	340,000	340,000	318,555	21,445
Other	2,921,439	3,008,234	2,725,015	283,219
Total	3,886,439	3,973,234	3,833,534	139,700
Planning department				
Personal services	271,324	275,583	286,824	(11,241)
Operating expenses	186,600	228,815	185,174	43,641
Total	457,924	504,398	471,998	32,400
Safety				
Personal services	78,469	80,399	69,498	10,901
Operating expenses	8,300	8,300	7,589	711
Total	86,769	88,699	77,087	11,612
<i>Total Intergovernmental assistance</i>	6,765,130	7,712,596	7,056,987	655,609

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017**

Page 6 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Service Contracts				
Wheeler Basin Regional Library Board	421,800	421,800	421,800	-
Morgan County Emergency Management Dist.	421,609	501,348	462,327	39,021
Decatur-Morgan County Emergency Mgt. Agency	23,450	23,450	23,450	-
NARCOG:				
Transport Planning	150,000	150,000	150,000	-
Economic Development Association	64,900	64,900	64,900	-
Morgan County Health Department	120,560	120,560	120,560	-
Community Action and Community Development				
Agency of North Alabama:				
Meals on Wheels	15,808	15,808	15,808	-
Foster Grandparents	8,000	8,000	8,000	-
Decatur-Morgan County Seniors' Council, Inc.	56,000	56,000	56,000	-
Decatur Convention and Visitors' Bureau	535,500	806,500	792,840	13,660
Chamber of Commerce:				
Community Business Development Board	25,000	25,000	25,000	-
Morgan County Rescue Squad	12,000	12,000	12,000	-
Pryor Field Airport Authority	30,000	30,000	30,000	-
Volunteer Center	8,000	8,000	8,000	-
Carnegie Visual Arts	20,000	20,000	20,000	-
Free Health Clinic	59,280	59,280	59,280	-
Morgan County Child Advocacy Center	21,000	21,000	21,000	-
Downtown Redevelopment Authority	74,100	74,100	74,100	-
Kidz Table Inc.	5,000	5,000	5,000	-
Decatur Youth Symphony	13,500	13,500	13,500	-
Princess Theatre	80,000	80,000	80,000	-
American Cancer Society	1,000	1,000	1,000	-
Entrepreneurial Center	10,000	10,000	10,000	-
C/C One Vision, One Voice	-	10,000	-	10,000
Total Community Services Contract	2,176,507	2,537,246	2,474,565	52,681
Debt Service Expenditures				
Principal	2,880,873	3,338,021	2,954,319	383,702
Interest and fiscal charges	1,159,872	1,221,891	1,135,906	85,985
Total Debt Service Expenditures	4,040,745	4,559,912	4,090,225	469,687
TOTAL EXPENDITURES	56,683,794	64,499,027	60,584,429	3,904,598
Excess (deficiency) of revenues over expenditures	1,354,505	(6,460,728)	753,229	7,213,957

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2017**

Page 7 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	422,596	422,596	-
Operating transfers in	7,611	7,611	21,830	14,219
Operating transfers out	(989,655)	(989,655)	(887,460)	102,195
Operating transfers out - component units	-	-	-	-
 Total other financing sources (uses)	 (982,044)	 (559,448)	 (443,034)	 116,414
 Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	 372,461	 (7,020,176)	 310,195	 7,330,371
 Fund balance, beginning	 23,185,346	 23,185,346	 31,083,578	 7,898,232
 Fund balance, ending	 \$ 23,557,807	 \$ 16,165,170	 \$ 31,393,773	 \$ 15,228,603

OTHER GOVERNMENTAL FUNDS

The City maintains these governmental funds that are considered nonmajor funds.

7 Cent Gas Tax Special Revenue Fund - to account for funds designated for maintenance and improvement of public streets and highways.

4 and 5 Cent Gas Tax Special Revenue Fund - to account for funds designated for resurfacing and repairs of public streets and bridges.

Community Development Special Revenue Fund - to account for majority of Federal and State grant activity of the City, the largest of which is related to the development of viable urban communities, including decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Financing is provided by federal community development grants under Title I of the Housing and Community Development Act of 1974, as amended. Such grants provide for payment of the City's Community Development program costs and may be used only for that purpose.

Personnel Board Special Revenue Fund - to account for the activity of the specially appointed personnel board which carries out the human resources and payroll functions of the City.

Municipal Court Special Revenue Fund - to account for the development of viable urban

Correction Special Revenue Fund - to account for funds that may be used for construction, operation, or maintenance of municipal jail, juvenile center, or court complex, or other correctional facilities.

Docket Fees Special Revenue Fund - to account for docket fee funds which can be used by municipal court for training and equipment for a multitude of enhancements for the court system.

Drug Seizure Special Revenue Fund - To account for funds received from the sale of transferred property from illegal drug operations. Funds are to be used for police activities related to drug operations.

Room Occupancy Special Revenue Fund - to account for tax levies on rooms per night in the City limits which are restricted for use for tourism product development.

Perpetual Care Permanent Fund - to account for the collection of cemetery revenues earmarked by local ordinance for the long-term care of the City-owned cemetery.

Sewer Capital Improvement Fund - to account for the construction of capital sewer improvements along Beltline Road for economic development and payment of related debt to service construction.

Capital Improvements Fund - to account for construction of various road projects and economic development projects which are financed from special allocations of intergovernmental revenue and shared projects with the State of Alabama.

2012 Capital Improvements Fund - to account for the cost of constructing road projects and economic development projects which are shared projects with the State of Alabama.

2016 Capital Improvements Fund - to account for the cost of constructing road projects and economic development projects which are financed by general obligation warrants.

CITY OF DECATUR
 NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
 COMBINING BALANCE SHEET
 September 30, 2017

	Special Revenue Funds							Debt Service Fund	Permanent Fund	Capital Projects Funds				Total Nonmajor Governmental Funds			
	7 Cent Gas Tax	4 & 5 Cent Gas Tax	Community Development	Personnel Board	Municipal Court	Heritage Trust	Corrections			Docket Fees	Drug Seizure	Room Occupancy	Crossings Warrant Fund		Perpetual Care	2016 Capital Improvements Fund	Sewer Fund
ASSETS																	
Cash & investments, at cost	\$ 135,373	\$ 87,659	\$ 200,046	\$ 156,065	\$ 77,555	\$ 1,178,945	\$ 436,546	\$ 148,324	\$ 393,595	\$ 507,824	\$ -	\$ 1,139,322	\$ 6,052,744	\$ 999,330	\$ 260,349	\$ -	\$ -
Cash with fiscal agents	-	-	-	-	-	-	-	-	-	-	-	-	124,682	-	-	-	-
Receivables (net of allowances)																	
Accounts	-	-	118,723	-	130	-	42,802	11,704	-	-	-	1,225	-	-	-	-	-
Notes	-	-	242,054	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	46,655	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	54,391	-	-	-	-
Due from governmental entities	13,591	65,715	72,374	-	-	-	-	-	-	-	-	-	2,487,899	-	16,110	-	-
Other	10,182	33,501	-	-	-	-	-	-	-	-	-	-	519,647	-	-	-	-
Total assets	\$ 159,146	\$ 186,875	\$ 633,197	\$ 156,065	\$ 77,685	\$ 1,178,945	\$ 479,348	\$ 160,028	\$ 393,595	\$ 554,479	\$ -	\$ 1,140,547	\$ 9,060,290	\$ 1,178,403	\$ 276,459	\$ -	\$ 15,635,062
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES																	
Accounts payable	1,469	17,926	41,118	4,085	64,351	1,755	49,954	2,363	9,967	-	-	104,575	2,175,323	189,553	-	-	-
Accrued liabilities	-	-	4,304	10,746	1,667	-	-	-	-	-	-	-	-	-	-	-	-
Contract retainages	-	-	-	-	-	-	-	-	-	-	-	-	-	70,624	-	-	-
Due to other funds	-	-	-	59,980	-	-	-	-	-	1,945,469	-	-	-	-	-	-	-
Due to other governmental entities	-	-	-	-	11,651	-	-	-	-	-	-	-	-	-	-	-	-
Customer deposits	-	-	994	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	16	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	1,469	17,926	46,416	74,811	77,685	1,755	49,954	2,363	9,967	1,945,469	-	104,575	2,175,323	260,177	-	-	4,767,890
DEFERRED INFLOWS OF RESOURCES	-	-	415,754	-	-	-	-	-	-	-	-	-	866,223	-	-	-	1,281,977
FUND BALANCES																	
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	1,035,972	-	-	-	-	-
Restricted	157,677	168,949	171,027	-	-	1,177,190	429,394	157,665	383,628	-	-	-	-	-	-	-	-
Committed	-	-	-	81,254	-	-	-	-	-	(1,390,990)	-	-	6,018,744	918,226	276,459	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total fund balance (deficit)	157,677	168,949	171,027	81,254	-	1,177,190	429,394	157,665	383,628	(1,390,990)	-	1,035,972	6,018,744	918,226	276,459	-	9,585,195
Total liabilities, deferred inflows and fund balance	\$ 159,146	\$ 186,875	\$ 633,197	\$ 156,065	\$ 77,685	\$ 1,178,945	\$ 479,348	\$ 160,028	\$ 393,595	\$ 554,479	\$ -	\$ 1,140,547	\$ 9,060,290	\$ 1,178,403	\$ 276,459	\$ -	\$ 15,635,062

CITY OF DECATUR
NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2017

	Special Revenue Funds										Debt Service Fund	Permanent Fund	Capital Projects Fund			Total Nonmajor Governmental Funds	
	7 Cent Gas Tax	4 & 5 Cent Gas Tax	Community Development	Personnel Board	Municipal Court	Heritage Trust	Corrections	Docket Fees	Drug Seizure	Room Occupancy	Crossings Warrant Fund	Perpetual Care	2016 Capital Improvements Fund	Sewer Fund	Capital Improvements Fund		2012 Capital Improvements Fund
REVENUE																	
Sales & use taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-	-	-	-	497,797	-	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-	486,461	130,896	-	-	-	-	-	-	-	-	-
Revenues from money & property	610	150	5	-	-	-	853	-	1,230	-	-	51,931	32,649	6,672	277	136	94,513
Intergovernmental	314,912	2,529,146	919,108	-	-	473,373	-	-	56,404	-	-	1,697,121	-	595,306	-	-	6,585,370
Gifts & donations	-	-	50,000	-	-	-	-	-	-	-	28,278	-	-	-	-	-	78,278
Other revenues	-	-	256,379	10	-	43,073	-	-	-	-	-	18,000	823,166	-	-	-	1,140,628
Total revenues	315,522	2,529,296	1,225,492	10	-	516,446	487,314	130,896	57,634	497,797	-	80,209	1,747,770	829,838	595,583	136	9,013,943
EXPENDITURES																	
Current																	
General government	-	-	-	-	-	47,105	109,376	120,361	-	-	-	-	-	-	-	-	276,842
Public safety	-	-	-	-	-	-	136,422	-	65,108	-	-	1,075,970	-	-	-	-	1,277,500
Public works	560,651	2,694,257	-	-	-	180,897	-	-	-	-	-	3,061,082	8,738,737	128,884	94,398	-	15,458,906
Public services	-	-	-	-	-	235,808	-	-	-	-	154,792	-	-	-	-	-	390,600
Intergovernmental assistance	-	-	-	-	-	1,452	-	-	-	-	-	-	-	-	-	-	1,452
Community service contracts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community development	-	-	973,435	-	-	-	-	-	-	-	-	-	-	-	-	-	973,435
Personnel board	-	-	-	801,764	-	-	-	-	-	-	-	-	-	-	-	-	801,764
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service																	
Principal	-	-	-	-	-	-	-	-	75,000	-	-	-	315,000	-	-	-	390,000
Interest and fiscal charges	-	-	-	-	-	-	-	-	52,794	-	-	-	251,580	-	-	-	304,374
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	86,803	-	-	-	-	86,803
Total expenditures	560,651	2,694,257	973,435	801,764	-	465,262	245,798	120,361	65,108	127,794	-	154,792	4,223,855	9,305,317	128,884	94,398	19,961,676
Excess (deficiency) of revenues over expenditures	(245,129)	(164,961)	252,057	(801,754)	-	51,184	241,516	10,535	(7,474)	370,003	-	(74,583)	(8,475,479)	466,699	(94,262)	(10,947,733)	
OTHER FINANCING SOURCES (USES)																	
Long-term debt issued	-	-	-	-	-	-	-	-	-	-	-	5,140,000	-	-	-	-	5,140,000
Discount on debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	169,375	718,084	-	-	-	-	-	-	-	-	5,086,913	-	-	-	5,974,372
Transfers (out)	-	-	(13,587)	-	-	-	-	-	(8,301)	-	(3,631)	(4,217,500)	-	-	-	-	(4,243,019)
Total other financing sources (uses)	-	-	155,788	718,084	-	-	-	-	(8,301)	-	(3,631)	922,500	5,086,913	-	-	-	6,968,947
Net change in fund balance	(245,129)	(164,961)	407,845	(83,670)	-	51,184	241,516	10,535	(7,474)	361,702	-	(78,214)	922,500	(3,388,566)	466,699	(94,262)	(3,978,786)
Fund balance (deficit), beginning	402,806	333,910	(236,818)	164,924	-	1,126,006	187,878	147,130	391,102	(1,752,692)	-	1,114,186	7,474,735	4,306,792	(190,240)	94,262	13,563,981
Fund balance (deficit), ending	\$ 157,677	\$ 168,949	\$ 171,027	\$ 81,254	\$ -	\$ 1,177,190	\$ 429,394	\$ 157,665	\$ 383,628	\$ (1,390,990)	\$ -	\$ 1,035,972	\$ 6,018,744	\$ 918,226	\$ 276,459	\$ -	\$ 9,585,195

**CITY OF DECATUR
7 CENT GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 146,531	\$ 146,531	\$ 314,912	\$ 168,381
Revenues from money and property	300	300	610	310
Total revenues	146,831	146,831	315,522	168,691
Expenditures				
Operating expenses	336,926	500,000	560,651	(60,651)
Total expenditures	336,926	500,000	560,651	(60,651)
Excess (deficiency) of revenues over expenditures	(190,095)	(353,169)	(245,129)	108,040
Net change in fund balance	(190,095)	(353,169)	(245,129)	108,040
Fund balance, beginning	402,806	402,806	402,806	-
Fund balance, ending	\$ 212,711	\$ 49,637	\$ 157,677	108,040

**CITY OF DECATUR
4 & 5 CENT GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 402,663	\$ 434,897	\$ 2,529,146	\$ 2,094,249
Revenues from money and property	300	300	150	(150)
Total revenues	402,963	435,197	2,529,296	2,094,099
Expenditures				
Operating expenses	140,000	286,042	2,694,257	(2,408,215)
Total expenditures	140,000	286,042	2,694,257	(2,408,215)
Excess (deficiency) of revenues over expenditures	262,963	149,155	(164,961)	(314,116)
Net change in fund balance	262,963	149,155	(164,961)	(314,116)
Fund balance, beginning	333,910	333,910	333,910	-
Fund balance, ending	\$ 596,873	\$ 483,065	\$ 168,949	\$ (314,116)

**CITY OF DECATUR
PERSONNEL BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	\$ -	\$ 10	\$ 10
Total revenues	-	-	10	10
Expenditures				
Personnel services	525,134	525,134	467,123	58,011
Operating expenses	192,950	370,625	334,641	35,984
Total expenditures	718,084	895,759	801,764	93,995
Excess (deficiency) of revenues over expenditures	(718,084)	(895,759)	(801,754)	94,005
Other financing sources				
Operating transfers in	718,084	718,084	718,084	-
Total other financing sources (uses)	718,084	718,084	718,084	-
Net change in fund balance	-	(177,675)	(83,670)	94,005
Fund balance, beginning	164,924	164,924	164,924	-
Fund balance, ending	\$ 164,924	\$ (12,751)	\$ 81,254	\$ 94,005

**CITY OF DECATUR
HERITAGE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 473,008	\$ 473,008	\$ 473,373	\$ 365
Revenues from money and property	-	-	43,073	43,073
Total revenues	473,008	473,008	516,446	43,438
Expenditures				
Capital outlay	787,490	1,043,787	465,262	578,525
Total expenditures	787,490	1,043,787	465,262	578,525
Excess (deficiency) of revenues over expenditures	(314,482)	(570,779)	51,184	621,963
Net change in fund balance	(314,482)	(570,779)	51,184	621,963
Fund balance, beginning	1,126,006	1,126,006	1,126,006	-
Fund balance, ending	\$ 811,524	\$ 555,227	\$ 1,177,190	\$ 621,963

**CITY OF DECATUR
CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 513,100	\$ 513,100	\$ 486,461	\$ (26,639)
Revenues from money and property	380	380	853	473
Total revenues	<u>513,480</u>	<u>513,480</u>	<u>487,314</u>	<u>(26,166)</u>
Expenditures				
Personnel services	28,000	78,000	22,898	55,102
Operating expenses	<u>361,500</u>	<u>468,078</u>	<u>222,900</u>	<u>245,178</u>
Total expenditures	<u>389,500</u>	<u>546,078</u>	<u>245,798</u>	<u>300,280</u>
Excess (deficiency) of revenues over expenditures	<u>123,980</u>	<u>(32,598)</u>	<u>241,516</u>	<u>274,114</u>
Net change in fund balance	<u>123,980</u>	<u>(32,598)</u>	<u>241,516</u>	<u>274,114</u>
Fund balance, beginning	<u>187,878</u>	<u>187,878</u>	<u>187,878</u>	<u>-</u>
Fund balance, ending	<u>\$ 311,858</u>	<u>\$ 155,280</u>	<u>\$ 429,394</u>	<u>\$ 274,114</u>

**CITY OF DECATUR
DOCKET FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 194,600	\$ 194,600	\$ 130,896	\$ (63,704)
Total revenues	194,600	194,600	130,896	(63,704)
Expenditures				
Personnel services	-	-	-	-
Operating expenses	243,000	243,000	120,361	122,639
Total expenditures	243,000	243,000	120,361	122,639
Excess (deficiency) of revenues over expenditures	(48,400)	(48,400)	10,535	58,935
Net change in fund balance	(48,400)	(48,400)	10,535	58,935
Fund balance, beginning	147,130	147,130	147,130	-
Fund balance, ending	\$ 98,730	\$ 98,730	\$ 157,665	\$ 58,935

**CITY OF DECATUR
DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 55,000	\$ 55,000	\$ 56,404	\$ 1,404
Revenues from money and property	600	600	1,230	630
Total revenues	55,600	55,600	57,634	2,034
Expenditures				
Operating expenses	84,500	84,500	65,108	19,392
Total expenditures	84,500	84,500	65,108	19,392
Excess (deficiency) of revenues over expenditures	(28,900)	(28,900)	(7,474)	21,426
Net change in fund balance	(28,900)	(28,900)	(7,474)	21,426
Fund balance, beginning	391,102	391,102	391,102	-
Fund balance, ending	\$ 362,202	\$ 362,202	\$ 383,628	\$ 21,426

**CITY OF DECATUR
ROOM OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2017**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and Payments in lieu of taxes	\$ 450,000	\$ 450,000	\$ 497,797	\$ 47,797
Total revenues	450,000	450,000	497,797	47,797
Expenditures				
Debt service				
Principal	75,000	75,000	75,000	-
Interest	52,794	52,794	52,794	-
Total expenditures	127,794	127,794	127,794	-
Excess (deficiency) of revenues over expenditures	322,206	322,206	370,003	47,797
Other financing sources				
Operating transfers (out)	(8,302)	(8,302)	(8,301)	1
Total other financing sources	(8,302)	(8,302)	(8,301)	1
Net change in fund balance	313,904	313,904	361,702	47,798
Fund balance, beginning	(1,752,692)	(1,752,692)	(1,752,692)	-
Fund balance, ending	\$ (1,438,788)	\$ (1,438,788)	\$ (1,390,990)	\$ 47,798

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
September 30, 2017**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash & investments, at cost	\$ 1,070,997	\$ 23,171,924	\$24,242,921
Receivables (net of allowance)			
Accounts	90,161	560,354	650,515
Due from other funds	-	864,652	864,652
Due from governmental entities	-	-	-
Inventories, at cost	65,230	-	65,230
Total current assets	1,226,388	24,596,930	25,823,318
Noncurrent assets			
Capital assets:			
Land	254,931	1,241,799	1,496,730
Buildings	7,322,728	2,365,396	9,688,124
Improvements other than buildings	9,989,935	11,182,434	21,172,369
Furniture & equipment	1,333,669	7,593,795	8,927,464
Construction work in progress	-	-	-
Less accumulated depreciation	(13,048,027)	(15,521,588)	(28,569,615)
Total capital assets (net of accumulated depreciation)	5,853,236	6,861,836	12,715,072
Total noncurrent assets	5,853,236	6,861,836	12,715,072
Total assets	7,079,624	31,458,766	38,538,390
DEFERRED OUTFLOWS OF RESOURCES	145,632	320,906	466,538
LIABILITIES			
Current liabilities			
Accounts payable	133,417	565,829	699,246
Accrued liabilities	42,671	24,541	67,212
Compensated absences	5,417	15,230	20,647
Claims payable	-	100,000	100,000
Due to other funds	-	-	-
Total current liabilities	183,886	705,600	889,486
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	4,997,870	4,997,870
Compensated absences	48,755	137,073	185,828
Claims payable	-	100,000	100,000
Net pension liability	773,372	1,629,706	2,403,078
Net other postemployment benefit obligation	1,006,227	921,377	1,927,604
Total noncurrent liabilities	1,828,354	7,786,026	9,614,380
Total liabilities	2,012,240	8,491,626	10,503,866
DEFERRED INFLOWS OF RESOURCES	5,927	10,675	16,602
NET POSITION			
Invested in capital assets, net of related debt	5,850,855	6,861,836	12,712,691
Unrestricted	(643,766)	16,415,535	15,771,769
Total net position	\$ 5,207,089	\$ 23,277,371	\$ 28,484,460

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
For the Year Ended September 30, 2017**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating revenue			
Charges for services	\$ 5,076,812	\$ 6,040,839	\$ 11,117,651
Premiums & fees	-	-	-
Miscellaneous	-	50,415	50,415
Total operating revenue	5,076,812	6,091,254	11,168,066
Operating expenses			
Personnel, operations & maintenance	4,355,062	3,824,822	8,179,884
Closure and postclosure costs	-	1,027,441	1,027,441
Depreciation and amortization	687,861	1,120,537	1,808,398
Administrative costs	544,202	703,693	1,247,895
Total operating expenses	5,587,125	6,676,493	12,263,618
Operating income (loss)	(510,313)	(585,239)	(1,095,552)
Nonoperating revenue (expenses)			
Interest income	-	72,341	72,341
Intergovernmental grant income	-	-	-
Gain on disposition of assets	-	28,614	28,614
Miscellaneous revenue	37,260	-	37,260
Total nonoperating revenue	37,260	100,955	138,215
Income (loss) before contributions, transfers & special items	(473,053)	(484,284)	(957,337)
Transfers in	-	3,689	3,689
Transfers (out)	-	-	-
Change in net position	(473,053)	(480,595)	(953,648)
Total net position, beginning	5,680,142	23,757,966	29,438,108
Total net position, ending	\$ 5,207,089	\$ 23,277,371	\$ 28,484,460

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2017**

	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating activities			
Receipts from customers and users	\$ 5,044,059	\$ 6,017,613	\$ 11,061,672
Other operating cash receipts	-	50,415	50,415
Receipts from interfund services provided	-	-	-
Payments to suppliers	(653,858)	(3,682,665)	(4,336,523)
Payments to employees	(4,163,217)	(825,319)	(4,988,536)
Payments for legal settlement	-	-	-
Payments for interfund services	(5,610)	(13,686)	(19,296)
Non-operating cash receipts	-	-	-
Net cash provided (used) by operating activities	221,374	1,546,358	1,767,732
Noncapital financing activities			
Payments received from advances to other funds	-	106,249	106,249
Operating transfers in	-	3,689	3,689
Operating transfers (out)	-	-	-
Net cash provided (used) by noncapital financing activities	-	109,938	109,938
Capital and related financing activities			
Acquisition and construction of capital assets	-	(403,410)	(403,410)
Proceeds from sale of capital assets	-	28,614	28,614
Intergovernmental grants	-	-	-
Net cash used by capital and related financing activities	-	(374,796)	(374,796)
Investing activities			
Purchase of investments	-	-	-
Interest received	-	72,341	72,341
Net cash provided by investing activities	-	72,341	72,341
Net increase in cash and cash equivalents	221,374	1,353,841	1,575,215
Cash and cash equivalents, beginning	849,623	21,818,083	22,667,706
Cash and cash equivalents, ending	\$ 1,070,997	\$ 23,171,924	\$ 24,242,921
Operating income (loss)	\$ (473,053)	\$ (585,239)	\$ (1,058,292)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	687,861	1,120,537	1,808,398
Landfill postclosure costs	-	310,966	310,966
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(70,013)	(23,226)	(93,239)
Accounts payable	(8,920)	395,817	386,897
Claims payable	(16,119)	-	(16,119)
Due to (from) other funds	(5,610)	(13,686)	(19,296)
Accrued liabilities	31,820	31,197	63,017
Net pension liability	33,179	72,481	105,660
Net OPEB obligation	42,229	237,511	279,740
Net cash provided (used) by operating activities	\$ 221,374	\$ 1,546,358	\$ 1,767,732

SINGLE AUDIT SECTION

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Mayor and Members
of the City Council
City of Decatur, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Decatur, Alabama (“the City”) 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, and have issued our report thereon dated June 29, 2018. Our report includes reference to other auditors who audited the financial statements of the City of Decatur’s Board of Education (“Board of Education”), which is a component unit of the City, and the Municipal Utilities Board Enterprise Fund (“Utilities Board”), an enterprise fund, as described in our report on the City’s financial statements. This report does not include the results of other auditors’ testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Warren Averett, LLC

Warren Averett, LLC
Huntsville, Alabama

June 29, 2018

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Honorable Mayor and Members
of the City Council
City of Decatur, Alabama

Report on Compliance for Each Major Federal Program

We have audited the City of Decatur, Alabama's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each of its major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, 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. We issued our report thereon dated June 29, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Warren Averett, LLC
Huntsville, Alabama

June 29, 2018

City of Decatur, Alabama
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2017

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B-13-MC-O1-0011 B-14-MC-O1-0011 B-15-MC-O1-0011 B-16-MC-O1-0011 B-17-MC-O1-0011	\$ 31,033 18,145 70,780 221,339 79,734 <hr/> 421,031
<u>U.S. Department of Justice</u>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0011 2016-DJ-BX-0334	15,023 5,660 <hr/> 20,683
<u>U.S. Department of Transportation</u>			
Passed Through North Alabama Highway Safety Office:			
State and Highway Community Safety (402 Step GHSP)	20.600	15-SP-PT-001	22,460
State and Highway Community Safety (Alcohol Impaired Driving Countermeasures Incentive Grants I)	20.601	15-HS-M5-001	6,483 <hr/> 28,943
Passed Through Alabama Department of Transportation:			
Metropolitan Planning Organization	20.205	PLM45M 100062936	151,495
Highway Planning and Construction - Spring Avenue / Cedar Lake Road	20.205	STPOA-9215	1,829,947
Federal-Aid Highway Program	20.205	ACOA58400- ATRP(010)	2,365,860 <hr/> 4,347,302

City of Decatur, Alabama
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2017

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Interior National Park Service</u>			
Direct Program:			
Wayside Exhibits and Signage Along Trail of Tears NHT	15.916	P14AC01029	10,423
			10,423
<u>U.S. Department of Health and Human Services</u>			
Passed Through Alabama Department of Public Health:			
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1501ALPREP	71,863
			71,863
<u>Executive Office of the President</u>			
Passed Through Gulf Coast HIDTA:			
ONDCP Gulf Coast HIDTA Grant	95.001	G15GC0002B	19,282
			19,282
Total Federal Awards			\$ 4,919,527

City of Decatur, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the year ended September 30, 2017

Note 1 - Entity Definition

For the purposes of this schedule, the entity is defined as the City of Decatur; therefore, this schedule does not include the grant activities of the City of Decatur's Board of Education ("Board of Education"), a component unit of the City described in the notes to the general-purpose financial statements. This entity is subject to and has undergone a separate single audit as needed to comply with the Uniform Guidance.

Note 2 - Basis of Presentation

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Since the schedule presents only a select portion of the operations of the City of Decatur, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 3 – Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Decatur under programs of the federal government for the year ended September 30, 2017. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. The City of Decatur did not elect to utilize the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 – Payments to Subrecipients

The City passes certain federal awards received from the U.S. Department of Housing and Urban Development under the Community Development Block Grant to not-for-profit agencies (subrecipients). The City reports expenditures of Federal awards to subrecipients when paid in cash. Payments to subrecipients totaled \$170,850 under this award for the year ended September 30, 2017.

The City also passes certain federal awards received from the U.S. Department of Justice under the Edward Byrne Memorial Justice Assistance Grant Program to not-for-profit agencies (subrecipients). The City reports expenditures of Federal awards to subrecipients when paid in cash. Payments to subrecipients totaled \$6,000 under this award for the year ended September 30, 2017.

City of Decatur, Alabama
Schedule of Findings and Questioned Costs
For the year ended September 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes ✓ no
Significant deficiency(ies) identified not
Considered to be material weaknesses? yes ✓ none reported

Noncompliance material to financial statements
noted? yes ✓ no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? yes ✓ no
Significant deficiency(ies) identified not
considered to be material weaknesses? yes ✓ none reported

Type of auditor's report issued on compliance
For major programs: Unmodified

Any audit findings disclosed that are required to
Be reported in accordance with the Uniform
Guidance? yes ✓ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Metropolitan Planning Organization
20.205	Highway Planning and Construction
20.205	Federal-Aid Highway Program

Dollar threshold used to distinguish
between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? ✓ Yes No

City of Decatur, Alabama
Schedule of Findings and Questioned Costs - Continued
For the year ended September 30, 2017

Section II - Financial Statement Findings

None noted.

City of Decatur, Alabama
Schedule of Findings and Questioned Costs - Continued
For the year ended September 30, 2017

Section III - Federal Award Findings and Questioned Costs
None noted.

City of Decatur, Alabama
Summary Schedule of Prior Year Audit Findings
For the year ended September 30, 2017

Financial Statement Findings

None noted.

City of Decatur, Alabama
Summary Schedule of Prior Year Audit Findings - Continued
For the year ended September 30, 2017

None noted.

**STATISTICAL SECTION
(Unaudited)**

Statistical Section

This part of the City of Decatur's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	B-1
Revenue Capacity These schedules contain information to help the reader assess the city's most significant local revenue source, the sales tax.	C-1
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	D-1
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.	E-1
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's finance report relates to the services the city provides and the activities it performs.	F-1

Source:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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City of Decatur
Net Assets by Component,
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Invested in capital assets, net of related debt	\$ 37,209,341	\$ 31,327,171	\$ 29,561,806	\$ 30,447,007	\$ 33,080,019	\$ 33,975,719	\$ 35,365,812	\$ 32,000,473	\$ 33,454,568	\$ 26,700,022
Restricted	3,682,814	3,788,357	4,318,971	3,885,349	3,145,307	5,659,061	2,382,802	2,325,232	3,401,527	4,459,535
Unrestricted	(43,961,640)	(38,088,919)	(35,016,581)	(2,825,187)	(2,232,953)	(2,153,233)	2,372,206	9,250,203	11,924,579	18,838,999
Total governmental activities net assets	(3,069,485)	(2,973,391)	(1,135,804)	31,507,169	33,992,373	37,481,547	40,120,820	43,575,908	48,780,674	49,998,556
Business-type activities										
Invested in capital assets, net of related debt	201,146,976	188,974,450	168,779,187	123,170,516	141,972,809	187,342,637	174,056,977	164,005,708	173,451,387	167,520,564
Restricted	23,056,896	28,639,263	40,071,044	47,773,019	58,288,930	8,838,606	5,667,314	16,836,846	5,059,388	5,185,299
Unrestricted	37,772,340	35,861,212	33,133,776	82,333,175	47,187,185	44,934,480	41,638,502	35,277,505	33,731,687	37,692,763
Total business-type activities net assets	261,976,212	253,474,925	241,984,007	253,276,710	247,448,924	241,115,723	221,362,793	216,120,059	212,242,462	210,398,626
Primary government										
Invested in capital assets, net of related debt	238,356,317	220,301,621	198,340,993	153,617,523	175,052,828	221,318,356	209,422,789	196,006,181	206,905,955	194,220,586
Restricted	26,739,710	32,427,620	44,390,015	51,658,368	61,434,237	14,497,667	8,050,116	19,162,078	8,460,915	9,644,834
Unrestricted	(6,189,300)	(2,227,707)	(1,882,805)	79,507,988	44,954,232	42,781,247	44,010,708	44,527,708	45,656,266	56,531,762
Total primary government net assets	\$ 258,906,727	\$ 250,501,534	\$ 240,848,203	\$ 284,783,879	\$ 281,441,297	\$ 278,597,270	\$ 261,483,613	\$ 259,695,967	\$ 261,023,136	\$ 260,397,182

Notes:
Implementation of GASB 65 created adjustments from previous years presentations.

City of Decatur
Changes in Net Position
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses											
Governmental activities:											
General Government	\$ 5,901,291	\$ 5,955,991	\$ 5,193,908	\$ 4,878,951	\$ 4,954,798	\$ 5,044,332	\$ 5,010,588	\$ 5,005,446	\$ 5,175,066	\$ 4,421,245	\$ 4,499,566
Public safety	25,332,134	23,111,083	23,949,879	22,981,334	22,958,877	21,943,955	21,414,691	21,236,517	21,631,775	20,949,207	19,883,381
Public works	9,539,842	6,950,859	8,129,042	10,452,310	8,129,190	7,609,409	8,522,763	7,619,663	7,913,537	9,238,083	7,428,328
Public services	10,272,836	10,196,003	9,805,856	8,795,026	10,164,983	10,437,085	9,555,143	10,198,141	10,273,746	11,436,422	9,939,516
Intergovernmental assistance	34,031,485	30,856,146	29,195,207	29,312,427	27,710,626	25,839,587	25,313,985	24,544,626	22,613,644	19,601,360	18,271,003
Community service contracts	2,474,565	2,357,213	2,239,029	2,349,354	2,401,418	2,739,907	3,083,825	3,062,672	2,831,805	2,973,892	2,840,387
Community development	838,904	873,261	728,314	1,841,519	1,026,452	1,750,619	1,734,467	1,099,361	1,449,526	1,315,544	1,647,028
Personnel board	801,764	611,900	620,764	580,781	573,625	594,999	534,424	559,696	525,530	537,308	540,514
Interest on long-term debt	1,625,845	1,586,551	1,774,419	1,837,110	1,910,582	2,147,487	2,342,822	2,581,851	2,675,197	3,227,317	3,411,694
Unallocated depreciation	2,173,814	2,320,990	2,366,814	2,449,953	2,507,112	2,575,465	2,735,488	2,906,451	2,994,155	3,114,842	3,294,946
Total governmental activities expense	92,992,480	84,819,997	84,003,232	85,478,765	82,337,663	80,682,845	80,248,196	78,814,424	78,083,981	76,815,220	71,756,363
Business-type activities:											
Municipal Utilities Board	130,290,772	129,940,544	134,707,491	141,507,769	134,132,114	132,446,082	138,399,838	134,497,905	143,021,311	146,138,993	133,900,304
Point Mallard	5,587,125	5,591,696	5,614,318	5,382,914	5,311,189	4,674,328	4,317,541	4,231,449	4,252,309	4,731,723	4,031,207
Sanitary Landfill	6,676,493	5,946,289	5,579,541	5,593,042	5,582,815	5,600,555	5,114,326	3,961,936	3,509,975	3,561,336	3,319,933
Total business-type activities expenses	142,554,390	141,478,529	145,901,350	152,483,725	145,026,118	142,720,965	147,831,705	142,691,290	150,783,595	154,432,052	141,251,444
Total primary government expenses	235,546,870	226,298,526	229,904,582	237,962,490	227,363,781	223,403,810	228,079,901	221,505,714	228,867,576	231,247,272	213,007,807
Program Revenues											
Governmental activities:											
Charges for services:											
General government	6,495,047	6,101,001	6,642,236	6,546,578	6,118,428	6,356,657	5,713,461	5,130,679	6,064,711	5,723,572	3,197,582
Public safety	1,959,213	2,008,137	2,245,642	2,213,545	2,279,815	2,544,045	2,392,923	2,538,534	2,625,851	2,669,455	2,411,482
Public works	3,930,481	3,918,168	3,920,619	3,358,806	3,295,403	3,221,422	3,126,217	3,026,586	2,718,167	2,793,431	2,667,469
Public services	704,558	692,853	703,562	714,905	777,107	683,828	532,171	569,653	563,471	605,347	509,251
Intergovernmental assistance	-	-	-	264,600	288,963	217,231	96,792	97,363	199,744	208,539	907,140
Community Development	1,944	2,911	7,716	15,068							
Operating grants and contributions	3,930,964	2,191,970	1,322,425	2,837,884	1,571,696	1,603,384	2,041,789	1,208,121	1,413,881	986,048	1,264,494
Capital grants and contributions	3,436,810	2,011,637	2,205,732	1,060,037	1,413,023	2,529,386	529,706	992,144	3,671,862	643,104	875,826
Total governmental activities program revenues	20,459,017	16,926,677	17,047,932	17,011,423	15,744,435	17,155,953	14,433,059	13,563,080	17,257,687	13,629,496	11,833,244
Business-type activities:											
Charges for services:											
Municipal Utilities Board	139,081,130	137,016,266	141,001,444	146,862,667	138,618,004	139,093,646	141,928,757	135,751,956	141,266,120	145,442,999	136,260,625
Point Mallard	5,076,812	5,016,486	5,154,135	4,760,368	4,658,432	4,106,134	3,632,355	3,756,443	3,560,994	3,708,573	3,231,385
Sanitary Landfill	6,040,839	6,022,126	6,094,943	5,926,274	5,853,244	6,178,169	5,858,038	5,481,697	5,089,116	5,127,222	4,920,629
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,195,833	2,539,845	1,205,802	405,913	740,348	985,813	414,573	1,058,497	1,964,787	952,638	1,577,854
Total business-type activities program revenues	151,394,614	150,594,723	153,456,324	157,955,222	149,870,028	150,363,762	151,833,723	146,048,593	151,881,017	155,231,432	145,990,493
Total primary government program revenues	171,853,631	167,521,400	170,504,256	174,966,645	165,614,463	167,519,715	166,266,782	159,611,673	169,138,704	168,860,928	157,823,737
Net (Expense)/Revenue											
Governmental activities	(72,533,463)	(67,893,320)	(66,955,300)	(68,467,342)	(66,593,228)	(63,526,892)	(65,815,137)	(65,251,344)	(60,826,294)	(63,185,724)	(59,923,119)
Business-type activities	8,840,224	9,116,194	7,554,974	5,471,497	4,843,910	7,642,797	4,002,018	3,357,303	1,097,422	799,380	4,739,049
Total primary government net expense	(63,693,239)	(58,777,126)	(59,400,326)	(62,995,845)	(61,749,318)	(55,884,095)	(61,813,119)	(61,894,041)	(59,728,872)	(62,386,344)	(55,184,070)

Notes:
Implementation of GASB 65 created adjustments from previous years presentations.

City of Decatur
Changes in Net Position,
Last Ten Fiscal Years (Unaudited), continued
(accrual basis of accounting)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Revenues and Other Changes in Net Position										
Governmental activities										
Taxes										
Sales & use taxes	42,306,443	39,102,654	37,490,197	36,975,155	36,227,828	35,761,817	34,578,700	33,346,132	32,326,864	36,339,971
Property taxes	19,644,780	18,863,532	19,300,964	19,453,927	18,203,180	18,203,215	18,339,161	18,293,847	17,890,492	16,954,012
Alcoholic beverage taxes	1,867,412	1,848,981	1,768,182	1,750,197	1,785,189	1,815,900	1,889,725	2,058,897	2,079,989	2,178,344
Gasoline taxes	790,070	813,437	762,676	762,635	841,873	849,450	826,571	817,274	854,729	866,383
Automobile taxes	1,439,929	1,468,633	1,393,212	1,385,352	1,397,678	1,335,785	1,258,968	1,256,066	1,316,502	1,386,524
Lodging taxes	1,707,366	1,502,491	1,290,241	1,298,503	1,494,547	1,564,045	1,469,788	1,210,713	1,219,763	1,480,525
Rental taxes	1,174,924	1,160,898	1,075,881	1,061,858	1,016,323	1,121,628	1,085,585	1,062,431	1,433,785	1,393,968
Other taxes	2,270,700	2,640,531	2,603,581	2,433,363	2,473,382	2,315,731	2,082,928	1,947,147	2,188,989	2,032,363
Interest on investments	163,743	85,679	75,454	99,328	134,835	125,155	220,673	272,408	382,714	1,035,330
Other	206,279	711,482	953,234	766,711	748,981	905,614	930,989	42,752	270,146	375,869
Transfers	865,723	(2,142,585)	930,600	(4,891)	(1,219,764)	(3,091,348)	(332,725)	(261,089)	(355,561)	(521,279)
Total governmental activities	72,437,369	66,055,733	67,644,222	65,982,138	63,104,052	60,906,992	62,350,363	60,046,578	59,608,412	63,522,010
Business-type activities:										
Interest on investments	438,987	182,828	173,935	212,843	208,518	221,019	229,545	259,204	390,853	1,795,448
Forgiveness of Long-term debt	-	-	-	-	-	8,797,766	-	-	-	-
Other	87,779	49,311	46,454	138,555	61,011	-	-	-	-	-
Transfers	(865,723)	2,142,585	(930,600)	4,891	1,219,764	3,091,348	332,725	261,089	355,561	521,279
Total business-type activities	(338,957)	2,374,724	(710,211)	356,289	1,489,293	12,110,133	562,270	520,293	746,414	2,316,727
Total primary government	72,098,412	68,430,457	66,934,011	66,338,427	64,593,345	73,017,125	62,912,633	60,566,871	60,354,826	65,838,737
Change in Net Position										
Governmental activities	(96,094)	(1,837,587)	688,922	(2,485,204)	(3,489,176)	(2,619,900)	(3,464,774)	(5,204,766)	(1,217,882)	336,286
Business-type activities	8,501,267	11,490,918	6,844,763	5,827,786	6,333,203	19,752,930	4,564,288	3,877,596	1,843,836	3,116,107
Total primary government	\$ 8,405,173	\$ 9,653,331	\$ 7,533,685	\$ 3,342,582	\$ 2,844,027	\$ 17,133,030	\$ 1,099,514	\$ (1,327,170)	\$ 625,954	\$ 3,452,393

Notes:
Implementation of GASB 65 created adjustments from previous years presentations

City of Decatur
Fund Balances--Governmental Funds
Last Ten Fiscal Years (Unaudited)

	2017	2016	2015	2014	2013	2012	2011		2010	2009	2008
General Fund								General Fund			
Nonspendable	\$ 25,204	\$ 19,543	\$ 21,299	\$ 21,549	\$ 13,545	\$ 33,486	\$ 24,092	Reserved	\$ 589,640	\$ 623,643	\$ 620,606
Restricted	1,312	1,312	1,312	1,311	0	0	0	Unreserved	19,591,466	20,507,843	23,136,284
Committed	21,062,702	21,230,959	17,809,129	17,009,274	10,871,653	14,444,242	16,427,815				
Assigned	-	-	-	-	751,791	653,402	778,556				
Unassigned	10,304,555	9,831,764	9,031,061	6,153,212	9,365,011	4,929,105	3,707,793				
Total general fund	<u>31,393,773</u>	<u>31,083,578</u>	<u>26,862,801</u>	<u>23,185,346</u>	<u>21,002,000</u>	<u>20,060,235</u>	<u>20,938,256</u>	Total general fund	<u>20,181,106</u>	<u>21,131,486</u>	<u>23,756,890</u>
All Other Governmental Funds								All Other Governmental Funds			
Nonspendable	1,035,972	1,114,186	1,068,386	1,021,886	985,086	940,236	886,196	Reserved	2,025,447	1,451,421	2,493,068
Restricted	2,645,530	2,672,858	3,249,271	2,862,151	827,177	2,089,301	66,004	Unreserved, reported in:			
Committed	5,903,693	2,705,450	4,289,409	4,283,113	7,369,361	10,340,213	2,368,053	Special purposes	-	-	-
Assigned	-	-	-	-	-	1,090,523	6,186,691	Special revenue funds	2,905,305	3,610,185	2,590,092
Unassigned	-	(403,248)	(284,827)	(631,842)	(531,029)	(3,226,317)	(591,464)	Capital projects funds (a)	1,484,186	2,601,381	3,278,650
Total all other governmental funds	<u>\$ 9,585,195</u>	<u>\$ 6,089,246</u>	<u>\$ 8,322,239</u>	<u>\$ 7,535,308</u>	<u>\$ 8,650,595</u>	<u>\$ 11,233,956</u>	<u>\$ 8,915,480</u>	Total all other governmental funds	<u>\$ 6,414,938</u>	<u>\$ 7,662,987</u>	<u>\$ 8,361,810</u>

Notes:

Retroactive application of Statement 54 was not implemented for Fund Balances shown prior to 2011.

City of Decatur
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years (Unaudited)

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Sales & use taxes	\$ 42,306,443	\$ 39,102,654	\$ 37,490,198	\$ 36,975,156	\$ 36,227,829	\$ 35,761,817	\$ 34,578,700	\$ 33,346,135	\$ 32,326,864	\$ 36,339,971
Property taxes	13,076,829	12,771,314	12,804,007	12,449,851	11,568,399	11,426,462	11,686,642	11,218,029	10,739,439	9,936,417
Other taxes	8,901,979	8,930,750	8,439,412	8,194,022	8,491,566	8,511,059	8,179,629	8,004,948	8,506,615	8,939,531
Licenses & permits	6,419,707	6,500,840	6,874,042	6,332,105	6,395,655	6,452,426	5,930,213	5,250,842	6,074,151	6,097,503
Fines & forfeitures	1,084,515	1,123,993	1,277,650	1,483,398	1,294,427	1,158,209	1,397,745	1,566,624	1,653,106	1,537,289
Revenues from money & property	395,853	305,821	278,241	295,724	331,552	335,715	437,777	461,205	547,055	1,224,431
Charges for services	5,341,448	5,321,168	5,350,291	4,791,185	4,746,517	4,648,317	4,378,276	4,306,050	3,876,829	3,958,824
Intergovernmental	12,372,847	10,373,846	10,236,944	11,472,765	10,122,422	10,950,800	9,751,238	9,323,451	10,138,379	9,231,663
Gifts & donations	280,405	226,081	155,629	108,180	79,115	190,764	7,600	50,500	81,383	171,487
Other revenues	1,268,944	1,050,811	825,963	640,298	762,753	772,327	940,355	44,972	155,030	219,020
Total revenues	91,448,970	85,707,278	83,732,377	82,742,684	80,020,235	80,207,896	77,288,175	73,572,756	74,098,851	77,656,136
Expenditures										
General Government	4,929,165	5,606,753	4,511,312	4,456,127	4,354,201	4,207,598	4,032,711	4,016,914	4,076,940	4,041,456
Public safety	27,468,639	23,356,634	23,406,958	22,038,762	22,665,964	22,262,093	20,700,647	21,489,174	22,545,457	24,420,567
Public works	22,133,489	7,967,892	8,326,936	11,542,923	10,146,277	8,301,676	9,143,890	7,963,402	7,930,561	9,526,118
Public services	9,835,207	9,704,966	9,362,391	8,948,313	9,743,971	10,443,037	12,280,657	10,045,869	10,949,244	10,892,284
Intergovernmental assistance	28,155,808	26,931,950	25,487,456	24,699,081	22,984,911	22,298,492	21,608,450	20,873,837	19,272,133	19,941,091
Community service contracts	2,474,565	2,357,213	2,239,029	2,349,354	2,401,419	2,739,907	3,083,825	3,062,672	2,831,805	2,973,892
Community development	973,435	2,123,977	2,311,183	1,841,519	1,465,521	3,399,597	1,734,467	1,099,361	1,635,289	1,315,546
Personnel board	801,764	611,900	620,764	580,781	573,625	594,999	534,424	559,696	525,530	537,308
Debt Service: Principal	3,344,319	3,227,479	3,576,260	3,469,657	4,250,001	6,498,052	4,741,306	4,586,418	5,134,778	5,331,457
Interest and fiscal charges	1,440,280	1,645,140	1,734,540	1,797,817	1,856,179	2,194,321	2,259,325	2,387,670	2,983,520	3,233,231
Debt issuance costs	86,803	354,892	-	-	-	157,790	124,206	-	482,284	1,310
Capital projects construction and outlay	-	-	-	-	-	-	-	-	-	319,116
Total expenditures	101,643,474	83,888,796	81,576,829	81,724,334	80,442,069	83,097,562	80,243,908	76,085,013	78,367,541	82,533,376
Excess (deficiency) of revenues over expenditures	(10,194,504)	1,818,482	2,155,548	1,018,350	(421,834)	(2,889,666)	(2,955,733)	(2,512,257)	(4,268,690)	(4,877,240)
Other Financing Sources (Uses)										
Long-term debt issued	5,140,000	21,630,000	2,500,000	-	-	23,101,500	6,500,000	-	21,945,000	-
Premium on debt issue	97,594	316,632	-	-	-	261,492	46,149	-	325,960	-
Capital lease proceeds	422,596	-	-	54,600	-	-	-	574,929	614,474	-
Payment to escrow agent	-	(14,105,614)	-	-	-	(15,941,523)	-	-	(21,585,422)	-
Transfers in	5,996,202	2,858,215	749,409	849,219	752,865	3,480,350	1,332,003	1,105,334	3,293,644	1,399,865
Transfers (out)	(5,130,479)	(3,055,196)	(940,571)	(854,110)	(1,972,629)	(6,571,698)	(1,664,728)	(1,366,423)	(3,649,205)	(1,921,144)
Total other financing sources (uses)	6,525,913	7,644,037	2,308,838	49,709	(1,219,764)	4,330,121	6,213,424	313,840	944,451	(521,279)
Net change in fund balance	\$ (3,668,591)	\$ 9,462,519	\$ 4,464,386	\$ 1,068,059	\$ (1,641,598)	\$ 1,440,455	\$ 3,257,691	\$ (2,198,417)	\$ (3,324,239)	\$ (5,398,519)
Debt service as a percentage of noncapital expenditures	5.7%	6.3%	6.8%	6.7%	6.7%	8.1%	11.3%	9.4%	9.6%	11.5%

** Capital outlay and construction are included in the expenditure function categories

**City of Decatur
Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years (Unaudited)**

Fiscal Year	Residential Property	Commercial and Industrial Property	Public Utility Property	Less: Tax-Exempt Property	Net Assessed Value	Total Direct Tax Rate	**Estimated Actual Taxable Value	Net Assessed Value as a Percentage of Actual Taxable Value
2008	195,464,700	493,699,740	9,130,580	173,096,040	525,198,980	18.6 Mills	3,492,218,167	15.04%
2009	200,069,940	534,383,300	8,777,200	207,876,920	535,353,520	18.6 Mills	3,564,183,133	15.02%
2010	201,477,560	561,757,560	9,239,000	209,795,900	562,678,220	18.6 Mills	3,696,595,567	15.22%
2011	203,965,920	548,823,220	9,374,540	220,558,700	541,604,980	18.6 Mills	3,586,547,067	15.10%
2012	201,541,160	555,002,400	9,316,980	204,461,620	561,398,920	18.6 Mills	3,676,450,300	15.27%
2013	200,898,580	605,860,720	9,258,020	190,522,460	625,494,860	18.6 Mills	3,991,799,167	15.67%
2014	199,699,520	627,784,140	9,382,520	210,588,960	626,277,220	18.6 Mills	3,981,836,067	15.73%
2015	198,796,920	645,795,960	9,039,260	230,243,280	623,388,860	18.6 Mills	3,961,013,167	15.74%
2016	199,647,480	654,237,080	7,172,520	221,571,380	639,485,700	18.6 Mills	4,055,584,500	15.77%
2017	201,551,340	678,834,860	6,880,340	235,556,020	651,710,520	18.6 Mills	4,118,475,267	15.82%

Source:
Morgan County Revenue Commissioner

Total Direct Tax Rate is \$.0186 per \$1,000 of taxable assessed value.

**The county assesses public utility property at 30% of appraised value, commercial and industrial property at 20% and residential and historical property at 10%.

Property in Morgan County is assessed annually.

City of Decatur
 Direct and Overlapping Property Tax Rates,
 Last Ten Fiscal Years (Unaudited)
(rate per \$1,000 of assess value)

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	City Schools	County Schools	Morgan County	State of Alabama
2008	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2009	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2010	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2011	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2012	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2013	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2014	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2015	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2016	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2017	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills

Source:
 Morgan County Revenue Commissioner

Notes:
 Overlapping rates are those of local and county governments that apply to property owners within the City of Decatur.

City of Decatur
Principal Property Taxpayers,
Last Ten Fiscal Years (Unaudited)

Taxpayer	2008			2009			2010			2011			2012		
	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value
Bunge Corporation	8,702,100	3	1.66%	10,263,540	3	1.92%	10,583,820	3	1.88%	10,583,820	3	1.95%	11,674,840	3	2.08%
BellSouth	8,499,400	4	1.62%	9,442,740	4	1.76%	7,337,600	4	1.30%	7,337,600	4	1.35%	6,949,400	4	1.24%
Hexel Corporation	13,997,040	2	2.67%	22,905,500	2	4.28%	35,580,040	2	6.32%	35,580,040	2	6.57%	39,485,680	2	7.03%
General Electric/Haier	4,242,200	7	0.81%	4,543,620	7	0.85%	6,044,220	5	1.07%	6,044,220	5	1.12%	6,468,900	5	1.15%
National Healthcare	2,674,800	9	0.51%	-	-	-	2,761,420	10	0.49%	3,830,960	9	0.71%	-	-	-
Nucor Steel	95,310,360	1	18.15%	128,517,280	1	24.01%	135,048,680	1	24.00%	135,048,680	1	24.93%	125,141,860	1	22.29%
O.C.I. Chemical Corp	-	-	-	5,299,680	9	0.99%	-	-	-	-	-	-	4,872,960	8	0.87%
Meow Mix	8,657,940	6	1.65%	8,644,500	6	1.61%	8,784,220	6	1.56%	8,784,220	6	1.62%	8,356,000	6	1.49%
Charter Communications	-	-	-	-	-	-	-	-	-	-	-	-	2,949,640	10	0.53%
Hyosung USA, Inc.	-	-	-	-	-	-	3,430,800	9	0.61%	3,430,800	10	0.63%	-	-	-
First Republic Group Realty	5,232,860	5	1.00%	5,189,300	5	0.97%	4,780,840	7	0.85%	4,780,840	7	0.88%	-	-	-
Marine Terminals of Ala	2,500,980	8	0.48%	-	-	-	-	-	-	-	-	-	-	-	-
ITW Sexton	2,777,740	10	0.53%	-	-	-	-	-	-	-	-	-	-	-	-
ITC-AL LLC	-	-	-	7,188,780	8	1.34%	7,321,540	8	1.30%	7,321,540	8	1.35%	-	-	-
Ardent Mills, LLC (Conagra)	-	-	-	4,550,000	10	0.85%	-	-	-	-	-	-	5,054,000	7	0.90%
Coyote Garrison Decatur LLC	-	-	-	-	-	-	-	-	-	-	-	-	3,693,320	9	0.66%
Polyplex USA, LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 152,595,420		29.05%	\$ 206,544,940		38.58%	\$ 221,673,180		39.40%	\$ 222,742,720		41.13%	\$ 214,646,600		38.23%
Net City Taxable Assessed Value			525,198,980			535,353,520			562,678,220			541,604,980			561,398,920

Source:
Revenue Commissioner of Morgan County

* Denotes company was not a principal taxpayer for year reported.

City of Decatur
Principal Property Taxpayers,
Last Ten Fiscal Years (Unaudited), continued

Taxpayer	2013			2014			2015			2016			2017		
	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value
Bunge Corporation	22,273,940	3	3.56%	18,185,860	3	2.90%	19,230,040	3	3.08%	18,957,020	4	2.96%	15,686,620	5	2.41%
BellSouth	6,721,200	6	1.07%	6,867,200	6	1.10%	6,918,000	6	1.11%	4,923,500	8	0.77%	6,596,200	7	1.01%
Hexel Corporation	58,219,400	2	9.31%	73,919,400	2	11.80%	80,968,860	2	12.99%	88,503,120	2	13.84%	115,923,600	1	17.79%
General Electric/Haier	8,286,840	5	1.32%	9,210,420	5	1.47%	17,694,600	5	2.84%	24,603,100	3	3.85%	23,886,940	3	3.67%
National Healthcare	-			-			-		-			-			
Nucor Steel	119,504,540	1	19.11%	110,906,620	1	17.71%	108,511,480	1	17.41%	100,342,940	1	15.69%	85,160,720	2	13.07%
O.C.I. Chemical Corp	5,116,740	10	0.82%	4,392,840	10	0.70%	4,248,060	9	0.68%	4,287,060	9	0.67%	4,046,600	10	0.62%
Meow Mix	7,018,020	7	1.12%	6,151,880	7	0.98%	5,960,260	7	0.96%	12,920,104	6	2.02%	5,922,580	8	0.91%
Charter Communciations	*			*			*		*			*			
Hyosung USA, Inc.	*			*			*		*			*			
First Republic Group Realty	*			*			*		*			*			
Marine Terminals of Ala	*			*			*		*			*			
ITW Sexton	*			*			*		*			*			
ITC-AL LLC	9,713,600	8	1.55%	9,109,400	8	1.45%	8,646,880	8	1.39%	8,179,880	7	1.28%	7,718,520	6	1.18%
Ardent Mills, LLC (Conagra)	4,992,080	9	0.80%	5,769,920	9	0.92%	-		4,398,960	10	0.69%	4,124,760	9	0.63%	
Coyote Garrison Decatur LLC	*			*			3,571,720	10	0.57%	*		*			
Polyplex USA, LLC	11,052,460	4	1.77%	20,117,180	4	3.21%	19,955,600	4	3.20%	18,940,400	5	2.96%	18,162,900	4	2.79%
Total	\$ 252,898,820		40.43%	\$ 264,630,720		42.25%	\$ 275,705,500		44.23%	\$ 286,056,084		44.73%	\$ 287,229,440		44.07%
Net City Taxable Assessed Value			625,494,860			626,277,220			623,388,860			639,485,700			651,710,520

Source:
Revenue Commissioner of Morgan County

* Denotes company was not a principal taxpayer for year reported.

Numbers have been revised in 2008 to reflect net assessed value. Prior to revision, numbers were based on assessed value.

City of Decatur
Property Tax Levies and Collections,
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	17,059,718	16,850,721	98.77%	32,161	16,882,882	99.0%
2009	17,845,697	17,842,973	99.98%	9,698	17,852,671	100.0%
2010	18,613,467	18,346,672	98.57%	1,443	18,348,115	98.6%
2011	18,214,808	18,047,311	99.08%	1,965	18,049,277	99.1%
2012	18,382,932	18,311,608	99.61%	1,461	18,313,069	99.6%
2013	19,709,515	19,414,409	98.50%	434	19,414,843	98.5%
2014	20,014,092	19,942,029	99.64%	4,124	19,946,153	99.7%
2015	20,345,222	20,228,986	99.43%	430	20,229,416	99.4%
2016	20,759,796	20,673,012	99.58%		20,673,012	99.6%
2017**	21,301,129					

Source:

Morgan County Revenue Commissioner

** FY 17 revenue collected amounts will not be available until mid-July 2018

FY 16 collections in subsequent years will not be available until mid-July 2018

Notes:

Property class I, II, and III are levied and collected one year in arrears. Due October 1 and delinquent after December 31.

Collected includes remittance, assessment commissions, collection commissions, and expenses.

Expenses include reappraisal, supernumerary, and salary.

Collections in subsequent years include insolvents, bankruptcy, and escapes.

City of Decatur
Taxable Sales by Category,
Current Year and Nine Prior Calendar Years (Unaudited)
(In thousands)

Category Description	Calendar Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Apparel	\$ 41,401	\$ 72,483	\$ 62,724	\$ 61,670	\$ 61,993	\$ 57,589	\$ 52,534	\$ 54,923	\$ 63,494	\$ 66,241
Multi-Line Retail	\$ 148,859	\$ 210,809	\$ 170,418	\$ 169,766	\$ 173,710	\$ 173,354	\$ 150,440	\$ 167,912	\$ 135,093	\$ 194,174
Restaurants	\$ 201,243	\$ 154,769	\$ 138,512	\$ 129,213	\$ 124,740	\$ 128,813	\$ 95,124	\$ 84,534	\$ 88,955	\$ 95,996
Grocery Stores	\$ 89,777	\$ 80,136	\$ 78,899	\$ 74,277	\$ 75,415	\$ 78,959	\$ 67,321	\$ 66,760	\$ 77,044	\$ 80,101
Building Materials	\$ 78,528	\$ 77,028	\$ 63,561	\$ 60,476	\$ 58,530	\$ 59,790	\$ 46,877	\$ 48,784	\$ 74,413	\$ 115,558
Automobile Dealers	\$ 317,935	\$ 294,061	\$ 230,500	\$ 217,491	\$ 201,947	\$ 189,072	\$ 115,422	\$ 57,844	\$ 150,216	\$ 280,506
Household Furnishings	\$ 27,439	\$ 28,083	\$ 26,665	\$ 24,961	\$ 18,203	\$ 16,654	\$ 14,205	\$ 14,908	\$ 12,277	\$ 16,557
Convenience Stores	\$ 31,931	\$ 35,557	\$ 33,510	\$ 32,371	\$ 28,268	\$ 31,453	\$ 29,235	\$ 32,519	\$ 65,220	\$ 107,623
All other outlets	\$ 381,769	\$ 558,504	\$ 477,803	\$ 494,117	\$ 440,491	\$ 447,227	\$ 381,307	\$ 334,197	\$ 211,402	\$ 169,134
Total	\$ 1,318,882	\$ 1,511,430	\$ 1,282,591	\$ 1,264,342	\$ 1,183,297	\$ 1,182,911	\$ 952,465	\$ 862,381	\$ 878,114	\$ 1,125,890

Source:
City Revenue Department

Notes:
City direct sales tax rate is 4%
Information prior to 2010 did not include refunds

**City of Decatur
Direct and Overlapping Sales Tax Rate,
Last Ten Fiscal Years (Unaudited)**

Fiscal Year	City Direct Rate	Morgan County	State of Alabama
2008	4.00%	1.00%	4.00%
2009	4.00%	1.00%	4.00%
2010	4.00%	1.00%	4.00%
2011	4.00%	1.00%	4.00%
2012	4.00%	1.00%	4.00%
2013	4.00%	1.00%	4.00%
2014	4.00%	1.00%	4.00%
2015	4.00%	1.00%	4.00%
2016	4.00%	1.00%	4.00%
2017	4.00%	1.00%	4.00%

Source:
City Revenue Department

Notes:
Tax rates indicated are the general rate.

**City of Decatur
Principal Sales Tax Remitters,
Last 10 Calendar Years (Unaudited)**

Tax Remitter Description	Calendar Year 2017			Calendar Year 2016			Calendar Year 2015		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,890,428	1	8.04%	\$ 3,842,685	1	9.45%	\$ 3,708,054	1	9.75%
Manufacturer	2,108,019	2	4.36%	1,627,433	2	4.00%	1,880,011	2	4.95%
Grocery store	1,065,203	4	2.20%	1,002,354	4	2.46%	1,224,425	3	3.22%
Multi-line retailer	900,660	5	1.86%	849,926	6	2.09%	875,168	5	2.30%
Building materials /hard line	1,169,429	3	2.42%	1,138,342	3	2.80%	1,040,212	4	2.74%
Multi-line retailer	603,855	9	1.25%	590,507	10	1.45%	698,811	7	1.84%
Grocery store	887,086	6	1.83%	858,139	5	2.11%	832,716	6	2.19%
Apparel Store	555,165	10	1.15%	607,759	9	1.49%	638,815	10	1.68%
Building materials /hard line	756,826	7	1.56%	741,728	7	1.82%	693,029	8	1.82%
Automobile dealer	739,811	8	1.53%	725,808	8	1.78%	639,662	9	1.68%
Apparel Store									
Multi-line retailer									
Manufacturer									
Total	\$ 12,676,482		26.19%	\$ 11,984,680		29.46%	\$ 12,230,903		32.18%

Tax Remitter Description	Calendar Year 2014			Calendar Year 2013			Calendar Year 2012		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,587,180	1	9.59%	\$ 3,413,220	1	9.27%	\$ 3,143,958	1	8.76%
Manufacturer	2,100,098	2	5.61%	1,375,066	2	3.74%	1,657,104	2	4.62%
Grocery store	1,136,174	3	3.04%	1,112,742	3	3.02%	1,113,659	3	3.10%
Multi-line retailer	867,320	5	2.32%	909,758	5	2.47%	960,704	4	2.68%
Building materials /hard line	994,952	4	2.66%	954,004	4	2.59%	946,466	5	2.64%
Multi-line retailer	689,663	7	1.84%	730,711	7	1.99%	800,484	6	2.23%
Grocery store	754,482	6	2.02%	765,625	6	2.08%	727,061	7	2.03%
Apparel Store	661,069	8	1.77%	692,994	8	1.88%	664,751	8	1.85%
Building materials /hard line	660,209	9	1.76%	635,330	9	1.73%	600,205	9	1.67%
Automobile dealer	577,733	10	1.54%	*			532,527	10	1.48%
Apparel Store				*			*		
Multi-line retailer				*			*		
Manufacturer				615,354	10	1.67%	*		
				*			*		
Total	\$ 12,028,879		32.15%	\$ 11,204,804		30.44%	\$ 11,146,919		31.06%

Source:

City Revenue Department

Notes:

Confidentiality requirements prohibit disclosure of tax remitter business names.

**City of Decatur
Principal Sales Tax Remitters,
Last 10 Calendar Years (Unaudited), Continued**

Tax Remitter Description	Calendar Year 2011			Calendar Year 2010			Calendar Year 2009		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,155,015	1	9.01%	\$ 3,267,680	1	10.17%	\$ 3,332,677	1	10.31%
Manufacturer	1,593,683	2	4.55%	1,488,051	2	4.63%	1,215,992	2	3.76%
Grocery store	1,087,599	3	3.11%	943,588	4	2.94%	881,470	4	2.73%
Multi-line retailer	963,404	4	2.75%	960,358	3	2.99%	929,286	3	2.87%
Building materials /hard line	892,307	5	2.55%	902,975	5	2.81%	876,426	5	2.71%
Multi-line retailer	740,366	6	2.11%	677,686	6	2.11%	*		
Grocery store	686,460	7	1.96%	655,050	7	2.04%	630,738	7	1.95%
Apparel Store	598,786	9	1.71%	525,665	10	1.64%	496,031	8	1.53%
Building materials /hard line	610,317	8	1.74%	587,857	8	1.83%	664,293	6	2.05%
Automobile dealer	560,643	10	1.60%	554,647	9	1.73%	*		
Apparel Store	*			*			327,451	9	1.01%
Multi-line retailer	*			*			324,700	10	1.00%
Manufacturer	*			*			*		
	*			*			*		
Total	\$ 10,888,581		31.09%	\$ 10,563,557		32.89%	\$ 9,679,064		29.93%

Tax Remitter Description	Calendar Year 2008		
	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,432,359	1	9.64%
Manufacturer	2,164,933	2	6.08%
Grocery store	908,885	4	2.55%
Multi-line retailer	885,335	5	2.49%
Building materials /hard line	1,152,320	3	3.24%
Multi-line retailer	*		
Grocery store	590,565	7	1.66%
Apparel Store	458,425	9	1.29%
Building materials /hard line	680,106	6	1.91%
Automobile dealer	503,718	8	1.41%
Apparel Store	354,459	10	1.00%
Multi-line retailer	*		
Manufacturer	*		
Total	\$ 11,131,105		31.26%

Source:

City Revenue Department

Notes:

Confidentiality requirements prohibit disclosure of tax remitter business names.

City of Decatur
Gas, Electric, Water, and Wastewater Operating Revenues
Last Ten Fiscal Years (Unaudited)

<u>Fiscal Year</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
2008	92,242,668	34,360,009	8,604,599	10,235,723	145,442,999
2009	98,913,684	24,628,903	8,084,517	9,639,016	141,266,120
2010	93,571,114	21,495,060	9,266,433	11,419,349	135,751,956
2011	97,869,957	19,456,250	10,260,760	14,341,790	141,928,757
2012	96,544,683	15,701,341	11,512,382	15,335,240	139,093,646
2013	94,768,138	17,835,792	10,935,251	15,078,823	138,618,004
2014	98,306,039	20,956,097	11,841,254	15,759,277	146,862,667
2015	95,544,700	16,663,591	12,489,561	16,303,592	141,001,444
2016	92,196,471	13,333,262	14,795,250	16,691,283	137,016,266
2017	91,740,396	14,198,279	15,875,358	17,267,097	139,081,130

City of Decatur
Ratio of Outstanding Debt by Type,
Last Ten Fiscal Years (Unaudited)
(Thousands of dollars)

Fiscal Year	Governmental Activities			Business-type Activities					Total Primary Government	*Percentage of Personal Income	Total Debt per Capita
	General Obligation Warrants	Notes Payable	Capital Leases	Water Revenue Warrants	Wastewater Revenue Warrants	Water Notes Payable	Wastewater Notes Payable	Capital Leases			
2008	63,273	-	-	18,545	17,545	-	-	-	99,363	6.78%	1,799
2009	59,542	-	401	17,915	15,700	-	-	-	93,558	7.71%	1,750
2010	55,352	-	579	16,245	13,790	-	-	-	85,966	6.44%	1,546
2011	57,498	-	191	14,630	11,810	6,877	15,665	-	106,671	8.24%	1,881
2012	59,028	-	-	16,080	19,915	-	-	-	95,023	6.82%	1,693
2013	54,778	-	-	25,175	55,370	-	-	-	135,323	9.87%	2,402
2014	51,318	-	45	23,300	52,495	-	-	-	127,158	9.37%	2,254
2015	50,253	-	34	21,370	49,530	-	-	-	121,187	8.80%	2,161
2016	54,841	-	24	19,380	46,475	-	-	-	120,720	8.74%	2,157
2017	56,648	-	435	17,320	43,320	-	-	-	117,723	8.29%	2,099

Sources:

Estimates from the Morgan County Economic Development Association
 See Schedule 19 (E-1) for personal income and per capita data

** Notes Payable for 2011 related to the Business-Type Activities relate to loans from the Alabama Drinking Water Finance Authority and the Alabama Water Pollution control Authority to the Municipal Utilities Board Fund in the amounts noted above. In 2012, portions of these loans were forgiven with the remainder being paid in full with the issuance of warrants in the amount of \$3,215,000 for the Water Authority and \$10,530 for the Wastewater System. Therefore, there were no outstanding loans as of September 30, 2012.

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**City of Decatur
Ratio of General Bonded Debt Outstanding,
Last Ten Fiscal Years (Unaudited)**

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2008	62,855,830	1.80%	1,138
2009	59,542,038	1.67%	1,114
2010	55,351,670	1.50%	996
2011	57,366,976	1.60%	1,012
2012	59,028,296	1.61%	1,052
2013	54,778,295	1.37%	972
2014	51,318,049	1.29%	910
2015	50,252,354	1.27%	896
2016	54,840,756	1.35%	980
2017	56,647,650	1.38%	1,010

Sources:

Morgan County Economic Development Association for 2006 through 2011 population estimates

**City of Decatur
Direct and Overlapping Governmental Activities Debt,
As of September 30, 2017 (Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percent Applicable to City</u>	<u>City's Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
City of Decatur general obligation bonds & warrants	\$ 56,647,650	100.00%	<u>\$ 56,647,650</u>
Total Direct Debt			56,647,650
* City of Decatur Board of Education	122,700,891	100.00%	56,647,650
Morgan County	28,710,000	47.50%	13,637,250
Morgan County Board of Education	49,578,701	47.50%	<u>23,549,883</u>
Total Overlapping Debt			93,834,783
Total direct and overlapping debt			<u>\$ 150,482,433</u>

The percentage of overlapping debt applicable to the City is calculated on the basis of the ratio of the estimated 2017 net assessed valuation of all taxable property in the City (\$651,710,520 - exclusive of taxable property outside the boundaries of Morgan County - to that of all net taxable property in Morgan County (\$1,372,130,260).

*Decatur Board of Education Capital Outlay Warrants funded by property tax.

Sources:

Morgan County Revenue Commissioner
Debt outstanding provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Decatur. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident - and therefore responsible for repaying the debt - of each overlapping government.

**City of Decatur
 Legal Debt Margin Information,
 Last Ten Fiscal Years (Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 105,039,796	\$ 107,070,704	\$ 112,535,644	\$ 108,320,996	\$ 112,279,784	\$ 125,098,972	\$ 125,255,444	\$ 124,677,772	\$ 127,897,140	\$ 130,342,104
Total net debt applicable to limit	56,997,969	55,330,038	52,555,819	52,377,645	53,225,534	48,278,295	44,818,049	43,752,354	45,305,756	49,257,651
Legal debt margin	48,041,827	51,740,666	59,979,825	49,443,351	52,554,250	70,320,677	73,937,395	74,425,418	\$ 82,591,384	\$ 81,084,453
Total net debt applicable to the limit as a percentage of debt limit	54.26%	51.68%	46.70%	48.35%	47.40%	38.59%	35.78%	35.09%	35.42%	37.79%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 887,266,540
Less tax exempt property	<u>(235,556,020)</u>
Net Assessed Value	651,710,520
Debt limit (20% of net assessed value)	130,342,104
Debt applicable to limit:	
General obligation bonds**	49,257,651
Less: School	<u>-</u>
Total net debt applicable to limit	<u>49,257,651</u>
Legal debt margin	<u>\$ 81,084,453</u>

Note:
 Numbers were revised in 2008 to reflect net assessed value. Prior to revision, numbers were based on assessed value.

**City of Decatur
Pledged-Revenue Coverage,
Last Ten Fiscal Years (Unaudited)**

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service	Coverage
2008	146,806,157	136,753,211	10,052,946	4,823,628	2.08%
2009	141,472,819	133,607,497	7,865,322	5,064,336	1.55%
2010	135,864,145	124,879,664	10,984,481	4,657,987	2.36%
2011	142,061,998	128,939,530	13,122,468	4,579,979	2.87%
2012	139,253,683	122,587,716	16,665,967	5,523,435	3.02%
2013	138,764,202	123,584,281	15,179,921	6,570,620	2.31%
2014	147,026,063	129,276,053	17,750,010	7,398,849	2.40%
2015	141,138,101	123,318,615	17,819,486	7,548,849	2.36%
2016	137,016,266	117,453,066	19,563,200	7,461,046	2.62%
2017	139,081,130	117,854,008	21,227,122	7,283,843	2.91%

**City of Decatur
Demographic and Economic Statistics,
Last Ten Fiscal Years (Unaudited)**

Fiscal Year	Population	Personal Income <i>Thousands of dollars</i>	Per Capita Personal Income	Median Age	Graduated	School Enrollment	Unemployment Rate
2008	55,233	1,465,608	26,535	38.4	521	8,873	4.9%
2009	53,465	1,213,549	22,698	38.9	536	8,812	10.6%
2010	55,588	1,335,335	24,022	39.4	498	8,723	9.0%
2011	56,696	1,293,803	22,820	40.4	500	8,545	9.9%
2012	56,114	1,392,918	24,823	37.0	605	8,516	6.8%
2013	56,342	1,371,195	24,337	37.3	499	8,312	6.4%
2014	56,416	1,356,861	24,051	37.4	557	8,476	6.1%
2015	56,068	1,376,638	24,553	37.8	546	8,693	5.7%
2016	55,974	1,380,711	24,667	38.0	534	8,484	5.6%
2017	56,077	1,419,253	25,309	38.2	506	8,814	3.2%

Sources:
Morgan County Economic Development Association
Decatur City Schools

**City of Decatur
Principal Employers
Current Year and Prior Nine Years (Unaudited)**

Employer	2017			2016			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Decatur Morgan Hospital	1,365	1	5.02%	1,365	1	4.58%	1,449	1	5.24%
General Electric/Haier	1,325	2	4.88%	1,295	2	4.35%	1,338	2	4.84%
Decatur City Schools	1,133	3	4.17%	1,133	3	3.80%	1,200	3	4.34%
Decatur General Hospital	-			*			*		
United Launch Alliance	607	10	2.23%	820	7	2.75%	808	7	2.92%
3M Company	850	6	3.13%	850	6	2.85%	850	6	3.07%
Wayne Farms Fresh	881	5	3.24%	871	5	2.92%	871	5	3.15%
Nucor Steel	709	8	2.61%	721	8	2.42%	721	8	2.61%
City of Decatur	662	9	2.44%	658	10	2.21%	665	10	2.40%
Wayne Farms East/West	1,002	4	3.69%	942	4	3.16%	942	4	3.41%
Parkway Medical Center	*			*			*		
BP America	*			*			*		
Gemstone Foods, LLC	711	7	2.62%	711	9	2.39%	570	9	2.06%
Total	9,245		34.03%	9,366		31.44%	9,414		34.04%

Employer	2014			2013			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Decatur Morgan Hospital	1,449	1	4.32%	1,449	1	4.62%	1,449	1	4.30%
General Electric	1,300	2	3.88%	1,298	2	4.14%	1,250	2	3.71%
Decatur City Schools	1,200	3	3.58%	1,200	3	3.83%	1,200	3	3.56%
Decatur General Hospital	*			*			*		
United Launch Alliance	849	5	2.53%	849	5	2.71%	854	4	2.53%
3M Company	850	4	2.53%	887	4	2.83%	815	5	2.42%
Wayne Farms Fresh	795	6	2.37%	795	6	2.54%	800	6	2.37%
Nucor Steel	715	7	2.13%	710	7	2.26%	710	7	2.11%
City of Decatur	670	9	2.00%	693	9	2.21%	693	8	2.06%
Wayne Farms East/West	696	8	2.08%	696	8	2.22%	568	9	1.68%
Parkway Medical Center	*			*			*		
BP America	444	10	1.32%	467	10	1.49%	457	10	1.36%
Gemstone Foods, LLC									
Total	8,968		26.74%	9,044		28.85%	8,796		26.09%

Source:
Morgan County Economic Development Association

Notes:
Decatur General Hospital and Parkway Medical Center merged with Huntsville Hospital and became Decatur Morgan Hospital in September 2012.

**City of Decatur
Principal Employers
Current Year and Prior Nine Years (Unaudited), continued**

Employer	2011			2010			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Decatur Morgan Hospital	*			*			*		
General Electric	1,250	1	4.07%	1,250	1	3.98%	1,250	1	3.65%
Decatur City Schools	1,205	2	3.92%	1,205	2	3.84%	1,205	2	3.52%
Decatur General Hospital	1,000	3	3.25%	1,000	3	3.19%	1,000	3	2.92%
United Launch Alliance	760	6	2.47%	654	7	2.08%	654	6	1.91%
3M Company	880	4	2.86%	760	5	2.42%	760	4	2.22%
Wayne Farms Fresh	826	5	2.69%	858	4	2.73%	858	5	2.51%
Nucor Steel	719	7	2.34%	713	6	2.27%	700	8	2.05%
City of Decatur	680	8	2.21%	675	8	2.15%	675	7	1.97%
Wayne Farms East/West	568	9	1.85%	444	9	1.41%	444	10	1.30%
Parkway Medical Center	414	10	1.35%	414	10	1.32%	*		
BP America	*			*			446	9	1.30%
Wolverine Tube									
Goodyear Tire & Rubber									
Total	8,302		27.00%	7,973		25.39%	7,992		23.36%

Employer	2008		
	Employees	Rank	Percentage of Total City Employment
Decatur Morgan Hospital	*		
General Electric	1,390	1	3.86%
Decatur City Schools	1,205	2	3.35%
Decatur General Hospital	1,200	3	3.33%
United Launch Alliance	684	6	1.90%
3M Company	830	4	2.31%
Wayne Farms Fresh	799	5	2.22%
Nucor Steel	710	8	1.97%
City of Decatur	673	7	1.87%
Wayne Farms East/West	418	10	1.16%
Parkway Medical Center	*		
BP America	446	9	1.24%
Wolverine Tube	*		
Goodyear Tire & Rubber	*		
Total	8,355		23.22%

Source:
Morgan County Economic Development Association

Notes:
Decatur General Hospital and Parkway Medical Center merged with Huntsville Hospital and became Decatur Morgan Hospital in September 2012.

City of Decatur
 Full-Time-Equivalent City Government Employees by Function,
 Last Ten Fiscal Years (Unaudited)

Function/Program	Full-Time-Equivalent Employees as of September 30									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government	52	47	46	45	46	44	42	43	41	44
Public Safety	274	269	275	276	282	288	284	275	272	263
Public Works	54	55	64	74	81	79	76	76	81	81
Public Services	68	68	63	63	72	71	71	77	72	78
Intergovernmental Assistance	23	22	21	23	20	18 **	16	18	19	19
Municipal Utilities Board	163	168	166	162	163	163	164	163	165	163
Point Mallard	8	8	9	8	10	10	9	9	11	10
Sanitary Landfill	20	21	21	19	19	20	18	14	14	13
Total	662	658	665	670	693	693	680	675	675	671

Source:
 City of Decatur Personnel Board
 Decatur Utilities Personnel Department

** Includes MPO employee that moved to City of Decatur payroll in FY 12

City of Decatur
Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government										
Building permits issued	3,051	3,325	3,039	5,319	3,090	3,225	3,132	2,910	3,703	3,133
Building inspections conducted	5,340	5,863	5,476	8,758	5,084	4,026	6,096	6,751	5,487	8,004
Police										
Adult arrests	3,881	3,930	4,635	5,325	4,770	5,264	5,594	5,428	6,291	6,500
Traffic citations	14,020	15,692	14,133	16,943	16,462	11,490	15,204	15,948	16,022	16,695
Fire										
Inspections	410	210	172	108	101	168	93	182	154	91
Emergency medical responses	4,758	5,354	5,709	5,937	4,183	3800	3872	5281	3917	3885
Fire and/or Hazmat responses	1,988	1,838	1,558	1,479	901	857	930	1467	1291	1004
Refuse collections										
Recyclables collected in tons	2,049	2,223	2,926	2,563	2,180	2,052	1,301	1,416	1,381	1,488
Garbage and trash collected	35,368	34,397	33,755	36,042	34,142	34,108	37,287	38,164	39,608	36,384
Municipal Utilities Board										
Electrical connections	26,599	26,582	26,525	26,487	26,515	26,618	26,513	26,453	26,403	26,595
Water connections	25,375	25,362	25,340	25,295	25,260	25,194	25,244	25,144	25,155	25,154
Wastewater connections	20,448	20,416	20,388	20,319	20,297	20,245	20,327	20,293	20,308	20,338
Gas connections	13,561	13,637	13,661	13,613	13,690	13,640	13,691	13,793	13,785	13,861

Source:
 Various city departments

City of Decatur
Capital Asset Statistics by Function/Program,
Last Ten Fiscal Years (Unaudited)

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Police										
Stations	5	5	3	4	3	3	3	3	3	3
Vehicles	162	160	166	166	167	161	153	135	135	137
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Pumper Fire trucks	9	10	9	10	10	12	10	10	13	13
Special Response Vehicle	5	5	5	5	5	3	3	3	4	4
Sanitation										
Garbage collection trucks		17	17	16	16	17	17	17	17	17
Other public works										
Paved streets (miles)	336	336	336	336	336	335	335	335	334	333
Unpaved streets (miles)	7	7	7	7	7	7	7	7	7	7
Paved invert drainage channels (miles)	48	48	48	48	48	48	48	48	48	48
Storm drainage conduits (miles)	145	145	145	145	144	143	143	143	143	143
Parks and Recreation										
Number of parks*	26	26	26	26	26	26	26	26	26	26
Acres of Parks	1278	1278	1278	1278	1278	1,278	1,278	1,278	1,278	1,278
Golf courses (public & private)	4	4	4	4	4	4	4	4	4	4
Tennis courts	46	46	46	46	46	46	46	46	46	46
Recreations centers	4	4	5	5	5	5	4	4	4	4
Senior citizen centers	2	2	2	2	2	2	2	2	2	2
Ball fields in use	35	35	35	35	35	35	35	35	35	35
Enclosed swimming pool	1	1	1	1	1	1	1	1	1	1
Open air swimming pools	2	2	2	2	2	2	2	2	2	2
Soccer facilities (acres)	62	62	62	62	62	62	62	62	62	62
Ice rinks	1	1	1	1	1	1	1	1	1	1
Marina/boat launch	2	2	2	2	2	2	2	2	2	2
Campgrounds	1	1	1	1	1	1	1	1	1	1
Municipal Utilities Board										
Water mains (miles)	490	487	487	484	484	484	481	480	480	478
Gas mains (miles)	421	420	420	418	418	415	414	414	413	412
Electric lines (miles)	594	593	593	593	593	593	592	592	592	592
Sanitary sewers (miles)	358	350	348	342	342	341	340	340	340	337
Fire hydrants in service	2048	2039	2032	2028	2026	2,019	2,011	2,009	2,019	2,003

Sources:

Various city departments and capital assets records