



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING
SEPTEMBER 30, 2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF TUSCALOOSA, ALABAMA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2016

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**CITY OF TUSCALOOSA
FINANCIAL REPORT
September 30, 2016**

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CITY OF TUSCALOOSA

PO BOX 2089
TUSCALOOSA, AL 35401



Letter of Transmittal

April 28, 2017

To the Members of the City Council and the Citizens of the City of Tuscaloosa, Alabama:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Tuscaloosa, Alabama (City) for the fiscal year ended September 30, 2016. To the best of our knowledge and belief, the information, as presented, is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and component units of the City in accordance with generally accepted accounting principles (GAAP). All disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. It is the responsibility of the management of the City to prepare the CAFR and ensure both the accuracy of the data and the completeness and fairness of the presentation. With this in mind, management has established a system of controls implemented throughout all City functions that is designed to help protect the City from theft, misuse or loss due to error and to ensure the reliability of any financial information produced from their office. In recognizing that the costs of controls should not outweigh the anticipated benefits, the objective of this internal control structure is designed to provide reasonable, rather than absolute, assurance that these objectives are met.

The Alabama State Law requires an annual audit of all accounts of the City be made by an independent certified public accountant and an annual financial report be published. *JamisonMoneyFarmer PC*, a certified public accounting firm located in Tuscaloosa, conducted the audit and their auditor's report is included in the beginning of the financial section of this report. This report contains an unqualified opinion on the City's financial statements for the year ended September 30, 2016. As a recipient of federal and state financial assistance, the City is also required to undergo an annual single audit in conformity with the federal law provisions of the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Through this single audit, tests are made to determine the adequacy of the internal control structure, focusing on the portion related to federal assistance programs, as well as to determine that the City has complied with applicable laws and regulations. This single audit has been performed, and the separately issued Single Audit Report, which includes the Schedule of Expenditures of Federal Awards, findings and recommendations, and the auditor's reports on internal control structure and compliance with applicable laws and regulations, has been forwarded to the City's grantor agencies for review and is available upon request.

Included in this CAFR are three sections of information separated by data type: the introductory section, the financial section and the statistical section. This transmittal letter, which provides a non-technical summary of City finances economic prospects and achievements, along with a copy of the City's Certificate of Achievement for Excellence in Financial Reporting, the primary government's organizational chart and a listing of all City officials comprise the introductory section. The financial section then includes the independent auditor's report mentioned in the preceding paragraph, management's discussion and analysis (MD&A), the basic financial statements, the required supplementary information for other post-employment benefits, the primary government's combining and individual fund statements as well as supplemental information on the primary government's utility function. The MD&A provides a narrative introduction, overview and analysis of the City's financial statements and can be found immediately following the report of the independent auditors. It complements this letter of transmittal and should be read in conjunction with it. Finally, the statistical section is comprised of schedules that depict selected financial and demographic information that is generally presented on a multi-year basis for purposes of comparison analysis. The information and presentation of this statistical section has not been audited.

Profile of the Government

The City of Tuscaloosa is located in west Alabama on the banks of the Black Warrior River. The City is the fifth largest in the state with an estimated population of 98,000 and in 2016 boasts the third largest state-wide growth rate since 2010. The Tuscaloosa metropolitan area, anchored by the City of Tuscaloosa, expands that population to include approximately 240,000. Located along the I-20/59 corridor, Tuscaloosa is 57 miles west of Birmingham, the largest city in Alabama.

Tuscaloosa is home to the University of Alabama campus, which was founded in 1820, has an enrollment of 37,665 students and is home to the 2015 National Champion Crimson Tide football team. From football to gymnastics, to basketball, to baseball to rowing, cross country, golf, soccer, softball, swimming/diving, tennis, track and field, and volleyball, the University of Alabama has won more than two dozen national championships and numerous more conference championships and individual achievements. Tuscaloosa residents and many national sports publications have nicknamed the City "Title Town" or "The City of Champions." Along with this university, Tuscaloosa is home to both Stillman College and Shelton State Community College, creating a thriving hub of education and culture not otherwise found in southern cities of similar size.

The City of Tuscaloosa was named the "Most Livable City", top honors at the U.S. Conference of Mayors in 2011, which is contributed to by a resurgence of its lively downtown atmosphere and picturesque Riverwalk that is anchored by the Tuscaloosa Amphitheatre. With all of these amenities, Tuscaloosa provides a high quality of life to all residents.

The City was incorporated on December 13, 1819, and from 1826 to 1846 was the capital of Alabama. The City operated under a Commission form of government until



Historic Greensboro Avenue clock

October 7, 1985. At that time, the City began operating under a Mayor and seven-member council, with the council members elected by districts and the Mayor being elected at-large. Responsibility for day-to-day operations of the City rests with the Mayor as chief executive officer. Walt Maddox was elected and sworn in as Mayor in October 2005 after sitting as Councilmember for District Six for four years. All Councilmembers sit on various Council Committees that interact directly with City departments.

The City of Tuscaloosa provides a full range of municipal services including:

- Police and fire protection
- General administration
- Community development
- Economic development
- Planning and zoning
- Solid waste management
- Construction and maintenance of streets and infrastructure
- Water and sewer sanitation services
- Recreational activities and cultural events

The Reporting Entity

This report includes the basic financial statements of the funds of the City of Tuscaloosa as detailed above along with financial information of legally separate boards and authorities that provide City services and for which the City is financially accountable. The City evaluates its financial reporting entity in accordance with Governmental Accounting Standards Board requirements to identify the various organizations as: (1) organizations which are part of the City's legal entity; (2) organizations that are legally separate and for which the City appoints a voting majority of the organization's governing body and the City is either able to impose its will or has the potential of receiving a financial benefit or realizing a financial burden from the organization; and (3) organizations that are fiscally dependent on the City. The audited financial statements for the Tuscaloosa Tourism and Sports Commission and the Tuscaloosa County Parking and Transit Authority are included with the basic financial statements of the City as discreetly presented component units (separate from the primary government). Additional information on these legally separate entities along with the reason for their inclusion can be found in the notes to the financial statements. The City's participation in the joint ventures Black Warrior Solid Waste Authority, Tuscaloosa County Minimum Security Facility, and Metro Animal Shelter, Inc., is also disclosed in the notes to the financial statements

Budgetary Overview

A major part of the City's financial planning and control is comprised of the annual budget adoption and maintenance throughout the fiscal year. The City is legally required to adopt a budget for the General Fund and the Water and Sewer Fund no later than the close of the immediately preceding fiscal year. This formal adoption is created by the passage of a budget ordinance that provides control at fund level (e.g. General Fund), department level (e.g. Tuscaloosa Fire and Rescue Services), division level (e.g. Paramedics), and activity level (e.g. personnel salaries). The ordinance sets the maximum legal expenditure limit for the ensuing fiscal year. Public hearings are held prior to the final budget adoption for Councilmember discussion and debate as well as for obtaining any taxpayer comments. Budgetary tracking is maintained at the activity level through encumbrance of actual or estimated purchase amounts prior to the release of purchase orders to vendors. Accountability for budgetary compliance is maintained at the department level with main responsibility resting with the department head. Department heads, including the Mayor, have the authority to approve transfers within most activity line items. However, certain specified line item transfers require resolution of

the City Council. Transfers between separate funds must be approved by the Council. The City undergoes a quarterly budgetary review process to maintain oversight in which the Mayor and his financial budgetary team meet with each department head. Any budgetary revisions needed are noted during these meetings and are then compiled and, if necessary, presented to the City Council's Finance Committee and then the full City Council for approval. Comparisons of fund and department budgets to actual amounts are detailed in the basic financial statements and supplemental information sections of this report. The City also has two primary capital improvement funds for which financial designations are made by the Council, however, no formal budget ordinance is adopted.

The City's budget is prepared in accordance with generally accepted accounting principles (GAAP), with the exception that capital outlays and debt service payments related to the operation of individual departments are budgeted within those departments. The financial statements presented in the financial section of this report are presented in accordance with GAAP; that is, for all governmental funds, capital outlays have been aggregated in a single line 12 captioned "capital outlay." Debt service expenditures are presented in a single line caption in the GAAP financial statements, as well.

Major Initiatives

Infrastructure Investment

On May 21, 2015, Governor Robert Bentley signed into law Act No. 2015-202 which overhauled the distribution of local sales tax revenue among governmental entities, school systems and authorities within Tuscaloosa County. The new act combines the county's 2-cent permanent sales tax, which was previously shared among five governmental entities and DCH Regional Medical Center, with a 1-cent temporary sales tax that was previously dedicated primarily for school construction by the local boards of education. Under the new law, the 1-cent sales tax becomes permanent and the shared allocation of the now combined 3-cent tax now includes the newly formed Tuscaloosa County Road Improvement Commission. The new distribution became effective July 1, 2016.

The Tuscaloosa County Road Improvement Commission (TCRIC) uses its portion of the sales tax allocation to address state road needs throughout the county. Specifically, the act details priority funding for improvements to major infrastructure projects such as Alabama Highway 69 North and South, Mitt Lary Road, Martin Luther King Jr. Boulevard, Jack Warner Parkway and Bear Creek Cutoff, as well as an extension to McWrights Ferry Road and upgrades to McFarland Boulevard. Over the next ten years, the newly restructured tax along with the creation of the Tuscaloosa County Road Improvement Commission gives the opportunity to have \$200 million worth of infrastructure projects completed that will solve long-standing issues from a transportation standpoint.

In May of 2016, Mayor Walt Maddox proposed to the TCRC for the City to oversee three of the large projects detailed in the state act in order to accelerate the construction of the projects while also reducing the costs. These three projects are improvements to the McFarland Boulevard and Hargrove Road intersection, the extension of McWright's Ferry Road, and improvements to Jack Warner Parkway and Martin Luther King Boulevard. In total, the City will be taking on approximately \$83 million in road projects. Agreements currently in place with the TCRC and the City detail that the City will provide the initial financing for these three projects with reimbursement of all project costs, debt service costs and possible interest coming from the TCRC.

In addition to these major projects, a City-wide repaving project that will total \$9.3 million and cover approximately 38 miles of streets outside of the City's disaster recovery zone is currently underway. This combined with the already allocated disaster recovery street resurfacing of \$3.2 million will provide repairs to more than 100 streets throughout the City.

Operational Reorganization

In October 2015, Mayor Walt Maddox proposed a major overhaul to the organizational structure of city operations that aims to improve services for residents and customers and streamline city government activities. The plan eliminated four City departments: the Office of the City Engineer, the Department of Planning and Development Services, the Office of Economic Development and the Revenue Department. The plan also created two new departments:

- The Office of Urban Development, meant to deal with short-term projects, developments, repairs and operations
- The Office of Infrastructure and Public Services, meant to oversee longer-term projects and operations, such as master planning and broader visions of the City's future

Aspects of the eliminated offices have been realigned under the new departments and the existing Finance department

- The billing function for the Water and Sewer Business Office is now housed the newly renamed Accounting and Finance Department
- The collection of Water and Sewer accounts receivable is now combined with development and permit collections in the newly formed Business Services division of the Office of Urban Development
- The operations and maintenance of the water and sewer treatment, collections and distribution systems are under the new Department of Infrastructure and Public Services
- The Facilities Maintenance, Environmental Services and Transportation departments along with the Office of Resiliency and Innovation have all been reorganized and fall under the Department of Infrastructure and Public Services.

The reorganization was intended to break down barriers and integrate all government operations, simplifying delivery of city services by maximizing resources. City operations have gained numerous operational efficiencies throughout this process. Legal changes to City code and redefining operational role definition were tackled during the summer of 2016 and city employee transition began in the fall with the start of the new 2017 fiscal year. The City is currently in the final phases of completing facility upgrades to accommodate shifts in operations, creation of a new general ledger and budgetary departmental structure as well as finalizing new hires and adjusted current employee role definitions.

Disaster Recovery

Recovery from the April 27, 2011, tornado continues to be a major priority of the City. The 1.5 mile wide EF-4 tornado that left a path 6 miles long was the most destructive natural disaster in Tuscaloosa history and the fifth largest national natural disaster at the time. Approximately 12 percent of the City was damaged or destroyed. A total of 53 lives were lost and at least 4,289 homes and 421 businesses were damaged or destroyed. The City expended approximately \$8.8 million for non-budgeted immediate disaster related activities including: public safety overtime for search and rescue and security in the affected area; environmental service crew overtime for debris removal; transportation department overtime for infrastructure closure and damage evaluation; water and sewer department overtime for the evaluation of water distribution and purification infrastructure damage and water supply safety; damaged structure demolition; damaged and destroyed city fleet replenishment; and the evaluation and cataloging of damaged city facilities and information storage. The presidentially-declared disaster opened the door for the City to

receive Federal Emergency Management Agency (FEMA) funding through the Public Assistance Program to reimburse a majority of those emergency expenditures. The City continues to work with FEMA in this manner and as of September 30, 2016, recognizes a \$2.09 million receivable for obligated reimbursements. The City has since rebuilt most of the ten City facilities that were lost, utilizing a \$28.5 million insurance settlement that was collected during the 2012 fiscal year.

Along with the insurance proceeds, the City of Tuscaloosa was awarded \$16.6 million in 2012 and another \$43.9 million in 2013 in federal Community Development Block Grant – Disaster Recovery funding. Another \$4.1 million was awarded in 2013 in a Community Development Block Grant – Special Allocation funding specifically designated to be used in the disaster area. In general, fiscal year 2013 saw the planning for some of the large scale disaster recovery projects funded through these allocations undertaken with fiscal year 2014 seeing the start of construction that has continued through fiscal year 2016. Major projects include the Alberta Parkway Revitalization project, University Place/Forest Lake City Walk project, and the 10th Avenue Corridor Revitalization project along with numerous partnerships with housing developers, economic development incentive programs, and initiatives to bring technology to affected low income areas. The Disaster Recovery Construction Fund is considered a major fund type and houses all federal grant award activities listed expending approximately \$17.3 million and \$16.3 million in fiscal years 2015 and 2016, respectively.

Alberta in east Tuscaloosa saw the hardest brunt of the tornado's destructive power. It was here that the tornado reached its widest swath and highest wind velocity wiping out enormous areas of residential and commercial sectors. The City has focused on the public investment in rebuilding this area with the newly erected Fire Station #4, East Police Precinct, Alberta Parkway, Alberta Elementary School of Performing Arts, The Gateway: Alberta's Technology and Innovation Center, a \$4 million digital library and technology center which opened in June of 2016, and the newly approved Alberta Park and fountain which broke ground in February 2017.

Riverfront Development

The development along the Black Warrior River continues to grow. In 2011, the City built and opened the Tuscaloosa Amphitheater and the River Market and, with these facilities, created the Arts and Entertainment Department within City operations. In 2016, the Tuscaloosa Amphitheater, an outdoor venue with a 7,470 seating capacity, hosted 12 concerts ranging in artist genres from Jill Scott and Rascal Flatts to Newsboys, Chris Stapleton and NeedToBreathe. The River Market hosts a year-round farmers market and numerous other events as a venue for hire. Accompanied by the ever expanding Riverwalk, a presently 4.5-mile long paved trail that runs through trees, over water and across wooden bridges along the southern bank of the Black Warrior River, these publicly built facilities have made the riverfront a prime location for pedestrian traffic while connecting the City's downtown area with the University of Alabama campus.



Tuscaloosa Amphitheater located along the Black Warrior River at 2710 Jack Warner Pkwy boasts a seating capacity of 7,470.

Spurred by the public investment of these lifestyle enhancing facilities, recent private development along the riverfront includes a \$42 million, 452-bed mixed-use development with 40,000 square feet of retail space that completed construction on the 7.6-acre lot at the major corner of Greensboro Avenue and Jack Warner Parkway in October 2014. Tuscaloosa also saw its first riverfront hotel, Hotel Indigo, a boutique property designed to reflect the culture and surrounding neighborhood, open in September 2016. This five story hotel features 91 rooms, a fitness center, meeting space and a 2,500-square-foot rooftop terrace bar and lounge overlooking the scenic Black Warrior River and Tuscaloosa Amphitheater. The hotel added another \$20 million in riverfront development.

Factors Affecting Financial Conditions

The information presented in the financial statements is best understood when considered with the broader perspective of the specific environment within which the City operates. Many factors affect the City's financial strength including, but not limited to, the national economy, allocations by federal and state governmental agencies, local economic development, and quality of local education systems.

Local Economic Condition

The City began a period of recovery after the 2008-2010 national recession and its financial position continues to strengthen. The 2016 fiscal year saw the continuation of that growth with an increase in the major sales tax revenue sources of 3.32% over 2015 levels with a 5 year average growth rate of 2.75%. As spending habits appear to have permanently changed, it is a main focus of Tuscaloosa economic development efforts to diversify the local industrial and commercial market along with encouraging residential growth which will promote revenue stability.

Tuscaloosa's combined sales tax rate is currently nine percent, on par with one other major Alabama city, Huntsville (the fourth largest city in Alabama) but less than the ten percent rates in Montgomery (the state capitol and the second largest city in Alabama), Birmingham (the largest city in Alabama) and Mobile (the third largest city in Alabama). However, of those combined sales tax rates, Tuscaloosa's direct city sales tax rate is the lowest at two percent. This makes diversification of the business base especially critical because sales taxes are directly related to employment and market offerings.

The local unemployment rate remains stable at 5.7% at October 2016, up slightly from 5.4% at the same time the previous year. This is below state-wide figure of 6.1% but above the national rate of 4.6% for the same time period. The population of the City grew at an average rate of 2.59% over the previous 5 year period and as previously mentioned is the third largest state-wide growth rate since 2010. A stable employment rate coupled with a growing population is a good sign for local business conditions.

Significant economic development diversification in the retail sector includes the newly opened Shoppes of Legacy Park. The 217,500-square-foot, \$62 million shopping development broke ground on November 18, 2014 with the aid of a \$16.57 million economic incentive package from the City. The first anchor store, The Fresh Market, opened in August 2015 and the other five anchors followed shortly thereafter. In total, the shopping center is expected to house eighteen completely new-to-the-market shops and restaurants, generating \$37 million in annual sales, and supply 400 new jobs to the local economy.

Another commercial sector showing expansion is lodging. The new Embassy Suites hotel, a \$31 million investment, sits in the heart of downtown and houses a fine dining establishment and 7,000 square feet of meeting space on top of its 151 room suites. Upon opening on March 10, 2015, the eight story hotel sold out every room-night for the 2015 football season within two hours. Due to its prime location, downtown businesses and restaurants should see more foot traffic and the lodging tax revenue generated from this property is expected to reach \$720,000 in fiscal year 2017. The hotel's meeting space has helped fill a major gap in the Tuscaloosa market and now attracts conferences that previously left Tuscaloosa off of their possible host city lists due to the lack of large meeting spaces in the area. This downtown centerpiece will soon be combined with the Hotel Indigo property mentioned in the Riverfront Development section above and two other national chain hoteliers, Regent Club and Residence Inn, to provide the Tuscaloosa market with approximately 130,000 new hotel room-nights. Lodging tax has historically performed above average for the Tuscaloosa area gaining at a rate of 4.54% over 2015 levels and 5.14% over a five year period.

Discussion regarding the hotel and lodging market in Tuscaloosa in conjunction with market impact wouldn't be complete without mention of the University of Alabama football gameday scenarios. The UA football team won four out of eight national championships between the years 2009 and 2016. Bryant-Denny Stadium currently seats 101,821, and on large game weekends almost that same number of non-ticket holders also come to Tuscaloosa. This makes football season the most lucrative for Tuscaloosa-based tourism businesses each fiscal year. The City's Revenue Office of the Accounting & Finance Department estimates that each home football game weekend brings in around \$17 million from various revenue sources.



Blue Angels flyover Bryant-Denny Stadium for a University of Alabama Campus Crimson Tide home football game.

2015 saw the biggest industrial expansion in West Alabama history with the announcement of Mercedes-Benz U.S. International's \$1.3 billion plant expansion to its sprawling automotive assembly complex. Construction is currently ongoing and expected to be complete in mid-2017. Production at the facility is tentatively slated to start around December 2019. This will add 1.4 million square feet of body shop space to accommodate the demand for Mercedes' sport utility vehicles that are manufactured at the plant while creating 300 new jobs. This unprecedented investment is the largest single industrial expenditure recorded in Tuscaloosa County. MBUSI has been the cornerstone of industrial development in the Tuscaloosa area beginning in 1993 with the West Alabama site selection with production starting in 1997 with the M-Class (now renamed the GLE). The plant started at that time with 1,500 team members and 68,724 units produced of the lone model type. With this new expansion, the facility grows to 3,500 team members, five total model types produced (M-Class, R-Class, GL-Class, C-Class, GLE-Coupe) and a total production capacity of 300,000-plus units. When this expansion is completed, Mercedes' total investment in MBUSI will come to \$5.8 billion. During the last two decades, the automotive sector has grown into the state's largest industry. Starting with Mercedes production in Tuscaloosa in 1997, Honda and Hyundai have built auto plants in Alabama, Toyota has built an engine plant and dozens of automotive suppliers have helped create the core of the Southeast automotive corridor.



Logos of automotive manufacturers and automotive part suppliers in the Tuscaloosa cluster.

In addition to the direct impact that MBUSI has on the local economy, many supplier manufactures follow adding yet more jobs and economic impact to the area. According to economic experts, each job directly created by MBUSI creates another seven jobs at suppliers and service providers. In August 2014, Bolta U.S. Inc., a Germany-based plastics and chrome plating manufacturer, became the newest member of Alabama's largest automotive cluster when it broke ground on its new \$50 million, 180,000-square-foot production facility located at the Tuscaloosa County Airport Industrial Park. The plant will initially supply parts to MBUSI and a Volkswagen plant in Chattanooga, TN and will employ more than 350 people. Another Mercedes parts supplier, Samvardhana Motherson Group (SMG), the Nodia, India-based plastics manufacturer, announced in May 2015 that it would build SMP Automotive Systems Alabama Inc. (SMP), a \$153.9 million plant that would employ 650 people. The 700,000-square-foot plant will be built in Cedar Cove Technology Park, located a few miles south of the MBUSI complex, and will make auto bumpers, door panels and other plastic components for auto interiors. SMP is one of two new facilities that SMG is building worldwide to fill its largest order from Daimler AG (parent company of MBUSI) worth \$2.45 billion.

Even with a continually diversifying industrial and commercial market, the City of Tuscaloosa's main economic driver continues to be the University of Alabama. The University of Alabama has been named as one of the Great Value Colleges with tuition rates remaining low when compared nationwide. This attracts a large number of out-of-state students (currently 54% of total enrollment is attributed to out-of-state students) who bring with them a family-based income level that is largely discretionary. According to a study performed during the Spring 2015 semester by the Institute for Social Science Research, an organization sponsored by the University of Alabama, the combined spending power of all student groups is approximately \$366 million.

The University of Alabama has increased enrollment by over 14,000 in 10 years and with that increased enrollment comes large construction projects on campus to meet demands of the student population. New housing and student amenities include the new Presidential Village that opened in the fall semester of 2014. This building complex includes a \$32 million, 85,000-square-foot student activity center with 971 residents living in two- and four-bedroom suites. The University oversaw a \$44.9 million renovation of its student union building, The Ferguson Center, in the summer of 2014 as well as the \$42.6 million complete demolition and rebuilding of Sewell Thomas Stadium (baseball) and the 11,163-square-foot, \$4.6 million construction of the facility for the women's rowing team. The University announced plans in April 2015 to build a new \$60 million, 109,000-square-foot performing arts center on the Bryce Hospital grounds that it acquired from the Alabama Department of Mental Health in 2010.

Financial Policies

The City's fund balance policy ties the minimum unassigned fund balance in both the General Fund and the Capital Projects Fund to 10 percent of the prior year General Fund operating budget. For the fiscal year ended September 30, 2016, this amount is \$11,953,717. Per the basic financial statements located in this report, the actual amount unassigned in the General Fund is \$11,953,717, exactly meeting the minimum requirement. For the Capital Projects Fund, the September 30, 2016, fund balance assigned for future capital projects (without any specific commitment) is \$27,718,919; \$15,765,202 above current necessary policy levels.

Policy also states that the minimum unrestricted net position in the Water and Sewer Fund be maintained at 30 percent of operating expenses. For the fiscal year ended September 30, 2016, this would amount to \$10,639,487 with actual unrestricted net position being \$14,198,267.

The City adheres to an investment policy that emphasizes, in order of priority, safety, liquidity and return on investment.

The City implemented Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB 25" in fiscal year 2015 which specifies the disclosure and supplemental information requirements for pension plans. The statement improves accounting and financial reporting by state and local governments for pensions by requiring inclusion of Net Pension Liability on the employer's balance sheet and pension expense in the employers income statement. The statement became effective for all fiscal years beginning after June 15, 2014.

Long-Term Financial Planning

The most recent long term planning scenario available from the City's Finance, Revenue and Human Resources Departments indicates that cost increases continue to put stress on the City budget. The main factors driving increased expenditures are increased costs for employee health insurance benefits, pension responsibilities and operating costs for new facilities. Various strategies are being used to ensure balanced budgets including cost cutting and productivity improvements, a strong commitment to an affordable CIP and strict management of employee health care benefits.

The City's financial team continuously monitors market interest rates and how they can be applied advantageously to the City's finances. In November 2016, the City issued general obligation warrants in the amount of \$30.1 million in order to take advantage of lower market interest rates. This new debt was used to refund existing general obligation warrants held at a higher interest rate.

An important factor in assessing the economic health of the City and its finances is the credit rating assigned by credit agencies. Standard & Poor's reaffirmed the City's bond rating at AA+ in an October 2016 report citing factors such as a "strong economy with a local stabilizing institutional influence," including the fact that "Tuscaloosa continues to serve as a retail and commercial hub for a multi-county area that extends into eastern Mississippi." Other factors cited by Standard & Poor's include "strong management, with good financial policies and practices," "strong budgetary performance" and "very strong liquidity." Moody's Investors Service issued a rating of Aa1, also in October 2016. Maintaining these prestigious credit ratings along with a focus on improving them is a high priority of the City management and the City Council.

Risk Management

The City of Tuscaloosa's risk management program includes identification and analysis of areas susceptible to loss along with assigning the appropriate risk management techniques to mitigate those risks. The risk reduction techniques include loss prevention and loss reduction through periodic inspections and training. The City opened its Internal Audit Division in March 2014. This office supports all risk reduction techniques by supporting internal controls within the City through assessment and review of existing accounting and management controls; ascertaining compliance with existing plans, policies and procedures along with the reliability of accounting; and other data developed within the City. Insurance and self-insurance is used for risk financing. However, some loss exposures are retained by the City and paid for out of the operating budgets.

Other Information

Awards

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 Tuscaloosa, Alabama for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2015. This was the twenty-eighth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both the United States generally accepted accounting principles and applicable legal requirements.

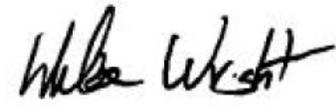
A Certificate of Achievement is valid only for a period of one year. We believe that our current report continues to conform to Certificate of Achievement Program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the comprehensive annual financial report would not have been possible without the efficient and dedicated services of the entire Accounting and Finance Department staff. We would like to express our appreciation to each member of the financial team that spans across multiple departments, the City Council, the City's department heads, and the employees for their contribution to the sound financial condition of the City of Tuscaloosa, Alabama.



Walt Maddox
Mayor



Mike Wright
Chief Financial Officer



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

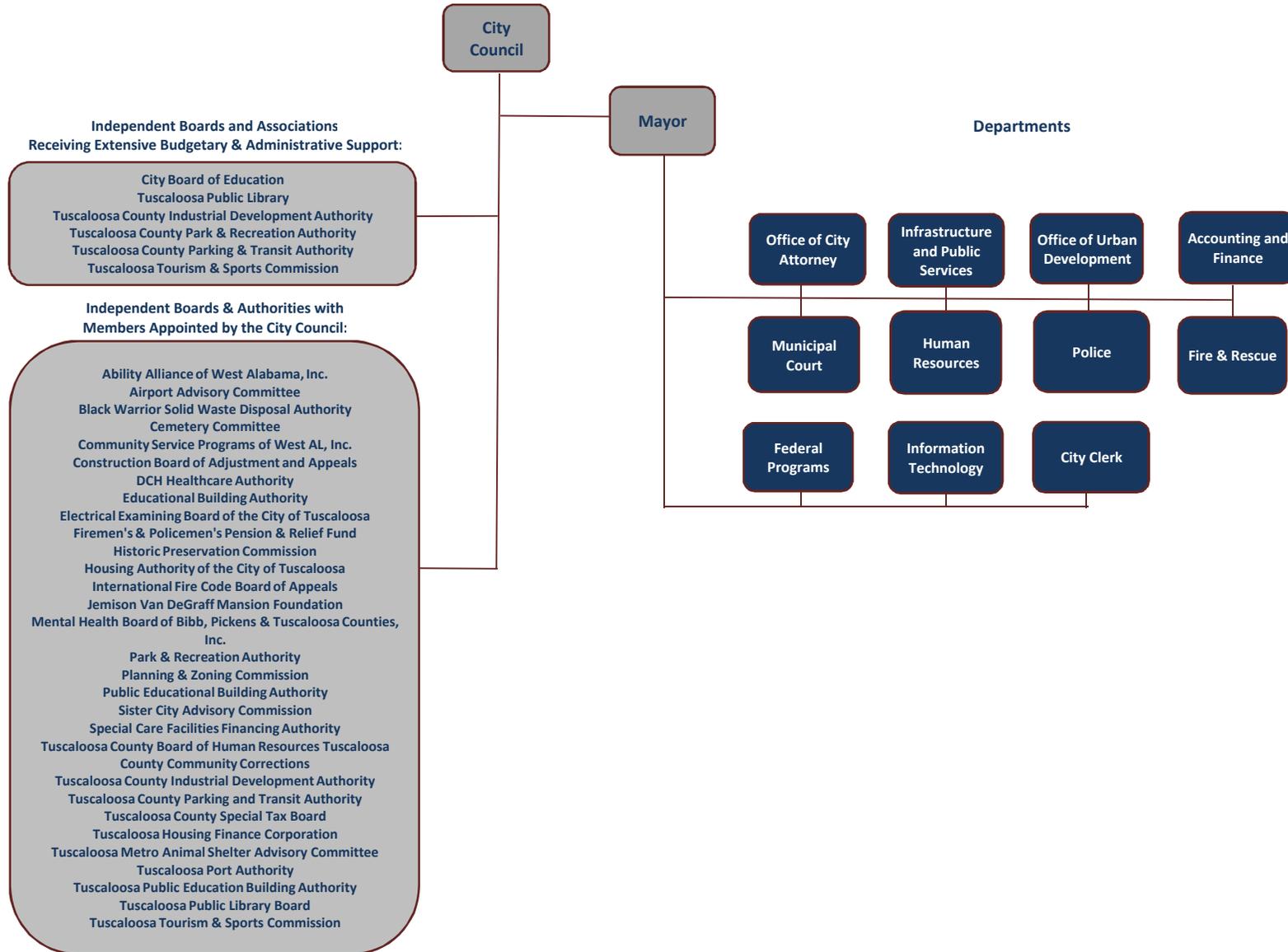
City of Tuscaloosa
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

City of Tuscaloosa Organization Chart





Executive Branch

Walt Maddox, Mayor

Legislative Branch

Phyllis Odom	District 1
Harrison Taylor	District 2
Cynthia Almond	District 3
Matthew Calderone	District 4
Kip Tyner	District 5
Edwin Pugh	District 6
Sonya McKinstry	District 7

Judicial Branch

Ricky McKinney	Municipal Court Judge
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Department Heads

Mike Wright	<i>Accounting and Finance Department</i>
Debby Clements	<i>Acting City Clerk</i>
Alan Martin	<i>Fire & Rescue</i>
Brian Butler	<i>Human Resources</i>
Chuck Crocker	<i>Information Technology</i>
Tera Tubbs	<i>Infrastructure and Public Services</i>
Marion Williams	<i>Municipal Court</i>
LaParry Howell	<i>Office of Federal Programs</i>
Glenda Webb	<i>Office of the City Attorney</i>
Brendan Moore	<i>Office of Urban Development</i>
Steve Anderson	<i>Police</i>

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council
City of Tuscaloosa, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Tuscaloosa Tourism and Sports Commission, Inc., a discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tuscaloosa, Alabama (the City), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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 Tuscaloosa County Parking and Transit Authority, a discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the discretely presented component unit totals, is based solely on the report 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 from material misstatement.

Honorable Mayor and Members of
the City Council
City of Tuscaloosa, Alabama

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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to on the previous page 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 as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Adoption of New Accounting Standard

During the year ended September 30, 2016, the City adopted GASB 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB 67 and GASB 68*". The adoption of this statement did not have a significant change to the financial statements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and Members of
the City Council
City of Tuscaloosa, Alabama

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor governmental fund and special revenue fund financial statements, the water and sewer budgetary comparison schedules, the agency fund statement of changes in assets and liabilities, the capital asset schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental and special revenue fund financial statements, the budgetary comparison schedules, the agency fund statement of changes in assets and liabilities, and the capital asset schedules are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied to 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 April 28, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Jamison Money Farmer PC

Certified Public Accountants

Tuscaloosa, Alabama

April 28, 2017



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MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the **City of Tuscaloosa, Alabama's (the City) Comprehensive Annual Financial Report (CAFR)** presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements that immediately follow, along with the letter of transmittal, which can be found in the introductory section of this CAFR.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net position - The City's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources for fiscal year ending September 30, 2016 by \$340,445,254 (net position). The City's unrestricted net position was negatively impacted by the implementation of GASB Statement No. 68, *Accounting for Financial Reporting for Pensions* (GASB 68). This pronouncement required the City to record its proportionate share of unfunded pension liabilities for pension plans in which it participates. For fiscal year ending September 30, 2016, net position included a negative \$18,104,185 for the unrestricted portion.

Changes in net position - The City's total net position increased in fiscal year 2016 by \$10,264,345 (an increase of \$92,855 from governmental activities and \$10,171,490 from business-type activities).

Fund Highlights:

Governmental Funds – Fund Balances – At the close of fiscal year 2016, the City's governmental funds reported a combined ending fund balance of \$81,770,244, an increase of \$28,770,225 when compared to the prior year. Of this amount, \$1,196,230 represents nonspendable fund balance in the General Fund. Amounts available to be spent include \$5,232,860 of restricted fund balance, \$34,604,363 of committed fund balance, \$28,379,098 of assigned fund balance and \$12,357,693 of unassigned fund balance. At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned and unassigned components of fund balance) was \$75,341,154 or approximately 45 percent of total governmental expenditures of \$166,988,300.

Business-Type Activities – At the close of fiscal year 2016, the City's Water and Sewer enterprise fund reported a net position of \$216,060,456. The change in net position for fiscal year 2016 was a \$10,171,490 increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (schedules related to pension liability and funding progress for other postemployment benefits) and other supplemental information (combining financial statements and budgetary and statistical schedules) intended to furnish additional detail to support the basic financial statements. These components are described below:

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 a private-sector business and are made up of the following two statements: the statement of net position and the statement of activities. The statements provide information about the City as a whole, presenting both an aggregate current view of the City's finances and a longer-term view of these assets. These are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference reported as net position. This statement combines and consolidates governmental funds, the current financial resources (short-term spendable resources) with the capital assets and long-term obligations. Over time, increases or decreases in net position may serve as a useful indicator of whether the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's sales and property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.) to assess the overall health or financial condition of the City.

The *statement of activities* presents information that focuses on how the City's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses in this statement are some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements have separate sections for three different types of programs or activities. These three types of activities are:

Governmental activities – The activities in this section are mostly supported by taxes and intergovernmental revenues and for the City include general government, public safety, streets and highways, environmental services, public health, education, culture and recreation, housing, and economic development.

Business-type activities – These functions are intended to recover all, or a significant portion, of their costs through user fees and charges to external users of services which include primarily water and sewer utilities.

Discretely Presented Component Units – These are operations that have certain independent qualities but for which the City has financial accountability. For the most part, these entities operate similar to private-sector businesses and the business-type activities described above. The City has two discretely presented component units, the Tuscaloosa County Parking and Transit Authority and the Tuscaloosa Tourism and Sports Commission. Complete financial statements of the individual component units can be obtained from their respective administrative offices. Addresses and other additional information about the City's component units are presented in the notes to the financial statements.

The government-wide financial statements can be found on pages 41-43 of this report.

Fund Financial Statements

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 the following three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental 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 near-term inflows and outflows of spendable resources, and provide balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This is known as using the flow of current financial resources measurement focus approach and the modified accrual basis of accounting. These statements provide a detailed short-term view of the City's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the City.

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 in the government-wide financial statements. This comparison highlights the long-term impact of the government's near-term financing decisions. 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. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The City maintains individual governmental funds organized according to their purpose (general, capital projects, disaster recover, special revenue, and a permanent fund). Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Disaster Recovery Construction Fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report. The basic governmental fund financial statements can be found on pages 44-54 of this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; outside customers or internal units / departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two types of proprietary funds:

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 water and sewer utility and intermodal facility retail fund. The water and sewer fund is considered to be a major fund of the City.

Proprietary Funds (Continued)

Internal service funds are used to report activities that provide supplies and services for certain City programs and activities. The City uses an internal service fund to account for its health insurance activities. Because this benefits internal departments rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements. The internal service fund is shown separately in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on page 55-60 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City has a retirement plan fund and an agency fund, which are reported under the fiduciary funds. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 61-62 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 66-126 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's portion of the net pension liability, schedule of contributions to the pension plans and progress in funding its obligation to provide other post-employment benefits (OPEB). Required supplementary information can be found on pages 127-135 of this report.

Combining Statements

The combining statements referred to earlier in connection with nonmajor governmental funds, the internal service fund and the fiduciary funds can be found on pages 136-149 of this report.

Other Supplementary Information

The budgetary comparisons for the water and sewer fund can be found on pages 150-153 of this report.

Statistical Information

The statistical section, found on pages 155-178, presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information indicates about the City's overall financial health.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The City's combined net position totaled \$341,115,949 as of September 30, 2016. Analyzing the net position of governmental and business-type activities separately, the governmental activities net position was \$125,055,493 and the business-type activities net position was \$216,060,456.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets and Deferred Outflows of Resources						
Current and other assets	\$ 101,279,050	\$ 76,616,503	\$ 30,114,966	\$ 34,807,694	\$ 131,394,016	\$ 111,424,197
Capital assets	261,224,166	250,803,584	289,325,654	281,234,676	550,549,820	532,038,260
Total assets	362,503,216	327,420,087	319,440,620	316,042,370	681,943,836	643,462,457
Total deferred outflows of resources	18,506,762	11,048,739	5,284,024	5,410,457	23,790,786	16,459,196
Total assets and deferred outflows of resources	381,009,978	338,468,826	324,724,644	321,452,827	705,734,622	659,921,653
Liabilities and Deferred Inflows of Resources						
Long-term liabilities	234,021,719	187,167,140	96,905,772	103,507,925	330,927,491	290,675,065
Other liabilities	21,206,350	24,315,558	11,709,352	11,481,342	32,915,702	35,796,900
Total liabilities	255,228,069	211,482,698	108,615,124	114,989,267	363,843,193	326,471,965
Total deferred inflows of resources	1,397,111	2,694,185	49,064	574,594	1,446,175	3,268,779
Total liabilities and deferred inflows of resources	256,625,180	214,176,883	108,664,188	115,563,861	365,289,368	329,740,744
Net Position						
Net investment in capital assets	147,980,779	171,714,455	201,736,756	186,335,381	349,717,535	358,049,836
Restricted	8,831,904	7,748,115	-	-	8,831,904	7,748,115
Unrestricted	(32,427,885)	(55,170,627)	14,323,700	19,553,585	(18,104,185)	(35,617,042)
Total Net Position	\$ 124,384,798	\$ 124,291,943	\$ 216,060,456	\$ 205,888,966	\$ 340,445,254	\$ 330,180,909

The largest portion of the City's net position, \$349,717,535, reflects its net investment in capital assets (such as land, buildings, machinery and equipment, infrastructure and construction in progress), less any debt used to acquire those assets that is still outstanding. In fiscal year 2016, the City's governmental activities capital assets, net of accumulated depreciation, increased by \$10,420,582 and business-type activities capital assets, net of accumulated depreciation, increased by \$8,090,978 primarily due to the completion of ongoing infrastructure projects. The City uses these capital assets to provide service to citizens, and consequently, they 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 pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of Net Position (Continued)

An additional portion of the City's net position, \$8,831,904, represents resources that are subject to external restrictions on how they may be used.

In governmental activities, there is a negative unrestricted net asset position of \$32,427,885 as a result of the impact of recording the deferred outflows, deferred inflows and net pension liability in accordance with GASB 68. The net pension liability as of September 30, 2016 for governmental activities totaled \$112,131,184. The unrestricted net position in business-type activities is \$14,323,700. The net pension liability for business-type activities totaled \$6,914,963 as of September 30, 2016.

Analysis of Changes in Net Position

The following tables provide a summary of the City's change in net position. Governmental activities net position increased by \$763,550 and the business-type activities net position increased by \$10,171,490. The reasons for the increases are discussed in the governmental and business-type activities discussion herein. Such amounts are included in the tables that follow:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 30,695,672	\$ 30,157,985	\$ 46,262,184	\$ 46,060,532	\$ 76,957,856	\$ 76,218,517
Operating grants and contributions	36,308,970	36,588,756	-	-	36,308,970	36,588,756
Capital grants and contributions	17,869,832	19,823,017	4,522,992	1,562,543	22,392,824	21,385,560
General revenues:						
Sales and use tax	40,242,761	39,425,922	-	-	40,242,761	39,425,922
Property tax	13,734,770	14,870,292	-	-	13,734,770	14,870,292
Other taxes	15,044,859	14,389,215	-	-	15,044,859	14,389,215
Investment earnings	629,033	961,704	30,688	12,240	659,721	973,944
Gain (loss) on disposal of capital asse	-	1,100,000	-	-	-	1,100,000
Gain on impairment	-	-	-	-	-	-
Other	-	73,019	-	-	-	73,019
Total revenues	\$ 154,525,897	157,389,910	\$ 50,815,864	47,635,315	\$ 205,341,761	205,025,225

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of Changes in Net Position (Continued)

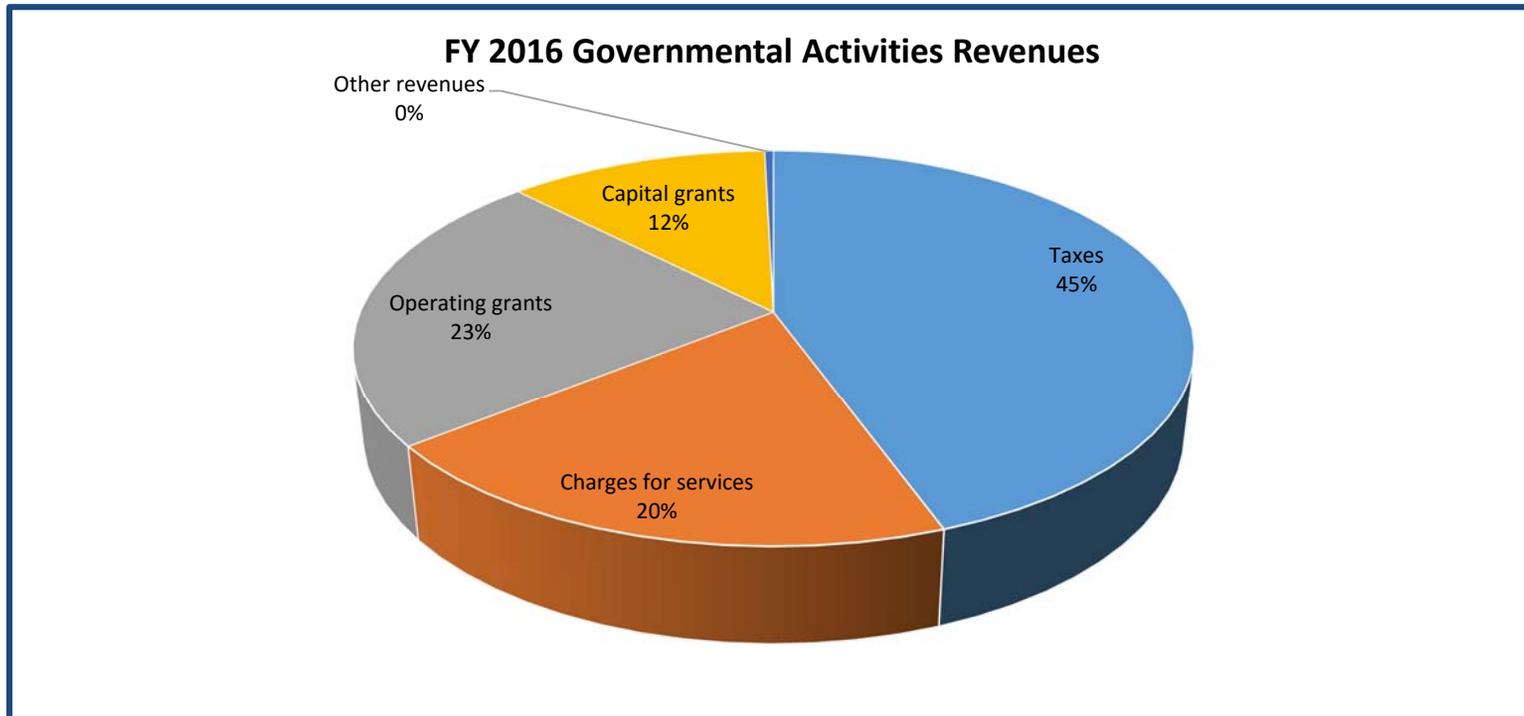
Expenses	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General government	\$ 25,351,520	\$ 26,507,912	\$ -	\$ -	\$ 25,351,520	\$ 26,507,912
Public safety	63,829,331	59,259,696	-	-	63,829,331	59,259,696
Streets and highways	28,156,089	22,831,277	-	-	28,156,089	22,831,277
Environmental services	7,831,430	7,397,239	-	-	7,831,430	7,397,239
Health	130,000	130,000	-	-	130,000	130,000
Education	15,908,779	14,803,495	-	-	15,908,779	14,803,495
Culture and recreation	8,731,518	8,918,758	-	-	8,731,518	8,918,758
Library	1,919,273	1,919,273	-	-	1,919,273	1,919,273
Housing	686,792	552,019	-	-	686,792	552,019
Economic development	67,066	179,859	-	-	67,066	179,859
Interest	3,587,862	4,244,615	-	-	3,587,862	4,244,615
Intermodal facility	-	-	70,255	57,234	70,255	57,234
Water and sewer	-	-	38,807,501	37,477,339	38,807,501	37,477,339
Total expenses	156,199,660	146,744,143	38,877,756	37,534,573	195,077,416	184,278,716
Increase (decrease) in net position before transfers	(1,673,763)	10,645,767	11,938,108	10,100,742	10,264,345	20,746,509
Transfers in (out)	1,766,618	1,813,664	(1,766,618)	(1,813,664)	-	-
Change in net position	92,855	12,459,431	10,171,490	8,287,078	10,264,345	20,746,509
Net position, beginning of year, as previously reported	124,291,943	203,930,471	205,888,966	203,095,137	330,180,909	407,025,608
Net effect of prior period adjustments	-	(92,097,959)	-	(5,493,249)	-	(97,591,208)
Net position, beginning of year, as restated	124,291,943	111,832,512	205,888,966	197,601,888	330,180,909	309,434,400
Net position, end of year	\$ 124,384,798	\$ 124,291,943	\$ 216,060,456	\$ 205,888,966	\$ 340,445,254	\$ 330,180,909

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

Significant changes in governmental activities revenue include the following:

- Sales and use tax revenue increased \$816,839 (2%) due to a continuing improvement in the economy, which resulted in increased economic development and discretionary customer spending.
- Property tax revenues decreased \$1,135,522 (8%) as the result of a more conservative approach with regard revenue recognition and the period of availability after year-end.
- Licenses and permits increased \$267,107 (1%) due to the continued growth in businesses in Tuscaloosa.
- Intergovernmental revenues increased \$1,659,274 (5%) primarily due to increased City revenue from the redistribution of the county sales tax from two to three percent in July 2016. The City now receives a nineteen percent share of the three percent county sales tax. Before the redistribution, the City received twenty-five percent of two percent. These funds were internally earmarked for debt service and equipment purchases.

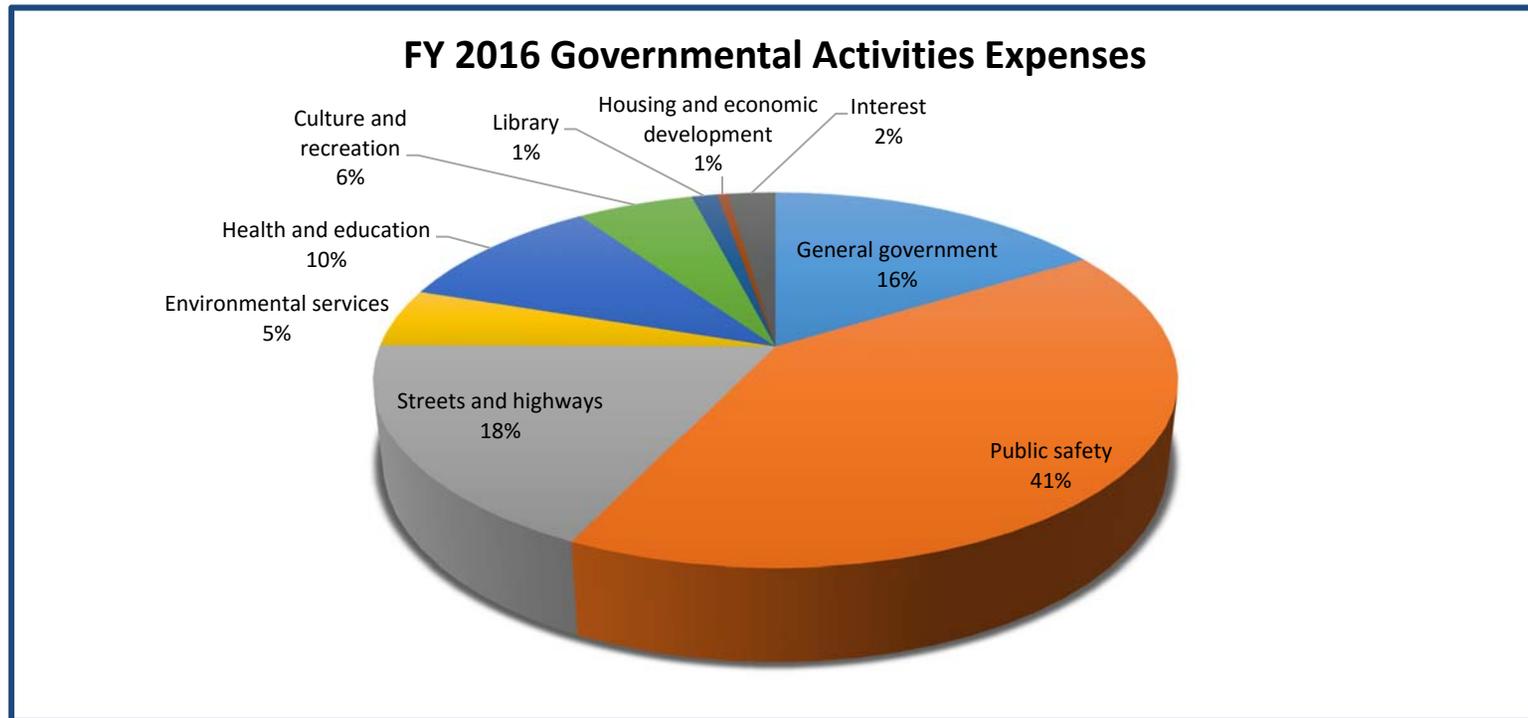


GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

Significant changes in governmental activities expenses include the following:

- Overall governmental expenditures increased \$9,460,517, (6%) primarily due a cost of living increase of 1.7% for all employees as well as increased cost of the City's share of health insurance premiums of 7.5%.
- Public safety expenses increased \$4,569,635 (7.71%) due primarily to the 1.7% cost of living increase and higher investment in fire and rescue services.
- Interest expense decreased by \$656,753 (15%) due to the advanced refunding of the City's 2007 warrants.



GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Business-type Activities

The City operates a water and sewer utility that is accounted for as an enterprise fund. Total operating revenues increased by \$191,621 (<1%) while operating expenses increased by \$1,606,525 (5%). The Water and Sewer Fund change in net position compared to the prior year increased by \$10,171,490 primarily due to a rate increase of 2%, capital contributions of \$4,459,697 and increased capital project completion. The water and sewer rate increase became effective October 1, 2015.

The Water and Sewer Fund transferred \$3,287,820 to the General Fund for services provided by key General Fund departments including accounting, legal, and information technology services. The Water and Sewer Fund transferred \$1,309,910 to the General Fund as a capital fee to cover costs incurred by the General Fund for capital repairs to infrastructure caused by water and sewer activities.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2016 fiscal year, the City's governmental funds reported combined ending fund balances of \$81,770,244, an increase of \$28,770,225 (55%) from the prior year. At the end of each fiscal year, the general fund records a transfer to the capital projects fund resulting in a decrease to the unassigned fund balance and an increase to the assigned fund balance for capital projects. For fiscal year 2016, the total of the transfer was \$3,059,232. Of the total fund balance of \$81,770,244, \$1,196,230 (2%) constitutes the nonspendable fund balance, which includes amounts that are either not in spendable form or legally or contractually required to be maintained intact. In addition, \$5,232,860 (6%) of fund balance is classified as restricted, meaning that funds can only be used for specific purposes defined by enabling legislation or externally imposed limitations. Amounts that can only be used for specific purposes pursuant to constraints of the government's highest level of decision-making authority are reported as committed fund balance. Committed fund balance represents \$34,604,363 (42%) of total fund balance. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed are reported as assigned fund balance. Assigned fund balance represents \$28,379,098 (35%) of total fund balance. The remaining funds that are not classified in any of the other four categories constitute the unassigned fund balance. For the fiscal year ended September 30, 2016, unrestricted fund balance represented \$12,357,693 (15%) of total fund balance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

The following table shows the revenues for fiscal year 2016 and 2015 and the increases and decreases from 2015 by major funds and other governmental funds.

	General Fund			Capital Projects Fund			Disaster Recovery Construction Fund			Other Governmental Funds		
	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
Revenues												
Taxes	\$ 66,235,874	\$ 65,931,177	\$ 304,697	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 905,723	\$ 886,908	\$ 18,815
Licenses and permits	22,563,765	22,296,658	267,107	-	-	-	-	-	-	-	-	-
Fines and penalties	2,727,595	2,847,827	(120,232)	-	-	-	-	-	-	-	-	-
Use of property	35,632	40,633	(5,001)	-	-	-	-	-	-	-	-	-
Charges for services	5,259,467	4,879,762	379,705	-	-	-	-	-	-	-	-	-
Intergovernmental	32,625,496	30,966,222	1,659,274	60,777	80,824	(20,047)	16,109,811	17,089,937	(980,126)	2,387,985	3,515,017	(1,127,032)
Other revenues	7,525,059	7,934,954	(409,895)	391,572	292,865	98,707	919,237	260,594	658,643	1,998,675	1,630,141	368,534
	<u>\$136,972,888</u>	<u>\$134,897,233</u>	<u>\$ 2,075,655</u>	<u>\$ 452,349</u>	<u>\$ 373,689</u>	<u>\$ 78,660</u>	<u>\$ 17,029,048</u>	<u>\$ 17,350,531</u>	<u>\$ (321,483)</u>	<u>\$ 5,292,383</u>	<u>\$ 6,032,066</u>	<u>\$ (739,683)</u>

The *General Fund* is the chief operating fund of the City. General Fund revenues consist primarily of the City's direct sales tax, the City's share of the two cent county sales tax, property taxes and business licenses. The City's Accounting and Finance Department (Revenue and Financial Services Division) collects and administers its two-cent direct sales tax and the business license fee that is based on gross receipts. The City receives nineteen percent of the three-cent county sales tax, which is collected and administered by the Tuscaloosa County Special Tax Board (the County), an independent entity. The County levies and collects ad valorem taxes.

As mentioned previously, the sales and use tax revenue increased by 2% in fiscal year 2016 due to continued economic growth.

The *Capital Projects Fund* accounts for the resources used to acquire, construct and improve major capital facilities, such as City buildings, road improvements, drainage projects, and street resurfacing. In the Capital Projects Fund, intergovernmental revenue increased due to increased state grant revenue in 2016. Other revenues increased in 2016 due to a reimbursement from the City Board of Education and the Tuscaloosa County Commission.

The *Disaster Recovery Construction Fund* is used to account for grants funds received under the CDBG-DR grant program and the related costs of the rebuild efforts that are ongoing in Tuscaloosa. Funding decreased by 1.9% in fiscal year 2016 as the grant program moved into the ninth round. There are eleven rounds that obligate the full grant award. Funding is expected to decrease as the City moves into the final grant rounds.

The *Other Governmental Funds* are comprised of nonmajor capital projects funds, special revenue funds and a permanent fund for the maintenance of a park. The decrease reflected in intergovernmental and other revenues is mostly the result of the Disaster Recovery Construction Fund being reclassified as a Major Fund in fiscal year 2015.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

The following table shows the expenditures for fiscal year 2016 and 2015 and the increases and decreases from 2015 by major funds and other governmental funds.

	General Fund			Capital Project Fund			Disaster Recovery Construction Fund			Other Governmental Funds		
	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)	2016	2015	Increase/ (Decrease)
Expenditures												
Current operations:												
General government	\$ 14,808,773	\$ 13,548,200	\$ 1,260,573	\$ 398,552	\$ 219,468	\$ 179,084	\$ 842,183	\$ 1,761,537	\$ (919,354)	\$ 276,994	\$ 816,904	\$ (539,910)
Public safety	58,226,690	57,237,512	989,178	-	-	-	-	-	-	66,350	272,026	(205,676)
Streets and highways	13,611,766	13,511,228	100,538	7,478,404	3,624,035	3,854,369	-	-	-	-	-	-
Environmental services	6,738,800	7,204,516	(465,716)	-	-	-	-	-	-	-	-	-
Health	130,000	130,000	-	-	-	-	-	-	-	-	-	-
Education	15,908,779	14,803,488	1,105,291	-	-	-	-	-	-	-	-	-
Culture and recreation	7,560,931	7,318,592	242,339	17,530	253,297	(235,767)	-	175,163	(175,163)	308,275	550,059	(241,784)
Library	1,919,273	1,919,273	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	686,584	552,019	134,565
Economic development	-	-	-	-	-	-	1,781,386	1,910,012	(128,626)	221,065	179,859	41,206
Other activities	3,339,395	3,116,646	222,749	-	-	-	-	-	-	-	-	-
Capital outlay	9,086	468,141	(459,055)	78,264	-	78,264	13,713,651	11,312,629	2,401,022	8,737,213	5,392,042	3,345,171
Debt service	8,627,057	10,627,688	(2,000,631)	-	-	-	-	-	-	117,600	119,250	(1,650)
Intergovernmental expenditures	-	-	-	1,351,973	4,042,103	(2,690,130)	-	2,141,593	(2,141,593)	31,726	1,298,288	(1,266,562)
	<u>\$130,880,550</u>	<u>\$129,885,284</u>	<u>\$ 995,266</u>	<u>\$ 9,324,723</u>	<u>\$ 8,138,903</u>	<u>\$ 1,185,820</u>	<u>\$ 16,337,220</u>	<u>\$ 17,300,934</u>	<u>\$ (963,714)</u>	<u>\$ 10,445,807</u>	<u>\$ 9,180,447</u>	<u>\$ 1,265,360</u>

General Fund – General government expenditures increased 10% primarily due to a cost of living increase of 1.7% for all employees as well as increased cost of the City's share of health insurance premiums of 7.5%. Public safety expenditures increased by 2% primarily due to the cost of living increase and higher investment in fire and rescue expenditures. The decrease in debt service is the result of the advance refunding of the City's 2007 warrants.

Capital Projects Fund – Expenditures on City road projects increased by \$3,854,369 (107%) over the prior fiscal year, of which some of the cost was budgeted as part of the new debt issued during fiscal year 2016. Significant expenditures were made for capital improvements to Tuscaloosa Parks and Recreation Authority (PARA) properties. The cost were associated with the following PARA facilities and are thus, classified as intergovernmental expenditures: Bowers Park, Sokol Park, the McDonald Hughes Center and others.

Disaster Recovery Construction Fund – Expenditures for capital projects decreased as expected and as discussed previously due to the CDBG-DR grant program nearing its end. At year-end, the City was in round nine of eleven rounds of funding.

Other Governmental Funds – Expenditures shown for these funds, comprised of nonmajor capital project and special revenue funds, changed primarily due to the reclassification of the Disaster Recovery Construction Fund to a major fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The following table shows a summarized comparison of the *Water and Sewer Fund* to the prior year.

	September 30, 2016	September 30, 2015
<u>Operating revenues</u>		
Charges for services	\$ 46,181,264	\$ 45,942,653
Miscellaneous	55,330	102,320
Total operating revenues	46,236,594	46,044,973
<u>Operating expenses</u>		
All departmental expenses	26,403,874	24,935,491
Depreciation and amortization	9,061,083	8,922,941
Total operating expenses	35,464,957	33,858,432
Operating income	\$ 10,771,637	\$ 12,186,541

The City Council has required the Water and Sewer Fund to maintain undesignated net position of at least thirty percent of actual current year water and sewer operating expenses in the Water and Sewer Fund and the Water and Sewer Reserve Fund. The Water and Sewer Fund has met this requirement for 2016 and has \$14,198,267 in unrestricted funds available for future capital projects.

Charges for services increased due to a two percent rate increase effective October 1, 2015. For financial statement purposes, the Water and Sewer Fund and the Water and Sewer Reserve for Future Improvements Fund are combined.

BUDGETARY HIGHLIGHTS

The City's budget is prepared according to the laws of the State of Alabama and the City's budgetary procedure ordinance. Budgets are prepared in the General Fund and the Water and Sewer Fund. Departmental totals are budgeted in both funds, but the City Council (Council) holds each department head accountable for the line items in their budget. In the Capital Projects Fund, the Council designates funds for City projects.

BUDGETARY HIGHLIGHTS (Continued)

The Council has control over the appropriation of funds; however, the Mayor is responsible for the annual budget recommendation to the Council. The budget process begins in May when the departments submit their budget requests for the following fiscal year to the Accounting and Finance Department. The Accounting and Finance Department compiles a report of the expenditure requests and the annual revenue projections. The annual budget hearings are held in June and July with City departments and agencies. The Mayor then adjusts the requests in order to present a balanced General Fund budget and Water and Sewer Fund budget to the Council. During the month of September, the Finance Committee, the Mayor and the Council, reviews the final recommendation for adjustments before adopting the budget prior to October 1st. The original adopted budget is revised periodically throughout the year to take into account unexpected changes in revenues or expenditures. The final budget is not deemed to be significantly different from the original budget. The Chief Financial Officer has limited ability to approve the movement of funds within the "Other Operating" category of a departmental budget as long as the total department budget does not change.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2016 totaled \$261,224,166 and \$289,325,654, respectively (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings and systems, machinery and equipment, utility properties and construction in progress. The increase in capital assets for governmental activities was primarily a result of the net increase in construction in progress and capital assets in the infrastructure and buildings categories. For the business-type activities, the increase was the result of an increase in capital assets in the buildings and systems.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Land	\$ 4,974,897	\$ 4,508,746	\$ 1,853,703	\$ 1,744,935	\$ 6,828,600	\$ 6,253,681
Buildings	84,251,398	83,308,701	-	-	84,251,398	83,308,701
Equipment	16,351,424	14,149,640	3,038,347	2,221,385	19,389,771	16,371,025
Infrastructure	133,662,441	128,702,492	-	-	133,662,441	128,702,492
Utility property	-	-	278,419,455	272,500,795	278,419,455	272,500,795
Construction in progress	21,984,006	20,134,005	6,014,149	4,767,561	27,998,155	24,901,566
	<u>\$ 261,224,166</u>	<u>\$ 250,803,584</u>	<u>\$ 289,325,654</u>	<u>\$ 281,234,676</u>	<u>\$ 550,549,820</u>	<u>\$ 532,038,260</u>

Debt Administration

At fiscal year end, the City had \$205,249,200 in outstanding bonds, a Section 108 loan and capital leases. Additional long-term liabilities totaled \$15,278,864 consisting of the net OPEB obligation, compensated absences and workers compensation claims. Overall, long-term debt increased \$23,978,246 from the prior year. See the notes to the financial statements for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Warrants payable	\$ 105,235,000	\$ 76,795,000	\$ 85,540,000	\$ 93,250,000	\$ 190,775,000	\$ 170,045,000
Section 108 Loan	1,050,000	1,125,000	-	-	1,050,000	1,125,000
Capital leases	1,794,340	756,124	-	-	1,794,340	756,124
Premiums on warrants	6,516,612	4,491,086	5,816,501	6,347,683	12,333,113	10,838,769
Discounts on warrants	(703,255)	(306,263)	-	-	(703,255)	(306,263)
Total warrants, notes payable, and capital leases	113,892,697	82,860,947	91,356,501	99,597,683	205,249,198	182,458,630
Line of Credit	-	-	2,466	-	2,466	-
Net OPEB Obligation	4,906,406	4,154,021	822,412	697,076	5,728,818	4,851,097
Compensated absences	6,973,514	7,008,721	889,519	960,727	7,863,033	7,969,448
Workers comp claims	1,326,731	1,173,761	360,282	96,882	1,687,013	1,270,643
Long-term liabilities	\$ 127,099,348	\$ 95,197,450	\$ 93,431,180	\$ 101,352,368	\$ 220,530,528	\$ 196,549,818

The debt for governmental activities increased by \$31,031,750 primarily due to \$33,370,000 in new debt that was issued in 2016. The debt for business-type activities decreased by \$8,241,182 due to 2016 principal payments with no additional debt issued.

The City continues to maintain good bond ratings on the non-insured general obligation debt. Since 2011, Moody's Investors Service Inc. and Standard & Poor's Corporation have consistently rated the City at "Aa1" and "AA+", respectively.

OTHER FINANCIAL MATTERS

Internal Service Fund

The City's Health Insurance Fund, an Internal Service Fund, had a negative fund balance of \$1,084,314 at September 30, 2016, partly due to a federally mandated transitional reinsurance fee of \$139,641 and Access Health fees of \$316,383, a new program for 2016 that allows employees to get immediate treatment with no co-pay at designated health care facilities. To participate in this program, the City pays a monthly flat amount per person in order to encourage employees to seek lower cost medical treatment. The City is hopeful that these fees will ultimately offset higher health care costs, such as emergency room visits. Subsequent to fiscal year-end, other measures taken to help offset rising health insurance costs include a 13.5 percent increase in employee health insurance rates, as well as a dependent audit that will ensure that only eligible dependents are covered under the City's health insurance plan. In prior years, the City has taken proactive steps to reduce the deficit by increasing premiums and implementing cost control measures recommended by the third party administrator such as increased deductibles and co-payments.

OTHER MATTERS

Acknowledgements

The City of Tuscaloosa would like to thank Mayor Walter Maddox, members of the City Council, the City's department heads, the Accounting and Finance Department staff and the Internal Audit staff for their contributions to this report and their role in the City's strong financial condition.

Contacting the City's Financial Management

This financial report is intended to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds it receives. Any questions or requests for more information should be directed to the City of Tuscaloosa Finance Department at Post Office Box 2089, Tuscaloosa, Alabama, 35403. The City's Chief Financial Officer, Mike Wright, can be reached by telephone at (205) 248-5170. The City's website is www.tuscaloosa.com.

CITY OF TUSCALOOSA
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tuscaloosa Tourism and Sports Commission	Tuscaloosa County Parking and Transit Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 46,398,005	\$ 5,685,006	\$ 52,083,011	\$ 786,558	\$ 164,716
Investments	32,671,240	—	32,671,240	—	506,510
Receivables (net of allowances for uncollectibles)	20,925,082	6,301,038	27,226,120	52,347	—
Internal balances	(5,695,865)	5,695,865	—	—	—
Prepaid items	2,274,554	37,311	2,311,865	15,320	—
Inventories	910,183	1,342,871	2,253,054	—	—
Total current assets	97,483,199	19,062,091	116,545,290	854,225	671,226
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	—	11,052,875	11,052,875	—	—
Receivables	3,795,851	—	3,795,851	—	—
Capital assets not being depreciated:					
Land	4,974,897	1,853,703	6,828,600	—	—
Construction in progress	21,984,006	6,014,149	27,998,155	—	—
Capital assets (net of accumulated depreciation)	234,265,263	281,457,802	515,723,065	203,903	1,365,067
Total noncurrent assets	265,020,017	300,378,529	565,398,546	203,903	1,365,067
Total assets	362,503,216	319,440,620	681,943,836	1,058,128	2,036,293
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pension	16,141,024	1,516,421	17,657,445	—	114,367
Deferred loss on debt refunding	2,365,738	3,767,603	6,133,341	—	—
Total deferred outflows of resources	18,506,762	5,284,024	23,790,786	—	114,367
LIABILITIES					
Current liabilities:					
Accounts payable and other current charges	13,848,526	2,935,804	16,784,330	107,939	100,428
Due to fiduciary fund	937	—	937	—	—
Accrued interest payable	1,581,239	597,815	2,179,054	—	—
Current portion of long-term debt	5,775,648	8,175,733	13,951,381	3,074	—
Total current liabilities	21,206,350	11,709,352	32,915,702	111,013	100,428

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tuscaloosa Tourism and Sports Commission	Tuscaloosa County Parking and Transit Authority
LIABILITIES (continued)					
Noncurrent liabilities:					
Unearned revenue	\$ 566,835	\$ 7,463	\$ 574,298	\$ —	\$ —
Developer deposits	—	2,164,571	2,164,571	—	—
Net pension liability	112,131,184	6,914,963	119,046,147	—	—
Other	—	—	—	—	372,478
Liabilities payable from restricted assets:					
Customer deposits	—	2,563,328	2,563,328	—	—
Long-term debt due after one year, net	121,323,700	85,255,447	206,579,147	—	—
Total noncurrent liabilities	234,021,719	96,905,772	330,927,491	—	372,478
Total liabilities	255,228,069	108,615,124	363,843,193	111,013	472,906
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pension	383,938	49,064	433,002	—	53,803
Deferred gain on debt refunding	1,013,173	—	1,013,173	—	—
Total deferred inflows of resources	1,397,111	49,064	1,446,175	—	53,803
NET POSITION					
Net investment in capital assets	147,980,779	201,736,756	349,717,535	200,829	1,365,067
Restricted for:					
Ambulance services franchise program	256,758	—	256,758	—	—
Capital projects	2,276,706	—	2,276,706	—	—
Capital Park maintenance - nonspendable	57,037	—	57,037	—	—
Community development	3,801,303	—	3,801,303	—	—
Garnishments	4,091	—	4,091	—	—
Hazard mitigation	3	—	3	—	—
Municipal court	1,322,078	—	1,322,078	—	—
Road projects	871,070	—	871,070	—	—
Salaries	205,837	—	205,837	—	—
Storm recovery	37,021	—	37,021	—	—
Unrestricted	(32,427,885)	14,323,700	(18,104,185)	746,286	258,884
Total net position	\$ 124,384,798	\$ 216,060,456	\$ 340,445,254	\$ 947,115	\$ 1,623,951

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2016

Functions/Programs	Program Revenues				Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Units	
					Governmental Activities	Business-Type Activities		Tuscaloosa Tourism and Sports Commission	Tuscaloosa County Parking and Transit Authority
Primary government:									
Governmental activities:									
General government	\$ 25,351,520	\$ 25,326,992	\$ 33,949,075	\$ 1,614,243	\$ 35,538,790	\$ —	\$ 35,538,790	\$ —	\$ —
Public safety	63,829,331	109,213	97,877	16,109,811	(47,512,430)	—	(47,512,430)	—	—
Streets and highways	28,156,089	—	295,328	145,778	(27,714,983)	—	(27,714,983)	—	—
Environmental services	7,831,430	5,259,467	—	—	(2,571,963)	—	(2,571,963)	—	—
Health	130,000	—	—	—	(130,000)	—	(130,000)	—	—
Education	15,908,779	—	48,750	—	(15,860,029)	—	(15,860,029)	—	—
Culture and recreation	8,731,518	—	—	—	(8,731,518)	—	(8,731,518)	—	—
Library	1,919,273	—	—	—	(1,919,273)	—	(1,919,273)	—	—
Housing	686,792	—	—	—	(686,792)	—	(686,792)	—	—
Economic development	67,066	—	1,917,940	—	1,850,874	—	1,850,874	—	—
Interest on long-term debt	3,587,862	—	—	—	(3,587,862)	—	(3,587,862)	—	—
Total governmental activities	156,199,660	30,695,672	36,308,970	17,869,832	(71,325,186)	—	(71,325,186)	—	—
Business-type activities:									
Intermodal facility	70,255	26,750	—	—	—	(43,505)	(43,505)	—	—
Water and sewer	38,807,501	46,235,434	—	4,522,992	—	11,950,925	11,950,925	—	—
Total business-type activities	38,877,756	46,262,184	—	4,522,992	—	11,907,420	11,907,420	—	—
Total primary government	\$ 195,077,416	\$ 76,957,856	\$ 36,308,970	\$ 22,392,824	\$ (71,325,186)	\$ 11,907,420	\$ (59,417,766)	\$ —	\$ —
Component units:									
Tuscaloosa Tourism and Sports Commission	\$ 1,702,123	\$ —	\$ 1,749,828	\$ —	\$ —	\$ —	\$ —	\$ 47,705	\$ —
Tuscaloosa County Parking and Transit Authority	2,303,084	199,847	1,574,747	274,285	—	—	—	—	(254,205)
Total component units	\$ 4,005,207	\$ 199,847	\$ 3,324,575	\$ 274,285	\$ —	\$ —	\$ —	\$ 47,705	\$ (254,205)
General Revenues:									
Taxes:									
Sales and use tax					\$ 40,242,761	\$ —	\$ 40,242,761	\$ —	\$ —
Property tax					13,734,770	—	13,734,770	—	—
Lodging tax					6,091,467	—	6,091,467	—	—
Other state and local taxes					7,072,599	—	7,072,599	—	—
Taxes passed through from state					1,880,793	—	1,880,793	—	—
Unrestricted investment earnings					629,033	30,688	659,721	314	3,791
Transfers					1,766,618	(1,766,618)	-	—	—
Total general revenues and transfers					71,418,041	(1,735,930)	69,682,111	314	3,791
Change in net position					92,855	10,171,490	10,264,345	48,019	(250,414)
Net position, beginning of year					124,291,943	205,888,966	330,180,909	899,096	1,874,365
Net position, end of year					\$ 124,384,798	\$ 216,060,456	\$ 340,445,254	\$ 947,115	\$ 1,623,951

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

<u>ASSETS</u>	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 11,925,193	\$ 17,013,181	\$ 7,162,136	\$ 8,397,827	\$ 44,498,337
Investments	400,000	32,000,000	—	271,240	32,671,240
Receivables (net of allowances for uncollectibles)	12,694,308	—	—	173,586	12,867,894
Due from other governments	33,002	1,392,544	1,892,758	2,677,472	5,995,776
Due from other funds	15,402,803	7,422,142	22,065	4,490,017	27,337,027
Prepaid items	286,339	—	—	1,988,215	2,274,554
Inventories	909,891	—	—	292	910,183
Total assets	\$ 41,651,536	\$ 57,827,867	\$ 9,076,959	\$ 17,998,649	\$ 126,555,011
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 7,680,951	\$ 1,526,249	\$ 924,537	\$ 1,652,704	\$ 11,784,441
Deferred revenue	529,926	120,029	—	36,909	686,864
Due to other funds	16,818,101	19,676	7,718,766	7,001,132	31,557,675
Total liabilities	25,028,978	1,665,954	8,643,303	8,690,745	44,028,980
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - receivables	—	755,787	—	—	755,787
Fund balances:					
Nonspendable:					
Prepaid items	286,339	—	—	—	286,339
Inventories	909,891	—	—	—	909,891
Restricted for:					
Ambulance services franchise program	256,758	—	—	—	256,758
Capital projects	—	—	—	2,156,677	2,156,677
Capital Park maintenance	—	—	—	57,037	57,037
Community development	—	—	—	322,288	322,288
Garnishments	4,091	—	—	—	4,091
Municipal court	1,322,078	—	—	—	1,322,078
Hazard mitigation	—	—	—	3	3
Road projects	—	—	—	871,070	871,070
Salaries	—	—	—	205,837	205,837
Storm recovery	—	—	—	37,021	37,021
Committed for:					
Capital projects	—	27,687,207	—	5,059,941	32,747,148
Cemetery maintenance	—	—	—	136,402	136,402
Law enforcement and public officials liability	709,817	—	—	—	709,817
Pensions	695,450	—	—	—	695,450
Tourism enhancement	—	—	—	315,546	315,546
Assigned for:					
Capital projects	—	—	—	175,762	175,762
Fiscal year 2016 budget	484,417	—	—	—	484,417
Future capital projects	—	27,718,919	—	—	27,718,919
Unassigned	11,953,717	—	433,656	(29,680)	12,357,693
Total fund balances	16,622,558	55,406,126	433,656	9,307,904	81,770,244
Total liabilities and fund balances	\$ 41,651,536	\$ 57,827,867	\$ 9,076,959	\$ 17,998,649	\$ 126,555,011

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

September 30, 2016

Total fund balances for governmental funds		\$ 81,770,244
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. Those assets consist of:		
Buildings, net of accumulated depreciation of \$23,703,691	\$ 84,251,398	
Equipment, net of accumulated depreciation of \$40,974,988	16,351,424	
Infrastructure, net of accumulated depreciation of \$129,622,569	133,662,441	
Land	4,974,897	
Construction in progress	<u>21,984,006</u>	261,224,166
Long-term receivables are not available to pay for current-period expenditures and, therefore are deferred in the governmental funds.		
Unavailable revenue in Capital Projects Fund	875,816	
Deferred inflows of resources - receivables	(755,787)	
Receivable for sale of land	1,628,250	
Receivable for sale of building	750,000	
Loans receivable under the Community Development Disaster Recovery Program	<u>3,479,015</u>	5,977,294
Internal service funds are used by the City to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		
		(884,786)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.		
Warrants payable	(105,235,000)	
Section 108 loan	(1,050,000)	
Capital lease	(1,794,340)	
Compensated absences	(6,973,514)	
Workers comp liability	(1,326,732)	
Post-employment benefits other than pensions	(4,906,405)	
Accrued interest payable	(1,581,239)	
Deferred loss on refunding of warrants, to be amortized	2,365,738	
Deferred gain on refunding of warrants, to be amortized	(1,013,173)	
Premiums, to be amortized	(6,516,612)	
Discount, to be amortized	<u>703,255</u>	(127,328,022)
Net pension liability, deferred inflows, and deferred outflows, not reported in the funds		<u>(96,374,098)</u>
Net position of governmental activities		<u>\$ 124,384,798</u>
See accompanying notes to financial statements.		

CITY OF TUSCALOOSA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended September 30, 2016

	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:					
Taxes	\$ 66,235,874	\$ —	\$ —	\$ 905,723	\$ 67,141,597
Licenses and permits	22,563,765	—	—	—	22,563,765
Fines and penalties	2,727,595	—	—	—	2,727,595
Use of property	35,632	—	—	—	35,632
Charges for services	5,259,467	—	—	—	5,259,467
Intergovernmental	32,625,496	60,777	16,109,811	2,387,985	51,184,069
Other revenues	7,525,059	391,572	919,237	1,998,675	10,834,543
	<u>136,972,888</u>	<u>452,349</u>	<u>17,029,048</u>	<u>5,292,383</u>	<u>159,746,668</u>
Total revenues					
Expenditures:					
Current operations:					
General government	14,808,773	398,552	842,183	276,994	16,326,502
Public safety	58,226,690	—	—	66,350	58,293,040
Streets and highways	13,611,766	7,478,404	—	—	21,090,170
Environmental services	6,738,800	—	—	—	6,738,800
Health	130,000	—	—	—	130,000
Education	15,908,779	—	—	—	15,908,779
Culture and recreation	7,560,931	17,530	—	308,275	7,886,736
Library	1,919,273	—	—	—	1,919,273
Housing	—	—	—	686,584	686,584
Economic development	—	—	1,781,386	221,065	2,002,451
Other activities	3,339,395	—	—	—	3,339,395
	<u>122,244,407</u>	<u>7,894,486</u>	<u>2,623,569</u>	<u>1,559,268</u>	<u>134,321,730</u>
Total current operations					
Capital outlay	4,086	78,264	13,713,651	8,737,213	22,533,214
Debt service:					
Principal payments	4,936,589	—	—	75,000	5,011,589
Interest charges	3,413,878	—	—	42,600	3,456,478
Warrant issue costs	276,590	—	—	—	276,590
Intergovernmental expenditures	—	1,351,973	—	31,726	1,383,699
	<u>130,875,550</u>	<u>9,324,723</u>	<u>16,337,220</u>	<u>10,445,807</u>	<u>166,983,300</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>6,097,338</u>	<u>(8,872,374)</u>	<u>691,828</u>	<u>(5,153,424)</u>	<u>(7,236,632)</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended September 30, 2016

	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures (brought forward)	\$ 6,097,338	\$ (8,872,374)	\$ 691,828	\$ (5,153,424)	\$ (7,236,632)
Other financing sources (uses):					
Warrant issuance	33,370,000	—	—	—	33,370,000
Premium on warrants issued	1,908,454	—	—	—	1,908,454
Net present value of capital lease	(1,038,215)	—	—	—	(1,038,215)
Transfers in	4,179,718	38,279,248	—	6,204,952	48,663,918
Transfers out	(44,056,175)	—	—	(2,841,125)	(46,897,300)
Total other financing sources (uses)	(5,636,218)	38,279,248	—	3,363,827	36,006,857
Net change in fund balances	461,120	29,406,874	691,828	(1,789,597)	28,770,225
Fund balances, beginning of year	16,161,438	25,999,252	(258,172)	11,097,501	53,000,019
Fund balances, end of year	<u>\$ 16,622,558</u>	<u>\$ 55,406,126</u>	<u>\$ 433,656</u>	<u>\$ 9,307,904</u>	<u>\$ 81,770,244</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2016

Reconciliation of the change in fund balance-total governmental funds to the change in net position of governmental activities:

Net change in fund balances-total governmental funds		\$ 28,770,225
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	\$ 22,439,447	
Depreciation expense	<u>(12,018,865)</u>	10,420,582
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Issuance of loans under the Community Development Disaster Recovery Program		1,981,375
Repayment or forgiveness of loans under the Community Development Disaster Recovery Program		(1,544,723)
Revenues are reported in the funds when there is an established claim to the resources and the resources are available to finance current expenditures. Revenues are reported in the statement of activities when there is an established claim with no availability criterion. The funds report revenue unavailable in prior periods as current year revenue.		(83,647)
Prior year revenues, deferred in the funds, collected this year		(2,850,000)
The issuance of long-term debt (e.g., warrants, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment is the net effect of the differences in the treatment of long-term debt and related items.		
Debt issued:		
Capital lease financing	(1,038,216)	
General warrants issued	(33,370,000)	
Debt payments made:		
Warrant payments	4,930,000	
Section 108 loan	<u>75,000</u>	(29,403,216)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net of these:		
Post-employment benefits other than pensions	(752,384)	
Compensated absences	35,207	
Workers compensation	(152,971)	
Amortization of debt premium	312,064	
Amortization of discount	(32,144)	
Amortization of gain/loss on refunding	(245,141)	
Accrued interest payable	<u>(299,485)</u>	(1,134,854)
Premium and deferred gain on refunding were capitalized in the current year.		(1,908,454)
Internal service fund is used by the City to charge the costs of providing health insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		(718,380)
Amount by which the City's net pension liability (\$12,436,291) increased, deferred inflows from pensions (\$1,241,303) decreased, and deferred outflows from pensions (\$7,758,935) increased compared to the prior fiscal year.		<u>(3,436,053)</u>
Change in net position of governmental activities		<u>\$ 92,855</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis**	Budget to GAAP Differences	Actual Amounts GAAP Basis**
	Original	Final			
Revenues:					
Taxes:					
Sales	\$ 36,590,167	\$ 37,008,167	\$ 37,296,511	\$ —	\$ 37,296,511
Use	3,210,000	3,210,000	2,946,250	—	2,946,250
Property tax	15,000,000	15,000,000	13,734,770	—	13,734,770
Lodging tax	6,035,000	6,035,000	6,091,467	—	6,091,467
Other local taxes	5,910,000	5,910,000	6,166,876	—	6,166,876
Total taxes	66,745,167	67,163,167	66,235,874	—	66,235,874
Licenses and permits:					
Business license	19,300,000	19,300,000	19,060,690	—	19,060,690
Other licenses	1,623,333	1,623,333	1,506,322	—	1,506,322
Building and other permits	1,430,000	1,430,000	1,996,753	—	1,996,753
Total licenses and permits	22,353,333	22,353,333	22,563,765	—	22,563,765
Fines and penalties	1,615,000	1,625,000	2,727,595	—	2,727,595
Use of property	38,500	38,500	35,632	—	35,632
Charges for services:					
Garbage collection fees and tax	5,121,500	5,121,500	5,259,467	—	5,259,467
Intergovernmental revenues:					
Federal and state grants revenue	405,710	428,706	363,194	—	363,194
Shared from local units:					
Public school bond-sales tax	12,430,000	12,430,000	12,580,200	—	12,580,200
City share of county sales tax	14,802,175	14,802,175	14,732,431	—	14,732,431
School Board for debt	2,665,000	2,665,000	2,665,000	—	2,665,000
Other	373,065	373,065	403,878	—	403,878
Shared from state	1,913,000	1,913,000	1,880,793	—	1,880,793
Total intergovernmental revenue	32,588,950	32,611,946	32,625,496	—	32,625,496

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis**	Budget to GAAP Differences	Actual Amounts GAAP Basis**
	Original	Final			
Revenues: (Continued)					
Other operating revenues:					
Interest on investments	\$ 500	\$ 500	\$ 7,056	\$ —	\$ 7,056
Capital Lease	—	—	1,038,215	—	1,038,215
Cost reimbursed	1,575,000	1,581,485	1,697,890	—	1,697,890
Other	996,700	1,036,000	4,781,898	—	4,781,898
Total other operating revenues	2,572,200	2,617,985	7,525,059	—	7,525,059
Total revenues	131,034,650	131,531,431	136,972,888	—	136,972,888
Expenditures:					
Current operations:					
General government:					
Finance:					
Personnel services	855,078	855,478	858,152	—	858,152
Other	1,774,291	1,791,756	1,271,512	—	1,271,512
Total	2,629,369	2,647,234	2,129,664	—	2,129,664
Revenue:					
Personnel services	776,289	776,289	768,503	—	768,503
Other	269,748	269,748	256,330	—	256,330
Total	1,046,037	1,046,037	1,024,833	—	1,024,833
Municipal court:					
Personnel services	767,566	740,930	695,671	—	695,671
Other	359,126	354,126	322,425	—	322,425
Total	1,126,693	1,095,057	1,018,096	—	1,018,096
Human resources:					
Personnel services	828,037	823,194	835,238	—	835,238
Other	1,154,641	1,154,641	1,264,449	—	1,264,449
Total	1,982,678	1,977,835	2,099,687	—	2,099,687
311 Operations:					
Personnel services	302,423	302,423	294,586	—	294,586
Other	93,987	101,987	(391,797)	—	(391,797)
Total	396,410	404,410	(97,211)	—	(97,211)
Information technology:					
Personnel services	1,462,218	1,311,235	1,260,846	—	1,260,846
Other	2,425,182	2,220,652	1,338,725	(291,329)	1,047,396
Total	3,887,400	3,531,887	2,599,571	(291,329)	2,308,242

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis**	Budget to GAAP Differences	Actual Amounts GAAP Basis**
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
General government (Continued):					
Mayor/City clerk:					
Personnel services	\$ 668,230	\$ 668,230	\$ 635,809	\$ —	\$ 635,809
Other	407,617	485,269	469,783	—	469,783
	<u>1,075,847</u>	<u>1,153,499</u>	<u>1,105,592</u>	<u>—</u>	<u>1,105,592</u>
Council:					
Personnel services	242,632	238,846	238,919	—	238,919
Other	83,954	52,354	48,940	—	48,940
	<u>326,586</u>	<u>291,200</u>	<u>287,859</u>	<u>—</u>	<u>287,859</u>
Federal programs:					
Personnel services	670,313	688,201	734,945	—	734,945
Other	397,802	402,126	401,764	—	401,764
	<u>1,068,115</u>	<u>1,090,327</u>	<u>1,136,709</u>	<u>—</u>	<u>1,136,709</u>
Arts and entertainment:					
Personnel services	724,261	606,223	606,278	—	606,278
Other	1,100,757	1,226,388	1,180,840	22,550	1,203,390
	<u>1,825,018</u>	<u>1,832,611</u>	<u>1,787,118</u>	<u>22,550</u>	<u>1,809,668</u>
City attorney:					
Personnel services	1,065,482	1,065,482	1,036,247	—	1,036,247
Other	624,209	631,607	680,608	—	680,608
	<u>1,689,691</u>	<u>1,697,089</u>	<u>1,716,855</u>	<u>—</u>	<u>1,716,855</u>
Total general government	<u>17,053,844</u>	<u>16,767,186</u>	<u>14,808,773</u>	<u>(268,779)</u>	<u>14,539,994</u>
Public safety:					
Police:					
Personnel services	22,512,442	22,512,442	21,787,520	—	21,787,520
Other	8,159,746	7,755,958	7,205,093	(2,490)	7,202,603
	<u>30,672,188</u>	<u>30,268,400</u>	<u>28,992,613</u>	<u>(2,490)</u>	<u>28,990,123</u>
Fire and rescue service:					
Personnel services	15,860,239	15,787,199	15,759,800	—	15,759,800
Other	5,631,360	5,554,505	5,456,084	374	5,456,458
	<u>21,491,599</u>	<u>21,341,704</u>	<u>21,215,884</u>	<u>374</u>	<u>21,216,258</u>
Facilities maintenance:					
Personnel services	1,746,532	1,734,532	1,712,419	—	1,712,419
Other	2,747,240	2,765,240	1,794,690	(5,000)	1,789,690
	<u>4,493,772</u>	<u>4,499,772</u>	<u>3,507,109</u>	<u>(5,000)</u>	<u>3,502,109</u>

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis**	Budget to GAAP Differences	Actual Amounts GAAP Basis**
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
Public safety (Continued):					
Care of prisoners:					
Other	\$ 500,000	\$ 360,000	\$ 322,403	\$ —	\$ 322,403
	<u>500,000</u>	<u>360,000</u>	<u>322,403</u>	<u>—</u>	<u>322,403</u>
Planning and development services (inspections):					
Personnel services	1,579,137	1,586,137	1,493,510	—	1,493,510
Other	748,074	636,139	553,690	13,064	566,754
	<u>2,327,211</u>	<u>2,222,276</u>	<u>2,047,200</u>	<u>13,064</u>	<u>2,060,264</u>
Communications:					
Personnel services	1,175,355	1,160,111	999,698	—	999,698
Other	472,857	607,112	514,547	(22,025)	492,522
	<u>1,648,212</u>	<u>1,767,223</u>	<u>1,514,245</u>	<u>(22,025)</u>	<u>1,492,220</u>
Emergency management:					
Personnel services	—	—	—	—	—
Other	—	—	(32)	—	(32)
	<u>—</u>	<u>—</u>	<u>(32)</u>	<u>—</u>	<u>(32)</u>
Recovery:					
Personnel services	510,250	510,250	450,189	—	450,189
Other	365,235	328,568	177,079	21,269	198,348
	<u>875,485</u>	<u>838,818</u>	<u>627,268</u>	<u>21,269</u>	<u>648,537</u>
Total public safety	<u>62,008,467</u>	<u>61,298,193</u>	<u>58,226,690</u>	<u>5,192</u>	<u>58,231,882</u>
Streets and highways:					
Personnel services	7,891,060	7,885,408	7,669,094	—	7,669,094
Other	6,275,447	6,338,795	5,942,672	(41,608)	5,901,064
	<u>14,166,507</u>	<u>14,224,203</u>	<u>13,611,766</u>	<u>(41,608)</u>	<u>13,570,158</u>
Environmental services:					
Personnel services	3,902,004	3,902,004	3,800,019	—	3,800,019
Other	3,321,149	3,321,149	2,938,781	—	2,938,781
	<u>7,223,153</u>	<u>7,223,153</u>	<u>6,738,800</u>	<u>—</u>	<u>6,738,800</u>
Health	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>—</u>	<u>130,000</u>
Education:					
Funds provided to City school system	15,105,000	15,105,000	15,255,200	—	15,255,200
Personnel services	110,000	110,000	81,819	—	81,819
Other	738,915	633,915	571,760	—	571,760
	<u>15,953,915</u>	<u>15,848,915</u>	<u>15,908,779</u>	<u>—</u>	<u>15,908,779</u>

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis**	Budget to GAAP Differences	Actual Amounts GAAP Basis**
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
Recreation:					
Funds provided to Park and Recreation Authority	\$ 4,257,162	\$ 4,257,162	\$ 4,257,162	\$ —	\$ 4,257,162
Amphitheater, Rivermarket and Transportation Museum	—	—	3,100,476	—	3,100,476
Other	—	200,000	203,293	—	203,293
	<u>4,257,162</u>	<u>4,457,162</u>	<u>7,560,931</u>	<u>—</u>	<u>7,560,931</u>
Library:					
Funds provided to Library Board	1,919,273	1,919,273	1,919,273	—	1,919,273
	<u>1,919,273</u>	<u>1,919,273</u>	<u>1,919,273</u>	<u>—</u>	<u>1,919,273</u>
Other activities:					
Funds to other agencies:					
Alabama Blues Project	10,000	10,000	10,000	—	10,000
Arts and Humanities Council	50,000	50,000	50,000	—	50,000
Boys and Girls Club	20,000	20,000	20,000	—	20,000
Cemetery Expense	—	—	942	—	942
Children's Hands-On Museum	—	145,000	145,000	—	145,000
Civil Service Board	18,000	18,000	18,000	—	18,000
DCH - Kid One Transport	25,000	25,000	25,000	—	25,000
Focus on Senior Citizens	122,500	122,500	122,500	—	122,500
Friedman Home	18,500	18,500	18,056	—	18,056
Indian Rivers Mental Health Center	50,000	50,000	50,000	—	50,000
Jemison Foundation	62,000	62,000	60,000	—	60,000
Metro Animal Shelter	16,000	30,000	25,941	—	25,941
Soil and Water Conservation Authority	12,500	12,500	12,500	—	12,500
Tax Equalization Board	300	300	140	—	140
Theatre Tuscaloosa	15,000	15,000	15,000	—	15,000
Tuscaloosa Community Dancers	10,000	10,000	10,000	—	10,000
Tuscaloosa County Industrial Development Authority	440,000	447,363	447,363	—	447,363
Tuscaloosa County EMA	115,685	115,685	111,052	—	111,052
Tuscaloosa Parking & Transit Authority	557,200	557,200	676,955	—	676,955
Tuscaloosa Sister Cities Commission	135,000	135,000	135,000	—	135,000
Tuscaloosa Spay Neuter Incentive Program	25,000	25,000	25,000	—	25,000
Tuscaloosa Symphony	35,000	35,000	35,000	—	35,000
Tuscaloosa Tourism and Sports Commission	1,050,000	1,050,000	1,050,000	—	1,050,000
West Alabama Aids Outreach	15,000	15,000	15,000	—	15,000
West Alabama Planning and Development Council	37,997	37,997	37,997	—	37,997
Contingencies and other	726,441	150,497	222,949	(3,851)	219,098
	<u>3,567,123</u>	<u>3,157,542</u>	<u>3,339,395</u>	<u>(3,851)</u>	<u>3,335,544</u>
Total current operations	<u>126,279,445</u>	<u>125,025,628</u>	<u>122,244,407</u>	<u>(309,046)</u>	<u>121,935,361</u>

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis**	Budget to GAAP Differences	Actual Amounts GAAP Basis**
	Original	Final			
Expenditures (Continued):					
Total current operations (brought forward):	\$ 126,279,445	\$ 125,025,628	\$ 122,244,407	\$ (309,046)	\$ 121,935,361
Capital outlay	25,000	96,624	9,086	—	9,086
Debt service:					
Principal	5,901,500	5,877,500	4,936,589	—	4,936,589
Interest	3,413,886	3,413,886	3,413,878	—	3,413,878
Warrant issue costs	5,000	5,000	276,590	—	276,590
Total expenditures	135,624,831	134,418,638	130,880,550	(309,046)	130,571,504
Excess (deficiency) of revenues over expenditures	(4,590,181)	(2,887,207)	6,092,338	309,046	6,401,384
Other financing sources (uses):					
Capital lease	—	—	(1,038,215)	—	(1,038,215)
Warrant issuance	—	—	33,370,000	—	33,370,000
Premium on warrants issued (net of any discounts)	—	—	1,908,454	—	1,908,454
Transfers in:					
Airport Development Fund	96,000	96,000	92,290	—	92,290
Alabama Trust Fund	500,000	500,000	500,000	—	500,000
Amphitheater Fund	2,255,619	2,255,619	1,083,319	—	1,083,319
Beer Tax Bonus Fund	429,183	429,183	418,721	—	418,721
Police Department Funds	—	—	5,220	—	5,220
Tourism Enhancement and Tourism Capital Projects Fund	260,000	270,000	270,000	—	270,000
Water and Sewer Fund	5,154,991	5,159,991	1,815,168	—	1,815,168
Transfers out:					
Amphitheater Fund	(1,090,909)	(1,090,909)	(1,207,929)	—	(1,207,929)
Capital Projects Fund (Future Improvement Fund)	—	(7,000)	(3,059,232)	—	(3,059,232)
Community Development Funds	—	(50,000)	(50,000)	—	(50,000)
Debt Service Trust	—	—	(35,005,016)	—	(35,005,016)
Hourly Pension Fund	(162,440)	(162,440)	—	—	—
Intermodal Fund	—	—	(45,975)	—	(45,975)
Public Safety Capital Fund	(2,270,445)	(3,991,270)	(4,084,059)	—	(4,084,059)
Tourism Enhancement and Tourism Capital Projects Fund	(581,818)	(581,818)	(603,964)	—	(603,964)
Total	4,590,181	2,827,356	(5,631,218)	—	(5,631,218)
Net change in fund balances	—	(59,851)	461,120	309,046	770,166
Fund balances, beginning of year	16,161,438	16,161,438	16,161,438	—	16,161,438
Fund balances, end of year	\$ 16,161,438	\$ 16,101,587	\$ 16,622,558	\$ 309,046	\$ 16,931,604

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2016

ASSETS	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Current assets:				
Cash and cash equivalents	\$ 5,676,798	\$ 8,208	\$ 5,685,006	\$ 1,899,668
Accounts receivable (net of allowance for uncollectibles)	2,700,224	—	2,700,224	—
Assessments receivable - principal - current and past due	8,157	—	8,157	—
Special assessments interest receivable	2,522	—	2,522	—
Due from other funds	10,081,772	—	10,081,772	2,140,316
Inventory	1,342,871	—	1,342,871	—
Prepays	37,311	—	37,311	—
Unbilled water and sewer receivables	3,391,107	—	3,391,107	—
Total current assets	<u>23,240,762</u>	<u>8,208</u>	<u>23,248,970</u>	<u>4,039,984</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	11,052,875	—	11,052,875	—
Total restricted assets	<u>11,052,875</u>	<u>—</u>	<u>11,052,875</u>	<u>—</u>
Capital assets:				
Land	1,853,703	—	1,853,703	—
Movable equipment	8,650,926	—	8,650,926	—
Administration - business office	11,670,852	—	11,670,852	—
Distribution - buildings, mains, etc.	187,476,632	—	187,476,632	—
Pumping purification - buildings, etc.	71,404,374	—	71,404,374	—
Sewage system properties	155,673,040	—	155,673,040	—
Source of supply - dams, buildings, etc.	12,401,583	—	12,401,583	—
Construction in progress	6,014,149	—	6,014,149	—
Less: Accumulated depreciation	(165,819,605)	—	(165,819,605)	—
Total capital assets (net of accumulated depreciation)	<u>289,325,654</u>	<u>—</u>	<u>289,325,654</u>	<u>—</u>
Total noncurrent assets	<u>300,378,529</u>	<u>—</u>	<u>300,378,529</u>	<u>—</u>
Total assets	<u>323,619,291</u>	<u>8,208</u>	<u>323,627,499</u>	<u>4,039,984</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2016

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund		Internal Service Fund
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	\$ 3,767,603	\$ —	\$ 3,767,603	\$ —
Deferred outflows from pension	1,516,421	—	1,516,421	—
Total deferred outflows	5,284,024	—	5,284,024	—
LIABILITIES				
Current liabilities:				
Accounts payable	3,053,029	5,677	3,058,706	175,998
Due to other funds	4,186,879	—	4,186,879	3,815,500
Compensated absences	200,733	—	200,733	—
Accrued interest payable	597,815	—	597,815	—
Current portion of warrants payable	7,975,000	—	7,975,000	—
Total current liabilities	16,013,456	5,677	16,019,133	3,991,498
Noncurrent liabilities:				
Warrants payable, net	83,381,501	—	83,381,501	—
Net OPEB obligation	822,412	—	822,412	—
Deferred revenue	7,463	—	7,463	—
Developer deposits on water lines	2,164,571	—	2,164,571	—
Customer deposits	2,563,328	—	2,563,328	—
Compensated absences	688,786	—	688,786	—
Net pension liability	6,914,963	—	6,914,963	—
Workers compensation claims	360,282	—	360,282	—
Outstanding claims liability	—	—	—	1,132,300
Other Non-Current Liabilities	2,466	—	2,466	—
Total noncurrent liabilities	96,905,772	—	96,905,772	1,132,300
Total liabilities	112,919,228	5,677	112,924,905	5,123,798
DEFERRED OUTFLOWS OF RESOURCES				
Deferred inflows from pension	49,064	—	49,064	—
Total deferred outflows	49,064	—	49,064	—
NET POSITION				
Net investment in capital assets	201,736,756	—	201,736,756	—
Unrestricted	14,198,267	2,531	14,200,798	(1,083,814)
Total net position	\$ 215,935,023	\$ 2,531	215,937,554	\$ (1,083,814)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund			122,902	
Net position of business-type activities			\$ 216,060,456	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the year ended September 30, 2016

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund		Internal Service Fund
Operating revenues:				
Charges for services	\$ 46,181,264	\$ 26,750	\$ 46,208,014	\$ 14,642,261
Miscellaneous	55,330	—	55,330	—
Total operating revenues	<u>46,236,594</u>	<u>26,750</u>	<u>46,263,344</u>	<u>14,642,261</u>
Operating expenses:				
Personnel services	12,110,634	—	12,110,634	—
Outside services	1,344,374	70,255	1,414,629	—
Chemicals	1,512,478	—	1,512,478	—
Utilities and telephone	3,192,822	—	3,192,822	—
Repairs, maintenance and supplies	1,757,309	—	1,757,309	—
Other expenses	894,676	—	894,676	10,276
Depreciation and amortization	9,061,083	—	9,061,083	—
Special projects	2,303,761	—	2,303,761	—
Cost reimbursement to general fund	3,287,820	—	3,287,820	—
Insurance claims and expenses	—	—	—	15,470,540
Total operating expenses	<u>35,464,957</u>	<u>70,255</u>	<u>35,535,212</u>	<u>15,480,816</u>
Operating income (loss)	<u>10,771,637</u>	<u>(43,505)</u>	<u>10,728,132</u>	<u>(838,555)</u>
Non-operating revenues (expenses):				
Interest income	30,688	—	30,688	501
Interest expense	(2,531,433)	—	(2,531,433)	—
Gain/loss on sale of land	(1,160)	—	(1,160)	—
Amortization of loss on debt retirement	(930,785)	—	(930,785)	—
Total non-operating revenues (expenses)	<u>(3,432,690)</u>	<u>—</u>	<u>(3,432,690)</u>	<u>501</u>
Income (loss) before contributions and transfers	7,338,947	(43,505)	7,295,442	(838,054)
Capital grant revenue	63,295	—	63,295	—
Capital contributions - developers	4,459,697	—	4,459,697	—
Transfers in	45,575	45,975	91,550	—
Transfers out	(1,858,168)	—	(1,858,168)	—
Change in net position	10,049,346	2,470	10,051,816	(838,054)
Total net position, beginning of year	<u>205,885,677</u>	<u>61</u>	<u>205,885,738</u>	<u>—</u>
Total net position, end of year	<u>\$ 215,935,023</u>	<u>\$ 2,531</u>	<u>215,937,554</u>	<u>\$ (838,054)</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities			<u>119,674</u>	
Change in net position of business-type activities			<u>\$ 10,171,490</u>	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended September 30, 2016

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 45,831,723	\$ 26,750	\$ 45,858,473	\$ —
Payments to suppliers	(11,652,701)	(64,578)	(11,717,279)	(149,917)
Payments to employees	(12,056,506)	—	(12,056,506)	—
Customer deposits	737,168	—	737,168	—
Refunds of customer deposits	(636,246)	—	(636,246)	—
Materials purchased for other funds	(974)	—	(974)	—
Receipts for health insurance	—	—	—	14,642,261
Claims filed in excess of refunds	—	—	—	(875,275)
Payment of health insurance premiums	—	—	—	(12,717,199)
Net cash provided by (used in) operating activities	22,222,464	(37,828)	22,184,636	899,870
Cash flows from noncapital financing activities:				
Transfer from other funds	45,575	45,975	91,550	—
Transfer to other funds	(1,858,168)	—	(1,858,168)	—
Garbage fees collected for General Fund	5,156,767	—	5,156,767	—
Garbage fees remitted to General Fund	(3,912,507)	—	(3,912,507)	—
Loan to General Fund	(8,636,193)	—	(8,636,193)	—
Loan to Health Insurance Fund	(250,000)	—	(250,000)	—
Loan to Payroll Fund	(24,579)	—	(24,579)	—
Net cash provided by noncapital financing activities	(9,479,105)	45,975	(9,433,130)	—
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(14,526,961)	—	(14,526,961)	—
Interest paid on warrants	(3,136,229)	—	(3,136,229)	—
Proceeds from borrowing on line of credit	2,466	—	2,466	—
Federal grants	63,295	—	63,295	—
Waterline deposits from subdividers	2,472,210	—	2,472,210	—
Refund of waterline deposits to subdividers	(393,357)	—	(393,357)	—
Warrants paid	(7,710,000)	—	(7,710,000)	—
Net cash used in capital and related financing activities	(23,228,576)	—	(23,228,576)	—

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended September 30, 2016

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund		Internal Service Fund
Cash flows from investing activities:				
Interest earned on investments	\$ 30,688	\$ —	\$ 30,688	\$ 501
Net cash provided by investing activities	30,688	—	30,688	501
Net increase (decrease) in cash and cash equivalents	(10,454,529)	8,147	(10,446,382)	900,371
Cash and cash equivalents, beginning of year:				
Current assets	21,797,177	61	21,797,238	999,297
Restricted assets	5,387,025	—	5,387,025	—
Total cash and cash equivalents, beginning of year	27,184,202	61	27,184,263	999,297
Cash and cash equivalents, end of year:				
Current assets	5,676,798	8,208	5,685,006	1,899,668
Restricted assets	11,052,875	—	11,052,875	—
Total cash and cash equivalents, end of year	\$ 16,729,673	\$ 8,208	\$ 16,737,881	\$ 1,899,668

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended September 30, 2016

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund		Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 10,771,637	\$ (43,505)	\$ 10,728,132	\$ (838,555)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	9,061,083	—	9,061,083	—
(Increase) decrease in operating assets:				
Accounts receivable	(173,587)	—	(173,587)	83,245
Inventory	(297,566)	—	(297,566)	—
Unbilled water and sewer receivables	(231,284)	—	(231,284)	—
Due from other funds	(974)	—	(974)	(176,818)
Other assets	(311)	—	(311)	—
Increase (decrease) in operating liabilities:				
Accounts payable	57,880	5,677	63,557	175,998
Customer deposits	100,920	—	100,920	—
Due to other funds	2,617,138	—	2,617,138	1,379,000
Outstanding claims liability	—	—	—	277,000
Compensated absences	(71,208)	—	(71,208)	—
Net OPEB obligation	125,336	—	125,336	—
Workers compensation claims	263,400	—	263,400	—
Net cash provided by (used in) operating activities	<u>\$ 22,222,464</u>	<u>\$ (37,828)</u>	<u>\$ 22,184,636</u>	<u>\$ 899,870</u>
<u>Noncash Capital and Financing Activities</u>				
Capital contributions - developers				
Water main extension deposits recorded as revenue	\$ 1,857,133	\$ —	\$ 1,857,133	\$ —
Donated capital assets	2,602,564	—	2,602,564	—
Total capital contributions - developers	<u>\$ 4,459,697</u>	<u>\$ —</u>	<u>\$ 4,459,697</u>	<u>\$ —</u>
Premium amortization	\$ 531,182	\$ —	\$ 531,182	\$ —
Amortization of deferred loss on refunding	(930,785)	—	(930,785)	—

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

September 30, 2016

<u>ASSETS</u>	<u>Police Officers and Firefighters Supplemental Retirement Plan Fund</u>	<u>Agency Fund Cash Bond</u>
Cash and cash equivalents	\$ 393,883	\$ 76,116
Total assets	<u>\$ 393,883</u>	<u>\$ 76,116</u>
<u>LIABILITIES</u>		
Cash bond deposits payable	\$ —	\$ 76,116
Total liabilities	<u>\$ —</u>	<u>\$ 76,116</u>
<u>NET POSITION</u>		
Restricted for pensions	<u>\$ 393,883</u>	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the year ended September 30, 2016

	Police Officers and Firefighters Supplemental Retirement Plan Fund
Additions:	
Employer contributions	\$ 65,527
Interest income	207
Total additions	65,734
Deductions:	
Benefits paid	111,078
Administrative plan expenses	3,000
Total deductions	114,078
Change in net position	(48,344)
Net position, beginning of year	442,227
Net position, end of year	\$ 393,883

See accompanying notes to financial statements.



CITY OF TUSCALOOSA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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CITY OF TUSCALOOSA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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CITY OF TUSCALOOSA
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tuscaloosa (the City) was incorporated on December 13, 1819. The City operated under a Commission form of government until October 7, 1985. At that time, the City began operating under a Mayor and seven-member council form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of these accounting policies are described below.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its discretely presented component units. A discretely presented component unit is a separate legal entity for which the City appoints a voting majority of the units' board, is either able to impose its will on the unit or a financial benefit or burden relationship exists. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City. Each discretely presented component unit has a September 30 year-end.

Discretely Presented Component Units:

Tuscaloosa Tourism and Sports Commission, Inc. promotes the City through tourism and sporting events. The majority of the Board of Directors are appointed by the City Council. The City provides the majority of the Commission's support through a portion of the lodging tax received by the City. The Commission is presented as a proprietary fund type.

Tuscaloosa County Parking and Transit Authority provides public transportation to the residents of the City. The majority of the members of the Board of Directors are appointed by the City Council and the City has provided substantial funding in the past. The Authority is presented as a proprietary fund type.

Complete financial statements for each of the individual component units may be obtained at their administrative offices.

B. Financial Statements

The City applies all applicable FASB and AICPA pronouncements that do not conflict with or contradict GASB pronouncements, in accordance with GASB Statement No. 76.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements (Continued)

During fiscal year 2016, the City implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provision of GASB 67 and GASB 68* ("GASB 73"). GASB 73 provides guidance on assets accumulated for pension plans that are not administered through a trust and provides clarity on certain provision of GASB 67 and GASB 68. The implementation of GASB 73 did not have a significant impact on the City's financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"). GASB 74 establishes financial reporting standards to state and local governmental other postemployment benefit ("OPEB") plans. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016. The City has not completed the process of evaluating GASB 74. Upon adoption, the City expects GASB 74 to have an impact on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). GASB 75 establishes accounting and financial reporting standards for OPEB that are provided to employees of state and local governmental employers. The requirements of GASB 75 are effective for fiscal years beginning after June 15, 2017. The City has not completed the process of evaluating GASB 75. The City expects GASB 75 to have an impact on its financial statements.

During fiscal year 2016, the City implemented GASB Statement No.76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 55"). It also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB 62"), paragraphs 64, 74, and 82. The implementation of GASB Statement No.76 did not have a significant impact on the City's financial statement.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"). For financial reporting purposes, this statement defines tax abatement and contains required disclosures about a reporting government's own tax abatement agreements as well as those that are entered into by other governments. These agreements reduce the reporting government's tax revenues. The requirements of GASB 77 are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. Upon adoption, the City expects GASB 77 to have an impact on its financial statements, but it has not completed the process of evaluating the impact of GASB 77 on its statements.

In December 2015, GASB issued Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"). This statement addresses a practice issue regarding the scope and applicability of GASB 68. The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of GASB 78 are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City has not completed the process of evaluating the impact of GASB 78 on its financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements (Continued)

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* (“GASB 80”). The objective of this statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity, as amended* (“GASB 14”). The requirements of GASB 80 are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The City has not completed the process of evaluating the impact of GASB 80 on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is to improve 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 requirements of this statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged. Upon adoption, the City does not anticipate any impact on its financial statements from GASB 81.

In March 2016, GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The City has not completed the process of evaluating the impact of GASB 82 on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City has not completed the process of evaluating the impact of GASB 83 on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City has not completed the process of evaluating the impact of GASB 84 on its financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements (Continued)

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, streets and highways, etc.) for governmental programs and for each segment (water and sewer and intermodal facility retail) for business-type activities. Gross expenses (including depreciation) are reduced by related program revenues, operating grants and capital grants. Direct expenses include those costs that are specifically associated with a service, program or department. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

The City does not employ an indirect cost allocation system. Internal activity between funds is limited to transfers and the loaning of money between funds, which has been eliminated in the government-wide statements. Interfund services provided and used are not eliminated during the process of fund consolidation to the government-wide statements.

The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City (property taxes, sales and use tax, certain intergovernmental revenues, fines, permits, charges, etc.).

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. A reconciliation is provided following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The internal service fund of a government (which traditionally provides services to other funds of the government) is presented in the proprietary fund financial statements. Since the principal users of the internal service fund are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the cost of these services is reflected in the appropriate functional activity (general government, public safety, etc.).

The City's fiduciary funds are presented in the fund financial statements by type (agency/pension). Since by definition these assets are being held for the benefit of a third party and cannot be used for the benefit of the City, these funds are not incorporated into the government-wide statements. The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan Fund accounts for funds held and invested by the City for employees to provide retirement income (see Note V.D.2). The Cash Bond Fund accounts for the funds held by the City for municipal court costs and fines until court cases are settled and that money is either refunded to the payer or forfeited to the City.

The focus is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary fund (by type) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The reporting model (GASB Statement No. 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Major Governmental Funds

The City reports the following major governmental funds:

General Fund: This group of funds serves as the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Future Improvement Fund - Capital Projects Fund: This fund accounts for financial resources used for the acquisition and/or construction of major capital facilities or equipment (other than those financed by Enterprise Funds).

Major Proprietary Fund

The City has one major proprietary fund:

Water and Sewer Fund-Enterprise Fund: This fund is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is generally financed with debt that is secured by a pledge of the revenues; (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or (c) has a pricing policy designed for the fees and charges to recover similar costs.

Fiduciary Funds

The City reports the following fiduciary funds:

Police Officers and Firefighters Supplemental Retirement Plan Fund: This fund is used to account for funds held by the City for beneficiaries until drawn on by those beneficiaries after retirement.

Cash Bond Fund: This fund is used to account for the funds held by the City for court costs until any case is settled by the municipal court.

Internal Service Fund

The City has one internal service fund:

Risk Management Health Insurance Fund: This fund is used to account for and finance the cost of health and dental insurance premiums paid for City employees and their families.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting/Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The Government-Wide Financial Statements are reported using the economic resources measurement focus along with the accrual basis of accounting, as are the Proprietary Funds Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Agency funds do not have a measurement focus.

The Governmental Funds in the Fund Financial Statements are reported using the current financial resources measurement focus along with the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Accrual Basis – Revenues are recognized when earned and expenses are recognized when incurred under the accrual basis of accounting.

Modified Accrual Basis – Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter, to be used to pay liabilities of the current period. The City considers amounts collected within sixty days after year-end, excluding grant moneys for which the period is one year after year-end, to be available and recognizes them as revenues of the current period. Most taxes and intergovernmental receipts are subject to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33 (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

Tuscaloosa County bills and collects the City’s property taxes and remits payments to the City on a timely basis. Taxes are levied each October 1 on the taxable valuation of property (as defined by State statute) as of the preceding October 1. Property taxes are due and payable from October 1 to December 31. Any taxes not paid by December 31 are considered delinquent.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

1. **Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity date of three months or less from the date of acquisition.

The City maintains a cash and investment system in which substantially all cash is invested in interest-bearing checking accounts, certificates of deposit, or U. S. government obligations as authorized by law.

All investments in cash and U.S. Treasury with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost. Nonparticipating investment contracts, generally certificates of deposits, are reported at cost. All other investments, including U.S. agency obligations with maturities greater than one year, are reported at fair value. Fair value is estimated based on quoted market prices at year-end.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting/Measurement Focus (Continued)

2. **Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans).

Water, sewer and garbage receivables are shown net of an allowance for uncollectible accounts.

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the non-exchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first. That date for the City is October 1, 2015.

3. **Inventories and Prepaid Items** – Inventories for both governmental and proprietary funds, consisting principally of materials and supplies held for consumption, are valued at cost, approximating market value, using the first-in, first-out (FIFO) method. The costs of governmental funds 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 the government-wide and fund financial statements. These prepaid items are recorded as expenditures when consumed, rather than when purchased. The inventories and prepaid items recorded in the governmental funds do not reflect current appropriable resources, and, thus, an equivalent portion of fund balance is reported as nonspendable.
4. **Restricted Assets** – Restricted assets are those assets required to meet certain terms, covenants, and conditions of warrant indentures and other restrictions. Water and sewer restricted assets are restricted for debt service, construction of certain projects and the payment of customer deposits.
5. **Capital Assets** – Capital assets, which include machinery, equipment, vehicles, buildings, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City is currently capitalizing machinery and equipment with a cost of \$5,000 and an estimated life of at least three years. The City is reporting all infrastructure (roads, bridges, sidewalks, and similar items) including items acquired in fiscal years ended before June 30, 1980. Purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, offset by the interest earned on available funds until spent for construction. No interest expense from the business-type activities was capitalized for the year ended September 30, 2016.

The City reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment in the carrying value of the capital assets. If facts or circumstances support the possibility of impairment, management follows guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment will be made to the carrying value of the capital assets.

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity** (Continued)

Property, plant and equipment is being depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	25-50
Additions to buildings, other structures	20
Property used for water distribution	50
Sewage treatment systems	50
Equipment	5-15
Vehicles	4-10
Computer equipment	3

6. **Deferred Outflows of Resources** – A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

7. **Compensated Absences** – The AVAIL (Annual Vacation and Illness Leave) plan is the vacation and sick leave policy of the City. AVAIL days may be utilized for vacation or illness, as the employee so desires, and are earned at graduated rates based on length of service (12 days per year for the first year, with up to 30 days per year for over twenty years of service). Upon termination of employment with the City, an employee will be paid a maximum of sixty days of accumulated AVAIL time (see Note IV.G.).

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of the debt is based on amounts due as a result of an employee's resignation or retirement. In the fund financial statements, governmental funds report only the liability payable from expendable and available financial resources which represents the portion of AVAIL leave that is outstanding upon an employee's termination. The proprietary fund reports the liability as it is incurred.

The balance of compensated absence debt related to governmental activities has been liquidated using General Fund revenues, while the compensated absence debt related to the business-type activities has been liquidated using Water and Sewer Proprietary fund revenues.

8. **Lease obligations** – Capital lease obligations are stated at the original fair value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements. Capital lease obligations of proprietary funds and governmental activities in the government wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

9. **Post-employment benefit obligations** – The City records a liability in the government-wide financial statements for future benefits due employees who are covered by the City's various pension plans. These benefits are determined for each plan as disclosed in Note V.C.

The City also records a liability in the government-wide financial statements for future healthcare benefits for eligible retirees and their spouses. The postemployment benefits other than pension liability (OBEB liability) is disclosed in Note V.C.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

- 10. Long-Term Obligations** – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of warrants payable and compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary fund debt is the same in the fund financial statements as it is in the government-wide statements.
- 11. Deferred Inflows of Resources** – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.
- 12. Equity Classifications** – Equity is classified differently depending on whether it is in the government-wide statements or the fund financial statements.

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

In the fund financial statements, governmental fund balance is presented in five possible categories:

- a. Nonspendable—resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact.
- b. Restricted—resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- c. Committed—resources which are subject to limitations the City imposes upon itself by action of the City Council, and that remain binding unless the limitations are removed in the same manner. An ordinance adopted by the City Council establishes a fund balance commitment.
- d. Assigned—resources neither restricted nor committed for which the City has a stated intended use. The City Council via Council Action or the Mayor as authorized by the City Council establishes these fund balance assignments.
- e. Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Proprietary net position is classified the same as in the government-wide statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

10. Equity Classifications (Continued)

In the government-wide financial statements and proprietary fund types in the fund financial statements, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, when expenditures are incurred in governmental fund types for purposes for which various fund balance classifications could be used, it is the City's policy to consider that restricted amounts have been reduced first, followed by committed, assigned, and then unassigned amounts.

The City has the following minimum fund balance/net position policies:

General Fund – minimum unassigned fund balance of at least 10% of the final prior year general fund operating expense budget.

Capital Projects Fund - minimum assigned fund balance of at least 10% of the final prior year general fund operating expense budget.

Water and Sewer Fund – minimum unrestricted net position of at least 30% of actual current year water and sewer operating expenses.

F. Revenues, Expenditures and Expenses

- 1. Operating Revenues and Expenses** – Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the City's major enterprise fund, the Water and Sewer Fund, are charges to customers for sales and services. The operating revenues of the Intermodal Facility Retail Fund, the non-major enterprise fund, are charges to the Tuscaloosa County Parking and Transit Authority (PATA) for cost reimbursement of a portion of certain expenses paid by the City to maintain the leased space used by the PATA. See Note IV.H.1. for more information regarding this leasing arrangement. The internal service fund, the Health Insurance Fund, charges the various departments of the City and the employees the premiums for the health coverage provided. Operating expenses for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- 2. Program Revenues** – Program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions.

II. MANAGEMENT ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and

liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are employed each year as a management control device by the adoption of budgets for the General Fund and the Water and Sewer Enterprise Fund. Project length financial plans are adopted for capital projects. Budgets are not prepared for other governmental fund types or proprietary fund types; consequently, there is no statement of revenues and expenditures, budget and actual, for these funds.

An annual budget for the Water and Sewer Enterprise Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the General Fund are adopted on a basis consistent with GAAP, except that budgets and budgetary schedules are prepared using encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded. All unencumbered appropriations lapse at fiscal year-end.

Encumbrance accounting is used for governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end lapse and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

The City follows these procedures in establishing the budget each year:

1. The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. Budgets are prepared for the General Fund and the Water and Sewer Enterprise Fund by fund, function, department and object. The operating budget includes proposed expenditures and the means of financing them.
2. The budget, as adopted by the City Council, is at the department level.
3. The finance director is authorized to approve limited changes to certain line items of the budget within a department as long as the total budget for the department does not change. Council action is required for a change to the budget where the total budget for that department changes, and also for certain specific line items. Any increase must be funded by additional available resources at the time of the amendment.

The following schedule reconciles excess of revenues and other sources over expenditures and other uses of the General Fund on a budgetary basis using encumbrance accounting in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual to the amount reported on a GAAP basis. This budgetary comparison is reported in the basic financial statements as the perspective difference is not deemed to be significant.

Excess of revenues over (under) expenditures and other uses (budgetary basis)	\$ 6,092,338
Adjustments:	
Encumbrances at beginning of year	(162,594)
Encumbrances at end of year	471,640
Excess of revenues over (under) expenditures and other uses (GAAP basis)	<u>\$ 6,401,384</u>

B. Deficit Fund Balances / Net Position

The following funds reported deficits in fund balance/net position at September 30, 2016:

1. Police Department Funds had an accumulated deficit of \$29,680. The deficit increased by \$2,855 primarily due to the termination of a grant and expenses charged to these funds that will be paid by the General Fund in the future.
2. Health Insurance Fund (Internal Service Fund) had an accumulated deficit of \$1,083,814 which increased by \$245,760 during the current fiscal year. The City continues to be proactive in searching for ways to control health insurance costs in an effort to reduce and contain the deficit fund balance.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Financial institutions utilized as depositories by the City must provide evidence of its designation under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the City may request that the depository provide evidence of its continuing designation as a qualified public depository. The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. Each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established by the State Treasurer as SAFE administrator. In the unlikely event that a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. Since all of the City's deposits are held by a qualified public depository under the SAFE program, its deposits are not subject to custodial credit risk.

Investments

As of September 30, 2016, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less than 1	1-5
U.S. Treasury Obligations	\$ 155,926	\$ —	\$ 155,926
Certificates of Deposit	32,515,314	32,515,314	—
	<u>\$ 32,671,240</u>	<u>\$ 32,515,314</u>	<u>\$ 155,926</u>

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by investing limited resources in investments, and further limiting its maturities of its investment portfolio to less than five years.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables at September 30, 2016, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectibles, are shown below. There were no receivables for the fiduciary funds.

Receivables	General	Capital Project	Enterprise	Disaster Recovery Construction Fund	Nonmajor Funds	Total
Special assessment	\$ —	\$ —	\$ 8,157	\$ —	\$ —	\$ 8,157
Taxes	11,065,570	—	—	—	—	11,065,570
Accounts receivable	1,452,839	—	2,970,309	—	—	4,423,148
Special assessment interest	—	—	2,522	—	—	2,522
Unbilled receivables	340,849	—	3,391,107	—	—	3,731,956
Other governments	33,002	1,392,544	—	1,892,758	2,851,058	6,169,362
Gross receivables	12,892,260	1,392,544	6,372,095	1,892,758	2,851,058	25,400,715
Less: Allowance for uncollectibles	164,950	—	270,085	—	—	435,035
Net Receivables	<u>\$ 12,727,310</u>	<u>\$ 1,392,544</u>	<u>\$ 6,102,010</u>	<u>\$ 1,892,758</u>	<u>\$ 2,851,058</u>	<u>\$ 24,965,680</u>

Revenues of the Water and Sewer Fund are reported net of uncollectible amounts. Total uncollectible amounts relating to revenues of the current period are \$279,315.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity as of and for the year ended September 30, 2016 follows:

	Balance September 30, 2015	Additions and Adjustments	Deletions	Balance September 30, 2016
Capital assets not being depreciated:				
Land	\$ 4,508,746	\$ 466,151	\$ —	\$ 4,974,897
Construction in progress	20,134,005	16,442,254	14,592,253	21,984,006
Total capital assets not being depreciated	<u>24,642,751</u>	<u>16,908,405</u>	<u>14,592,253</u>	<u>26,958,903</u>
Capital assets being depreciated:				
Infrastructure	252,059,373	11,225,637	—	263,285,010
Buildings	104,918,472	3,036,617	—	107,955,089
Machinery and equipment	52,491,032	4,835,380	—	57,326,412
Total capital assets being depreciated	<u>409,468,877</u>	<u>19,097,634</u>	<u>—</u>	<u>428,566,511</u>
Less accumulated depreciation for:				
Infrastructure	123,356,881	6,265,688	—	129,622,569
Buildings	21,609,771	2,093,920	—	23,703,691
Machinery and equipment	38,341,392	3,853,206	1,219,610	40,974,988
Total accumulated depreciation	<u>183,308,044</u>	<u>12,212,814</u>	<u>1,219,610</u>	<u>194,301,248</u>
Total capital assets being depreciated, net	<u>226,160,833</u>	<u>6,884,820</u>	<u>(1,219,610)</u>	<u>234,265,263</u>
Governmental activities capital assets, net	<u>\$ 250,803,584</u>	<u>\$ 23,793,225</u>	<u>\$ 13,372,643</u>	<u>\$ 261,224,166</u>
Business - type activities:				
Capital assets not being depreciated:				
Land	\$ 1,744,935	\$ 108,768	\$ —	\$ 1,853,703
Construction in progress	4,767,562	9,947,815	8,701,228	6,014,149
Total capital assets not being depreciated	<u>6,512,497</u>	<u>10,056,583</u>	<u>8,701,228</u>	<u>7,867,852</u>
Capital assets being depreciated:				
Buildings and system	423,646,740	20,240,251	5,260,510	438,626,481
Machinery and equipment	7,996,864	824,174	170,113	8,650,925
Total capital assets being depreciated	<u>431,643,604</u>	<u>21,064,425</u>	<u>5,430,623</u>	<u>447,277,406</u>
Less accumulated depreciation for:				
Buildings and system	151,145,944	9,061,082	—	160,207,026
Machinery and equipment	5,775,479	—	162,901	5,612,578
Total accumulated depreciation	<u>156,921,423</u>	<u>9,061,082</u>	<u>162,901</u>	<u>165,819,604</u>
Total capital assets being depreciated, net	<u>274,722,181</u>	<u>12,003,343</u>	<u>5,267,722</u>	<u>281,457,802</u>
Business-type activities capital assets, net	<u>\$ 281,234,678</u>	<u>\$ 22,059,926</u>	<u>\$ 13,968,950</u>	<u>\$ 289,325,654</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (continued)

Depreciation expense which includes amortization expense of assets acquired by capital leases was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,292,146
Public safety	2,342,261
Streets and highways	6,983,418
Environmental services	750,207
Recreation	<u>844,782</u>
 Total depreciation expense-governmental activities	 \$ <u>12,212,814</u>
 Business type activities:	
Water and sewer	<u>\$ 9,061,082</u>

The City had numerous active construction projects at September 30, 2016.

The following non-cash additions took place in the year ending September 30, 2016:

Computer equipment under capital lease	\$ 1,038,216
Donated vehicles	39,921

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Balances and Transfers:

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded and payments between funds are made. All interfund balances are expected to be paid within the next fiscal year. The composition of interfund balances at September 30, 2016 is as follows:

Due to	Due from						Total Due From
	General Fund	Capital Project Fund	Disaster Recovery Construction Fund	Nonmajor Governmental Fund	Proprietary Funds	Internal Service Fund	
General Fund	\$ -	\$ 176	\$ 5,433,766	\$ 2,543,184	\$ 3,860,178	\$ 3,565,500	\$ 15,402,804
Capital Project Fund	3,059,232	-	-	4,362,910	-	-	7,422,142
Disaster Recovery Construction Fund	3,537	-	-	-	18,528	-	22,065
Nonmajor Governmental Fund	2,807,927	19,500	1,590,000	24,590	48,000	-	4,490,017
Proprietary Funds	9,066,324	-	695,000	70,448	-	250,000	10,081,772
Internal Service Fund	1,880,143	-	-	-	260,173	-	2,140,316
	938						938
Total Due to	\$ 16,818,101	\$ 19,676	\$ 7,718,766	\$ 7,001,132	\$ 4,186,879	\$ 3,815,500	\$ 39,560,054

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that budget or statute requires to expend them, and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as payments come due. In addition, at year-end, the City transfers funds from the General Fund to the Capital Project Fund to finance construction projects for the City.

Transfer to	Transfers from				Total Transfers from
	General Fund	Capital Project Fund	Nonmajor Governmental Fund	Proprietary Funds	
General Fund	\$ -	\$ -	\$ 2,369,550	\$ 1,810,168	\$ 4,179,718
Capital Projects Fund	38,064,248	-	215,000	-	38,279,248
Nonmajor Governmental Fund	5,945,952	-	211,000	48,000	6,204,952
Proprietary Fund	45,975	-	45,575	-	91,550
Total transfer to	\$ 44,056,175	\$ -	\$ 2,841,125	\$ 1,858,168	\$ 48,755,468

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Unbilled Water, Sewer and Garbage Receivables

Due to the nature of the billing cycles used by the City for water and sewer charges and garbage billings, at any point in time, there are unbilled receivables for usage to date.

The amount of unbilled water and sewer receivables at year-end was \$3,391,107 and the amount of unbilled garbage receivables was \$340,849.

F. Warrant Issue Cost

Initial issue expense of the general obligation warrants was expensed when incurred, with the exception of prepaid insurance cost which is being amortized over the number of years that the warrant issues are outstanding.

G. Compensated Absences

Compensated absences consist of unpaid accumulated vacation and sick leave for all City employees. At September 30, 2016, the compensated absences of all City employees amounted to approximately \$7.86 million. Of this amount, \$889,519 relates to water and sewer employees and is recorded in the enterprise fund. The balance of approximately \$6.97 million relates to general City employees.

H. Leases

1. **Operating Leases** - Beginning in December, 2009, the City of Tuscaloosa leased a building for the purpose of renovating it to be used as a cultural arts center. The term of the lease is 20 years and one day. There is no holdover tenancy upon expiration. No rental payments are required. The primary consideration to the lessor is the promise of the City of Tuscaloosa to make major repairs to a portion of the premises. The lease is subject to the City obtaining a Section 108 HUD loan to pay for these repairs. The City has obtained a loan in the amount of \$1,500,000 and is, therefore, bound by the lease.

Effective October 23, 2009, the City entered into a 40 year lease, for \$1 per year, with the Tuscaloosa County Parking and Transit Authority (PATA), a discretely presented component unit, for space in the City's Intermodal Facility/Parking Deck for its administrative offices and downtown bus stop. In addition, the City and PATA will each be responsible for 50 percent of certain utility and maintenance costs associated with the leased space.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Leases (continued)

2. **Capital Leases** - The City entered into lease agreements as lessee for financing the acquisition of computer and communication equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the lesser of fair value or the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer equipment	\$1,038,216
Communication equipment	756,124
Less accumulated depreciation	<u>(223,262)</u>
Total	<u>\$1,571,078</u>

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

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2017	\$ 425,728
2018	425,728
2019	425,728
2020	425,728
2021	<u>202,857</u>
Total minimum lease payments	1,905,769
Less: amount representing interest	<u>111,429</u>
	<u>\$ 1,794,340</u>

I. Long-Term Debt

1. Loan

In December 2009, the City obtained a 20 year loan from the United States Department of Housing and Urban Development Section 108 Division for \$1.5 million to renovate a building located in the downtown district for use as a cultural arts center. Principal payments of \$75,000 are due annually commencing on August 1, 2011 with interest payment made semiannually on February 1st and August 1st, commencing on February 1, 2011. Debt service payments will continue through August 1, 2030. The interest rate ranges from 0.56% to 4.48% over the life of the loan. See Note IV.I.9. for more information regarding debt service.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

2. General Obligation Warrants

The City issues general obligation warrants providing funds primarily for the construction of major capital facilities. General obligation warrants are direct obligations and the City pledges its full faith and credit for the debt.

On April 1, 2016, the City issued general obligation Series 2016-A Warrants in the amount of \$33,370,000. The warrants were issued with interest rates from 2.00 – 3.50%. The purpose of the issue was to provide financing for capital improvements such as storm water drainage facilities, street improvements and public infrastructure improvements as well as to pay all issuance expenses for this warrant series. The warrants were issued at a premium of \$2,337,590 with an Original Issue Discount of \$429,136.

General obligation warrants outstanding at September 30, 2016 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2014-A G.O. and Refunding Warrants	2.00-5.00%	\$ 20,165,000
2012-B G.O. Refunding Warrants	2.75-5.00%	5,430,000
2010-A G.O. Refunding Warrants	2.50-5.00%	15,630,000
2009 General Obligation Warrants	3.25-5.00%	15,525,000
2007 General Obligation Warrants	2.00-5.00%	13,120,000
2014-C General Obligation Warrants	1.00-5.00%	1,995,000
2016-A General Obligation Warrants	2.00-3.50%	33,370,000
		<u>\$ 105,235,000</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

2. General Obligation Warrants (continued)

Annual debt service requirements to maturity for general obligation debt are as follows:

General Long-Term Debt*			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,045,000	\$ 4,508,713	\$ 7,553,713
2018	3,140,000	4,418,205	7,558,205
2019	3,260,000	4,299,305	7,559,305
2020	3,400,000	4,181,168	7,581,168
2021	3,450,000	4,046,668	7,496,668
2022-2026	19,705,000	17,603,516	37,308,516
2027-2031	24,315,000	12,496,579	36,811,579
2032-2036	21,660,000	7,463,339	29,123,339
2037-2041	14,805,000	2,968,233	17,773,233
2042-2046	8,455,000	908,525	9,363,525
Total	<u>\$ 105,235,000</u>	<u>\$ 62,894,250</u>	<u>\$ 168,129,250</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

3. Extinguishment of Debt Through In-Substance Defeasance – General Obligation Warrants

In prior years, the City defeased certain general obligation warrants by placing the proceeds of new warrants in an irrevocable trust to provide for all future debt service payments on the old warrants. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the City's financial statements. On September 30, 2016, \$29,687,048 of warrants outstanding are considered defeased.

4. Water and Sewer Warrants

The City has issued warrants and has pledged income derived from certain assets to be used to pay the debt service. These warrants are used to finance construction in the water and sewer enterprise fund. At the beginning of the year, the amount of water and sewer debt outstanding was \$93,250,000. Water and sewer warrants outstanding at September 30, 2016 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2008 SRF Issue	3.18%	\$ 155,000
2010 SRF Issue	2.57%	1,890,000
2013 SRF Issue	1.60%	4,435,000
2012-B G.O. Warrant Issue	2.75-5.00%	24,830,000
2012-A G.O. Warrant Issue	2.00-5.00%	22,795,000
2014-A G.O. Warrant Issue	2.00-5.00%	1,160,000
2014-B G.O. Warrant Issue	2.00-5.00%	21,160,000
2014-C G.O. Warrant Issue	1.00-5.00%	9,115,000
		<u>\$ 85,540,000</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

4. Water and Sewer Warrants (continued)

Annual debt service requirements to maturity for water and sewer warrants are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,975,000	\$ 2,885,773	\$ 10,860,773
2018	8,180,000	2,687,696	10,867,696
2019	8,400,000	2,481,960	10,881,960
2020	8,565,000	2,253,285	10,818,285
2021	7,245,000	2,083,779	9,328,779
2022-2026	28,995,000	6,004,834	34,999,834
2027-2031	8,375,000	2,124,824	10,499,824
2032-2037	7,805,000	590,848	8,395,848
Total	<u>\$ 85,540,000</u>	<u>\$ 21,112,998</u>	<u>\$ 106,652,998</u>

5. Extinguishment of Debt Through In-Substance Defeasance and Refundings – Water and Sewer Warrants

In prior years, the City defeased certain water and sewer warrants and refunding warrants by placing the proceeds of new warrants in an irrevocable trust to provide for all future debt service payments on the old warrants. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the City's financial statements. At September 30, 2016, \$98,040,657 of warrants outstanding are considered defeased.

6. Debt Covenants

The Water and Sewer warrants require certain covenants including a coverage test. Revenue (as adjusted) less expenses (as adjusted) must meet a 1:1 ratio. Revenue is defined as all revenue less interest income. Expenses are defined as operating expense (per the financial statement) less depreciation. This adjusted amount must be greater than the principal and interest payments for the year.

7. Line of Credit

The City has a \$4 million open line of credit that expires in November 2018. It bears interest at a variable rate from 2-4%. The balance as of September 30, 2016 was \$2,466. See note IV.I.8 for more information on debt service.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

8. Arbitrage Compliance

As an issuer of tax-exempt obligations, the City must comply with Section 148 of the Internal Revenue Code whereby arbitrage on tax-exempt warrants, if any is rebated to the IRS. The City is in compliance with Section 148 requirements.

9. Changes in Long-Term Debt

Long-term debt activity as of and for the year ended September 30, 2016, follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General City warrants	\$ 76,795,000	\$ 33,370,000	\$ 4,930,000	\$ 105,235,000	\$ 3,045,000
Section 108 loan	1,125,000	—	75,000	1,050,000	75,000
Capital leases	756,124	1,038,216	—	1,794,340	425,728
Premiums on warrants	4,491,086	2,337,590	312,064	6,516,612	312,064
Discounts on warrants	(306,263)	(429,136)	(32,144)	(703,255)	(32,144)
Total warrants, notes payable, and capital leases	82,860,947	36,316,670	5,284,920	113,892,697	3,825,648
Net OPEB obligation	4,154,021	752,385	—	4,906,406	—
Compensated absences	7,008,721	4,877,152	4,912,359	6,973,514	1,464,151
Workers compensation claims	1,173,761	712,448	559,477	1,326,732	485,849
Governmental activity long-term liabilities	<u>\$ 95,197,450</u>	<u>\$ 42,658,655</u>	<u>\$ 10,756,756</u>	<u>\$ 127,099,349</u>	<u>\$ 5,775,648</u>
Business-type activities:					
Water and sewer warrants	\$ 93,250,000	\$ —	\$ 7,710,000	\$ 85,540,000	\$ 7,975,000
Premiums on warrants	6,347,683	—	531,182	5,816,501	—
Total warrants	99,597,683	—	8,241,182	91,356,501	7,975,000
Line of Credit	—	2,466	—	2,466	—
Net OPEB obligation	697,076	125,336	—	822,412	—
Compensated absences	960,727	1,484,115	1,555,323	889,519	200,733
Workers compensation claims	96,882	415,329	151,929	360,282	—
Business-type activity long-term liabilities	<u>\$ 101,352,368</u>	<u>\$ 2,027,246</u>	<u>\$ 9,948,434</u>	<u>\$ 93,431,180</u>	<u>\$ 8,175,733</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

9. Changes in Long-Term Debt (continued)

The fund balance of the General Fund has been used in prior years to liquidate any obligation held in Governmental Funds. Federal funds obtained from the Community Development Block Grant and receipted in the Community Development Special Revenue Funds will be used to liquidate the Section 108 loan. The Net OPEB obligation was unfunded for the September 30, 2016 fiscal year and will remain unfunded and liquidated on a pay-as-you-go financing basis.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to risk in the form of health claims, worker compensation claims, automobile claims and professional liability. The City has elected to purchase vehicle insurance for only the larger items, and to self-insure for general and professional liability. The risks for health insurance and workers compensation claims are described below.

1. Health Insurance Fund

Effective October 1, 1987, the City established a Risk Management Health Insurance Fund (an internal service fund) to account for and finance the cost of health and dental insurance premiums paid for the City employees and their families. Under this program, the City's deductible is \$205,000 cumulative per employee, per policy period. An outside major insurance carrier administers the plan.

The General Fund and the Water and Sewer Enterprise Fund employees participate in the insurance program. Payments are made by these funds and by employees based on actuarial estimates of the amounts required to pay current year claims.

The outstanding claims liability of \$1,132,300 at September 30, 2016 is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. A provision for inflation on the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made.

Changes in the fund's claims liability for the years ended September 30, 2016 and 2015 were as follows:

	Year ended September 30, 2016	Year ended September 30, 2015
Unpaid claims, beginning of year	\$ 855,300	\$ 838,100
Incurred claims (including IBNRs)	13,154,637	12,694,146
Claims paid	<u>(12,877,637)</u>	<u>(12,676,946)</u>
Unpaid claims, end of year	<u>\$ 1,132,300</u>	<u>\$ 855,300</u>

V. OTHER INFORMATION (Continued)

A. Risk Management (continued)

2. Workers Compensation Claims

The City accounts for and finances the cost of workers compensation claims paid for City employees in the General Fund and the Water and Sewer Enterprise Fund. The City retains the risk for the first \$1,250,000 per person, per accident or disease, per year, and purchases commercial insurance for claims in excess of \$1,250,000 up to \$10,000,000 per person, per accident or disease, per year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Payments are made in the funds based upon actuarial estimates of the amounts required to pay current year claims. The plan is administered by an outside major insurance carrier.

The total outstanding claims liability at September 30, 2016 of \$1,687,014 is based on the requirements of Government Accounting Standards Board Statement 10, as explained above. The carrying value is calculated using an interest rate of 2.6%. Of the above amount, \$360,282 is reported in the Water and Sewer Enterprise Fund. The balance, \$1,326,732, relates to other City employees and is not reported in the governmental fund financial statements as it is not expected to be liquidated with expendable available financial resources. The liability is reported as long-term debt due after one year in the governmental activities in the Statement of Net Position.

Changes in the workers compensation claims liabilities amounts for the year ended September 30, 2016, were as follows:

	General City Employees	Water and Sewer Employees
Unpaid claims, beginning of year	\$ 1,173,761	\$ 96,882
Increase (incurred claims, including IBNR's)	712,448	415,329
Decrease (claims paid and reserve reduction)	<u>(559,477)</u>	<u>(151,929)</u>
Unpaid claims, end of year	<u>\$ 1,326,732</u>	<u>\$ 360,282</u>

V. OTHER INFORMATION (Continued)

Changes in the workers compensation claims liabilities amounts for the year ended September 30, 2015, were as follows:

	General City Employees	Water and Sewer Employees
Unpaid claims, beginning of year	\$ 1,204,510	\$ 212,776
Increase (incurred claims, including IBNR's)	559,363	-
Decrease (claims paid and reserve reduction)	<u>(590,112)</u>	<u>(115,894)</u>
Unpaid claims, end of year	<u>\$ 1,173,761</u>	<u>\$ 96,882</u>

B. Joint Ventures

1. Black Warrior Solid Waste Disposal Authority

The Black Warrior Solid Waste Disposal Authority (the "Authority") was incorporated as a non-profit public corporation on August 2, 1993, under the provisions of Act No. 80-278 of the 1980 Regular Session of the Legislature of Alabama, as amended. The Board of Directors of the Authority consists of nine members, three of which are appointed by each of the governing bodies of the City of Tuscaloosa, the City of Northport, and Tuscaloosa County, Alabama. The landfill facility is the disposal site for all of the municipal solid waste generated within the municipalities and all of Tuscaloosa County, Alabama.

The following is a summary of the financial information of the Authority as of and for the year ended September 30, 2016:

Total assets	<u>\$ 34,325,732</u>
Deferred outflows	<u>\$ 117,826</u>
Current liabilities	\$ 131,743
Long-term liabilities	<u>13,507,014</u>
	<u>\$ 13,638,757</u>
Deferred inflows	<u>\$ -</u>
Total net position	<u>\$ 20,804,801</u>

V. OTHER INFORMATION (Continued)

B. Joint Ventures (continued)

1. Black Warrior Solid Waste Disposal Authority (continued)

Total revenues	\$ 4,918,032
Total expenditures	(4,596,812)
Non-operating revenues, net of non-operating expenditures	<u>(63,517)</u>
Net increase in net position	<u>\$ 257,703</u>

The debt of the Authority is secured by various assets of the Authority.

A copy of the complete financial statements may be obtained at the administrative office of the Black Warrior Solid Waste Disposal Authority, 3301 Land Fill Drive, Coker, AL 35452.

2. Tuscaloosa County Minimum Security Facility

On September 26, 1984, the City of Tuscaloosa, City of Northport, and Tuscaloosa County entered into a joint venture to build a new minimum security facility (the jail). The jail is operated as a department of Tuscaloosa County. As a result, the jail's assets, liabilities, and operations are combined with other County activities and separate financial statements are not available. The County is responsible for selecting management, budgeting, and daily operations. The County charges the City of Tuscaloosa and the City of Northport on a quarterly basis for their representative share of the cost of operations. During the year ended September 30, 2016, the City paid \$322,403 in jail costs for prisoners housed at that facility

3. Metro Animal Shelter, Inc.

Effective October 1, 2015, the City of Tuscaloosa, City of Northport, and Tuscaloosa County extended its agreement for an additional three years to fund the Metro Animal Shelter, Inc. in the amount of \$742,000 per year, based on the following percentages, in order to provide animal shelter services in the County.

	<u>Percent</u>	<u>Amount</u>
City of Tuscaloosa	45.50%	\$ 337,608
City of Northport	9.30	69,000
Tuscaloosa County	<u>45.20</u>	<u>335,388</u>
	<u>100.00%</u>	<u>\$ 741,996</u>

V. OTHER INFORMATION (Continued)

B. Joint Ventures (continued)

3. Metro Animal Shelter, Inc. (continued)

At each June 30 fiscal year end, the Shelter is to return all profits in excess of \$10,000 to be placed in an account for maintenance, repairs and improvements at the shelter. For the year ended June 30, 2016, no excess was returned to the City.

C. Other Post-Employment Benefits

1. Plan Description

The City participates in a single-employer, self-insured health insurance program administered by Blue Cross and Blue Shield of Alabama. The City extends post-employment medical insurance benefits to qualifying employees. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I" members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later and completion of 10 years of service. For Fire and Police employees, the ages are age 56 and ten years of service for Tier I and age 60 and ten years of service for Tier II. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. After a retiree becomes eligible for Medicare (age 65 in most cases), no medical benefits are provided by the City. The City Council has the authority to establish and amend benefit provisions. The Plan does not issue a separate financial report.

2. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. Employees do not contribute to their post-employment benefit costs until they become retirees and begin receiving those benefits. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases as determined annually by the City Council. The City's funding policy is to not fund the Annual Required Contribution except to the extent of the current year's retiree costs. For the fiscal year ended September 30, 2016, the City and plan members receiving benefits contributed a total of \$553,812.

V. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits (continued)

3. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) 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 No. 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 over a period not to exceed thirty years. 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:

Annual required contribution	\$ 1,518,028
Interest on net OPEB obligation	194,044
Adjustment to annual required contribution	<u>(280,539)</u>
Annual OPEB cost	1,431,533
Contributions made (retiree premium)	<u>(553,812)</u>
Increase in net OPEB obligation	877,721
Net OPEB obligation - beginning of the year	<u>4,851,097</u>
Net OPEB obligation - end of the year	<u><u>\$ 5,728,818</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for each of the three years ended September 30, were as follows:

Three Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2016	\$ 1,431,533	\$ 553,812	38.69%	\$ 5,728,818
09/30/2015	\$ 1,364,535	\$ 537,890	39.42%	\$ 4,851,097
09/30/2014	\$ 1,116,944	\$ 247,775	22.18%	\$ 4,024,454

V. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits (continued)

4. Funded Status and Funding Progress

As of October 1, 2015, the most recent actuarial valuation date for fiscal year ending September 30, 2016, the plan was zero percent funded. The actuarial accrued liability for benefits was \$15,573,437, and the actuarial value of plan assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,573,437. The covered payroll (annual payroll of active employees covered by the plan) was \$68,520,539, and the ratio of the UAAL to the covered payroll was 21%.

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of September 30, 2016, the eighth year of implementation. In subsequent years, the schedule will provide multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. The actuarial valuations for post-employment benefits includes estimates and assumptions regarding turnover rate, retirement rate, healthcare cost trend rate, mortality rate, investment rate of return (discount rate), and the period to which the costs apply.

In the October 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 15% annual turnover rate, 4.0% investment rate of return (discount rate), and an annual healthcare cost trend of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after ten years (the trend rate includes an inflation factor of 2.50% annually). For mortality rates the 1994 Group Annuity Reserving (94GAR) table was used. The UAAL is being amortized as a level dollar amount on an open basis within a period of 30 years. For the retirement rate, it is assumed that entitlement to benefits will commence upon actual retirement, which has been assumed to be at the earlier of age 55 and 25 years of service and age 60 and 10 years of service.

In addition, "Tier II" retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62 (age 60 for police and firefighters).

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans

1. General Information

The City maintains a single-employer, supplemental defined benefit pension plan that covers all fire and police officers, and participates in three externally maintained defined benefit pension plans covering substantially all employees. The pension plans are funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The Tuscaloosa Police Officers and Firefighters Retirement Plan is a single-employer defined benefit plan covering all certified firemen and policemen. The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan is a single-employer defined benefit plan covering all firemen and policemen and is meant to supplement the benefits of the Tuscaloosa Police Officers and Firefighters Retirement Plan paid to high-ranking police officers and firefighters. The Met Life Retirement and Savings Plan, an agent-multiple employer retirement plan, covered all non-civil service employees until May 6, 2000, when the plan was closed, the assets were frozen, and the employees became members of the Employees Retirement System of Alabama (ERS). An employee covered by the Met Life plan starts over to meet the retirement requirements of Employees Retirement System of Alabama. An employee retiring before meeting these requirements will retire under the Met Life plan. The Employees Retirement System of Alabama, an agent-multiple employer retirement plan, is open to all hourly employees. The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan's financial statements are included in the fiduciary statements of this report and there are no publicly available financial statements. The Employees Retirement System of Alabama, Met Life Retirement and Savings Plan, and Tuscaloosa Police Officers and Firefighters Retirement Plan issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by contacting the plan.

Employees Retirement System
of Alabama
P. O. Box 302150
Montgomery, AL 36130-0001
(334) 832-4140

Met Life Retirement
and Savings Plan
P.O. Box 14710
Lexington, KY 40512
(859) 245-8100

Tuscaloosa Police Officers and
Firefighters Retirement Plan
Box 2089
Tuscaloosa, AL 35403
(205) 248-5170

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

1. General Information (continued)

Aggregated Pension Data

	Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan	Employees Retirement System of Alabama	Met Life Retirement and Savings Plan	Tuscaloosa Police Officers and Firefighters Retirement Plan	Total
Total pension liability	\$ 767,552	\$ 100,530,120	\$ 2,033,488	\$ 150,653,690	\$ 253,984,850
Plan fiduciary net position	423,071	73,441,569	784,225	60,289,838	134,938,703
Net pension liability	<u>\$ 344,481</u>	<u>\$ 27,088,551</u>	<u>\$ 1,249,263</u>	<u>\$ 90,363,852</u>	<u>\$ 119,046,147</u>
Allocation among:					
Governmental activities					\$ 112,131,184
Business type activities					6,914,963
					<u>\$ 119,046,147</u>
Deferred outflows of resources	<u>\$ 58,691</u>	<u>\$ 6,276,340</u>	<u>\$ 62,799</u>	<u>\$ 11,259,615</u>	<u>\$ 17,657,445</u>
Deferred inflows of resources	<u>\$ 383,938</u>	<u>\$ -</u>	<u>\$ 49,064</u>	<u>\$ -</u>	<u>\$ 433,002</u>
Pension expense (benefit)	<u>\$ (12,739)</u>	<u>\$ 3,761,402</u>	<u>\$ 79,381</u>	<u>\$ 7,381,769</u>	<u>\$ 11,209,813</u>
Allocation among:					
Governmental activities					\$ 10,276,734
Business type activities					933,079
					<u>\$ 11,209,813</u>

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

2. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan

a. General Information about the Pension Plan

Plan Description The City of Tuscaloosa administers the Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan, a single-employer, defined benefit pension plan in which all certified policemen and firefighters participate. The plan is meant to supplement the benefits of the Tuscaloosa Police Officers and Firefighters Retirement Plan paid to high-ranking police officers and firefighters.

Benefits Provided Eligibility for this additional benefit is extended to police officers and firefighters with at least thirty (30) years of service at retirement (or D.R.O.P. entry, i.e. Deferred Retirement Option Plan) and who have a rank of at least Captain or higher at time of retirement, and have qualified to receive benefits under the Tuscaloosa Police Officers and Firefighters Retirement Plan. The normal retirement benefit for qualified members is monthly payout of one-twelfth of 50% of the member's final pay less the annual benefit under the Tuscaloosa Police and Firefighters Retirement Plan. Members who enter D.R.O.P. under the Tuscaloosa Police and Firefighters Retirement Plan are entitled to a retirement benefit under the supplemental plan calculated as if the date of D.R.O.P. entry was the date of retirement. Supplemental benefits otherwise payable are retained by the fund and accrue interest at 4.00% per annum compounded annually until the member's termination of employment with the City. The City Council of the City of Tuscaloosa is authorized to establish and amend all plan provisions.

As of the measurement date December 31, 2015, the plan had the following number of employees by class:

Active	35
Retired	<u>3</u>
Total	<u>38</u>

Contributions The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan establishes contribution 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, 2016, the actuarially determined contribution was \$65,527. There were no member contributions as of September 30, 2016. The City's average contribution rate as a percent of covered employee payroll was 2.29%. The actuarially determined contribution rate was calculated as of December 31, 2015, the date of the actuarial valuation.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

2. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (Continued)

b. Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, as shown in the following table:

Total pension liability	\$ 767,552
Fiduciary net position	<u>423,071</u>
Net pension liability	<u>\$ 344,481</u>
Fiduciary net position as a % of total pension liability	55.12%

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, calculated based on the discount rate and actuarial assumptions below.

Actuarial Assumptions: The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Salary increases	5.50%
Investment rate of return*	6.00%

*Net of pension plan investment expense

Investment Return Assumption (Discount Rate): Since the current investment policy involves 60% conservative fixed-income investments (such as 10 Year Treasury Notes) and 40% large-cap equity investments (such as an S&P 500 indexed fund), we have performed this valuation using a 6% annual investment return assumption. The expected long-term annual geometric return for the fixed income portion is 5.00% and for the equity portion it is 9.00%.

The plan has not had a formal actuarial experience study performed.

Mortality rates for the plan were based on the 1994 Uninsured Pensioners' Mortality Table for males and females.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

2. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (Continued)

b. Net Pension Liability (Continued)

Other key actuarial assumptions are as follows:

Valuation date	January 1, 2015
Measurement date	December 31, 2015
Pension cap	\$3,960.37 per month
Actuarial cost method	Entry age normal

Discount Rate: The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return as shown in the table below:

Discount rate	6.00%
Long-term expected rate of return, net of investment expense	6.00%
Municipal bond rate	N/A

c. Changes in Net Pension Liability

Changes in net pension liability for the year ended December 31, 2015, was as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at January 1, 2015	\$ 1,163,413	\$ 387,825	\$ 775,588
<u>Changes for the year</u>			
Service cost	7,014	-	7,014
Interest	66,748	-	66,748
Change in benefit terms	(399,632)	-	(399,632)
Difference between expected and actual experience	31,900	-	31,900

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

2. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (Continued)

c. Changes in Net Pension Liability (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Contributions – employer	-	139,940	(139,940)
Contributions – employee	-	-	-
Net investment income	-	197	(197)
Benefit payments including refunds of employee contributions	(101,891)	(101,891)	-
Administrative expenses	-	(3,000)	3,000
	<u>(395,861)</u>	<u>35,246</u>	<u>(431,107)</u>
Net changes			
Balances at December 31, 2015	<u>\$ 767,552</u>	<u>\$ 423,071</u>	<u>\$ 344,481</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's net pension liability calculated using the discount rate of 6.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
1.00 % decrease	\$ 864,699	\$ 423,071	\$ 441,628
Current discount rate (6.00%)	767,552	423,071	344,481
1.00% increase	689,622	423,071	266,551

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

2. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (Continued)

c. Changes in Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position The plan's Statement of Fiduciary Net Position as of December 31, 2015 is as follows:

Assets	
Cash and cash equivalents	\$ 423,071
	<u> </u>
Total assets	<u>\$ 423,071</u>
	<u> </u>
Net position restricted for pensions	<u>\$ 423,071</u>

d. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension benefit of \$12,739. For the year ended September 30, 2016, 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>
Investment (gain)/loss	\$ 32,108	\$ -
Economic/demographic (gain)/loss	26,583	50,911
Plan amendment changes	-	333,027

The amounts reported as deferred inflows and outflows of resources recognized in pension expense in future periods are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ (65,181)
2018	(65,181)
2019	(65,181)
2020	(68,412)
2021	(61,2925)
Thereafter	-

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama

a. General Information about the Retirement Plan

Plan Description The Employees' Retirement System of Alabama (ERS), 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.

Participating employers in an agency multiple-employer plan are those whose employees are provided with defined benefit pensions plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

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. The City is a local employer participating in the ERS. 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 local employer'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, local members of the ERS 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 ERS 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 ERS 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.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama (Continued)

a. General Information about the Retirement Plan (Continued)

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. As of September 30, 2015, the measurement date for the plan, the ERS membership includes approximately 84,393 participants and the City's employee membership includes 1,025 participants as shown below:

	ERS	The City of Tuscaloosa
Retired members or their beneficiaries		
currently receiving benefits	22,211	226
Vested inactive members	1,353	10
Non-vested inactive members	5,451	12
Active members	55,164	777
Post-DROP retired members still in active service	214	-
Total	84,393	1,025

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. ERS local participating employers are not required by statute to increase contribution rates for their members. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute.

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, 2016, the City's active employee contribution rate for Tier 1 and Tier 2 employees was 5.00% and 6.00% of covered employee payroll, respectively. The City's average contribution rate to fund the normal and accrued liability costs was 6.69% percent of covered employee payroll (Tier 1 at 7.85% and Tier 2 at 5.53%).

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama (Continued)

The City's contractually required contribution rate for the year ended September 30, 2016 was 8.22% of pensionable pay for Tier 1 employees, and 5.90% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City for the year ended September 30, 2016 was \$2,915,639.

b. Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2014	\$ 93,896,367	\$ 94,907,566
(b) Entry Age Normal Cost for October 1, 2014 – September 30, 2015	2,914,354	2,914,354
(c) Actual Benefit Payments and Refunds for October 1, 2014 – September 30, 2015	<u>(4,696,544)</u>	<u>(4,696,544)</u>
(d) Total Pension Liability as of September 30, 2015 =(a) x (1.08)] + (b) – [(c) x (1.04)]	<u>\$ 99,438,025</u>	<u>\$ 100,530,120</u>
(e) Difference between Expected and Actual Expected (Gain) / Loss		<u>\$ 1,092,095</u>

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

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

*Net of pension plan investment expense

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama (Continued)

b. Net Pension Liability (Continued)

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

The actuarial assumptions used in the September 30, 2014 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	25.00%	5.00%
Domestic Large Cap Equity	34.00%	9.00%
Domestic Mid Cap Equity	8.00%	12.00%
Domestic Small Cap Equity	3.00%	15.00%
International Developed Equity	15.00%	11.00%
Emerging Market Equity	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash Equivalents	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama (Continued)

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

c. Changes in Net Pension Liability

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

Changes in net pension liability for the year ended September 30, 2015, was as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2014	\$ 93,896,367	\$ 73,230,623	\$ 20,665,744
<u>Changes for the year</u>			
Service cost	2,914,354	-	2,914,354
Interest	7,323,848	-	7,323,848
Difference between expected and actual experience	1,092,095	-	-
Contributions – employer	-	2,639,293	(2,639,293)
Contributions – employee	-	1,843,434	(1,843,434)

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama (Continued)

c. Changes in Net Pension Liability (Continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Net investment income	-	964,909	(864,909)
Benefit payments including refunds of employee contributions	(4,696,544)	(4,696,544)	-
Transfers among employers	-	(440,146)	440,146
Net changes	<u>6,633,753</u>	<u>210,946</u>	<u>6,422,807</u>
Balances at September 30, 2015	<u>\$ 100,530,120</u>	<u>\$ 73,441,569</u>	<u>\$ 27,088,551</u>

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

	Discount Rate	Net Pension Liability
1.00 % decrease	7.00%	\$ 39,509,496
Current discount rate	8.00%	27,088,551
1.00% increase	9.00%	16,629,977

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 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.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

3. Employees Retirement System of Alabama (Continued)

d. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$3,761,402. For the year ended September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan Investments	\$ 2,412,303	\$ -
Differences between expected and actual experience	948,398	-
Employer contributions subsequent to the measurement date	2,915,639	-

The amounts reported as deferred outflows of resources recognized in pension expense in future periods are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 616,639
2018	616,639
2019	616,638
2020	1,137,175
2021	143,697
Thereafter	229,913

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

4. Met Life Retirement and Savings Plan

a. General Information about the Pension Plan

Plan Description: The Met Life Retirement and Savings Plan, an agent multiple-employer plan, covered all non-civil service employees until May 6, 2000, when the plan was closed, the assets were frozen, and the employees became members of the Employees Retirement System of Alabama. An employee covered by the Met Life Retirement and Savings Plan starts over to meet the retirement requirements of the Employees Retirement System of Alabama. An employee retiring before meeting these requirements will retire under the Met Life Retirement and Savings Plan. The Employees Retirement System of Alabama, an agent multiple-employer plan, is open to all hourly employees. The plan issues a publicly available financial report that can be obtained by contacting the plan at the following address:

Met Life Retirement and Savings Plan
P.O. Box 14710
Lexington, KY 40512
(859) 245-8100

Participating employers in an agency multiple-employer plan are those whose employees are provided with defined benefit pensions plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

Benefits Provided: The Met Life Retirement and Savings Plan was open to all non-civil service employees with at least 1 year of full service. City employees that participated in this plan were not required to contribute to the plan. Normal retirement benefits become payable at age 65 or after 5 years of inclusion in the plan. The normal retirement for employees participating in this pension plan is computed by calculating twenty percent (20%) of the average monthly earnings for the last seven years of credited service.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

4. Met Life Retirement and Savings Plan (Continued)

a. General Information about the Pension Plan (Continued)

As of September 30, 2016, the plan had the following number of employees by class:

Active vested employees	9
Terminated/transferred vested employees	60
Disabled pensioners	14
Retired members (pending annuity purchase)	11
Total vested members	94

Contributions: The Met Life Retirement and Savings Plan establishes contribution 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, 2016, the actuarially determined contribution was \$146,745 and the City contributed \$162,440, with a contribution excess of \$15,695. There were no member contributions as of September 30, 2016. The City's average contribution rate as a percent of covered employee payroll was indeterminable as there are no covered payroll amounts for the closed plan.

b. Net Pension Liability

The City of Tuscaloosa's net pension liability was measured as of September 30, 2016, as shown in the following table:

Total pension liability	\$ 2,033,488
Fiduciary net position	784,225
Net pension liability	\$ 1,249,263
Fiduciary net position as a % of total pension liability	38.57%

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016, calculated based on the discount rate and actuarial assumptions on the next page.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

4. Met Life Retirement and Savings Plan (Continued)

b. Net Pension Liability: (Continued)

Actuarial Assumptions: The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A
Salary increases	N/A
Investment rate of return*	5.00%

*Net of pension plan investment expense

The plan has not had a formal actuarial experience study performed. Other key actuarial assumptions are as follows:

Valuation date	September 30, 2016
Measurement date	September 30, 2016
Mortality	2016 IRS Mortality Table Sex-Distinct
Actuarial cost method	Entry age normal

Discount Rate: The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return as shown in the table below:

Discount rate	5.00%
Long-term expected rate of return, net of investment expense	5.00%
Municipal bond rate	N/A

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

4. Met Life Retirement and Savings Plan (Continued)

c. Changes in Net Pension Liability

Changes in net pension liability for the year ended September 30, 2016, was as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2015	\$ 1,993,853	\$ 702,080	\$ 1,291,773
<u>Changes for the year</u>			
Service cost	-	-	-
Interest	98,065	-	98,065
Effect of economic/demographic			
Gains or losses	7,503	-	7,503
Contributions – employer	-	162,440	(162,440)
Contributions – employee	-	-	-
Net investment income	-	5,069	(5,069)
Benefit payments including refunds of employee contributions	(65,933)	(65,933)	-
Transfers among employers	-	(19,431)	19,431
Net changes	<u>39,638</u>	<u>82,145</u>	<u>(42,510)</u>
Balances at September 30, 2016	<u>\$ 2,033,488</u>	<u>\$ 784,225</u>	<u>\$ 1,249,263</u>

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

4. Met Life Retirement and Savings Plan (Continued)

c. Changes in Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's net pension liability calculated using the discount rate of 5.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
1.00 % decrease	\$ 2,340,382	\$ 784,225	\$ 1,556,157
Current discount rate	2,033,488	784,225	1,249,263
1.00% increase	1,783,567	784,225	999,342

Pension Plan Fiduciary Net Position The plan's Statement of Fiduciary Net Position as of September 30, 2016 is as follows:

Assets:

Cash and cash equivalents	\$ 88,952
Investments:	
Fixed income	\$ 95,273
Short-term investments	<u>600,000</u>
Total investments	<u>\$ 695,273</u>
Total assets	<u>\$ 784,225</u>
Net position restricted for pensions	<u>\$ 784,225</u>

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

4. Met Life Retirement and Savings Plan (Continued)

d. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$79,381. For the year ended September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,155.00	\$ 49,064.00
Net difference between projected and actual earnings	44,644.00	

The amounts reported as deferred inflows of resources recognized in pension expense in future periods are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 2,277
2018	(970)
2019	5,351
2020	7,077
2021	-
Thereafter	-

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan

a. General Information about the Pension Plan

Plan Description: The Tuscaloosa Police Officers and Firefighters Retirement Plan is a single-employer defined benefit plan covering all certified firemen and policemen. The responsibility for the general administration and operation of the plan is vested in the Board of Trustees of the Pension and Relief Fund. Act. No. 99-568 of the 1999 Legislative Session grants the authority to establish and amend the benefit terms to the Board of Trustees of the Pension and Relief Fund. The plan issues a publicly available financial report that can be obtained by contacting the plan at the following address:

Tuscaloosa Police Officers and Firefighters Retirement Plan
Box 2089
Tuscaloosa, AL 35403
(205) 248-5170

Benefits Provided: The plan is open to all certified firemen and policemen. Normal retirement benefits become payable to any member who either has 20 or more years of credited service, is age 60 and has 20 or more years of credited service, or is age 65. The normal retirement benefit is a monthly amount equal to 4.4% of the pension base multiplied by years of credited service with a minimum of \$1,028 and a maximum of \$3,046 per month (benefits are reduced by 6% per year for each year less than 25 and increase by 6% per year for each year between 25 and 30) or a monthly amount equal to 1.5% of the final average salary multiplied by years of credited service (benefits are reduced by 6% per year for early commencement prior to age 65), whichever is greater.

Service related disability retirement benefits are payable to any member who, while in service, becomes temporarily disabled for longer than 15 days or permanently disabled. Benefits received are 110% of salary subject to the maximums and minimums as listed below:

Years of Service	Minimum	Maximum
	Monthly Benefit	Monthly Benefit
0-9	\$ -	\$ 1,507
10-14	756	1,507
15-19	864	1,758
20 and up	1,080	2,009

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

a. General Information about the Pension Plan (Continued)

Non-service related disability retirement benefits are payable to any member who becomes temporarily disabled for longer than 15 days and who is not on the regular payroll. Benefits received are \$109.18 per week for up to twelve weeks. If after 12 weeks, the Board of Trustees declares a member with 10 or more years of credited service permanently disabled, that member may receive the service-related disability retirement benefits listed above.

Death benefits are payable to a member's surviving spouse if the death is service caused, or from any cause after 10 years of credited service for in service, retired or disabled members. Benefits received are 42.41% of salary (maximum of \$1,172) plus 25.45% of salary for the first child under 18 (maximum of \$1,590), up to 76.34% of salary for the family (maximum of \$2,009).

A Deferred Retirement Option Plan (D.R.O.P) election is available to members who have at least 25 years of service. Eligible members may elect to retire, and, in lieu of immediate withdrawal from service, continue employment for a period up to three years. The Plan contributions and interest earned are accumulated in an account for the benefit of the member. At the end of participation, the account balance is paid to the member as a lump sum distribution or deferred and paid monthly over a period of 3, 5 or 10 years as selected by the member.

A terminated member will receive a refund of his contribution less one-half of any sick benefits, which have been paid.

As of December 31, 2015, the measurement date for the plan, the plan had the following number of employees by class:

Inactive members or their beneficiaries currently receiving benefits	366
Active members	<u>488</u>
Total	<u><u>854</u></u>

Contribution: Covered members of the plan are required to contribute 11.50% of base salary.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

a. General Information about the Pension Plan (Continued)

The Plan provides for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs. The City of Tuscaloosa's average contribution, measured as of December 31, 2015, was 13.66% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 13.50% of members' base salaries. These required contribution rates are based upon the actuarial valuation dated January 1, 2015, 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 City for the year ended September 30, 2016 was \$3,165,857. Actuarially determined contributions measured as of December 31, 2015 to the pension plan from The City of Tuscaloosa was \$4,304,301.

Proceeds from a 1.5% charge against gross premiums (less return premiums) for all new fire insurance policies and all renewals of fire insurance policies sold in the City are collected by the City and remitted to the fund.

b. Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, as shown in the following table:

Total pension liability	\$ 150,653,690
Fiduciary net position	<u>60,289,838</u>
Net pension liability	<u>\$ 90,363,852</u>
Fiduciary net position as a % of total pension liability	40.02%

The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015. The result was rolled forward using standard actuarial techniques to the measurement date using the actuarial assumptions listed below. There have been no changes of assumptions or other inputs that affected measurement of the total pension liability since the prior measurement date.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

b. Net Pension Liability: (Continued)

Actuarial Assumptions: The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Salary increases	5.50%
Investment rate of return*	8.00%

*Net of pension plan investment expense

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for males and females.

The plan has not had a formal actuarial experience study performed. Other key actuarial assumptions are as follows:

Valuation date	January 1, 2015
Measurement date	December 31, 2015
Actuarial cost method	Entry age normal

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

b. Net Pension Liability: (Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
US Equity	41.70%	8.30%
International Equity	18.70%	7.50%
Emerging Markets Equity	4.10%	9.90%
Real Estate Investment Trusts	0.40%	7.30%
Fixed Income	31.50%	2.40%
Cash	3.60%	1.00%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was the long term rate of return, 8.00%. 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 plan's Board of Trustees. 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. The discount rate determination does not use a municipal bond rate.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

c. Changes in Net Pension Liability

Changes in net pension liability for the year ended December 31, 2015, was as follows:

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at January 1, 2015	\$ 148,650,225	\$ 66,293,762	\$ 82,356,463
<u>Changes for the year</u>			
Service cost	2,942,728	-	2,942,728
Interest	11,665,165	-	11,665,165
Benefit changes	(1,332,172)	-	(1,332,172)
Difference between expected and actual experience	284,514	-	284,514
Contributions – employer	-	4,304,301	(4,304,301)
Contributions – employee	-	3,661,254	(3,661,254)
Contributions – other	-	515,594	(515,594)
Net investment income (loss)	-	(2,819,802)	2,819,802
Refunds of contributions	(651,359)	(651,359)	-
Benefits paid	(10,905,411)	(10,905,411)	-
Plan administrative expenses	-	(108,501)	108,501
Net changes	<u>2,003,465</u>	<u>(6,003,924)</u>	<u>(8,007,389)</u>
Balances at December 31, 2015	<u>\$ 150,653,690</u>	<u>\$ 60,289,838</u>	<u>\$ 90,363,852</u>

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

c. Changes in Net Pension Liability (Continued)

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

	Discount Rate	Net Pension Liability
1.00 % decrease	7.00%	\$ 104,985,499
Current discount rate	8.00%	90,363,852
1.00% increase	9.00%	77,877,331

Pension Plan Fiduciary Net Position: The plan's Statement of Fiduciary Net Position as of December 31, 2015 is as follows:

Assets:

Cash	\$ 5,022
Investments:	
Common stocks	37,398,046
Corporate bonds	1,966,323
Mortgage-back securities	6,427,580
Mutual funds	2,431,546
Short-term investments	3,496,376
Government bonds	<u>8,564,945</u>
Total investments	<u>60,284,816</u>
Total assets	<u>\$ 60,289,838</u>
Net position restricted for pensions	<u>\$ 60,289,838</u>

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

5. Tuscaloosa Police Officers and Firefighters Retirement Plan (Continued)

d. Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense of \$7,381,769. For the year ended September 30, 2016, 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
Net difference between projected and actual earnings on plan investments	\$ 8,093,759	\$ -
Employer contributions subsequent to the measurement date	3,165,856	-

The amounts reported as deferred outflows of resources recognized in pension expense in future periods are as follows:

Year	Amount
2016	\$ 2,122,635
2017	2,122,635
2018	2,122,633
2019	1,638,647
Thereafter	87,209

V. OTHER INFORMATION (Continued)

E. Related Party Transactions

The following related party transactions occurred during the year ended September 30, 2016.

The City awarded the Tuscaloosa Housing Authority, an entity in which the City appoints a majority of the Board, \$3,168,449 to fund the construction of an affordable housing development for the elderly. This funding was fully reimbursable through the City's direct allocation of the Community Development Block Grant Disaster Recovery funding from the United States Housing and Urban Development Department. The City awarded \$119,586 to the Tuscaloosa Housing Authority as part of the HOME Investment Partnership Program, which provides direct rental assistance to low-income individuals. Due to the City's water main extension policy, the Tuscaloosa Housing Authority also received a refund of \$257,562 from the City for excess deposits for labor and materials. The City also received payments in lieu of taxes of \$243,756.

The City appoints a majority of the Board for the Educational Building Authority, the City of Tuscaloosa Historic Preservation Commission, and the City of Tuscaloosa Public Education Building Authority. There were no transactions between the City and these entities for FY 2016.

The City expended \$747,182 to the Tuscaloosa Parking and Transit Authority, a component unit, for agency funding, shuttle services, and various other operating expenses. The City was reimbursed \$148,098 for auto fuel, maintenance and cleaning services.

The City expended \$1,320,190 to the Tuscaloosa Tourism and Sports Commission, a component unit, for agency funding and various tourism related events.

Although the City Council is responsible for appointing the members of the boards of various organizations, including the Tuscaloosa Housing Authority, the City's accountability for these organizations does not extend beyond making the appointments. Financial information for these entities is not reflected in the City's financial statements.

F. Commitments and Contingencies

The City is a defendant in various lawsuits and has been notified of various claims against it arising from matters relating to its normal operation. The City believes that any liability resulting from such suits and claims will be covered by the City's liability insurance or by funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

The City has General Fund encumbrances outstanding as of September 30, 2016 of \$471,640.

Under the final consent order with Alabama Department of Environmental Management related to the operation of the City's sewer system and certain violations, the City and its consultants estimate an annual cost of \$1,680,000 to meet the requirements in the agreement.

V. OTHER INFORMATION (Continued)

Also, during July of 2016, the City guaranteed a loan from the local banks to Stillman College, a historically black college that is an anchor for the western part of the City of Tuscaloosa. The amount of the loan was \$1,052,000 and it is to be repaid in ten monthly payments. After taking into account the security from other monetary assets, the portion guaranteed by the City was \$650,705. The City's participation was secured by a mortgage, a security agreement and assignment of rents and leases from Stillman for all of its campus property except for property previously pledged on another loan. Stillman has made all of its payments on a timely basis with only two payments remaining.

The City has various construction projects in progress, including road improvements, construction of and upgrading water drainage systems and water and sewer facilities.

As of September 30, 2016, the City had commitments on construction of capital projects as follows:

	General Fund	Water & Sewer Fund
Gross commitments	\$ 35,878,197	\$ 5,325,945
Spent to date	<u>(21,984,006)</u>	<u>(4,758,681)</u>
Net Commitments	<u>\$ 13,894,191</u>	<u>\$ 567,264</u>

G. Subsequent Events

In December 2016, the City issued three General Obligation warrant series. Series 2016B is a refunding warrant issued with a principal amount of \$32,750,000 with an interest rate of 3.25%, with a final maturity of October 2038. The proceeds were used as follows: \$15.2 million to purchase restricted obligations for the refunding of the 2009A Warrant Series, \$13.8 million to refund the 2007A Warrant Series, \$3.5 million to be deposited in a project fund and the remainder to cover costs of issuance. In order to fund capital improvement to the City Sewer System, the 2016-CWSRF-DL Warrant Series was issued in the aggregate principal amount of \$21,690,000 bearing interest of 1.45% to 2.20% and with a final maturity of August 2037. In order to fund capital improvements to the City Water System, Series 2016-DWSRF-DL was issued in the aggregate principal amount of \$5,485,000 bearing interest of 1.45% to 2.20% with a final maturity of 2038.

CITY OF TUSCALOOSA

Schedule I

REQUIRED SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - TUSCALOOSA POLICE OFFICERS AND FIREFIGHTERS SUPPLEMENTAL RETIREMENT PLAN

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total pension liability										
Service Cost	**	**	**	**	**	**	**	**	\$ 16,433	\$ 7,014
Interest									68,661	66,748
Changes in benefit terms										(399,632)
Difference between expected and actual experience									(55,536)	31,900
Benefit payments, including refunds of employee contributions									(22,896)	(101,891)
Net change in total pension liability									6,662	(395,861)
Total pension liability - beginning									1,156,751	1,163,413
Total pension liability - ending									<u>\$ 1,163,413</u>	<u>\$ 767,552</u>
Plan net position										
Contributions - employer									78,000	139,940
Contributions - employee									-	-
Net investment income									337	197
Benefit payments, including refunds of employee contributions									(22,896)	(101,891)
Administrative expense									(3,000)	(3,000)
Net change in plan net position									52,441	35,246
Plan net position - beginning									335,384	387,825
Plan net position - ending									<u>\$ 387,825</u>	<u>\$ 423,071</u>
Net pension liability									<u>\$ 775,588</u>	<u>\$ 344,481</u>
Plan net position as a percentage of the total pension liability									33.34%	55.12%
Covered-employee payroll *									<u>\$ 3,317,870</u>	<u>\$ 2,857,940</u>
Net pension liability as a percentage of covered-employee payroll									23.38%	12.05%

*For FY 2016 the measurement period is January 1, 2015 to December 31, 2015

**Data is presented for those years for which information is available

CITY OF TUSCALOOSA

Schedule II

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - TUSCALOOSA POLICE OFFICERS AND FIREFIGHTERS SUPPLEMENTAL RETIREMENT PLAN

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution*	**	**	**	**	**	**	**	**	\$ 74,413	\$ 65,527
Contributions in relation to the actuarially determined contribution*									<u>74,413</u>	<u>65,527</u>
Contribution deficiency (excess)									<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll^									\$ 3,317,870	\$ 2,857,940
Contributions as a percentage of covered-employee payroll									2.24%	2.29%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2016, the fiscal year is the twelve month period beginning after 01/01/2015.

**Data is presented for those years for which information is available .

^Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For FY 2016, the fiscal year is the twelve month period beginning after 01/01/2015.

Notes to Schedule

Actuarially determined contribution rates are calculated on an annual basis payable in the fiscal year beginning one year following the valuation date. For FY 2016 the valuation date was 01/01/2015. Contributions for fiscal year 2016 were calculated based on payroll information for the twelve month period beginning after 10/01/2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar open
Remaining amortization period	30 years
Asset valuation method	Actual market value
Inflation	4.00% annually
Salary increases	5.5% annually
Investment rate of return	6.00% annually

CITY OF TUSCALOOSA

SCHEDULE III

REQUIRED SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - ERS

Last ten fiscal years ended September 30,

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total pension liability										
Service Cost	**	**	**	**	**	**	**	**	\$ 2,792,879	\$ 2,914,354
Interest									6,889,141	7,323,848
Difference between expected and actual experience									-	1,092,095
Benefit payments, including refunds of employee contributions									(3,799,838)	(4,696,544)
Net change in total pension liability									5,882,182	6,633,753
Total pension liability - beginning									88,014,185	93,896,367
Total pension liability - ending									\$ 93,896,367	\$ 100,530,120
Plan fiduciary net position										
Contributions - employer									2,659,574	2,639,293
Contributions - employee									1,875,358	1,843,434
Net investment income									7,809,823	864,909
Benefit payments, including refunds of employee contributions									(3,799,838)	(4,696,544)
Transfer among employees									(72,292)	(440,146)
Net change in plan fiduciary net position									8,472,625	210,946
Plan net position - beginning									64,757,998	73,230,623
Plan net position - ending									\$ 73,230,623	\$ 73,441,569
Net pension liability									\$ 20,665,744	\$ 27,088,551
Plan fiduciary net position as a percentage of the total pension liability									77.99%	73.05%
Covered payroll *									\$ 34,797,920	\$ 37,311,222
Net pension liability as a percentage of covered payroll									59.39%	72.60%

*For FYE 2016 the measurement period is October 1, 2014 to September 30, 2015

**Data is presented for those years for which information is available

CITY OF TUSCALOOSA

SCHEDULE IV

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - ERS

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution*	***	***	***	***	***	***	***	***	\$ 2,781,433	\$ 2,915,639
Contributions in relation to the actuarially determined contribution*									2,781,433	2,915,639
Contribution deficiency (excess)									<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**									\$ 34,797,920	\$ 37,311,222
Contributions as a percentage of covered-employee payroll									7.99%	7.81%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statements.

**Employer's covered-payroll for FY 2016 is the total covered payroll for the 12 month period of the underlying financial statements.

***Data is presented for those years for which information is available

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 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2015 to September 30, 2016:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	23 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75-7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

CITY OF TUSCALOOSA

Schedule V

REQUIRED SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - MET LIFE RETIREMENT AND SAVINGS PLAN

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total pension liability										
Service Cost	**	**	**	**	**	**	**	**	\$ -	\$ -
Interest									99,664	98,065
Effect of economic/demographic gains or losses									(67,986)	7,503
Benefit payments, including refunds of employee contributions									(61,466)	(65,933)
Net change in total pension liability									(29,788)	39,635
Total pension liability - beginning									2,023,641	1,993,853
Total pension liability - ending									<u>\$ 1,993,853</u>	<u>\$ 2,033,488</u>
Plan net position										
Contributions - employer									195,234	162,440
Contributions - employee									-	-
Net investment income									4,299	5,069
Benefit payments, including refunds of employee contributions									(61,466)	(65,933)
Administrative expenses									(17,694)	(19,431)
Net change in plan net position									120,373	82,145
Plan net position - beginning									581,707	702,080
Plan net position - ending									<u>\$ 702,080</u>	<u>\$ 784,225</u>
Net pension liability									<u>\$ 1,291,773</u>	<u>\$ 1,249,263</u>
Plan net position as a percentage of the total pension liability									35.21%	38.57%
Covered-employee payroll *									N/A	N/A
Net pension liability as a percentage of covered-employee payroll									NA	NA

*For FY 2016 the measurement period is October 1, 2015 to September 30, 2016

**Data is presented for those years for which information is available

CITY OF TUSCALOOSA

Schedule VI

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - MET LIFE RETIREMENT AND SAVINGS PLAN

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution*	**	**	**	**	**	**	**	**	\$ 162,440	\$ 146,745
Contributions in relation to the actuarially determined contribution*									195,234	162,440
Contribution deficiency (excess)									<u>\$ (32,794)</u>	<u>\$ (15,695)</u>
Covered-employee payroll^									N/A	N/A
Contributions as a percentage of covered-employee payroll									N/A	N/A

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments.

**Data is presented for those years for which information is available.

^Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll).

Notes to Schedule

Actuarially determined contribution rates are calculated on an annual basis payable in the fiscal year beginning one year following the valuation date. For FY 2016 the valuation date was 09/30/2016. Contributions for fiscal year 2016 were calculated based on payroll information for the twelve month period beginning after 10/01/2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	10 years
Asset valuation method	Fair market value
Inflation	N/A
Salary increases	N/A
Investment rate of return	5.00%, net of pension plan investment expense, including inflation

CITY OF TUSCALOOSA

Schedule VII

REQUIRED SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - TUSCALOOSA POLICE OFFICERS FIREFIGHTERS RETIREMENT PLAN

Last ten fiscal years ended September 30,

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total pension liability										
Service Cost	**	**	**	**	**	**	**	**	\$ 2,893,611	\$ 2,942,728
Interest									11,392,889	11,665,165
Benefit changes									-	(1,332,172)
Difference between expected and actual experience									-	284,514
Benefit payments									(9,833,175)	(10,905,411)
Refunds of contributions									(474,386)	(651,359)
Net change in total pension liability									3,978,939	2,003,465
Total pension liability - beginning									144,671,286	148,650,225
Total pension liability - ending									<u>\$ 148,650,225</u>	<u>\$ 150,653,690</u>
Plan net position										
Contributions - employer									4,216,747	4,304,301
Contributions - employee									3,579,903	3,661,254
Contributions - other									516,803	515,594
Net investment income									2,747,724	(2,819,802)
Benefit payments									(9,833,175)	(10,905,411)
Refunds of contributions									(474,386)	(651,359)
Administrative expense									(105,099)	(108,501)
Net change in plan net position									648,517	(6,003,924)
Plan net position - beginning									65,645,245	66,293,762
Plan net position - ending									<u>\$ 66,293,762</u>	<u>\$ 60,289,838</u>
Net pension liability									<u>\$ 82,356,463</u>	<u>\$ 90,363,852</u>
Plan net position as a percentage of the total pension liability									44.60%	40.02%
Covered-employee payroll *									<u>\$ 31,224,050</u>	<u>\$ 31,502,153</u>
Net pension liability as a percentage of covered-employee payroll									263.76%	286.85%

*For FY 2016 the measurement date is December 31, 2015

**Data is presented for those years for which information is available

CITY OF TUSCALOOSA

Schedule VIII

REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS - TUSCALOOSA POLICE OFFICERS FIREFIGHTERS RETIREMENT PLAN

Last ten fiscal years ended September 30,

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Actuarially determined contribution*	\$ 2,631,311	\$ 2,843,278	\$ 3,139,129	\$ 3,356,426	\$ 3,450,627	\$ 3,884,760	\$ 3,980,186	\$ 4,173,937	\$ 4,216,747	\$ 4,304,301
Contributions in relation to the actuarially determined contribution*	2,631,311	2,843,278	3,139,129	3,356,426	3,450,627	3,884,760	3,980,186	4,173,937	4,216,747	4,304,301
Contribution deficiency (excess)	\$ -									
Covered-employee payroll**	\$ 18,217,225	\$ 20,569,018	\$ 23,025,548	\$ 24,853,679	\$ 25,194,295	\$ 26,804,554	\$ 28,180,911	\$ 31,014,140	\$ 31,224,050	\$ 31,502,153
Contributions as a percentage of covered-employee payroll	14.44%	13.82%	13.63%	13.50%	13.70%	14.49%	14.12%	13.46%	13.50%	13.66%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2016, the measurement date for the plan is December 31, 2015.

**Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For FY 2016, the measurement date for the plan is December 31, 2015.

Notes to Schedule

Actuarially determined contribution rates are calculated on an annual basis payable in the fiscal year beginning one year following the valuation date. For FY 2016 the valuation date was January 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	26 years
Asset valuation method	Five year smoothed market
Inflation	4.00%
Salary increases	5.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

CITY OF TUSCALOOSA

SCHEDULE IX

REQUIRED SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS

September 30, 2016

<u>Fiscal Year</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>(3) Unfunded (Funded) UAL (UAAL) (2-1)</u>	<u>(4) Funded Ratio (1 / 2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAAL as a Percentage of Covered Payroll (3/5)</u>
I. Tuscaloosa Post Employment Health Care Plan (annual valuation as of each October 1):						
2015	\$ —	\$ 14,387,626	\$ 14,387,626	— %	\$ 68,520,539	21.0 %
2014	—	13,834,256	13,834,256	—	68,520,539	20.2
2013	—	11,428,850	11,428,850	—	66,608,053	17.2
2012	—	12,959,681	12,959,681	—	66,520,103	19.5

CITY OF TUSCALOOSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

ASSETS	Special Revenue Funds	Capital Projects Funds	Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
Cash and cash equivalents	\$ 4,791,680	\$ 3,606,107	\$ 40	\$ 8,397,827
Investments	271,240	—	—	271,240
Receivables (net of allowances for uncollectibles)	31,201	142,385	—	173,586
Due from other governments	2,677,472	—	—	2,677,472
Due from other funds	977,843	3,438,210	73,964	4,490,017
Prepaid items	140,875	1,847,340	—	1,988,215
Inventory	292	—	—	292
Total assets	\$ 8,890,603	\$ 9,034,042	\$ 74,004	\$ 17,998,649
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 256,987	\$ 1,394,615	\$ 1,102	\$ 1,652,704
Deferred revenue	36,909	—	—	36,909
Due to other funds	4,906,976	2,078,291	15,865	7,001,132
Total liabilities	5,200,872	3,472,906	16,967	8,690,745
Fund balances:				
Restricted for:				
Capital projects	1,655,482	501,195	—	2,156,677
Capital Park maintenance	—	—	57,037	57,037
Community development	322,288	—	—	322,288
Hazard mitigation	3	—	—	3
Road projects	871,070	—	—	871,070
Salaries	205,837	—	—	205,837
Storm recovery	37,021	—	—	37,021
Committed for:				
Capital projects	—	5,059,941	—	5,059,941
Cemetery maintenance	136,402	—	—	136,402
Tourism enhancement	315,546	—	—	315,546
Assigned for:				
Capital projects	175,762	—	—	175,762
Unassigned	(29,680)	—	—	(29,680)
Total fund balances	3,689,731	5,561,136	57,037	9,307,904
Total liabilities and fund balances	\$ 8,890,603	\$ 9,034,042	\$ 74,004	\$ 17,998,649

CITY OF TUSCALOOSA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 905,723	\$ —	\$ —	\$ 905,723
Intergovernmental	2,387,985	—	—	2,387,985
Other revenues	1,965,197	33,478	—	1,998,675
Total revenues	<u>5,258,905</u>	<u>33,478</u>	<u>—</u>	<u>5,292,383</u>
Expenditures:				
Current operations:				
General government	276,902	92	—	276,994
Public safety	66,350	—	—	66,350
Culture and recreation	294,714	—	13,561	308,275
Housing	686,584	—	—	686,584
Economic development	221,065	—	—	221,065
Total current operations	1,545,615	92	13,561	1,559,268
Capital outlay	2,796,175	5,941,038	—	8,737,213
Debt service:				
Principal payments	75,000	—	—	75,000
Interest charges	42,600	—	—	42,600
Intergovernmental expenditures	—	31,726	—	31,726
Total expenditures	<u>4,459,390</u>	<u>5,972,856</u>	<u>13,561</u>	<u>10,445,807</u>
Excess (deficiency) of revenues over expenditures	<u>799,515</u>	<u>(5,939,378)</u>	<u>(13,561)</u>	<u>(5,153,424)</u>
Other financing sources (uses) :				
Transfers in	426,982	5,777,970	—	6,204,952
Transfers out	(1,071,806)	(1,769,319)	—	(2,841,125)
Total other financing sources (uses)	<u>(644,824)</u>	<u>4,008,651</u>	<u>—</u>	<u>3,363,827</u>
Net change in fund balances	154,691	(1,930,727)	(13,561)	(1,789,597)
Fund balances, beginning of year	<u>3,535,040</u>	<u>7,491,863</u>	<u>70,598</u>	<u>11,097,501</u>
Fund balances, end of year	<u>\$ 3,689,731</u>	<u>\$ 5,561,136</u>	<u>\$ 57,037</u>	<u>\$ 9,307,904</u>

CITY OF TUSCALOOSA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS

September 30, 2016

<u>ASSETS</u>	Intermodal Facility Construction	River Market Construction	Tourism Capital Projects	Storm Recovery Insurance	Public Safety Capital Projects	Public Works Capital Projects	Total Nonmajor Capital Project Funds
Cash and cash equivalents	\$ 66,292	\$ 320,995	\$ 29,263	\$ 3,024,508	\$ 572	\$ 164,477	\$ 3,606,107
Receivables (net of allowances for uncollectibles)	—	113,908	28,477	—	—	—	142,385
Due from other funds	—	—	—	725,000	80,609	2,632,601	3,438,210
Prepaid items	—	—	—	—	1,847,340	—	1,847,340
Total assets	<u>\$ 66,292</u>	<u>\$ 434,903</u>	<u>\$ 57,740</u>	<u>\$ 3,749,508</u>	<u>\$ 1,928,521</u>	<u>\$ 2,797,078</u>	<u>\$ 9,034,042</u>
 <u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ —	\$ —	\$ —	\$ 1,352,739	\$ 8,389	\$ 33,487	\$ 1,394,615
Due to other funds	—	—	—	1,405,638	671,948	705	2,078,291
Total liabilities	—	—	—	<u>2,758,377</u>	<u>680,337</u>	<u>34,192</u>	<u>3,472,906</u>
Fund balances:							
Restricted for:							
Capital projects	66,292	434,903	—	—	—	—	501,195
Committed for:							
Capital projects	—	—	57,740	991,131	1,248,184	2,762,886	5,059,941
Total fund balances	<u>66,292</u>	<u>434,903</u>	<u>57,740</u>	<u>991,131</u>	<u>1,248,184</u>	<u>2,762,886</u>	<u>5,561,136</u>
Total liabilities and fund balances	<u>\$ 66,292</u>	<u>\$ 434,903</u>	<u>\$ 57,740</u>	<u>\$ 3,749,508</u>	<u>\$ 1,928,521</u>	<u>\$ 2,797,078</u>	<u>\$ 9,034,042</u>

CITY OF TUSCALOOSA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS

For the year ended September 30, 2016

	Intermodal Facility Construction	River Market Construction	Tourism Capital Projects	Storm Recovery Insurance	Public Safety Capital Projects	Public Works Capital Projects	Total Nonmajor Capital Project Funds
Revenues:							
Intergovernmental	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other revenues	—	2,464	33	277	—	30,704	33,478
Total revenues	—	2,464	33	277	—	30,704	33,478
Expenditures:							
Current operations:							
General government	—	14	78	—	—	—	92
Culture and recreation	—	—	—	—	—	—	—
Economic development	—	—	—	—	—	—	—
Total current operations	—	14	78	—	—	—	92
Capital outlay	—	—	—	606,554	1,184,994	4,149,490	5,941,038
Intergovernmental expenditures	—	—	31,726	—	—	—	31,726
Total expenditures	—	14	31,804	606,554	1,184,994	4,149,490	5,972,856
Excess (deficiency) of revenues over expenditures	—	2,450	(31,771)	(606,277)	(1,184,994)	(4,118,786)	(5,939,378)
Other financing sources (uses) :							
Transfers in	—	1,207,929	301,982	—	1,523,610	2,744,449	5,777,970
Transfers out	—	(1,083,319)	(320,000)	—	(215,000)	(151,000)	(1,769,319)
Total other financing sources (uses)	—	124,610	(18,018)	—	1,308,610	2,593,449	4,008,651
Net change in fund balances	—	127,060	(49,789)	(606,277)	123,616	(1,525,337)	(1,930,727)
Fund balances, beginning of year	66,292	307,843	107,529	1,597,408	1,124,568	4,288,223	7,491,863
Fund balances, end of year	\$ 66,292	\$ 434,903	\$ 57,740	\$ 991,131	\$ 1,248,184	\$ 2,762,886	\$ 5,561,136

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds include operating funds which are restricted as to use by the Federal or State governments and special funds established by authority of the City Council.

Police Department Funds account for those federal, state and local funds for drug enforcement, efforts to reduce crime and improve public safety. This includes the Drug Enforcement Fund and the Law Enforcement Block Grants. Although the funds are consolidated, each fund is accounted for individually.

Airport Development Fund accounts for those federal and state funds received and disbursed for airport renovations.

Community Development Funds account for those funds received and disbursed under the Community Development Block Grant program. This includes the Community Development Fund, Other Federal Programs Fund, and the Home Program Fund. Although the funds are consolidated, each fund is accounted for individually.

Gasoline Tax Funds account for those funds designated for maintenance and improvement of public streets and highways. This includes the RRR Gasoline Tax Fund, Public Highway and Traffic Fund, and the State Gasoline Tax Fund. Although the funds are consolidated, each fund is accounted for individually.

Summer Feeding Fund accounts for those state funds used to provide meals for low-income children during the summer months.

Beer Tax Bonus Fund accounts for those funds designated for salary bonuses to City employees.

Alabama Trust Fund accounts for state funds which can be used for capital improvements.

Evergreen Cemetery Fund accounts for funds designated for the maintenance of Evergreen Cemetery.

Hazard Mitigation Fund accounts for federal funds to be used to allow homeowners to build safe shelters from storms.

Section 108 Funds account for federal funds received and disbursed for building improvements for certain dilapidated City property. This includes the Section 108 Loan Fund and the Section 108 Investment Fund. Although the funds are consolidated, each fund is accounted for individually.

Tourism Enhancement Fund accounts for funds designated for the promotion of tourism in the Tuscaloosa area.

Storm Recovery FEMA Fund accounts for grants received from the Federal Emergency Management Agency (FEMA) for April 2011 relief efforts.

CITY OF TUSCALOOSA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2016
1 of 2

<u>ASSETS</u>	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund
Cash and cash equivalents	\$ 106,116	\$ 286,793	\$ 316,655	\$ 766,149	\$ 39,472	\$ 45,838
Investments	—	—	—	—	—	115,000
Receivables	—	—	2,724	—	—	—
Due from other governments	24,492	—	412,280	104,921	105	44,999
Due from other funds	108,769	—	—	—	—	—
Prepaid items	—	—	140,875	—	—	—
Inventory	—	—	—	—	292	—
Total assets	\$ 239,377	\$ 286,793	\$ 872,534	\$ 871,070	\$ 39,869	\$ 205,837
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 25,434	\$ 15,461	\$ 205,189	\$ —	\$ —	\$ —
Deferred revenue	448	—	—	—	35,477	—
Due to other funds	243,175	95,570	349,449	—	—	—
Total liabilities	269,057	111,031	554,638	—	35,477	—
Fund balances:						
Restricted for:						
Capital projects	—	—	—	—	—	—
Community development	—	—	317,896	—	4,392	—
Hazard mitigation	—	—	—	—	—	—
Road projects	—	—	—	871,070	—	—
Salaries and wages	—	—	—	—	—	205,837
Committed for:						
Cemetery maintenance	—	—	—	—	—	—
Debt service	—	—	—	—	—	—
Tourism enhancement	—	—	—	—	—	—
Assigned for:						
Capital projects	—	175,762	—	—	—	—
Unassigned	(29,680)	—	—	—	—	—
Total fund balances	(29,680)	175,762	317,896	871,070	4,392	205,837
Total liabilities and fund balances	\$ 239,377	\$ 286,793	\$ 872,534	\$ 871,070	\$ 39,869	\$ 205,837

CITY OF TUSCALOOSA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2016
2 of 2

<u>ASSETS</u>	Alabama Trust Fund	Evergreen Cemetery Fund	Hazard Mitigation Fund	Section 108 Funds	Tourism Enhancement Fund	Storm Recovery FEMA Fund	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	\$ 1,595,292	\$ 9,944	\$ 1,117	\$ 62,566	\$ 295,569	\$ 1,266,169	\$ 4,791,680
Investments	—	156,240	—	—	—	—	271,240
Receivables	—	—	—	—	28,477	—	31,201
Due from other governments	—	—	—	—	—	2,090,675	2,677,472
Due from other funds	—	—	—	—	—	869,074	977,843
Prepaid items	—	—	—	—	—	—	140,875
Inventory	—	—	—	—	—	—	292
Total assets	\$ 1,595,292	\$ 166,184	\$ 1,117	\$ 62,566	\$ 324,046	\$ 4,225,918	\$ 8,890,603
 <u>LIABILITIES AND FUND BALANCES</u>							
Liabilities:							
Accounts payable	\$ 2,376	\$ 27	\$ —	\$ —	\$ 8,500	\$ —	\$ 256,987
Deferred revenue	—	—	984	—	—	—	36,909
Due to other funds	—	29,755	130	—	—	4,188,897	4,906,976
Total liabilities	2,376	29,782	1,114	—	8,500	4,188,897	5,200,872
Fund balances:							
Restricted for:							
Capital projects	1,592,916	—	—	62,566	—	—	1,655,482
Community development	—	—	—	—	—	—	322,288
Hazard mitigation	—	—	3	—	—	—	3
Road projects	—	—	—	—	—	—	871,070
Salaries	—	—	—	—	—	—	205,837
Storm Recovery	—	—	—	—	—	37,021	37,021
Committed for:							
Cemetery maintenance	—	136,402	—	—	—	—	136,402
Tourism enhancement	—	—	—	—	315,546	—	315,546
Assigned for:							
Capital projects	—	—	—	—	—	—	175,762
Unassigned	—	—	—	—	—	—	(29,680)
Total fund balances	1,592,916	136,402	3	62,566	315,546	37,021	3,689,731
Total liabilities and fund balances	\$ 1,595,292	\$ 166,184	\$ 1,117	\$ 62,566	\$ 324,046	\$ 4,225,918	\$ 8,890,603

CITY OF TUSCALOOSA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the year ended September 30, 2016

1 of 2

	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund
Revenues:						
Taxes:						
Gas tax - State of Alabama	\$ —	\$ —	\$ —	\$ 442,934	\$ —	\$ —
Share of beer tax	—	—	—	—	—	462,789
Intergovernmental revenues:						
Federal grants	80,698	—	2,207,329	—	—	—
State and local grants	17,179	—	—	—	82,779	—
Other operating revenues:						
Interest on investments	35	—	—	—	—	532
Share of tag receipts	—	—	—	293,510	—	—
Collection of principal and interest	—	—	586,097	—	—	—
Other	109,213	183,834	—	1,818	925	—
Total revenues	<u>207,125</u>	<u>183,834</u>	<u>2,793,426</u>	<u>738,262</u>	<u>83,704</u>	<u>463,321</u>
Expenditures:						
Current:						
General government	—	287	147,686	—	95,494	—
Public safety	66,350	—	—	—	—	—
Culture and recreation	—	—	158,415	—	—	—
Housing program	—	—	686,584	—	—	—
Economic development	—	—	221,065	—	—	—
Total current operations	<u>66,350</u>	<u>287</u>	<u>1,213,750</u>	<u>—</u>	<u>95,494</u>	<u>—</u>
Capital outlay	138,410	387,446	1,247,259	—	—	—
Debt service:						
Principal payments	—	—	75,000	—	—	—
Interest charges	—	—	42,600	—	—	—
Total expenditures	<u>204,760</u>	<u>387,733</u>	<u>2,578,609</u>	<u>—</u>	<u>95,494</u>	<u>—</u>
Excess (deficiency) of revenues over expenditures	<u>2,365</u>	<u>(203,899)</u>	<u>214,817</u>	<u>738,262</u>	<u>(11,790)</u>	<u>463,321</u>
Other financing sources (uses) :						
Transfers in	—	75,000	50,000	—	—	—
Transfers out	(5,220)	(92,290)	—	—	—	(464,296)
Total other financing sources (uses)	<u>(5,220)</u>	<u>(17,290)</u>	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>(464,296)</u>
Net change in fund balances	(2,855)	(221,189)	264,817	738,262	(11,790)	(975)
Fund balances, beginning of year	(26,825)	396,951	53,079	132,808	16,182	206,812
Fund balances - end of year	<u>\$ (29,680)</u>	<u>\$ 175,762</u>	<u>\$ 317,896</u>	<u>\$ 871,070</u>	<u>\$ 4,392</u>	<u>\$ 205,837</u>

CITY OF TUSCALOOSA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS**

For the year ended September 30, 2016

2 of 2

	Alabama Trust Fund	Evergreen Cemetery Fund	Hazard Mitigation Fund	Section 108 Funds	Tourism Enhancement Fund	Storm Recovery FEMA Fund	Total Nonmajor Special Revenue Funds
Revenues:							
Taxes:							
Gas tax - State of Alabama	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 442,934
Share of beer tax	—	—	—	—	—	—	462,789
Intergovernmental revenues:							
Federal grants	—	—	—	—	—	—	2,288,027
State and local grants	—	—	—	—	—	—	99,958
Other operating revenues:							
Interest on investments	—	—	—	—	—	—	567
Share of tag receipts	—	—	—	—	—	—	293,510
Collection of principal and interest	—	—	—	—	—	—	586,097
Other	789,233	—	—	—	—	—	1,085,023
Total revenues	789,233	—	—	—	—	—	5,258,905
Expenditures:							
Current:							
General government	—	4,739	—	208	—	28,488	276,902
Public safety	—	—	—	—	—	—	66,350
Culture and recreation	—	—	—	—	136,299	—	294,714
Housing program	—	—	—	—	—	—	686,584
Economic development	—	—	—	—	—	—	221,065
Total current operations	—	4,739	—	208	136,299	28,488	1,545,615
Capital outlay	1,023,060	—	—	—	—	—	2,796,175
Debt service:							
Principal payments	—	—	—	—	—	—	75,000
Interest charges	—	—	—	—	—	—	42,600
Total expenditures	1,023,060	4,739	—	208	136,299	28,488	4,459,390
Excess (deficiency) of revenues over expenditures	(233,827)	(4,739)	—	(208)	(136,299)	(28,488)	799,515
Other financing sources (uses) :							
Transfers in	—	—	—	—	301,982	—	426,982
Transfers out	(500,000)	—	—	—	(10,000)	—	(1,071,806)
Total other financing sources (uses)	(500,000)	—	—	—	291,982	—	(644,824)
Net change in fund balances	(733,827)	(4,739)	—	(208)	155,683	(28,488)	154,691
Fund balances, beginning of year	2,326,743	141,141	3	62,774	159,863	65,509	3,535,040
Fund balances - end of year	\$ 1,592,916	\$ 136,402	\$ 3	\$ 62,566	\$ 315,546	\$ 37,021	\$ 3,689,731

Nonmajor Governmental Funds

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity. These funds are not incorporated into the government-wide financial statements.

Police Officers and Firefighters Supplemental Retirement Plan Fund accounts for funds held by the City for beneficiaries until drawn on by those beneficiaries after retirement. This fund is reported in the basic financial statements.

Cash Bond Fund accounts for the funds held by the City until the case is settled by the municipal court.

CITY OF TUSCALOOSA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the year ended September 30, 2016

	<u>Balance</u> <u>October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2016</u>
<u>Cash Bond Fund</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 124,256	\$ 254,917	\$ (455,289)	\$ 76,116
<u>LIABILITIES</u>				
Cash bond deposits payable	\$ 124,256	\$ 254,917	\$ (455,289)	\$ 76,116

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF TUSCALOOSA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

September 30, 2016

	Total	Infrastructure and Land	Buildings	Machinery and Equipment
General government:				
Engineering	\$ 266,962	\$ —	\$ —	\$ 266,962
Finance	383,669	—	—	383,669
Information systems and communications	10,812,295	—	—	10,812,295
Municipal court	274,572	—	—	274,572
Recovery	112,934	—	—	112,934
Revenue	229,699	—	—	229,699
All others	123,905	—	—	123,905
Total general government	<u>12,204,036</u>	<u>—</u>	<u>—</u>	<u>12,204,036</u>
Public safety:				
Fire and rescue service	31,463,125	—	18,241,273	13,221,852
Police	22,566,079	—	13,328,427	9,237,652
All others	218,102	—	218,102	—
Total public safety	<u>54,247,306</u>	<u>—</u>	<u>31,787,802</u>	<u>22,459,504</u>
Streets and highways	<u>17,592,928</u>	<u>—</u>	<u>4,388,552</u>	<u>13,204,376</u>
Environmental services	<u>14,128,827</u>	<u>—</u>	<u>7,282,494</u>	<u>6,846,333</u>
Culture and recreation	<u>31,557,758</u>	<u>—</u>	<u>28,710,795</u>	<u>2,846,963</u>
General government buildings	<u>35,550,646</u>	<u>—</u>	<u>35,550,646</u>	<u>—</u>
Infrastructure and land	<u>268,259,908</u>	<u>268,259,908</u>	<u>—</u>	<u>—</u>
Assets allocated by function	433,541,409	<u>\$ 268,259,908</u>	<u>\$ 107,720,289</u>	<u>\$ 57,561,212</u>
Construction in progress	<u>21,984,006</u>			
Total governmental funds capital assets	<u>\$ 455,525,415</u>			

CITY OF TUSCALOOSA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the year ended September 30, 2016

	Governmental Funds Capital Assets September 30, 2015	Additions (Deletions)	Governmental Funds Capital Assets September 30, 2016
General government:			
Engineering	\$ 266,962	\$ —	\$ 266,962
Finance	383,669	—	383,669
Information systems and communications	9,637,742	1,174,553	10,812,295
Municipal court	274,572	—	274,572
Recovery	112,934	—	112,934
Revenue	131,058	—	229,699
All others	117,858	—	123,905
Total general government	<u>10,924,795</u>	<u>1,174,553</u>	<u>12,204,036</u>
Public safety:			
Fire and rescue service	30,939,604	523,521	31,463,125
Police	22,628,894	(62,815)	22,566,079
All others	218,102	—	218,102
Total public safety	<u>53,786,600</u>	<u>460,706</u>	<u>54,247,306</u>
Streets and highways	<u>17,188,979</u>	<u>403,949</u>	<u>17,592,928</u>
Environmental services	<u>13,689,862</u>	<u>438,965</u>	<u>14,128,827</u>
Culture and recreation	<u>26,430,651</u>	<u>5,127,107</u>	<u>31,557,758</u>
General government buildings	<u>35,388,617</u>	<u>162,029</u>	<u>35,550,646</u>
Infrastructure and land	<u>256,568,119</u>	<u>11,691,788</u>	<u>268,259,907</u>
Assets allocated by function	413,977,623	19,459,097	433,541,408
Construction in progress	<u>20,134,005</u>	<u>1,850,001</u>	<u>21,984,006</u>
Total governmental funds capital assets	<u>\$ 434,111,628</u>	<u>\$ 21,309,098</u>	<u>\$ 455,525,414</u>

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING AND NON-OPERATING REVENUES (EXPENSES) - BUDGET AND ACTUAL
(GAAP BASIS)

For the year ended September 30, 2016

	Budget	Actual**	Favorable (Unfavorable)
Operating revenues:			
Water and sewer sales	\$ 45,080,661	\$ 45,165,473	\$ 84,812
Connection fees	1,515,000	1,015,791	(499,209)
Cost reimbursed	—	37,230	37,230
Other operating revenues	—	18,100	18,100
	<u>46,595,661</u>	<u>46,236,594</u>	<u>(359,067)</u>
Total operating revenues			
Non-operating revenues (expenses):			
Interest income	150	30,688	30,538
Capital grant revenue	—	63,295	63,295
Capital contributions - developers	500,000	4,459,697	3,959,697
Loss on disposal of capital assets	—	(1,160)	(1,160)
Amortization of loss on debt retirement	(930,785)	(930,785)	—
Interest expense	(3,040,047)	(2,531,433)	508,614
	<u>(3,470,682)</u>	<u>1,090,302</u>	<u>4,560,984</u>
Net non-operating revenues (expenses)			
Total before transfers	<u>43,124,979</u>	<u>47,326,896</u>	<u>4,201,917</u>
Transfers in (out):			
Transfers in	50,140	45,575	(4,565)
Transfers out	(1,885,171)	(1,858,168)	27,003
	<u>(1,835,031)</u>	<u>(1,812,593)</u>	<u>22,438</u>
Net transfers in (out)			
Fund total	<u>\$ 41,289,948</u>	<u>\$ 45,514,303</u>	<u>\$ 4,224,355</u>

**Includes unbudgeted costs added through consolidation of the Water and Sewer Fund for financial statement purposes.

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
(GAAP BASIS)

For the year ended September 30, 2016

	Budget	Actual**	Variance - Favorable (Unfavorable)
Operating expenses:			
Office of City engineer:			
Personnel services	\$ 897,084	\$ 865,121	\$ 31,963
Other	39,000	30,669	8,331
Total office of City engineer	936,084	895,790	40,294
Water works office:			
Personnel services	2,072,177	2,017,448	54,729
Other	759,793	754,496	5,297
Total water works office	2,831,970	2,771,944	60,026
Superintendent:			
Personnel services	714,341	604,884	109,457
Other	79,300	22,407	56,893
Total superintendent	793,641	627,291	166,350
Source of supply - lakes:			
Personnel services	508,709	437,860	70,849
Other	169,485	128,597	40,888
Total source of supply - lakes	678,194	566,457	111,737
Plott Plant	784,203	747,625	36,578

**Includes unbudgeted costs added through consolidation of the Water and Sewer Fund for financial statement purposes.

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
(GAAP BASIS)

For the year ended September 30, 2016

	<u>Budget</u>	<u>Actual**</u>	<u>Variance - Favorable (Unfavorable)</u>
Operating expenses (Continued):			
Distribution:			
Personnel services	\$ 2,296,356	\$ 2,103,742	\$ 192,614
Other	1,044,503	950,378	94,125
Total distribution	<u>3,340,859</u>	<u>3,054,120</u>	<u>286,739</u>
Lab	<u>169,300</u>	<u>171,733</u>	<u>(2,433)</u>
Sewage treatment plant:			
Personnel services	1,633,181	1,593,479	39,702
Other	2,240,770	2,053,606	187,164
Total sewage treatment plant	<u>3,873,951</u>	<u>3,647,085</u>	<u>226,866</u>
Sanitary sewer:			
Personnel services	1,848,682	2,036,249	(187,567)
Other	802,964	680,600	122,364
Total sanitary sewer	<u>2,651,646</u>	<u>2,716,849</u>	<u>(65,203)</u>
Damage claims	<u>65,000</u>	<u>17,322</u>	<u>47,678</u>

**Includes unbudgeted costs added through consolidation of the Water and Sewer Fund for financial statement purposes.

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
(GAAP BASIS)

For the year ended September 30, 2016

	Budget	Actual**	Variance - Favorable (Unfavorable)
Operating expenses (Continued):			
Ed Love Filter Plant:			
Personnel services	\$ 2,381,487	\$ 2,100,172	\$ 281,315
Other	2,761,362	2,238,465	522,897
Total Ed Love Filter Plant	5,142,849	4,338,637	804,212
Lift station:			
Personnel services	362,496	351,679	10,817
Other	1,082,498	905,761	176,737
Total lift station	1,444,994	1,257,440	187,554
Depreciation and amortization	9,700,000	9,061,083	638,917
Cost reimbursement to General Fund	3,287,820	3,287,820	—
Special projects	3,399,331	2,303,761	1,095,570
Total operating expenses	\$ 39,099,842	\$ 35,464,957	\$ 3,634,885

**Includes unbudgeted costs added through consolidation of the Water and Sewer Fund for financial statement purposes.

**CITY OF TUSCALOOSA
STATISTICAL SECTION
September 30, 2016**

This section of the City of Tuscaloosa’s Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information regarding the City’s overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	155-161
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.</i>	162-167
Debt Capacity <i>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.</i>	168-172
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time with other governments.</i>	173-174
Operating Information <i>These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.</i>	175-178

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

CITY OF TUSCALOOSA
Schedule A

NET POSITION BY COMPONENT

Last ten fiscal years ended September 30,
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 109,906,406	\$ 129,767,223	\$ 157,014,265	\$ 178,375,642	\$ 140,477,146	\$ 144,686,685	\$ 163,764,846	\$ 149,434,643	\$ 171,714,455	\$ 147,980,779
Restricted	1,926,060	25,720,035	34,148,995	18,579,455	5,403,873	4,951,411	6,148,669	8,763,740	7,748,114	8,831,904
Unrestricted	51,669,266	25,072,570	2,896,532	3,532,296	40,373,312	53,668,810	34,120,001	45,732,088	(55,170,626)	(32,427,885)
Total governmental activities net position	<u>163,501,732</u>	<u>180,559,828</u>	<u>194,059,792</u>	<u>200,487,393</u>	<u>186,254,331</u>	<u>203,306,906</u>	<u>204,033,516</u>	<u>203,930,471</u>	<u>124,291,943</u>	<u>124,384,798</u>
Business-type activities										
Net investment in capital assets	155,553,467	162,860,899	168,429,070	170,501,366	166,577,134	165,367,100	173,155,705	178,205,266	186,335,381	201,736,756
Unrestricted	22,867,017	19,768,328	14,733,244	14,387,321	21,263,011	27,054,874	26,428,505	25,020,809	19,553,585	14,323,700
Total business-type activities net position	<u>178,420,484</u>	<u>182,629,227</u>	<u>183,162,314</u>	<u>184,888,687</u>	<u>187,840,145</u>	<u>192,421,974</u>	<u>199,584,210</u>	<u>203,226,075</u>	<u>205,888,966</u>	<u>216,060,456</u>
Primary government										
Net investment in capital assets	265,459,873	292,628,122	325,443,335	348,877,008	307,054,280	310,053,785	336,920,551	327,639,909	358,049,836	349,717,535
Restricted	1,926,060	25,720,035	34,148,995	18,579,455	5,403,873	4,951,411	6,148,669	8,763,740	7,748,114	8,831,904
Unrestricted	74,536,283	44,840,898	17,629,776	17,919,617	61,636,323	80,723,684	60,548,506	70,752,897	(35,617,041)	(18,104,185)
Total primary government net position	<u>\$ 341,922,216</u>	<u>\$ 363,189,055</u>	<u>\$ 377,222,106</u>	<u>\$ 385,376,080</u>	<u>\$ 374,094,476</u>	<u>\$ 395,728,880</u>	<u>\$ 403,617,726</u>	<u>\$ 407,156,546</u>	<u>\$ 330,180,909</u>	<u>\$ 340,445,254</u>

Note: Net pension liability was recorded as a long term liability per GASB 68 in 2015. Information for years prior to 2015 has not been restated.

CITY OF TUSCALOOSA
Schedule B

CHANGES IN NET POSITION

Last ten fiscal years ended September 30,
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental activities:										
General government	\$ 17,954,656	\$ 19,763,717	\$ 16,754,821	\$ 16,159,901	\$ 27,116,940	\$ 19,956,925	\$ 14,424,670	\$ 26,481,306	\$ 26,507,912	\$ 25,351,520
Public safety	47,881,602	50,787,518	49,734,647	51,712,388	61,270,595	63,409,806	61,515,711	60,806,307	59,259,696	63,829,331
Streets and highways	13,939,795	15,539,651	14,118,574	16,929,837	18,008,488	19,338,963	26,473,104	21,995,144	22,831,277	28,156,089
Environmental services	5,940,940	6,285,585	6,694,750	6,722,562	6,347,923	5,728,999	9,704,143	8,078,235	7,397,239	7,831,430
Health	-	-	-	-	-	-	130,000	130,000	130,000	130,000
Education	13,013,887	12,397,700	12,599,510	12,499,220	12,934,588	13,597,130	14,351,429	14,014,690	14,803,495	15,908,779
Culture and recreation	7,791,844	4,305,949	4,397,888	3,880,151	4,217,570	7,628,277	9,249,916	9,499,263	8,918,758	8,731,518
Library	-	-	-	-	-	-	1,870,572	1,919,273	1,919,273	1,919,273
Housing	-	-	-	-	-	-	603,953	832,606	552,019	686,792
Economic development	-	-	-	-	-	-	203,727	268,206	179,859	67,066
Interest on long-term debt	3,116,743	3,774,247	4,007,844	2,712,190	3,916,406	3,924,329	3,549,826	2,906,041	4,244,615	3,587,862
Unallocated depreciation expense	3,213,411	3,195,071	3,416,863	281,654	234,302	-	-	-	-	-
Total governmental activities expenses	<u>112,852,878</u>	<u>116,049,438</u>	<u>111,724,897</u>	<u>110,897,903</u>	<u>134,046,812</u>	<u>133,584,429</u>	<u>142,077,051</u>	<u>146,931,071</u>	<u>146,744,143</u>	<u>156,199,660</u>
Business-type activities:										
Intermodal facility	-	-	-	-	62,200	70,318	72,500	72,535	57,234	70,255
Water and sewer	26,335,204	29,570,528	32,894,191	33,095,681	34,177,134	35,269,708	36,875,167	37,931,310	37,477,339	38,807,501
Total business-type activities expenses	<u>26,335,204</u>	<u>29,570,528</u>	<u>32,894,191</u>	<u>33,095,681</u>	<u>34,239,334</u>	<u>35,340,026</u>	<u>36,947,667</u>	<u>38,003,845</u>	<u>37,534,573</u>	<u>38,877,756</u>
Total primary government expenses	<u>139,188,082</u>	<u>145,619,966</u>	<u>144,619,088</u>	<u>143,993,584</u>	<u>168,286,146</u>	<u>168,924,455</u>	<u>179,024,718</u>	<u>184,934,916</u>	<u>184,278,716</u>	<u>195,077,416</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	20,393,848	22,405,518	22,110,936	20,926,414	21,995,729	23,704,819	23,956,325	24,364,409	25,185,118	25,326,992
Public safety	1,323,040	1,344,525	149,702	28,405	57,490	27,936	39,705	-	93,105,000	109,213
Environmental services	2,592,989	3,045,443	3,186,058	3,560,190	3,656,458	3,929,869	4,324,970	4,640,527	4,879,762	5,259,467
Operating grants and contributions	27,975,878	28,669,122	26,984,846	25,280,020	39,864,301	36,445,267	36,445,089	36,540,784	36,588,756	36,308,970
Capital grants and contributions	12,065,052	18,088,752	17,474,880	8,772,540	4,962,838	6,368,203	11,590,006	12,879,251	19,823,017	17,869,832
Total governmental activities program revenues	<u>64,350,807</u>	<u>73,553,360</u>	<u>69,906,422</u>	<u>58,567,569</u>	<u>70,536,816</u>	<u>70,476,094</u>	<u>76,356,095</u>	<u>78,424,971</u>	<u>86,569,758</u>	<u>84,874,474</u>
Business-type activities:										
Charges for service:										
Intermodal facility	-	-	-	-	15,995	20,985	25,451	24,796	15,559	26,750
Water and sewer	32,027,019	32,335,108	33,237,568	34,538,964	37,429,342	39,225,514	40,751,289	43,151,812	46,044,973	46,235,434
Operating grants and contributions	578,295	-	-	-	-	-	-	-	-	-
Capital grants and contributions	1,975,694	2,148,925	1,122,303	967,828	879,473	827,229	3,696,951	2,382,039	1,562,543	4,522,992
Total business-type activities program revenues	<u>34,581,008</u>	<u>34,484,033</u>	<u>34,359,871</u>	<u>35,506,792</u>	<u>38,324,810</u>	<u>40,073,728</u>	<u>44,473,691</u>	<u>45,558,647</u>	<u>47,623,075</u>	<u>50,785,176</u>
Total primary government program revenues	<u>98,931,815</u>	<u>108,037,393</u>	<u>104,266,293</u>	<u>94,074,361</u>	<u>108,861,626</u>	<u>110,549,822</u>	<u>120,829,786</u>	<u>123,983,618</u>	<u>134,192,833</u>	<u>135,659,650</u>
Net (expense) revenue:										
Governmental activities	(48,502,071)	(42,496,078)	(41,818,475)	(52,330,334)	(63,509,996)	(63,108,335)	(65,720,956)	(68,506,100)	(60,174,385)	(71,325,186)
Business-type activities	8,245,804	4,913,505	1,465,680	2,411,111	4,085,476	4,733,702	7,526,024	7,554,802	10,088,502	11,907,420
Total primary government net expense	<u>(40,256,267)</u>	<u>(37,582,573)</u>	<u>(40,352,795)</u>	<u>(49,919,223)</u>	<u>(59,424,520)</u>	<u>(58,374,633)</u>	<u>(58,194,932)</u>	<u>(60,951,298)</u>	<u>(50,085,883)</u>	<u>(59,417,766)</u>

Note: Net pension liability was recorded as a long term liability per GASB 68 in 2015. Information for years prior to 2015 has not been restated.

CITY OF TUSCALOOSA
Schedule B

CHANGES IN NET POSITION

Last ten fiscal years ended September 30,
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (expense) revenue (brought forward):										
Governmental activities	\$ (48,502,071)	\$ (42,496,078)	\$ (41,818,475)	\$ (52,330,334)	\$ (63,509,996)	\$ (63,108,335)	\$ (65,720,956)	\$ (68,506,100)	\$ (60,174,385)	\$ (71,325,186)
Business-type activities	8,245,804	4,913,505	1,465,680	2,411,111	4,085,476	4,733,702	7,526,024	7,554,802	10,088,502	11,907,420
Total primary government net expense	<u>(40,256,267)</u>	<u>(37,582,573)</u>	<u>(40,352,795)</u>	<u>(49,919,223)</u>	<u>(59,424,520)</u>	<u>(58,374,633)</u>	<u>(58,194,932)</u>	<u>(60,951,298)</u>	<u>(50,085,883)</u>	<u>(59,417,766)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Sales and use tax	32,574,943	33,226,784	31,074,026	32,481,688	34,710,490	35,511,154	36,945,556	37,820,342	39,425,922	40,242,761
Property tax	10,624,076	11,348,544	11,391,525	13,140,500	13,471,960	13,300,542	13,904,489	14,096,748	14,870,292	13,734,770
Lodging tax	2,500,892	3,166,552	3,223,861	3,941,361	4,748,114	4,978,365	5,144,645	5,661,385	5,826,966	6,091,467
Taxes passed through from state	2,350,939	2,282,859	2,705,859	2,815,424	1,713,482	1,864,416	1,893,838	6,262,647	6,694,905	1,880,793
Other	5,117,260	4,735,276	5,305,004	4,874,478	4,877,379	4,726,205	5,968,921	1,936,318	1,867,344	7,072,599
Unrestricted investment earnings	4,345,024	3,055,941	1,371,936	764,572	527,377	1,236,457	76,701	362,693	961,704	629,033
Gain / (loss) on disposal of capital assets	-	-	(110,274)	(17,887)	(1,185,213)	-	1,855,000	149,000	1,100,000	-
Gain / (loss) on impairment	-	-	-	-	(10,068,456)	17,822,187	218,826	-	-	-
Other income	-	-	-	-	-	-	-	99,566	73,019	-
Transfers	903,610	1,738,218	1,175,502	757,799	481,800	199,164	439,590	2,014,356	1,813,664	1,766,618
Total governmental activities	<u>58,416,744</u>	<u>59,554,174</u>	<u>56,137,439</u>	<u>58,757,935</u>	<u>49,276,933</u>	<u>79,638,490</u>	<u>66,447,566</u>	<u>68,403,055</u>	<u>72,633,816</u>	<u>71,418,041</u>
Business-type activities:										
Unrestricted investment earnings	1,471,474	1,033,456	242,909	73,059	59,301	48,381	18,122	11,428	12,240	30,688
Gain / (loss) on disposal of capital assets	-	-	-	-	23,114	(1,090)	57,680	-	-	-
Special item	-	-	-	-	-	-	-	-	-	-
Transfers	(903,610)	(1,738,218)	(1,175,502)	(757,799)	(481,800)	(199,164)	(439,590)	(2,014,356)	(1,813,664)	(1,766,618)
Total business-type activities	<u>567,864</u>	<u>(704,762)</u>	<u>(932,593)</u>	<u>(684,740)</u>	<u>(399,385)</u>	<u>(151,873)</u>	<u>(363,788)</u>	<u>(2,002,928)</u>	<u>(1,801,424)</u>	<u>(1,735,930)</u>
Total primary government	<u>58,984,608</u>	<u>58,849,412</u>	<u>55,204,846</u>	<u>58,073,195</u>	<u>48,877,548</u>	<u>79,486,617</u>	<u>66,083,778</u>	<u>66,400,127</u>	<u>70,832,392</u>	<u>69,682,111</u>
Change in Net Position										
Governmental activities	9,914,673	17,058,096	14,318,964	6,427,601	(14,233,063)	16,530,155	726,610	(103,045)	12,459,431	92,855
Business-type activities	8,813,668	4,208,743	533,087	1,726,371	3,686,091	4,581,829	7,162,236	5,551,874	8,287,078	10,171,490
Total primary government	<u>\$ 18,728,341</u>	<u>\$ 21,266,839</u>	<u>\$ 14,852,051</u>	<u>\$ 8,153,972</u>	<u>\$ (10,546,972)</u>	<u>\$ 21,111,984</u>	<u>\$ 7,888,846</u>	<u>\$ 5,448,829</u>	<u>\$ 20,746,509</u>	<u>\$ 10,264,345</u>

Note: Net pension liability was recorded as a long term liability per GASB 68 in 2015. Information for prior years to 2015 has not been restated.

CITY OF TUSCALOOSA

Schedule C

GENERAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last ten fiscal years ended September 30,
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales tax	\$ 31,570,786	\$ 31,533,043	\$ 29,925,154	\$ 30,845,902	\$ 32,572,443	\$ 33,098,504	\$ 34,560,092	\$ 34,954,050	\$ 36,098,135	\$ 37,296,511
Use tax	2,024,378	2,221,664	1,994,899	1,886,945	2,138,047	2,412,650	2,385,464	2,866,292	3,327,787	2,946,250
Property tax	10,624,076	11,348,544	11,391,525	13,140,500	13,471,960	13,300,542	13,904,489	14,096,748	14,870,292	13,734,770
Lodging tax	2,500,892	3,166,552	3,223,861	3,941,361	4,748,114	4,978,365	5,144,645	5,661,385	5,826,966	6,091,467
Other state and local taxes	4,097,038	4,207,353	4,458,977	4,623,319	4,877,379	4,726,205	5,968,921	5,376,407	5,807,997	6,166,876
	<u>\$ 50,817,170</u>	<u>\$ 52,477,156</u>	<u>\$ 50,994,416</u>	<u>\$ 54,438,027</u>	<u>\$ 57,807,943</u>	<u>\$ 58,516,266</u>	<u>\$ 61,963,611</u>	<u>\$ 62,954,882</u>	<u>\$ 65,931,177</u>	<u>\$ 66,235,874</u>

CITY OF TUSCALOOSA
Schedule D

FUND BALANCES OF GOVERNMENTAL FUNDS

Last ten fiscal years ended September 30,
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011*	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 2,206,051	\$ 1,830,057	\$ 1,434,191	\$ 1,057,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	1,096,875	1,152,796	1,536,711	1,107,196	1,081,075	1,196,230
Restricted	-	-	-	-	69,786	74,048	392,713	649,296	1,193,431	1,582,927
Committed	-	-	-	-	1,588,421	1,288,157	1,392,757	1,369,044	1,523,230	1,405,267
Assigned	-	-	-	-	247,643	2,359,267	808,171	231,124	161,307	484,417
Unassigned	-	-	-	-	11,266,978	10,554,051	11,286,460	12,185,918	12,202,395	11,953,717
Unreserved-designated	1,562,415	1,488,763	2,655,534	2,380,133	-	-	-	-	-	-
Unreserved-undesignated	13,331,890	14,032,856	9,605,397	10,419,205	-	-	-	-	-	-
Total general fund	\$ 17,100,356	\$ 17,351,676	\$ 13,695,122	\$ 13,856,671	\$ 14,269,703	\$ 15,428,319	\$ 15,416,812	\$ 15,542,578	\$ 16,161,438	\$ 16,622,558
Capital Project Fund										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ 4,188,643	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	3,784,607	11,988,030	8,732,630	17,045,873	7,852,499	27,687,207
Assigned	-	-	-	-	20,919,348	14,185,553	10,301,317	-	18,146,753	27,718,919
Unreserved-designated	30,838,134	32,773,646	21,939,071	24,746,854	-	-	-	-	-	-
Unreserved-undesignated	38,415,344	29,484,194	23,604,178	15,924,206	-	-	-	-	-	-
Total capital project fund	\$ 69,253,478	\$ 62,257,840	\$ 45,543,249	\$ 40,671,060	\$ 28,892,598	\$ 26,173,583	\$ 19,033,947	\$ 17,045,873	\$ 25,999,252	\$ 55,406,126
All other governmental funds										
Reserved-reported in:										
Special revenue funds	\$ 1,819,083	\$ 2,162,687	\$ 3,555,470	\$ 6,125,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent fund	85,355	85,672	85,848	85,891	-	-	-	-	-	-
Restricted	-	-	-	-	6,349,722	4,861,105	3,243,962	6,817,599	3,308,643	3,649,933
Committed	-	-	-	-	233,767	654,692	9,484,539	4,440,482	7,418,732	5,511,889
Assigned	-	-	-	-	7,989,323	21,331,892	-	270,205	396,951	175,762
Unassigned	-	-	-	-	-	1,295	(392,847)	(307,769)	(284,997)	(29,680)
Unreserved, reported in:										
Special revenue funds	229,593	233,948	231,053	232,427	-	-	-	-	-	-
Capital projects funds	1,397,666	1,610,676	16,279,019	4,753,798	-	-	-	-	-	-
Total all other governmental funds	\$ 3,531,697	\$ 4,092,983	\$ 20,151,390	\$ 11,197,278	\$ 14,572,812	\$ 26,848,984	\$ 12,335,654	\$ 11,220,517	\$ 10,839,329	\$ 9,307,904

Note: In fiscal year 2011, the City implemented GASB Statement 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned.

CITY OF TUSCALOOSA

Schedule E

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last ten fiscal years ended September 30,
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 51,721,430	\$ 53,384,814	\$ 51,910,610	\$ 55,350,400	\$ 58,707,291	\$ 59,417,709	\$ 61,963,611	\$ 63,841,122	\$ 66,818,085	\$ 67,141,597
Licenses and permits	17,867,321	19,842,536	19,523,086	18,354,400	19,406,856	21,018,317	21,479,438	21,639,383	22,296,658	22,563,765
Fines and penalties	2,443,558	2,485,542	2,501,851	2,486,909	2,497,600	2,588,985	2,380,794	2,717,425	2,847,827	2,727,595
Use of property	82,969	77,440	85,999	85,105	91,273	97,517	96,093	7,601	40,633	35,632
Charges for services	2,592,989	3,045,443	3,186,058	3,560,190	3,656,458	3,929,869	4,324,970	4,640,527	4,879,762	5,259,467
Intergovernmental	41,033,936	46,206,557	44,902,813	36,439,309	32,554,017	36,520,364	40,734,475	44,509,002	51,652,000	51,184,069
Other revenues	7,643,495	7,991,471	6,103,607	4,323,277	15,301,815	10,422,341	10,574,878	10,802,774	10,118,554	10,834,543
Total revenues	123,385,698	133,033,803	128,214,024	120,599,590	132,215,310	133,995,102	141,554,259	148,157,834	158,653,519	159,746,668
Expenditures										
General government	11,797,763	11,676,207	12,019,917	12,287,531	15,373,935	12,835,233	18,527,323	16,115,114	16,346,109	16,326,502
Public safety	47,861,666	50,399,045	49,988,996	50,505,940	61,322,046	62,248,771	59,742,195	59,346,503	57,509,538	58,293,040
Streets and highways	15,209,404	21,189,031	27,351,517	17,388,816	23,144,981	16,820,222	24,625,379	16,231,922	17,135,263	21,090,170
Environmental services	5,821,440	6,244,797	6,747,546	6,482,032	6,516,442	6,395,720	7,257,036	7,684,458	7,204,516	6,738,800
Health	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Education	13,013,887	12,397,700	12,599,506	12,499,215	12,934,583	13,597,126	14,351,424	14,014,685	14,803,488	15,908,779
Culture and recreation	8,438,721	4,518,890	4,460,841	4,711,528	7,124,053	8,989,708	8,699,648	8,586,807	8,297,111	7,886,736
Library	1,625,080	1,750,080	1,750,079	1,600,007	1,600,000	1,775,200	1,870,572	1,919,273	1,919,273	1,919,273
Housing	-	-	-	-	-	-	603,953	832,606	552,019	686,584
Economic development	-	-	-	-	-	-	-	438,206	2,089,871	2,002,451
Other activities	4,138,645	3,241,089	3,600,439	2,985,264	3,764,896	3,880,092	1,343,727	3,231,565	3,116,646	3,339,395
Capital outlay	13,170,497	22,567,577	25,073,862	20,534,185	16,702,321	7,817,246	15,946,262	13,713,555	17,172,812	22,533,214
Debt service										
Principal	6,937,297	2,743,996	3,456,391	3,999,070	3,366,189	4,155,152	8,288,500	17,293,197	7,197,428	5,011,589
Interest	2,601,948	4,018,780	3,457,117	3,728,038	3,712,194	3,645,132	3,589,437	3,445,399	3,522,844	3,456,478
Warrant issue costs	285,960	-	-	262,190	-	-	-	191,736	26,666	276,590
Intergovernmental	-	-	-	-	-	-	5,977,093	4,713,232	7,481,984	1,383,699
Total expenditures	131,032,308	140,877,192	150,636,211	137,113,816	155,691,640	142,289,602	170,952,549	167,888,258	164,505,568	166,983,300
Excess of revenues over (under) expenditures	(7,646,610)	(7,843,389)	(22,422,187)	(16,514,226)	(23,476,330)	(8,294,500)	(29,398,290)	(19,730,424)	(5,852,049)	(7,236,632)
Other financing sources (uses)										
Transfers in	7,814,007	5,922,471	4,443,536	7,248,378	15,457,900	18,613,888	17,566,767	20,528,204	18,058,990	48,663,918
Transfers out	(6,910,396)	(4,584,253)	(3,268,034)	(6,281,398)	(15,319,597)	(18,414,723)	(17,127,177)	(18,513,848)	(16,245,326)	(46,897,300)
Insurance proceeds	-	-	-	-	15,281,448	17,822,187	218,826	99,566	-	-
Loan proceeds	-	-	-	-	-	372,982	-	147,304	-	-
Warrants issued	27,185,000	-	17,023,715	34,510,000	-	-	7,024,227	22,100,000	2,090,000	33,370,000
Premium on warrants issued	103,718	-	-	2,127,444	-	-	475,717	3,322,156	244,898	1,908,454
Payment to refunded warrant escrow agent	-	-	-	(34,884,212)	-	-	(343,599)	-	-	(1,038,215)
Capital lease	-	192,562	793,948	-	-	-	-	-	-	-
Total other financing sources (uses)	28,192,329	1,530,780	18,993,165	2,720,212	15,419,751	18,394,334	7,814,761	27,683,382	4,148,562	36,006,857
Net change in fund balances	\$ 20,545,719	\$ (6,312,609)	\$ (3,429,022)	\$ (13,794,014)	\$ (8,056,579)	\$ 10,099,834	\$ (21,583,529)	\$ 7,952,958	\$ (1,703,487)	\$ 28,770,225
Debt service as a percentage of noncapital expenditures*	9%	6%	6%	7%	5%	6%	8%	16%	8%	6%

Note: Noncapital expenditures includes equipment costs allocated to function. Current expenditures without this amount is not readily determinable.

CITY OF TUSCALOOSA

Schedule F

TOTAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last ten fiscal years ended September 30,
(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sales tax	\$ 31,570,786	\$ 31,533,043	\$ 29,925,154	\$ 30,845,902	\$ 32,572,443	\$ 33,098,504	\$ 34,560,092	\$ 34,954,050	\$ 36,098,135	\$ 37,296,511
Use tax	2,024,378	2,221,664	1,994,899	1,886,945	2,138,047	2,412,650	2,385,464	2,866,292	3,327,787	2,946,250
Property tax	10,624,076	11,348,544	11,391,525	13,140,500	13,471,960	13,300,542	13,904,489	14,096,748	14,870,292	13,734,770
Lodging tax	2,500,892	3,166,552	3,223,861	3,941,361	4,748,114	4,978,365	5,144,645	5,661,385	5,826,966	6,091,467
Other state and local taxes	<u>5,001,298</u>	<u>5,115,011</u>	<u>5,375,171</u>	<u>5,535,692</u>	<u>5,776,727</u>	<u>5,627,648</u>	<u>5,968,921</u>	<u>5,376,407</u>	<u>6,694,905</u>	<u>6,166,876</u>
	<u>\$ 51,721,430</u>	<u>\$ 53,384,814</u>	<u>\$ 51,910,610</u>	<u>\$ 55,350,400</u>	<u>\$ 58,707,291</u>	<u>\$ 59,417,709</u>	<u>\$ 61,963,611</u>	<u>\$ 62,954,882</u>	<u>\$ 66,818,085</u>	<u>\$ 66,235,874</u>

CITY OF TUSCALOOSA
Schedule G

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last ten fiscal years ended September 30,

Tax Year Ended September 30	Real and Personal Property*	Automobiles**	Total Assessed Value	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2007	\$ 819,319,320	\$ 100,875,020	\$ 920,194,340	\$ 6,051,696,421	15.21%
2008	874,851,200	98,605,607	973,456,807	6,408,645,290	15.19%
2009	990,117,580	86,303,273	1,076,420,853	7,105,186,396	15.15%
2010	873,347,480	86,339,740	959,687,220	6,326,932,196	15.17%
2011	995,254,480	101,714,100	1,096,968,580	7,229,501,521	15.17%
2012	992,803,620	111,778,100	1,104,581,720	7,271,981,858	15.19%
2013	1,025,403,860	118,083,502	1,143,487,362	7,526,572,528	15.19%
2014	1,069,285,600	113,072,300	1,182,357,900	7,789,812,187	15.18%
2015	1,104,885,840	121,760,000	1,226,645,840	8,075,634,927	15.19%
2016	1,175,088,440	125,096,180	1,300,184,620	8,565,051,980	15.18%

Ad valorem taxes are assessed and collected for the City of Tuscaloosa by Tuscaloosa County.

*Source: Tuscaloosa County Tax Assessor.

**Source: Tuscaloosa County License Commissioner.

CITY OF TUSCALOOSA
Schedule H

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS*

Last ten fiscal years ended September 30,

Tax Year Ended September 30	DIRECT RATE	OVERLAPPING RATES			
	City of Tuscaloosa	City Schools	Tuscaloosa County	State of Alabama	Total
2007	0.0135	0.0155	0.0160	0.0065	0.0380
2008	0.0135	0.0155	0.0160	0.0065	0.0380
2009	0.0135	0.0155	0.0160	0.0065	0.0380
2010	0.0135	0.0155	0.0160	0.0065	0.0380
2011	0.0135	0.0155	0.0160	0.0065	0.0380
2012	0.0135	0.0155	0.0160	0.0065	0.0380
2013	0.0135	0.0155	0.0160	0.0065	0.0380
2014	0.0135	0.0155	0.0160	0.0065	0.0380
2015	0.0135	0.0155	0.0160	0.0065	0.0380
2016	0.0135	0.0155	0.0160	0.0065	0.0380

Source: Tuscaloosa County Tax Assessor.

*Overlapping rates are those of local, county and state governments that apply to property owners within the City of Tuscaloosa.

Note: The property tax rates can be increased only by a majority vote of the affected residents.

CITY OF TUSCALOOSA
Schedule I

PRINCIPAL PROPERTY TAXPAYERS

	September 30, 2016				September 30, 2007			
	City Ad Valorem Taxes Paid	Rank	Total Assessed Value of All Property Within City Limits	Percentage of Total Assessed Valuation	City Ad Valorem Taxes Paid	Rank	Total Assessed Value of All Property Within City Limits	Percentage of Total Assessed Valuation
Alabama Power Company	\$ 443,786	1	\$ 32,873,020	2.68%	\$ 272,094	1	\$ 20,155,080	2.21%
Phifer Incorporated	198,618	2	15,671,360	1.28%	176,808	2	20,317,340	2.23%
Tuscaloosa I LLC	147,961	3	10,960,080	0.89%	—	—	—	—
AL-UA Holdings LLC	117,011	4	8,667,500	0.71%	—	—	—	—
The Greens at Tuscaloosa	116,657	5	8,641,240	0.70%	—	—	—	—
C E V Tuscaloosa LP	114,012	6	8,445,340	0.69%	—	—	—	—
Aranov Realty Co., Inc.	102,870	7	7,620,000	0.62%	88,169	5	6,531,040	0.72%
Hanna Steel Corporation	98,442	8	7,291,980	0.59%	56,865	10	7,295,720	0.80%
CD/Park7 Tuscaloosa Owner, LLC	96,876	9	7,176,020	0.59%	—	—	—	—
KW Tuscaloosa Hotel Partners	95,339	10	7,062,140	0.58%	—	—	—	—
Bellsouth Telecommunications	—	—	—	—	118,633	3	8,787,600	0.97%
Wright/Hurd Properties, LLC	—	—	—	—	96,353	4	7,137,240	0.78%
Stone Creek, LLC	—	—	—	—	67,443	6	4,995,780	0.55%
Radicispandex, Inc.	—	—	—	—	65,657	7	4,863,460	0.53%
Tamko Roofing	—	—	—	—	62,398	8	4,622,060	0.51%
Alabama Gas Corp.	—	—	—	—	61,135	9	4,528,500	0.50%
	<u>\$ 1,531,572</u>		<u>\$ 114,408,680</u>	<u>9.33%</u>	<u>\$ 1,065,555</u>		<u>\$ 89,233,820</u>	<u>9.80%</u>

Source: Tuscaloosa County Tax Assessor and Tuscaloosa County Tax Collector.

Note: The amounts shown under the heading "City Ad Valorem Taxes Paid" represent the collections from 13-1/2 mills of City taxes levied on property.

CITY OF TUSCALOOSA
Schedule J

PROPERTY TAX VALUATION, LEVIES AND COLLECTION

Last ten fiscal years ended September 30,

Fiscal Year	Actual Levy Year	Original Levy	Adjustments	Total Levy	Collected Within the Fiscal Year of the Levy		Collections/ (Refunds) In Subsequent Years	Total Collections To Date	
					Current Tax Collections	Percent of Total Levy Collected		Total Tax Collections	Percent of Total Tax Collections To Total Levy
2007	2006	\$ 12,292,537	\$ (708,731)	\$ 11,583,806	\$ 10,624,076	91.71%	N/A	\$ 10,624,076	91.71%
2008	2007	13,141,667	(797,142)	12,344,525	11,348,544	91.93%	N/A	11,348,544	91.93%
2009	2008	14,531,682	(706,230)	13,825,452	11,388,760	82.38%	N/A	11,388,760	82.38%
2010	2009	13,375,194	(826,508)	12,548,686	11,801,104	94.04%	N/A	11,801,104	94.04%
2011	2010	13,442,208	(677,287)	12,764,921	12,764,920	100.00%	N/A	12,764,920	100.00%
2012	2011	13,402,847	(664,365)	12,738,482	11,232,855	88.18%	N/A	11,232,855	88.18%
2013	2012	13,842,952	(601,270)	13,241,682	12,338,392	93.18%	N/A	12,338,392	93.18%
2014	2013	14,435,856	(575,119)	13,860,237	12,565,151	90.66%	N/A	12,565,151	90.66%
2015	2014	14,875,961	(589,142)	14,286,819	13,250,688	92.75%	N/A	13,250,688	92.75%
2016	2015	15,872,580	(569,874)	15,302,706	12,124,991	79.23%	(43,902)	12,081,089	78.95%

*Source: Tuscaloosa County Tax Assessor and Tuscaloosa County License Commissioner.

**Source: Tuscaloosa County Tax Collector and Tuscaloosa County License Commissioner.

CITY OF TUSCALOOSA

Schedule K

PRINCIPAL SALES TAXPAYERS*

For the fiscal years ended September 30,

2016		2007	
<u>Name of Taxpayer</u>	<u>Business or Industry</u>	<u>Name of Taxpayer</u>	<u>Business or Industry</u>
Aramark Educational Services	Food Service	Bruno's Supermarket	Grocery
Belk, Inc.	Retail	Home Depot	Home Improvement Retail
Home Depot	Retail Building Supplies	Lowe's of Tuscaloosa	Home Improvement Retail
Lowe's of Tuscaloosa	Retail Building Supplies	Parisian	Retail
Publix	Grocery	Publix	Grocery
Sam's Club	Retail	Sam's Club	Retail
Target Stores	Retail	Target Stores	Retail
University of Alabama	Higher Education	University of Alabama	Higher Education
Wal-Mart Supercenter	Retail	Wal-Mart Supercenter	Retail
Winn Dixie	Grocery	Winn Dixie	Grocery

Source: City of Tuscaloosa Revenue Department.

*Listed alphabetically

Note: The total sales tax paid to the City of Tuscaloosa directly by the above listed taxpayers for the September 30, 2016 fiscal year was \$10,023,441.
Per Alabama Statewide Ordinance, individual taxpayer sales tax amounts paid is confidential information and illegal to disclose.

CITY OF TUSCALOOSA

Schedule L

SALES TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS*

Last ten fiscal years ended September 30,

<u>Tax Year Ended September 30</u>	<u>City of Tuscaloosa</u>	<u>Tuscaloosa County Special Tax Board</u>	<u>State of Alabama</u>	<u>Total</u>
2007	2%	3%	4%	9%
2008	2%	3%	4%	9%
2009	2%	3%	4%	9%
2010	2%	3%	4%	9%
2011	2%	3%	4%	9%
2012	2%	3%	4%	9%
2013	2%	3%	4%	9%
2014	2%	3%	4%	9%
2015	2%	3%	4%	9%
2016	2%	3%	4%	9%

Source: Tuscaloosa County Tax Collector

*Overlapping rates are those of local, county and state governments that apply to citizens within the City of Tuscaloosa.

Note: In 2006, a 1% temporary sales tax increase was implemented in addition to the Tuscaloosa County Special Tax Board percentage bringing the total rate for that government to 3%. This increase is specifically earmarked for Tuscaloosa City and County school systems. In 2016, this increase became permanent and the proceeds were redistributed.

CITY OF TUSCALOOSA

Schedule M

RATIO OF OUTSTANDING DEBT BY TYPE

Last ten fiscal years ended September 30,

Tax Year Ended September 30	Governmental Activities						Business Type Activity	Total Primary Government	Percentage of Personal Income
	General Obligation Bonds	Warrant Premium	Warrant Discount	Section 108 Loan	Robertson Bank Loan	Capital leases	Water & Sewer Warrants		
2007	\$ 75,420,000	\$ —	\$ —	\$ —	\$ —	\$ 184,996	\$ 135,855,263	\$ 211,460,259	\$ 7.77 %
2008	72,865,000	—	—	—	—	188,561	131,171,816	204,225,377	7.10
2009	86,780,000	—	—	—	—	748,421	129,195,000	216,723,421	7.89
2010	84,000,000	—	—	1,500,000	—	412,048	120,646,816	206,558,864	6.64
2011	80,990,000	—	—	1,425,000	—	86,768	115,842,637	198,344,405	6.13
2012	76,945,000	—	—	1,350,000	372,982	359,101	108,892,441	187,919,524	N/A
2013	76,054,227	—	—	1,275,000	250,425	374,802	102,852,441	180,806,895	5.55
2014	82,570,000	—	—	1,200,000	—	168,553	98,632,441	182,570,994	5.42
2015	76,795,000	4,491,086	(306,263)	1,125,000	—	756,124	93,250,000	176,110,947	4.77
2016	105,235,000	6,516,612	(703,255)	1,050,000	—	1,794,340	85,540,000	199,432,697	5.25

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

Note: The City began to report premium and discount on warrants in the schedule of long-term debt in 2015.

Therefore, schedules presenting this information include only the information beginning in that year.

Note: Governmental Activities debt is supported by full faith and credit of the City, to be repaid from general City revenues.

See Schedule R, Demographic and Economic Statistics, for personal income and population data.

CITY OF TUSCALOOSA

Schedule N

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last ten fiscal years ended September 30,

<u>Tax Year Ended September 30</u>	<u>General Obligation Warrants</u>	<u>Water & Sewer General Obligation Warrants</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2007	\$ 75,420,000	\$ 135,855,263	\$ 211,275,263	3.49 %	\$ 2,534.01
2008	72,865,000	131,171,816	204,036,816	3.18	2,447.19
2009	86,780,000	126,031,816	212,811,816	3.00	2,552.43
2010	84,000,000	120,646,816	204,646,816	3.23	2,195.43
2011	80,990,000	115,842,637	196,832,637	2.72	2,111.60
2012	76,945,000	108,892,441	185,837,441	2.59	1,993.64
2013	76,054,227	102,852,441	178,906,668	2.38	1,916.37
2014	82,570,000	98,632,441	181,202,441	2.33	1,900.71
2015	80,979,823	99,597,683	180,577,506	2.24	1,711.73
2016	111,048,357	91,356,501	202,404,858	2.36	1,918.64

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

Note: In fiscal year 2015, the warrant premiums and discounts were included in the schedule of long term debt. Therefore, schedules presenting this information include only the information beginning in that year.

See Schedule R, Demographic and Economic Statistics, for personal income and population data.

CITY OF TUSCALOOSA
Schedule O

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

	As of September 30, 2016		
	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Tuscaloosa County	\$ <u> —</u>	47.54%	\$ <u> —</u>
City of Tuscaloosa direct debt:			
General City warrants	\$ 105,235,000	100.00%	\$ 105,235,000
Warrant Premiums	6,516,612	100.00%	6,516,612
Warrant Discounts	(703,255)	100.00%	(703,255)
Section 108 loan	1,050,000	100.00%	1,050,000
Capital leases	<u>1,794,340</u>	100.00%	<u>1,794,340</u>
Total City of Tuscaloosa direct debt	<u>\$ 113,892,697</u>		<u>\$ 113,892,697</u>
Total direct and overlapping debt			<u><u>\$ 113,892,697</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by Tuscaloosa County Tax Assessors Office.
Tuscaloosa County debt provided by Tuscaloosa County Commission.

**Overlapping rates are those of local, county and state governments that apply to citizens within the City of Tuscaloosa.

CITY OF TUSCALOOSA
Schedule P

LEGAL DEBT MARGIN INFORMATION

Last ten fiscal years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 182,111,656	\$ 194,691,361	\$ 215,284,171	\$ 191,877,444	\$ 219,393,716	\$ 220,916,344	\$ 228,697,472	\$ 236,471,580	\$ 245,329,168	\$ 260,036,924
Total net debt applicable to limit	36,399,996	36,068,561	52,921,118	53,242,048	51,651,768	50,982,083	52,819,454	61,838,553	59,736,124	92,449,340
Legal debt margin	<u>\$ 145,711,660</u>	<u>\$ 158,622,800</u>	<u>\$ 162,363,053</u>	<u>\$ 138,635,396</u>	<u>\$ 167,741,948</u>	<u>\$ 169,934,261</u>	<u>\$ 175,878,018</u>	<u>\$ 174,633,027</u>	<u>\$ 185,593,044</u>	<u>\$ 167,587,584</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>19.99%</u>	<u>18.53%</u>	<u>24.58%</u>	<u>27.75%</u>	<u>23.54%</u>	<u>23.08%</u>	<u>23.10%</u>	<u>26.15%</u>	<u>24.35%</u>	<u>35.55%</u>

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed property value	<u>\$ 1,300,184,620</u>
Debt Limit (20% of total assessed property value)	<u>\$ 260,036,924</u>
Debt applicable to limit	
General obligation debt including capital leases and notes payable	\$ 193,621,806
Less:	
Debt attributable to construction of school houses	(15,630,000)
Debt attributable to water and sewer infrastructure	<u>(85,542,466)</u>
Total net debt applicable to limit	<u>92,449,340</u>
Legal debt margin	<u>\$ 167,587,584</u>

CITY OF TUSCALOOSA

Schedule Q

PLEDGED REVENUE COVERAGE

Last ten fiscal years

Fiscal Year	Water Charges and Other	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 32,027,019	\$ 15,302,504	\$ 16,724,515	\$ 4,695,000	\$ 4,409,696	1.84
2008	32,335,108	17,816,451	14,518,657	4,920,000	5,691,867	1.37
2009	34,359,871	20,563,329	13,796,542	5,140,000	5,512,310	1.29
2010	34,504,419	19,955,229	14,549,190	5,385,000	5,324,274	1.36
2011	37,429,342	20,537,860	16,891,482	5,650,000	4,909,970	1.60
2012	39,225,514	21,815,800	17,409,714	6,210,000	4,782,792	1.58
2013	40,751,289	24,046,254	16,705,035	6,815,000	3,898,779	1.56
2014	43,151,812	25,191,815	17,959,997	6,535,000	3,477,347	1.79
2015	46,044,973	24,935,491	21,109,482	7,030,000	2,637,525	2.18
2016	46,236,594	26,403,874	19,832,720	7,710,000	2,531,433	1.94

Notes: Net pension liability was recorded as a long term liability per GASB 68 in 2015. Therefore, schedules presenting this information include only the information beginning in that year.

(1) Includes operating expenses less depreciation expense.

CITY OF TUSCALOOSA
Schedule R

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last ten fiscal years ended September 30,

<u>Fiscal Year ended September 30</u>	<u>Population*</u>	<u>Per Capita Personal Income**</u>	<u>Total Personal Income</u>	<u>Unemployment Rate**</u>
2007	83,376	\$ 32,634	\$ 2,720,892,384	3.10
2008	83,376	34,492	2,875,804,992	4.50
2009	83,376	32,926	2,745,238,176	8.50
2010	93,215	33,355	3,109,186,325	8.90
2011	93,215	34,724	3,236,797,660	8.20
2012	93,215	N/A	N/A	7.80
2013	93,357	34,870	3,255,358,590	5.90
2014	95,334	35,329	3,368,054,886	6.20
2015	105,494	34,999	3,692,184,506	5.40
2016	105,494	36,016	3,799,471,904	5.50

*Source: US Census Bureau

**Source: Economic Research Federal Reserve Bank of St. Louis

N/A - Not available.

CITY OF TUSCALOOSA

Schedule S

PRINCIPAL EMPLOYERS

As of September 30,

Employer	Nature of Business	Public or Private	2016			2007		
			Approximate Number of Employees	Rank	As a Percentage of Total Employment	Approximate Number of Employees	Rank	As a Percentage of Total Employment
The University of Alabama	Education/Government	Public	11,347	1	11.37%	6,500	1	16.13%
DCH Health Systems	Healthcare	Public	3,525	2	3.53%	4,558	2	11.31%
Mercedes-Benz International	Autotmobile assembly	Private	3,500	3	3.51%	3,869	3	9.60%
Tuscaloosa County Board of Education	Education/Government	Public	2,283	4	2.29%	2,100	4	5.21%
Tuscaloosa City Board of Education	Education/Government	Public	1,431	5	1.43%	1,338	7	3.32%
Michelin / BF Goodrich Tire Manufacturing	Tire manufacturing	Private	1,365	6	1.37%	1,450	5	3.60%
City of Tuscaloosa	Government	Public	1,360	7	1.36%	1,233	9	3.06%
Veterans Administration Hospital	Specialized healthcare	Public	1,036	8	1.04%	--	--	--
Phifer Wire Products	Aluminum/ Fiberglass Screening	Private	1,003	9	1.01%	1,350	6	3.35%
Northport Medical Center	Healthcare	Public	831	10	0.83%	962	10	2.39%

Source: The Tuscaloosa County Industrial Development Authority - Tuscaloosa Metropolitan Statistical Area.

CITY OF TUSCALOOSA

Schedule T

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

For the ten fiscal years ended September 30,

<u>Function</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>General Fund employees</u>										
General government	189	203	207	204	202	207	216	213	260	236
Public safety										
Police	345	340	349	351	340	356	360	356	362	284
Fire	241	234	234	233	234	248	249	242	251	246
Other	20	22	31	17	17	24	80	80	36	66
Streets and highways	165	179	185	181	183	183	178	171	179	171
Environmental services	91	98	95	95	92	98	94	95	96	92
<u>Water and Sewer employees</u>										
Superintendent	1	1	1	1	1	4	6	6	6	3
Water office and meter readers	33	34	34	33	34	32	32	32	34	28
Lakes	9	9	9	9	9	9	8	9	8	8
Distribution	47	46	39	36	36	38	37	37	35	38
Waste water treatment plant	57	57	56	55	56	57	58	63	68	58
Ed Love water plant	35	35	35	35	35	36	32	35	30	31
Total Employees	<u>1,233</u>	<u>1,258</u>	<u>1,275</u>	<u>1,250</u>	<u>1,239</u>	<u>1,292</u>	<u>1,350</u>	<u>1,339</u>	<u>1,365</u>	<u>1,261</u>

Source: City of Tuscaloosa Human Resources Department.

CITY OF TUSCALOOSA
Schedule U

WATER AND SEWER RATES

September 30, 2016

<u>Water Rates</u>	Rates in Effect Starting 10/1/15	Rates in Effect Starting 10/1/16
Quantity of water consumed per month		
0-1,000 cubic feet	\$ 2.06	\$ 2.10
over 1,001 cubic feet	2.06	2.10
Monthly administrative cost per meter	4.67	4.76
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	3.75	3.83
12 inch	596.10	608.02
 <u>Unfiltered or Raw Water Rates</u> 		
Per 100 cubic feet	0.23	0.23
Monthly administrative cost per meter	4.67	4.76
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	3.75	3.75
12 inch	596.10	608.02
 <u>Sewer Rates</u> 		
a. Per 100 cubic feet of metered wastewater, or	3.67	3.74
b. Per 100 cubic feet of metered water	2.53	2.59
Monthly administrative cost per meter	3.89	3.96
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	5.88	6.00
12 inch	939.16	957.95

Source: City of Tuscaloosa Water and Sewer Department

CITY OF TUSCALOOSA

Schedule V

OPERATING INDICATORS BY FUNCTION

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Public safety:										
Inspection										
Building permits	2,014	1,807	1,575	1,000	4,462	2,041	1,829	1,928	2,271	2,231
Amount	\$ 347,513,837	\$ 433,057,158	\$ 243,134,113	\$ 187,064,129	\$ 202,069,714	\$ 311,290,164	\$ 287,407,362	\$ 403,743,989	\$ 370,135,588	\$ 353,002,493
Fire protection										
Number of stations	12	12	11	11	11	11	11	11	11	11
Number of employees	241	234	234	234	234	248	249	242	251	246
Police protection										
Number of stations	1	1	1	1	1	1	2	3	4	4
Number of employees	345	340	349	353	340	356	357	356	362	284
Streets and highways:										
Streets (miles)	570	571	571	571	571	571	571	571	571	571
Storm sewers (miles)	317	317	317	317	317	317	317	317	317	317
Education (Public School System):										
Number of schools	22	22	24	24	23	23	23	24	24	24
Number of teachers	795	871	820	830	830	830	830	866	857	864
Recreation:										
Number of parks	39	39	39	37	36	36	36	36	36	40
Number of playgrounds	28	28	28	32	31	32	32	32	34	36
Area of parks (acres)	2,170	2,022	2,279	1,755	1,749	1,749	1,749	1,749	1,749	2,438
Water										
Sanitary sewers (miles)	495	495	495	608	615	623	669	685	685	648
Number of accounts	50,016	50,595	52,472	52,472	53,896	54,072	54,492	55,840	56,131	57,590
Average daily consumption (gallons)	25,000,000	25,000,000	23,500,000	23,700,000	25,100,000	23,500,000	23,500,000	23,500,000	23,500,000	23,500,000
Rated plants capacity (gallons daily)	45,700,000	59,700,000	59,700,000	59,700,000	59,700,000	59,700,000	59,700,000	59,700,000	59,700,000	59,700,000
Miles of water mains (4" and larger)	540	548	552	550	562	594	590	690	690	704
Number of fire hydrants	3,152	3,134	3,179	3,218	3,796	3,817	4,191	3,971	4,010	4,116
Miles of raw water mains (24" and larger)	27	27	27	27	27	27	27	22	22	23

CITY OF TUSCALOOSA

Schedule W

CAPITAL ASSET STATISTICS BY FUNCTION

Last ten fiscal years ended September 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Public safety:										
Fire protection										
Number of stations	12	12	11	11	11	11	11	11	11	11
Police protection										
Number of stations	1	1	1	1	1	1	2	3	4	4
Streets and highways:										
Streets (miles)	570	571	571	571	571	571	571	571	571	571
Storm sewers (miles)	317	317	317	317	317	317	317	317	317	317
Recreation:										
Number of parks	39	39	39	37	36	36	36	36	36	40
Number of playgrounds	28	28	28	32	31	32	32	32	34	36
Area of parks (acres)	2,170	2,022	2,279	1,755	1,749	1,749	1,749	1,749	1,749	2,438
Activity Centers	5	4	5	5	5	6	6	6	6	6
Boat landings	5	4	8	8	8	8	8	6	6	6
Golf course	1	1	1	1	1	1	1	1	1	1
Water:										
Sanitary sewers (miles)	495	495	495	608	615	623	669	685	685	685
Miles of water mains (4" and larger)	540	548	552	550	562	594	590	690	690	704
Number of fire hydrants	3,152	3,134	3,179	3,218	3,796	3,817	4,191	3,971	4,010	4,116
Miles of raw water mains (24" and larger)	27	27	27	27	27	27	27	27	22	23

Sources: Various City Departments



City of
TUSCALOOSA