

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017



CITY OF TUSCALOOSA, ALABAMA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2017**

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TABLE OF CONTENTS

INTRODUCTORY SECTION

	Page
Letter of Transmittal	i-xx
Organizational Chart.....	xxi
List of Principal Officials	xxii
Certificate of Achievement for Excellence in Financial Reporting	xxiii

FINANCIAL SECTION

Independent Auditor's Report	1-5
Management's Discussion and Analysis.....	6-24
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	25 and 26
Statement of Activities	27
Fund Financial Statements:	
Balance Sheet – Governmental Funds	28 and 29
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	30
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	32
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund	33-36
Statement of Net Position – Proprietary Funds	37-40
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	41 and 42

CITY OF TUSCALOOSA, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

	Page
Basic Financial Statements (Continued):	
Fund Financial Statements (Continued):	
Statement of Cash Flows – Proprietary Funds	43-46
Statement of Fiduciary Assets and Liabilities	47
Statement of Changes in Fiduciary Net Position.....	48
Notes to Financial Statements.....	49-125
 Required Supplementary Information:	
Schedule of Changes in the City’s Net Pension Liability – Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan	126
Schedule of City Contributions – Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan	127
Schedule of Pension Investment Returns – Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan.....	128
Schedule of Changes in the City’s Net Pension Liability – Employees’ Retirement System of Alabama	129
Schedule of City Contributions – Employees’ Retirement System of Alabama.....	130
Schedule of Changes in the City’s Net Pension Liability –Retirement Plan for Hourly Employees	131
Schedule of City Contributions – Retirement Plan for Hourly Employees	132
Schedule of Changes in the City’s Net Pension Liability – Tuscaloosa Police Officers and Firefighters Retirement Plan	133
Schedule of City Contributions – Tuscaloosa Police Officers and Firefighters Retirement Plan	134
Schedule of Funding Progress – Other Postemployment Benefits.....	135

CITY OF TUSCALOOSA, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

	Page
Combining Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds.....	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	137
Combining Balance Sheet – Nonmajor Special Revenue Funds	138 and 139
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	140 and 141
Combining Balance Sheet – Nonmajor Capital Project Funds	142
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Project Funds	143
Supplemental Information	
Water and Sewer Fund – Schedule of Revenues and Operating Expenses – Budget to Actual	144 and 145

STATISTICAL SECTION

Statistical information:	
Net Position by Component.....	146
Changes in Net Position.....	147 and 148
Governmental Activities Tax Revenues by Source	149
Fund Balances of Governmental Funds.....	150
Changes in Fund Balances of Governmental Funds	151 and 152
Total Governmental Fund Tax Revenues by Source	153
Assessed Value and Estimated Actual Value of Taxable Property	154

CITY OF TUSCALOOSA, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

TABLE OF CONTENTS

	Page
Statistical information (Continued):	
Property Tax Rates	155
Principal Property Taxpayers	156
Property Tax Valuation, Levies, and Collection.....	157
Principal Sales Taxpayers.....	158
Sales Tax Rates.....	159
Ratio of Outstanding Debt by Type.....	160
Ratio of General Bonded Debt Outstanding	161
Direct and Overlapping Governmental Activities Debt.....	162
Legal Debt Margin Information.....	163
Pledged Revenue Coverage.....	164
Demographic and Economic Statistics	165
Principal Employers	166
Full-Time Equivalent City Employees by Function	167
Water and Sewer Rates	168
Operating Indicators by Function	169
Capital Asset Statistics by Function.....	170



INTRODUCTORY SECTION

Letter of Transmittal

June 7, 2018

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, 2017. 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.

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. *Mauldin & Jenkins, LLC*, a firm of licensed public accountants, conducted the audit and their auditor's report is included in the beginning of the financial section of this report. The goal of the independent audit was to provide reasonable assurance that the financials are free of material misstatement. This report contains an unmodified opinion on the City's financial statements for the year ended September 30, 2017. 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 and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. 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

postemployment 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 on the banks of the Black Warrior River and is the regional center of industry, commerce, healthcare, and education for the area of west Alabama. The City is the fifth largest in the state with an estimated population of 99,500 and in 2017 continued a historical trend of being the fastest growing of the state’s top five cities with a growth rate of 10.2 percent since the 2010 census. 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 38,563 students and is home to the 2017 National Champion Crimson Tide football team. From football to gymnastics, basketball, baseball, 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,



picturesque Riverwalk that is anchored by the Tuscaloosa Amphitheatre, and strides made in the city school system’s pre-K programs. 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 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 Council appoints a municipal court judge.

In 2017, approximately 1,350 employees worked for the City, providing a full range of municipal services including:

- | | |
|--|--|
|  Police Department |  Streets and Infrastructure |
|  Fire and Rescue |  Economic Development |
|  General Administration |  Recreation and Cultural Events |
|  Community Development |  Solid Waste Management |
|  Water and Sewer Sanitation |  Planning and Zoning |

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.

Certain public services including public schools, parks and recreation management, public housing, hospital, historic preservation, and industrial development are handled through agencies that are external to City government. The City influences each of these agencies, either through non-majority controlling appointments to the governing boards, general agency funding or through liaison relationships maintained by the Mayor.



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), and department level (e.g. Tuscaloosa Fire and Rescue Services). Budgets are maintained and overseen by the departments heads and the Accounting and Finance Department past this department level at the division level (e.g. Tuscaloosa Fire and Rescue Services - 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. Any budgetary revisions needed are proposed to and reviewed by the Accounting and Finance Department throughout the year and are then compiled and, if necessary, presented to the City Council's Finance Committee and then the full City Council for approval. 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. 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

Upon re-election in March 2017, Mayor Walt Maddox outlined his four year plan for all major City initiatives including time frames for commencement and completion. Each initiative is backed by his six core values that provide direction and guidance for all City operations. Those six core values are:

- Western Tuscaloosa and other parts of our City who have not benefited from the economic prosperity of Tuscaloosa will again thrive both residentially and commercially.
- The City of Tuscaloosa will be a customer friendly environment and our work will be open, efficient and effective.
- Comprehensive planning and infrastructure investments will be essential to preserving our neighborhoods, promoting economic development and ensuring a high quality of life.
- All citizens will be safe in all areas of our City – and, if trouble arises, whether crime, fire or an act of nature, our response will be swift and effective.
- All children academically at-risk will have the opportunity for highly effective pre-k programs.
- The ability to serve our citizens is a shared responsibility among all departments and employees, which requires that we consistently provide the highest level of performance, dedication and integrity.

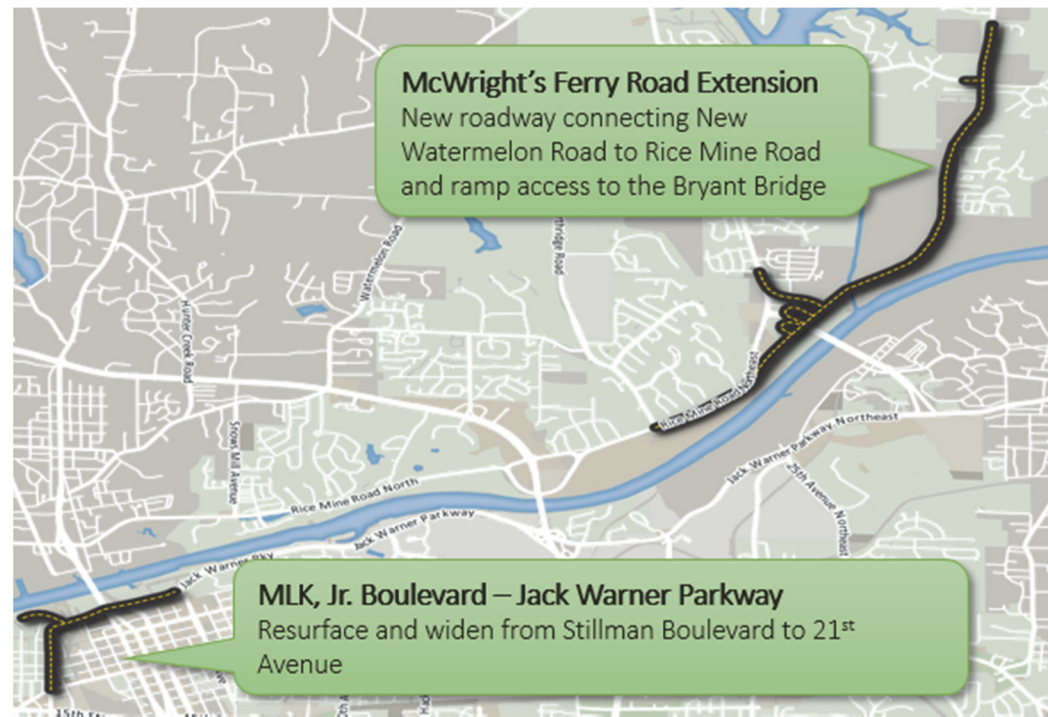
The four major areas of action as outlined in the four year plan are as follows:

Infrastructure Investment

On May 21, 2015, State law Act No. 2015-202 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 McWright's 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 that the City 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. Dubbed *Project NASCAR*, these three projects are improvements to the McFarland Boulevard and Hargrove Road intersection (construction of new turn lanes and installation of adaptive traffic signals), the extension of McWright's Ferry Road (new roadway connecting highly traveled roads in the City's northern and most residential-heavy sector to major arteries including ramp access to the Bryant Bridge), and improvements to Martin Luther



King, Jr. Boulevard and Jack Warner Parkway (resurfacing and road widening for the City's main arterial connector of the west Tuscaloosa area to downtown and the riverfront including expanding passageways through two railroad trestles). Preliminary engineering and design along with right-of-way acquisition activities have commenced on all projects. In total, the City is currently managing approximately \$90 million in road projects through this agreement with the TCRIC. Agreements currently in place with the TCRIC 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 TCRIC.

Another of the major infrastructure projects included in the four year plan is improvements to the Hargrove Road and Hackberry Lane. This intersection is a highly traveled corridor located in the heart of the City. Homes located at this intersection, which includes a severe curve, were completely demolished as a result of the April 2011 tornado disaster. Improvements to the roadways will include \$1.7 million worth of reconstruction to remedy the damage sustained from disaster debris removal, reducing the degree of the curve to resolve traffic accidents, and construction of a six-foot wide sidewalk with street and pedestrian lighting. This pedestrian area will connect to and extend the Citywalk, a greenway that, when complete, will travel the length of tornado path and provide a multi-use walking and biking trail that connects neighborhoods.

The City is also undertaking a \$7.5 million revitalization of the 10th Avenue corridor. This roadway has long been envisioned as a major gateway into Tuscaloosa, with the end point routing traffic into the University of Alabama campus and Bryant Denny Stadium specifically. Currently underutilized and with the surrounding areas having sustained much damage from the April 2011 tornado disaster, this project will implement the Citywalk along with technology infrastructure including attributes such as 1 GB wireless access points, fiber optics, cameras, LED lighting and digital signage. This project will compliment other City managed and sponsored projects in the area such as the rebuilding of Rosedale Courts affordable housing community and The EDGE: Business Resource Center that is detailed below.

In addition to these major road improvement projects, a two-phase 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.

The City's aging water and wastewater collections and distribution systems continue to pose challenges to the City's operations. In order to invest into the systems, the City issued \$27.175 million in warrants through the Alabama Department of Environmental Management's State Revolving Fund in December 2016. This state fund provides low interest financing for clean water and drinking water infrastructure improvements. In March 2018, the City is again considering another \$24 million issuance through this program for further infrastructure investments.

Operational Reorganization

In October 2015, Mayor Walt Maddox proposed a major overhaul to the organizational structure of city operations that is aimed to improve services for residents and customers and streamline city government activities. The plan created two new departments:

- The Office of Urban Development, meant to deal with commercial and residential developments, long-range City master planning and a combining point for all of the City's customer service needs
- The Office of Infrastructure and Public Services, meant to oversee capital projects, infrastructure maintenance and public service operations, logistics and facilities

Numerous existing departmental operations were realigned through this reorganization in the following ways:

- The Water and Sewer Department's operations were split between:
 - o The billing function for the Water and Sewer Business Office is now housed the Accounting and Finance Department.
 - o Infrastructure maintenance, operations of water and sewer treatment, collections and distribution systems, capital projects and meter-reading functions are now housed in Infrastructure and Public Services.
 - o Water bill collections and customer access points are now housed in Urban Development.
- The Planning and Inspections Department, Economic Development Department, and 311 operations were completely realigned under Urban Development.
- The Office of the City Engineer, Department of Transportation, Facilities Maintenance Department, Office of Resiliency and Innovation, Environmental Services Department and all City venues were completely realigned under Infrastructure and Public Services.
- The Revenue Department was completely realigned under the city's existing Accounting and Finance Department.

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 2018 fiscal year budget process saw the full implementation of the new department budgetary and general ledger structure and oversight systems. The City is currently in the final phases of completing facility upgrades to accommodate shifts in operations. As part of the four year plan, the City will continue to analyze operations to streamline government and modernize operations.

Economic Development

Another major theme in the City's four year plan is implementation of new economic development initiatives including:

- A shared economic model that creates a think-tank combining multiple economic entities such as Tuscaloosa County, the University of Alabama, Tuscaloosa Tourism and Sports Commission, Tuscaloosa County Parks and Recreation Authority, and the Tuscaloosa County Industrial Development Authority among others to create a comprehensive strategy centered around communication and coordination of activities, analyzing and possibly realigning those activities to best address the new digital, experience-driven and integrated economy, provide and promote workforce development, enhance lifestyle amenities in the area.
- New development service delivery fees implemented in April 2017 adopted to cover additional strain on city services and infrastructure for new developments; fees currently implemented apply to both new multi-family developments and commercial developments and only attach to the burden placed on the City's water and sewer infrastructure (the fee assessment is based on meter size in the development).
- New homesharing regulations implemented in May 2017 to regulate and legally apply a tax structure to an already active short-term rental market; the City established two zones where homesharing and short-term rentals are allowed: downtown and near the University of Alabama campus specifically driven through football game day events and another surrounding Lake Tuscaloosa for tourism related to lake activities and vacationing.

- The *Invest Tuscaloosa* initiative was proposed in May 2017 and is planned to be fully operational by fall 2018 and will provide a template for creation of opportunity zones in which abatement of sales or lodging taxes would spur “new to the market” investment; the zones will require activation of vacant parcels, renovation of abandoned buildings, creation or retention of jobs, on-site environmental remediation, removal of blight, provide catalytic enhancements and place-making change to areas of the City in need of revitalization.



	Permit Fees	City Property Taxes
Existing	\$0	\$42
\$1 Million investment	\$8,350	\$2,742
\$3 Million investment	\$25,050	\$8,142
\$5 Million investment	\$41,750	\$13,542



To further enhance innovation and workforce development, the City is investing more than \$11 million in funding to build The Edge: a 26,300 square foot facility that will be Tuscaloosa’s entrepreneurial hub. The initiative is a partnership between the City, the University of Alabama and the Chamber of Commerce of West Alabama. The facility will house 25 offices with 100 workstations, training rooms and a working lounge, all to incubate entrepreneurial businesses in the Tuscaloosa area. The Edge is not a new concept to the City; the Chamber of Commerce has sponsored the organization for the past decade. The Edge has outgrown its current facility on the way to mentoring more than 300 businesses and serving as a workspace for more than 75 emerging companies. The goal by growing both the space available for activities and the

collaboration with the University of Alabama is to diversify the area's economic base in order to attract new residents and retain a larger percentage of college graduates from the University. Construction on the facility began in June 2017 and will be complete by August 2018.

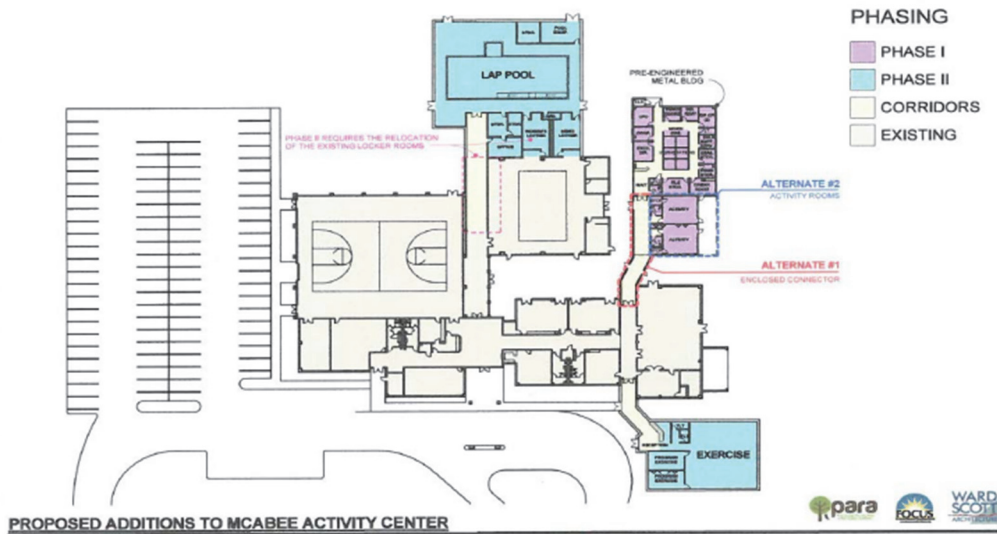
Quality of Life Enhancements

With the change in national spending habits and the idea of the emerging generation being more engaged in experiences than retail and obtaining material goods, the fourth major area of focus for the City's operations over the next four years is to enhance the quality of life for current residents with the hopes of attracting future residents and retaining more of the student population that is graduating from the University of Alabama.

- In April 2018, Tuscaloosa will host the U.S. Navy's Blue Angels for the fifth time at the Tuscaloosa Regional Airport. The last time that the Blue Angels entertained crowds in Tuscaloosa was 2015 and that event brought on estimated 90,000 watchers to the Saturday event along with another 73,000 viewers on the following Sunday. The City budgets both revenues and expenditures for this event through the Public Services arm of Infrastructure and Public Services. For the 2018 event, a net loss of \$220,000 is expected.
- The City sponsors a weekly free music-centered gathering event every Friday evening from the months of June-July at Government Plaza. The event, dubbed Live at the Plaza began in 2015 and has been a success and spurring activity downtown with an average of 600 in attendance each week. In 2017, the City spent \$20,000 to create this lively atmosphere. The economic impact of the event is unknown.
- To spur activity and enhance the experience of the walkable downtown area, the City has created an entertainment district that is in effect weekly, Fridays and Saturdays 11am-11pm and Sundays noon-9pm. This entertainment district has fostered numerous events and festivals in the downtown area including:
 - o The Druid City Arts Festival – an event that promotes the appreciation of the arts, culture and community in Tuscaloosa and boasts more than 85 artists of varying musical and visual mediums and an ever-growing attendance (the 2017 event had over 15,000)
 - o The upcoming Druid City Music Festival – the first annual event is slated for August of 2019 and will host various stages along with activity at other downtown participating venues
 - o Live at the Plaza weekly events detailed above
 - o Run Tuscaloosa: The Tuscaloosa Half Marathon and the Mayor's Cup 5k along with numerous other local race events



- Public investment in the City's riverfront area is paying dividends in quality-of-life enhancements and continues to grow. In 2011, the City built and opened the Tuscaloosa Amphitheater and the River Market. In 2017, the Tuscaloosa Amphitheater hosted 18 concerts ranging in artist genres from Dave Matthews and Tim Reynolds, Def Leppard and Poison, Chris Stapleton, Kenny Chesney and Eric Church, and Rod Stewart and Hall & Oates. More than 100,000 individuals from markets all over Alabama and Mississippi visited the Tuscaloosa Amphitheater. The 2017 season was a great success with the 2017 fiscal year show events breaking even for the first time since 2013. 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.
- 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. Another development in the area is Tuscaloosa's first riverfront hotel. Hotel Indigo, a boutique property designed to reflect the culture and surrounding neighborhood, opened in September 2016. It has 91 rooms, a fitness center, meeting space and a 2,500-square-foot rooftop terrace overlooking the scenic Black Warrior River and Tuscaloosa Amphitheater. The hotel added another estimated \$20 million in riverfront development.



- FOCUS On Senior Citizens is a City of Tuscaloosa sponsored agency that provides a variety of activities and services to meet the needs of residents aged 50 years and older. The City has committed \$750,000 in Community Development Block Grant Funds along with another \$1.5 million planned Section 108 loan to renovate the Leroy McAbee Activity Center into a full service senior center to house FOCUS activities and operations. The Leroy McAbee Activity Center is a sprawling facility housing an Olympic-sized lap pool, regulation styled basketball courts, an exercise facility and numerous activity rooms.

- The Benjamin Barnes branch of the YMCA of Tuscaloosa sits squarely in the middle of west Tuscaloosa along 18th Street. The facility houses, among other things, after-school programs for children in the area including

academic remediation, sports activity and social enrichment which is a greatly needed resource for the community. In 2014, the City sold a plot of land in the downtown area for the development of an Embassy Suites and has earmarked the \$1.9 million proceeds from that sale to the massive overhaul of the aging Benjamin Barnes current facility.

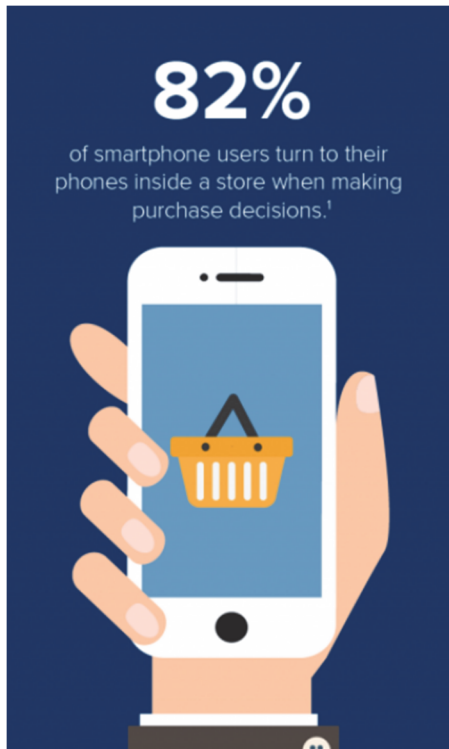
- The City’s Fire and Rescue Service has partnered with the University of Alabama’s University Medical Center to develop ACTION: a program that responds to the less critical needs of the community and reduces costly hospital emergency room transports and care. ACTION, which stands for Appropriate Care and Treatment In Our Neighborhoods, places nurse practitioners and physician assistants, social workers and behavioral health providers in appropriate Fire and Rescue Service response vehicles to treat 911 caller’s medical needs at the scene ensuring the right care at the right time and ultimately reducing health care costs for patients and the community. ACTION is the first program of its kind in the State of Alabama.

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 2017 fiscal year saw the continuation of that growth with an increase in the major sales tax revenue sources of 3.22% over 2016 levels with a 5 year average growth rate of 2.93%. However, spending habits appear to have permanently changed, and retail based tax growth is beginning to slow. In 2016, the City's business license revenue had negative growth and the revenue received for the 2017 fiscal year did not meet budgeted projections.



Expectations were adjusted for the 2018 fiscal budgetary process and to-date activity shows that revenue received will meet budget. As mentioned previously, the retail market is suffering nationwide with many stores closing their doors. In the Tuscaloosa market alone, two large long-standing retailers with storefronts in highly visible areas, Sears and Kmart, closed during 2017. E-commerce has grown in popularity and the State of Alabama has attempted to adjust revenue sources derived from sales by passing House Bill 470 in April 2018 becoming one of the first states in the nation to address the issue with direct legislation. Since 2015, the State of Alabama has had a mechanism to capture online sales tax known as the Simplified Sellers Use Tax (SSUT) which allowed online retailers to collect a flat 8 percent tax on every sale that was made to a customer in Alabama. More than 160 e-commerce entities willingly participate in the program. Tax revenues collected under SSUT were split between the State keeping half and the other half being allocated to cities and counties based on population. With the passage of House Bill 470, the SSUT program is now expanded to include third-party sellers that do business on the larger online market platforms like Amazon. Also, municipalities get to keep 60 percent of the second half of the revenues collected by the State with counties taking the other 40 percent (those will then be allocated to the respective governments based on population out of their designated percentage pot). This will likely prove to increase intergovernmental revenues received by the City of Tuscaloosa in the coming years.

With a revenue base that is heavily dependent on retail sales (approximately 50 percent of the City's General Fund revenues are derived from sales taxes and business licenses), the City has worked to adapt to the changing market. 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. The City makes strides in the various economic development initiatives listed in the above section.

Tuscaloosa's combined sales tax rate is currently nine percent, on par with other major Alabama cities such as Birmingham and Huntsville (the third largest city in Alabama) but less than the ten percent rates in Montgomery (the state capitol and the second largest city in Alabama) and Mobile (the fourth 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 continues to improve and is below national and state-wide figures at 3.9% as of November 2017. The population of the City grew 10% over the previous 10 year period. A growing employment rate coupled with a growing population is a good sign for local business conditions.

Since the 2008 recession, the national real estate market has struggled to recover. According to the U.S. Census Bureau, the national homeownership rate has been in steady decline since that time. However, the Tuscaloosa based market, specifically in the area of homeownership, has been on the rise for the last several years. According to the Alabama Center for Real Estate (ACRE, a statistical study area and advisory board sponsored by the University of Alabama) home sales increased in 2017 by 28 percent over 2016 levels signifying an overall increase in demand. Supply has languished with an overall inventory-to-sales ratio declining 23 percent. The median sale price for a home in Tuscaloosa is \$169,561, a 6% increase over the prior year and is projected to rise another 4.8 percent in the current year.

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.

A commercial sector showing increasing 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 in March 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 \$670,000 in fiscal year 2018. 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 9.68% over 2016 levels and 9.16% 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 five out of nine national championships between the years 2009 and 2017. 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 Chamber of Commerce of West Alabama estimates that each home football game weekend brings in around \$17 million from various revenue sources.



2017 saw the continued construction of the biggest industrial expansion in West Alabama history with the announcement of Mercedes-Benz U.S. International's \$1.3 billion plant expansion along with an announcement to continue to invest another \$1 billion to construct a new battery plant to its sprawling automotive assembly complex.

- With construction starting in March 2016, production at the facility for the already underway expansion 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. Nearly 1,000 robots and other state-of-the-art technology will help assemble 300,000 vehicles per year. This unprecedented investment is the largest single industrial expenditure recorded in Tuscaloosa County.
- The newly announced plant expansion was released in September 2017 and centers around production of EQ-branded SUVs, an electric and autonomous vehicle, and will add 2 million square feet to the company's growing facility along with 600 jobs created.
- Also in September 2017, MBUSI broke ground in neighboring Bibb County where the company is investing \$250 million to build a new global logistics center and after-sales North American hub. The project is expected to create 429 jobs and will be operational in 2019.

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 with 1,500 team members and 68,724 units produced of

the lone model type. The plant celebrated 20 years of production in 2017 and now 7,000 people pass through the plant's gates to work each day with 3,600 of them being full-time workers with benefits. When these two new expansions are completed, total investment in MBUSI will come to \$6.8 billion and the facility will encompass a total of 8 million square feet. In January 2018, MBUSI announced that they had built 3 million vehicles at the Vance plant.

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.

In addition to the direct impact that MBUSI has on the local economy, many supplier manufacturers followed 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 January 2018, BLG Logistics Inc., a Germany-based company that provides third-party logistics services, announced a \$7.1 million expansion to its headquarters located adjacent to the MBUSI plant that will bring 43 new jobs to the market. Another MBUSI supplier, Boysen Alabama, USA, announced plans to double in size and bring an additional 70 jobs to the Tuscaloosa area. The plant, also headquartered in Germany, builds automotive exhaust systems.

Even with a continually diversifying commercial market and ever-growing industrial 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 15,000 in 10 years and with that increased enrollment comes large construction projects on campus to meet demands of the student population. Included in the mix of projects are a new 500-bed residence hall, new parking deck for the current Tutwiler residence hall (Tutwiler is also slated to be demolished and reconstructed in the near future), renovation to Frank Moody Music Building, a \$10 million new adapted athletics facility and numerous sorority houses being demolished and rebuilt on a grander scale. Infrastructure improvements to the area include a \$13.7 million improvement of University Boulevard, the main thoroughfare through campus that includes new connector roads. 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. Upcoming projects include a \$19.5 million and 42,000 square foot alumni building, a \$4.4 million and 22,000 square foot retail center along Campus Drive, a new \$51.2 million residence hall, thermal energy plant renovations, new Bryce Park food services building, and a parking deck and pedestrian bridge located adjacent to the Bryant Conference Center. With so many construction projects in the works, the University's continued growth and economic impact to the area is constant and strong.

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, 2017, this amount is \$12,502,563. Per the basic financial statements located in this report, the actual amount unassigned in the General Fund is \$12,502,563. For the Capital Projects Fund, the September 30, 2017, fund balance assigned for future capital projects is \$17,850,327.

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, 2017, this would amount to \$9,601,351 with actual unrestricted net position being \$18,866,053.

The City has investments in certificates of deposit and various other cash equivalents totaling approximately \$25.8 million. 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. GASB Statement No. 78, "Pensions Provided through Multiple-Employer Defined Benefit Pension Plans" became applicable in 2017 and addresses the scope and applicability of GASB 68.

The City has also implemented GASB Statement no. 77, "Tax Abatement Disclosures" during the current fiscal year which requires governments that enter into tax abatement agreements to disclose certain information about the abatements, which will make these transactions more transparent to financial statement users. Please see note disclosures detailing the City's tax abatement agreements on page 122 of this report.

GASB Statement No. 80, "Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14" was also implemented during the current year. The statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The City analyzed all associated organizations with this additional guidance. No changes in financial statement presentation were considered necessary for the City's component units. See detailed note disclosures for component units beginning on page 50 of this report.

Long-Term Financial Planning

The most recent long term planning scenario available from the City's Accounting and Finance 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 refunding 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 from 2007 and 2009 that held 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, 2016. This was the thirtieth 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.



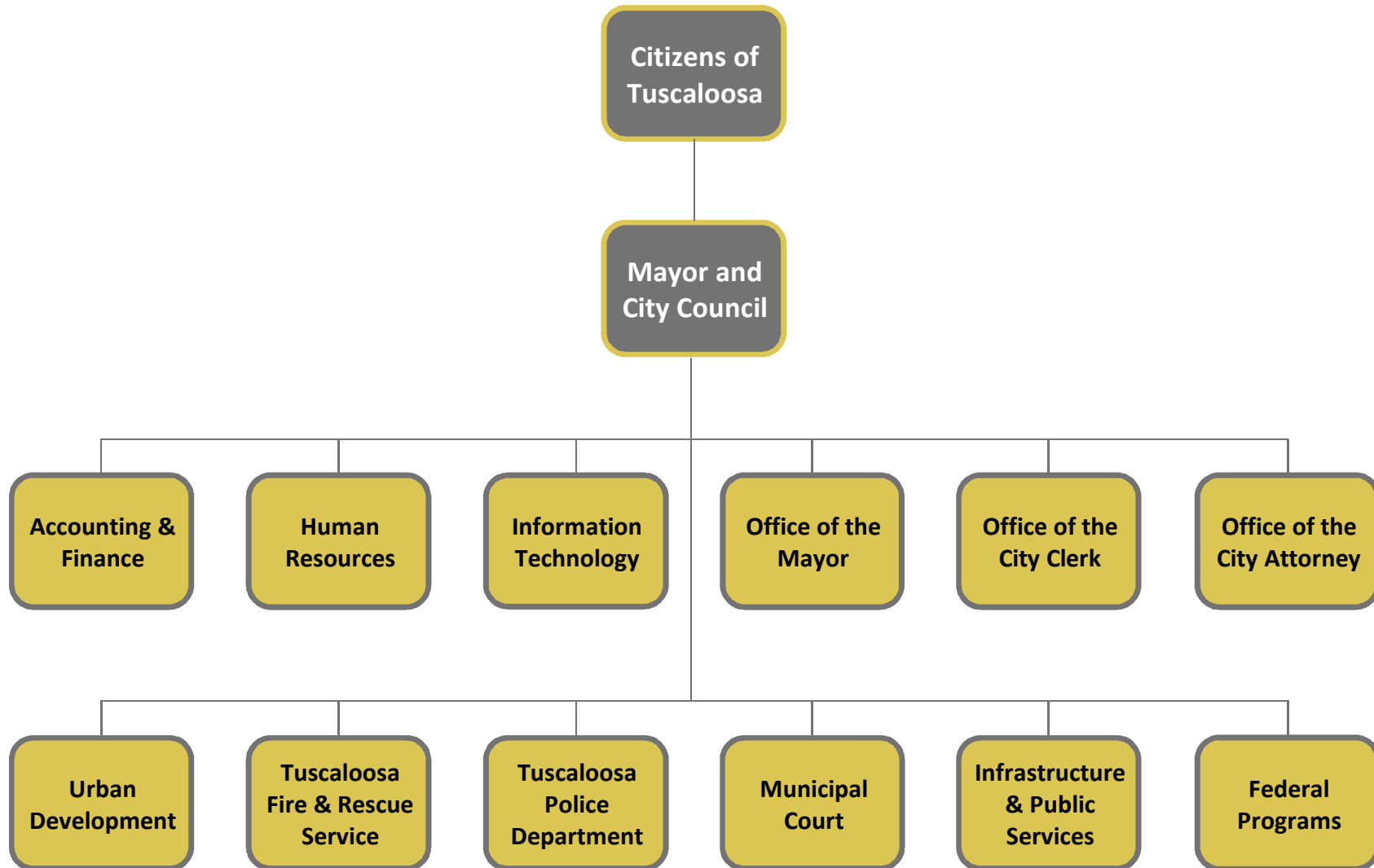
Walt Maddox
Mayor



Mike Wright
Chief Financial Officer



Organizational 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

Department Heads

Mike Wright	<i>Accounting and Finance Department</i>
Mark Fields	<i>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>



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**City of Tuscaloosa
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2016

Christopher P. Morill

Executive Director/CEO



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Tuscaloosa, Alabama** (the "City"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tuscaloosa Tourism and Sports Commission and the Tuscaloosa County Parking and Transit Authority, which represent 100%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been finished to us, and our opinion, insofar as it relates to the amounts included for the Tuscaloosa Tourism and Sports Commission and the Tuscaloosa County Parking and Transit Authority, 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.

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 6 through 24), the Schedule of Changes in the City's Net Pension Liability and Related Ratios – Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (on page 126), the Schedule of City Contributions – Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (on page 127), the Schedule of Pension Investment Returns – Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (on page 128), the Schedule of Changes in the City's Net Pension Liability and Related Ratios – Employees' Retirement System of Alabama (on page 129), the Schedule of City Contributions – Employees' Retirement System of Alabama (on page 130), Schedule of Changes in the City's Net Pension Liability and Related Ratios – Retirement Plan for Hourly Employees of the City of Tuscaloosa (on page 131), the Schedule of City Contributions – Retirement Plan for Hourly Employees of the City of Tuscaloosa (on page 132), Schedule of Changes in the City's Net Pension Liability and Related Ratios – Tuscaloosa Police Officers and Firefighters Retirement Plan (on page 133), the Schedule of City Contributions – Tuscaloosa Police Officers and Firefighters Retirement Plan (on page 134), and the Schedule of Funding Progress – Other Postemployment Benefits (on page 135) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are 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 in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 7, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS





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, 2017. 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, 2017 by \$353,159,822 (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, 2017, net position included a negative \$52,455,449 for the unrestricted portion.

Changes in net position - The City's total net position increased in fiscal year 2017 by \$13,813,517 (an increase of \$1,811,829 from governmental activities and \$12,001,688 from business-type activities).

FINANCIAL HIGHLIGHTS (continued)

Fund Highlights:

Governmental Funds – Fund Balances – At the close of fiscal year 2017, the City’s governmental funds reported a combined ending fund balance of \$80,594,632, a decrease of \$3,787,337 when compared to the prior year restated balance. Of this amount, \$7,566,561 represents nonspendable fund balance in the General Fund. Amounts available to be spent include \$34,076,555 of restricted fund balance, \$10,416,530 of committed fund balance, \$18,139,109 of assigned fund balance and \$10,395,877 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 \$38,951,516 or approximately 21 percent of total governmental expenditures of \$182,267,683.

Business-Type Activities – At the close of fiscal year 2017, the City’s Water and Sewer enterprise fund reported a net position of \$228,609,848. The change in net position for fiscal year 2017 was a \$12,087,911 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.

Government-Wide Financial Statements (continued)

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 25-27 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 recovery, 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 28-36 of this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers; outside customers or internal 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.

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 pages 37-46 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 47 and 48 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 49-125 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 126-135 of this report.

Combining Statements

The combining statements referred to earlier in connection with nonmajor governmental fund can be found on pages 136-143 of this report.

Other Supplementary Information

The budgetary comparisons for the water and sewer fund can be found on pages 144 and 145 of this report.

Statistical Information

The statistical section, found on pages 147-170, 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 \$353,159,822 as of September 30, 2017. Analyzing the net position of governmental and business-type activities separately, the governmental activities net position was \$124,778,138 and the business-type activities net position was \$228,381,684.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets and Deferred Outflows of Resources						
Current and other assets	\$ 99,274,329	\$ 101,279,050	\$ 39,070,794	\$ 30,114,966	\$ 138,345,123	\$ 131,394,016
Capital assets	272,791,712	261,224,166	291,780,250	289,325,654	564,571,962	550,549,820
Total assets	372,066,041	362,503,216	330,851,044	319,440,620	702,917,085	681,943,836
Total deferred outflows of resources	20,862,644	18,506,762	4,800,594	5,284,024	25,663,238	23,790,786
Total assets and deferred outflows of resources	392,928,685	381,009,978	335,651,638	324,724,644	728,580,323	705,734,622
Liabilities and Deferred Inflows of Resources						
Long-term liabilities	244,527,278	234,021,719	94,204,411	96,905,772	338,731,689	330,927,491
Other liabilities	22,316,551	21,206,350	13,003,280	11,709,352	35,319,831	32,915,702
Total liabilities	266,843,829	255,228,069	107,207,691	108,615,124	374,051,520	363,843,193
Total deferred inflows of resources	1,306,718	1,397,111	62,263	49,064	1,368,981	1,446,175
Total liabilities and deferred inflows of resources	268,150,547	256,625,180	107,269,954	108,664,188	375,420,501	365,289,368
Net Position						
Net investment in capital assets	185,194,521	147,980,779	209,743,795	201,736,756	394,938,316	349,717,535
Restricted	10,676,955	8,831,904	-	-	10,676,955	8,831,904
Unrestricted	(71,093,338)	(32,427,885)	18,637,889	14,323,700	(52,455,449)	(18,104,185)
Total Net Position	\$ 124,778,138	\$ 124,384,798	\$ 228,381,684	\$ 216,060,456	\$ 353,159,822	\$ 340,445,254

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of Net Position (Continued)

The largest portion of the City's net position, \$394,938,316, 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 2017, the City's governmental activities capital assets, net of accumulated depreciation, increased by \$11,567,546 and business-type activities capital assets, net of accumulated depreciation, increased by \$2,454,596 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.

An additional portion of the City's net position, \$10,676,955, 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 \$71,093,338 largely 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, 2017 for governmental activities totaled \$118,199,845. The unrestricted net position in business-type activities is \$18,637,889. The net pension liability for business-type activities totaled \$7,136,405 as of September 30, 2017.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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 \$393,340 and the business-type activities net position increased by \$12,321,228. 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:

Revenues	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 31,525,234	\$ 31,151,258	\$ 48,265,312	\$ 46,262,184	\$ 79,790,546	\$ 77,413,442
Operating grants and contributions	49,087,506	37,815,133	334,920	-	49,422,426	37,815,133
Capital grants and contributions	8,583,231	16,179,310	1,413,123	4,522,992	9,996,354	20,702,302
General revenues:						
Sales and use tax	42,347,194	40,242,763	-	-	42,347,194	40,242,763
Property tax	16,686,560	13,734,770	-	-	16,686,560	13,734,770
Other taxes	15,972,911	15,044,859	-	-	15,972,911	15,044,859
Investment earnings	2,148,758	357,804	36,062	30,688	2,184,820	388,492
Gain (loss) on disposal of capital assets	1,071,482	-	11,762	-	1,083,244	-
Total revenues	\$ 167,422,876	154,525,897	\$ 50,061,179	50,815,864	\$ 217,484,055	205,341,761

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Analysis of Changes in Net Position (Continued)

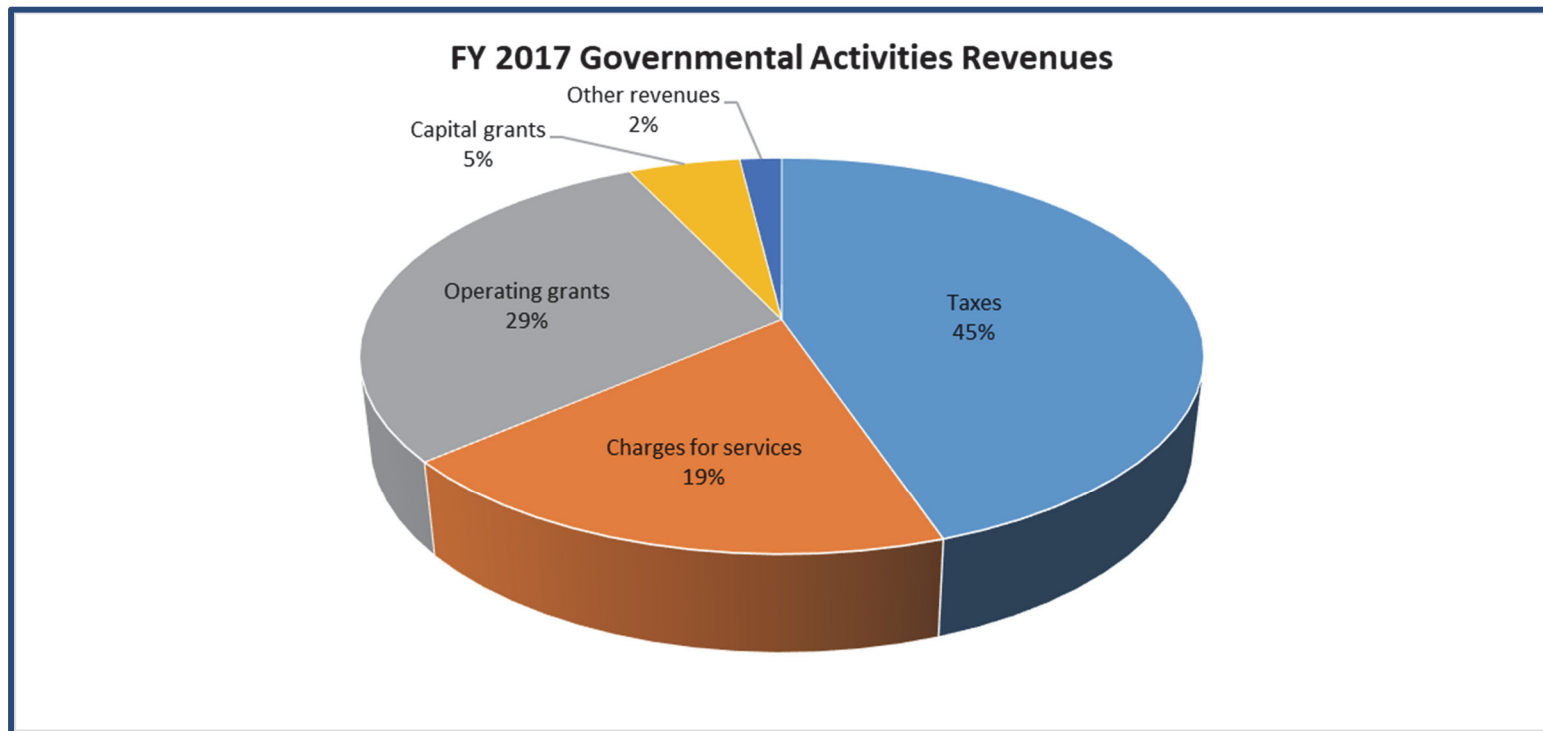
Expenses	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Community Services	\$ 10,256,107	\$ 6,478,903	\$ -	\$ -	\$ 10,256,107	\$ 6,478,903
Education	17,041,400	12,580,200	-	-	17,041,400	12,580,200
General Government	34,924,823	18,710,646	-	-	34,924,823	18,710,646
Infrastructure and public services	32,891,792	44,157,145	-	-	32,891,792	44,157,145
Public safety	54,362,016	55,527,612	-	-	54,362,016	55,527,612
Urban Development	3,088,730	2,202,574	-	-	3,088,730	2,202,574
Funds to other agencies	13,371,624	12,788,619	-	-	13,371,624	12,788,619
Cost sharing arrangements	861,956	166,099	-	-	861,956	166,099
Interest	3,231,727	3,587,862	-	-	3,231,727	3,587,862
Intermodal facility	-	-	57,247	70,255	57,247	70,255
Water and sewer	-	-	33,583,116	38,807,501	33,583,116	38,807,501
Total expenses	170,030,175	156,199,660	33,640,363	38,877,756	203,670,538	195,077,416
Increase (decrease) in net position before transfers	(2,607,299)	(1,673,763)	16,420,816	11,938,108	13,813,517	10,264,345
Transfers in (out)	4,419,128	1,766,618	(4,419,128)	(1,766,618)	-	-
Change in net position	1,811,829	92,855	12,001,688	10,171,490	13,813,517	10,264,345
Net position, beginning of year, as previously reported	124,384,798	124,291,943	216,060,456	205,888,966	340,445,254	330,180,909
Net effect of prior period adjustments	(1,418,489)	-	319,540	-	(1,098,949)	-
Net position, beginning of year, as restated	122,966,309	124,291,943	216,379,996	205,888,966	339,346,305	330,180,909
Net position, end of year	\$ 124,778,138	\$ 124,384,798	\$ 228,381,684	\$ 216,060,456	\$ 353,159,822	\$ 340,445,254

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities

Significant changes in governmental activities revenue include the following:

- Sales and use tax revenue increased \$2,104,431 (5%) due to a continuing improvement in the economy, which resulted in increased economic development and discretionary customer spending.
- Property tax revenues increased \$2,951,790 (21%) due to increased assessed property values and an accounting change to reflect gross property taxes with an offset to expense for commissions and other fees charged by the Tuscaloosa County Commission, who collects the tax on the City's behalf.
- Garbage revenues increased \$307,049 (6%) due to a \$1 increase in FY 2017 rates.
- Lodging tax revenues increased \$594,721 (10%) due to new hotels and increased tourism levels in FY 2017.
- Operating grant and contributions revenues increased \$11,272,373 (30%) primarily due to increased sales tax passed through to education as well as increased City revenue from federal and state grants attributed to airport and community services.

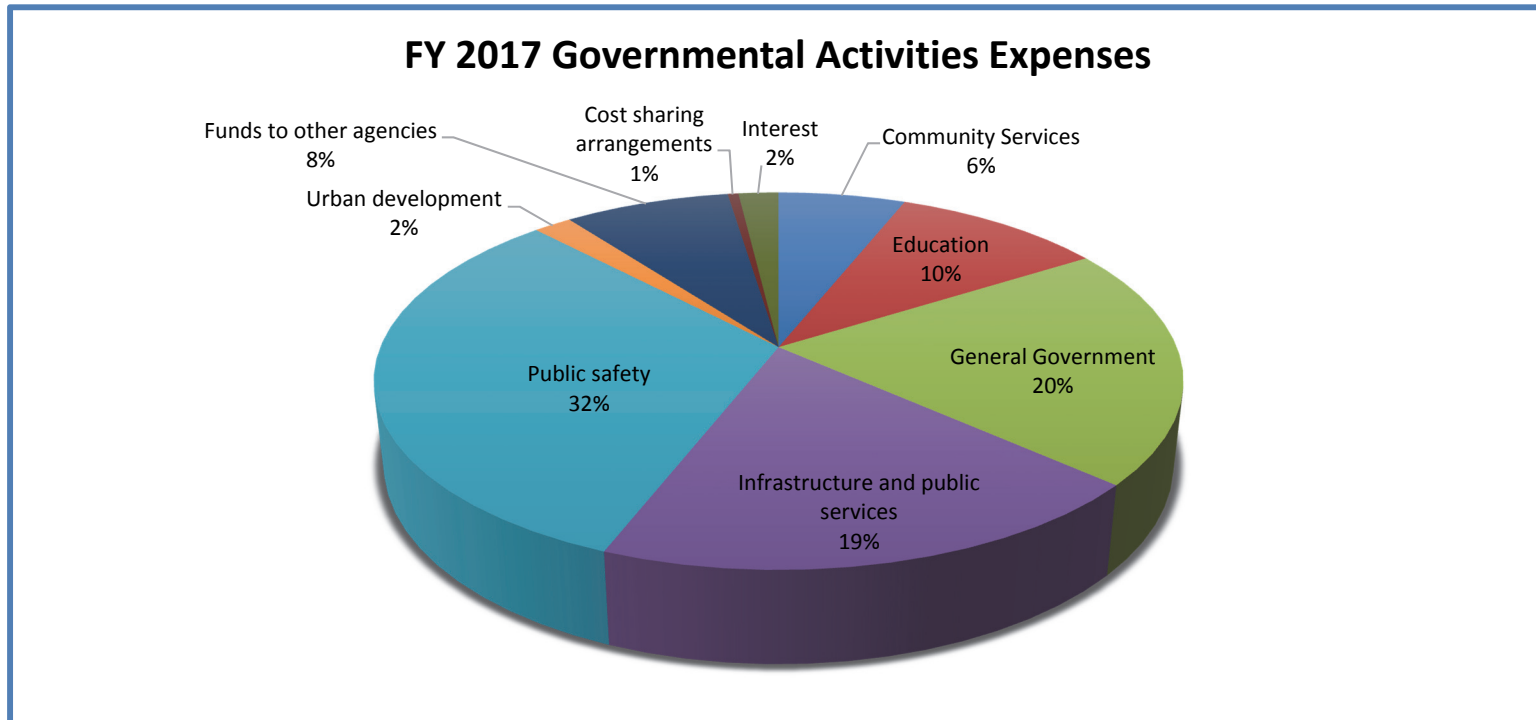


GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Governmental Activities (Continued)

Significant changes in governmental activities expenses include the following:

- Overall, governmental expenses increased \$13,830,515 (9%) primarily due to full implementation of the City pay plan (two step raises or 3%) for all employees as well as increased cost of the City's share of health insurance premiums of approximately 13%.
- Education expenses increased \$4,461,200 (35%) due to increased sales tax passed through the City to the Tuscaloosa City Board of Education.
- Funds to other agencies increased \$583,005 due to increased funding to agencies such as the Tuscaloosa County Park and Recreation Authority.
- Interest expense decreased by \$356,135 (10%) due to the refunding of the City's 2007-A and 2009 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 \$2,311,573 (5%) while operating expenses decreased by \$1,294,797 (4%). The Water and Sewer Fund change in net position compared to the prior year increased by \$1,830,198 primarily due to a rate increase of 2% and decreased special projects expenses of \$1,140,497. The water and sewer rate increase became effective October 1, 2016.

The Water and Sewer Fund transferred \$5,936,508 to the General Fund for services provided by key General Fund departments including accounting, legal, human resource and information technology services as well as direct expenses incurred from property insurance and workers compensation claims.

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 2017 fiscal year, the City's governmental funds reported combined ending fund balances of \$80,594,632 a decrease of \$3,787,337 (4.5%) from the prior year restated balance. 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 2017, the total transfer was \$3,654,716. Of the total fund balance of \$80,594,632, \$7,566,561 (9%) 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, \$34,076,555 (42%) 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 \$10,416,530 (13%) 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 \$18,139,109 (23%) 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, 2017, unassigned fund balance represented \$10,395,877 (13%) of total fund balance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

The following table shows the revenues for fiscal year 2017 and 2016 and the increases and decreases from 2016 by major funds and other governmental funds.

	General Fund			Capital Projects Fund			Disaster Recovery Construction Fund			Other Governmental Funds		
	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
Revenues												
Taxes	\$ 72,080,799	\$ 66,235,874	\$ 5,844,925	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 891,602	\$ 905,723	\$ (14,121)
Licenses and permits	22,243,027	22,563,765	(320,738)	-	-	-	-	-	-	-	-	-
Fines and penalties	2,918,739	2,727,595	191,144	-	-	-	-	-	-	-	-	-
Use of property	576,455	35,632	540,823	-	-	-	-	-	-	-	-	-
Charges for services	5,572,009	5,259,467	312,542	-	-	-	-	-	-	-	-	-
Intergovernmental	35,701,510	32,625,496	3,076,014	1,536,453	60,777	1,475,676	5,691,448	16,109,811	(10,418,363)	6,609,970	2,387,985	4,221,985
Other revenues	9,088,910	7,525,059	1,563,851	411,269	391,572	19,697	14,014	919,237	(905,223)	2,059,120	1,998,675	60,445
	<u>\$ 148,181,449</u>	<u>\$ 136,972,888</u>	<u>\$ 11,208,561</u>	<u>\$ 1,947,722</u>	<u>\$ 452,349</u>	<u>\$ 1,495,373</u>	<u>\$ 5,705,462</u>	<u>\$ 17,029,048</u>	<u>\$ (11,323,586)</u>	<u>\$ 9,560,692</u>	<u>\$ 5,292,383</u>	<u>\$ 4,268,309</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 5% in fiscal year 2017 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 federal and state grant revenue in 2017. Other revenues increased in 2017 due to slightly higher interest income levels as a result of market trends.

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 as a result of the April 27, 2011 tornado that significantly damaged the city. Funding decreased by approximately 66% in fiscal year 2017 as the grant program moved into the eleventh and final round of funding obligated to the City. The City expects continued funding decreases as the grant program sunsets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

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 increase reflected in Other Governmental Fund revenues is attributed to many different factors. In the Airport Development Fund, a special revenue fund, total revenues increased by \$2,077,668 due primarily to federal and state grant revenue increases of \$2,261,502. In the Community Development Funds, special revenue funds, total revenues increased by \$614,448 and is attributed to federal grant revenue increases of \$881,237. A long outstanding liability, totaling \$1,203,890, was written off and recognized as revenue in the Storm Recovery Insurance Fund, a non-major capital projects fund.

The following table shows the expenditures for fiscal year 2017 and 2016 and the increases and decreases from 2016 by major funds and other governmental funds.

	General Fund			Capital Project Fund			Disaster Recovery Construction Fund			Other Governmental Funds		
	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)	2017	2016	Increase/ (Decrease)
Expenditures												
Current operations:												
Community Services	\$ 8,751,639	\$ 4,555,375	\$ 4,196,264	\$ -	\$ -	\$ -	\$ 260,508	\$ 1,781,386	\$ (1,520,878)	\$ 1,089,282	\$ 1,215,924	\$ (126,642)
Education	17,041,400	12,580,200	4,461,200	-	-	-	-	-	-	-	-	-
General Government	15,304,081	13,997,719	1,306,362	6,846	\$ 135,511	(128,665)	342,163	\$ 842,184	(500,021)	226,760	\$ 226,665	95
Infrastructure and Public Serv	27,756,354	28,339,747	(583,393)	-	5,000	(5,000)	-	-	-	7,500	288	7,212
Public Safety	51,581,701	50,901,687	680,014	-	-	-	-	-	-	11,357	66,350	(54,993)
Urban Development	2,959,566	2,202,574	756,992	44,465	-	44,465	-	-	-	14,262	-	14,262
Funds to Other Agencies	13,371,625	12,788,619	583,006	-	-	-	-	-	-	-	-	-
Cost Sharing Arrangements	861,956	166,099	695,857	-	-	-	-	-	-	-	-	-
Capital outlay	2,261,000	-	2,261,000	12,674,115	7,832,240	4,841,875	6,187,572	13,713,650	(7,526,078)	11,919,350	8,737,210	3,182,140
Debt service	8,873,060	8,627,057	246,003	-	-	-	-	-	-	115,646	117,600	(1,954)
Intergovernmental expenditures	-	-	-	543,444	1,351,972	(808,528)	-	-	-	-	31,726	(31,726)
	<u>\$148,762,382</u>	<u>\$134,159,077</u>	<u>\$ 14,603,305</u>	<u>\$ 13,268,870</u>	<u>\$ 9,324,723</u>	<u>\$ 3,944,147</u>	<u>\$ 6,790,243</u>	<u>\$ 16,337,220</u>	<u>\$ (9,546,977)</u>	<u>\$ 13,384,157</u>	<u>\$ 10,395,763</u>	<u>\$ 2,988,394</u>

General Fund – General government expenditures increased 11% primarily due to full implementation of the pay plan (two step raises or 3%) for all employees as well as increased cost of the City's share of health insurance premiums of approximately 13%. Education expenditures increased \$4,461,200 (35%) due to increased sales tax passed through the City to the Tuscaloosa City Board of Education.

Capital Projects Fund – Expenditures on City road projects increased by \$3,944,147 (42%) over the prior fiscal year due to significant expenditures invested in city-wide paving projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Governmental Funds (Continued)

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 the eleventh and final round of funding.

Other Governmental Funds – Expenditures shown for these funds, comprised of nonmajor capital project and special revenue funds, changed primarily due to a significant capital project for the City's airport runway. Expenditures for this project are 95% reimbursable through federal and state grants.

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 as restructured.

	September 30, 2017	September 30, 2016
<u>Operating revenues</u>		
Charges for services	\$ 47,097,760	\$ 45,312,339
Connection fees	1,167,552	840,199
Cost reimbursement	265,507	37,230
Other	30,621	33,349
Total operating revenues	48,561,440	46,223,117
<u>Operating expenses</u>		
All departmental expenses	21,597,173	23,116,054
Depreciation	9,285,167	9,061,083
Total operating expenses	30,882,340	32,177,137
Operating income	\$ 17,679,100	\$ 14,045,980

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

Proprietary Funds (Continued)

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 2017 and has \$18,866,053 in unrestricted funds available for future capital projects.

Charges for services increased due to a two percent rate increase effective October 1, 2016. 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.

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, 2017 totaled \$272,791,712 and \$291,780,250, 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 capital assets in the infrastructure and equipment categories. For the business-type activities, the increase was primarily the result of an increase in construction in progress. See note 4 to the financial statements for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Land	\$ 7,475,561	\$ 4,974,897	\$ 1,853,703	\$ 1,853,703	\$ 9,329,264	\$ 6,828,600
Buildings	82,301,814	84,251,398	-	-	82,301,814	84,251,398
Equipment	19,527,596	18,406,190	2,855,188	3,038,347	22,382,784	21,444,537
Infrastructure	145,452,297	133,411,254	-	-	145,452,297	133,411,254
Utility property	-	-	278,969,446	278,419,455	278,969,446	278,419,455
Construction in progress	18,034,444	17,885,308	8,101,913	5,999,508	26,136,357	23,884,816
	<u>\$ 272,791,712</u>	<u>\$ 258,929,047</u>	<u>\$ 291,780,250</u>	<u>\$ 289,311,013</u>	<u>\$ 564,571,962</u>	<u>\$ 548,240,060</u>

Debt Administration

At fiscal year end, the City had \$201,400,777 in outstanding warrants, installment payable and capital leases. Additional long-term liabilities totaled \$18,330,366 consisting of the net OPEB obligation, compensated absences and workers compensation claims. Overall, long-term debt increased \$205,243 from the prior year. See note 5 to the financial statements for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Warrants payable	\$ 106,820,000	\$ 105,235,000	\$ 80,943,993	\$ 85,540,000	\$ 187,763,993	\$ 190,775,000
Section 108 loan	975,000	1,050,000	-	-	975,000	1,050,000
Installment payable	1,533,474	-	-	-	1,533,474	-
Capital leases	1,493,633	1,794,340	-	-	1,493,633	1,794,340
Premiums on warrants	5,701,020	6,239,192	4,415,913	5,109,158	10,116,933	11,348,350
Discounts on warrants	(482,256)	(723,121)	-	-	(482,256)	(723,121)
Total warrants, installment payable, and capital leases	116,040,871	113,595,411	85,359,906	90,649,158	201,400,777	204,244,569
Line of credit	-	-	-	2,466	-	2,466
Net OPEB obligation	6,916,056	4,906,406	1,131,631	822,412	8,047,687	5,728,818
Compensated absences	7,353,417	6,973,514	963,354	889,519	8,316,771	7,863,033
Workers compensation claims	1,592,111	1,326,732	373,797	360,282	1,965,908	1,687,014
Long-term liabilities	\$ 131,902,455	\$ 126,802,063	\$ 87,828,688	\$ 92,723,837	\$ 219,731,143	\$ 219,525,900

Total long-term liabilities for governmental activities increased by \$5,100,392 primarily due to an installment payable related to the purchase of a capital asset, the refunding of debt issues during FY 2017 and increases in the net OPEB obligation, compensated absences and workers compensation claims. Total long-term liabilities for business-type activities decreased by \$4,895,149 due primarily to principal payments made in FY 2017.

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 \$1,641,714 at September 30, 2017, primarily due to high dollar claims experienced during the year, higher prescription costs, as well as increased cost of the City's share of health insurance premiums of approximately 13%. The City has been proactive in 2018 by taking the following steps to reduce the deficit:

- Increased premiums for the City and the employees
- Adjusted co-pays to more realistic levels for emergency room and specialist visits
- Worked out an agreement with the plan administrator to waive access health fees for the first three months of the 2018 calendar year
- Implemented a pharmacy plan intended to create the lowest net cost of prescriptions. It emphasizes over the counter drugs and manages high cost brands and generics
- Performed a dependent verification audit to ensure that only eligible dependents were covered by the plan
- During the first half of the 2018 fiscal year, a reduction in the number of high dollar claims has been noted

OTHER MATTERS

Acknowledgements

The City of Tuscaloosa would like to thank Mayor Walter Maddox, members of the City Council, the City's department heads, and the Accounting and Finance Department 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.



BASIC FINANCIAL STATEMENT



CITY OF TUSCALOOSA
STATEMENT OF NET POSITION

September 30, 2017

	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	\$ 51,335,425	\$ 21,467,699	\$ 72,803,124	\$ 1,109,649	\$ 7,231
Investments	25,836,339	-	25,836,339	-	-
Receivables (net of allowances for uncollectibles)	20,354,720	7,769,833	28,124,553	3,500	2,593
Internal Balances	(5,503,105)	5,503,105	-	-	-
Prepaid Items	166,004	42,666	208,670	19,554	-
Inventories	1,172,780	1,612,340	2,785,120	-	-
Total Current Assets	93,362,163	36,395,643	129,757,806	1,132,703	9,824
Noncurrent Assets					
Restricted Assets					
Cash and Cash Equivalents	-	2,675,151	2,675,151	-	-
Investments	-	-	-	-	504,664
Receivables	5,912,166	-	5,912,166	-	-
Capital Assets					
Land	7,475,561	1,853,703	9,329,264	-	-
Construction in Progress	18,034,444	8,101,913	26,136,357	-	-
Capital Assets (net of accumulated depreciation)	247,281,707	281,824,634	529,106,341	186,453	2,727,952
Total Capital Assets (net of accumulated depreciation)	272,791,712	291,780,250	564,571,962	186,453	2,727,952
Total Noncurrent Assets	278,703,878	294,455,401	573,159,279	186,453	3,232,616
Total Assets	372,066,041	330,851,044	702,917,085	1,319,156	3,242,440
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows from Pension	17,512,743	1,477,143	18,989,886	-	110,302
Deferred Loss on Debt Refunding	3,349,901	3,323,451	6,673,352	-	-
Total Deferred Outflows of Resources	20,862,644	4,800,594	25,663,238	-	110,302
LIABILITIES					
Current Liabilities					
Accounts Payable and Other Current Charges	14,634,950	4,266,464	18,901,414	21,758	94,740
Accrued Interest Payable	1,591,418	556,816	2,148,234	-	-
Current Portion of Long-Term Debt	6,090,183	8,180,000	14,270,183	3,089	-
Total Current Liabilities	22,316,551	13,003,280	35,319,831	24,847	94,740

CITY OF TUSCALOOSA
STATEMENT OF NET POSITION

September 30, 2017

	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	\$ 515,161	\$ 7,463	\$ 522,624	\$ -	\$ -
Developer Deposits	-	4,910,408	4,910,408	-	-
Net Pension Liability	118,199,845	7,136,405	125,336,250	-	285,541
Liabilities Payable from Restricted Assets					
Customer Deposits	-	2,675,151	2,675,151	-	-
Long-Term Debt - Due in more than one year, net	125,812,272	79,474,984	205,287,256	9,423	-
Total Noncurrent Liabilities	244,527,278	94,204,411	338,731,689	9,423	285,541
Total Liabilities	266,843,829	107,207,691	374,051,520	34,270	380,281
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows from Pension	349,316	62,263	411,579	-	116,745
Deferred Gain on Debt Refunding	957,402	-	957,402	-	-
Deferred Revenue - Tourism Enhancement Fund Advance	-	-	-	150,000	-
Total Deferred Inflows of Resources	1,306,718	62,263	1,368,981	150,000	116,745
NET POSITION					
Net Investment in Capital Assets	185,194,521	209,743,795	394,938,316	173,941	2,727,952
Restricted for					
Ambulance Franchise Program	296,278	-	296,278	-	-
Capital Park Maintenance	43,532	-	43,532	-	-
Capital Projects	1,010,652	-	1,010,652	-	-
Garnishments	4,092	-	4,092	-	-
Grant Projects	6,133,771	-	6,133,771	-	-
Municipal Court	1,491,531	-	1,491,531	-	-
Pensions	543,255	-	543,255	-	-
Road Projects	956,583	-	956,583	-	-
Salaries	197,261	-	197,261	-	-
Unrestricted	(71,093,338)	18,637,889	(52,455,449)	960,945	127,764
Total Net Position	\$ 124,778,138	\$ 228,381,684	\$ 353,159,822	\$ 1,134,886	\$ 2,855,716

CITY OF TUSCALOOSA
STATEMENT OF ACTIVITIES

For the year ended September 30, 2017

FUNCTIONS / PROGRAMS	Program Revenues				Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Tuscaloosa Tourism and Sports Commission	Tuscaloosa County Parking and Transit Authority
Primary Government									
Governmental Activities									
Community Services	\$ 10,256,107	\$ -	\$ 3,170,038	\$ -	\$ (7,086,069)	\$ -	\$ (7,086,069)	\$ -	\$ -
Education	17,041,400	-	17,041,400	-	-	-	-	-	-
General Government	34,924,823	25,953,225	26,311,263	7,034,138	24,373,803	-	24,373,803	-	-
Infrastructure and Public Services	32,891,792	5,572,009	2,564,805	1,549,093	(23,205,885)	-	(23,205,885)	-	-
Public Safety	54,362,016	-	-	-	(54,362,016)	-	(54,362,016)	-	-
Urban Development	3,088,730	-	-	-	(3,088,730)	-	(3,088,730)	-	-
Funds to Other Agencies	13,371,624	-	-	-	(13,371,624)	-	(13,371,624)	-	-
Cost Sharing Arrangements	861,956	-	-	-	(861,956)	-	(861,956)	-	-
Interest on Long-Term Debt	3,231,727	-	-	-	(3,231,727)	-	(3,231,727)	-	-
Total Governmental Activities	170,030,175	31,525,234	49,087,506	8,583,231	(80,834,204)	-	(80,834,204)	-	-
Business-Type Activities									
Intermodal Facility	57,247	-	38,792	-	-	(18,455)	(18,455)	-	-
Water and Sewer	33,583,116	48,265,312	296,128	1,413,123	-	16,391,447	16,391,447	-	-
Total Business-Type Activities	33,640,363	48,265,312	334,920	1,413,123	-	16,372,992	16,372,992	-	-
Total Primary Government	\$ 203,670,538	\$ 79,790,546	\$ 49,422,426	\$ 9,996,354	\$ (80,834,204)	\$ 16,372,992	\$ (64,461,212)	\$ -	\$ -
Component Units									
Tuscaloosa Tourism and Sports Commission	\$ 1,093,436	\$ -	\$ 1,281,033	\$ -	\$ -	\$ -	\$ -	\$ 187,597	\$ -
Tuscaloosa County Parking and Transit Authority	2,376,628	206,172	1,411,032	1,987,244	-	-	-	-	1,227,820
Total Component Units	\$ 3,470,064	\$ 206,172	\$ 2,692,065	\$ 1,987,244	\$ -	\$ -	\$ -	\$ 187,597	\$ 1,227,820
General Revenues									
Taxes									
Sales and Use Tax					\$ 42,347,194	\$ -	\$ 42,347,194	\$ -	\$ -
Property Tax					16,686,560	-	16,686,560	-	-
Lodging Tax					6,686,188	-	6,686,188	-	-
Other State and Local Taxes					7,252,459	-	7,252,459	-	-
Taxes Passed through from State					2,034,264	-	2,034,264	-	-
Gain on Disposal of Capital Assets					1,071,482	11,762	1,083,244	-	2,000
Unrestricted Investment Earnings					2,148,758	36,062	2,184,820	174	1,945
Transfers					4,419,128	(4,419,128)	-	-	-
Total General Revenues and Transfers					82,646,033	(4,371,304)	78,274,729	174	3,945
Change in Net Position					1,811,829	12,001,688	13,813,517	187,771	1,231,765
Net Position, Beginning of Year, as Restated					122,966,309	216,379,996	339,346,305	947,115	1,623,951
Net Position, End of Year					\$ 124,778,138	\$ 228,381,684	\$ 353,159,822	\$ 1,134,886	\$ 2,855,716

CITY OF TUSCALOOSA
BALANCE SHEET

Governmental Funds
September 30, 2017

	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 16,880,293	\$ 19,310,741	\$ 3,536,530	\$ 10,096,337	\$ 49,823,901
Investments	-	25,605,671	-	230,668	25,836,339
Receivables (net of allowances for uncollectibles)	13,757,769	-	-	1,382,290	15,140,059
Due from Other Governments	28,575	1,768,849	967,069	2,366,609	5,131,102
Due from Other Funds	12,271,415	5,168,822	8,851	6,911,841	24,360,929
Advances to Other Funds	2,093,147	3,144,630	-	990,000	6,227,777
Loans Receivable	-	-	1,013,562	2,770,354	3,783,916
Prepaid Items	166,004	-	-	-	166,004
Inventories	1,172,488	-	-	292	1,172,780
Total Assets	\$ 46,369,691	\$ 54,998,713	\$ 5,526,012	\$ 24,748,391	\$ 131,642,807
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Liabilities					
Accounts Payable and Other Current Charges	\$ 7,580,734	\$ 2,436,322	\$ 964,800	\$ 2,501,794	\$ 13,483,650
Unearned Revenue	478,252	-	-	36,909	515,161
Due to Other Funds	18,934,964	2,484,255	1,384,587	6,891,718	29,695,524
Advances from Other Funds	-	-	1,385,000	3,144,630	4,529,630
Total Liabilities	26,993,950	4,920,577	3,734,387	12,575,051	48,223,965
Deferred Inflows of Resources					
Unavailable Revenue	-	742,437	473,724	1,608,049	2,824,210
Total Liabilities and Deferred Inflows of Resources	26,993,950	5,663,014	4,208,111	14,183,100	51,048,175

CITY OF TUSCALOOSA
BALANCE SHEET

Governmental Funds
September 30, 2017

FUND BALANCES	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable:					
Advances	\$ 2,093,147	\$ 3,144,630	\$ -	\$ 990,000	\$ 6,227,777
Prepaid Items	166,004	-	-	292	166,296
Inventories	1,172,488	-	-	-	1,172,488
Restricted for:					
Ambulance Franchise Program	296,278	-	-	-	296,278
Capital Park Maintenance	-	-	-	43,532	43,532
Capital Projects	-	23,500,862	-	2,485,656	25,986,518
Garnishments	4,092	-	-	-	4,092
Grant Projects	-	-	1,317,901	2,906,726	4,224,627
Municipal Court	1,491,531	-	-	-	1,491,531
Pensions	543,255	-	-	-	543,255
Road Projects	-	-	-	1,289,461	1,289,461
Salaries and Wages	-	-	-	197,261	197,261
Storm Recovery	-	-	-	-	-
Committed for:					
Capital Projects	-	4,839,880	-	4,420,444	9,260,324
Cemetery Maintenance	-	-	-	135,400	135,400
Grant Projects	-	-	-	49,304	49,304
Law Enforcement and Public Officials Liability	638,705	-	-	-	638,705
Tourism Enhancement	332,797	-	-	-	332,797
Assigned					
Capital Projects	-	-	-	153,901	153,901
Fiscal Year 2018 Budget	134,881	-	-	-	134,881
Future Capital Projects	-	17,850,327	-	-	17,850,327
Unassigned	12,502,563	-	-	(2,106,686)	10,395,877
Total Fund Balances	<u>19,375,741</u>	<u>49,335,699</u>	<u>1,317,901</u>	<u>10,565,291</u>	<u>80,594,632</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 46,369,691</u>	<u>\$ 54,998,713</u>	<u>\$ 5,526,012</u>	<u>\$ 24,748,391</u>	<u>\$ 131,642,807</u>

CITY OF TUSCALOOSA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Governmental Funds

September 30, 2017

Fund Balances - Governmental Funds	\$	80,594,632
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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 \$26,015,066	\$	82,301,814	
Equipment, net of accumulated depreciation of \$42,137,867		19,527,596	
Infrastructure, net of accumulated depreciation of \$135,269,470		145,452,297	
Land		7,475,561	
Construction in progress		<u>18,034,444</u>	272,791,712

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		2,824,210
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Long-term receivables associated with the sale of capital assets are not reported in the funds.		
Receivable for sale of land	1,628,250	
Receivable for sale of building	<u>500,000</u>	2,128,250

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.		(1,422,874)
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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	(106,820,000)		
Section 108 loan	(975,000)		
Capital lease	(1,493,633)		
Installment note payable	(1,533,474)		
Compensated absences	(7,353,417)		
Workers comp liability	(1,592,111)		
Post-employment benefits other than pensions	(6,916,056)		
Accrued interest payable	(1,591,418)		
Deferred loss on refunding of warrants, to be amortized	3,349,901		
Deferred gain on refunding of warrants, to be amortized	(957,402)		
Premiums, to be amortized	(5,701,020)		
Discount, to be amortized	<u>482,256</u>		(131,101,374)

Net pension liability, deferred inflows, and deferred outflows, not reported in the funds		<u>(101,036,418)</u>
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Net position of governmental activities	\$	<u>124,778,138</u>
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CITY OF TUSCALOOSA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Governmental Funds

For the year ended September 30, 2017

	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 72,080,799	\$ -	\$ -	\$ 891,602	\$ 72,972,401
Licenses and Permits	22,243,027	-	-	-	22,243,027
Fines and Penalties	2,918,739	-	-	-	2,918,739
Use of Property	576,455	-	-	-	576,455
Charges for Services	5,572,009	-	-	-	5,572,009
Intergovernmental	35,701,510	1,536,453	5,691,448	6,609,970	49,539,381
Other	9,088,910	411,269	14,014	2,059,120	11,573,313
Total Revenues	148,181,449	1,947,722	5,705,462	9,560,692	165,395,325
EXPENDITURES					
Current Operations					
Community Services	8,751,639	-	260,508	1,089,282	10,101,429
Education	17,041,400	-	-	-	17,041,400
General Government	15,304,081	6,846	342,163	226,760	15,879,850
Infrastructure and Public Services	27,756,354	-	-	7,500	27,763,854
Public Safety	51,581,701	-	-	11,357	51,593,058
Urban Development	2,959,566	44,465	-	14,262	3,018,293
Funds to Other Agencies	13,371,625	-	-	-	13,371,625
Cost Sharing Arrangements	861,956	-	-	-	861,956
Total Current Operations	137,628,322	51,311	602,671	1,349,161	139,631,465
Capital Outlay	2,261,000	12,674,115	6,187,572	11,919,350	33,042,037
Debt Service					
Principal	4,668,233	-	-	75,000	4,743,233
Interest Charges	3,940,711	-	-	40,646	3,981,357
Warrant Issue Costs	264,116	-	-	-	264,116
Intergovernmental Expenditures	-	543,444	-	-	543,444
Total Expenditures	148,762,382	13,268,870	6,790,243	13,384,157	182,205,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	(580,933)	(11,321,148)	(1,084,781)	(3,823,465)	(16,810,327)
OTHER FINANCING SOURCES (USES)					
Capital Lease	400,000	-	-	-	400,000
Installment Purchase Note Issued	1,861,000	-	-	-	1,861,000
Payment to Escrow Agent	(29,002,339)	-	-	-	(29,002,339)
Proceeds from Sale of Capital Assets	-	1,167,360	-	-	1,167,360
Warrant Issue	32,750,000	-	-	-	32,750,000
Transfers In	8,572,585	8,439,574	15,000	8,704,529	25,731,688
Transfer Out	(11,562,676)	(4,356,213)	-	(3,965,830)	(19,884,719)
Total Other Financing Sources (Uses)	3,018,570	5,250,721	15,000	4,738,699	13,022,990
Net Change in Fund Balances	2,437,637	(6,070,427)	(1,069,781)	915,234	(3,787,337)
Fund Balances, Beginning of Year, Restated	16,938,104	55,406,126	2,387,682	9,650,057	84,381,969
Fund Balances, End of Year	\$ 19,375,741	\$ 49,335,699	\$ 1,317,901	\$ 10,565,291	\$ 80,594,632

CITY OF TUSCALOOSA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Governmental Funds

For the year ended September 30, 2017

Net change in Fund Balances - Total Governmental Funds	\$	(3,787,337)
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	\$ 27,144,905	
Depreciation expense	<u>(11,758,519)</u>	15,386,386
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals, and donations) is to decrease net position.		
Transfer to business- type activities	(1,427,841)	
Disposal of capital assets	<u>(95,880)</u>	(1,523,721)
The collection of long-term receivables related to the sale of capital assets provide current financial resources in the governmental funds, however, reduce the receivables on the statement of position.		(250,000)
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 period as current year revenue.		733,534
Prior year revenues, deferred in the funds, collected this year		(120,029)
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 issued	(400,000)	
General warrants issued	(32,750,000)	
Installment note issued	(1,861,000)	
Debt payments made:		
Warrant payments	3,640,000	
Section 108 loan	75,000	
Capital lease payments	700,707	
Installment note payments	327,526	
Deposit with refunding agent	27,525,000	(2,742,767)
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	(2,009,650)	
Compensated absences	(379,903)	
Workers compensation	(265,379)	
Amortization of debt premium	538,172	
Amortization of discount	(240,865)	
Amortization of gain/loss on refunding	(604,213)	
Accrued interest payable	<u>(10,179)</u>	(2,972,017)
Deferred loss on refunding was capitalized in the current year.		1,644,147
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.		(483,532)
Amount by which the City's net pension liability increased, deferred inflows from pensions decreased, deferred outflows from pensions increased, and pension expense recognized.		<u>(4,072,835)</u>
Change in net position of governmental activities	\$	<u><u>1,811,829</u></u>

**CITY OF TUSCALOOSA
GENERAL FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2017

REVENUES	Original Budget	Final Budget	Actual Amounts Budgetary Basis**	Variance with Final Budget Positive (Negative)
Taxes				
Sales	\$ 36,736,000	\$ 36,776,000	\$ 38,485,038	\$ 1,709,038
Use	3,360,000	3,360,000	3,862,156	502,156
Property	15,829,845	15,929,845	16,686,560	756,715
Lodging	6,330,770	6,330,770	6,686,188	355,418
Other Taxes	6,234,000	6,234,000	6,360,857	126,857
Total Taxes	<u>68,490,615</u>	<u>68,630,615</u>	<u>72,080,799</u>	<u>3,450,184</u>
Licenses and Permits				
Business Licenses	19,300,000	19,300,000	19,122,101	(177,899)
Other Licenses and Penalties	1,526,000	1,526,000	1,683,433	157,433
Building and Other Permits	1,944,000	1,944,000	1,437,493	(506,507)
Total Licenses and Permits	<u>22,770,000</u>	<u>22,770,000</u>	<u>22,243,027</u>	<u>(526,973)</u>
Fines and Penalties	1,347,319	1,347,319	2,918,739	1,571,420
Use of Property	237,100	564,626	576,455	11,829
Charges for Current Services				
Garbage Collection Fees and Tax	5,515,000	5,515,000	5,572,009	57,009
Intergovernmental Revenues				
Federal and State Grants Revenue	-	-	54,877	54,877
Shared from Local Units				
Public School Bond - Sales Tax	17,240,000	17,240,000	17,041,400	(198,600)
City Share of County Sales Tax	16,690,000	16,690,000	16,427,320	(262,680)
Other	405,500	405,500	143,649	(261,851)
Shared from State	1,880,000	1,880,000	2,034,264	154,264
Total Intergovernmental Revenue	<u>36,215,500</u>	<u>36,215,500</u>	<u>35,701,510</u>	<u>(513,990)</u>
Other Revenues				
Interest on Investments	2,000	2,000	11,783	9,783
Cost Reimbursed	1,296,743	1,365,599	1,771,874	406,275
Other	946,313	1,082,213	7,305,253	6,223,040
Total Other Operating Revenue	<u>2,245,056</u>	<u>2,449,812</u>	<u>9,088,910</u>	<u>6,639,098</u>
Total Revenues	<u>136,820,590</u>	<u>137,492,872</u>	<u>148,181,449</u>	<u>10,688,577</u>

**Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes. The notes to the financial statements are an integral part of this statement.

**CITY OF TUSCALOOSA
GENERAL FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2017

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis**</u>	<u>Variance with Final Budget Positive (Negative)</u>
Current Operations				
Community Services				
311 Call Center	\$ 431,377	\$ 433,377	\$ 418,643	\$ 14,734
Arts and Entertainment	-	1,981,090	7,742,590	(5,761,500)
Federal Programs	1,028,153	616,932	598,979	17,953
Total Community Services	<u>1,459,530</u>	<u>3,031,399</u>	<u>8,760,212</u>	<u>(5,728,813)</u>
Education	<u>17,240,000</u>	<u>17,240,000</u>	<u>17,041,400</u>	<u>198,600</u>
General Government				
Accounting and Finance	3,863,869	3,927,139	3,753,423	173,716
City Attorney	1,745,251	1,745,251	1,746,852	(1,601)
City Council	329,067	329,067	284,794	44,273
Human Resources	2,167,462	2,085,009	2,964,159	(879,150)
Information Technology	5,270,318	4,833,778	4,317,442	516,336
Mayor and City Clerk	1,223,915	1,230,475	1,031,121	199,354
Municipal Court	1,029,309	1,025,976	952,210	73,766
Total General Government	<u>15,629,191</u>	<u>15,176,695</u>	<u>15,050,001</u>	<u>126,694</u>
Infrastructure and Public Services				
Administration	1,164,812	1,154,768	848,136	306,632
Engineering	1,503,609	1,607,305	1,597,775	9,530
Infrastructure	14,117,109	12,473,940	12,442,252	31,688
Logistics and Asset Management	4,516,960	6,258,956	5,789,374	469,582
Public Services	8,890,971	7,268,206	7,093,381	174,825
Total Infrastructure and Public Services	<u>30,193,461</u>	<u>28,763,175</u>	<u>27,770,918</u>	<u>992,257</u>
Public Safety				
Fire and Rescue	21,692,941	21,671,850	21,784,478	(112,628)
Jail Costs	400,000	400,000	365,570	34,430
Police	30,342,828	29,808,661	29,429,163	379,498
Total Public Safety	<u>52,435,769</u>	<u>51,880,511</u>	<u>51,579,211</u>	<u>301,300</u>
Urban Development				
Administration	838,514	690,625	670,709	19,916
Building and Inspections	-	1,504,036	1,459,376	44,660
Business Services	-	213,296	212,143	1,153
Planning	2,224,002	740,835	617,338	123,497
Total Urban Development	<u>3,062,516</u>	<u>3,148,792</u>	<u>2,959,566</u>	<u>189,226</u>

**Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes. The notes to the financial statements are an integral part of this statement.

**CITY OF TUSCALOOSA
GENERAL FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2017

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis**</u>	<u>Variance with Final Budget Positive (Negative)</u>
Current Operations				
Funds to Other Agencies				
Alabama Blues Project	\$ -	\$ 10,000	\$ 9,999	\$ 1
Arts and Humanities Council of Tuscaloosa	-	100,000	99,998	2
Arts N Autism	-	7,500	7,500	-
Boys and Girls Clubs of West Alabama	-	20,000	19,998	2
Children's Hands-On Museum	-	145,000	144,999	1
Community Works	-	28,750	16,250	12,500
Druid City Garden Project	-	30,000	30,000	-
Easter Seals	-	35,000	35,000	-
Focus	-	122,500	122,499	1
Hope Summer Jobs	-	85,000	85,000	-
Indian Rivers	-	50,000	49,998	2
Jemison Foundation	-	60,000	60,000	-
Kentuck	-	100,000	100,000	-
Kid One Transport	-	21,250	21,249	1
Murphy African American Friedman Home	-	8,000	7,995	5
PRIDE	-	22,500	22,500	-
Sassafras	-	10,000	10,000	-
Theatre Tuscaloosa	-	15,000	15,000	-
Tuscaloosa Character Council	-	11,250	11,250	-
Tuscaloosa Children's Theater	-	15,000	15,000	-
Tuscaloosa City Board of Education	-	3,206,950	3,164,805	42,145
Tuscaloosa Community Dancers	-	10,000	9,999	1
Tuscaloosa County Health Department	-	130,000	129,999	1
Tuscaloosa County Industrial Development Authority	-	465,000	465,001	(1)
Tuscaloosa County Parks and Recreation Authority	-	4,534,450	4,563,902	(29,452)
Tuscaloosa Soil and Water Conservation	-	12,500	12,500	-
Tuscaloosa Public Library	-	1,934,273	1,934,272	1
Tuscaloosa Sister Cities Commission	-	125,000	125,000	-
Tuscaloosa Spay Neuter Incentive Program	-	25,000	24,999	1
Tuscaloosa Symphony Orchestra	-	35,000	34,998	2
Tuscaloosa Tourism and Sports Commission	-	1,064,775	1,064,775	-
Tuscaloosa Transit Authority	-	857,596	874,143	(16,547)
Tuscaloosa's One Place	-	30,000	30,000	-
West Alabama Aids Outreach	-	15,000	15,000	-
West Alabama Regional Commission	-	37,997	37,997	1
Budgeted Allocation to Other Agencies	12,922,238	-	-	-
Total Funds to Other Agencies	12,922,238	13,380,291	13,371,625	8,667

**Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes. The notes to the financial statements are an integral part of this statement.

**CITY OF TUSCALOOSA
GENERAL FUND**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis**</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES (Continued)				
Current Operations				
Cost Sharing Arrangements	\$ 155,803	\$ 195,803	\$ 870,763	\$ (674,960)
Contingency	182,594	128,436	-	128,436
Total Current Operations	<u>133,281,102</u>	<u>132,945,102</u>	<u>137,403,696</u>	<u>(4,458,594)</u>
Capital Outlay	-	-	2,261,000	(2,261,000)
Debt Service				
Principal	4,475,500	4,708,789	4,668,233	40,556
Interest Charges	5,258,714	4,013,714	3,940,711	73,003
Warrant Issue Costs	5,000	5,000	264,116	(259,116)
Total Expenditures	<u>143,020,316</u>	<u>141,672,605</u>	<u>148,537,756</u>	<u>(6,865,151)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(6,199,726)</u>	<u>(4,179,733)</u>	<u>(356,307)</u>	<u>3,823,426</u>
OTHER FINANCING SOURCES (USES)				
Capital Lease	-	-	400,000	400,000
Installment Purchase Note Proceeds	-	-	1,861,000	1,861,000
Payment to Escrow Agent	-	-	(29,002,339)	(29,002,339)
Warrant Issuance	-	-	32,750,000	32,750,000
Transfers In	8,322,725	8,616,620	8,572,585	(44,035)
Transfers Out	<u>(2,122,999)</u>	<u>(4,788,859)</u>	<u>(11,562,676)</u>	<u>(6,773,817)</u>
Total Other Financing Sources (Uses)	<u>6,199,726</u>	<u>3,827,761</u>	<u>3,018,570</u>	<u>(809,191)</u>
Net Change in Fund Balance	-	(351,972)	2,662,263	3,014,235
Fund Balance Allocation	-	<u>351,972</u>	-	<u>(351,972)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>2,662,263</u>	<u>\$ 2,662,263</u>
Add Encumbrances at End of Year			247,014	
Less Encumbrances at Beginning of Year			<u>(471,640)</u>	
Net Change in Fund Balance - GAAP Basis			2,437,637	
Fund Balance, Beginning of Year, Restated, GAAP Basis			<u>16,938,104</u>	
Fund Balance, End of Year, GAAP Basis			<u>\$ 19,375,741</u>	

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

The notes to the financial statements are an integral part of this statement.

**CITY OF TUSCALOOSA
PROPRIETARY FUNDS**

Statement of Net Position

For the year ended September 30, 2017

	Business-Type Activities			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 21,467,190	\$ 509	\$ 21,467,699	\$ 1,511,524
Accounts Receivable (Net of Allowance for Uncollectibles)	4,376,784	-	4,376,784	83,559
Assessments Receivable - Principal - Current and Past Due	8,157	-	8,157	-
Special Assessments Interest Receivable	2,522	-	2,522	-
Due from Other Funds	9,735,366	-	9,735,366	2,175,003
Inventory	1,612,340	-	1,612,340	-
Prepays	42,666	-	42,666	-
Unbilled Water and Sewer Receivables	3,380,032	-	3,380,032	-
Other Receivables	2,338	-	2,338	-
Total Current Assets	40,627,395	509	40,627,904	3,770,086
Noncurrent Assets:				
Restricted Assets:				
Cash and Cash Equivalents	2,675,151	-	2,675,151	-
Advances to Other Funds	395,000	-	395,000	-
Total Restricted Assets	3,070,151	-	3,070,151	-

**CITY OF TUSCALOOSA
PROPRIETARY FUNDS**

Statement of Net Position

For the year ended September 30, 2017

	Business-Type Activities			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
ASSETS (Continued)				
Capital Assets:				
Land	\$ 1,853,703	\$ -	\$ 1,853,703	\$ -
Moveable Equipment	8,882,884	-	8,882,884	-
Administration - Business Office	11,723,040	-	11,723,040	-
Distribution - Buildings, Mains, etc.	192,455,653	-	192,455,653	-
Pumping Purification - Buildings, etc.	71,581,467	-	71,581,467	-
Sewage System Properties	159,880,351	-	159,880,351	-
Source of Supply - Dams, Buildings, etc.	12,401,583	-	12,401,583	-
Construction in Progress	8,101,913	-	8,101,913	-
Less: Accumulated Depreciation	(175,100,344)	-	(175,100,344)	-
Total Capital Assets (Net of Accumulated Depreciation)	291,780,250	-	291,780,250	-
Total Noncurrent Assets	294,850,401	-	294,850,401	-
Total Assets	335,477,796	509	335,478,305	3,770,086
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Loss on Debt Refunding	3,323,451	-	3,323,451	-
Deferred Outflows from Pension	1,477,143	-	1,477,143	-
Total Deferred Outflows	4,800,594	-	4,800,594	-

**CITY OF TUSCALOOSA
PROPRIETARY FUNDS**

Statement of Net Position

For the year ended September 30, 2017

	Business-Type Activities			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 3,715,620	\$ 9,833	\$ 3,725,453	\$ 51,100
Accrued Payables	367,306	-	367,306	-
Due to Other Funds	4,408,421	-	4,408,421	2,167,353
Compensated Absences	173,705	-	173,705	-
Accrued Interest Payable	556,816	-	556,816	-
Current Portion of Warrants Payable	8,180,000	-	8,180,000	-
Total Current Liabilities	17,401,868	9,833	17,411,701	2,218,453
Noncurrent Liabilities:				
Warrants Payable, Net	77,179,907	-	77,179,907	-
Net OPEB Obligation	1,131,631	-	1,131,631	-
Unearned Revenue	7,463	-	7,463	-
Developer Deposits on Water Lines	4,910,408	-	4,910,408	-
Customer Deposits	2,675,151	-	2,675,151	-
Compensated Absences	789,649	-	789,649	-
Net Pension Liability	7,136,405	-	7,136,405	-
Workers Compensation Claims	373,797	-	373,797	-
Advances from Other Funds	-	-	-	2,093,147
Outstanding Claims Liability	-	-	-	1,100,200
Total Noncurrent Liabilities	94,204,411	-	94,204,411	3,193,347
Total Liabilities	111,606,279	9,833	111,616,112	5,411,800

The notes to the financial statements are an integral part of this statement.

**CITY OF TUSCALOOSA
PROPRIETARY FUNDS**

Statement of Net Position

For the year ended September 30, 2017

	Business-Type Activities			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows from Pension	\$ 62,263	\$ -	\$ 62,263	\$ -
Total Deferred Inflows of Resources	62,263	-	62,263	-
NET POSITION				
Net Investment in Capital Assets Unrestricted	209,743,795 18,866,053	- (9,324)	209,743,795 18,856,729	- (1,641,714)
Total Net Position	\$ 228,609,848	\$ (9,324)	228,600,524	\$ (1,641,714)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund			(218,840)	
Net Position of Business-Type Activities			\$ 228,381,684	

**CITY OF TUSCALOOSA
PROPRIETARY FUNDS**

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2017

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Operating Revenues:				
Charges for Services	\$ 47,097,760	\$ -	\$ 47,097,760	\$ 16,704,963
Connection Fees	1,167,552	-	1,167,552	-
Cost reimbursement	265,507	7,700	273,207	-
Other	30,621	31,092	61,713	-
Insurance Proceeds	-	-	-	576,382
Total Operating Revenues	48,561,440	38,792	48,600,232	17,281,345
Operating Expenses:				
Accounting and Finance	248,950	-	248,950	-
Infrastructure and Public Services:				
Engineering	700,662	-	700,662	-
Logistics and Asset Management	12,039,304	-	12,039,304	-
Public Services	6,581	-	6,581	-
Infrastructure	6,521,519	-	6,521,519	-
Urban Development	889,095	-	889,095	-
Damage Claims	11,833	-	11,833	-
Depreciation	9,285,167	-	9,285,167	-
Special Projects	1,163,264	-	1,163,264	-
Other	15,965	57,247	73,212	-
Insurance Claims and Expenses	-	-	-	17,839,750
Total Operating Expenses	30,882,340	57,247	30,939,587	17,839,750
Operating Income (Loss)	17,679,100	(18,455)	17,660,645	(558,405)

**CITY OF TUSCALOOSA
PROPRIETARY FUNDS**

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the year ended September 30, 2017

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Non-Operating Revenues (Expenses):				
Interest Income	\$ 36,062	\$ -	\$ 36,062	\$ 505
Interest and Fiscal Charges	(2,626,408)	-	(2,626,408)	-
Capital Grant Revenue	1,110,119	-	1,110,119	-
Gain on Disposal	11,762	-	11,762	-
Total Non-Operating Revenues (Expenses)	(1,468,465)	-	(1,468,465)	505
Income (Loss) Before Contributions and Transfers	16,210,635	(18,455)	16,192,180	(557,900)
Capital Contributions - Developers	1,730,845	-	1,730,845	-
Transfers in	82,939	6,600	89,539	-
Transfers out	(5,936,508)	-	(5,936,508)	-
Change in Net Position	12,087,911	(11,855)	12,076,056	(557,900)
Total Net Position, Beginning of Year, as Restated	216,521,937	2,531	216,524,468	(1,083,814)
Total Net Position (Deficit), End of Year	\$ 228,609,848	\$ (9,324)	228,600,524	\$ (1,641,714)
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expenses) of certain internal service funds are reported with business-type activities			(74,368)	
Change in Net Position of Business-Type Activities			\$ 12,001,688	

CITY OF TUSCALOOSA
STATEMENT OF CASH FLOWS

Proprietary Funds

For the year ended September 30, 2017

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 48,540,341	\$ 38,792	\$ 48,579,133	\$ -
Payments to suppliers	(8,920,217)	(53,090)	(8,973,307)	(96,653)
Payments to employees	(11,111,509)	-	(11,111,509)	-
Customer deposits	830,426	-	830,426	-
Refunds of customer deposits	(718,603)	-	(718,603)	-
Receipts for health insurance	-	-	-	17,281,345
Claims filed in excess of refunds	-	-	-	(1,637,493)
Payment of health insurance premiums	-	-	-	(15,935,848)
Net cash provided by (used in) operating activities	28,620,438	(14,299)	28,606,139	(388,649)
Cash flows from noncapital financing activities:				
Transfer from other funds	82,939	6,600	89,539	-
Transfer to other funds	(5,936,508)	-	(5,936,508)	-
Loan to General Fund	(46,382)	-	(46,382)	-
Loan to Capital Projects Fund	(26,249)	-	(26,249)	-
Loan to Capitol Park Fund	(800)	-	(800)	-
Repayment of loan to Public Works Capital Fund	705	-	705	-
Net cash provided by (used in) noncapital financing activities	(5,926,295)	6,600	(5,919,695)	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(10,326,563)	-	(10,326,563)	-
Interest paid on warrants	(2,916,499)	-	(2,916,499)	-
Federal grants	1,110,119	-	1,110,119	-
Waterline deposits from subdividers	2,741,206	-	2,741,206	-
Refunds of waterline deposits to subdividers	(109,435)	-	(109,435)	-

The notes to the financial statements are an integral part of this statement.

CITY OF TUSCALOOSA
STATEMENT OF CASH FLOWS

Proprietary Funds

For the year ended September 30, 2017

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund		Internal Service Fund
Cash flows from capital and related financing activities (continued):				
Repayment of borrowing on line of credit	\$ (2,466)	\$ -	\$ (2,466)	\$ -
Warrants paid	(7,975,000)	-	(7,975,000)	-
Proceeds from State Revolving Fund drawdowns	2,149,339	-	2,149,339	-
Proceeds from sale of equipment	11,762	-	11,762	-
Net cash used in capital and related financing activities	<u>(15,317,537)</u>	<u>-</u>	<u>(15,317,537)</u>	<u>-</u>
Cash flows from investing activities:				
Interest earned	36,062	-	36,062	505
Net cash provided by investing activities	<u>36,062</u>	<u>-</u>	<u>36,062</u>	<u>505</u>
Net increase (decrease) in cash and cash equivalents	<u>7,412,668</u>	<u>(7,699)</u>	<u>7,404,970</u>	<u>(388,144)</u>
Cash and cash equivalents, beginning 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, beginning of year	<u>16,729,673</u>	<u>8,208</u>	<u>16,737,881</u>	<u>1,899,668</u>
Cash and cash equivalents, end of year:				
Current assets	21,467,190	509	21,467,699	1,511,524
Restricted assets	2,675,151	-	2,675,151	-
Total cash and cash equivalents, end of year	<u>\$ 24,142,341</u>	<u>\$ 509</u>	<u>\$ 24,142,850</u>	<u>\$ 1,511,524</u>

The notes to the financial statements are an integral part of this statement.

CITY OF TUSCALOOSA
STATEMENT OF CASH FLOWS

Proprietary Funds

For the year ended September 30, 2017

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Reconciliation of operating income (loss) to net cash				
Provided by (used in) operating activities:				
Operating income (loss)	\$ 17,679,100	\$ (18,455)	\$ 17,660,645	\$ (558,405)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,285,167	-	9,285,167	-
(Increase) decrease in operating assets:				
Accounts receivable	(449,243)	-	(449,243)	(83,559)
Inventory	(269,469)	-	(269,469)	-
Unbilled water and sewer receivables	11,075	-	11,075	-
Due from other funds	24,131	-	24,131	-
Prepaid Items	(5,356)	-	(5,356)	-
Deferred Outflows - Pensions	39,278	-	39,278	(34,687)
(Increase) decrease in operating liabilities:				
Accounts payable	982,660	4,156	986,816	(124,898)
Accrued payables	47,239	-	47,239	-
Customer deposits	111,823	-	111,823	-
Due to other funds	221,542	-	221,542	445,000
Compensated absences	73,835	-	73,835	-
Developer deposits	417,070	-	417,070	-
OPEB liability	309,219	-	309,219	-
Net Pension Liability	115,653	-	115,653	-
Outstanding claims liability	-	-	-	(32,100)
Deferred inflows - pensions	13,199	-	13,199	-
Workers comp claims	13,515	-	13,515	-
Net cash provided by (used in) operating activities	<u>\$ 28,620,438</u>	<u>\$ (14,299)</u>	<u>\$ 28,606,139</u>	<u>\$ (388,649)</u>

CITY OF TUSCALOOSA
STATEMENT OF CASH FLOWS

Proprietary Funds

For the year ended September 30, 2017

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Non-Major Intermodal Facility Retail Fund		Internal Service Fund
Non-cash Capital and Financing Activities				
Capital contributions - developers				
Water main extension deposits recorded as revenue	\$ 303,004	\$ -	\$ 303,004	\$ -
Donated capital assets	1,427,841	-	1,427,841	-
Total capital contributions - developers	<u>\$ 1,730,845</u>	<u>\$ -</u>	<u>\$ 1,730,845</u>	<u>\$ -</u>

CITY OF TUSCALOOSA
FIDUCIARY FUNDS

Statement of Fiduciary Net Position
For the year ended September 30, 2017

	Police Officers and Firefighters Supplemental Retirement Plan Fund	Agency Fund Cash Bond
ASSETS		
Cash and Cash Equivalents	\$ 384,924	\$ 75,590
Total Assets	<u>384,924</u>	<u>75,590</u>
LIABILITIES		
Cash Bond Deposits Payable	-	75,590
Total Liabilities	<u>-</u>	<u>75,590</u>
NET POSITION		
Restricted for Pensions	<u>\$ 384,924</u>	<u>\$ -</u>

CITY OF TUSCALOOSA
FIDUCIARY FUND

Statement of Changes in Fiduciary Net Position
For the year ended September 30, 2017

	<u>Police Officers and Firefighters Supplemental Retirement Plan Fund</u>
Additions:	
Employer Contributions	\$ 30,246
Interest Income	<u>189</u>
Total Additions	<u>30,435</u>
Deductions:	
Benefits Paid	36,394
Administrative Plan Expenses	<u>3,000</u>
Total Deductions	<u>39,394</u>
Change in Net Position	(8,959)
Net Position, Beginning of Year	<u>393,883</u>
Net Position, End of Year	<u><u>\$ 384,924</u></u>

NOTES TO THE FINANCIAL STATEMENTS

CITY OF TUSCALOOSA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Tuscaloosa, Alabama (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. The Financial Reporting Entity

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 more significant of these accounting policies are described below. The City provides the following services and operations as authorized by its charter: public safety (police and fire); public works; parks and recreation; housing and development; and public utilities (water and sewer). As required by accounting principles generally accepted in the United States of America, these financial statements include the accounts of all City operations and all activities of the City.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational and financial relationship with the City.

In conformity with generally accepted accounting principles, as set forth in the Statement of Governmental Accounting Standards (the “GASB”) No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, the component units’ financial statements have been included as either blended or discretely presented. All of the City’s component units have a September 30 year-end. As of September 30, 2017, the City does not have any blended component units.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

Discretely Presented Component Units

Tuscaloosa Tourism and Sports Commission, Inc. (the “Commission”) - 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 (the “TPTA”) - 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 TPTA is presented as a proprietary fund type.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information using the *economic resources measurement focus*, as the proprietary fund and the fiduciary fund financial statements. Agency funds, however, have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days of the end of the current fiscal period for which they are levied. Other revenues susceptible to accrual are considered available if they are collected within 90 days of the end of the current fiscal period, or one year for intergovernmental revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and 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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements, although the agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** is the City's primary fund for accounting for internally funded capital projects of the City.

The **Disaster Recover Construction Fund** is used to account for federally funded loan programs and federal and state funded rehabilitation projects within the City, primarily based on the need from various natural disasters.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

Additionally, the City reports the following fund types:

The **Special Revenue Funds** account for revenue sources that are legally restricted or committed by the Council to expenditure for specific purposes.

The **Capital Projects Funds** accounts for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The **Enterprise fund** is used to account for the revenues and expenses associated with operating some of the retail shopping spaces owned by the City.

The **Permanent Funds** are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting of the City's Capital Park maintenance program.

The **Internal Service Fund** is used to account for the City's health insurance policy managed for the other departments of the City, on a cost reimbursement basis.

The **Agency Fund** is used to account for the collection and disbursement of monies by the City's Municipal Court on behalf of other governments and individuals as well as the City's Police and Firefighters Pension Trust Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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.

D. Budgets and Budgetary Accounting

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 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

F. Deposits and Investments

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

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 equivalents 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. The City's nonparticipating interest-earning investment contracts are recorded at cost. The remaining investments are recorded at fair value. Increases or decreases in the fair value during the year are recognized as a component of interest income.

G. Inventory 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Short-Term Interfund Receivables/Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

I. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, land easement or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

J. 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 acquisition 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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, 2017.

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.

Depreciation is provided on the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Infrastructure	25 - 50 years
Machinery and equipment	5 - 15 years
Water and sewer distribution systems	50 years
Vehicles	4 - 10 years

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item that qualifies for reporting in this category is the deferred charge on refunding reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple types of deferred inflows. One item arises under a modified accrual basis of accounting that qualifies for reporting in this category. Unavailable revenues, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Another item that qualifies for reporting in this category is the deferred loss on refunding reported in the government-wide and proprietary fund statements of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

The County also has deferred inflows and outflows related to the recording of changes in its net pension liabilities. Certain changes in the net pension liabilities are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period. Additionally, contributions to the plans which occurred subsequent to the measurement date are deferred and recognized in the subsequent measurement period.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Deferred charges, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. 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.

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.

In prior years, 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 the general revenues from the Water and Sewer proprietary fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance – Generally, fund balance represents the difference between the assets, deferred outflows of resources, deferred inflows of resources, and liabilities, under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- **Nonspendable** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- **Restricted** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- **Committed** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council through the adoption of an ordinance. Only the City Council may modify or rescind the commitment.
- **Assigned** – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Through Council ordinance, the City Council has retained the authority to assign fund balances.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

- **Unassigned** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. Negative unassigned fund balances may be reported in all funds. The City has adopted the minimum fund balance policies:
 - General Fund’s unassigned fund balance must be a minimum of ten (10) percent of the final prior fiscal year’s General Fund operating budget.
 - Capital Project Fund’s assigned fund balance must be a minimum of ten (10) percent of the final prior fiscal year’s General Fund operating budget.
 - Water and Sewer Fund’s unrestricted net position must be a minimum of thirty (30) percent of the final prior fiscal year’s Water and Sewer Fund operating budget.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City’s policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

Net Position – Net position represents the difference between assets, deferred inflow and outflows of resources, and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Restricted Assets

The Water and Sewer Fund, has restricted cash held as deposits on utility customer accounts. The restricted assets are offset by the customer deposit liability.

P. Management Estimates

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, the 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 differ from those estimates.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the City's retirement plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. DEPOSITS AND INVESTMENTS

Credit Risk. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of September 30, 2017, the City did not have any deposits which were uninsured and under collateralized as defined by GASB pronouncements.

Custodial Credit Risk – Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require all investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

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.

At September 30, 2017, the City had the following investments:

Investment	Maturity		Credit Rating	Balance
	Less than 1 year	1-5 years		
Certificates of deposit	\$ 26,575,000	\$ -	(a)	\$ 26,575,000
United States Treasuries	24,976	130,692	AAA	155,668
Regions Money Market	1,328,639	-	(a)	1,328,639
BB&T Money Market	3,105,671	-	(a)	3,105,671
Fidelity Treasury Money Market	8,833,179	-	(a)	8,833,179
	<u>\$ 39,867,465</u>	<u>\$ 130,692</u>		<u>\$ 39,998,157</u>

(a) These are money market accounts or certificates of deposit (CDs) which are not rated.

\$25,836,339 of the above investments are reported as investments in the governmental funds, the remaining \$14,161,818 of cash equivalents and investments with maturities less than 90 days are reported within the cash and cash equivalents of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2017:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Fidelity Treasury Money Market	\$ 8,833,179	\$ -	\$ -	\$ 8,833,179
Regions Money Market	1,328,639	-	-	1,328,639
BB&T Money Market	3,105,671	-	-	3,105,671
United States Treasuries	155,668	-	-	155,668
Total investments measured at fair value	<u>\$ 13,423,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,423,157</u>
Investments carried at cost:				
Certificate of deposits				26,575,000
Total investments				<u>\$ 39,998,157</u>

The Fidelity Treasury Money Market Mutual Fund, United State Treasuries, and the Regions Money Market Fund classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The City's certificates of deposit are nonparticipating interest-earning investment contracts and, accordingly, are recorded at cost.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. RECEIVABLES

Accounts Receivable

Receivables as of September 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Disaster Recovery Construction Fund	Other Governmental Fund	Water and Sewer Fund
Receivables	\$ 14,411,127	\$ -	\$ -	\$ 1,382,290	\$ 8,289,950
Assessments receivable	-	-	-	-	10,679
Due from other governments	28,575	1,768,849	967,069	2,366,609	2,338
Loans receivable	-	-	1,663,562	3,393,071	-
Allowances	(653,358)	-	(650,000)	(622,717)	(533,134)
Net receivables	<u>\$ 13,786,344</u>	<u>\$ 1,768,849</u>	<u>\$ 1,980,631</u>	<u>\$ 6,519,253</u>	<u>\$ 7,769,833</u>

The City also reports \$2,128,250 of outstanding loans receivable associated with land and buildings which were sold in prior years through an installment sale. The City has determined the full amount of the note receivable to be collectable, and thus it has no associated allowance.

Property Taxes

Property taxes were levied on behalf of the City by Tuscaloosa County on September 1, 2016, (Levy Date) based upon property values assessed as of October 1, 2015. The billings were mailed on September 1, 2016, and payable on or before December 31, 2016, for the fiscal year 2017 tax. Taxes not paid within 30 days of December 31, 2016, were subject to property tax liens. Property tax revenues are recognized when levied to the extent they result in current receivables.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

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

	Beginning Balance September 30, 2016	Additions	Transfers with Business-type	Deletions	Transfers	Ending Balance September 30, 2017
Governmental activities:						
Capital assets not being depreciated:						
Land	\$ 4,974,897	\$ 2,261,000	\$ -	\$ -	\$ 239,664	\$ 7,475,561
Construction in progress	17,885,308	23,435,557	(1,427,841)	-	(21,858,580)	18,034,444
Total capital assets not being depreciated	<u>22,860,205</u>	<u>25,696,557</u>	<u>(1,427,841)</u>	<u>-</u>	<u>(21,618,916)</u>	<u>25,510,005</u>
Capital assets, depreciable:						
Infrastructure	263,285,010	-	-	-	17,436,757	280,721,767
Buildings	107,955,089	12,913	-	(128,947)	477,825	108,316,880
Machinery and equipment	57,326,412	1,435,435	(134,527)	(666,191)	3,704,334	61,665,463
Total capital assets, depreciable	<u>428,566,511</u>	<u>1,448,348</u>	<u>(134,527)</u>	<u>(795,138)</u>	<u>21,618,916</u>	<u>450,704,110</u>
Less accumulated depreciation for:						
Infrastructure	129,873,756	5,395,714	-	-	-	135,269,470
Buildings	23,703,691	2,377,919	-	(66,544)	-	26,015,066
Machinery and equipment	38,920,222	3,984,886	(134,527)	(632,714)	-	42,137,867
Total accumulated depreciation	<u>192,497,669</u>	<u>11,758,519</u>	<u>(134,527)</u>	<u>(699,258)</u>	<u>-</u>	<u>203,422,403</u>
Total capital assets, being depreciated, net	<u>236,068,842</u>	<u>(10,310,171)</u>	<u>-</u>	<u>(95,880)</u>	<u>21,618,916</u>	<u>247,281,707</u>
Governmental capital assets, net	<u>\$ 258,929,047</u>	<u>\$ 15,386,386</u>	<u>\$ (1,427,841)</u>	<u>\$ (95,880)</u>	<u>\$ -</u>	<u>\$ 272,791,712</u>

Restatements to the beginning balances of the governmental activities were necessary due to (a) construction in progress opening balances were overstated by \$4,098,698; (b) beginning accumulated depreciation for infrastructure was understated by \$251,187; and (c) accumulated depreciation for machinery and equipment was overstated by \$2,054,766, resulting in opening balances of capital assets, net of depreciation to be overstated by \$2,295,119.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

	Beginning Balance September 30, 2016	Additions	Transfer with Governmental Activities	Deletions	Transfers	Ending Balance September 30, 2017
Business-type activities:						
Capital assets not being depreciated:						
Land	\$ 1,853,703	\$ -	\$ -	\$ -	\$ -	\$ 1,853,703
Construction in progress	5,999,508	6,167,050	619,516	-	(4,684,161)	8,101,913
Total capital assets not being depreciated	<u>7,853,211</u>	<u>6,167,050</u>	<u>619,516</u>	<u>-</u>	<u>(4,684,161)</u>	<u>9,955,616</u>
Capital assets, depreciable:						
Buildings and system	438,626,481	3,923,127	808,325	-	4,684,161	448,042,094
Machinery and equipment	8,650,925	236,386	134,527	(143,955)	-	8,877,883
Total capital assets, depreciable	<u>447,277,406</u>	<u>4,159,513</u>	<u>942,852</u>	<u>(143,955)</u>	<u>4,684,161</u>	<u>456,919,977</u>
Less accumulated depreciation for:						
Buildings and system	160,207,026	8,865,622	-	-	-	169,072,648
Machinery and equipment	5,612,578	419,545	134,527	(143,955)	-	6,022,695
Total accumulated depreciation	<u>165,819,604</u>	<u>9,285,167</u>	<u>134,527</u>	<u>(143,955)</u>	<u>-</u>	<u>175,095,343</u>
Total capital assets, being depreciated, net	<u>281,457,802</u>	<u>(5,125,654)</u>	<u>808,325</u>	<u>-</u>	<u>4,684,161</u>	<u>281,824,634</u>
Business capital assets, net	<u>\$ 289,311,013</u>	<u>\$ 1,041,396</u>	<u>\$ 1,427,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 291,780,250</u>

A restatement to the opening balance of construction in progress for \$14,641 was required to remove capital assets improperly capitalized in the prior year.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation
Governmental activities:	
General government	\$ 3,133,953
Infrastructure and public services	7,015,778
Public safety	1,584,000
Urban development	24,788
	<u>\$ 11,758,519</u>
Business-type activities:	
Water and Sewer Fund	<u>\$ 9,285,167</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

The following is a summary of the long-term debt activity for the fiscal year ended September 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Warrants payable	\$ 105,235,000	\$ 32,750,000	\$ (31,165,000)	\$ 106,820,000	\$ 3,370,000
Plus: Premiums	6,239,192	-	(538,172)	5,701,020	-
Less: Discounts	(723,121)	-	240,865	(482,256)	-
Total warrants payable	110,751,071	32,750,000	(31,462,307)	112,038,764	3,370,000
Capital leases payable	1,794,340	400,000	(700,707)	1,493,633	426,256
Section 108 Loan	1,050,000	-	(75,000)	975,000	75,000
Installment purchase	-	1,861,000	(327,526)	1,533,474	170,386
Net pension liabilities	112,923,574	28,435,183	(23,158,912)	118,199,845	-
Net OPEB obligation	4,906,406	2,651,573	(641,923)	6,916,056	-
Compensated absences	6,973,514	19,837,155	(19,457,252)	7,353,417	1,401,275
Claims payable	1,326,732	1,119,773	(854,394)	1,592,111	647,266
Governmental activities long-term liabilities	<u>\$ 239,725,637</u>	<u>\$ 87,054,684</u>	<u>\$ (76,678,021)</u>	<u>\$ 250,102,300</u>	<u>\$ 6,090,183</u>

For governmental activities, compensated absences and claims payable are being liquidated primarily by the General Fund. The OPEB obligations and net pension liabilities are primarily liquidated by the General Fund.

The beginning balances for the governmental unamortized premiums were reduced by \$277,420 and discounts were increased by \$19,866 for the restatement to amortize the premiums and discounts using the effective interest amortization method.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
Warrants payable	\$ 79,060,000	\$ -	\$ (6,830,000)	\$ 72,230,000	\$ 7,155,000
Plus: Premiums	<u>5,109,158</u>	<u>-</u>	<u>(693,245)</u>	<u>4,415,913</u>	<u>-</u>
Total warrants payable	84,169,158	-	(7,523,245)	76,645,913	7,155,000
Revolving loans	6,480,000	3,378,994	(1,145,000)	8,713,994	1,025,000
Line of credit	2,466	-	(2,466)	-	-
Net pension liabilities	6,817,846	1,716,796	(1,398,237)	7,136,405	-
Net OPEB obligation	822,412	407,816	(98,597)	1,131,631	-
Compensated absences	889,519	717,930	(644,095)	963,354	173,705
Claims payable	<u>360,282</u>	<u>214,110</u>	<u>(200,595)</u>	<u>373,797</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 99,541,683</u>	<u>\$ 6,435,646</u>	<u>\$ (11,012,235)</u>	<u>\$ 94,965,094</u>	<u>\$ 8,353,705</u>

For business-type activities, compensated absences and claims payable are liquidated by the Water and Sewer Fund. The beginning balance of the business-type activities unamortized premiums were reduced by \$707,343 to adjust for the application of the effective interest method to amortize the premiums.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

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. General obligation warrants outstanding at September 30, 2017 are as follows:

<u>Warrant Series</u>	<u>Interest Rate</u>	<u>Outstanding</u>
2009 Amphitheatre	1.00-5.0%	\$ 760,000
2010-A Refunding (2001 School Warrants)	3.00-5.00%	14,885,000
2012-B Partial Refunding	2.00-5.00%	5,170,000
2014-A New Money	2.50-5.00%	10,680,000
2014-B Refunding (2007-A)	2.00-2.25%	8,540,000
2014-C New Money	1.00-5.00%	1,895,000
2016-A New Money	2.00-5.00%	32,735,000
2016-B Refunding (2007-A and 2009)	3.25%	32,155,000
		<u>\$ 106,820,000</u>

During 2009, the City issued \$17,125,000 of Series 2009 general obligation warrants. The 2009 warrants were issued to finance the cost for (1) the design, acquisition, construction, and equipping of an approximately 6,600 seat municipal outdoor performing arts venue, and (2) the design, acquisition, construction, renovation and equipping of an approximately \$13,500 square foot convention and visitor's bureau and river market. The warrants, which bear interest at rates from 1.0% to 5.0%, mature July 1, 2031. In 2017 a portion of these bonds were refunded with the Series 2016-B.

During 2010, the City issued \$19,150,000 of Series 2010-A general obligation warrants. The 2010-A warrants were issued to refund \$18,730,000 of the \$18,730,000 in aggregate principal amount of the Series 2001 warrants, maturing on and thereafter July 1, 2011. The warrants, which bear interest at rates from 3.0% to 5.0%, mature January 1, 2039.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

General Obligation Warrants (Continued)

During 2013, the City issued \$35,195,000 of Series 2012-B general obligation warrants, of which governmental activities received \$28,885,000. The 2012-B warrants were issued to refund \$32,045,000 of the \$32,045,000 in aggregate principal amount of the Series 2005 warrants, including the water and sewer portion. The warrants, which bear interest at rates from 2.0% to 5.0%, mature January 1, 2035.

During 2014, the City issued \$23,260,000 of Series 2014-A general obligation warrants, of which governmental activities received \$22,100,000. The 2014-A warrants were issued to (1) refund \$9,335,000 of the \$24,045,000 in aggregate principal amount of the Series 2007-A warrants (including water and sewer portion), and (2) to fund improvements at Bowers Park, Sokol Park, Bryant Conference Center expansion, road and street improvements, and capital equipment and computer systems. The warrants, which bear interest at rates from 2.0% to 5.0%, mature July 1, 2039.

During 2014, the City issued \$22,305,000 of Series 2014-B, taxable, general obligation warrants. The 2014-B warrants were issued to refund \$21,150,000 of the \$29,890,000 in aggregate principal amount of the Series 2006-A warrants. The warrants, which bear interest at rates from 2.0% to 5.0%, mature January 1, 2020.

During 2015, the City issued \$11,640,000 of Series 2014-C general obligation warrants, of which governmental activities received \$2,090,000. The 2014-C warrants were issued to refund \$11,960,000 of the \$11,960,000 in aggregate principal amount of the Series 2005 warrants. The warrants, which bear interest at rates from 1.0% to 5.0%, mature January 1, 2035.

During 2016, the City issued \$11,640,000 of Series 2016-A general obligation warrants. The 2016-A warrants were issued to fund various capital projects such as (1) downtown parking, both public and private, (2) city-owned facility improvements, (3) university/downtown corridor improvements, (4) Cypress Creek drainage projects, (5) Martin Luther King, Jr. Boulevard improvements, (6) James I. Harrison Parkway phase II improvements, (7) Jack Warner Parkway rebuild at Guildswood/Greensboro Avenue, (8) Rice Mine Road improvements, (9) Brookhaven drainage projects, and (10) city-wide paving projects. The warrants, which bear interest at rates from 2.0% to 5.0%, mature April 1, 2046.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

General Obligation Warrants (Continued)

During 2017, the City issued \$32,750,000 of Series 2016-B general obligation warrants. The 2016-B warrants were issued to (1) refund \$13,470,000 of the \$13,470,000 in aggregate principal amount of the Series 2007-A warrants, (2) refund \$14,055,000 of the \$14,055,000 in aggregate principal amount of the Series 2009-A warrants, and (3) fund various capital projects. The warrants, which bear interest at 3.25%, mature October 15, 2038. The refunding transaction undertaken by the City resulted in aggregate debt service savings of \$3,600,232 and an economic gain (net present value of the aggregate debt service savings) of \$3,304,927.

As part of the refunding mentioned above, the City defeased certain outstanding general obligation warrants by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old warrants. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2017, the outstanding amount of the general obligation warrants considered legally defeased is \$44,932,339.

The City's debt service requirements to maturity on the general obligation warrants are as follows:

Year ending September 30	Principal	Interest	Total
2018	\$ 3,370,000	\$ 4,181,690	\$ 7,551,690
2019	3,500,000	4,055,153	7,555,153
2020	3,645,000	3,931,134	7,576,134
2021	3,700,000	3,792,165	7,492,165
2022	3,850,000	3,624,940	7,474,940
2023-2027	21,855,000	15,314,969	37,169,969
2028-2032	25,220,000	10,121,172	35,341,172
2033-2037	22,860,000	5,768,126	28,628,126
2038-2042	11,940,000	2,246,513	14,186,513
2043-2046	6,880,000	612,600	7,492,600
Total	<u>\$ 106,820,000</u>	<u>\$ 53,648,462</u>	<u>\$ 160,468,462</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Section 108 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 payments made semiannually on February 1st and August 1st, commencing on February 1, 2011. Debt service payments will continue through August 1, 2030. The interest rates range from 0.56% to 4.48% over the life of the loan.

The City's debt service requirements to maturity on the Section 108 Loan are as follows:

Year ending September 30	Principal	Interest	Total
2018	\$ 75,000	\$ 38,423	\$ 113,423
2019	75,000	36,083	111,083
2020	75,000	33,608	108,608
2021	75,000	31,035	106,035
2022	75,000	28,238	103,238
2023-2027	375,000	96,615	471,615
2028-2030	225,000	199,658	424,658
Total	<u>\$ 975,000</u>	<u>\$ 463,660</u>	<u>\$ 1,438,660</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Installment Purchase

In April 2017, the City purchased a parcel of property known as Patriot Parkway. The acquisition included an interest free installment purchase with annual payments of \$170,386 due October 15th, with the final payment due October 15, 2026. The future debt service requirements for the installment purchase are as follows:

Year ending September 30	Principal
2018	\$ 170,386
2019	170,386
2020	170,386
2021	170,386
2022	170,386
2023-2027	681,544
Total	<u>\$ 1,533,474</u>

Capital Lease Payable

The City has entered into lease agreements as lessee to finance the acquisition of (a) Motorola telecommunications equipment and radios, (b) Dell computers, (c) three paving and sweeper vehicles for use in the streets division, and (d) a land acquisition related to Patriot Drive. The lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms or bargain purchase options) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The leases are for periods ranging from five to ten years, and bear interest at rates ranging from 3.00% - 4.00%. As of September 30, 2017, the City had \$1,038,215 of land and \$1,156,124 of machinery and equipment with accumulated amortization of \$634,041 financed with capital leases. The leased assets' annual amortization expense is reported with depreciation expense.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Capital Lease Payable (Continued)

At September 30, 2017, future lease payments for the capital leases payable are as follows:

	Governmental Activities
Year Ending September 30,	
2018	\$ 465,728
2019	465,728
2020	242,261
2021	200,264
2022	40,000
2023-2027	160,000
Total minimum lease payments	1,573,981
Less amount representing interest	(80,348)
Present value of future minimum lease payments	<u>\$ 1,493,633</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

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 fund. Water and sewer warrants outstanding at September 30, 2017 are as follows:

Warrant Series	Interest Rate	Outstanding
2012-B GO Warrant	2.00-5.00%	\$ 23,640,000
2012-A GO Warrant	2.00-2.75%	22,795,000
2014-A GO Warrant	2.00-5.00%	895,000
2014-B GO Warrant	3.00-5.00%	16,230,000
2014-C GO Warrant	2.00-5.00%	8,670,000
		\$ 72,230,000

During 2012, the City issued \$32,380,000 of Series 2012-A general obligation warrants. The 2012-A warrants were issued to partially refund the 2008 and 2010 sewer state revolving loan fund notes. The warrants, which bear interest at rates from 2.00% to 2.75%, mature August 15, 2025.

During 2013, the City issued \$35,195,000 of Series 2012-B general obligation warrants, of which \$6,310,000 were designated for water and sewer projects. The 2012-B warrants were issued to (1) refund a portion of the 2005 Series and (2) finance various water and sewer improvement projects. The warrants, which bear interest at rates from 2.00% to 5.0%, mature January 1, 2035.

During 2014, the City issued \$23,260,000 of Series 2014-A general obligation warrants, of which \$1,160,000 were designated for water and sewer projects. The 2014-A warrants were issued to finance various water and sewer improvement projects. The warrants, which bear interest at rates from 2.0% to 5.0%, mature July 1, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

Water and Sewer Warrants (Continued)

During 2014, the City issued \$22,305,000 of Series 2014-B general obligation warrants. The 2014-B warrants were issued to finance various water and sewer improvement projects. The warrants, which bear interest at rates from 3.0% to 5.0%, mature January 1, 2020.

During 2015, the City issued \$11,640,000 of Series 2014-C general obligation warrants, of which \$9,550,000 were designated for water and sewer projects. The 2014-C warrants were issued to finance various water and sewer improvement projects. The warrants, which bear interest at rates from 2.0% to 5.0%, mature January 1, 2035.

The City's debt service requirements to maturity on the water and sewer warrants are as follows:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,155,000	\$ 2,589,871	\$ 9,744,871
2019	7,335,000	2,406,646	9,741,646
2020	8,140,000	2,201,365	10,341,365
2021	6,810,000	2,038,659	8,848,659
2022	7,140,000	1,713,784	8,853,784
2023-2027	21,010,000	4,725,494	25,735,494
2028-2032	8,680,000	1,826,185	10,506,185
2033-2035	5,960,000	338,403	6,298,403
Total	<u>\$ 72,230,000</u>	<u>\$ 17,840,407</u>	<u>\$ 90,070,407</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT (CONTINUED)

State Revolving Loan Fund

The City has utilized several State Revolving Fund Loans and has pledged income derived from certain assets to be used to pay the debt service. These loans are used to finance construction in the water and sewer fund. Water and sewer state revolving loans outstanding at September 30, 2017 are as follows:

<u>Warrant Series</u>	<u>Interest Rate</u>	<u>Outstanding</u>
2010 State Revolving Fund	3.50%	\$ 1,285,000
2013 State Revolving Fund	4.00-5.00%	4,050,000
2016 State Revolving Fund Drinking Water	2.20%	1,001,841
2016 State Revolving Fund Clean Water	2.20%	2,377,153
		<u>\$ 8,713,994</u>

The Water and Sewer Fund has incurred debt to the State Revolving Loan Fund (SRF) for various system improvements. The 2016 SRF Clean Water and Drinking Water loans are still in the draw-down phase. While the \$3,378,994 of loans are in the draw-down phase the maturity is not finalized.

The Water and Sewer Fund's SRF debt service requirements to maturity, including interest, are as follows:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,025,000	\$ 97,825	\$ 1,122,825
2019	1,065,000	75,314	1,140,314
2020	425,000	51,920	476,920
2021	435,000	45,120	480,120
2022	450,000	38,160	488,160
2023-2026	1,935,000	78,480	2,013,480
Total	<u>\$ 5,335,000</u>	<u>\$ 386,819</u>	<u>\$ 5,721,819</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Due to/from other funds:

Receivable fund	Payable fund	Amount
General Fund	Disaster Recovery Construction Fund	\$ 462,087
General Fund	Other governmental funds	5,741,204
General Fund	Internal service funds	1,917,353
General Fund	Water and Sewer Fund	4,150,771
		\$ 12,271,415
Capital Projects Fund	General Fund	\$ 4,147,717
Capital Projects Fund	Other governmental funds	1,021,105
		\$ 5,168,822
Disaster Recovery Construction Fund	General Fund	\$ 3,668
Disaster Recovery Construction Fund	Other governmental funds	5,183
		\$ 8,851
Other governmental funds	Disaster Recovery Construction Fund	\$ 622,500
Other governmental funds	Capital Projects Fund	2,458,006
Other governmental funds	General Fund	3,777,652
Other governmental funds	Other governmental funds	53,683
		\$ 6,911,841

continued

NOTES TO FINANCIAL STATEMENTS

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Receivable fund	Payable fund	Amount
Water and Sewer Fund	Disaster Recovery Construction Fund	\$ 300,000
Water and Sewer Fund	Capital Projects Fund	26,249
Water and Sewer Fund	General Fund	9,088,574
Water and Sewer Fund	Internal service funds	250,000
Water and Sewer Fund	Other governmental funds	70,543
		\$ 9,735,366
Internal service funds	Water and Sewer Fund	\$ 257,650
Internal service funds	General Fund	1,917,353
		\$ 2,175,003

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) transactions are recorded in the accounting system.

Advances between funds:

Advances receivables	Advances payable	Amount
General Fund	Internal service funds	\$ 2,093,147
Capital Projects Fund	Other governmental funds	\$ 3,144,630
Water and Sewer Fund	Disaster Recovery Construction Fund	\$ 395,000
Other governmental funds	Disaster Recovery Construction Fund	990,000
		\$ 1,385,000

These advances represent the long-term borrowings between funds within the City. The payables have been reviewed by management and are expected to be repaid over a period which exceeds one fiscal year.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended September 30, 2017 were as follows:

Transfers In	Transfers Out	Amount
General Fund	Capital Projects Fund	\$ 260,695
General Fund	Other governmental funds	2,378,717
General Fund	Water & Sewer Fund	5,933,173
		\$ 8,572,585
Capital Projects Fund	General Fund	\$ 7,645,318
Capital Projects Fund	Other governmental funds	794,256
		\$ 8,439,574
Disaster Recovery Construction Fund	General Fund	\$ 15,000
Other governmental funds	General Fund	\$ 3,878,745
Other governmental funds	Capital Projects Fund	4,072,449
Other governmental funds	Other governmental funds	750,000
Other governmental funds	Water & Sewer Fund	3,335
		\$ 8,704,529
Water & Sewer Fund	General Fund	\$ 17,013
Water & Sewer Fund	Capital Projects Fund	23,069
Water & Sewer Fund	Other governmental funds	42,857
		\$ 82,939
Nonmajor enterprise fund	General Fund	\$ 6,600

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, (2) to move funds available from utility operations to the General Fund to support operations of the City's administrative divisions, and (3) to move funds in order to eliminate operating deficits throughout the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN

The City maintains two single-employer, supplemental defined benefit pension plans, one 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 Retirement Plan for Hourly Employees of the City of Tuscaloosa (Hourly Employees Plan), a single 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 Hourly Employees 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 Hourly Employees 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 financials statements. The Employees Retirement System of Alabama, Retirement Plan for Hourly Employees of the City of Tuscaloosa, 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
(334) 832-4140

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

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Aggregate Plan data for the City's four pension plans is as follows:

	Net Pension Liability	Deferred Outflows	Deferred Inflows
Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan	\$ 2,466,279	\$ 1,906,954	\$ 321,456
Employees Retirement System of Alabama Retirement Plan for Hourly Employees of the City of Tuscaloosa	27,843,693	6,283,392	-
	1,704,866	61,543	57,732
Tuscaloosa Police Officers and Firefighters	93,321,412	10,737,997	32,391
	\$ 125,336,250	\$ 18,989,886	\$ 411,579

A. Tuscaloosa Police Officers and Firefighters Supplemental Retirement 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Plan membership. As of January 1, 2016, pension plan membership consisted of the following:

Active employees	35
Retired members	<u>2</u>
Total	<u><u>37</u></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, 2017, the actuarially determined contribution was zero. There were no member contributions as of September 30, 2017. 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, 2016, the date of the actuarial valuation.

Net Pension Liability of the City. The City's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5.50%, plus service based merit increases
Investment rate of return	3.78%, net of pension plan investment expense, including inflation

Mortality rates were based on 1983 Group Annuity Mortality Tables for males and females.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

The actuarial assumptions have not performed an experience study.

Investment Return Assumptions. Since the current investment policy allocates the investments 100% of the investments into cash assets, the long-term expected rate of return is 1.00%.

Discount rate. The discount rate used to measure the total pension liability was 3.78%. 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 City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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 of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning Balance	\$ 767,552	\$ 423,071	\$ 344,481
Changes for the year:			
Service cost	18,731	-	18,731
Interest	46,085	-	46,085
Differences between expected and actual experience	(12,600)	-	(12,600)
Changes in assumptions	2,066,768	-	2,066,768
Contributions—employer	-	-	-
Contributions—employee	-	-	-
Net investment income	-	186	(186)
Benefit payments, including refunds of employee contributions	(36,394)	(36,394)	-
Administrative expense	-	(3,000)	3,000
Net changes	<u>2,082,590</u>	<u>(39,208)</u>	<u>2,121,798</u>
Ending Balance	<u>\$ 2,850,142</u>	<u>\$ 383,863</u>	<u>\$ 2,466,279</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 3.78 percent, 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 (2.78 percent) or 1-percentage-point higher (4.78 percent) than the current rate:

	1% Decrease (2.78%)	Current Discount Rate (3.78%)	1% Increase (4.78%)
City's net pension liability	\$ 2,903,228	\$ 2,466,279	\$ 2,101,055

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2016 and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of \$241,298. At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,359	\$ 55,034
Changes of assumptions	1,807,124	266,422
Net difference between projected and actual earnings on plan investments	42,225	-
Employer contributions subsequent to the measurement date	30,246	-
	\$ 1,906,954	\$ 321,456

City contributions subsequent to the measurement date of \$30,246 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2018	\$ 197,684
2019	197,683
2020	194,450
2021	201,572
Thereafter	763,863
	\$ 1,555,252

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama

Description. The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of the 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 of Tuscaloosa 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

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.

Plan membership. The ERS serves approximately 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. As of September 30, 2016, the measurement date for the plan, the ERS membership includes approximately 85,874 participants and The City of Tuscaloosa employee membership includes 1,052 participants as shown on the following page:

	ERS	The City of Tuscaloosa
Retired members or their beneficiaries		
currently receiving benefits	23,007	249
Vested inactive members	1,155	9
Non-vested inactive members	6,654	20
Active members	55,058	774
Total	85,874	1,052

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the plan. For the year ended September 30, 2017, The City of Tuscaloosa active employee contribution rate for Tier 1 and Tier 2 employees was 5.00% & 6.00% of covered employee payroll, respectively. The City of Tuscaloosa's average contribution rate to fund the normal and accrued liability costs was 7.12% percent of covered employee payroll (Tier 1 at 8.33% and Tier 2 at 5.90%).

The City of Tuscaloosa's contractually required contribution rate for the year ended September 30, 2017 was 8.70% of pensionable pay for Tier 1 employees, and 6.27% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 of Tuscaloosa for the year ended September 30, 2017 was \$2,802,702.

Net Pension Liability of the City. The City of Tuscaloosa's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques.

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

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

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

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

Investment Return Assumptions. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
US Large Stocks	32.00%	8.00%
US Mid Stocks	9.00%	10.00%
US Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International EmergingMarket Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended September 30, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	\$ 100,530,120	\$ 73,441,569	\$ 27,088,551
Changes for the year:			
Service cost	2,939,341	-	2,939,341
Interest	7,829,423	-	7,829,423
Differences between expected and actual experience	534,494	-	534,494
Changes in assumptions	1,770,601	-	1,770,601
Contributions—employer	-	2,882,113	(2,882,113)
Contributions—employee	-	1,974,229	(1,974,229)
Net investment income	-	7,462,375	(7,462,375)
Benefit payments, including refunds of employee contributions	(5,324,672)	(5,324,672)	-
Transfers among employers	134,245	134,245	-
Net changes	<u>7,883,432</u>	<u>7,128,290</u>	<u>755,142</u>
Ending Balance	<u>\$ 108,413,552</u>	<u>\$ 80,569,859</u>	<u>\$ 27,843,693</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.75 percent, 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's net pension liability	\$ 41,638,580	\$ 27,843,693	\$ 16,281,468

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2015 and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

B. Employees Retirement System of Alabama (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of \$3,018,225. At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,272,383	\$ -
Changes of assumptions	1,549,276	-
Net difference between projected and actual earnings on plan investments	659,031	-
Employer contributions subsequent to the measurement date	2,802,702	-
	\$ 6,283,392	\$ -

City contributions subsequent to the measurement date of \$2,802,702 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2018	\$ 584,693
2019	584,692
2020	1,105,229
2021	111,753
2022	431,834
Thereafter	662,489
	\$ 3,480,690

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

C. Retirement Plan for Hourly Employees of the City of Tuscaloosa

Description. The Retirement Plan for Hourly Employees of the City of Tuscaloosa, a single-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 Retirement Plan for Hourly Employees of the City of Tuscaloosa 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 Retirement Plan for Hourly Employees of the City of Tuscaloosa. The Employees Retirement System of Alabama, an agent multiple-employer plan, is open to all hourly employees.

Benefits Provided. The Retirement Plan for Hourly Employees of the City of Tuscaloosa 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.

Plan membership. As of September 30, 2017, pension plan membership consisted of the following:

Active vested employees	8
Terminated/transferred vested employees	59
Disabled pensioners	13
Retired members (pending annuity purchase)	13
Total	<u>93</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

C. Retirement Plan for Hourly Employees of the City of Tuscaloosa (Continued)

Contributions. The Retirement Plan for Hourly Employees of the City of Tuscaloosa 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.

Net Pension Liability of the City. The City's net pension liability was measured as of September 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017.

Actuarial assumptions. The total pension liability in the September 30, 2017, 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, including inflation

Mortality rates were based on 2016 IRS Mortality Table, Sex-Distinct.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

C. Retirement Plan for Hourly Employees of the City of Tuscaloosa (Continued)

The actuarial assumptions have not performed an experience study.

Investment Return Assumptions. 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	100.00%	5.00%
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 5.00%. 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 City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was 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 of the projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

C. Retirement Plan for Hourly Employees of the City of Tuscaloosa (Continued)

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended September 30, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position Restated (b)	Net Pension Liability (Asset) (a) - (b)
Beginning Balance	\$ 2,033,488	\$ 88,952	\$ 1,944,536
Changes for the year:			
Service cost	-	-	-
Interest	100,002	-	100,002
Differences between expected and actual experience	(48,706)	-	(48,706)
Changes in assumptions	-	-	-
Contributions—employer	-	300,000	(300,000)
Contributions—employee	-	-	-
Net investment income	-	7,155	(7,155)
Benefit payments, including refunds of employee contributions	(67,708)	(67,708)	-
Administrative expense	-	(16,189)	16,189
Net changes	<u>(16,412)</u>	<u>223,258</u>	<u>(239,670)</u>
Ending Balance	<u>\$ 2,017,076</u>	<u>\$ 312,210</u>	<u>\$ 1,704,866</u>

The beginning Plan fiduciary net position was reduced by \$695,273 to remove prior assets which are held by the City for the Retirees, however, these assets are not held in an irrevocable trust and therefore should not be part of the fiduciary net position in accordance with GASB Statements No. 67 and 68.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

C. Retirement Plan for Hourly Employees of the City of Tuscaloosa (Continued)

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 5.00 percent, 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 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
City's net pension liability	\$ 1,998,999	\$ 1,704,866	\$ 1,464,280

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of September 30, 2017 and the current sharing pattern of costs between employer and employee.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

C. Retirement Plan for Hourly Employees of the City of Tuscaloosa (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of \$69,047. At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 57,732
Net difference between projected and actual earnings on plan investments	61,543	-
	\$ 61,543	\$ 57,732

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

Year	Amount
2018	\$ (7,522)
2019	(449)
2020	4,876
2021	6,906
Thereafter	-
	\$ 3,811

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

D. Tuscaloosa Police Officers and Firefighters Retirement 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 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

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:

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

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 disable, 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Plan membership. As of December 31, 2016, pension plan membership consisted of the following:

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

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

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, 2016 was 13.82 percent of covered employee payroll.

The City of Tuscaloosa's contractually required contribution rate for the year ended September 30, 2017 was 13.50% of members' base salaries. These required contribution rates are based upon the actuarial valuation dated January 1, 2016, 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 of Tuscaloosa for the year ended September 30, 2017 was \$4,563,881. Actuarially determined contributions measured as of December 31, 2016 to the pension plan from The City of Tuscaloosa was \$4,389,659.

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 of Tuscaloosa are collected by the City of Tuscaloosa and remitted to the fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Net Pension Liability of the City. The City's net pension liability was measured as of December 31, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. 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.

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Inflation	4.00%
Salary increases	5.50%, plus service based merit increases
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on 1983 Group Annuity Mortality Tables for males and females.

The actuarial assumptions have not performed an experience study.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Investment Return Assumptions. 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	100.00%	

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended December 31, 2016, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Beginning Balance	\$ 150,653,690	\$ 60,289,838	\$ 90,363,852
Changes for the year:			
Service cost	2,904,753	-	2,904,753
Interest	11,807,763	-	11,807,763
Differences between expected and actual experience	(37,641)	-	(37,641)
Changes in assumptions	(297,561)	-	(297,561)
Contributions—employer	-	4,389,659	(4,389,659)
Contributions—employee	-	3,747,171	(3,747,171)
Contributions—other	-	494,318	(494,318)
Net investment income	-	2,903,434	(2,903,434)
Refunds of contributions	(538,301)	(538,301)	-
Benefit payments, including refunds of employee contributions	(11,384,506)	(11,384,506)	-
Administrative expense	-	(114,828)	114,828
Net changes	2,454,507	(503,053)	2,957,560
Ending Balance	\$ 153,108,197	\$ 59,786,785	\$ 93,321,412

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, 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 (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's net pension liability	<u>\$ 109,915,843</u>	<u>\$ 93,321,412</u>	<u>\$ 79,612,346</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of December 31, 2016 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2017, the City recognized pension expense of \$8,075,451. At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 205,592	\$ 32,391
Net difference between projected and actual earnings on plan investments	7,192,327	-
Employer contributions subsequent to the measurement date	3,340,078	-
	<u>\$ 10,737,997</u>	<u>\$ 32,391</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

City contributions subsequent to the measurement date of \$3,340,078 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 2,474,084
2019	2,474,082
2020	1,990,096
2021	390,909
Thereafter	36,357
	<u>\$ 7,365,528</u>

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NOTES TO FINANCIAL STATEMENTS

NOTE 8. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY

A. Excess of Expenditures Over Appropriations

The following General Fund and Water and Sewer Fund departments had actual expenditures in excess of appropriations for the year ended September 30, 2017:

General Fund:

Community Services:	
Arts and Entertainment	\$ 5,761,500
General Government:	
City Attorney	1,601
Human Resources	879,150
Public Safety:	
Fire and Rescue	112,628
Payments to Other Agencies:	
Tuscaloosa County Industrial Development Authority	1
Tuscaloosa County Parks and Recreation Authority	29,452
Tuscaloosa Transit Authority	16,547
Cost Sharing Arrangements	674,960
Warrant Issuance Costs	259,116

Water & Sewer Fund:

Accounting and Finance	21,436
Depreciation	285,167
Other	8,673

These over expenditures were funded by greater than anticipated revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. BUDGET COMPLIANCE AND DEFICIT FUND EQUITY (CONTINUED)

B. Deficit Fund Balance and Net Position

The following funds had deficit fund balances/net position at September 30, 2017:

Intermodal Facility Retail Fund (nonmajor enterprise fund)	\$ 9,324
Storm Recovery FEMA Fund (nonmajor governmental fund)	1,541,394
Internal Service Fund	1,641,714

The fund deficit in the Intermodal Facility Retail Fund will be reduced through charges for services. The fund deficit in the Storm Recovery FEMA Fund will be reduced through the future recognition of deferred inflows of resources – unavailable revenues. The fund deficit of the internal service fund will be reduced through continual monitoring of annual claim expenses and the annual charges to the participating funds.

NOTE 9. JOINT VENTURES

Black Warrior Solid 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. During the year ended September 30, 2017 the did not provide any additional operating supplements. The City pays tipping fees for the solid waste dumped at 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. JOINT VENTURES (CONTINUED)

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 participants pro-rata share of the facility were City of Tuscaloosa (32%), City of Northpoint (9%), and Tuscaloosa County (59%). 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, 2017 the City provided \$365,570 of funding to the Facility.

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. The participants pro-rata share of the Shelter were City of Tuscaloosa (45.50%), City of Northpoint (9.30%), and Tuscaloosa County (45.20%). 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, 2017, no excess was returned to the City.

NOTE 10. RELATED PARTIES

The following related party transactions occurred during the year ended September 30, 2017.

The City awarded the Tuscaloosa Housing Authority, an entity in which the City appoints a majority of the Board, \$360,094 to fund the construction of an affordable housing development for low income individuals. This funding was fully reimbursable through the City's direct allocation of the Community Development Block Grant funding from the United States Housing and Urban Development Department. The City awarded \$101,311 to the Tuscaloosa Housing Authority as part of the HOME Investment Partnership Program, which provides direct rental assistance to low-income individuals. The City also received payments in lieu of taxes of \$187,505.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. RELATED PARTIES (CONTINUED)

Although the City Council is responsible for appointing the members of the Tuscaloosa Housing Authority, the City's accountability for this organization does not extend beyond making the appointments. Financial information for this entity is not reflected in the City's financial statements.

The City expended \$885,090 to the Tuscaloosa Parking and Transit Authority, a component unit, for agency funding, shuttle services, and various other operating expenses. The City was reimbursed \$143,594 for auto fuel, maintenance and cleaning services. The City expended \$1,355,975 to the Tuscaloosa Tourism and Sports Commission, a component unit, for agency funding and various tourism related events.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions arising in the course of City operations. Although the outcome of these cases is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Contractual Commitments

In addition to the liabilities enumerated in the balance sheet, at September 30, 2017 the City has contractual commitments on uncompleted contracts of approximately \$24,786,072.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Encumbrances

The City has open encumbrances in the General Fund of \$247,014, the Capital Projects Fund of \$5,264,093, the Disaster Recover Construction Fund of \$7,142,570, Other governmental funds of \$7,745,407, and Water and Sewer Fund of \$7,601,427 as of September 30, 2017.

NOTE 12. 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.

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 City purchases commercial insurance for claims in excess of coverage provided by the fund up to a limit of \$1,795,000 per person per policy period. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (CONTINUED)

Health Insurance Fund (Continued)

The outstanding claims liability of \$1,100,200 at September 30, 2017 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, 2017 and 2016 were as follows:

	Fiscal Year Ended	
	September 30, 2017	September 30, 2016
Unpaid claims, beginning of year	\$ 1,132,300	\$ 855,300
Incurred claims (including IBNR)	14,223,973	13,154,637
Claims paid	(14,256,073)	(12,877,637)
Unpaid claims, end of year	\$ 1,100,200	\$ 1,132,300

NOTES TO FINANCIAL STATEMENTS

NOTE 12. RISK MANAGEMENT (CONTINUED)

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 \$1,000,000 per person, per accident or disease, per year, and purchases commercial insurance for claims in excess of \$1,000,000 up to \$5,000,000 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, 2017 of \$1,965,908 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 1.6%. Of the above amount, \$212,776 is reported in the Water and Sewer Enterprise Fund. The balance, \$1,204,510, 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 years ended September 30, 2017 and September 30, 2016, were as follows:

	Fiscal Year Ended	
	September 30, 2017	September 30, 2016
Unpaid claims, beginning of year	\$ 1,687,014	\$ 1,270,643
Incurred claims (including IBNR)	1,333,883	1,127,777
Claims paid	(1,054,989)	(711,406)
Unpaid claims, end of year	\$ 1,965,908	\$ 1,687,014

NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT HEALTH CARE PLAN

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 postemployment 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 10 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.

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 postemployment 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, 2017, the City and plan members receiving benefits contributed a total of \$1,240,363.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment 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:

	<u>September 30, 2017</u>
Employer annual required contribution (ARC)	\$ 3,148,792
Interest on net OPEB obligation	229,153
Adjustment to annual required contribution	(318,556)
Annual OPEB cost	<u>3,059,389</u>
Employer contributions	<u>740,520</u>
Increase in net OPEB obligation	<u>2,318,869</u>
Net OPEB obligation, beginning of year	<u>5,728,818</u>
Net OPEB obligation, end of year	<u><u>\$ 8,047,687</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2017	\$ 3,059,389	\$ 740,520	24.20%	\$ 8,047,687
September 30, 2016	1,431,724	554,003	38.69%	5,728,818
September 30, 2015	1,364,535	537,627	39.40%	4,851,097

NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

Funded Status and Funding Progress

As of the most recent valuation date, October 1, 2016, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll [c]	UAAL as a Percentage of Covered Payroll [b-a]/c
10/1/2016	\$ -	\$ 29,098,897	\$ 29,098,897	0%	\$ 60,882,859	47.8%

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, 2017.

Actuarial Methods and Assumptions

In the October 1, 2016 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 7.75% initially, reduced by decrements to an ultimate rate of 5.0% after five years (the trend rate includes an inflation factor of 3.00% annually). The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females. The UAAL is being amortized as a level dollar amount on a closed 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).

NOTES TO FINANCIAL STATEMENTS

NOTE 14. TAX ABATEMENTS

Amendment No. 772 to the Constitution of Alabama (1901) authorizes the City to lend its credit to or grant public funds and things of value in aid of or to any corporation or other business entity for the purpose of promoting the economic development of the City. For the fiscal year ended September 30, 2017, the City abated sales tax revenues of \$462,941, lodging tax revenues of \$609,295 and property tax revenues of \$171,321 under its economic development program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A 54.35% abatement on lodging tax and a second 100% abatement of non-education municipal ad valorem property taxes of a hotel amounting to \$571,610. In exchange for the tax incentives, the developer has committed to creating 57 new full time jobs, of which 30 must be low to moderate income employees.
- A 78% abatement on the net sales tax (six anchor tenants) and a second 100% abatement of non-education municipal ad valorem property taxes of a retail development amounting to \$536,554. In exchange for the tax incentives, the developer has committed to creating at least 200 full-time jobs for the six anchor tenants and 400 for the entire development.
- A 36.82% abatement on lodging tax and a second 100% abatement of non-education municipal ad valorem property taxes of a hotel amounting to \$135,393. In exchange for the tax incentives, the developer has committed to creating 35 new full and part time jobs.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RESTATEMENTS

Management of the City has determined that restatements to the beginning net position of the Water & Sewer Fund and the Business-type Activities was necessary to properly report (1) the amortization of premiums and discounts associated with previously issued warrants, (2) capital asset balances in prior fiscal periods, (3) the allocation of the net pension liability for the Retirement Plan for Hourly Employees of the City of Tuscaloosa, as the Plan was incorrectly reporting fiduciary net position for investments which were not held in an irrevocable trust and therefore not eligible to reduce the total pension liability as of September 30, 2016, and (4) the allocation of the internal service fund net position to business-type activities, as the allocation was incorrectly calculated. The City was previously amortizing the premiums and discounts using the straight-line amortization method, however, in accordance with GASB Statement No. 62, have adjusted the amortization calculations to amortize using the effective interest method. The City also determined certain capital assets were capitalized in prior years in error and an adjustment to reduce the opening balance was required. During the prior year, the City's allocation of the net position and change in net position of the internal service fund among the governmental activities and business type activities did not agree with the net position or change in net position reported in the Internal Service Funds. The net effect of these restatements to beginning net position is reflected below:

	Water and Sewer Fund	Business-type Activities
Net position, September 30, 2016, as previously reported	\$ 215,935,023	\$ 216,060,456
Restatement for improper amortization of premiums and discounts	707,343	707,343
Restatement for improperly capitalized assets	(14,641)	(14,641)
Restatement for change in NPL calculation	(105,788)	(105,788)
Restatement for allocation of internal service funds	-	(267,374)
Net position, September 30, 2016, as restated	\$ 216,521,937	\$ 216,379,996

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RESTATEMENTS (CONTINUED)

Management of the City has determined that restatements to the beginning fund balance of the Disaster Recovery Construction Fund and Storm Recovery FEMA Fund, were necessary to properly report (1) loan program outstanding loan receivables and (2) the deferral of unavailable revenues. Additionally, the City has consolidated six previously reported funds during the current year, combining the Hazard Mitigation Fund into the Community Development Fund, combining the Intermodal Facility Construction Fund into the City Facilities Construction Fund, as well as the Tourism Enhancement Fund into the General Fund. The City was reporting the issuance of loans from the City's loan program as expenditures when loans were issued and subsequently reporting the collection of the loans as revenues, rather than reporting the outstanding loans as a receivable. The City also determined certain receivables which were not available within the City's revenue recognition period were incorrectly recognized in prior years as revenue and should have been reflected as deferred inflows of resources. The net effect of these restatements and the consolidations to beginning fund balance is as follows:

	Disaster Recovery Construction Fund	Storm Recovery FEMA	Tourism Enhancement Fund	General Fund
Fund balance, September 30, 2016, as previously reported	\$ 433,656	\$ 37,021	\$ 315,546	\$ 16,622,558
Restatement for unavailable revenues	-	(2,090,676)	-	-
Restatement for unrecorded loan receivable balances	1,954,026	-	(315,546)	315,546
Fund balance, September 30, 2016, as restated	\$ 2,387,682	\$ (2,053,655)	\$ -	\$ 16,938,104

	Hazard Mitigation Fund	Community Development Fund	Intermodal Facility Construction Fund	City Facilities Construction Fund
Fund balance, September 30, 2016, as previously reported	\$ 3	\$ 317,896	\$ 66,292	\$ 434,903
Funds consolidated for reporting purposes in current year	(3)	3	(66,292)	66,292
Restatement for unrecorded loan receivable balances	-	2,748,375	-	-
Fund balance, September 30, 2016, as restated	\$ -	\$ 3,066,274	\$ -	\$ 501,195

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RESTATEMENTS (CONTINUED)

Along with the restatements noted on the previous page related to the governmental funds, management of the City determined the governmental activities of the City required restatements to properly report (1) the amortization of premiums and discounts associated with previously issued warrants, (2) capital asset balances in prior fiscal periods, (3) opening balances of previously reported receivables for loans associated with the community development loan programs, (4) the allocation of the net pension liability for the Retirement Plan for Hourly Employees of the City of Tuscaloosa, as the Plan was incorrectly reporting fiduciary net position for investments which were not held in an irrevocable trust and therefore not eligible to reduce the total pension liability as of September 30, 2016, and (5) the allocation of the internal service fund net position to governmental activities was incorrectly calculated. The City was previously amortizing the premiums and discounts using the straight-line amortization method, however, in accordance with GASB Statement No. 62 have adjusted the amortization calculations to amortize using the effective interest method. The City also determined certain capital assets were capitalized and depreciated in prior years in error and an adjustment to reduce the opening balance was required. During the prior year, the community development loans were reported at the government-wide level, however, the balance reported in the prior year was understated by several unrecorded loans as well as understated receivable balances. During the prior year, the City's allocation of the net position and change in net position of the internal service fund between the governmental activities and business type activities did not agree with the net position or change in net position reported in the internal service fund. The net effect of these restatements to beginning net position is as follows:

	Governmental Activities
Net position, September 30, 2016, as previously reported	\$ 124,384,798
Restatement for understated loans receivable	1,223,385
Restatement for improper amortization of premiums and discounts	297,286
Restatement for capitalized assets	(2,295,119)
Restatement for allocation of net pension liability	(589,485)
Restatement for allocation of internal service funds	(54,556)
Net position, September 30, 2016, as restated	<u><u>\$ 122,966,309</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUSCALOOSA
Schedule of Changes in the City's Net Pension Liability

Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan
For the years ended September 30,

	2017	2016	2015
Total pension liability			
Service Cost	\$ 18,731	\$ 7,014	\$ 16,433
Interest	46,085	66,748	68,661
Benefit changes	-	(399,632)	-
Difference between expected and actual experience	(12,600)	31,900	(55,536)
Changes of assumptions	2,066,768	-	-
Benefit payments, including refunds of employee contributions	(36,394)	(101,891)	(22,896)
Net change in total pension liability	2,082,590	(395,861)	6,662
Total pension liability - beginning	767,552	1,163,413	1,156,751
Total pension liability - ending	<u>\$ 2,850,142</u>	<u>\$ 767,552</u>	<u>\$ 1,163,413</u>
Plan net position			
Contributions - employer	\$ -	\$ 139,940	\$ 78,000
Contributions - employee	-	-	-
Net investment income	186	197	337
Benefit payments, including refunds of employee contributions	(36,394)	(101,891)	(22,896)
Administrative expense	(3,000)	(3,000)	(3,000)
Net change in plan net position	(39,208)	35,246	52,441
Plan net position - beginning	423,071	387,825	335,384
Plan net position - ending	<u>\$ 383,863</u>	<u>\$ 423,071</u>	<u>\$ 387,825</u>
Net pension liability	<u>\$ 2,466,279</u>	<u>\$ 344,481</u>	<u>\$ 775,588</u>
Plan net position as a percentage of the total pension liability	13.47%	55.12%	33.34%
Covered-employee payroll *	<u>\$ 3,152,979</u>	<u>\$ 2,857,940</u>	<u>\$ 3,317,870</u>
Net pension liability as a percentage of covered-employee payroll	78.22%	12.05%	23.38%

*For FY 2017 the measurement period is January 1, 2016 to December 31, 2016

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

CITY OF TUSCALOOSA
Schedule of City Contributions

Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan
For the years ended September 30,

	2017	2016	2015
Actuarially determined contribution*	\$ -	\$ 139,940	\$ 74,413
Contributions in relation to the actuarially determined contribution*	-	139,940	78,000
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,587)</u>
Covered-employee payroll^	\$ 3,152,979	\$ 2,857,940	\$ 3,317,870
Contributions as a percentage of covered-employee payroll	0.00%	4.90%	2.24%

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

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

Notes to Schedule

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

Actuarially determined contribution rates are calculated on an annual basis payable in the fiscal year beginning one year following the valuation date. For FY 2017 the valuation date was 01/01/2016. Contributions for fiscal year 2017 were calculated based on payroll information for the twelve month period beginning after 01/01/2016

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%
Salary increases	5.5%, including infaltion
Investment rate of return	6.00%, net of pension plan investment expense, including inflation

CITY OF TUSCALOOSA
Schedule of Pension Investment Returns

Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan
For the years ended September 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expenses for the City's pension plan	0.05%	0.05%	0.09%

Notes to Schedule

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

CITY OF TUSCALOOSA
Schedule of Changes in the City's Net Pension Liability

Employees Retirement System of Alabama
For the years ended September 30,

	2017	2016	2015
Total pension liability			
Service Cost	\$ 2,939,341	\$ 2,914,354	\$ 2,792,879
Interest	7,829,423	7,323,848	6,889,141
Changes of assumptions	1,770,601	-	-
Difference between expected and actual experience	534,494	1,092,095	-
Transfers among employers	134,245	-	-
Benefit payments, including refunds of employee contributions	<u>(5,324,672)</u>	<u>(4,696,544)</u>	<u>(3,799,838)</u>
Net change in total pension liability	7,883,432	6,633,753	5,882,182
Total pension liability - beginning	<u>100,530,120</u>	<u>93,896,367</u>	<u>88,014,185</u>
Total pension liability - ending	<u>\$ 108,413,552</u>	<u>\$ 100,530,120</u>	<u>\$ 93,896,367</u>
Plan fiduciary net position			
Contributions - employer	\$ 2,882,113	\$ 2,639,293	\$ 2,659,574
Contributions - employee	1,974,229	1,843,434	1,875,358
Net investment income	7,462,375	864,909	7,809,823
Benefit payments, including refunds of employee contributions	<u>(5,324,672)</u>	<u>(4,696,544)</u>	<u>(3,799,838)</u>
Transfer among employees	<u>134,245</u>	<u>(440,146)</u>	<u>(72,292)</u>
Net change in plan fiduciary net position	7,128,290	210,946	8,472,625
Plan net position - beginning	<u>73,441,569</u>	<u>73,230,623</u>	<u>64,757,998</u>
Plan net position - ending	<u>\$ 80,569,859</u>	<u>\$ 73,441,569</u>	<u>\$ 73,230,623</u>
Net pension liability	<u>\$ 27,843,693</u>	<u>\$ 27,088,551</u>	<u>\$ 20,665,744</u>
Plan fiduciary net position as a percentage of the total pension liability	74.32%	73.05%	77.99%
Covered payroll *	<u>\$ 32,820,697</u>	<u>\$ 37,311,222</u>	<u>\$ 34,797,920</u>
Net pension liability as a percentage of covered payroll	84.84%	72.60%	59.39%

*For FY 2017 the measurement period is October 1, 2016 to September 30, 2017

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

CITY OF TUSCALOOSA
Schedule of City Contributions

Employees Retirement System of Alabama
For the years ended September 30,

	2017	2016	2015
Actuarially determined contribution*	\$ 2,802,702	\$ 2,915,639	2,781,433
Contributions in relation to the actuarially determined contribution*	2,802,702	2,915,639	2,781,433
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll^	\$ 32,820,697	\$ 37,311,222	34,797,920
Contributions as a percentage of covered-employee payroll	8.54%	7.81%	7.99%

*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 2017 is the total covered payroll for the 12 month period of the underlying financial statements.

Notes to Schedule

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were calculated based on payroll information for the twelve month period beginning after 10/01/2016

Methods and assumptions used to determine contribution rates

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 of Changes in the City's Net Pension Liability

Retirement Plan for Hourly Employees of the City of Tuscaloosa
For the years ended September 30,

	2017	2016	2015
Total pension liability			
Service Cost	\$ -	\$ -	\$ -
Interest	100,002	98,065	99,664
Effect of economic/demographic gains or losses	(48,706)	7,503	(67,986)
Benefit payments, including refunds of employee contributions	(67,708)	(65,933)	(61,466)
Net change in total pension liability	(16,412)	39,635	(29,788)
Total pension liability - beginning	2,033,488	1,993,853	2,023,641
Total pension liability - ending	<u>\$ 2,017,076</u>	<u>\$ 2,033,488</u>	<u>\$ 1,993,853</u>
Plan net position			
Contributions - employer	\$ 300,000	\$ 99,507	\$ -
Contributions - employee	-	-	-
Net investment income	7,155	5,069	4,098
Benefit payments, including refunds of employee contributions	(67,708)	(65,933)	(61,466)
Administrative expenses	(16,189)	(19,431)	(17,694)
Net change in plan net position	223,258	19,212	(75,062)
Plan net position - beginning	88,952	69,740	144,802
Plan net position - ending	<u>\$ 312,210</u>	<u>\$ 88,952</u>	<u>\$ 69,740</u>
Net pension liability	<u>\$ 1,704,866</u>	<u>\$ 1,944,536</u>	<u>\$ 1,924,113</u>
Plan net position as a percentage of the total pension liability	15.48%	4.37%	3.50%
Covered-employee payroll *	NA	NA	NA
Net pension liability as a percentage of covered-employee payroll	NA	NA	NA

*For FY 2017 the measurement period is October 1, 2016 to September 30, 2017

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

CITY OF TUSCALOOSA
Schedule of City Contributions

Retirement Plan for Hourly Employees of the City of Tuscaloosa
For the years ended September 30,

	2017	2016	2015
Actuarially determined contribution*	\$ 156,620	\$ 146,745	\$ 162,440
Contributions in relation to the actuarially determined contribution*	300,000	99,507	-
Contribution deficiency (excess)	\$ (143,380)	\$ 47,238	\$ 162,440
Covered-employee payroll	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	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.

Notes to Schedule

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

Actuarially determined contribution rates are calculated on an annual basis payable in the fiscal year beginning one year following the valuation date. For FY 2017 the valuation date was 09/30/2016. Contributions for fiscal year 2017 were calculated based on payroll information for the twelve month period beginning after 10/01/2016

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 of Changes in the City's Net Pension Liability

Tuscaloosa Police Officers and Firefighters Retirement Plan
For the years ended September 30,

	2017	2016	2015
Total pension liability			
Service cost	\$ 2,904,753	\$ 2,942,728	\$ 2,893,611
Interest	11,807,763	11,665,165	11,392,889
Benefit changes	(297,561)	(1,332,172)	-
Difference between expected and actual experience	(37,641)	284,514	-
Benefit payments	(11,384,506)	(10,905,411)	(9,833,175)
Refunds of contributions	(538,301)	(651,359)	(474,386)
Net change in total pension liability	2,454,507	2,003,465	3,978,939
Total pension liability - beginning	150,653,690	148,650,225	144,671,286
Total pension liability - ending	<u>\$ 153,108,197</u>	<u>\$ 150,653,690</u>	<u>\$ 148,650,225</u>
Plan net position			
Contributions - employer	\$ 4,389,659	\$ 4,304,301	\$ 4,216,747
Contributions - employee	3,747,171	3,661,254	3,579,903
Contributions - other	494,318	515,594	516,803
Net investment income (loss)	2,903,434	(2,819,802)	2,747,724
Benefit payments	(11,384,506)	(10,905,411)	(9,833,175)
Refunds of contributions	(538,301)	(651,359)	(474,386)
Administrative expense	(114,828)	(108,501)	(105,099)
Net change in plan net position	(503,053)	(6,003,924)	648,517
Plan net position - beginning	60,289,838	66,293,762	65,645,245
Plan net position - ending	<u>\$ 59,786,785</u>	<u>\$ 60,289,838</u>	<u>\$ 66,293,762</u>
Net pension liability	<u>\$ 93,321,412</u>	<u>\$ 90,363,852</u>	<u>\$ 82,356,463</u>
Plan net position as a percentage of the total pension liability	39.05%	40.02%	44.60%
Covered-employee payroll *	<u>\$ 31,760,670</u>	<u>\$ 32,493,465</u>	<u>\$ 31,416,404</u>
Net pension liability as a percentage of covered-employee payroll	293.83%	278.10%	262.14%

*For FY 2017 the measurement date is December 31, 2016

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

CITY OF TUSCALOOSA
Schedule of City Contributions

Tuscaloosa Police Officers and Firefighters Retirement Plan
For the years ended September 30,

	2017	2016	2015	2014
Actuarially determined contribution*	\$ 4,403,182	\$ 4,439,749	\$ 4,242,724	\$ 4,225,538
Contributions in relation to the actuarially determined contribution*	<u>4,403,182</u>	<u>4,439,749</u>	<u>4,242,724</u>	<u>4,225,538</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll^	\$ 31,858,513	\$ 32,493,465	\$ 31,416,404	\$ 31,397,558
Contributions as a percentage of covered-employee payroll	13.82%	13.66%	13.50%	13.46%

*Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2017, the measurement date for the plan is December 31, 2016

^Employer's covered-payroll during fiscal year is the total payroll paid to covered employees (not just pensionable payroll). For FY 2017, the measurement date for the plan is December 31, 2016

Notes to Schedule

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the fiscal year ended September 30, 2015. Information for the prior years is not available.

Actuarially determined contribution rates are calculated on an annual basis payable in the fiscal year beginning one year following the valuation date. For FY 2017 the valuation date was January 1, 2016

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 of Funding Progress

Other Postemployment Benefits
For the year ended September 30, 2017

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded (Funded) UAL (UAAL (2-1)	Funded Ratio (1 / 2)	Covered Payroll	UAAL as a Percentage of Covered Payroll (3 / 5)
October 1, 2016	\$ -	\$ 29,098,897	\$ 29,098,897	\$ -	\$ 60,882,859	47.8%
October 1, 2015	-	14,387,626	14,387,626	-	68,520,539	21.0%
October 1, 2014	-	13,834,256	13,834,256	-	68,520,539	20.2%
October 1, 2013	-	11,428,850	11,428,850	-	66,608,053	17.2%
October 1, 2012	-	12,959,681	12,959,681	-	66,520,103	19.5%



COMBINED STATEMENTS AND SCHEDULES

**CITY OF TUSCALOOSA
COMBINING BALANCE SHEET**

**Nonmajor Governmental Funds
September 30, 2017**

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 4,749,767	\$ 5,346,520	\$ 50	\$ 10,096,337
Investments	230,668	-	-	230,668
Receivables	1,382,290	-	-	1,382,290
Due from Other Governments	2,366,609	-	-	2,366,609
Due from Other Funds	925,987	5,911,890	73,964	6,911,841
Loans Receivable	2,770,354	-	-	2,770,354
Advances to Other Funds	565,000	425,000	-	990,000
Inventory	292	-	-	292
Total Assets	\$ 12,990,967	\$ 11,683,410	\$ 74,014	\$ 24,748,391
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)				
Liabilities				
Accounts Payable and Other Current Charges	\$ 1,739,631	\$ 760,971	\$ 1,192	\$ 2,501,794
Accrued Expenditures	36,909	-	-	36,909
Due to Other Funds	1,742,486	5,119,942	29,290	6,891,718
Advances from Other Funds	3,144,630	-	-	3,144,630
Total Liabilities	6,663,656	5,880,913	30,482	12,575,051
Deferred Inflows of Resources				
Unavailable Revenues - Intergovernmental	1,608,049	-	-	1,608,049
Total Deferred Inflows of Resources	1,608,049	-	-	1,608,049
Fund Balances (Deficit)				
Nonspendable:				
Advances	565,000	425,000	-	990,000
Inventory	292	-	-	292
Restricted for:				
Capital Park Maintenance	-	-	43,532	43,532
Capital Projects	1,861,481	624,175	-	2,485,656
Grant Projects	2,906,726	-	-	2,906,726
Road Projects	956,583	332,878	-	1,289,461
Salaries and Wages	197,261	-	-	197,261
Committed for:				
Capital Projects	-	4,420,444	-	4,420,444
Cemetery Maintenance	135,400	-	-	135,400
Grant Projects	49,304	-	-	49,304
Assigned				
Capital Projects	153,901	-	-	153,901
Unassigned	(2,106,686)	-	-	(2,106,686)
Total Fund Balances (Deficit)	4,719,262	5,802,497	43,532	10,565,291
Total Liabilities, Deferred Inflows and Fund Balances (Deficit)	\$ 12,990,967	\$ 11,683,410	\$ 74,014	\$ 24,748,391

CITY OF TUSCALOOSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Governmental Funds
For the year ended September 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 891,602	\$ -	\$ -	\$ 891,602
Intergovernmental	6,609,970	-	-	6,609,970
Other	721,254	1,337,866	-	2,059,120
Total Revenues	<u>8,222,826</u>	<u>1,337,866</u>	<u>-</u>	<u>9,560,692</u>
EXPENDITURES				
Current Operations				
Community Services	1,075,777	-	13,505	1,089,282
General Government	226,715	45	-	226,760
Infrastructure and Public Services	-	7,500	-	7,500
Public Safety	11,357	-	-	11,357
Urban Development	14,262	-	-	14,262
Total Current Operations	<u>1,328,111</u>	<u>7,545</u>	<u>13,505</u>	<u>1,349,161</u>
Capital Outlay	4,855,307	7,064,043	-	11,919,350
Debt Service				
Principal	75,000	-	-	75,000
Interest Charges	40,606	40	-	40,646
Total Expenditures	<u>6,299,024</u>	<u>7,071,628</u>	<u>13,505</u>	<u>13,384,157</u>
Excess (Deficiency) of Revenues over (under) Expenditures	1,923,802	(5,733,762)	(13,505)	(3,823,465)
OTHER FINANCING SOURCES (USES)				
Transfers In	382,400	8,322,129	-	8,704,529
Transfer Out	(1,618,824)	(2,347,006)	-	(3,965,830)
Total Other Financing Sources (Uses)	<u>(1,236,424)</u>	<u>5,975,123</u>	<u>-</u>	<u>4,738,699</u>
Net Change in Fund Balances	687,378	241,361	(13,505)	915,234
Fund Balances, Beginning of Year, Restated	<u>4,031,884</u>	<u>5,561,136</u>	<u>57,037</u>	<u>9,650,057</u>
Fund Balances, End of Year	<u>\$ 4,719,262</u>	<u>\$ 5,802,497</u>	<u>\$ 43,532</u>	<u>\$ 10,565,291</u>

CITY OF TUSCALOOSA, ALABAMA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

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.

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.

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, 2017**

	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund
ASSETS						
Cash and Cash Equivalents	\$ 94,423	\$ 386,932	\$ 163,436	\$ 855,798	\$ 31,105	\$ 81,135
Investments	-	-	-	-	-	75,000
Receivables	-	1,380,973	-	-	-	-
Due from Other Governments	-	-	262,343	100,785	105	41,126
Due from Other Funds	186,504	130,394	209,635	-	3,975	-
Loan Receivables	-	-	2,770,354	-	-	-
Advances to Other Funds	-	-	-	-	-	-
Inventory	-	-	-	-	292	-
Total Assets	\$ 280,927	\$ 1,898,299	\$ 3,405,768	\$ 956,583	\$ 35,477	\$ 197,261
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)						
Liabilities						
Accounts Payable and Other Current Charges	\$ 42,516	\$ 1,327,159	\$ 369,102	\$ -	\$ -	\$ -
Accrued Expenditures	448	-	984	-	35,477	-
Due to Other Funds	237,955	301,280	128,964	-	-	-
Advances from Other Funds	-	-	-	-	-	-
Total Liabilities	280,919	1,628,439	499,050	-	35,477	-
Deferred Inflows of Resources						
Unavailable Revenues - Intergovernmental	-	66,655	-	-	-	-
Total Deferred Inflows of Resources	-	66,655	-	-	-	-
Fund Balances						
Nonspendable:						
Advances	-	-	-	-	-	-
Inventory	-	-	-	-	292	-
Restricted for:						
Capital Projects	-	-	-	-	-	-
Grant Projects	8	-	2,906,718	-	-	-
Road Projects	-	-	-	956,583	-	-
Salaries and Wages	-	-	-	-	-	197,261
Storm Recovery	-	-	-	-	-	-
Committed for:						
Cemetery Maintenance	-	-	-	-	-	-
Grant Projects	-	49,304	-	-	-	-
Tourism Enhancement	-	-	-	-	-	-
Assigned						
Capital Projects	-	153,901	-	-	-	-
Unassigned	-	-	-	-	(292)	-
Total Fund Balances (Deficit)	8	203,205	2,906,718	956,583	-	197,261
Total Liabilities, Deferred Inflows and Fund Balances	\$ 280,927	\$ 1,898,299	\$ 3,405,768	\$ 956,583	\$ 35,477	\$ 197,261

**CITY OF TUSCALOOSA
COMBINING BALANCE SHEET**

**Nonmajor Special Revenue Funds
September 30, 2017**

	Alabama Trust Fund	Evergreen Cemetery Fund	Section 108 Funds	Storm Recovery FEMA Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,799,965	\$ 8,435	\$ 62,370	\$ 1,266,168	\$ 4,749,767
Investments	-	155,668	-	-	230,668
Receivables	-	1,317	-	-	1,382,290
Due from Other Governments	-	-	-	1,962,250	2,366,609
Due from Other Funds	-	-	-	395,479	925,987
Loan Receivables	-	-	-	-	2,770,354
Advances to Other Funds	-	-	-	565,000	565,000
Inventory	-	-	-	-	292
Total Assets	\$ 1,799,965	\$ 165,420	\$ 62,370	\$ 4,188,897	\$ 12,990,967
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)					
Liabilities					
Accounts Payable and Other Current Charges	\$ 854	\$ -	\$ -	\$ -	\$ 1,739,631
Accrued Expenditures	-	-	-	-	36,909
Due to Other Funds	-	30,020	-	1,044,267	1,742,486
Advances from Other Funds	-	-	-	3,144,630	3,144,630
Total Liabilities	854	30,020	-	4,188,897	6,663,656
Deferred Inflows of Resources					
Unavailable Revenues - Intergovernmental	-	-	-	1,541,394	1,608,049
Total Deferred Inflows of Resources	-	-	-	1,541,394	1,608,049
Fund Balances (Deficit)					
Nonspendable:					
Advances	-	-	-	565,000	565,000
Inventory	-	-	-	-	292
Restricted for:					
Capital Projects	1,799,111	-	62,370	-	1,861,481
Grant Projects	-	-	-	-	2,906,726
Road Projects	-	-	-	-	956,583
Salaries and Wages	-	-	-	-	197,261
Committed for:					
Cemetery Maintenance	-	135,400	-	-	135,400
Grant Projects	-	-	-	-	49,304
Assigned					
Capital Projects	-	-	-	-	153,901
Unassigned	-	-	-	(2,106,394)	(2,106,686)
Total Fund Balances (Deficit)	1,799,111	135,400	62,370	(1,541,394)	4,719,262
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,799,965	\$ 165,420	\$ 62,370	\$ 4,188,897	\$ 12,990,967

CITY OF TUSCALOOSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Special Revenue Funds
For the year ended September 30, 2017

	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	\$ -	\$ -	\$ -	\$ 443,322	\$ -	\$ -
Share of Beer Tax	-	-	-	-	-	448,280
Intergovernmental Revenues						
Federal Grants	-	2,088,227	3,088,566	-	-	-
State and Local Grants	-	173,275	-	-	71,518	-
Other Revenues						
Interest on Investments	48	-	-	-	-	857
Share of Tag Receipts	-	-	-	303,302	-	-
Collection of Principal and Interest	-	-	319,308	-	-	-
Other	-	-	-	-	869	-
Total Revenues	<u>48</u>	<u>2,261,502</u>	<u>3,407,874</u>	<u>746,624</u>	<u>72,387</u>	<u>449,137</u>
EXPENDITURES						
Current Operations						
Community Services	-	-	1,075,777	-	-	-
General Government	-	-	140,543	-	80,754	-
Public Safety	11,357	-	-	-	-	-
Urban Development	-	-	14,262	-	-	-
Total Current Operations	<u>11,357</u>	<u>-</u>	<u>1,230,582</u>	<u>-</u>	<u>80,754</u>	<u>-</u>
Capital Outlay	36,738	2,266,209	2,398,377	-	-	-
Debt Service						
Principal	-	-	75,000	-	-	-
Interest Charges	-	-	40,606	-	-	-
Total Expenditures	<u>48,095</u>	<u>2,266,209</u>	<u>3,744,565</u>	<u>-</u>	<u>80,754</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(48,047)	(4,707)	(336,691)	746,624	(8,367)	449,137
OTHER FINANCING SOURCES (USES)						
Transfers In	77,735	32,150	177,135	-	3,975	-
Transfer Out	-	-	-	(661,111)	-	(457,713)
Total Other Financing Sources (Uses)	<u>77,735</u>	<u>32,150</u>	<u>177,135</u>	<u>(661,111)</u>	<u>3,975</u>	<u>(457,713)</u>
Net Change in Fund Balances	29,688	27,443	(159,556)	85,513	(4,392)	(8,576)
Fund Balances (Deficit), Beginning of Year, Restated	<u>(29,680)</u>	<u>175,762</u>	<u>3,066,274</u>	<u>871,070</u>	<u>4,392</u>	<u>205,837</u>
Fund Balances, End of Year	<u>\$ 8</u>	<u>\$ 203,205</u>	<u>\$ 2,906,718</u>	<u>\$ 956,583</u>	<u>\$ -</u>	<u>\$ 197,261</u>

CITY OF TUSCALOOSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Special Revenue Funds
For the year ended September 30, 2017

	Alabama Trust Fund	Evergreen Cemetery Fund	Section 108 Funds	Storm Recovery FEMA Fund	Total Nonmajor Special Revenue Funds
REVENUES					
Taxes					
Gas Tax - State of Alabama	\$ -	\$ -	\$ -	\$ -	\$ 443,322
Share of Beer Tax	-	-	-	-	448,280
Intergovernmental Revenues					
Federal Grants	-	-	-	420,856	5,597,649
State and Local Grants	767,528	-	-	-	1,012,321
Other Revenues					
Interest on Investments	-	4,220	-	-	5,125
Share of Tag Receipts	-	-	-	-	303,302
Collection of Principal and Interest	-	-	-	-	319,308
Other	92,650	-	-	-	93,519
Total Revenues	860,178	4,220	-	420,856	8,222,826
EXPENDITURES					
Current Operations					
Community Services	-	-	-	-	1,075,777
General Government	-	5,222	196	-	226,715
Public Safety	-	-	-	-	11,357
Urban Development	-	-	-	-	14,262
Total Current Operations	-	5,222	196	-	1,328,111
Capital Outlay	153,983	-	-	-	4,855,307
Debt Service					
Principal	-	-	-	-	75,000
Interest Charges	-	-	-	-	40,606
Total Expenditures	153,983	5,222	196	-	6,299,024
Excess (Deficiency) of Revenues over (under) Expenditures	706,195	(1,002)	(196)	420,856	1,923,802
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	91,405	382,400
Transfer Out	(500,000)	-	-	-	(1,618,824)
Total Other Financing Sources (Uses)	(500,000)	-	-	91,405	(1,236,424)
Net Change in Fund Balances	206,195	(1,002)	(196)	512,261	687,378
Fund Balances (Deficit), Beginning of Year, Restated	1,592,916	136,402	62,566	(2,053,655)	4,031,884
Fund Balances (Deficit), End of Year	\$ 1,799,111	\$ 135,400	\$ 62,370	\$ (1,541,394)	\$ 4,719,262

CITY OF TUSCALOOSA, ALABAMA
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

City Facilities Construction Fund accounts for capital outlays associated with improvements to the City owned facilities.

Tourism Capital Projects Fund accounts for capital outlays associated with expenditures funded with lodging tax revenues to attract new development and tourism within the City.

Storm Recovery Insurance Fund accounts for repairs and redevelopment throughout the City resulting from natural disasters which are funded with insurance reimbursements.

Public Safety Capital Projects Fund accounts for capital outlays for equipment, vehicles, and improvements for the City's police and fire departments.

Public Works Capital Projects Fund accounts for capital outlays for equipment, vehicles, and improvements for the City's public works departments.

Road Improvement Fund accounts for capital outlays associated with improvements, maintenance, and construction of new roadways throughout the City.

**CITY OF TUSCALOOSA
COMBINING BALANCE SHEET**

**Nonmajor Capital Projects Funds
September 30, 2017**

	City Facilities Construction	Tourism Capital Projects	Storm Recovery Insurance	Public Safety Capital Projects	Public Works Capital Projects	Road Improvement Fund	Total Nonmajor Capital Projects Funds
ASSETS							
Cash and Cash Equivalents	\$ 373,872	\$ 78,346	\$ 2,891,446	\$ 1,077,575	\$ 531,363	\$ 393,918	\$ 5,346,520
Due from Other Funds	250,303	62,576	300,000	2,077,952	2,805,547	415,512	5,911,890
Advances to Other Funds	-	-	425,000	-	-	-	425,000
Total Assets	<u>\$ 624,175</u>	<u>\$ 140,922</u>	<u>\$ 3,616,446</u>	<u>\$ 3,155,527</u>	<u>\$ 3,336,910</u>	<u>\$ 809,430</u>	<u>\$ 11,683,410</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable and Other Current Charges	\$ -	\$ -	\$ 2,755	\$ 61,924	\$ 251,033	\$ 445,259	\$ 760,971
Due to Other Funds	-	-	1,405,638	3,093,603	589,408	31,293	5,119,942
Total Liabilities	-	-	1,408,393	3,155,527	840,441	476,552	5,880,913
Fund Balances							
Nonspendable:							
Advances	-	-	425,000	-	-	-	425,000
Restricted for:							
Capital Projects	624,175	-	-	-	-	-	624,175
Road Projects	-	-	-	-	-	332,878	332,878
Committed for:							
Capital Projects	-	140,922	1,783,053	-	2,496,469	-	4,420,444
Total Fund Balances	<u>624,175</u>	<u>140,922</u>	<u>2,208,053</u>	<u>-</u>	<u>2,496,469</u>	<u>332,878</u>	<u>5,802,497</u>
Total Liabilities and Fund Balances	<u>\$ 624,175</u>	<u>\$ 140,922</u>	<u>\$ 3,616,446</u>	<u>\$ 3,155,527</u>	<u>\$ 3,336,910</u>	<u>\$ 809,430</u>	<u>\$ 11,683,410</u>

CITY OF TUSCALOOSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Nonmajor Capital Projects Funds
For the year ended September 30, 2017

	City Facilities Construction	Tourism Capital Projects	Storm Recovery Insurance	Public Safety Capital Projects	Public Works Capital Projects	Road Improvement Fund	Total Nonmajor Capital Projects Funds
REVENUES							
Other	\$ 3,694	\$ 31	\$ 1,311,751	\$ -	\$ 22,390	\$ -	\$ 1,337,866
Total Revenues	<u>3,694</u>	<u>31</u>	<u>1,311,751</u>	<u>-</u>	<u>22,390</u>	<u>-</u>	<u>1,337,866</u>
EXPENDITURES							
Current Operations							
General Government	45	-	-	-	-	-	45
Infrastructure and Public Services	-	-	-	-	-	7,500	7,500
Total Current Operations	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,500</u>	<u>7,545</u>
Capital Outlay	-	-	94,829	3,936,398	1,537,055	1,495,761	7,064,043
Debt Service							
Interest Charges	40	-	-	-	-	-	40
Total Expenditures	<u>85</u>	<u>-</u>	<u>94,829</u>	<u>3,936,398</u>	<u>1,537,055</u>	<u>1,503,261</u>	<u>7,071,628</u>
Excess (Deficiency) of Revenues over (under) Expenditures	3,609	31	1,216,922	(3,936,398)	(1,514,665)	(1,503,261)	(5,733,762)
OTHER FINANCING SOURCES (USES)							
Transfers In	1,333,232	333,151	-	3,438,214	1,381,393	1,836,139	8,322,129
Transfer Out	<u>(1,213,861)</u>	<u>(250,000)</u>	<u>-</u>	<u>(750,000)</u>	<u>(133,145)</u>	<u>-</u>	<u>(2,347,006)</u>
Total Other Financing Sources (Uses)	<u>119,371</u>	<u>83,151</u>	<u>-</u>	<u>2,688,214</u>	<u>1,248,248</u>	<u>1,836,139</u>	<u>5,975,123</u>
Net Change in Fund Balances	122,980	83,182	1,216,922	(1,248,184)	(266,417)	332,878	241,361
Fund Balances, Beginning of Year	<u>501,195</u>	<u>57,740</u>	<u>991,131</u>	<u>1,248,184</u>	<u>2,762,886</u>	<u>-</u>	<u>5,561,136</u>
Fund Balances, End of Year	<u>\$ 624,175</u>	<u>\$ 140,922</u>	<u>\$ 2,208,053</u>	<u>\$ -</u>	<u>\$ 2,496,469</u>	<u>\$ 332,878</u>	<u>\$ 5,802,497</u>



SUPPLEMENTAL INFORMATION



CITY OF TUSCALOOSA
WATER AND SEWER FUND

Schedule of Revenues and Operating Expenses - Budget to Actual (GAAP Basis)

For the year ended September 30, 2017

	Budget	Actual**	Positive (Negative)
Operating Revenues:			
Charges for Services	\$ 46,403,974	\$ 47,097,760	\$ 693,786
Connection Fees	1,120,000	1,167,552	47,552
Cost Reimbursement	324,563	265,507	(59,056)
Other	27,300	30,621	3,321
Total Operating Revenues	47,875,837	48,561,440	685,603
Non-Operating Revenues (Expenses):			
Interest Income	10,000	36,062	26,062
Interest and Fiscal Charges	(3,334,927)	(2,626,408)	708,519
Capital Grant Revenue	-	1,110,119	1,110,119
Gain on Disposal	-	11,762	11,762
Net non-operating revenues (expenses)	(3,324,927)	(1,468,465)	1,856,462
Total before transfers and contributions	44,550,910	47,092,975	2,542,065
Transfers in (out) and contributions			
Capital Contributions - Developers	-	1,730,845	1,730,845
Transfers in	50,140	82,939	32,799
Transfers out	(6,073,545)	(5,936,508)	137,037
Net Transfers and Contributions	(6,023,405)	(4,122,724)	1,900,681
Fund Total	\$ 38,527,505	\$ 42,970,251	\$ 4,442,746

**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 Revenues and Operating Expenses - Budget to Actual (GAAP Basis)

For the year ended September 30, 2017

	<u>Budget</u>	<u>Actual**</u>	<u>Positive (Negative)</u>
Operating expenses:			
Accounting and Finance	\$ 227,514	\$ 248,950	\$ (21,436)
Infrastructure and Public Services:			
Engineering	728,236	700,662	27,574
Logistics and Asset Management	13,362,258	12,071,916	1,290,342
Public Services	7,300	6,581	719
Infrastructure	6,634,847	6,521,519	113,328
Urban Development	941,134	889,095	52,039
Damage Claims	65,000	11,833	53,167
Depreciation	9,000,000	9,285,167	(285,167)
Special Projects	2,279,739	1,163,264	1,116,475
Other	(2,185)	(16,647)	14,462
Total Operating Expenses	<u>\$ 33,243,843</u>	<u>\$ 30,882,340</u>	<u>\$ 2,361,503</u>

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



STATISTICAL SECTION



STATISTICAL SECTION

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

Contents

Page

Financial Trends	146 - 152
<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>	
Revenue Capacity	153 - 159
<i>These schedules contain information to help the reader assess the City's most significant local revenue sources.</i>	
Debt Capacity	160 - 164
<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>	
Demographic and Economic Information	165 and 166
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	
Operating Information	167 - 170
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the City's financial reports for the relevant year.

CITY OF TUSCALOOSA
Schedule A

Net Position by Component (accrual basis of accounting)
Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 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	\$ 185,194,521
Restricted	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	10,676,955
Unrestricted	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)	(71,093,338)
Total Governmental Activities Net Position	\$ 180,559,828	\$ 194,059,792	\$ 200,487,393	\$ 186,254,331	\$ 203,306,906	\$ 204,033,516	\$ 203,930,471	\$ 124,291,943	\$ 124,384,798	\$ 124,778,138
Business-Type Activities										
Net Investment in Capital Assets	\$ 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	\$ 209,743,795
Unrestricted	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	18,637,889
Total Business-Type Activities Net Position	\$ 182,629,227	\$ 183,162,314	\$ 184,888,687	\$ 187,840,145	\$ 192,421,974	\$ 199,584,210	\$ 203,226,075	\$ 205,888,966	\$ 216,060,456	\$ 228,381,684
Primary Government										
Net Investment in Capital Assets	\$ 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	\$ 394,938,316
Restricted	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	10,676,955
Unrestricted	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)	(52,455,449)
Total Primary Government Net Position	\$ 363,189,055	\$ 377,222,106	\$ 385,376,080	\$ 374,094,476	\$ 395,728,880	\$ 403,617,726	\$ 407,156,546	\$ 330,180,909	\$ 340,445,254	\$ 353,159,822

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Community Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,256,107
Culture and Recreation	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	-
Economic Development	-	-	-	-	-	203,727	268,206	179,859	67,066	-
Environmental Services	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	-
General Government	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	34,924,823
Housing	-	-	-	-	-	603,953	832,606	552,019	686,792	-
Infrastructure and Public Services	-	-	-	-	-	-	-	-	-	32,891,792
Public Safety	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	54,362,016
Streets and Highways	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	-
Urban Development	-	-	-	-	-	-	-	-	-	3,088,730
Cost Sharing Arrangements	-	-	-	-	-	-	-	-	-	861,956
Education	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	17,041,400
Funds to Other Agencies	-	-	-	-	-	-	-	-	-	13,371,624
Health	-	-	-	-	-	130,000	130,000	130,000	130,000	-
Library	-	-	-	-	-	1,870,572	1,919,273	1,919,273	1,919,273	-
Interest on Long-Term Debt	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	3,231,727
Unallocated Depreciation Expense	3,195,071	3,416,863	281,654	234,302	-	-	-	-	-	-
Total Governmental Activities Expenses	116,049,438	111,724,897	110,897,903	134,046,812	133,584,429	142,077,051	146,931,071	146,744,143	156,199,660	170,030,175
Business-Type Activities										
Intermodal Facility	-	-	-	62,200	70,318	72,500	72,535	57,234	70,255	57,247
Water and Sewer	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	33,583,116
Total Business-Type Activities Expenses	29,570,528	32,894,191	33,095,681	34,239,334	35,340,026	36,947,667	38,003,845	37,534,573	38,877,756	33,640,363
Total Primary Government Expenses	\$ 145,619,966	\$ 144,619,088	\$ 143,993,584	\$ 168,286,146	\$ 168,924,455	\$ 179,024,718	\$ 184,934,916	\$ 184,278,716	\$ 195,077,416	\$ 203,670,538
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Infrastructure and Public Services	\$ 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	\$ 5,572,009
General Government	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	25,953,225
Public Safety	1,344,525	149,702	28,405	57,490	27,936	39,705	-	93,105	109,213	-
Operating Grants and Contributions	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	49,087,506
Capital Grants and Contributions	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	8,583,231
Total Governmental Activities Program Revenues	\$ 73,553,360	\$ 69,906,422	\$ 58,567,569	\$ 70,536,816	\$ 70,476,094	\$ 76,356,095	\$ 78,424,971	\$ 86,569,758	\$ 84,874,474	\$ 89,195,971
Business-Type Activities:										
Charges for Services:										
Intermodal Facility	\$ -	\$ -	\$ -	\$ 15,995	\$ 20,985	\$ 25,451	\$ 24,796	\$ 15,559	\$ 26,750	\$ -
Water and Sewer	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	48,265,312
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	334,920
Capital Grants and Contributions	2,148,925	1,122,303	967,828	879,473	827,229	3,696,951	2,382,039	1,562,543	4,522,992	1,413,123
Total Business-Type Program Revenues	\$ 34,484,033	\$ 34,359,871	\$ 35,506,792	\$ 38,324,810	\$ 40,073,728	\$ 44,473,691	\$ 45,558,647	\$ 47,623,075	\$ 50,785,176	\$ 50,013,355

Notes: In FY 2017, the City of Tuscaloosa departments were restructured. Therefore, function groups changed for financial statement and supporting schedule presentation. 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 (accrual basis of accounting)
Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) Revenue:										
Governmental Activities	\$ (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)	\$ (80,834,204)
Business-Type Activities	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	16,372,992
Total Primary Government Net Expense	(37,582,573)	(40,352,795)	(49,919,223)	(59,424,520)	(58,374,633)	(58,194,932)	(60,951,298)	(50,085,883)	(59,417,766)	(64,461,212)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Taxes										
Sales and Use Tax	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	42,347,194
Property Tax	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	16,686,560
Lodging Tax	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	6,686,188
Taxes Passed through from State	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	2,034,264
Other	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	7,252,459
Gain (Loss) on Disposal of Capital Assets	-	(110,274)	(17,887)	(1,185,213)	-	1,855,000	149,000	1,100,000	-	1,071,482
Gain (Loss) on Impairment	-	-	-	(10,068,456)	17,822,187	218,826	-	-	-	-
Unrestricted Investment Earnings	3,055,941	1,371,936	764,572	527,377	1,236,457	76,701	362,693	961,704	629,033	2,148,758
Other Income	-	-	-	-	-	-	99,566	73,019	-	-
Transfers	1,738,218	1,175,502	757,799	481,800	199,164	439,590	2,014,356	1,813,664	1,766,618	4,419,128
Total Governmental Activities	59,554,174	56,137,439	58,757,935	49,276,933	79,638,490	66,447,566	68,403,055	72,633,816	71,418,041	82,646,033
Business-Type Activities:										
Gain (Loss) on Disposal of Capital Assets	-	-	-	23,114	(1,090)	57,680	-	-	-	11,762
Unrestricted Investment Earnings	1,033,456	242,909	73,059	59,301	48,381	18,122	11,428	12,240	30,688	36,062
Transfers	(1,738,218)	(1,175,502)	(757,799)	(481,800)	(199,164)	(439,590)	(2,014,356)	(1,813,664)	(1,766,618)	(4,419,128)
Total Business-Type Activities	(704,762)	(932,593)	(684,740)	(399,385)	(151,873)	(363,788)	(2,002,928)	(1,801,424)	(1,735,930)	(4,371,304)
Total Primary Government	58,849,412	55,204,846	58,073,195	48,877,548	79,486,617	66,083,778	66,400,127	70,832,392	69,682,111	78,274,729
Change in Net Position:										
Governmental Activities	17,058,096	14,318,964	6,427,601	(14,233,063)	16,530,155	726,610	(103,045)	12,459,431	92,855	1,811,829
Business-Type Activities	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	12,001,688
Total Business-Type Program Revenues	\$ 21,266,839	\$ 14,852,051	\$ 8,153,972	\$ (10,546,972)	\$ 21,111,984	\$ 7,888,846	\$ 5,448,829	\$ 20,746,509	\$ 10,264,345	\$ 13,813,517

Notes: In FY 2017, the City of Tuscaloosa departments were restructured. Therefore, function groups changed for financial statement and supporting schedule presentation. 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 C

Governmental Activities Tax Revenues by Source (accrual basis of accounting)
 Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales Tax	\$ 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	\$ 38,485,038
Use Tax	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	3,862,156
Property Tax	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	16,686,560
Lodging Tax	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	6,686,188
Other State and Local Taxes	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	7,252,459
	<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>	<u>\$ 72,972,401</u>

CITY OF TUSCALOOSA
Schedule D

Fund Balances of Governmental Funds (accrual basis of accounting)
Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 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	3,431,639
Restricted	-	-	-	69,786	74,048	392,713	649,296	1,193,431	1,582,927	2,335,156
Committed	-	-	-	1,588,421	1,288,157	1,392,757	1,369,044	1,523,230	1,405,267	971,502
Assigned	-	-	-	247,643	2,359,267	808,171	231,124	161,307	484,417	134,881
Unassigned	-	-	-	11,266,978	10,554,051	11,286,460	12,185,918	12,202,395	11,953,717	12,502,563
Unreserved-designated	1,488,763	2,655,534	2,380,133	-	-	-	-	-	-	-
Unreserved-undesignated	14,032,856	9,605,397	10,419,205	-	-	-	-	-	-	-
Total General Fund	\$ 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	\$ 19,375,741
Capital Projects Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,144,630
Restricted	-	-	-	4,188,643	-	-	-	-	-	23,500,862
Committed	-	-	-	3,784,607	11,988,030	8,732,630	17,045,873	7,852,499	27,687,207	4,839,880
Assigned	-	-	-	20,919,348	14,185,553	10,301,317	-	18,146,753	27,718,919	17,850,327
Unreserved-designated	32,773,646	21,939,071	24,746,854	-	-	-	-	-	-	-
Unreserved-undesignated	29,484,194	23,604,178	15,924,206	-	-	-	-	-	-	-
Total Capital Projects Fund	\$ 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	\$ 49,335,699
All Other Governmental Funds										
Reserved-reported In:										
Special Revenue Funds	\$ 2,162,687	\$ 3,555,470	\$ 6,125,162	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permanent Fund	85,672	85,848	85,891	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	990,292
Restricted	-	-	-	6,349,722	4,861,105	3,243,962	6,817,599	3,308,643	3,649,933	8,240,537
Committed	-	-	-	233,767	654,692	9,484,539	4,440,482	7,418,732	5,511,889	4,605,148
Assigned	-	-	-	7,989,323	21,331,892	-	270,205	396,951	175,762	153,901
Unassigned	-	-	-	-	1,295	(392,847)	(307,769)	(284,997)	403,976	(2,106,686)
Unreserved, Reported In:										
Special Revenue Funds	233,948	231,053	232,427	-	-	-	-	-	-	-
Capital Projects Funds	1,610,676	16,279,019	4,753,798	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 4,092,983	\$ 20,151,390	\$ 11,197,278	\$ 14,572,812	\$ 26,848,984	\$ 12,335,654	\$ 11,220,517	\$ 10,839,329	\$ 9,741,560	\$ 11,883,192

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Taxes	\$ 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	\$ 72,972,401
Licenses and Permits	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	22,243,027
Fines and Penalties	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	2,918,739
Use of Property	77,440	85,999	85,105	91,273	97,517	96,093	7,601	40,633	35,632	576,455
Charges for Services	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	5,572,009
Intergovernmental	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	49,539,381
Other Revenues	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	11,573,313
Total Revenues	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	165,395,325
Expenditures:										
Community Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,101,429
Culture and Recreation	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	-
Economic Development	-	-	-	-	-	-	438,206	2,089,871	2,002,451	-
Environmental Services	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	-
General Government	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	15,879,850
Housing	-	-	-	-	-	603,953	832,606	552,019	686,584	-
Infrastructure and Public Services	-	-	-	-	-	-	-	-	-	27,763,854
Public Safety	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	51,593,058
Streets and Highways	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	-
Urban Development	-	-	-	-	-	-	-	-	-	3,018,293
Other Activities	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	-
Cost Sharing Arrangements	-	-	-	-	-	-	-	-	-	861,956
Education	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	17,041,400
Funds to Other Agencies	-	-	-	-	-	-	-	-	-	13,371,625
Health	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	-
Library	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	-
Interest on Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Capital Outlay	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	33,042,037
Debt Service										
Principal	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	4,743,233
Interest	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	3,981,357
Warrant Issue Costs	-	-	262,190	-	-	-	191,736	26,666	276,590	264,116
Intergovernmental	-	-	-	-	-	5,977,093	4,713,232	7,481,984	1,383,699	543,444
Total Governmental Activities Expenses	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	182,205,652
Excess of Revenues Over (Under) Expenditures	(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)	(16,810,327)

Note: In FY 2017, the City of Tuscaloosa departments were restructured. Therefore, function groups changed for financial statement and supporting schedule presentation.

CITY OF TUSCALOOSA
Schedule E

Changes in Fund Balances of Governmental Funds (accrual basis of accounting)
Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess of Revenues Over (Under) Expenditures (Brought Forward)	\$ (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)	\$ (16,810,327)
Other Financing Sources (Uses):										
Transfers In	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	25,731,688
Transfers Out	(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)	(19,884,719)
Insurance Proceeds	-	-	-	15,281,448	17,822,187	218,826	99,566	-	-	-
Loan Proceeds	-	-	-	-	372,982	-	147,304	-	-	-
Warrants Issued	-	17,023,715	34,510,000	-	-	7,024,227	22,100,000	2,090,000	33,370,000	32,750,000
Premium on Warrants Issued	-	-	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)	(29,002,339)
Proceeds from the Sale of Capital Assets	-	-	-	-	-	-	-	-	-	1,167,360
Capital Lease	192,562	793,948	-	-	-	-	-	-	-	400,000
Installment Purchase Note Proceeds	-	-	-	-	-	-	-	-	-	1,861,000
Total Other Financing Sources (Uses)	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	13,022,990
Net Change in Fund Balances	\$ (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	\$ (3,787,337)
Debt Service as a Percentage of NonCapital Expenditures*	6%	6%	7%	5%	6%	8%	14%	7%	6%	6%

Notes: In FY 2017, the City of Tuscaloosa departments were restructured. Therefore, function groups changed for financial statement and supporting schedule presentation.

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

CITY OF TUSCALOOSA
Schedule F

Total Governmental Fund Tax Revenues by Source (accrual basis of accounting)
 Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales Tax	\$ 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	\$ 38,485,038
Use Tax	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	3,862,156
Property Tax	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	16,686,560
Lodging Tax	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	6,686,188
Other State and Local Taxes	5,115,011	5,375,171	5,535,692	5,776,727	5,627,648	5,968,921	5,376,407	6,694,905	7,072,599	7,252,459
	<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>\$ 67,141,597</u>	<u>\$ 72,972,401</u>

CITY OF TUSCALOOSA
Schedule G

Assessed Value and Estimated Actual Value of Taxable Property
 Last ten fiscal years ended September 30,

Fiscal Year	Real and Personal Property*		Automobiles**		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2008	\$ 874,851,200	\$ 5,832,341,333	\$ 98,605,607	\$ 576,303,957	\$ 973,456,807	0.0135	\$ 6,408,645,290	15.19%
2009	990,117,580	6,600,783,867	86,303,273	504,402,529	1,076,420,853	0.0135	7,105,186,396	15.15%
2010	873,347,480	5,822,316,533	86,339,740	504,615,663	959,687,220	0.0135	6,326,932,196	15.17%
2011	995,254,480	6,635,029,867	101,714,100	594,471,654	1,096,968,580	0.0135	7,229,501,521	15.17%
2012	992,803,620	6,618,690,800	111,778,100	653,291,058	1,104,581,720	0.0135	7,271,981,858	15.19%
2013	1,025,403,860	6,836,025,733	118,083,502	690,546,795	1,143,487,362	0.0135	7,526,572,528	15.19%
2014	1,069,285,600	7,128,570,667	113,072,300	661,241,520	1,182,357,900	0.0135	7,789,812,187	15.18%
2015	1,104,885,840	7,365,905,600	121,760,000	729,729,327	1,226,645,840	0.0135	8,095,634,927	15.15%
2016	1,175,088,440	7,833,922,933	125,096,180	731,129,047	1,300,184,620	0.0135	8,565,051,980	15.18%
2017	1,194,074,340	7,960,495,600	123,360,600	720,985,388	1,317,434,940	0.0135	8,681,480,988	15.18%

Note: 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

Last ten fiscal years ended September 30,

Fiscal Year	Direct Rate	Overlapping Rates*			Total
	City of Tuscaloosa	City Schools	Tuscaloosa County	State of Alabama	
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
2017	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, 2017				September 30, 2008			
	City Ad Valorem Taxes Paid	Rank	Total Assessed Value Of All Property Within City Limit	Percentage Of Total Assessed Valuation	City Ad Valorem Taxes Paid	Rank	Total Assessed Value Of All Property Within City Limit	Percentage Of Total Assessed Valuation
Alabama Power Company	\$ 464,558	1	\$ 34,411,720	2.88%	\$ 291,948	1	\$ 21,625,780	2.47%
Phifer Incorporated	220,771	2	17,203,100	1.44%	180,916	2	20,023,680	2.29%
Tuscaloosa I LLC	171,655	3	12,715,200	1.06%				
The Greens at Tuscaloosa	135,500	4	10,037,040	0.84%	113,616	4	8,416,000	0.96%
Cedar Crest Land LLC	127,171	5	9,420,060	0.79%	-		-	-
AL-UA Holdings LLC	116,971	6	8,664,500	0.73%	-		-	-
Hanna Steel Corporation	113,914	7	8,438,040	0.71%	-		-	-
Aranov Realty Co., Inc.	107,717	8	7,979,020	0.67%	88,169	5	6,531,040	0.75%
Carlyle-Cypress Tuscaloosa I LLC	104,852	9	7,766,820	0.65%	77,654	7	5,752,180	0.66%
University House Tuscaloosa LLC	94,649	10	7,011,020	0.59%	-		-	-
Bellsouth Telecommunications	-		-	-	116,292	3	8,614,200	0.98%
Wright/Hurd Properties, LLC	-		-	-	81,493	6	6,036,540	0.69%
Stone Creek, LLC	-		-	-	67,438	9	4,995,440	0.57%
Tamko Roofing	-		-	-	70,439	8	5,217,700	0.60%
Alabama Gas Corp.	-		-	-	67,199	10	4,977,740	0.57%
	<u>\$ 1,657,757</u>		<u>\$ 123,646,520</u>	<u>10.36%</u>	<u>\$ 1,155,164</u>		<u>\$ 92,190,300</u>	<u>10.54%</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. The total assessed valuation for FY 2017 is \$1,194,074,340

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	Current Tax Collections	Percent of Total Levy Collected	Collections/ Refunds In Subsequent Years	Total Tax Collections	Percent of Total Tax Collections To Total Levy
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%
2017	2016	16,249,748	(1,334,439)	14,915,309	14,719,544	98.69%	N/A	14,719,544	98.69%

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

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

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 K

Principal Sales Taxpayers*

For the fiscal years ended September 30,

2017		2008	
Name of Taxpayer	Business or Industry	Name of Taxpayer	Business or Industry
Aramark Educational Services	Food Service	Belk, Inc.	Retail
Belk, Inc.	Retail	Bruno's Supermarket	Grocery
Home Depot	Retail Building Supplies	Home Depot	Home Improvement Retail
Lowe's of Tuscaloosa	Retail Building Supplies	Lowe's of Tuscaloosa	Home Improvement Retail
Publix	Grocery	Publix	Grocery
Sam's Club	Retail	Sam's Club	Retail
Target Stores	Retail	Target Stores	Retail
Tuscaloosa Toyota	Auto Sales	University of Alabama	Higher Education
University of Alabama	Higher Education	Wal-Mart Supercenter	Retail
Wal-Mart Supercenter	Retail	Winn Dixie	Grocery

Source: City of Tuscaloosa Accounting and Finance Department - Revenue and Financial Services Division

*Listed alphabetically

Note: The total sales tax paid to the City of Tuscaloosa directly by the above listed taxpayers for the September 30, 2017 fiscal year was \$10,154,792.
 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

Last ten fiscal years ended September 30,

Fiscal Year	City of Tuscaloosa	Tuscaloosa County Special Tax Board	State of Alabama	Total
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%
2017	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,

Fiscal Year	Governmental Activities							Business-Type Activities		Total Primary Government	Percentage of Personal Income
	General Obligation Warrants	Warrant Premiums	Warrant Discounts	Section 108 Loan	Robertson Bank Loan	Installment Payable	Capital Leases	General Obligation Warrants	Warrant Premiums		
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	6,347,683	182,458,630	4.94%
2016	105,235,000	6,516,612	(703,255)	1,050,000	-	-	1,794,340	85,540,000	5,816,501	205,249,198	5.40%
2017	106,820,000	5,701,020	(482,256)	975,000	-	1,533,474	1,493,633	80,943,993	4,415,913	201,400,777	5.40%

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

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 that year.

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>Fiscal Year</u>	<u>General Obligation Warrants</u>	<u>Water and Sewer General Obligation Warrants</u>	<u>Total Primary Government</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Percentage of Personal Income</u>
2008	\$ 72,865,000	\$ 131,171,816	\$ 204,036,816	3.18%	\$ 2,447.19
2009	86,780,000	129,195,000	215,975,000	3.04%	2,590.37
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	2.56%	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	2.23%	1,711.73
2016	111,048,357	91,356,501	202,404,858	2.36%	1,918.64
2017	112,038,764	85,359,906	197,398,670	2.27%	1,871.18

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

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 that year.

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

See Schedule G, Assessed Value and Estimated Actual Value of Taxable Property for total estimated actual value data

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

CITY OF TUSCALOOSA
Schedule O

Direct and Overlapping Governmental Activities Debt
For the year ended September 30, 2017

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Tuscaloosa County	\$ -	-	\$ -
City of Tuscaloosa Direct Debt:			
General Obligation Warrants	\$ 106,820,000	100%	\$ 106,820,000
Warrant Premiums	5,701,020	100%	5,701,020
Warrant Discounts	(482,256)	100%	(482,256)
Section 108 Loan	975,000	100%	975,000
Installment Payable	1,533,474	100%	1,533,474
Capital Leases	<u>1,493,633</u>	100%	<u>1,493,633</u>
Total City of Tuscaloosa Direct Debt	<u>\$ 116,040,871</u>		<u>\$ 116,040,871</u>
Total Direct and Overlapping Debt			<u><u>\$ 116,040,871</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by Tuscaloosa County Tax Assessors Office.
Tuscaloosa County debt information 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 ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit Equal to 20% of Assessed Valuation	\$ 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	\$ 263,486,988
Total Net Debt Applicable to 20% Limit	<u>36,068,561</u>	<u>52,921,118</u>	<u>53,242,048</u>	<u>51,651,768</u>	<u>50,982,083</u>	<u>52,819,454</u>	<u>61,838,553</u>	<u>59,736,124</u>	<u>92,449,340</u>	<u>95,937,107</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<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>	<u>\$ 167,549,881</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	<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>	<u>36.41%</u>

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Valuation of Real and Personal Property as of September 30, 2017		<u>\$ 1,317,434,940</u>
Debt Limit Equal to 20% of Assessed Valuation		263,486,988
Debt Applicable to Limit:		
All Outstanding Debt of the City	\$ 191,766,100	
Less Those Portions Not Applicable to the Debt Limit:		
Debt Attributable to Construction of School Houses	(14,885,000)	
Debt Attributable to Water and Sewer Infrastructure	<u>(80,943,993)</u>	
Total Net Debt Applicable to Limit		<u>95,937,107</u>
Legal 20% Debt Margin (Available Borrowing Capacity)		<u>\$ 167,549,881</u>

Note: Under Alabama law, the City of Tuscaloosa's outstanding general obligation debt should not exceed 20 percent of total assessed property value. general obligation bonds.
By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying.

CITY OF TUSCALOOSA
Schedule Q

Pledged Revenue Coverage

Last ten fiscal years ended September 30,

Fiscal Year	Water Charges and Other	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	1.30
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
2017	48,600,232	21,654,420	26,945,812	7,975,000	2,160,752	2.66

Note: 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</u>	<u>Population*</u>	<u>Per Capita Personal Income**</u>	<u>Total Personal Income</u>	<u>Unemployment Rate</u>
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
2017	105,494	35,376	3,731,955,744	3.10

*Source: US Census Bureau

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

N/A - Not available.

CITY OF TUSCALOOSA
Schedule S

Principal Employers

For the years ended September 30,

Employer	Nature of Business	Public or Private	2017			2008		
			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	10,229	1	23.13%	8,000	1	19.75%
DCH Health Systems	Healthcare	Public	4,496	2	10.17%	4,537	2	11.20%
Mercedes-Benz International	Automobile assembly	Private	3,600	3	8.14%	3,869	3	9.55%
Tuscaloosa County Board of Education	Education/Government	Public	2,300	4	5.20%	2,599	4	6.42%
Tuscaloosa City Board of Education	Education/Government	Public	1,426	5	3.22%	1,325	6	3.27%
Michelin North America	Tire manufacturing	Private	1,379	6	3.12%	1,400	5	3.46%
City of Tuscaloosa	Government	Public	1,257	7	2.84%	1,300	7	3.21%
Veterans Administration Hospital	Specialized healthcare	Public	1,079	8	2.44%	--	--	--
Northport Medical Center	Healthcare	Public	1,078	9	2.44%	950	10	2.35%
Phifer Wire Products	Aluminum/ Fiberglass Screening	Private	1,011	10	2.29%	1,280	8	3.16%

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

CITY OF TUSCALOOSA
Schedule T

Full-Time Equivalent City Employees by Function
 Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>General Fund Employees</u>										
General government	203	207	204	202	207	216	213	260	236	104
Infrastructure and Public Services	-	-	-	-	-	-	-	-	-	335
Community Services	-	-	-	-	-	-	-	-	-	22
Urban Development	-	-	-	-	-	-	-	-	-	34
Public safety										
Police	340	349	351	340	356	360	356	362	284	261
Fire	234	234	233	234	248	249	242	251	246	243
Other	22	31	17	17	24	80	80	36	66	83
Streets and highways	179	185	181	183	183	178	171	179	171	-
Environmental services	98	95	95	92	98	94	95	96	92	-
<u>Water and Sewer employees</u>										
Infrastructure and Public Services	-	-	-	-	-	-	-	-	-	161
Urban Development	-	-	-	-	-	-	-	-	-	11
Accounting and Finance	-	-	-	-	-	-	-	-	-	3
Superintendent	1	1	1	1	4	6	6	6	3	-
Water office and meter readers	34	34	33	34	32	32	32	34	28	-
Lakes	9	9	9	9	9	8	9	8	8	-
Distribution	46	39	36	36	38	37	37	35	38	-
Waste water treatment plant	57	56	55	56	57	58	63	68	58	-
Ed Love water plant	35	35	35	35	36	32	35	30	31	-
Total Employees	<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>	<u>1,257</u>

Source: City of Tuscaloosa Human Resources Department.

Note: In FY 2017, the City of Tuscaloosa departments were restructured. Therefore, function groups changed for financial statement and supporting schedule presentation.

CITY OF TUSCALOOSA
Schedule U

Water and Sewer Rates

For the year ended September 30, 2017

	Rates in Effect Starting 10/1/16	Rates in Effect Starting 10/1/17
Water Rates		
Quantity of water consumed per month		
0-1,000 cubic feet	\$ 2.10	\$ 2.16
over 1,001 cubic feet	2.10	2.16
Monthly administrative cost per meter	4.76	4.91
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	3.83	3.94
12 inch	608.02	626.25
Unfiltered or Raw Water Rates		
Per 100 cubic feet	0.23	0.24
Monthly administrative cost per meter	4.76	4.91
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	3.83	3.94
12 inch	608.02	626.25
Sewer Rates		
a. Per 100 cubic feet of metered wastewater, or	3.74	3.86
b. Per 100 cubic feet of metered water	2.59	2.66
Monthly administrative cost per meter	3.96	4.08
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	5.99	6.18
12 inch	957.95	986.69

Source: City of Tuscaloosa Accounting and Finance Department

CITY OF TUSCALOOSA
Schedule V

Operating Indicators by Function
 Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Public safety:										
Fire Protection										
Number of Stations	12	11	11	11	11	11	11	11	11	11
Number of Employees	234	234	234	234	248	249	242	251	246	243
Police Protection										
Number of Stations	1	1	1	1	1	2	3	4	4	4
Number of Employees	340	349	353	340	356	357	356	362	284	261
Infrastructure and Public Services:										
Streets (miles)	571	571	571	571	571	571	571	571	571	571
Storm sewers (miles)	317	317	317	317	317	317	317	317	317	317
Urban Development										
Building Permits	1,807	1,575	1,000	4,462	2,041	1,829	1,928	2,271	2,231	2,140
Amount	\$ 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	\$ 535,186,813
Education (public School System):										
Number of Schools	22	24	24	23	23	23	24	24	24	24
Number of Teachers	871	820	830	830	830	830	866	857	864	864
Recreation:										
Number of Parks	39	39	37	36	36	36	36	36	40	40
Number of Playgrounds	28	28	32	31	32	32	32	34	36	36
Area of Parks (acres)	2,022	2,279	1,755	1,749	1,749	1,749	1,749	1,749	2,438	2,438
Water and Sewer Fund										
Infrastructure and Public Services:										
Sanitary Sewers (miles)	495	495	608	615	623	669	685	685	648	661
Number of Customer Accounts	50,595	52,472	52,472	53,896	54,072	54,492	55,840	56,131	57,590	58,372
Average Daily Consumption (gallons)	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	23,500,000
Rated Plants Capacity (gallons daily)	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	59,700,000
Miles of Water Mains (4" and larger)	548	552	550	562	594	590	690	690	704	703
Number of Fire Hydrants	3,134	3,179	3,218	3,796	3,817	4,191	3,971	4,010	4,116	4,119
Miles of Raw Water Mains (24" and larger)	27	27	27	27	27	27	22	22	23	19

Source: Various City Departments

CITY OF TUSCALOOSA
Schedule W

Capital Asset Statistics by Function
 Last ten fiscal years ended September 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Public safety:										
Fire Protection										
Number of Stations	12	11	11	11	11	11	11	11	11	11
Police Protection										
Number of Stations	1	1	1	1	1	2	3	4	4	4
Infrastructure and Public Services:										
Streets (miles)										
Storm sewers (miles)	571	571	571	571	571	571	571	571	571	571
	317	317	317	317	317	317	317	317	317	317
Recreation:										
Number of Parks										
Number of Playgrounds	39	39	37	36	36	36	36	36	40	40
Area of Parks (acres)	28	28	32	31	32	32	32	34	36	36
Activity Centers	2,022	2,279	1,755	1,749	1,749	1,749	1,749	1,749	2,438	2,438
Boat Landings	4	5	5	5	6	6	6	6	6	7
Golf Course	4	8	8	8	8	8	6	6	6	7
	1	1	1	1	1	1	1	1	1	1
Water and Sewer Fund										
Infrastructure and Public Services:										
Sanitary sewers (miles)										
Miles of water mains (4" and larger)	495	495	608	615	623	669	685	685	648	661
Number of fire hydrants	548	552	550	562	594	590	690	690	704	703
Miles of raw water mains (24" and larger)	3,134	3,179	3,218	3,796	3,817	4,191	3,971	4,010	4,116	4,119
	27	27	27	27	27	27	27	22	23	19

Source: Various City Departments



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