

CITY OF DECATUR, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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December 14, 2018

To the Members of the City Commission and Residents of the City of Decatur, Georgia:

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with these standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Decatur, Georgia (the City) for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, City management staff has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2018 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Decatur's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the general fund, special revenue funds and debt service funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is established by function within an individual fund (e.g., at the department level in the general fund).

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of

transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

The City of Decatur, first chartered as a municipality by the State of Georgia in 1823, provides a full range of municipal services. These services include public safety (police and fire protection, inspections, housing codes enforcement, etc.), public works (streets and sidewalk construction and maintenance, storm drainage construction and maintenance, facilities and grounds maintenance, refuse collection, street sweeping, etc.), parks and recreation, the operation of a municipal cemetery and community and economic development. In addition, the City of Decatur owns a 280-space parking facility and a 25,000 square foot conference center.

The City currently occupies a land area of approximately 4.4 square miles and serves an estimated population of 23,800. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Decatur operates under the commission-manager form of government. There are five City Commissioners, elected in nonpartisan elections, for overlapping four-year terms. Elections are held on the first Tuesday after the first Monday in November in odd-numbered years. In one election, three City Commissioners are elected – one at-large, one from District 1 (north) and one from District 2 (south). At the next election, two City Commissioners are elected - one from District 1 (north) and one from District 2 (south). At its organizational meeting in January of each year, the City Commission elects one of its members to be the Mayor/Chair of the City Commission. At that same meeting the City Commission also elects a Mayor pro tem/Vice-Chair. It is the responsibility of the Mayor to preside at all meetings of the City Commission. The Mayor has no veto power but retains the right to vote on all matters brought before the City Commission.

The City Commission is the legislative and policy-making arm of the City government. It is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, task forces and commissions, hiring the City Manager and appointing the City Attorney and municipal court judges. The City Commission appoints a professional administrator known as the City Manager who serves at its pleasure. The City Charter designates the City Manager as the Chief Executive Officer and the Chief Administrative Officer of the City. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, for overseeing the day-to-day operations of the government and the appointment of all employees except that the appointment of department heads is subject to confirmation by the City Commission. All disciplinary action is the responsibility of the City Manager in accordance with the Personnel Rules and Regulations adopted by the City Commission. The current City Manager has served since May 1993.

The Georgia General Assembly first adopted the City Charter, under which the City operates, in 1909. In 1920, the General Assembly amended the Charter to provide for the Commission-Manager form of government. In 1977, acting under its home rule authority, the City recodified and revised its Charter to delete obsolete sections, to clarify meanings and to generally bring the Charter up-to-date. The Charter was updated again in 2001.

The annual budget serves as the foundation for the City's financial planning and control. All agencies are required to submit departmental budget requests to the City Manager or her designee by the first week of March. These requests are the starting point for developing the proposed budget. The City also provides multiple opportunities for public involvement in the budgeting process ranging from informal meetings to an online forum.

The proposed budget is presented to the City Commission on the third Monday in May. The operating budget includes the proposed expenditures and the means for financing them. The City publishes the proposed budget in the official legal organ and other community newspapers, makes copies available to the residents of the City and posts the proposed budget on the City's website. Public hearings on the proposed budget are held during the month of June. The budget is then legally enacted through the passage of a resolution by the City Commission, normally on the third Monday in June but no later than June 30, the close of the fiscal year. Budgetary control is exercised at the departmental level. The City Manager is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Commission. Budget-to-actual comparisons are provided in this report for the general fund. This comparison is presented on page 27 as part of the basic financial statements.

FACTORS AFFECTING FINANCIAL CONDITION

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

The City of Decatur is the seat of DeKalb County, a large, urban county in the Atlanta metropolitan area. With its central location within the county and as the location of county offices and the court system, Decatur's is primarily a service economy. Legal, banking, medical, insurance, accounting, governmental and educational services are the mainstay of this economy. The essential nature of these services provides a solid basis for the City's economic well-being.

Real Estate Digest

The City's overall 2018 real estate property digest shows a growth rate of approximately 8.9% compared to the 2017 digest. Approximately 36% of this increase is due to growth from new construction, with 64% of the increase attributable to revaluation of existing properties. The increase was consistent with local real estate sales reports and construction permitting activity. The 2018 total millage rate was increased from 13.49 mills to 13.62 mills, with a 0.13 millage increase in the Capital Improvement Fund to cover debt service for the purchase of the former United Methodist Children's Home (now known as Decatur Legacy Park). The general fund and general obligation bond funds millage rates combined were reduced 0.33 mills.

Actual real estate market sales data for 2018 indicate that property values continue to increase but at a more moderate pace than in previous years. The average sales price of a single-family home increased from \$625,600 in January 2017 to \$651,600 in November 2018, a 4.2% increase. The number of days a home was on the market decreased from 38 days in 2017 to 31 days in 2018. The number of dwellings sold remained stable, increasing slightly from 209 in 2016 to 251 in 2018, indicating on-going demand for single-family residences and reflecting the desirability of the community.

Residential Activity

The residential housing market continues to be vigorous. Several single-family developments are under construction and in-fill single-family dwellings remain highly desirable. We continue to issue permits for renovations to existing single-family dwellings and for some commercial properties. In 2017, the City issued permits for 59 new detached single-family dwellings and for 19 attached townhouse dwellings while issuing 49 demolition permits for existing dwellings. It is anticipated that by the end of calendar year 2018, the City will issue permits for at least 40 new single-family dwellings, 6 new attached townhouses and demolition permits for 28 existing dwellings. Overall, permit and inspection fees decreased some from \$1,527,050 in fiscal year 2017 to \$1,269,800 in fiscal year 2018. However, given that permit and inspection fees had doubled between fiscal year 2016 and fiscal year 2017, this is still indicative of a healthy development environment.

A 30-unit townhouse community off of DeKalb Industrial Boulevard on property formerly occupied by DeVry Institute has been completed and dwellings are being occupied. A 32-unit attached townhouse development is under construction on the corner of Church Street and Forkner Drive and the initial phase has been completed and residences are being occupied. Phase II is under construction with occupancy expected in second quarter of 2019 and completion of all phases in fourth quarter 2019. A 10-unit attached townhouse development has been completed on Northern Avenue near the corner of West Ponce De Leon Avenue and occupancy has begun. Another 10-unit attached townhouse development, which includes live-work units, has been approved at the corner of East College Avenue and Mead Road on a site previous occupied by surface parking. Construction is scheduled to begin the first quarter of 2019. A 59-unit attached (27 dwellings) and detached (32 dwellings) residential subdivision at the corner of South Columbia Drive and Katie Kerr Drive began construction in early 2018 with initial occupancy expected in early 2019 and completion of all phases in early 2020.

In December, 2015, the City Commission approved an intergovernmental contract between the City and the Decatur Downtown Development Authority (DDDA) to facilitate development of a cottage court pilot project adjacent to the downtown commercial district. A cottage court is a development of smaller single-family homes that share common green space to provide a more affordable housing option for young professionals, empty nesters and service-sector employees in a targeted income range. The cottage court development is one of the new affordable housing options that is allowed by the Unified Development Ordinance and specifically addresses Principle D, Goal 15 “Expand the Variety of High Quality Housing Options to Meet the Needs of a Diverse Community” of the 2010 Strategic Plan.

The DDDA is facilitating the development of this pilot project to prove that a market exists for smaller house options in the City of Decatur and to encourage private sector developers to consider cottage court developments. A parcel of land within walking distance of downtown Decatur was identified and purchased. The DDDA worked with a designer to create a site plan and architectural design options in cooperation with the Historic Preservation Commission and the adjacent neighborhood. The plan has six dwellings with floor areas ranging from 470 square feet to 1,100 square feet. Significant interest in purchasing the residences has already been shown. A construction loan has been secured and a builder has been selected. Construction of this prototype project should begin in 2019.

Commercial Activity

In addition to government-related employers, mainly DeKalb County, the City's employment base continues to be driven by the professional and service sector industries. Based on current reports from CoStar, the vacancy rate for available office space in the Decatur submarket is 3.6%, considerably lower than the 11.2% vacancy rate for the metropolitan Atlanta office market area. The Decatur submarket is larger than the City of Decatur. A more detailed examination of the buildings within the City limits shows that the majority of the buildings have vacancy rates of less than 9%. Two of Decatur's office buildings, Commerce Square and West Court Square, have higher vacancy rates than the other commercial office buildings in the City, increasing the City of Decatur's average office vacancy rate. This statistic, though, is deceptive. Both buildings were recently acquired and the new owners are renovating the interior and exterior finishes to reposition the buildings at higher rental rates. They are actively marketing the space and expect the space to be absorbed quickly over the next 12 months.

Interest in restaurant activity continues to be strong in downtown Decatur while activity in other commercial districts remains stable. Retail interest has increased and remains a targeted sector for additional activity. The Callaway site mixed-use development currently under construction includes a 35,000 square foot office building which should be completed in 2019 and there are indications that space is being pre-leased. This will add a much needed new office option to downtown Decatur.

The Oakhurst Business District is stable and steady given the size and scope of the area. Turnover has been limited and some additional businesses have opened. The City's Fire Station Number 2, a 4,800 square foot LEED-certified building, is located in the business district and provides an institutional presence in the community. The Oakhurst Business District continues to provide a strong local commercial center for the surrounding neighborhood. Tenant occupancy has remained stable at the historic Scottish Rite Hospital property.

Activity along the East College Avenue corridor remains constant, including East Decatur Station, a 70,000 square foot mixed-use property that currently contains several restaurants, a small church, hair salon and a number of professional offices. This area is becoming a center of local artisanal manufacturing with the opening of two craft breweries, a winery and a small batch whiskey distillery.

Construction of a 134-room Hampton Inn is underway in downtown Decatur adjacent to the Marriott and the City-owned conference center. The addition of this new hotel will provide much-needed hotel room inventory allowing the conference center to host larger, regional meetings. The new hotel will begin leasing rooms in the second quarter of 2019. The addition of this new hotel will also increase the City's hotel/motel tax revenue.

Mixed-Use Activity

Development of mixed-use projects has provided a robust vitality to the City's central business district since the early 2000s. Occupancy of mid-rise residential developments continues to be strong. The American Planning Association (APA) recognized Downtown Decatur as a "Top 10 Great American Neighborhood" in October 2013 citing its emphasis on sustainability, transit and a well-designed pedestrian environment as well as for community engagement efforts and a long-term commitment to downtown revitalization.

The City's 2010 strategic plan calls for a mixture of housing types and the availability of rental apartments has consistently been identified as an underserved market. With the rebounding economy and the availability of financing, three developments containing apartment dwellings were completed between 2016 and 2018. All three show occupancy rates exceeding 90%, exceeding marketing projections and continuing strong demand.

The City's Urban Redevelopment Agency purchased the Callaway Building site from DeKalb County in 2013. The County vacated the property in April 2016 and the property was sold to a private developer in August, 2016 for redevelopment as a mid-rise, mixed-use project. The development includes 329 rental apartments, 18,000 square feet of retail space and 35,000 square feet of office space built around a 721-space parking deck. Site work has been completed and construction of the apartments is underway. It is anticipated that that the project will be completed in late 2019.

The Bank of America site in downtown Decatur received plan approval for a new mixed-use project that will break ground in 2019. This site represents one of the last large redevelopment properties available in the downtown Decatur district and is a key gateway into downtown Decatur. Currently, the site is the location of a small two-story bank building and a large surface parking lot. The new development will include 232 residential units, a new 4,500 square foot banking facility to replace the existing building; and, 25,000 square feet of street level retail surrounding a 486-space parking deck. The site is currently appraised for \$2.4 million. The value for the completed project is expected to exceed \$70 million.

In the East Decatur commercial district, the Decatur Downtown Development Authority partnered with the Metropolitan Atlanta Rapid Transit Authority (MARTA) to request proposals for redevelopment of an underutilized 7.6 acre surface parking lot. A master plan for the area was created with funding from the Atlanta Regional Commission's Livable Centers Initiative program. Columbia Ventures was selected as the development partner for this project. The project will include 370 market rate rental apartments and 22,000 square feet of retail and commercial space. Columbia Ventures was successful in obtaining tax credits for a planned 95-unit affordable, senior, independent-living component of the project. Construction of the senior dwellings has been completed and units are being occupied. The project also includes a parking deck with spaces for MARTA patrons, project residents and retail and restaurant customers. The project also incorporates a bicycle and pedestrian connection in partnership with the PATH Foundation that connects with the Stone Mountain trail to the north of the project.

Institutional Activity

Agnes Scott College, a four-year liberal arts college for women, remains financially healthy with an enrollment of approximately 1,000 students. Columbia Theological Seminary, a Presbyterian graduate institution, remains financially strong with an enrollment of approximately 350 students.

The City Schools of Decatur has completed the majority of a \$30 million construction program; however, increasing student enrollment continues to put pressure on the capacity of existing facilities. To address increasing enrollments, the City Schools has developed a capital master plan. Four phases of capital construction have been identified using a combination of capital funding methods to finance the work. City Schools issued \$18 million in certificates of participation (COPs) and construction of Phase I is complete. General obligation debt of \$75 million was approved in a referendum that was part of the November 2015 municipal elections. The bonds were sold in February 2016 and construction of Phase II is complete.

Phase III includes construction of a new elementary school academy that has commenced and is scheduled for occupancy beginning in July 2019.

The Decatur Housing Authority (DHA) completed the redevelopment of the Gateway Manor apartment complex located off West Trinity Place. This project included demolition of 116 units of subsidized housing and was renamed Trinity Walk. DHA was successful in securing tax credits for the project in 2015 and for 2016. Phase I and II included construction of 121 apartment units that have been completed and occupied. Phase III includes redevelopment of garden apartments located at 1111 Oakview Road. This project includes demolition and reconstruction of 34 dwellings of affordable and workforce housing. DHA was successful in securing tax credits for the project and construction is underway with occupancy expected to begin in late 2019. The DHA has also secured tax credits for the redevelopment of the Swanton Heights apartment complex. Construction is expected to start in early 2nd quarter of 2019.

The Task Force for Global Health, one of the largest non-profit organizations in the nation, purchased the 90,000 square foot Clark Harrison Building located at 330 West Ponce de Leon Avenue from DeKalb County in 2016 and has occupied the building. The Task Force now plans to keep their original building at 325 Swanton Way to accommodate future expansion and to be able to lease office space to smaller, aligned non-profit organizations. The Task Force works closely with the nearby Centers for Disease Control to address global health issues and provides over 100, high paying, white collar jobs.

MAJOR ACTIVITIES

In March 2011 the City Commission adopted a second ten-year strategic plan for the City of Decatur. The plan was the result of a year-long planning process that incorporated input from over 1,500 individuals. The plan supports the community-based vision that the City of Decatur will assure a high quality of life for its residents, businesses and visitors, both today and in the future. The plan consists of 89 tasks to be accomplished by 2020 and provides the blueprint for how the City will prioritize its work program and allocation of assets over the ten year period. Currently, 86 tasks have been completed or are in progress. It is anticipated that work on the third ten-year strategic plan will begin in early 2019 to cover the period from 2020–2030.

In December 2016 the City became aware of the potential sale of the 77-acre United Methodist Children's Home (UMCH) property located adjacent to the existing City limits. Due to the unique and long-term benefits this property presented, the City of Decatur had been expressing interest in acquiring it for the past decade. As a result, the City entered into negotiations to purchase the property. In order to facilitate the purchase, the City worked with local members of the Georgia General Assembly to establish the City of Decatur Public Facilities Authority (PFA) as a conduit for acquiring and financing the acquisition of the property. In addition to issuing approximately \$29 million in revenue bonds, the City and the PFA were able to work with the Georgia Environmental Financing Authority to secure approximately \$11 million in funding from the Clean Water State Revolving Fund to purchase for preservation and protection 22 of the 77 acres in a conservation easement. The property was purchased in August 2017 and the City took possession of the property in October 2017. A community-based master planning effort started January 2018 to create a long-term vision for the property and identify uses, opportunities and partnerships to achieve that vision. The master plan for what is now known as Decatur Legacy Park was adopted by the City Commission on December 3, 2018.

On January 23, 2018 the City filed a petition for eminent domain in the Superior Court of DeKalb County to acquire thirteen residential lots adjacent to the existing Dearborn Park. Following a special master hearing, the Court accepted the special master's award, which condemns the property and awards the property owner \$2,180,000. The City is appealing the amount of the award. Meanwhile, pursuant to condemnation procedure and the Court's direction, the City has paid the award into the Registry of the Court and has taken title to the property. The property will be used as unimproved greenspace.

On March 1, 2018, the City purchased two lots at 611 and 615 Chevelle Lane for a combined price of approximately \$60,000. The property will be used as unimproved greenspace.

In September 2006 the voters approved issuance of \$33,245,000 in general obligation debt to finance major capital improvement projects for the City and for the City Schools of Decatur. In December 2006 Moody's Investors Service issued a rating of Aa3 and Standard & Poor's upgraded the City's rating to AA from A+ for the bonds. The bonds were issued in January 2007. In December 2010 the Urban Redevelopment Agency issued \$12.76 million in revenue bonds. At that time Moody's Investors Service upgraded the City's rating from Aa3 to Aa2 while Standard & Poor's upgraded the City's rating from AA to AA+. In July 2017 the City of Decatur Public Facilities Authority issued \$29.2 million in revenue bonds and Moody's Investors Service upgraded the City's rating from Aa2 to Aa1 and Standard & Poor's confirmed the City's rating at AA+.

In March 2015 the City restructured the general obligation debt through an advanced refunding in order to reduce the interest rate. The interest rate on the new bonds averages 3.54% compared to 4.41% on the initial bonds. The City's portion of the 2007 bond issue proceeds was approximately \$16,653,000. Remaining funds have been allocated to provide funding for the Railroad Crossing Improvements at Candler and McDonough Streets. This should exhaust all funding from the bond issue.

The City secured grant funding for pedestrian safety improvements to the CSX railroad crossings in the Candler/McDonough/Howard corridor, for the North McDonough Streetscape Improvements project, as well as for Clairemont/Commerce/Church Street Pedestrian Safety and Bicycle Trail Improvements. Matching funds will be provided from the City's capital improvement fund and HOST proceeds. Improvements have been substantially completed on the Railroad Crossing and North McDonough Improvements. Acquisition of right-of-way for the Clairemont/Commerce/Church Street project has begun and construction is anticipated in 2020.

In December 2010 the Urban Redevelopment Agency of the City of Decatur issued \$12,793,800 in Recovery Zone Economic Development Bonds to cover the cost of construction of improvements to Fire Station No. 1, the Decatur Recreation Center, and the Decatur Public Works facility. All of the projects are completed. The debt is being repaid using Special Purpose Local Option Sales Tax (SPLOST) proceeds.

In May 2013 the Urban Redevelopment Agency of the City of Decatur issued \$29,290,000 in revenue bonds to cover the cost of construction for redevelopment of the Beacon Municipal Center. Construction has been completed. Funding for the \$38,300,000 project came from a combination of bond proceeds, a transfer from the general fund balance and HOST proceeds. The debt is being repaid using SPLOST proceeds.

Part of the redevelopment of the Beacon Municipal Center included construction of a one million cubic foot regional storm water management facility. The facility was designed to manage storm water from the downtown Decatur drainage basin and provides an option for private developers to purchase capacity in the retention facility in lieu of building individual facilities when properties are redeveloped. Currently, three redevelopment projects have purchased storm water capacity in the facility.

In conjunction with private and institutional construction projects in the central business district, the City has financed substantial capital improvements through the storm water utility over the past several years. The final improvement to the main downtown drainage system was completed in 2017. The City has completed a majority of the priority projects identified in the existing comprehensive storm water master plan. An update to the storm water master plan is underway.

The City owns a 25,000 square foot conference center and a 280-vehicle, three-level parking deck which were built in 1987 adjacent to a privately-owned 179-room hotel, also built in 1987. In 2011, the hotel property was sold to Noble Investment Group. At the same time as the hotel sale, the City entered into a long-term lease with the Decatur Downtown Development Authority (DDA) for operation and management of the conference center and parking deck. The DDA entered into a sub-lease with the Noble Investment Group for management and operation of the conference center, including significant capital renovations and upgrades. In October 2015 the hotel property was sold to Summit Hotel TRS 126, LLC, who retained existing management. Occupancy rates at the hotel have averaged approximately 80%, compared to the US industry average of 66%. Future hotel/motel tax collections for the upkeep and maintenance of the conference center are placed in a reserve account to be used by the management firm for maintenance of the facility. This will be the only public financial obligation for operation, maintenance and capital improvements for the conference center.

Construction of an additional hotel in downtown Decatur has begun with completion expected in early 2019.

In February 2018 the City Commission passed a resolution requesting the Georgia General Assembly adopt local legislation increasing the hotel-motel tax rate from 7% to 8%, or from 7 cents per dollar to 8 cents per dollar. Local legislation was approved and signed by Governor Nathan Deal in June 2018. The increased tax rate went into effect in October 2018. It is anticipated that when the new hotel opens that collections of the hotel-motel tax will significantly increase.

There are restrictions on how the funds collected from an 8% hotel-motel tax can be distributed. Of the eight cents, three cents (37.5%) goes to the City's general fund, which produces approximately the same amount of revenue as the previous hotel/motel tax. Three and one-half cents (43.75%) is required to go to the City's "Designated Marketing Organization," in this case, the Decatur Tourism Bureau, to continue with promotion of tourism, conventions and trade shows. For accounting purposes, the Decatur Tourism Bureau is treated as a component unit, similar to the Decatur Downtown Development Authority. One and one-half cents (18.75%) is required to go towards "Tourism Products Development" (TPD) which is specifically defined in O.C.G.A. § 48-13-50.2 (6) and includes capital and operating costs for meeting and convention facilities. The funds used for TPD must be allocated as part of the City's annual budget and are reported annually to the Georgia Department of Community Affairs in the "Hotel-Motel Tax Report." At this time, the TPD funds will be dedicated to the capital maintenance costs of the Decatur Conference Center.

The City's volume-based sanitation collection system continues to be highly successful. The City currently has reduced landfill deposits by approximately 38%, well in excess of the State of Georgia's goal of a 25%

reduction. The City sponsored two electronics recycling events during the past year, resulting in 28 tons of electronic equipment being recycled and diverted from the landfill. Since starting the electronics recycling program in 2005, the City has recycled over 724 tons of electronic equipment. In addition, the City recycled 436 tons of glass during fiscal year 2016-17.

In prior years, the City contracted with a private company to collect and transport recyclables to a material recovery facility. Three weeks before the start of the 2018-2019 service period, the company failed to sign a new contract. The City now collects recyclable materials and has contracts with multiple recycling companies to accept materials. The markets for recyclable materials are volatile and demand driven. With the exit of China as a world recyclable materials purchaser, there are limited opportunities for the City to collect revenue. We continue to monitor the market and will make service changes as needed in the future.

In 2015 the City's Insurance Services Office (ISO) Fire Rating was renewed at the Class 2 level, a rating that is obtained by just 4.4% of all the Fire Departments in Georgia. The Police Department is certified through the Georgia Association of Chiefs of Police. The City has implemented a Smart911 system to assist residents and businesses with voluntarily providing additional information to emergency services staff. The system also includes a reverse emergency notification system that allows the City to send recorded telephone messages to residents and businesses regarding civil emergencies.

Finance and budgeting staff have been awarded a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for every Comprehensive Annual Financial Report since 2005.

LONG-TERM FINANCIAL PLANNING

On November 7, 2017, DeKalb County voters approved two referenda that restructured the former Homestead Option Sales Tax (HOST) and replaced it with a Special Purpose Local Option Sales Tax (SPLOST), effective April 1, 2018. The new Equalized Homestead Option Sales Tax (EHOST) applies 100% of the proceeds from a one percent sales tax to fund homestead exemptions applied to DeKalb County's tax levy for general maintenance and operations and for support of the Fulton-DeKalb Hospital Authority. This is meant to equalize the benefit of the sales tax for DeKalb County taxpayers regardless of whether they live in a city or in an unincorporated area.

The SPLOST provides funding for capital transportation, public safety and limited capital maintenance projects as well as allowing proceeds to cover debt service payments for municipalities that were using HOST proceeds for debt service. Collection of the EHOST and SPLOST began in April 2018. The City collected approximately \$760,500 in fiscal year 2018 and has collected approximately \$790,000 year to date for fiscal year 2019. Proceeds are being used to cover debt service payments for the URA 2010 and URA 2013 bond issues, to plan, design and build improvements to the Atlanta Avenue railroad crossing at its intersection with West College Avenue and West Howard Avenue and for other transportation related improvements. In September 2018 the City issued \$5,095,000 in sales tax anticipation bonds to fund the Atlanta Avenue improvements. A project plan is being developed with construction anticipated in 2020.

In 2010 Decatur voters approved a referendum providing for the use of a Tax Allocation District (TAD) as a financing mechanism to pay for infrastructure improvements, parks, pedestrian and bicycling amenities and similar public improvements in a specifically designated district using revenues from increased property tax values from new development in the district. Typically, bonds are issued to fund public improvements and

the increased tax revenues generated from new development and growth of the tax digest are pledged to pay for the bonds. The tax revenue generated by the base value will continue to flow into the general, school, capital improvement and DDA funds. Only the additional revenues generated by increased tax values will be used to help fund public improvements. Establishment of the district base value does not obligate the City, the City Schools of Decatur or DeKalb County to participate in the TAD.

In December 2015 the City Commission adopted a redevelopment plan and established the 2015 property values as the “base value” for the East Decatur TAD, the City’s first TAD. By setting the base value, any increase in the tax digest over the district’s base value can be used to pay for public improvements. With the start of the Avondale MARTA station redevelopment, it was essential to establish the base value for the district by the end of 2015 so that future new development and property value reevaluations could begin to be credited to the district.

On November 6, 2017, a complaint was filed with the Georgia Immigration Enforcement Review Board (IERB) by Lt. Governor Casey Cagle, alleging that the City is in violation of O.C.G.A. §36-80-23, known as the Georgia “sanctuary policy” statute. An adverse decision on the complaint could result in the City being no longer eligible for state and state-administered federal funding. The City is vigorously contesting the complaint, primarily on the basis that the City of Decatur Police Department policy at issue does not violate the “sanctuary policy” statute. If an adverse determination is ultimately made by the IERB, the City intends to appeal the decision.

The Georgia General Assembly continues to have the potential to affect the City’s future overall financial position. In 2008 the General Assembly enacted legal limitations to the growth of local real estate digests preventing increases to both residential and commercial real estate values. The legislation’s provisions expired with the establishment of the 2011 real estate digest. In 2012 the General Assembly adopted legislation that converted ad valorem taxes on motor vehicles to an excise tax paid at the time of sale. Although there are provisions aimed at keeping local governments financially whole, research indicated that after five years, the change would result in reduced revenue for local governments. This appears to be the case as revenues from motor vehicles taxes has been reduced from approximately \$452,900 in FY 2016-2017 to \$419,820 in FY 2017-2018. It is possible that the legislature may consider future actions which could restrict taxes collected based on the value of real property or they may look to limit other revenue sources that local governments use to pay for services.

Other impacts on the City’s financial statements which are beyond local control have primarily occurred due to pronouncements of the Governmental Accounting Standards Board (GASB). Although GASB has no legal authority to impose financial obligations, it has adopted rules that, in effect, manufacture financial commitments for local governments. GASB’s recent rule requiring accounting for other post-employment benefits (OPEB’s) is an example of an “obligation” that must be accounted for in financial statements and results from GASB’s unrealistic definition of a “pay-as-you-go” system of benefits funding.

In 2012 the City Commission contracted with the Center for State and Local Government Excellence for a review of the City of Decatur Employees’ Retirement System. The results of the study indicated that:

- the City consistently made its annual required contribution, which keeps the retirement plan on track to be fully funded over time;

- the plan amortizes its liabilities over a 20-year period which is more conservative than the typical 30-year amortization period that most pension plans use the return on investment assumption for Decatur’s plan is 7.5 percent compared to 7.9 percent nationwide;
- the vesting period for both public safety and general employees is 10 years, which is somewhat higher than many state and local pension plans; and,
- the plan does not provide automatic cost of living adjustments.

The study indicated that since 2005, the retirement plan’s funding ratio fluctuated from a low of 76.6 percent (in 2011) to a high of 85.9 percent (in 2007, before the economic downturn). The review concluded that because of its fiscally conservative practices, the City is positioned to strengthen the funded status of its retirement plan more quickly than most other pension plans.

In addition, the Board of Trustees of the City of Decatur Employees’ Retirement System reviewed an actuarial experience study that assesses actual plan performance against plan assumptions over the past seven years. The review showed that employer contributions have been steady, with total payroll costs ranging from 6.25 percent in 2017 to a high of 9.07 percent in 2011. The plan actuary made a number of recommendations to adjust the actuarial assumptions to more accurately reflect actual plan experience. These include lowering, over a five-year period, the long term anticipated rate of return on plan assets from 7.5% to 7%; updating the mortality assumptions from the RP-2000 projected to the 2020 (Scale AA) to the static RP 2014 table; lowering the rate of anticipated salary increases; and, modifying the anticipated employee retirement rates. These changes were adopted by the Board of Trustees effective with the funding of the plan for fiscal year beginning July 1, 2017. To implement the changes in a five-year phase-in period, the recommended required annual contribution rate rose from 6.25% in 2017 to 7.43% in 2018. The contribution rate for the fiscal year 2019-2020 will increase to 8.58% of payroll. Since 2016 the City has budgeted and contributed 8% of payroll to the City of Decatur Employees’ Retirement System. The Board of Trustees also approved instituting an 8.5% benefit increase for retirees who retired before March 1, 2001, and a prorated percentage for retirees who retired after March 1, 2001 but before July 1, 2017. The last cost of living increase was approved by the Board in 2001.

Since 2006 the City has used the National Research Center to conduct a citizen survey every other year. One of the questions asked what impact the responder thinks the economy would have on family income in the next six months. The following table summarizes the responses:

	2018	2016	2014	2012	2010	2008	2006
Very Positive	9%	4%	7%	4%	4%	3%	5%
Somewhat Positive	27%	28%	32%	19%	11%	11%	19%
Neutral	50%	56%	50%	53%	48%	46%	51%
Somewhat Negative	13%	12%	11%	19%	28%	32%	21%
Very Negative	1%	0%	0%	5%	9%	7%	4%

The results of the 2018 survey indicate that respondents generally feel that the potential effect of the economy will be positive to neutral, about the same as they did in 2016.

Annexation

The issue of annexation for the City of Decatur is not new. From the turn of the 20th century through the late-1930's, the City annexed adjacent areas expanding the city limits from a small area directly surrounding the existing downtown Courthouse Square to the boundaries that exist today. Currently, City of Decatur and City Schools of Decatur staff have developed a set of metrics based on housing-type characteristics for the impact of any potential annexation area on student enrollment. Presently, applications for annexation of individual residential properties are not being considered. The City will be asking the DeKalb Legislative Delegation to support local legislation during the 2019 session to annex Decatur Legacy Park in to the city limits.

Annexation of primarily commercial properties is being considered on a case-by-case basis. In August 2018 the City Commission approved annexation of approximately 9.7 acres of underdeveloped commercial properties located at East Ponce de Leon Avenue and Grove Street for development of a mixed-use project containing up to 265 apartment units and 65,800 square feet of commercial space, including an opportunity to locate a large national grocery store as part of the project.

Conclusion

The City of Decatur continues to be financially secure. The City takes a conservative approach to budgeting and finance, with an emphasis on estimating expenses on the high-end and estimating revenues on the low-end. This has resulted in controlled expenditures with low to moderate growth. This has also allowed the City to accumulate a healthy fund balance over time which has been used to fund capital improvements and maintain a stable millage rate.

While there will continue to be challenges, we currently anticipate being able to rely on stable revenue increases supported by growth in the real property digest for the next several fiscal years, along with controlled expenditures and continued use of the City's traditional conservative budgeting practices.

Credit must be given to the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Decatur's finances. The preparation of this report would not have been possible without the efficient and dedicated work of the entire staff of the Administrative Services Department, particularly Assistant City Manager Andrea Arnold and Finance Director Russ Madison. We would like to express our appreciation to all members of the City staff who assisted in and contributed to the preparation of this report.

Respectfully Submitted,



Peggy Merriss
City Manager



Government Finance Officers Association

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**City of Decatur
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

CITY OF DECATUR, GEORGIA

PRINCIPAL OFFICIALS

June 30, 2018

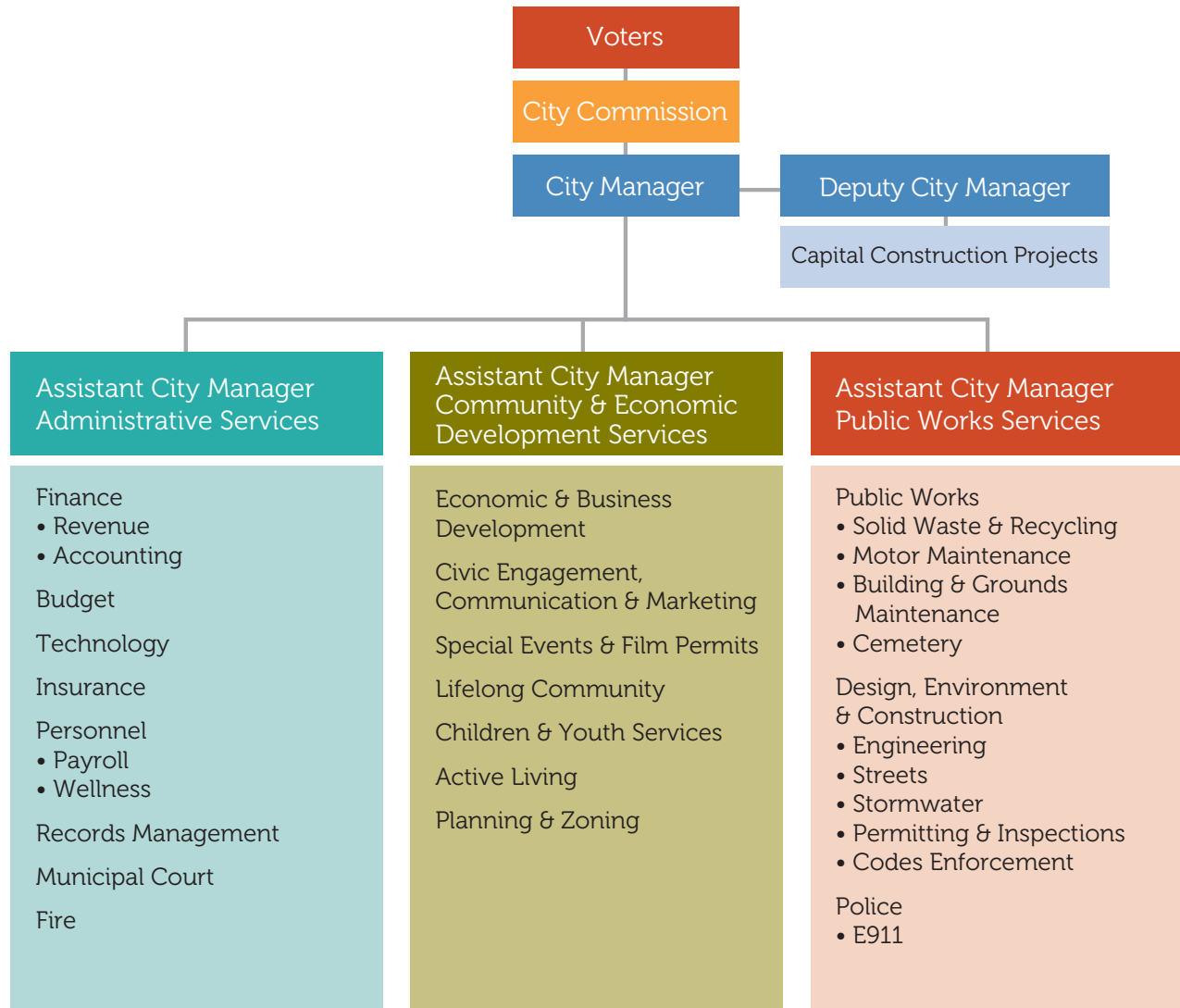
CITY COMMISSION

Patti Garrett	Mayor
Tony Powers	Mayor Pro-Tem
Kelly Walsh	Commissioner
Brian Smith	Commissioner
Scott Drake	Commissioner

APPOINTED ADMINISTRATIVE OFFICIALS

Peggy Merriss	City Manager
Hugh Saxon	Deputy City Manager
Bryan Downs	City Attorney
Andrea Arnold	Assistant City Manager - Administrative Services
Lyn Menne	Assistant City Manager - Community & Economic Development
David Junger	Assistant City Manager - Public Works
Russ Madison	Finance Director

City Organization



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
Of the City Commission
City of Decatur, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Decatur, Georgia** (the "City") as of and for the fiscal year ended June 30, 2018, 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 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 of Decatur, Georgia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes 10 and 17, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of July 1, 2017. This standard significantly changed the accounting for the City's total other postemployment benefits (OPEB) liability and the related disclosures. Our opinions are not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 21) and the pension and other postemployment benefit information (on pages 80 through 83) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 combining and individual nonmajor fund financial statements and schedules, as well as the introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Information (Continued)

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 December 14, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 14, 2018

CITY OF DECATUR, GEORGIA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Decatur (the "City"), we offer readers of the City of Decatur's financial statements this narrative overview and analysis of the financial activities of the City of Decatur for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the letter of transmittal, financial statements and footnotes.

Overview of the Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report (CAFR) is presented in three distinct sections:

- An Introductory Section which includes the Letter of Transmittal and general information;
- Financial Section which includes the Independent Auditor's Report, Management's Discussion and Analysis, Government-wide and Fund Financial Statements, along with Notes to these statements; and
- Statistical Section

Financial Highlights

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$79,384,736 (total net position). The implementation of the new Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, had a significant impact on total net position.
- In September 2006, Decatur voters approved a bond referendum that provided the City of Decatur and City Schools of Decatur with \$33,245,000 for capital improvement projects. This was the first general obligation debt for the City and the school system since the 1950s. The bonds were issued in January 2007. Of the overall bond issue, \$16,500,000 was transferred to the school system. During this fiscal year, approximately \$72,000 was spent on City capital bond projects from the 2007 bonds, most of which funded streetscapes capital projects. In April 2015, the City closed on an advance refunding of the 2007 general obligation bonds to take advantage of favorable interest rates. The advance refunding is estimated to produce net present value savings of over \$2,600,000. Recent federal tax reform essentially eliminated advance refunding bonds which have saved U.S. taxpayers billions of dollars in interest expense.
- In December 2010, the Urban Redevelopment Agency (URA) of the City of Decatur issued \$13,760,000 in recovery zone economic development bonds for major improvements to fire station #1, Decatur recreation center and the public works facility. The capital outlay for these projects was completed in fiscal year 2013-2014. During this fiscal year, the 2010 URA Bonds Fund solely accounted for the debt service obligations associated with the completed capital projects.
- In December 2012, the City issued \$5,415,000 in sales tax bonds on behalf of the City Schools of Decatur. The final payment on the 2012 notes was made November 2017.
- In May 2013, the Urban Redevelopment Agency of the City of Decatur issued \$29,290,000 in revenue bonds for the construction of the Beacon municipal center to include the police department, E911 operations, and municipal court as well as a regional stormwater project on the site. City Schools of Decatur is responsible for \$5,360,000 of the overall bond issue for the school's administrative facility on the site. During this fiscal year, the 2013 URA Bonds Fund solely accounted for the debt service obligations associated with the completed capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- In November 2015, Decatur voters approved a \$75 million general obligation bond issuance for City Schools of Decatur capital improvements projects. The general obligation bonds were issued in February 2016 and the proceeds were transferred to the school system.
- In August 2017, the City of Decatur Public Facilities Authority (PFA) purchased the 77-acre United Methodist Children's Home property. Two forms of financing were used to finance the purchase of the property. The PFA issued \$29,625,000 in revenue bonds and received a loan through the Georgia Environmental Finance Authority (GEFA) from the Clean Water State Revolving Fund in the amount of \$11,452,000.
- In November 2017, voters approved a referendum to replace the HOST (Homestead Option Sales Tax) with an EHOST (Equalized Homestead Option Sales Tax). The EHOST will apply 100% of its proceeds to homestead exemptions from DeKalb County property tax funds for maintenance and operations and the hospital authority in owner-occupied, single family residences. This eliminates the differential benefit among unincorporated and incorporated taxpayers under the HOST. Simultaneously, a six-year SPLOST (special purpose local option sales tax) was approved which will fund the debt service previously covered by HOST as well as finance transportation-related projects.
- In September 2018, the City issued \$5,095,000 in general obligation sales bonds which were approved by voters in conjunction with the authorization of a one percent special purpose local option sale tax (SPLOST). The bond proceeds will be used for transportation improvements to the Atlanta Avenue-West Howard Avenue-West College Avenue intersection. This is identified as a subsequent event in Note 18.
- The City had \$42,723,557 in expenses related to governmental activities and \$10,775,641 or 25.2% of these expenses were offset by program specific charges for services, grants or contributions. General revenues, before transfers, were \$35,850,947 and \$24,717,015 or 69% of these revenues were from property taxes.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$29,870,966, an increase of \$5,647,115 in comparison with the prior year. The majority of the increase is due to the timing of capital construction projects as well as the inception of the Public Facilities Authority Fund. At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,033,528 or 38% of total general fund expenditures. The prior year's unassigned fund balance was \$8,497,809 or 37% of total general fund expenditures. This amount is available for spending at the government's discretion as it is unassigned fund balance as defined in the City's financial policies and in accordance with Statement 54 of the Governmental Accounting Standards Board (GASB). The general fund's overall fund balance, including nonspendable, restricted, committed, assigned and unassigned balances, increased by \$814,608 to \$10,530,950. The increase in the fiscal year 2017-2018 general fund balance resulted in large part from actual expenditures that were lower than budgeted expenditures in most departments and actual revenues that were slightly higher than budgeted revenues.

Overview of the Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. These statements provide both long-term and short-term information about the City's overall financial status. The statement of net position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the City's overall health, the reader needs to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works and recreation. The business-type activities of the City include the conference center and parking deck, the stormwater utility and solid waste.

The government-wide financial statements include not only the City itself (known as the primary government), but also two discretely presented component units, the Downtown Development Authority and the Decatur Tourism Board. Financial information for the component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 22 and 23 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 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 as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Facilities Authority Fund, Capital Improvement Fund and Debt Service Fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The Public Facilities Authority Fund and SPLOST Fund were added in fiscal year 2017-2018 and the URA Callaway Building Project Fund was closed.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24 through 27 of this report.

Proprietary funds. The City maintains three enterprise funds in the proprietary fund group. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Decatur uses enterprise funds to account for its Conference & Parking Deck activities, the Stormwater Utility and for Solid Waste functions.

The basic proprietary fund financial statements can be found on pages 28 through 30 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 31 and 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 79 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year the City's net position was (\$79,384,736) or \$4,182,826 more than the prior year. Assets increased by \$43,725,619 to \$166,842,404 and liabilities increased by \$31,568,486. Most of the increase in assets is attributed to an increase in capital assets related to the former Children's Home property that was acquired in fiscal year 2017-2018. Bonds payable and notes payable due in more than one year increased \$36,535,026, mostly due to financing of the same property. The net pension liability increased \$1,177,687. The OPEB liability increased \$13,888,256. The OPEB liability increase is due to a significant change in the Governmental Accounting Standards Board (GASB) accounting standards for public sector postretirement benefit programs, other than pension programs. Specifically, GASB Statement 75 significantly changed the accounting and reporting for postemployment benefits other than pensions (OPEB). Previously, only a portion of the total OPEB liability was reported on the financial statements. This was called the Net OPEB Obligation. GASB Statement 75 requires that the full actuarially determined liability be recognized immediately on the financial statements. This type of accounting and reporting is similar to that required of pension plan benefits.

MANAGEMENT'S DISCUSSION AND ANALYSIS

However, it should be noted that while the City has an obligation to current participants in the City's retirement plan, the City does not, contrary to GASB opinion, have a long-term contractual obligation for postretirement benefits such as health insurance. These benefits are budgeted and often modified on an annual basis. More information on the pension liability and OPEB liability can be found in Notes 9 and 10 of the financial statements. Following is a description of the City's net position (in thousands) as compared to the previous year.

City of Decatur Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Assets						
Current assets	\$ 27,612	\$ 32,955	\$ 4,068	\$ 4,043	\$ 31,680	\$ 36,998
Capital assets	68,643	107,403	16,221	16,155	84,864	123,558
Other non-current assets	6,573	6,287	-	-	6,573	6,287
Total assets	<u>102,828</u>	<u>146,645</u>	<u>20,289</u>	<u>20,198</u>	<u>123,117</u>	<u>166,843</u>
Deferred outflows of resources						
	<u>5,161</u>	<u>4,730</u>	<u>299</u>	<u>216</u>	<u>5,460</u>	<u>4,946</u>
Liabilities						
Long-term liabilities	203,078	234,842	875	932	203,953	235,774
Other liabilities	5,239	5,255	2,462	2,193	7,701	7,448
Total liabilities	<u>208,317</u>	<u>240,097</u>	<u>3,337</u>	<u>3,125</u>	<u>211,654</u>	<u>243,222</u>
Deferred inflows of resources						
	<u>491</u>	<u>7,952</u>	<u>-</u>	<u>-</u>	<u>491</u>	<u>7,952</u>
Net Position						
Net investment in						
capital assets	13,369	13,343	16,221	16,155	29,590	29,498
Restricted	6,664	12,058	-	-	6,664	12,058
Unrestricted	(120,852)	(122,075)	1,030	1,134	(119,822)	(120,941)
Total net position	<u>\$ (100,819)</u>	<u>\$ (96,674)</u>	<u>\$ 17,251</u>	<u>\$ 17,289</u>	<u>\$ (83,568)</u>	<u>\$ (79,385)</u>

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services; consequently, these assets are not currently available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portions of the City's net position are either restricted \$12,058,413 or unrestricted deficit (\$120,940,909). The negative unrestricted net position results from two significant general obligation issuances on behalf of the city school system. In 2007, the city incurred \$33,245,000 in long-term debt of which \$16,500,000 was transferred to the school system. In 2016, the city issued \$75 million in general obligation bonds all of which was transferred to the school system. With the transfer of title to the school system, neither the cash nor the capital assets related to the school portion of the bond issuances are reported on the city's statement of net position, thus resulting in a deficit in the unrestricted portion of net position and a deficit in the overall net position for governmental activities. As discussed earlier, the new GASB 75 accounting standards resulted in an increase in the OPEB liability of approximately \$13,888,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

At the conclusion of fiscal year 2018 the City's net position improved by \$4,182,826, most of which can be attributed to the new GASB 75 accounting and financial reporting standards for other postemployment benefits (OPEB). The City budgets for OPEB, primarily retiree health insurance, on an annual basis and funds the benefit in combination with retiree contributions. While compliance with GASB 75 requires accounting and reporting the total long-term obligation, the City reviews, modifies and reserves full ability to terminate such benefit on an annual basis. The schedule on the following page presents a summary of changes in net position for the fiscal year ending June 30, 2018 (in thousands):

City of Decatur Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Revenues						
Program revenues:						
Charges for services	\$ 7,142	\$ 7,155	\$ 4,824	\$ 4,036	\$ 11,966	\$ 11,191
Operating grants & contributions	306	297	-	-	306	297
Capital grants & contributions	3,341	3,324	-	-	3,341	3,324
General revenues:						
Property taxes	22,151	24,717	-	-	22,151	24,717
Franchise taxes	1,704	1,647	-	-	1,704	1,647
Sales taxes	5,504	7,099	-	-	5,504	7,099
Other taxes	1,777	1,869	-	-	1,777	1,869
Investment earnings	479	496	-	-	479	496
Gain on sale of capital assets	-	4	-	-	-	4
Miscellaneous	55	18	-	-	55	18
Total revenues	<u>42,459</u>	<u>46,626</u>	<u>4,824</u>	<u>4,036</u>	<u>47,283</u>	<u>50,662</u>
Expenses						
General government	11,913	12,288	-	-	11,913	12,288
Public safety	12,592	12,521	-	-	12,592	12,521
Public works	4,759	6,190	-	-	4,759	6,190
Recreation	4,966	5,640	-	-	4,966	5,640
Interest on long-term debt	5,099	6,084	-	-	5,099	6,084
Conference center	-	-	479	481	479	481
Stormwater	-	-	1,036	760	1,036	760
Sanitation	-	-	2,603	2,515	2,603	2,515
Total expenses	<u>39,329</u>	<u>42,723</u>	<u>4,118</u>	<u>3,756</u>	<u>43,447</u>	<u>46,479</u>
Income (Loss) before transfers	3,130	3,903	706	280	3,836	4,183
Transfers	(456)	242	456	(242)	-	-
Change in net position	2,674	4,145	1,162	38	3,836	4,183
Net position beginning of year, as restated	(103,493)	(100,819)	16,089	17,251	(87,404)	(83,568)
Net position end of year	<u>\$ (100,819)</u>	<u>\$ (96,674)</u>	<u>\$ 17,251</u>	<u>\$ 17,289</u>	<u>\$ (83,568)</u>	<u>\$ (79,385)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenues

Governmental charges for services increased by approximately \$13,000 or less than one percent over the previous fiscal year. Within that category, general government charges for services decreased approximately \$245,000 mostly due to a decrease in development related fee revenues. Development activity was exceptionally strong in fiscal year 2016-2017 due to multiple commercial and residential development projects; development was steady in fiscal year 2017-2018 including permitting activity for the Callaway project, a downtown hotel and the Avondale MARTA project. Public safety related charges remained stable. Recreation charges for services increased eight percent resulting from a strong demand for the programs provided by the Active Living and Children and Youth Services divisions in addition to increased capacity at Ebster gym and Ebster Recreation Center. Operating grants and contributions were stable. Capital grants and contributions decreased \$17,682 as funding continued from the Georgia Department of Transportation's Transportation Enhancement Program for the railroad crossing improvements as well as funding from the Department of Transportation through the Atlanta Regional Commission's Livable Centers Initiative for the North McDonough streetscapes project and the Clairemont/Commerce/Church bicycle and pedestrian improvements project. Property taxes, including real estate and personal property, increased \$2,566,240 or almost 12% from the prior year. This increase occurred as a result of an increase in the debt service millage rate by .32 mills to cover the debt service on the school general obligation bonds that were approved by the voters in November 2015 and issued in February 2016. The first principal payment of \$1,165,000 was due August 1, 2018 in addition to the annual interest payments of \$2,589,043 that started in fiscal year 2016-2017. Franchise taxes decreased \$56,906 as a result of a decrease in the Georgia Power electric franchise tax payment. Sales taxes increased \$1,595,765 due to an increase in revenue from the homestead option sales tax (HOST). An additional \$1,100,000 was received in HOST proceeds for January through March 2018 and was distributed in the same fiscal year unlike prior years due to the replacement of HOST with an EHOST (Equalized Homestead Option Sales Tax) and addition of a SPLOST (special purpose local option sales tax) as approved in a November 2017 referendum. Proceeds from the six-year SPLOST commenced in April 2018 and are accounted for in a separate SPLOST fund.

Charges for services for business-type activities decreased \$788,271. Because of the timing of the adoption a \$25 increase in the stormwater utility fee from \$75 to \$100, the stormwater utility fee revenue for 2016-2017 included the \$25 fee increase on the December 2016 bill in addition to the full \$100 stormwater fee on the June 2017 bill resulting in a total fee of \$125 paid per equivalent residential unit (ERU) in that fiscal year. In fiscal year 2017-2018, the \$100 per ERU stormwater fee was charged which resulted in lower revenues. Also, there were no payments into the City's regional stormwater management facility unlike the previous year. The increase in solid waste charges for services results from an increase in June 2016 in the residential sanitation fee from \$250 to \$275 specifically to cover the costs to provide separate recycling collection service for glass. Similar to the stormwater fee, this additional fee was billed for calendar year 2016 in December 2016 and included on the 2017 first installment bill for calendar year 2017. Solid waste charges for service increased approximately \$30,000 as a result of an increase in the annual residential collection fee from \$278 to \$290.

Expenses

General Government expenses increased \$375,407 or 3%. Public Safety expenses decreased \$70,302 or less than 1%; Public Works expenses increased \$1,430,583 or about 30%; Recreation expenses increased

MANAGEMENT'S DISCUSSION AND ANALYSIS

\$673,844 or 14%. Interest on long-term debt increased by \$985,057. Increases are due to a 5% market-rate salary adjustment for all full-time employees that was effective January 1, 2018, capital improvement projects and additional expenditures associated with the Public Facilities Authority.

Expenses for business-type activities decreased \$362,079. Conference Center expenses increased \$1,529. Stormwater expenses decreased \$275,761 primarily due substantial completion of a major stormwater improvement project at Barry Street. Solid Waste expenses decreased \$87,847 in part due to the reporting of the OPEB liability expense from Business-type Activities to Governmental Activities.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Decatur, Georgia's governmental funds reported combined ending fund balances of \$29,870,966, an increase of \$5,647,115 in comparison with the prior year. The majority of the increase is due to an increase in the capital improvement fund balance and financing by the Public Facilities Authority. Approximately thirty percent of the total amount, \$9,033,528, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance (\$20,837,438) is within the following classifications: \$1,367,675 is nonspendable which means that it is not available for new spending because it is a non-cash asset such as inventories or prepaid items; \$16,000,790 is restricted which means that it is legally restricted for specific purposes. Specifically, this fund balance is restricted for 1) capital construction (\$11,278,148); 2) equipment purchases (\$739,808); 3) debt service (\$3,542,675); 4) law enforcement (\$15,608); and 5) Public Safety-E911 (\$424,551). \$1,430,652 is committed which means it can only be used for specific purposes pursuant to a formal vote of the City Commission. Fund balance is committed for 1) tree preservation (\$62,150) and 2) Children and Youth Services (\$1,368,502). \$2,038,321 of fund balance is assigned which is any amount intended to be used for specific purposes as determined by the City Manager. Fund balance is assigned for 1) fiscal year 2019 operations (\$1,481,030); 2) greenspace acquisition (\$12,765); 3) cemetery operations (\$168,456); and 4) equipment purchases (\$376,070).

The general fund is the chief operating fund of the City of Decatur, Georgia. At the end of the current fiscal year, the fund balance of the general fund was \$10,530,950, while the total fund balance for all governmental funds was \$29,870,966. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents thirty-eight percent of total general fund expenditures. At the end of fiscal year 2016-2017, unassigned fund balance represented thirty-seven percent of total general fund expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The table below compares general fund revenues and expenditures for 2017 and 2018 (in thousands).

	2017	2018	\$ Increase (Decrease)	% Increase (Decrease)
Revenues				
Taxes	\$ 19,852	\$ 20,898	\$ 1,046	%
Licenses & permits	1,472	1,218	(254)	(17)
Intergovernmental	409	504	95	23
Fines & forfeitures	805	855	50	6
Charges for services	1,825	1,770	(55)	(3)
Other revenues	151	156	5	3
Total revenues	<u>24,514</u>	<u>25,401</u>	<u>887</u>	<u>4</u>
Expenditures				
General government	9,063	9,414	351	4
Public safety	8,523	8,729	206	2
Public works	3,429	3,703	274	8
Recreation	1,996	2,090	94	5
Total expenditures	<u>23,011</u>	<u>23,936</u>	<u>925</u>	<u>4</u>
Excess (deficiency) of revenues over expenditures	1,503	1,465	(38)	(3)
Other financing sources (uses)				
Proceeds from sale of capital assets	2	4	2	100
Transfers in	726	703	(23)	(3)
Transfers out	(935)	(1,358)	(423)	45
Total other financing sources (uses)	<u>(207)</u>	<u>(651)</u>	<u>(444)</u>	<u>214</u>
Net change in fund balances	1,296	814	(482)	(37)
Fund balances, beginning of year	8,420	9,716	1,296	15
Fund balances, end of year	<u>\$ 9,716</u>	<u>\$ 10,530</u>	<u>\$ 814</u>	<u>% 8</u>

General Fund Revenues

Revenue from all taxes increased approximately \$1,046,350 or five percent more than the prior year. Most tax categories remained stable. The largest single source of revenue for the City's general fund operations is real property tax which totals over \$15,600,000. The total real property tax revenue for fiscal year 2017-2018 was \$1,046,350 greater than the prior year. The 2017 digest increased just over 8%, of which 46% of the increased value was attributed to new valuation. The revised 2017-2018 budget was adjusted upwards to reflect the impact of settled appeals and balances from 2017 property value appeals. The revenue increase was tempered by a reduction in the 2017 general fund millage rate from 9.3 to 9.24. Other, non-real estate taxes contributed to the increase in tax revenues. The insurance premium tax was \$82,011 higher than the previous year and public utility taxes were \$47,684 greater than the prior year. Alcohol excise taxes increased 9% and business personal property taxes increased 6%. Other tax categories decreased. Penalty and interest for late tax payments dropped \$111,979 due primarily to Georgia House Bill 960 that reduced the penalty amount for nonpayment of ad valorem taxes to five percent from ten percent and the penalty is not applicable until 120 days after the due date. Intangible taxes decreased by \$77,058, electric power franchise taxes decreased by \$57,436, and motor vehicle taxes decreased by \$32,015. Licenses and permits decreased \$254,157 as a result of less revenue from development-related permits. Development activity remained steady but the previous fiscal year was particularly productive. There is a corresponding decrease in expenditures for outsourced development permitting and inspections services.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fines and forfeitures increased \$50,167 to \$855,060. The increase is in fine revenue related to code violations including an increase in school bus stop arm violation revenue. The fines and forfeitures revenue remains about \$100,000 lower than the past five-year average for this category. Charges for services decreased \$55,796 or 3% primarily due to a decrease in parking meter fees of \$64,412. Overall, general fund revenues increased \$887,109 or 4% over the prior year revenues.

General Fund Expenditures

Overall, general fund expenditures increased \$925,311 or just at 4% from the prior year and remained well within the overall budget. The majority of the increase is within personnel services, including full-time and part-time salaries and group insurance. Based on the results of a comprehensive salary survey, all full-time employees received a 5% market-rate salary adjustment on January 1, 2018. Also, all full-time salary ranges were extended 10% to improve the City's competitiveness in the Atlanta jobs market. Four new positions were approved in fiscal year 2017-2018 including three positions dedicated to the recently acquired former United Methodist Children's Home property. Additions to part-time positions increased temporary salaries expenditures. Three new school crossing guards were approved as well as fifteen part-time firefighters. The new part-time firefighter program resulted in additional temporary salary expenditures of \$31,974 and a reduction of \$194,418 in overtime expenditures. Full-time and part-time salaries increased \$245,570 in the general fund. In 2015-2016, health insurance costs increased over \$500,000, in 2016-2017, health insurance costs dropped \$182,000 and in 2017-2018 health insurance costs increased just over \$292,000. It is important to note that health care costs for the City will fluctuate within a partially self-insured plan depending on the number and severity of claims. The general fund's employee health benefits costs of \$2,427,000 include approximately \$65,000 for wellness programming plus the cost to fund employee premium discounts for participation in the City's wellness program.

Professional services increased around \$103,000. As referenced earlier, the costs associated with permitting and inspection services provided by a third party decreased from the previous years as fewer development-related permits were issued in this fiscal year. In this category, professional services expenditures dropped by \$64,880. As noted earlier, development-related permit fees decreased similarly. Legal services, within professional services, increased just over \$186,000 due to a wide variety of legal matters throughout the year. Professional services in the accounting division increased about \$25,000 including auditing fees, temporary accounting services and development services for online alcoholic beverage license applications. The online alcoholic beverage license application is now operational and being used by city businesses. Another category that saw an increase was utilities, specifically electricity, street lighting and natural gas. Combined, the expenditures for these utilities increased \$135,840. The electricity expenditures are a result of larger, renovated buildings, the addition of the Children's Home property and a billing issue that resulted in a payment that should have been in the prior fiscal year.

General Government expenditures increased about \$351,400 or almost 4% due to increases in personnel services, professional services, contractual services, legal services fees and stormwater utility fees. Public Safety expenditures increased \$206,000 or just over 2% with most of the increase found in personnel-related expenditures plus training and uniforms. In the Fire department, the new part-time firefighter program resulted in expenditures that were \$112,266 less than the previous year while enhancing the department's ability to provide effective and efficient fire and medical response services. Public Works expenditures increased \$274,370 or 8%. In addition to an increase in salaries and health insurance, two additional public works positions were approved to support facility and grounds maintenance at the 77-acre former United Methodist Children's Home property. An additional \$35,000 was spent on grounds maintenance services including grass cutting at the property and an additional \$30,000 was spent in this fiscal year on tree maintenance and removal.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Recreation expenditures increased \$93,450 or just over 4% which reflects the increases in personnel-related expenditures due to market-rate salary adjustments, increased health insurance, a new position for active living programming at the Children's Home property and a part-time position at Ebster Recreation Center. Program fees at both recreation centers help to offset the costs associated with these positions.

Transfers from other funds decreased from \$725,722 to \$703,094 which is a decrease of \$22,628. The transfer includes the overhead costs charged to the solid waste and stormwater funds for support services provided by the general fund such as accounting, billing and personnel services. The overhead costs are re-calculated each year and may vary slightly. Also, the general fund credits the solid waste fund and stormwater fund for the fee waivers provided to low-income seniors. The distribution from the hotel/motel fund increased \$2,291. Transfers to other funds were \$423,333 higher than the prior year as a result of a transfer of \$850,000 to the public facilities authority fund to cover the first year of debt service on the GEFA loan and revenue bonds used to acquire the former Children's Home property. The transfer to the E911 fund to cover operating costs remained at \$400,000 and the transfer to the Children and Youth Services fund was reduced by \$50,000 to \$100,000 as this fund moves closer to self-sufficiency. Before accounting for transfers, revenues exceeded expenditures by \$1,465,286. After accounting for transfers in and out, the addition to fund balance was \$814,608, resulting in an end of year fund balance of \$10,530,950.

Other Fund Activities

Public Facilities Authority Fund. The Public Facilities Authority Fund accounts for the issuance of the PFA Series 2017 bonds in the amount of \$29,625,000 and a low-interest loan from the Georgia Environmental Finance Authority (GEFA) in the amount of \$11,452,000 for the purchase of the seventy-seven acre former Children's Home property. The GEFA loan funds the purchase of twenty-two of the seventy-seven acres for the purpose of conservation. This fund includes a capital account that reflects the proceeds from debt issuance and the property acquisition. The cash balance represents close to \$500,000 remaining in this account for site improvements. This fund also includes an operating account that reflects revenue from property tenants and funding from DeKalb County to undertake certain projects in the conservation area such as trail construction, pond improvements and removal of invasive species. The annual debt service payments are accounted for in the operating account. The cash balance in the operating account represents close to \$850,000 which includes the DeKalb County grant of \$800,000 and funds earmarked for debt service. A transfer in the amount of \$850,000 from the general fund covered the first year of debt service payments.

Capital Improvement Fund. The Capital Improvement Fund's fund balance increased by \$3,626,910 to \$10,817,108. Overall revenues were about \$543,000 higher than the prior year. HOST revenues increased \$1,560,509 because there was a distribution for January through March 2018 which normally would have been distributed in the next fiscal year. Other tax revenues increased \$264,263 and intergovernmental revenue was \$1,282,216 less than the previous year. The intergovernmental revenue included funds for the North McDonough streetscapes, railroad crossings project and the Clairemont/Church/Commerce intersection improvements design. About \$8.8 million of the fund balance is from HOST funds and over half of that balance is dedicated to current and proposed capital projects. The purpose of the capital improvement fund is to provide for construction of major capital improvements and to purchase capital equipment items for operating departments. In addition to the projects described above, other major capital outlay projects in fiscal year 2018 included streets repair and paving, traffic calming projects, sidewalk repair and installation, and lease payments for a variety of vehicles and other equipment. The capital improvement fund transferred about \$2,019,000 to other funds for debt service and capital construction projects. Fiscal year 2018 is the last year that funds will be received from the HOST. The HOST has been replaced by the EHOST and the new SPLOST will be accounted for in a separate fund as required by State law.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt Service Fund. The Debt Service Fund's fund balance, all of which is restricted for the payment of debt service, decreased by \$481,970. The fund balance is used to cover cash flow needs for debt service payments for the general obligation bonds issued in 2007 and refunded in 2015 as well as the general obligation bonds issued in 2016 for the school system. The fund balance of \$4,057,859 is comprised of approximately \$984,000 for the City's debt service and \$3,073,000 for the school general obligation debt service. The debt service millage rate was increased by .32 mills to 2.81 mills in June 2017 in advance of the first principal payment on the school general obligation debt due August 1, 2018 in the amount of \$1,165,000.

The activities of other non-major governmental funds can be found on pages 84 and 85.

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 City maintains three enterprise funds that account for activities of the city that are operated in a business fashion. Those funds include the Conference Center and Parking Deck Fund, the Stormwater Utility Fund and the Solid Waste Fund.

Conference and Parking Deck Fund. The City entered into a long term management services agreement with the Downtown Development Authority (DDA) for operation of the conference center and parking deck. The DDA sublets the management and operation of the conference center and the DDA manages the parking deck through a contract with a parking management vendor. Hotel/motel tax collections for the upkeep and maintenance of the conference center are placed in a reserve account to be used by the conference center management company for maintenance of the facility. The transfer from the hotel/motel tax fund was \$184,045 and placed in a reserve account with the DDA. This was approximately \$1,500 higher than the prior year. The audit includes this amount in 'cost of sales and services.' There were no expenses out of this fund for maintenance and repairs to the conference center's parking deck. Depreciation expenses remained flat. A maintenance reserve account has also been created with revenue from the parking deck management contract. The revenue in this account, as managed by the DDA, is available for maintenance and repairs for the parking deck. The conference center and parking deck fund ended the year with \$186,775 in cash available from prior years' service fees for maintenance and repair needs in the parking deck.

Stormwater Utility Fund. The stormwater utility fund accounts for the collection of fees for planning, repairs, maintenance and construction of the City's stormwater system based on a calculation of each property's impervious surface using a measurement of equivalent residential units or ERUs. The total net position of the stormwater utility fund increased by \$216,610 to \$16,099,483. The City's regional stormwater management facility represents over \$10 million of the fund's total net position. Revenue from annual stormwater fees decreased by \$817,714 because the timing of the \$25 increase in the stormwater fee resulted in higher revenues in the previous fiscal year. Operating expenses decreased \$275,761 due to the reporting of OPEB costs to governmental activities and the substantial completion of the Barry Street stormwater project in the previous fiscal year. The fund transferred \$314,490 to the general fund for indirect costs. In June 2016, the City Commission approved an increase in the ERU from \$75 to \$100. The previous fee had been adopted in 2005.

This fund ended the year with over \$1,724,000 in cash available for operating and capital expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Solid Waste Fund. The solid waste fund accounts for the collection of fees for residential and commercial sanitation services. Revenues in this fund increased \$29,443 from the prior year. In March 2017, the City Commission increased the single-family residential fee from \$278 to \$290 and increased rates for the 95 gallon carts, commercial refuse containers and 3 cubic yard containers. The increase in the single-family residential fee was recommended to cover actual cost increases and due to volatility in the recycling industry. In June 2018, the City Commission approved contracts allowing the City to provide residential recycling services as an agreement with the incumbent provider could not be reached. Operating expenses decreased \$87,847 due to the reporting of the OPEB liability in governmental activities. In addition to the government-wide financial statements, the net pension liability is reported in two of the proprietary funds including the solid waste fund. The net pension liability for the fund is reported cumulatively and is \$670,174 which is an increase of \$75,916 over the prior year. The transfer to the general fund for indirect costs decreased by \$41,600 to \$112,730.

Total net position increased by \$117,801 to \$616,733 because the OPEB liability is reported in the governmental activities. By June 30, 2018 the commercial sanitation collection rate for the 2017 service year was 96%. The solid waste fund ended with a positive cash position with cash balances at June 30, 2018 of \$3,019,469 as compared to \$2,700,925 in the previous year. The Public Works staff continues to analyze costs and service charges to confirm that fees charged cover the cost of services delivered as well as developing alternative service delivery options to reduce costs.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 used for fiduciary funds is much like that used for proprietary funds. The primary fiduciary fund is the Pension Trust Fund that holds assets to be used for paying pension obligations of city employees. The Pension Trust Fund had a net increase of \$2,376,674 to net position during fiscal year 2017-2018 reflecting the strength in the financial markets. The net position restricted for benefits remains healthy at \$42,526,673.

General Fund Budgetary Highlights

The General Fund Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual, can be found on page 27. The original and final budgets anticipated a reduction to fund balance to decrease the total fund balance. Actual revenues were \$155,763 more than the final budgeted amounts. Actual general fund expenditures were \$1,559,693 less than the final budget. Personnel related services were \$740,090 less than budgeted, mostly the result of actual full- and part-time salaries being less than budgeted. There were savings in other line items including contractual services, dues and fees, business meetings, computer equipment, software, gasoline, stormwater utility and electric utilities. The budget anticipated using \$904,150 in fund balance. Higher revenues and much lower than budgeted expenditures resulted in an addition to fund balance of \$814,608. This is \$1,718,758 more than anticipated and resulted in an ending fund balance of \$10,530,950.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2018, amounts to \$123,557,364 (net of accumulated depreciation). This investment in capital assets includes land, buildings and fixtures, improvements, machinery and equipment, vehicles, and infrastructure (roads, bridges and drainage culverts, etc.). The City's investment in capital assets increased from \$84,864,194 to \$123,557,364 as activity associated with the City's capital improvements program continues steadily. The City has invested in capital assets through the continuing expenditure of bond proceeds for the fire station #1 renovation and addition, cemetery improvements, sidewalk construction, streetscapes improvements, Decatur recreation center renovation, public works facility renovation and the Beacon municipal center capital project. The purchase of 77 acres of land and buildings produced the increase in capital assets in fiscal year 2018. Additional information on the City's capital assets can be found in Note 6 on pages 54 through 56 of this report. The following table summarizes the capital assets (net of depreciation) for governmental activities, business-type activities and the total for the primary government.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Land	\$ 4,269	\$ 32,545	\$ 280	\$ 280	\$ 4,549	\$ 32,825
Construction in progress	1,841	3,342	1,753	-	3,594	3,342
Land improvements	2,734	2,665	-	-	2,734	2,665
Infrastructure	15,398	14,797	12,962	14,757	28,360	29,554
Building & improvements	41,174	50,776	582	308	41,756	51,084
Machinery & equipment	2,368	2,224	-	-	2,368	2,224
Vehicles	859	1,053	-	-	859	1,053
Furniture, fixtures, & equipment	-	-	644	809	644	809
Total	\$ 68,643	\$ 107,402	\$ 16,221	\$ 16,154	\$ 84,864	\$ 123,556

Long-term Debt and Capital Leases. At the end of the current fiscal year, the City had long-term bonded debt in the amount of \$177,274,254 including the bond issuance premium. State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The City's total assessed valuation for fiscal 2018 is \$2,056,232,000 with a current debt limitation for the City of \$205,623,000, not including current debt outstanding. Current debt that is applied to the debt limit totals \$102,110,000 which leaves the City with a legal debt margin of \$103,513,000. The ratio of the City's outstanding general obligation bond debt to assessed valuation is 5%.

The City has entered into lease agreements for financing the acquisition of equipment, machinery and improvements. The total amount of machinery, equipment and vehicles under capital leases at June 30, 2018 was \$623,477 and there has been \$111,854 of accumulated depreciation as of year-end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At June 30, 2018, the City had long-term debt in the amount of \$235,773,988 which was comprised of \$177,274,254 in bonds payable, \$57,568,116 in capital leases, notes payable, certificates of participation, claims and judgments, total OPEB obligation, net pension liability and compensated absences in the governmental activities and \$931,618 in net pension liability and compensated absences in the business-type activities.

The long-term debt in governmental activities includes \$1,851,865 in notes payable and related issuance premium for the school system sales tax notes issued in 2012. The long-term debt also includes the general obligation bonds issued in January 2007 and refinanced in April 2015, the recovery zone economic development bonds issued in December 2010, revenue bonds issued in May 2013, general obligation bonds issued in February 2016 for the City Schools of Decatur and the revenue bonds issued in July 2017 by the Public Facilities Authority. The 2007 bond issuance financed approximately \$16,500,000 worth of capital improvements for city-related capital projects, including transportation improvements, parks and recreation improvements, greenspace acquisition, public safety facility renovations, and public works improvements. The City Schools of Decatur have used approximately \$16,500,000 for school-related capital projects. The 2010 bond issuance financed approximately \$13,760,000 of capital improvement projects including fire station #1, Decatur recreation center and the public works facility. Also included in the long-term debt are the certificates of participation issued in July 2005 in the principal amount of \$2,810,000 to finance the renovation and addition of Decatur City Hall. In February 2015, the City negotiated a reduction in the interest rate on the Series 2005 certificates of participation from 3.91% to 2.6%. This reduction will result in a net present value savings of \$132,200 over the term of the certificates of participation. The May 2013 bond issuance funded the construction of the Beacon municipal center which includes the police department, E911 operation, Ebster recreation center and gym, and municipal court as well as a large stormwater project on the site. City Schools of Decatur is responsible for \$5,360,000 of the overall bond issue for the school's administrative facility on the site. The City issued general obligation bonds in February 2016 in order to disburse \$75 million to the City Schools of Decatur for various capital projects. The Public Facilities Authority issued \$29,625,000 in revenue bonds for the acquisition and site improvements of the former United Methodist Children's Home property.

Additional information on the City's long-term debt can be found in Note 7 on pages 57 through 63 of this report.

Pension and Other Post Employment Benefits. The City of Decatur, Georgia sponsors a single-employer defined benefit pension plan for all of its full-time employees. Annually, an independent actuary engaged by the Board of Trustees of the retirement system calculates the amount of the annual contribution that the City must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. The City normally fully funds the annually determined contribution to the retirement system as determined by the actuary. The City's contribution of \$880,322 exceeds the actuarially determined contribution for the fiscal year ending June 30, 2018.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 67 went into effect on July 1, 2013. This statement relates to the pension plan accounting and results in significant changes to the actuarial reporting and financial report footnotes. The provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, were effective July 1, 2014 and significantly change the City's accounting for pension amounts. GASB asserts that the new standard will improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 68 relates to employer accounting and results in changes to the accounting in the statements of net position and changes in net position for the pension trust fund. Readers of the financial report will see the inclusion of the net pension liability to the government-wide financial statements. The net pension liability is the difference between the Total Pension Liability and Plan Fiduciary Net Position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Essentially, the net pension liability is the plan's unfunded pension obligation which GASB has determined meets the definition of a liability and should be recognized in the basic financial statements. It is important to note that the GASB statements refer to plan accounting, not funding. The City continues to use the actuarially determined contribution (ARC) to determine appropriate funding of the pension plan.

At June 30, 2018, City's total pension liability was \$52,898,844. The plan fiduciary net position was \$42,526,673 resulting in the City's net pension liability of \$10,372,171. The plan fiduciary net position as a percentage of the total pension liability was 80.4%. The plan's funded ratio, an indicator of funding status, decreased from 81.4% to 80.4%. According to the Center for State and Local Government Excellence, in 2015 only 38% of plans were over 80% funded. Bear in mind that the total pension liability used to calculate the net pension liability was determined by an actuarial valuation. This evaluation used updated, conservative assumptions based on the results of an experience study that was completed in August 2015 taking into account seven years of data experience. It is important to note that the net pension liability is sensitive to changes in the discount rate. The discount rate of 7% is conservative. An increase in the rate by 1% results in a reduction of the liability of \$5.7 million.

The City also provides post retirement health and dental care benefits for certain retirees and their dependents. As of June 30, 2018, the most recent actuarial date, there were 83 retired employees and beneficiaries receiving these benefits, which are financed on a pay-as-you-go basis. Effective July 1, 2017, the City implemented GASB Statement 75 which significantly changed the accounting and reporting for OPEB. An independent actuarial analysis determined that the City's total liability for these benefits or total OPEB liability was \$32,364,456. This total amount was reported as a liability on the City's statement of net position. The City does not have a contract nor agreement with retirees to provide these benefits. Rather, the continuation of these benefits is contingent upon annual budget approval by the City Commission.

Additional information on the City of Decatur, Georgia's pension arrangements and post employment benefits can be found in Notes 9 and 10 in the notes to the financial statements.

Economic Factors

The economic outlook for the City is positive. The 2018 certified real property digest is 8.9% higher than the final 2017 digest. Thirty-six percent of the increase in the digest is due to added new value and the remaining sixty-four percent is revaluation of existing properties. This increase is consistent with local real estate sales reports and recent permitting activity. It is anticipated that the positive trend will continue but at a slower pace than the recent years. A number of projects are underway that will have a positive impact on the City's tax digest in the near future. Construction is underway on a Hampton Inn which will add 134 new hotel rooms in downtown Decatur. Based on the current construction schedule, it is expected to be complete by the second quarter of 2019. The addition of the new hotel downtown will attract more conferences and meetings to the city-owned Decatur Conference Center. Construction on the Callaway Building site with a new mixed-use development at West Trinity Place and Commerce Drive is on schedule. The expected completion date for the project, which includes a Class A office building, is fourth quarter 2019. The first phase of the Avondale MARTA station redevelopment is complete, with the second phase expected to be complete in second quarter of 2019. The project includes 90 units of affordable housing for seniors, targeting individuals making 60-80 percent of the average median income for the Atlanta metropolitan region. Another project near the Avondale MARTA station will create new apartments on previously vacant land. This expected completion date for the project is the fourth quarter of 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additional growth is anticipated for 2019 based on the level of new residential and commercial construction and increasing values associated with the desirability of the community. The City's tax collection rate remains high at 99.9% and City delinquent accounts are minimal. Revenue concerns include the uncertain future of franchise taxes and motor vehicle taxes, legislative interference in restricting local government revenue sources and local government control of finance and budgeting decisions. Ultimately, the City's conservative financial practices, long-term planning, culture of innovation, and strategic approach to financial challenges have resulted in the City's ability to avoid layoffs and furloughs and to maintain high quality service delivery.

According to the federal Bureau of Labor Statistics, the unemployment rate for DeKalb County is currently 3.6%, down from 4.4% a year ago. Unemployment rates are not available for the City of Decatur but due to the diversity of the employment base, it is likely that the City's rate would be slightly lower. Inflationary trends in the region compare favorably to national indices. Interest in downtown Decatur commercial space remains high with newer tenants representing smaller professional, service and creative businesses that will bring a healthier mix of businesses capable of weathering changes in the new economy. Residential living units in the central business district continue to add to the economic vitality of the district.

In June 2017, Moody's Investors Services upgraded the City's bond credit rating from Aa2 to Aa1. The credit opinion report stated that the City's sound financial position was one of the main factors of the upgrade. Specifically, the report identified the City's established record of proactive management, comprehensive fiscal policies, and healthy fund balance levels as factors contributing to the upgrade. The strong bond credit rating assures lower interest costs on outstanding debt. The fiscal year 2017-2018 audit report and the City's current and future practices continue to promote these core financial management principles.

Next Year's Budget

At June 30, 2018, unassigned fund balance in the general fund was \$9,033,528. The City has estimated that \$1,481,030 will be deducted from fund balance in the 2019 fiscal year budget bringing the total fund balance to \$7,552,498 or 28% of budgeted expenditures. This is consistent with the City's fund balance policy which strives to maintain an unreserved, unassigned fund balance between twenty and thirty percent of the operating budget. The budget includes funding for a 2.5% merit increase for employees who are still below the maximum in their salary range. The 2019 budget maintains the partially self-insured model for group health benefits. The 2019 fiscal year budget includes an increase for health insurance costs. To offset the increased costs, employee contributions increased 7% and plan changes were made. The City's required contribution to the Employees' Retirement System remained at 8% of payroll based on actuarial funding requirements.

The City closed on the purchase of the 77-acre United Methodist Children's Home (UMCH) at 500 S. Columbia Drive in August 2017. To finance the purchase of the property, the City of Decatur Public Facilities Authority issued \$29,625,000 in revenue bonds and received a low-interest loan from the Georgia Environmental Finance Authority for 22 acres of the site that will be permanently protected as a conservation area. The annual debt service for the PFA bonds and GEFA loan is approximately \$2,072,000. The city facilitated numerous and varied opportunities for public engagement around the visioning for the remaining 55 acres and 34 buildings. The master plan for the property, coined Legacy Park, was adopted by the City Commission in December 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In November 2017, voters approved a referendum to replace the Homestead Option Sales Tax (HOST) with an Equalized Homestead Option Sales Tax (EHOST). All proceeds from the EHOST will be used to fund homestead exemptions from DeKalb County property tax funds for general county operations and the hospital authority. In addition to the EHOST, voters approved a Special Purpose Local Option Sales Tax (SPLOST) which increases the countywide sales tax by one cent. The SPLOST proceeds will replace the funding the City previously received from HOST. The SPLOST is anticipated to provide around \$20,500,000 to the City of Decatur over six years.

Approximately \$13,500,000 of the SPLOST receipts is committed to debt service for the Urban Redevelopment Agency series 2010A, 2010B and 2013A bonds. The balance will be spent on improvements to the Atlanta Avenue/W. Howard Avenue/W. College Avenue intersection and bicycle, pedestrian and traffic calming improvements. In September 2018, the issued \$5,095,000 in general obligation SPLOST bonds for the Atlanta Avenue Railroad Crossing Improvement project.

The budgeted projects and activities directly support the following strategic plan principles: Principle A: Manage growth while retaining character; Principle B: Encourage a diverse and engaged community; Principle C: Serve as good stewards of the environment and community resources; Principle D: Support a safe, healthy, lifelong community; and an internally developed principle, Principle E: Provide the necessary support within city government to achieve the vision and goals of the community. Capital investments will be financed through the capital improvements fund, the general obligation bond financing that was approved in September 2006, recovery zone economic development bonds that were issued in December 2010, revenue bonds that were issued in April and October 2013, and general obligation bonds that were issued in September 2018. The City uses a combination of pay-as-you-go and long-term financing to invest in capital infrastructure while spreading the overall debt burden over the useful life of capital projects.

Requests for Information

This financial report is designed to provide a general overview of the City of Decatur's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, 509 North McDonough Street, City of Decatur, Georgia 30030. This report and other financial reports can be viewed on the City of Decatur's website at www.decaturga.com within the Administrative Services Department section.

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS	Primary Government			Component Units	
	Governmental	Business-type	Total	Downtown	Decatur
	Activities	Activities		Development	Tourism
			Authority	Board	
Cash and cash equivalents	\$ 26,861,733	\$ 4,930,274	\$ 31,792,007	\$ 1,606,150	\$ 131,210
Taxes receivable	803,390	-	803,390	26,040	-
Other receivables	500,152	-	500,152	-	-
Accounts receivable, net of allowances	-	141,670	141,670	30,914	-
Due from primary government	-	-	-	239,103	19,931
Due from other governments	2,248,217	-	2,248,217	-	-
Internal balances	1,028,899	(1,028,899)	-	-	-
Prepaid items	1,367,675	-	1,367,675	-	-
Restricted:					
Investments	138,099	-	138,099	-	-
Other current assets	6,500	-	6,500	-	-
Lease receivable	6,024,955	-	6,024,955	868,773	-
Fair value of hedging derivative	262,375	-	262,375	-	-
Capital assets:					
Non-depreciable	35,887,289	280,065	36,167,354	1,235,818	-
Depreciable, net of accumulated depreciation	71,515,574	15,874,436	87,390,010	1,177,183	5,786
Total assets	146,644,858	20,197,546	166,842,404	5,183,981	156,927
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on bond refunding	1,804,185	-	1,804,185	-	-
OPEB related items	443,245	-	443,245	-	-
Pension related items	2,482,598	216,085	2,698,683	-	-
Total deferred outflows of resources	4,730,028	216,085	4,946,113	-	-
LIABILITIES					
Accounts payable	743,689	273,559	1,017,248	56,732	43,949
Accrued liabilities	4,490,966	37,404	4,528,370	-	-
Unearned revenue	-	1,697,910	1,697,910	-	-
Due to component unit	19,931	184,045	203,976	-	-
Certificates of participation due within one year	150,000	-	150,000	-	-
Certificates of participation due in more than one year	2,535,000	-	2,535,000	-	-
Claims and judgments payable due within one year	7,804	-	7,804	-	-
Claims and judgments payable due in more than one year	11,707	-	11,707	-	-
Compensated absences due within one year	1,026,753	85,945	1,112,698	-	-
Compensated absences due in more than one year	181,191	15,166	196,357	-	-
Capital leases due within one year	143,936	-	143,936	-	-
Capital leases due in more than one year	365,579	-	365,579	-	-
Notes payable due within one year	298,819	-	298,819	22,490	-
Notes payable due in more than one year	10,941,207	-	10,941,207	179,916	-
Bonds payable due within one year	3,710,418	-	3,710,418	85,000	-
Bonds payable due in more than one year	173,563,836	-	173,563,836	1,485,000	-
Net pension liability due in more than one year	9,541,664	830,507	10,372,171	-	-
Total OPEB liability due in more than one year	32,364,456	-	32,364,456	-	-
Total liabilities	240,096,956	3,124,536	243,221,492	1,829,138	43,949
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - intergovernmental	145,198	-	145,198	-	-
Accumulated increase in fair value of hedging derivative	262,375	-	262,375	-	-
OPEB related items	7,544,188	-	7,544,188	-	-
Deferred service concession arrangement receipts	-	-	-	1,452,634	-
Total deferred inflows of resources	7,951,761	-	7,951,761	1,452,634	-
NET POSITION					
Net investment in capital assets	13,343,259	16,154,501	29,497,760	843,001	5,786
Restricted for capital projects	9,950,253	-	9,950,253	-	-
Restricted for law enforcement	15,608	-	15,608	-	-
Restricted for E911 services	434,451	-	434,451	-	-
Restricted for debt service	1,658,101	-	1,658,101	-	-
Restricted for tourism	-	-	-	-	107,192
Unrestricted	(122,075,503)	1,134,594	(120,940,909)	1,059,208	-
Total net position	\$ (96,673,831)	\$ 17,289,095	\$ (79,384,736)	\$ 1,902,209	\$ 112,978

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 12,288,143	\$ 1,786,598	\$ -	\$ -
Public safety	12,521,222	2,403,418	-	127,186
Public works	6,189,911	91,422	-	3,196,415
Recreation	5,639,785	2,873,139	457	-
Interest on long-term debt	6,084,496	-	297,006	-
Total governmental activities	<u>42,723,557</u>	<u>7,154,577</u>	<u>297,463</u>	<u>3,323,601</u>
Business-type activities:				
Solid waste	2,514,772	2,745,303	-	-
Stormwater	760,068	1,290,168	-	-
Conference center & parking deck	480,836	-	-	-
Total business-type activities	<u>3,755,676</u>	<u>4,035,471</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 46,479,233</u>	<u>\$ 11,190,048</u>	<u>\$ 297,463</u>	<u>\$ 3,323,601</u>
Component units:				
Downtown Development Authority	\$ 2,058,703	\$ -	\$ -	\$ -
Decatur Tourism Board	229,399	14,592	-	-
Total component units	<u>\$ 2,288,102</u>	<u>\$ 14,592</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Property taxes
Franchise taxes
Sales taxes
Other taxes
Unrestricted investment earnings
Miscellaneous
Gain on sale of capital assets
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning of year, as restated
Net position, end of year

The accompanying notes are an integral part of these financial statements.

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Decatur Tourism Board
\$ (10,501,545)	\$ -	\$ (10,501,545)	\$ -	\$ -
(9,990,618)	-	(9,990,618)	-	-
(2,902,074)	-	(2,902,074)	-	-
(2,766,189)	-	(2,766,189)	-	-
(5,787,490)	-	(5,787,490)	-	-
<u>(31,947,916)</u>	<u>-</u>	<u>(31,947,916)</u>	<u>-</u>	<u>-</u>
-	230,531	230,531	-	-
-	530,100	530,100	-	-
<u>-</u>	<u>(480,836)</u>	<u>(480,836)</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>279,795</u>	<u>279,795</u>	<u>-</u>	<u>-</u>
<u>\$ (31,947,916)</u>	<u>\$ 279,795</u>	<u>\$ (31,668,121)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (2,058,703)	\$ -
-	-	-	-	(214,807)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,058,703)</u>	<u>\$ (214,807)</u>
\$ 24,717,015	\$ -	\$ 24,717,015	\$ 915,285	\$ -
1,646,740	-	1,646,740	-	-
7,099,521	-	7,099,521	-	-
1,868,616	-	1,868,616	-	184,045
496,094	-	496,094	-	102
18,400	-	18,400	1,288,388	-
4,561	-	4,561	-	-
242,175	(242,175)	-	-	-
<u>36,093,122</u>	<u>(242,175)</u>	<u>35,850,947</u>	<u>2,203,673</u>	<u>184,147</u>
4,145,206	37,620	4,182,826	144,970	(30,660)
<u>(100,819,037)</u>	<u>17,251,475</u>	<u>(83,567,562)</u>	<u>1,757,239</u>	<u>143,638</u>
<u>\$ (96,673,831)</u>	<u>\$ 17,289,095</u>	<u>\$ (79,384,736)</u>	<u>\$ 1,902,209</u>	<u>\$ 112,978</u>

CITY OF DECATUR, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

ASSETS	General	Public	Capital	Debt	Other	Total
	Fund	Facilities Authority Fund	Improvement Fund	Service Fund	Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 10,947,510	\$ 1,361,147	\$ 8,100,612	\$ 3,437,297	\$ 3,015,167	\$ 26,861,733
Taxes receivable	545,647	-	59,678	143,830	54,235	803,390
Other receivables	415,611	-	-	-	84,541	500,152
Due from other funds	492,656	-	741,636	-	296,937	1,531,229
Due from other governments	-	-	1,577,411	-	298,279	1,875,690
Restricted:						
Investments	-	-	138,099	-	-	138,099
Advances to other funds	-	-	601,709	-	-	601,709
Prepaid expenditures	3,627	-	838,807	515,341	9,900	1,367,675
Other current assets	6,500	-	-	-	-	6,500
Total assets	<u>\$ 12,411,551</u>	<u>\$ 1,361,147</u>	<u>\$ 12,057,952</u>	<u>\$ 4,096,468</u>	<u>\$ 3,759,059</u>	<u>\$ 33,686,177</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 662,988	\$ -	\$ -	\$ -	\$ 80,701	\$ 743,689
Accrued liabilities	733,234	-	716,650	-	80,225	1,530,109
Due to component unit	-	-	-	-	19,931	19,931
Due to other funds	272,096	11,899	357,643	-	452,424	1,094,062
Advances from other funds	-	-	-	-	9,977	9,977
Total liabilities	<u>1,668,318</u>	<u>11,899</u>	<u>1,074,293</u>	<u>-</u>	<u>643,258</u>	<u>3,397,768</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	212,283	-	21,353	38,609	-	272,245
Deferred revenue - intergovernmental	-	-	145,198	-	-	145,198
Total deferred inflows of resources	<u>212,283</u>	<u>-</u>	<u>166,551</u>	<u>38,609</u>	<u>-</u>	<u>417,443</u>
FUND BALANCES						
Fund balances:						
Nonspendable:						
Prepays	3,627	-	838,807	515,341	9,900	1,367,675
Restricted:						
Capital construction	-	1,349,248	8,862,423	-	1,066,477	11,278,148
Equipment purchases	-	-	739,808	-	-	739,808
Debt service	-	-	-	3,542,518	157	3,542,675
Law enforcement	-	-	-	-	15,608	15,608
E911 services	-	-	-	-	424,551	424,551
Committed:						
Tree preservation	-	-	-	-	62,150	62,150
Children and youth services	-	-	-	-	1,368,502	1,368,502
Assigned:						
Fiscal year 2019 operations	1,481,030	-	-	-	-	1,481,030
Greenspace acquisition	12,765	-	-	-	-	12,765
Cemetery operations	-	-	-	-	168,456	168,456
Equipment purchases	-	-	376,070	-	-	376,070
Unassigned	9,033,528	-	-	-	-	9,033,528
Total fund balances	<u>10,530,950</u>	<u>1,349,248</u>	<u>10,817,108</u>	<u>4,057,859</u>	<u>3,115,801</u>	<u>29,870,966</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,411,551</u>	<u>\$ 1,361,147</u>	<u>\$ 12,057,952</u>	<u>\$ 4,096,468</u>	<u>\$ 3,759,059</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	107,402,863
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	272,245
Receivables of governmental activities arising from capital leases and interest are not current financial resources and, therefore, are not reported in the governmental funds.	6,397,482
The fair market value of an effective hedging instrument is not a current financial resource used in governmental activities and, therefore, is not reported in the governmental funds.	262,375
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(194,092,922)
Revenues from an effective hedging instrument are not recognized until the hedge is used by the holder, and, therefore, are deferred in governmental activities.	(262,375)
The net pension liability, total OPEB liability, and related deferred outflows and inflows of resources are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.	(46,524,465)

Net position of governmental activities \$ (96,673,831)

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	General Fund	Public Facilities Authority Fund	Capital Improvement Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 20,898,367	\$ -	\$ 7,904,264	\$ 5,814,155	\$ 643,963	\$ 35,260,749
Licenses and permits	1,218,030	-	-	-	-	1,218,030
Intergovernmental	504,430	994,853	1,404,549	-	1,709,359	4,613,191
Fines and forfeitures	855,060	-	-	-	4,080	859,140
Charges for services	1,769,554	-	-	-	2,647,294	4,416,848
Investment income	2,274	21,849	8,844	-	2,888	35,855
Contributions	-	-	-	-	85	85
Other revenues	154,028	2,100	-	18,400	37,548	212,076
Total revenues	<u>25,401,743</u>	<u>1,018,802</u>	<u>9,317,657</u>	<u>5,832,555</u>	<u>5,045,217</u>	<u>46,615,974</u>
Expenditures						
Current:						
General government	9,413,996	364,697	1,148,180	-	330,244	11,257,117
Public safety	8,729,379	-	128,143	-	891,772	9,749,294
Public works	3,703,264	-	-	-	146,563	3,849,827
Recreation	2,089,818	-	-	-	1,961,396	4,051,214
Capital outlay	-	40,020,900	2,577,969	-	72,635	42,671,504
Debt service:						
Principal retirements	-	211,974	490,620	2,660,000	1,093,697	4,456,291
Interest expenditures	-	667,361	71,637	3,654,525	1,982,203	6,375,726
Issuance costs	-	766,119	-	-	-	766,119
Total expenditures	<u>23,936,457</u>	<u>42,031,051</u>	<u>4,416,549</u>	<u>6,314,525</u>	<u>6,478,510</u>	<u>83,177,092</u>
Excess (deficiency) of revenues over expenditures	<u>1,465,286</u>	<u>(41,012,249)</u>	<u>4,901,108</u>	<u>(481,970)</u>	<u>(1,433,293)</u>	<u>(36,561,118)</u>
Other financing sources (uses):						
Issuance of bonds	-	29,625,000	-	-	-	29,625,000
Bond premium	-	434,497	-	-	-	434,497
Issuance of note payable	-	11,452,000	-	-	-	11,452,000
Capital leases	-	-	450,000	-	-	450,000
Proceeds from sale of capital assets	4,561	-	-	-	-	4,561
Transfers in	703,094	850,000	294,580	-	2,527,111	4,374,785
Transfers out	(1,358,333)	-	(2,018,778)	-	(755,499)	(4,132,610)
Total other financing sources (uses)	<u>(650,678)</u>	<u>42,361,497</u>	<u>(1,274,198)</u>	<u>-</u>	<u>1,771,612</u>	<u>42,208,233</u>
Net change in fund balances	814,608	1,349,248	3,626,910	(481,970)	338,319	5,647,115
Fund balances, beginning of year	<u>9,716,342</u>	<u>-</u>	<u>7,190,198</u>	<u>4,539,829</u>	<u>2,777,482</u>	<u>24,223,851</u>
Fund balances, end of year	<u>\$ 10,530,950</u>	<u>\$ 1,349,248</u>	<u>\$ 10,817,108</u>	<u>\$ 4,057,859</u>	<u>\$ 3,115,801</u>	<u>\$ 29,870,966</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Net change in fund balances - total governmental funds	\$	5,647,115
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		38,759,817
In the governmental funds, payments received on long-term capital leases are reported as intergovernmental revenues. However, in the statement of activities, the capital lease receivable is recorded in the year it is created and principal payments serve to reduce the long-term receivable. This is the net effect of these differences in the current year.		(212,053)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		71,144
The issuance of long-term debt 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(36,833,038)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>(3,287,779)</u>
Change in net position - governmental activities	\$	<u><u>4,145,206</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 20,304,310	\$ 20,570,220	\$ 20,898,367	\$ 328,147
Licenses and permits	1,035,400	1,442,800	1,218,030	(224,770)
Fines and forfeitures	795,000	803,000	855,060	52,060
Charges for services	1,834,460	1,789,660	1,769,554	(20,106)
Intergovernmental	428,800	504,430	504,430	-
Interest income	-	2,000	2,274	274
Contributions	5,000	-	-	-
Miscellaneous	134,700	133,870	154,028	20,158
Total revenues	<u>24,537,670</u>	<u>25,245,980</u>	<u>25,401,743</u>	<u>155,763</u>
Expenditures				
Current:				
General government:				
Commission	187,350	222,620	195,064	27,556
Manager	834,070	769,020	727,088	41,932
Administrative services	3,158,710	2,923,050	2,704,529	218,521
Attorney	350,000	569,000	568,357	643
Community & economic development	1,699,890	1,666,150	1,488,715	177,435
Development and inspection	1,908,790	2,360,230	2,280,620	79,610
Accounting, collection and records	1,702,950	1,628,010	1,449,623	178,387
Total general government	<u>9,841,760</u>	<u>10,138,080</u>	<u>9,413,996</u>	<u>724,084</u>
Public safety:				
General management	1,453,920	1,448,670	1,331,287	117,383
Fire	3,538,840	3,571,290	3,434,474	136,816
Police	4,288,310	4,237,790	3,963,618	274,172
Total public safety	<u>9,281,070</u>	<u>9,257,750</u>	<u>8,729,379</u>	<u>528,371</u>
Public works:				
Engineering	534,770	534,630	514,251	20,379
Motor maintenance	742,120	767,100	753,521	13,579
Buildings and grounds maintenance	2,126,150	2,112,120	2,021,370	90,750
Cemetery	436,200	444,160	414,122	30,038
Total public works	<u>3,839,240</u>	<u>3,858,010</u>	<u>3,703,264</u>	<u>154,746</u>
Recreation	2,234,520	2,242,310	2,089,818	152,492
Total expenditures	<u>25,196,590</u>	<u>25,496,150</u>	<u>23,936,457</u>	<u>1,559,693</u>
Excess (deficiency) of revenues over expenditures	<u>(658,920)</u>	<u>(250,170)</u>	<u>1,465,286</u>	<u>1,715,456</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	10,000	5,000	4,561	(439)
Transfers out	(1,300,000)	(1,358,400)	(1,358,333)	67
Transfers in	768,890	699,420	703,094	3,674
Total other financing sources (uses)	<u>(521,110)</u>	<u>(653,980)</u>	<u>(650,678)</u>	<u>3,302</u>
Net change in fund balances	<u>(1,180,030)</u>	<u>(904,150)</u>	<u>814,608</u>	<u>1,718,758</u>
Fund balances, beginning of year	<u>9,716,342</u>	<u>9,716,342</u>	<u>9,716,342</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,536,312</u>	<u>\$ 8,812,192</u>	<u>\$ 10,530,950</u>	<u>\$ 1,718,758</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

	Business-type Activities - Enterprise Funds			Totals
	Solid Waste Fund	Stormwater Utility Fund	Other Enterprise Fund Conference & Parking Deck Fund	
ASSETS				
CURRENT ASSETS				
Cash	\$ 3,019,469	\$ 1,724,030	\$ 186,775	\$ 4,930,274
Accounts receivable, net of allowances	87,195	54,475	-	141,670
Due from other funds	-	259,255	34,900	294,155
Total current assets	<u>3,106,664</u>	<u>2,037,760</u>	<u>221,675</u>	<u>5,366,099</u>
NONCURRENT ASSETS				
Land	-	85,205	194,860	280,065
Infrastructure	-	18,550,388	-	18,550,388
Buildings	-	-	8,605,815	8,605,815
Furniture, fixtures and equipment	2,697,931	366,009	340,382	3,404,322
	<u>2,697,931</u>	<u>19,001,602</u>	<u>9,141,057</u>	<u>30,840,590</u>
Accumulated depreciation	(2,056,038)	(4,030,360)	(8,599,691)	(14,686,089)
Total capital assets	<u>641,893</u>	<u>14,971,242</u>	<u>541,366</u>	<u>16,154,501</u>
Total assets	<u>3,748,557</u>	<u>17,009,002</u>	<u>763,041</u>	<u>21,520,600</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	174,369	41,716	-	216,085
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	147,493	126,066	-	273,559
Accrued liabilities	30,697	6,707	-	37,404
Compensated absences payable	74,400	11,545	-	85,945
Due to other funds	644,324	80,881	6,117	731,322
Due to component unit	-	-	184,045	184,045
Unearned revenue	1,146,881	551,029	-	1,697,910
Total current liabilities	<u>2,043,795</u>	<u>776,228</u>	<u>190,162</u>	<u>3,010,185</u>
NONCURRENT LIABILITIES				
Compensated absences - long term	13,129	2,037	-	15,166
Net pension liability	670,174	160,333	-	830,507
Advances from other funds	579,095	12,637	-	591,732
Total noncurrent liabilities	<u>1,262,398</u>	<u>175,007</u>	<u>-</u>	<u>1,437,405</u>
Total liabilities	<u>3,306,193</u>	<u>951,235</u>	<u>190,162</u>	<u>4,447,590</u>
NET POSITION				
Investment in capital assets	641,893	14,971,242	541,366	16,154,501
Unrestricted	(25,160)	1,128,241	31,513	1,134,594
Total net position	<u>\$ 616,733</u>	<u>\$ 16,099,483</u>	<u>\$ 572,879</u>	<u>\$ 17,289,095</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds			Totals
	Solid Waste Fund	Stormwater Utility Fund	Other Enterprise Fund Conference & Parking Deck Fund	
OPERATING REVENUE				
Stormwater fees	\$ -	\$ 1,290,168	\$ -	\$ 1,290,168
Sanitation fees	2,681,194	-	-	2,681,194
Miscellaneous	64,109	-	-	64,109
Total operating revenues	<u>2,745,303</u>	<u>1,290,168</u>	<u>-</u>	<u>4,035,471</u>
OPERATING EXPENSES				
Cost of sales and services	2,340,480	387,610	184,045	2,912,135
Depreciation	174,292	372,458	296,791	843,541
Total operating expenses	<u>2,514,772</u>	<u>760,068</u>	<u>480,836</u>	<u>3,755,676</u>
Income (loss) before transfers	<u>230,531</u>	<u>530,100</u>	<u>(480,836)</u>	<u>279,795</u>
Transfers in	-	12,000	184,045	196,045
Transfers out	(112,730)	(325,490)	-	(438,220)
Total transfers	<u>(112,730)</u>	<u>(313,490)</u>	<u>184,045</u>	<u>(242,175)</u>
Change in net position	117,801	216,610	(296,791)	37,620
Total net position, beginning, as restated	<u>498,932</u>	<u>15,882,873</u>	<u>869,670</u>	<u>17,251,475</u>
Total net position, ending	<u>\$ 616,733</u>	<u>\$ 16,099,483</u>	<u>\$ 572,879</u>	<u>\$ 17,289,095</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-type Activities - Enterprise Funds			
	Solid Waste Fund	Stormwater Utility Fund	Other Enterprise Fund	Totals
			Conference & Parking Deck Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,804,084	\$ 1,475,631	\$ -	\$ 4,279,715
Payments to suppliers	(1,002,918)	(223,914)	(357,257)	(1,584,089)
Payments to employees	(1,140,708)	(371,436)	-	(1,512,144)
Net cash provided by (used in) operating activities	660,458	880,281	(357,257)	1,183,482
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	-	12,000	181,401	193,401
Transfers out to other funds	(112,730)	(325,490)	-	(438,220)
Receipt (repayment) of advances from other funds	48,140	(21,400)	-	26,740
Net cash provided by (used in) non-capital financing activities	(64,590)	(334,890)	181,401	(218,079)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(277,324)	(499,571)	-	(776,895)
Net cash used in capital and related financing activities	(277,324)	(499,571)	-	(776,895)
Net increase (decrease) in cash	318,544	45,820	(175,856)	188,508
Cash, beginning of year	2,700,925	1,678,210	362,631	4,741,766
Cash, end of year	\$ 3,019,469	\$ 1,724,030	\$ 186,775	\$ 4,930,274
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 230,531	\$ 530,100	\$ (480,836)	\$ 279,795
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	174,292	372,458	296,791	843,541
Change in assets and liabilities:				
Decrease in fees receivable	19,276	189,661	-	208,937
Increase in due from other funds	-	(28,970)	-	(28,970)
Decrease in deferred outflows for pension items	55,785	27,459	-	83,244
Increase (decrease) in accounts payable	78,269	(118,522)	-	(40,253)
Increase (decrease) in accrued liabilities	1,213	(91,802)	-	(90,589)
Increase (decrease) in compensated absences payable	(2,302)	971	-	(1,331)
Increase (decrease) in unearned revenue	39,505	(4,198)	-	35,307
Decrease in due to component unit	-	-	(173,212)	(173,212)
Increase (decrease) in due to other funds	(12,027)	21,400	-	9,373
Increase (decrease) in net pension liability	75,916	(18,276)	-	57,640
Net cash provided by (used in) operating activities	\$ 660,458	\$ 880,281	\$ (357,257)	\$ 1,183,482

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

STATEMENT OF NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

ASSETS	Pension Trust Fund	Agency Funds
Cash	\$ 988,175	\$ 2,492,247
Uncollected taxes	-	782,798
Investments:		
Mutual funds invested in equity securities	23,343,490	-
Mutual funds invested in fixed income securities	18,208,452	-
Total assets	<u>42,540,117</u>	<u>3,275,045</u>
LIABILITIES		
Due to others	13,444	3,219,987
Due to component unit	-	55,058
Total liabilities	<u>13,444</u>	<u>3,275,045</u>
NET POSITION		
Net position restricted for pension benefits	<u>\$ 42,526,673</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ADDITIONS

Contributions	
Plan member contributions	\$ 1,040,763
Employer contributions	<u>880,322</u>
Total contributions	<u>1,921,085</u>
Investment earnings	
Net increase in fair value of investments	2,635,508
Interest and dividends	<u>789,295</u>
Total investment earnings	3,424,803
Less investment expense	<u>112,669</u>
Net investment earnings	<u>3,312,134</u>
Total additions	<u>5,233,219</u>

DEDUCTIONS

Benefit payments	2,455,610
Refunds paid to Plan members and beneficiaries	361,119
Administrative fees	<u>39,816</u>
Total deductions	<u>2,856,545</u>
Change in net position	2,376,674

NET POSITION RESTRICTED FOR PENSION BENEFITS:

Beginning of year	<u>40,149,999</u>
End of year	<u><u>\$ 42,526,673</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Decatur, Georgia (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental 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. Reporting Entity

The City operates under a commission/manager form of government and provides the following services to its citizens: public safety, public works, parks and recreation, public improvements, and general and administrative services. Additionally, the City owns and contracts for management of a parking deck and convention center for the benefit of the downtown Decatur area.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The Decatur Downtown Development Authority (the “DDA”) has been included as a discretely presented component unit in the accompanying financial statements. The City appoints all members of its board and has the ability to impose its will on the DDA by removing those board members and appointing, hiring, reassigning or dismissing those persons responsible for the day-to-day operations of the DDA. Financial information with regard to the DDA can be obtained from the DDA’s administrative offices at 509 North McDonough Street, Decatur, Georgia 30030. Separate financial statements for the Downtown Development Authority are not prepared.

The Decatur Tourism Board (the “DTB”) has been included as a discretely presented component unit in the accompanying financial statements. The Board does not have the power to levy taxes or issue bonded debt and a financial benefit or burden relationship exists as the City has assumed the obligation to provide financial support to the DTB in the form of hotel/motel occupancy taxes collected on lodgings in the City. Financial information with regard to the DTB can be obtained from the DTB’s administrative offices at 509 North McDonough Street, Decatur, Georgia 30030. Separate financial statements for the Decatur Tourism Board are not prepared.

The Urban Redevelopment Agency of the City of Decatur (the “URA”) has been included as a blended component unit in the accompanying financial statements. All members of the City Commission serve on the Commission for the URA. Although it is legally separate from the City, its sole purpose is to finance construction and acquisitions of the City. The debt and assets of the URA have been reported as a form of the City’s debt and assets and all debt service activity is reported as debt service activity of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The City of Decatur Public Facilities Authority (the "PFA") has been included as a blended component unit in the accompanying financial statements. The City appoints all members of its board and has the ability to impose its will on the PFA by removing those board members at will. Although it is legally separate from the City, its sole purpose is to finance the purchase and maintenance of buildings, facilities, equipment, and services for the citizens of the City. The debt and assets of the PFA have been reported as a form of the City's debt and assets and all debt service activity is reported as debt service activity of the City.

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 on all of the non-fiduciary activities of the primary government and its component units. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units. The statement of net position will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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 considered 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 with the exception of intergovernmental revenues which the City considers to be available if they are collected within six (6) months of the end of the current fiscal period. Expenditures are generally 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.

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

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental grants, and interest 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.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 **Public Facilities Authority Fund** accounts for the proceeds from the issuance of the Series 2017 revenue bonds, proceeds from the issuance of a note payable, and the expenditures of those funds for major capital projects.

The **Capital Improvement Fund** accounts for the receipt and expenditure of funds related to major capital projects throughout the City.

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

The City reports the following major proprietary funds:

The **Solid Waste Fund** accounts for the collection of fees for garbage collection, disposal and recycling programs and related expenses.

The **Stormwater Utility Fund** accounts for the collection of fees for upgrades to stormwater drains and related expenses.

The City also reports the following fund types:

The **Special Revenue funds** are used to account for specific revenues, such as confiscations/forfeitures, emergency telephone system charges, hotel/motel tax revenues and various grants and contributions, which are legally restricted or committed to expenditures for particular purposes.

The **Capital Projects funds** are used to account for the expenditures of proceeds from the issuance of general obligation and revenue bonds as well as for receipts and expenditures of funds for cemetery projects throughout the City.

The **Pension Trust Fund** accounts for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future. Resources are contributed by employees and the City at rates determined by actuarial computations.

Agency funds are accounted for on the accrual basis of accounting, and are used to account for funds that the City holds for others in an agency capacity, including municipal court bonds and property taxes.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In accounting and reporting for its proprietary operations, the City applies all GASB pronouncements. Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year-end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

E. 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 local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. There are no limitations or restrictions on participant withdrawals from the pool. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments (Continued)

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

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is 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 a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. Inventories

The costs of governmental fund type inventories (which are not significant to the City) are recorded as expenditures when purchased rather than when consumed (purchase method).

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items in both government-wide and fund financial statements. In accounting for these prepaid items, the City utilizes the consumption method whereby items are recorded as expenditures when they are consumed.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value. The City has reported infrastructure assets consistent with the retroactive reporting requirements of GASB Statement 34.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets (Continued)

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

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and equipment	3-20
Vehicles	5
Land improvements	15-20
Infrastructure	15-50
Buildings and improvements	30-50

J. 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) until then. The City's deferred charge on refunding qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of the 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.

In addition to liabilities, the financial statements 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 several types of items that qualify for reporting in this category.

The statement of net position reports the *accumulated increase in the fair value of the hedging derivative* as a deferred inflow of resources. As the derivative qualifies as an effective hedge, the change in fair market value which occurs each fiscal year is deferred and thus the asset and deferred inflow are adjusted.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Deferred Outflows/Inflows of Resources (Continued)

The statement of net position also reports the *deferred service concession arrangement receipts* as a deferred inflow of resources. This balance includes the effect of deferring the recognition of revenue from the present value of installment payments to be received by the Decatur Downtown Development Authority under the conference center facilities service concession arrangement. The balance of the deferred inflow of resources as of June 30, 2018 will be recognized as revenue on a straight-line basis and increase net position over the remaining life of the contract.

The City also reports as deferred inflows of resources items that arise from the revenue recognition of property taxes and intergovernmental revenues. The first item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, *deferred revenue*, which is reported in both the governmental funds balance sheet and the government-wide statement of net position, pertains to intergovernmental revenues received by the City before time requirements are met and thus will be recognized as inflows (revenue) in future periods once those requirements are met.

Finally, the City also has deferred outflows and inflows of resources related to the recording of changes in its net pension liability and the total OPEB liability. Certain changes in the net pension liability and total OPEB liability 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 and total OPEB 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 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 and total OPEB 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Long-Term Obligations

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 deferred and amortized over the term of the bonds using the effective interest method. Bonds payable are reported net of the applicable discount or premium. Bond issuance costs are reported as expenses in the periods in which they are incurred.

In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources. Bond issuance costs are reported as debt service expenditures.

M. 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 and liabilities and deferred inflows of resources under the current financial resources management 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 purpose for which amounts in those funds can be spent.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

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 enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, 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 the City Commission. Approval of a resolution after a formal vote of the City Commission is required to establish a commitment of fund balance. Similarly, the City Commission may only modify or rescind the commitment by formal vote and adoption of a subsequent resolution.

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 the adoption of a resolution, the City Commission has expressly delegated to the City Manager the authority to assign fund balances for particular purposes.

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. The City intends to maintain an unassigned fund balance in the general fund between twenty and thirty percent of the operating budget or an amount equal to 3-4 months' operating expenditures.

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, (3) Unassigned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources 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 is available.

N. Pensions

The City of Decatur Employees' Retirement System uses a single fiduciary fund to maintain its financial records. The fiduciary fund is accounted for on a flow of economic resources measurement focus. Revenues are recognized when earned and expenses are recognized at the time they are incurred. Employer contributions are recognized when due and employee contributions are recognized when due as deductions from the employees' payroll. Benefit payments are recognized when due and payable in accordance with the terms of the Plan. Contribution refunds are recognized when due and payable in accordance with the terms of the Plan and City procedures for termination.

O. 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 amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

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

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “receivables of governmental activities arising from capital leases and interest are not current financial resources and, therefore, are not reported in the governmental funds.” The details of this \$6,397,482 difference are as follows:

Capital leases receivable	\$ 6,024,955
Accrued interest receivable	372,527

Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ 6,397,482

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$194,092,922 difference are as follows:

Capital leases payable	\$ (509,515)
Certificates of participation	(2,685,000)
Claims and judgments payable	(19,511)
Accrued interest payable	(2,960,857)
Notes payable	(11,240,026)
Bonds payable	(177,274,254)
Deferred charges from bond refunding	1,804,185
Compensated absences	(1,207,944)

Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$ (194,092,922)

NOTES TO FINANCIAL STATEMENTS

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

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (Continued)

Another element of that reconciliation explains that “the net pension liability, total OPEB liability, and related deferred inflows and outflows of resources are not expected to be liquidated with expendable available financial resources and, therefore, are not reported in the funds.” The details of this \$46,524,465 difference are as follows:

Deferred outflows of resources - pension related items	\$ 2,482,598
Deferred outflows of resources - OPEB related items	443,245
Deferred inflows of resources - OPEB related items	(7,544,188)
Total OPEB liability	(32,364,456)
Net pension liability	<u>(9,541,664)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (46,524,465)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$38,759,817 difference are as follows:

Capital outlay	\$ 42,575,337
Depreciation expense	<u>(3,815,520)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 38,759,817</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that “The issuance of long-term debt 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.” The details of this \$36,833,038 difference are as follows:

Principal retirements	\$ 4,456,291
Capital leases	(450,000)
Issuance of notes payable	(11,452,000)
Issuance of bonds	(29,625,000)
Issuance of bond premium	(434,497)
Amortization of premiums	767,125
Amortization of deferred charges from refunding	(94,957)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (36,833,038)

Another element of that reconciliation explains that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$3,287,779 difference are as follows:

Compensated absences	\$ (71,274)
Claims and judgments	24,981
OPEB expense	(961,438)
Accrued interest	(380,938)
Pension expense	(1,899,110)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ (3,287,779)

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS

The City of Decatur, Georgia employs the following procedures in establishing its annual budget:

1. In accordance with the Fiscal Control Ordinance of the City, the City Manager submits a proposed operating budget to the City Commissioners. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Commissioners, the City publishes the proposed budget in the official legal organ, other community newspapers and makes copies available to the residents of the City.
3. Public meetings are held to obtain taxpayer comments.
4. The budget is then legally enacted through passage of a resolution by the City Commission.
5. Budgetary control is exercised at the department level. The City Manager is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Commissioners. Budget amounts shown in these financial statements reflect amendments approved by the City Commissioners. Such amendments resulted in no supplemental appropriations.

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NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Primary Government

The table below summarizes the City's cash and cash equivalents and investments by type as of June 30, 2018:

Investment	Maturities	Fair Value
Deposits with Financial Institutions	---	\$ 33,352,469
Guaranteed Investment Contract	June 1, 2028	138,099
Georgia Fund 1 - cash equivalents	10 days	931,785
Total		\$ 34,422,353
As reported in the Statement of Net Position:		
Cash and cash equivalents		\$ 31,792,007
Restricted:		
Investments		138,099
Cash and cash equivalents - Agency Funds		2,492,247
Total		\$ 34,422,353

Credit risk: State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

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 are significant unobservable inputs.

The interest rate swap agreement that is more fully described in Note 7 is classified as Level 2 of the fair value hierarchy and is valued using an option-adjusted discounted cash flow model.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the City does not disclose its investment in the Georgia Fund 1 within the fair value hierarchy.

The City's Guaranteed Investment Contract is a nonparticipating interest-earning investment contact and, accordingly, is recorded at cost.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Primary Government (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. State statutes require all deposits and investments (other than federal or state government instruments and the Georgia Fund 1) to be collateralized by depository insurance or pledged securities. Amounts that exceed standard depository insurance limits are required to be collateralized either (1) individually by the financial institutions through pledged obligations of the U.S. Government, obligations backed by the full faith and credit of the U.S. Government, obligations of the State of Georgia or other states, or obligations of counties, municipalities, or public authorities of the State of Georgia, or (2) participation in the State of Georgia Secure Deposit Program. As of June 30, 2018, the City had deposits with three (3) financial institutions collateralized by the State of Georgia Secure Deposit Program, which is administered by the Office of the State Treasurer, and requires participating banks holding deposits of public funds to pledge collateral at varying rates depending on the tier assigned by the State. Additionally, the City had certificates of deposit with another financial institution that were collateralized by pledged securities, as defined above, such that all of the City's deposits with financial institutions as of June 30, 2018 were insured and/or collateralized as required by State statutes.

Interest rate risk: With regard to its investments (aside from those held in the Pension Trust Fund), the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Pension Trust Fund

The Pension Trust Fund's policy in regard to investments, including the allocation of invested assets, is established and may be amended by the Board of Trustees of the Employees' Retirement System of the City of Decatur. The Pension Trust Fund is authorized to invest in cash and cash equivalents (including money market funds and stable value funds), fixed income securities (government and corporate entity obligations, asset-backed securities, commercial paper or similar fixed income contracts), and domestic equities.

As of June 30, 2018, the Pension Trust Fund had \$41,551,942 invested in the following types of investments:

Investment	Fair Value
Mutual funds invested in equities	\$ 23,343,490
Mutual funds invested in fixed income	18,208,452
Total	<u>\$ 41,551,942</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Pension Trust Fund (Continued)

Credit risk: The Pension Trust Fund's investment policy adopts the following asset allocation mix to achieve the lowest level of risk while obtaining the average annual return benchmark (8.25%): Cash and Cash Equivalents targeted at 1% but with an acceptable range between 0.25% and 2%; Fixed Income targeted at 49% but with an acceptable range between 40% and 50%; Domestic Equities targeted at 50% but with an acceptable range between 50% and 60% (at historical cost); and Foreign Equities targeted at 0% but with an acceptable range between 0% and 5% (at historical cost). At June 30, 2018, the mutual funds held by the Pension Trust Fund were not rated by any of the major ratings agencies.

Concentration: On June 30, 2018, the Pension Trust Fund did not have any debt or equity investments in any one organization, other than those issued by the U.S. Government, which represented greater than 5% of plan fiduciary net position.

Interest rate risk: The Pension Trust Funds holds assets to collateralize the pension promises. The projected benefits extend out over 50+ years. The investment policy considers the duration of the assets and liabilities when managing interest rate risk in the bond portfolio. However, no formal policy to address potential fair value losses from rising interest rates has been adopted by the Board of Trustees of the Employees' Retirement System of the City of Decatur.

As of June 30, 2018, the Pension Trust Fund had \$41,551,942 invested in the following investments as categorized by interest rate risk:

Investment	Fair Value	Average Effective Duration (Years)
Mutual funds invested in equities	\$ 23,343,490	n/a
Mutual funds invested in fixed income	18,208,452	6.21
Total	<u>\$ 41,551,942</u>	

Rate of Return: For the year ended June 30, 2018, the annual money-weighted rate of return on Pension Trust Fund investments, net of investment expenses, was 8.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Pension Trust Fund (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 June 30, 2018, the Pension Trust Fund did not have any deposits with financial institutions which were uninsured or under collateralized, as defined by State statutes.

Fair Value Measurements: The Pension Trust Fund has the following recurring fair value measurements as of June 30, 2018:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Mutual funds invested in equities	\$ 23,343,490	\$ -	\$ -	\$ 23,343,490
Mutual funds invested in fixed income	18,208,452	-	-	18,208,452
Total investments	<u>\$ 41,551,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,551,942</u>

The mutual fund securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The tax levy is divided into two billings. The first billing is mailed April 1 which is considered the levy date, and the second billing is mailed no later than October 20. The billings are considered due upon receipt by the taxpayer; however, the actual due dates are June 1 and December 20. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City. Property taxes are recorded as receivables and deferred inflows of resources (unavailable revenues) when assessed. Revenues are recognized when available.

Enterprise fund solid waste fees and stormwater fees are billed annually on April 1 for the calendar year and are due June 1.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES (Continued)

Receivables at June 30, 2018, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Capital Improvement</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds Total</u>
Receivables:					
Taxes	\$ 567,786	\$ 62,312	\$ 146,141	\$ 54,235	\$ 830,474
Intergovernmental	-	1,577,411	-	298,279	1,875,690
Other	415,611	-	-	84,541	500,152
Less allowance for uncollectible	<u>(22,139)</u>	<u>(2,634)</u>	<u>(2,311)</u>	-	<u>(27,084)</u>
Net total receivable	<u>\$ 961,258</u>	<u>\$ 1,637,089</u>	<u>\$ 143,830</u>	<u>\$ 437,055</u>	<u>\$ 3,179,232</u>

	<u>Stormwater</u>	<u>Solid Waste</u>	<u>Proprietary Funds Total</u>
Receivables:			
Accounts	\$ 101,718	\$ 181,045	\$ 282,763
Less allowance for uncollectible	<u>(47,243)</u>	<u>(93,850)</u>	<u>(141,093)</u>
Net total receivable	<u>\$ 54,475</u>	<u>\$ 87,195</u>	<u>\$ 141,670</u>

Capital Leases Receivable – Governmental Activities: The City has entered into a capital lease transaction as the lessor with the City's School District. The agreement executed between the City and the School District called for the City to construct a central administration facility for the School District who, in turn, would be responsible for paying to the City amounts equal to the debt service requirements on the URA Revenue Bonds, Series 2013B.

Future payments to be received by the City under the capital lease are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>
2019	\$ 401,575
2020	403,175
2021	406,575
2022	402,375
2023	402,975
2024-2028	2,016,375
2029-2033	2,021,113
2034	<u>403,462</u>
Total minimum lease payments	6,457,625
Less amount representing interest	1,897,625
Present value of future minimum lease payments	<u>\$ 4,560,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. RECEIVABLES (Continued)

Capital Leases Receivable – Governmental Activities (Continued): The City has entered into a capital lease transaction as the lessor with the City’s School District. Through the agreement executed between the City and the School District, the City has leased a portion of its public works building to provide the School District with space for its Facilities and Maintenance Department.

Future payments to be received by the City under the capital lease are as follows:

	Governmental Activities
Fiscal Year Ending June 30,	
2019	\$ 121,605
2020	121,605
2021	121,605
2022	121,605
2023	121,605
2024-2028	656,667
2029-2033	729,630
2034-2038	778,272
2039-2043	851,235
2044-2046	510,741
Total minimum lease payments	4,134,570
Less amount representing interest	2,669,615
Present value of future minimum lease payments	\$ 1,464,955

Lease Receivable – Decatur Downtown Development Authority (DDDA): In May of 2011 the DDDA entered into an agreement with a third party for the operation of the City’s Conference Center that qualifies for reporting as a service concession arrangement under GASB Statement No. 60. Under the terms of the agreement, the third-party operator was required to make monthly rental payments until construction of the leasehold improvements was completed and subsequently the operator would receive rental forgiveness in the amount of the leasehold improvements made. As of June 30, 2018, the balance of the lease receivable is \$868,773 and consists of the total rent to be received under the terms of the agreement, reduced for the dollar amount of leasehold improvements made. The deferred inflows of resources related to this service concession arrangement are being recognized as revenue on a straight-line basis. Upon the termination of the lease (May 1, 2035), the Conference Center will be returned to the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended June 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets,					
not being depreciated:					
Land	\$ 4,269,085	\$ 28,276,341	\$ -	\$ -	\$ 32,545,426
Construction in progress	1,841,275	1,726,460	-	(225,872)	3,341,863
Total	<u>6,110,360</u>	<u>30,002,801</u>	<u>-</u>	<u>(225,872)</u>	<u>35,887,289</u>
Capital assets, being depreciated:					
Land improvements	3,871,925	-	-	-	3,871,925
Infrastructure	33,494,178	-	-	225,872	33,720,050
Buildings and improvements	51,299,915	11,783,396	-	-	63,083,311
Machinery and equipment	7,138,711	271,275	-	-	7,409,986
Vehicles	5,495,783	517,865	(131,916)	-	5,881,732
Total	<u>101,300,512</u>	<u>12,572,536</u>	<u>(131,916)</u>	<u>225,872</u>	<u>113,967,004</u>
Less accumulated depreciation for:					
Land improvements	(1,138,080)	(68,630)	-	-	(1,206,710)
Infrastructure	(18,095,677)	(827,227)	-	-	(18,922,904)
Buildings and improvements	(10,125,957)	(2,180,989)	-	-	(12,306,946)
Machinery and equipment	(4,771,137)	(415,128)	-	-	(5,186,265)
Vehicles	(4,636,975)	(323,546)	131,916	-	(4,828,605)
Total	<u>(38,767,826)</u>	<u>(3,815,520)</u>	<u>131,916</u>	<u>-</u>	<u>(42,451,430)</u>
Total capital assets, being depreciated, net	<u>62,532,686</u>	<u>8,757,016</u>	<u>-</u>	<u>225,872</u>	<u>71,515,574</u>
Governmental activities capital assets, net	<u>\$ 68,643,046</u>	<u>\$ 38,759,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,402,863</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government	\$ 245,807
Public safety	1,457,543
Public works	1,117,485
Recreation	994,685
Total depreciation expense - governmental activities	<u>\$ 3,815,520</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 280,065	\$ -	\$ -	\$ -	\$ 280,065
Construction in progress	1,753,362	401,013	-	(2,154,375)	-
Total	2,033,427	401,013	-	(2,154,375)	280,065
Capital assets, being depreciated:					
Infrastructure	16,396,013	-	-	2,154,375	18,550,388
Buildings	8,605,815	-	-	-	8,605,815
Furniture, fixtures, and equipment	3,028,441	375,882	-	-	3,404,322
Total	28,030,269	375,882	-	2,154,375	30,560,525
Less accumulated depreciation for:					
Infrastructure	(3,433,888)	(359,463)	-	-	(3,793,351)
Buildings	(8,024,038)	(274,123)	-	-	(8,298,160)
Furniture, fixtures, and equipment	(2,384,622)	(209,955)	-	-	(2,594,578)
Total	(13,842,548)	(843,541)	-	-	(14,686,089)
Total capital assets, being depreciated, net	14,187,721	(467,659)	-	2,154,375	15,874,436
Business-type activities capital assets, net	\$ 16,221,148	\$ (66,646)	\$ -	\$ -	\$ 16,154,501

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Solid Waste	\$ 174,292
Stormwater	372,458
Conference Center and Parking Deck	296,791
Total depreciation expense - business-type activities	\$ 843,541

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Component Units

Capital asset activity for the Decatur Downtown Development Authority for the fiscal year ended June 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable capital assets:				
Land	\$ 1,235,818	\$ -	\$ -	\$ 1,235,818
Total	1,235,818	-	-	1,235,818
Capital assets, being depreciated:				
Buildings	379,210	-	-	379,210
Leasehold Improvements	1,139,834	-	-	1,139,834
Total	1,519,044	-	-	1,519,044
Less accumulated depreciation for:				
Buildings	(31,600)	(12,640)	-	(44,240)
Leasehold Improvements	(250,128)	(47,493)	-	(297,621)
Total	(281,728)	(60,133)	-	(341,861)
Total capital assets, being depreciated, net	1,237,316	(60,133)	-	1,177,183
Decatur Downtown Development Authority capital assets, net	\$ 2,473,134	\$ (60,133)	\$ -	\$ 2,413,001

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NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended June 30, 2018, was as follows:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 99,650,000	\$ -	(820,000)	\$ 98,830,000	\$ 2,030,000
Revenue bonds	39,582,087	29,625,000	(1,073,979)	68,133,108	1,680,418
Plus issuance premium	10,631,909	434,497	(755,260)	10,311,146	-
Total bonds payable	<u>149,863,996</u>	<u>30,059,497</u>	<u>(2,649,239)</u>	<u>177,274,254</u>	<u>3,710,418</u>
Capital leases	424,853	450,000	(365,338)	509,515	143,936
Notes payable	1,840,000	11,452,000	(2,051,974)	11,240,026	298,819
Plus issuance premium	11,865	-	(11,865)	-	-
Total notes payable	<u>1,851,865</u>	<u>11,452,000</u>	<u>(2,063,839)</u>	<u>11,240,026</u>	<u>298,819</u>
Certificates of participation	2,830,000	-	(145,000)	2,685,000	150,000
Claims and judgments	44,492	27,281	(52,262)	19,511	7,804
Total OPEB liability	38,503,961	3,662,869	(9,802,374)	32,364,456	-
Net pension liability	8,421,617	5,899,987	(4,779,940)	9,541,664	-
Compensated absences	1,136,670	1,034,062	(962,788)	1,207,944	1,026,753
Governmental activities Long-term liabilities	<u>\$ 203,077,454</u>	<u>\$ 52,585,696</u>	<u>\$ (20,820,780)</u>	<u>\$ 234,842,370</u>	<u>\$ 5,337,730</u>

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Net pension liability	\$ 772,867	\$ 510,919	\$ (453,279)	\$ 830,507	\$ -
Compensated absences	102,442	61,988	(63,319)	101,111	85,945
Business-type activities Long-term liabilities	<u>\$ 875,309</u>	<u>\$ 572,907</u>	<u>\$ (516,598)</u>	<u>\$ 931,618</u>	<u>\$ 85,945</u>

For governmental funds, compensated absences, the net pension liability, total OPEB liability, and claims and judgments are liquidated by the General Fund. For business-type activities, compensated absences and the net pension liability are liquidated by the Stormwater Utility Fund and the Solid Waste Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Primary Government (Continued)

Capital Leases – Equipment. The City has entered into lease agreements as lessee for financing the acquisition of equipment (including communication equipment) and improvements used in general governmental activities. The lease agreements qualify as capital leases for accounting purposes as either the titles transfer at the end of the lease terms or the leases include bargain purchase options and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception. Lease payments are due in annual installments.

The original cost of the City's assets under capital lease arrangements at June 30, 2018 is \$623,477 and there has been \$111,854 of accumulated depreciation as of year-end. Annual amortization of leased assets is included in depreciation expense.

The City's total capital lease debt service requirements to maturity are as follows:

	Governmental Activities
Fiscal Year Ending June 30,	
2019	\$ 160,092
2020	98,821
2021	98,821
2022	98,821
2023	98,821
Total minimum lease payments	<u>555,376</u>
Less amount representing interest	45,861
Present value of future minimum lease payments	<u>\$ 509,515</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Primary Government (Continued)

Notes Payable. In August 2017, the Public Facilities Authority issued a note payable to the Georgia Environmental Finance Authority (GEFA) from the Clean Water State Revolving Fund in the amount of \$11,452,000. Interest on the note payable accrues at 1.70%. Principal and interest on the note will be due monthly until maturity in September 2047. Debt service requirements to maturity on the notes are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 298,819	\$ 188,759	\$ 487,578
2020	303,939	183,639	487,578
2021	309,146	178,432	487,578
2022	314,443	173,135	487,578
2023	319,830	167,748	487,578
2024-2028	1,683,248	754,644	2,437,892
2029-2033	1,832,471	605,421	2,437,892
2034-2038	1,994,922	442,970	2,437,892
2039-2043	2,171,775	266,117	2,437,892
2044-2048	2,011,433	75,477	2,086,910
Total	<u>\$ 11,240,026</u>	<u>\$ 3,036,342</u>	<u>\$ 14,276,368</u>

Certificates of Participation. In June 1998, the City entered into a lease pool agreement with the Georgia Municipal Association (the "Association"). The funding of the lease pool was provided by the issuance of \$150,126,000 Certificates of Participation by the Association. The Association passed the net proceeds through to the participating municipalities with the City's participation totaling \$1,320,000. The lease pool agreement with the Association provides that the City owns their portion of the assets invested by the pool and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal is due in a lump sum payment on June 1, 2028. Interest is payable at a rate of 4.75% each year. The City draws from the investment to lease equipment from the Association. The lease pool agreement requires the City to make lease payments back into its investment account to fund the principal and interest requirements of the 1998 GMA Certificates of Participation.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Primary Government (Continued)

Certificates of Participation (continued). As part of the issuance of the certificates of participation, the City entered into an interest rate swap agreement. Under the Swap Agreement, the City is required to pay (1) a semiannual (and beginning July 1, 2003, a monthly) floating rate of interest based on the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index (plus a 31 basis points spread) to, or on behalf of, the Swap Counterparty (the "Swap Payment"); and the Swap Counterparty will pay to, or on behalf of, the City a semi-annual payment based on a rate equal to the fixed rate on the certificates of participation (4.75%) times a notional amount specified in the Swap Agreement, but generally equal to the outstanding unpaid principal portion of such Contract, less the amount originally deposited in the Reserve Fund relating to the Contract, and (ii) a one-time Swap Premium to be paid on the effective date of the Swap Agreement.

The semiannual payments from the Swap Counterparty with respect to the City are structured, and expected, to be sufficient to make all interest payments due under the Contract, and related distributions of interest on the Certificates. Monthly interest payments between the City, the holders of the Certificates of Participation, and the Swap Counterparty can be made in net settlement form as part of this agreement. Under the Swap Agreement, the City's obligation to pay floating payments to the Swap Counterparty in any calendar year may not exceed an amount equal to the SIFMA Municipal Swap Index plus 5% to be determined on the first business day of December in the preceding year. This agreement matures on June 1, 2028, at the same time of the certificates of participation. This derivative qualifies as a fair market hedge.

In the unlikely event that the Swap Counterparty becomes insolvent, or fails to make payments as specified in the Swap Agreement, the City would be exposed to credit risk in the amount of the Swap's fair value. To minimize this risk, the City executed this agreement with counterparties of appropriate credit strength, with the counterparty being rated Aa3 by Moody's. At June 30, 2018, the floating rate being paid by the City is 1.82% and the market value of this agreement is \$262,375, a decrease of \$80,834 from the market value at the end of the previous fiscal year. The market value of the hedge was determined using settlement prices at the end of the day on June 30, 2018 based on the derivative contract and it is reported as a non-current asset in the statement of net position. As this derivative is an effective hedge, qualifying for hedge accounting, the inflow from the hedge (any change in fair value from inception until fiscal year end) is deferred and reported as a deferred inflow of resources in the statement of net position.

In July 2005, the City issued certificates of participation, Series 2005, in the principal amount of \$2,810,000 with principal and interest payments beginning January 1, 2006 through January 1, 2026 at an interest rate of 3.91%. Proceeds were used to acquire, construct, install and equip certain renovations and additions to its City Hall. In February 2015, the City negotiated an interest rate reduction from 3.91% to 2.60%. This rate reduction did not change the outstanding balance of the certificates of participation or the future maturities with regard to principal payments.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Primary Government (Continued)

Certificates of Participation (continued).

The City's total certificates of participation debt service requirements to maturity are as follows:

	Principal	Interest	Total
Fiscal Year Ending June 30,			
2019	\$ 150,000	\$ 98,190	\$ 248,190
2020	155,000	94,290	249,290
2021	160,000	90,260	250,260
2022	165,000	86,100	251,100
2023	175,000	81,810	256,810
2024-2028	1,880,000	343,010	2,223,010
Total	\$ 2,685,000	\$ 793,660	\$ 3,478,660

General Obligation Bonds. In January 2007 the City issued \$33,245,000 of Various Purpose Series 2007 General Obligation Bonds. The proceeds from the bonds will be used to pay for the costs of acquiring, constructing, equipping and renovating certain transportation projects, parks and recreation projects, public safety projects, public works projects and projects for the City Schools of Decatur as well as the issuance costs. In April 2015, the City issued \$29,895,000 of City of Decatur 2015 Obligation Refunding Bonds. The proceeds from the bonds were used to refund \$29,345,000 of the Series 2007 Bonds and to pay the costs of issuance. The bonds bear interest at rates ranging from 2% – 3.25% and mature on January 1, 2037. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

In February 2016 the City issued General Obligation Bonds (City Schools of Decatur Projects), Series 2016 in the amount of \$69,755,000. The proceeds from the bonds, combined with an original issue premium in the amount of \$6,224,013, were used to disburse \$75,000,000 to the City of Decatur Board of Education to be used for various capital projects.

The bonds are payable from the levy of taxes on all property in the City subject to general obligation school bond taxation. Interest rates range from 3% to 5% and payments are due semi-annually on February 1 and August 1, beginning on August 1, 2016. The bonds mature August 1, 2042.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Primary Government (Continued)

Revenue Bonds. In December 2010 the Urban Redevelopment Agency of the City of Decatur (URA) issued Series 2010A Bonds and a Series 2010B Bond in the amounts of \$12,760,000 and \$1,000,000, respectively. The proceeds from the bonds were used to pay for the costs of acquiring, constructing, equipping, and renovating of a fire station, a public works facility, and a recreation center as well as the issuance costs. The bonds are special limited obligations of the URA, payable solely from and secured by pledged revenues under the contract by which the City is required to make installment payments to the URA in amounts sufficient to pay the principal and interest of the bonds. Interest rates range from 2.520% to 5.240% and payments are due semi-annually on July 1 and January 1, beginning July 1, 2011. The bonds mature January 1, 2038.

In May 2013 the Urban Redevelopment Agency of the City of Decatur (URA) issued Series 2013A and Series 2013B Revenue Bonds in the amounts of \$23,930,000 and \$5,360,000, respectively. The proceeds from the bonds will be used to pay for the costs related to the Beacon Center redevelopment project as well as the issuance costs. The bonds are special limited obligations of the URA, payable solely from and secured by pledged revenues under the contract by which the City is required to make installment payments to the URA in amounts sufficient to pay the principal and interest of the bonds. Interest rates range from 2.0% to 5.0% and payments are due semi-annually on July 1 and January 1, beginning July 1, 2013. The bonds mature January 1, 2044.

In August 2017, the City of Decatur Public Facilities Authority (the "PFA"), issued revenue bonds, Series 2017 in the amount of \$29,625,000. The proceeds from the bonds were used to finance the purchase of a 77-acre United Methodist Children's Home campus and various improvements to the property. The bonds bear interest at rates ranging from 3.0% to 5.0% with semi-annual payments of principal and interest commencing on February 1, 2019 until the bonds mature on February 1, 2040.

The City's total debt service requirements to maturity on all of its outstanding bond issues are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,710,418	\$ 6,544,554	\$ 10,254,972
2020	3,951,943	6,395,401	10,347,344
2021	4,208,560	6,236,032	10,444,592
2022	4,480,273	6,062,328	10,542,601
2023	4,777,089	5,870,566	10,647,655
2024-2028	28,811,745	25,689,883	54,501,628
2029-2033	36,736,598	18,349,128	55,085,726
2034-2038	40,576,482	10,797,467	51,373,949
2039-2043	32,440,000	4,317,766	36,757,766
2043-2047	7,270,000	542,287	7,812,287
Total	<u>\$ 166,963,108</u>	<u>\$ 90,805,412</u>	<u>\$ 257,768,520</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (Continued)

Decatur Downtown Development Authority

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Decatur DDA:					
Bonds payable	\$ 1,650,000	\$ -	\$ (80,000)	\$ 1,570,000	\$ 85,000
Note payable	-	224,896	(22,490)	202,406	22,490
Decatur DDA					
Long-term liabilities	<u>\$ 1,650,000</u>	<u>\$ 224,896</u>	<u>\$ (102,490)</u>	<u>\$ 1,772,406</u>	<u>\$ 107,490</u>

Bonds Payable. In December 2014, the Decatur DDA issued \$1,785,000 in City of Decatur SRS 2014 Sinking Bond (Scottish Rite Project) bonds. Principal and interest payments begin July 1, 2015 through January 1, 2030 at an interest rate of 4.6%. The bonds will be paid back from rental income to be received by the Decatur DDA from the tenant currently occupying the building acquired with the proceeds from the bonds. Debt service requirements to maturity on the bonds payable are as follows:

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 85,000	\$ 72,220	\$ 157,220
2020	90,000	68,310	158,310
2021	100,000	64,170	164,170
2022	105,000	59,570	164,570
2023	115,000	54,740	169,740
2024-2028	715,000	185,840	900,840
2029-2030	360,000	25,070	385,070
Total	<u>\$ 1,570,000</u>	<u>\$ 529,920</u>	<u>\$ 2,099,920</u>

Note Payable. In July 2017, the Decatur DDA entered into a note payable with DeKalb County in the amount of \$224,896 to reimburse DeKalb County for the DDA's portion of a joint sewer expansion project. Principal is due annually with no interest bearing on the note. Debt service requirements to maturity on the note is as follows:

Fiscal Year Ending June 30,	<u>Principal</u>
2019	\$ 22,490
2020	22,490
2021	22,490
2022	22,490
2023	22,490
2024-2027	89,956
Total	<u>\$ 202,406</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component unit - Decatur Tourism Board	Primary government - Nonmajor governmental funds	\$ 19,931
Component unit - Downtown Development Authority	Primary government - Nonmajor enterprise funds	184,045
Component unit - Downtown Development Authority	Primary government - Downtown Development Authority (Agency)	55,058
Total		<u>\$ 259,034</u>

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 332,433
General Fund	Nonmajor enterprise funds	6,117
General Fund	Capital Improvement Fund	73,547
General Fund	Solid Waste Fund	80,559
Capital Improvement Fund	Public Facilities Authority Fund	11,899
Capital Improvement Fund	Solid Waste Fund	563,765
Capital Improvement Fund	Nonmajor governmental funds	85,091
Capital Improvement Fund	Stormwater Utility Fund	80,881
Stormwater Utility Fund	General Fund	259,255
Nonmajor governmental funds	General Fund	12,841
Nonmajor governmental funds	Capital Improvement Fund	284,096
Nonmajor enterprise funds	Nonmajor governmental funds	34,900
Total		<u>\$ 1,825,384</u>

All interfund balances resulted from the time lag between the dates that (1) reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) repayments between funds are made.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Advances to/from other funds are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvement Fund	Solid Waste Fund	\$ 579,095
Capital Improvement Fund	Stormwater Utility Fund	12,637
Capital Improvement Fund	Nonmajor governmental funds	9,977
		<u>\$ 601,709</u>

The amounts payable from the Solid Waste Fund, the Stormwater Utility Fund, and the nonmajor governmental funds relate to equipment and vehicles purchased by the Capital Improvement Fund and transferred to these funds.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 275,874
General Fund	Stormwater Utility Fund	314,490
General Fund	Solid Waste Utility Fund	112,730
		<u>\$ 703,094</u>
Nonmajor governmental funds	Capital Improvement Fund	\$ 2,018,778
Nonmajor governmental funds	General Fund	508,333
		<u>\$ 2,527,111</u>
Capital Improvement Fund	Nonmajor governmental funds	\$ 283,580
Capital Improvement Fund	Stormwater Utility Fund	11,000
		<u>\$ 294,580</u>
Stormwater Utility Fund	Nonmajor governmental funds	<u>\$ 12,000</u>
Public Facilities Authority	General Fund	<u>\$ 850,000</u>
Nonmajor enterprise funds	Nonmajor governmental funds	<u>\$ 184,045</u>

Transfers are used to (1) move unrestricted revenues collected in various funds to finance various programs of the City accounted for in the General Fund in accordance with budgetary authorizations, (2) move cash to cover operations to the nonmajor governmental funds, (3) move Hotel/Motel taxes between funds for expending in accordance with State law, and (4) to provide funding to the 2010 URA Bonds Fund, the 2013 URA Bonds Fund, and the Capital Improvement Fund for construction and other capital asset acquisition and project costs paid.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS

Plan Administration

All of the City's full-time regular employees are covered by the City's single-employer defined benefit pension plan (the "Plan") which is administered by the Decatur Employees' Retirement System. The Plan was established in 1947 by the Decatur City Commission. The Board of Trustees of the Plan consists of seven members (the City Manager, the City Clerk, one City Commissioner appointed by the City Commission, one Participant who is either a Firefighter or a Police Officer, one Participant who is a General Employee, one private citizen of the City appointed by the other members of the Board and one private citizen appointed by the City Commission) and has the authority to establish and amend the Plan.

The Plan is contributory in nature with contributions coming from both the City and its covered employees. All eligible employees become participants in the Plan upon employment, while elected officials are not covered. Employees become fully vested after 10 years of service. The Plan does not issue a separate financial statement.

Plan Membership

As of July 1, 2017, the most recent actuarial valuation date, the plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	99
Terminated vested participants not yet receiving benefits	8
Active participants	216
	323

Benefits

The Plan provides retirement, disability, and death benefits. Retirement benefits for general plan members are calculated as 1 percent of the member's average basic compensation plus 1.65% of average compensation in excess of \$500 times years of credited service. Retirement benefits for public safety employees are calculated as average compensation times credited service up to thirty (30) years times the following percentages:

Years of Benefit Service	Percent
10 - 14	2.00%
15 - 19	2.25%
20 - 24	2.50%
25 - 29	2.75%
30	3.00%

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Benefits (Continued)

General plan members with 10 years of continuous service are eligible to retire at age 65. Public safety plan members with 10 years of continuous service are eligible to retire at age 60. General plan members may retire at age 60 after 15 years of service (or at any age as long as age plus service equals 80). Public safety plan members may retire at age 55 after 15 years of service (or at any age as long as age plus service equals 75). All plan members are eligible for non-duty disability benefits at the date determined to be permanently disabled provided he or she is at least age 50 and has completed 10 years of continuous service. For duty-related disability benefits, all members are eligible upon the date determined to be permanently disabled. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

A monthly death benefit is payable to a spouse of a married member should he or she die either (i) while employed but eligible for early retirement or (ii) after termination of employment on or after eligibility for early retirement, provided he or she has deferred commencement of benefits and has left all member contributions in the system.

If a member terminates employment prior to completing ten years of continuous service, he or she shall be entitled to a refund of his or her accumulated contributions with interest.

Employee Contributions

The authority to establish and amend contribution requirements rests with the Board of Trustees. Currently, Plan members are required to contribute to the Plan in the following manner:

Public Safety Employees	14% of compensation
General Employees	4% of compensation up to \$2,000 plus 8% of compensation in excess of \$2,000

Plan members who were active employees on July 1, 1997, and elected not to have the Unreduced Early Retirement Option are required to contribute to the Plan in the following manner:

Public Safety Employees	9% of compensation
General Employees	2% of compensation up to \$2,000 plus 6% of compensation in excess of \$2,000

Employee contributions are made on a pre-tax basis as permitted under Section 414(h) of the Internal Revenue Code. Public Safety employees consist of firefighters and police officers.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

City Contributions

The City contribution is determined by the actuary as necessary to keep the Plan in compliance with the funding requirements of the State of Georgia. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, the City's contribution rate was 7.53% of covered payroll.

Net Pension Liability of the City

The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that same date.

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.5%
Salary increases	2.5% for inflation plus merit increases of 0.5 to 3.5%	
Investment rate of return	7.0%, including inflation, net of investment expense	

Mortality rates were based upon the RP-2014 Total Dataset Mortality with no projection scale for healthy retirees and the RP-2014 Disabled Retiree Mortality with no projection scale for disabled retirees.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent experience study which was completed in August 2015 taking into account 7 years of data experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are: Domestic fixed income equities securities – 1.7% and Domestic equities – 7.3%.

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Net Pension Liability of the City (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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 periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the fiscal year ended June 30, 2018 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/17	\$ 49,344,483	\$ 40,149,999	\$ 9,194,484
Changes for the year:			
Service cost	1,022,483	-	1,022,483
Interest	3,427,102	-	3,427,102
Differences between expected and actual experiences	820,485	-	820,485
Contributions—employer	-	880,322	(880,322)
Contributions—employee	-	1,040,763	(1,040,763)
Net investment income	-	3,312,134	(3,312,134)
Benefit payments, including refunds of employee contributions	(2,816,729)	(2,816,729)	-
Current year changes	1,101,020	-	1,101,020
Administrative expense	-	(39,816)	39,816
Net changes	3,554,361	2,376,674	1,177,687
Balances at 6/30/18	\$ 52,898,844	\$ 42,526,673	\$ 10,372,171

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. For the current year plan changes, the Commission approved an 8.5% one-time cost of living adjustment (COLA), prorated over the length of time in payment status since March 1, 2001 (the last time a COLA was provided).

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 16,412,908	\$ 10,372,171	\$ 4,656,362

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 June 30, 2018 and the current sharing pattern of costs between employer and employee.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the fiscal year ended June 30, 2018, the City recognized pension expense of \$2,920,315. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,075,724
Differences resulting from changes in actuarial assumptions	1,372,466
Net difference between projected and actual earnings on pension plan investments	250,493
Total	\$ 2,698,683

NOTES TO FINANCIAL STATEMENTS

NOTE 9. PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

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

Year ending June 30:	
2019	\$ 1,176,175
2020	1,003,060
2021	456,673
2022	62,775
Total	<u>\$ 2,698,683</u>

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits

The City of Decatur Other Postretirement Benefits Plan (the "OPEB Plan") is a single-employer defined benefit postretirement health care, dental and vision plan, or other postemployment benefit (OPEB) plan. The City Commission has the authority to establish and amend the Plan. The City has not elected to advance fund the plan, but rather maintains the plan on a "pay as you go" basis, in that claims are paid as they arise, rather than establishing an irrevocable trust to accumulate restricted funds. The OPEB Plan does not issue a separate report. Eligible retirees and former employees are offered a different health and prescription drug plan than active employees and the same vision and dental coverage as active employees. The City pays approximately 80% of the total costs of healthcare for eligible employees and retirees.

Eligible participants for Other Postemployment Benefits include:

1. The City allows all retirees to enroll in the OPEB plan upon onset of retirement from the City.
2. Surviving spouses/beneficiaries are allowed enrollment into the plan if the employee had elected coverage for the dependents before onset of electing retirement.
3. Employees retiring under the City's disability retirement benefit are allowed to enroll upon onset of retirement from the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Membership

As of June 30, 2018, the most recent actuarial valuation date, the Plan membership included the following categories of participants:

Retirees and beneficiaries receiving benefits	83
Active participants	211
	<u>294</u>

City Contributions

The City contribution is determined by the actuary as necessary to keep the Plan in compliance with the funding requirements of the State of Georgia; however, the City has elected to fund the plan on a pay-as-you-go basis. For the year ended June 30, 2018, the City contributed \$749,348 for the pay as you go benefits for the plan.

Total OPEB Liability of the County

Effective July 1, 2017, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly changed the City's accounting for OPEB amounts. The information disclosed below is presented in accordance with this new standard.

The City's total OPEB liability was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017 with the actuary using standard techniques to rollforward the liability to the measurement date.

Actuarial assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	3.87%
Healthcare Cost Trend Rate:	9.00% - 5.00%, ultimate trend in 2027
Inflation rate:	2.75%
Salary increase:	0.5% plus merit increases ranging from 1.00% to 3.50%, plus inflation

Mortality rates were based on the SOA RP 2014 Total Dataset Mortality with no projection scale for healthy participants and SOA RP 2014 Disabled Retiree Mortality with no projection scale for disabled participants.

If an active employee does not enroll in the City's health insurance program, they are assumed not to participate in the OPEB plan as a retiree. If an active employee is enrolled in the City's health insurance program, they are assumed to receive benefits as a retiree.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount rate. The discount rate used to measure the total OPEB liability was 3.87%. This rate was determined using an index rate of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – which was 3.87% as determined by the Bond Buyer 20-Bond GO Index rate as of June 30, 2018.

Changes in the Total OPEB Liability of the City. The changes in the total OPEB liability of the City for the year ended June 30, 2018, were as follows:

	Total OPEB Liability (a)
Balances at 6/30/17	\$ 38,503,961
Changes for the year:	
Service cost	1,704,797
Interest	1,426,178
Differences between expected and actual experience	(9,053,026)
Assumption changes	531,894
Benefit payments	(749,348)
Net changes	(6,139,505)
Balances at 6/30/18	\$ 32,364,456

The required schedule of changes in the City's total OPEB liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about the total OPEB liability.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 38,248,303	\$ 32,364,456	\$ 27,735,281

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8% decreasing to 4%) or 1-percentage-point higher (10% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (8% decreasing to 4%)	1% Decrease (9% decreasing to 5%)	1% Decrease (10% decreasing to 6%)
Total OPEB liability	\$ 27,249,758	\$ 32,346,456	\$ 38,948,735

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 revisions 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 June 30, 2018 and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,710,786. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 7,544,188
Changes in assumptions	443,245	-
Total	\$ 443,245	\$ 7,544,188

NOTES TO FINANCIAL STATEMENTS

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

Year ending June 30:	
2019	\$ (1,420,189)
2020	(1,420,189)
2021	(1,420,189)
2022	(1,420,189)
2023	(1,420,187)
Total	<u>\$ (7,100,943)</u>

NOTE 11. DEFINED CONTRIBUTION PENSION PLAN

The City of Decatur's Internal Revenue Code Section 457 Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by ICMA Retirement Corporation and Vantage Trust for all full time employees. Plan provisions and contribution requirements are established and may be amended by the City's Commission. At June 30, 2018, there were 47 plan members.

Employees are not required to contribute to the Plan. Employees may contribute a portion of their gross salary, not to exceed the IRS guidelines, into the Plan. The Plan allows employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. The City's Commission has approved discretionary employer contributions for five employees. Total employer and employee contributions for the year ended June 30, 2018, were \$106,996 and \$128,458, respectively.

The Decatur Downtown Development Authority's Internal Revenue Code Section 401(a) Plan (the "Plan") is a deferred compensation plan and qualifies as a defined contribution pension plan. The Plan is administered by ICMA Retirement Corporation and Vantage Trust for all full time employees. Plan provisions and contribution requirements are established and may be amended by the Assistant City Manager. At June 30, 2018, there were 3 plan members.

Employees are not required to contribute to the Plan. Total employer contributions for the year ended June 30, 2018, were \$20,890.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by DeKalb County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 13. RELATED ORGANIZATIONS

The City's mayor is responsible for appointing all board members of the Decatur Housing Authority. However, the City has no further accountability for the authority.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In response to these risks, the City has purchased commercial insurance for all property and liability coverage. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the last three years.

Workers' Compensation Insurance

The City is partially self-insured for workers' compensation claims. The City pays annual aggregate claims up to \$1,000,000 over a two-year period. After the claims reach this amount, a private insurance carrier pays the remaining claims. In addition to the biennial aggregate limit, individual limits for City payments are \$300,000 per claim. After the individual limits are met, the private insurance carrier covers the claims. The City has entered into a contract with a third party to administer the program. This activity is recorded in the General Fund.

The following describes the activity related to these claims based on actual claims presented after year-end and historical experience.

<u>Fiscal Year</u>	<u>Beginning of Year Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Year Claims Liability</u>
2018	\$ 44,492	\$ 27,281	\$ 52,262	\$ 19,511
2017	50,710	75,958	82,176	44,492

NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (Continued)

Health Insurance

Beginning in fiscal year 2015, the City is now partially self-insured for employee medical claims. The City pays approximately 80% of the premium equivalent rates for each employee. The annual out-of-pocket maximum for employees is \$3,000 per individual; \$6,000 per family for in-network services. Each employee's portion of the medical premium cost is deducted from that employee's paycheck. Employees may opt out of the group health insurance coverage if they certify that they have alternate coverage.

The City is responsible for aggregate claims equivalent to \$9,924 per year per participating employee or approximately \$2,381,600. If the total claims reach this amount, a private insurance carrier will pay the remaining claims. In addition to the aggregate limit, the City's self-insurance is limited to \$75,000 per individual per plan year. After an individual's claims reach this amount, the private insurance carrier will pay any additional medical claims. This activity is recorded in the General Fund and the ending claims payable liability is included in the accrued liabilities reported by the General Fund as June 30, 2018.

The following describes the activity related to these claims based on actual claims presented after year-end and historical experience.

Fiscal Year	Beginning of Year Claims Liability	Current Year Claims and Changes in Estimates	Claims Paid	End of Year Claims Liability
2018	\$ 102,210	\$ 3,087,385	\$3,057,238	\$ 132,357
2017	178,810	1,931,214	2,007,814	102,210

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Contractual Commitments:

For the fiscal year ended June 30, 2018, contractual commitments on uncompleted contracts were \$141,312.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. COMMITMENTS AND CONTINGENCIES (Continued)

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 16. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 7%. Revenues were \$643,963 for the year ended June 30, 2018. Of this amount 100% was expended. Expenditures of the tax were used to promote tourism, conventions, and trade shows as well as to operate, maintain, and market a conference center facility as required by O.C.G.A. 48-13-51.

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLE

The City has determined a restatement to beginning net position was required in the City's governmental activities for the implementation of GASB Statement No. 75, which requires retroactive reporting of opening balances. The effect of the restatement resulted in a change to beginning net position of the governmental activities as follows:

	Governmental Activities
Net Position, governmental activities, as previously reported	\$ (79,422,130)
Restatement for implementation of GASB Statement No. 75:	
Total OPEB liability as of June 30, 2017	(38,503,961)
Removal of prior Net OPEB obligation reported June 30, 2017	17,107,054
Net Position, governmental activities, as restated	<u>\$ (100,819,037)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 17. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

In addition, the City has determined a restatement to beginning net position was required in the City's business-type activities as a result of the implementation of GASB Statement No. 75, as the City elected to record the liability in the governmental activities as the governmental activities will fund the OPEB contribution payments. The effect of the restatements resulted in a change to beginning net position of the business-type activities and the respective fund levels as follows:

Net Position, Solid Waste Fund, as previously reported	\$ (581,188)
Removal of prior Net OPEB obligation reported June 30, 2017	1,080,120
Beginning net position, Solid Waste Fund, as restated	<u>\$ 498,932</u>
Net Position, Stormater Utility Fund, as previously reported	\$ 15,593,847
Removal of prior NET OPEB obligation reported June 30, 2017	289,026
Beginning net position, Stormater Utility Fund, as restated	<u>\$ 15,882,873</u>
Net Position, Business-type Activities, as previously reported	\$ 15,882,329
Removal of prior NET OPEB obligation reported June 30, 2017	1,369,146
Beginning net position, Business-type Activities, as restated	<u>\$ 17,251,475</u>

NOTE 18. SUBSEQUENT EVENT

In September 2018, the City issued a General Obligation Sales Tax Bond, Series 2018 in the principal amount of \$5,095,000 to fund the costs of infrastructure improvements in the City. The bond requires semiannual interest payments due April 1 and October 1, commencing on April 1, 2019, at an interest rate of 2.68% and annual principal payments beginning in April 2019 until maturity in 2024.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DECATUR, GEORGIA

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service cost	\$ 1,022,483	\$ 952,885	\$ 938,166	\$ 895,868	\$ 889,392
Interest on total pension liability	3,427,102	3,317,074	3,164,496	3,036,569	2,861,732
Differences between expected and actual experience	820,485	-	849,742	(12,910)	611,982
Changes in actuarial assumptions	-	-	2,744,933	-	-
Changes in benefit terms	1,101,020	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(2,816,729)</u>	<u>(2,718,718)</u>	<u>(2,318,429)</u>	<u>(2,193,817)</u>	<u>(1,883,023)</u>
Net change in total pension liability	3,554,361	1,551,241	5,378,908	1,725,710	2,480,083
Total pension liability - beginning	<u>49,344,483</u>	<u>47,793,242</u>	<u>42,414,334</u>	<u>40,688,624</u>	<u>38,208,541</u>
Total pension liability - ending (a)	<u>\$52,898,844</u>	<u>\$49,344,483</u>	<u>\$47,793,242</u>	<u>\$42,414,334</u>	<u>\$40,688,624</u>
Plan fiduciary net position					
Contributions - employer	\$ 880,322	\$ 859,173	\$ 941,003	\$ 904,872	\$ 892,161
Contributions - employee	1,040,763	989,242	1,006,352	974,037	970,477
Net investment income	3,312,134	3,606,939	87,025	1,780,322	5,379,030
Benefit payments, including refunds of member contributions	<u>(2,816,729)</u>	<u>(2,718,718)</u>	<u>(2,318,429)</u>	<u>(2,193,817)</u>	<u>(1,883,023)</u>
Administrative expenses	<u>(39,816)</u>	<u>(46,743)</u>	<u>(54,408)</u>	<u>(46,989)</u>	<u>(47,909)</u>
Net change in plan fiduciary net position	2,376,674	2,689,893	(338,457)	1,418,425	5,310,736
Plan fiduciary net position - beginning	<u>40,149,999</u>	<u>37,460,106</u>	<u>37,798,563</u>	<u>36,380,138</u>	<u>31,069,402</u>
Plan fiduciary net position - ending (b)	<u>\$42,526,673</u>	<u>\$40,149,999</u>	<u>\$37,460,106</u>	<u>\$37,798,563</u>	<u>\$36,380,138</u>
City's net pension liability - ending (a) - (b)	<u>\$10,372,171</u>	<u>\$ 9,194,484</u>	<u>\$10,333,136</u>	<u>\$ 4,615,771</u>	<u>\$ 4,308,486</u>
Plan fiduciary net position as a percentage of the total pension liability	80.39%	81.37%	78.38%	89.12%	89.41%
Covered payroll	\$11,691,803	\$11,696,251	\$10,892,115	\$10,315,075	\$10,159,477
City's net pension liability as a percentage of covered payroll	88.71%	78.61%	94.87%	44.75%	42.41%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF DECATUR, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CITY CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 868,373	\$ 680,251	\$ 672,425	\$ 861,769	\$ 839,456
Contributions in relation to the actuarially determined contribution	<u>880,322</u>	<u>859,173</u>	<u>941,003</u>	<u>904,872</u>	<u>892,161</u>
Contribution deficiency (excess)	<u>\$ (11,949)</u>	<u>\$ (178,922)</u>	<u>\$ (268,578)</u>	<u>\$ (43,103)</u>	<u>\$ (52,705)</u>
Covered employee payroll	\$ 11,691,803	\$ 11,696,251	\$ 10,892,115	\$ 10,315,075	\$ 10,159,477
Contributions as a percentage of covered payroll	7.53%	7.35%	8.64%	8.77%	8.78%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 824,767	\$ 794,420	\$ 843,607	\$ 781,383	\$ 733,779
Contributions in relation to the actuarially determined contribution	<u>846,745</u>	<u>799,121</u>	<u>798,184</u>	<u>826,543</u>	<u>763,973</u>
Contribution deficiency (excess)	<u>\$ (21,978)</u>	<u>\$ (4,701)</u>	<u>\$ 45,423</u>	<u>\$ (45,160)</u>	<u>\$ (30,194)</u>
Covered payroll	\$ 10,012,057	\$ 9,918,986	\$ 10,237,604	\$ 9,999,934	\$ 10,518,679
Contributions as a percentage of covered payroll	8.46%	8.06%	7.80%	8.27%	7.26%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	June 30, 2018
Cost Method	Entry age cost method with 5 year phase-in of discount rate assumption changes.
Actuarial Asset Valuation Method	20% write up method
Assumed Rate of Return on Investments	7.00% net of investment expenses
Projected Salary Increases	3.25% (including 2.50% for inflation) with merit increases ranging from 0.5% to 3.5%
Cost-of-living Adjustment	N/A
Amortization Method	Level dollar for unfunded liability
Remaining Amortization Period	20 years (open)

CITY OF DECATUR, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF PENSION INVESTMENT RETURNS

	2018	2017	2016
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	8.5%	14.9%	0.1%
	2015	2014	
	4.6%	17.4%	

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF DECATUR, GEORGIA

**REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS**

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,704,797
Interest on total OPEB liability	1,426,178
Changes of assumptions and other inputs	(8,521,132)
Benefit payments	<u>(749,348)</u>
Net change in total OPEB liability	(6,139,505)
Total OPEB liability - beginning	<u>38,503,961</u>
Total OPEB liability - ending	<u><u>\$ 32,364,456</u></u>
Covered-employee payroll	\$ 10,296,426
City's total OPEB liability as a percentage of covered-employee payroll	314.33%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The City is not accumulating assets in a trust fund that meets the criteria GASB Statement No. 75 for payment of future OPEB benefits.

CITY OF DECATUR, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

Confiscated Drug Fund – To account for the use of confiscated drug money by the City's Police Department. These revenues are restricted by State law to be expended on investigations and other police department activity.

Emergency Telephone System Fund – To account for emergency services which are provided to all City taxpayers. Financing is provided through user fees and charges. The charges from the telephone providers are restricted by State law O.C.G.A. 46-5-134.

Grant Fund – To account for grants received and the expenditures related to the grants. These revenues are restricted by the external resource providers from whom the City has received the funds.

Children and Youth Services Fund – To account for charges for the City's after school program and the expenditures incurred in operating the program. The City Commission has committed all revenues generated by the after school programs to be used for the operation of the program.

Tree Bank Fund – To account for the monies collected from the City's Tree Bank fees. The City Commission has committed all revenues to be expended for the operation of the program.

Hotel/Motel Tax Fund – To account for the 7% lodging tax levied in the City. The tax revenues are restricted by O.C.G.A. 48-13-51.

2007 GO Bonds Fund – To account for the proceeds of the Series 2007 General Obligation bonds and the expenditure of these funds towards the construction, acquisition and equipping of capital assets.

2010 URA Bonds Fund – To account for the proceeds from the issuance of Recovery Zone Economic Development bonds and the expenditures of those funds for major capital projects.

2013 URA Bonds Fund – To account for the proceeds from the issuance of the Series 2013 revenue bonds and the expenditures of those funds for major capital projects.

SPLOST Fund – To account for the special purpose local option sales tax revenue collected and payments made for capital project expenditures on projects included in the voter approved referendum.

Cemetery Capital Improvement Fund – To account for the financing and expenditure activity of a capital nature occurring within the cemetery. Financing is provided by one-half of the proceeds from cemetery lot sales. This fund is intended to provide for the capital needs of the cemetery into perpetuity.

CITY OF DECATUR, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

ASSETS	Special Revenue Funds						Capital Projects Funds				Cemetery Capital Improvement Fund	Total Nonmajor Governmental Funds
	Confiscated Drug Fund	Emergency Telephone System Fund	Grant Fund	Children and Youth Services Fund	Tree Bank Fund	Hotel/Motel Tax Fund	2007 GO Bonds Fund	2010 URA Bonds Fund	2013 URA Bonds Fund	SPLOST Fund		
Cash and cash equivalents	\$ 15,608	\$ 462,762	\$ 43,920	\$ 1,670,264	\$ 70,335	\$ 66,210	\$ -	\$ -	\$ 14,546	\$ 499,288	\$ 172,234	\$ 3,015,167
Taxes receivable	-	-	-	-	-	54,235	-	-	-	-	-	54,235
Other receivables	-	84,541	-	-	-	-	-	-	-	-	-	84,541
Due from other funds	-	-	-	-	12,741	-	284,097	-	-	-	99	296,937
Due from other governments	-	-	37,102	-	-	-	-	-	-	261,177	-	298,279
Prepaid items	-	9,900	-	-	-	-	-	-	-	-	-	9,900
Total assets	\$ 15,608	\$ 557,203	\$ 81,022	\$ 1,670,264	\$ 83,076	\$ 120,445	\$ 284,097	\$ -	\$ 14,546	\$ 760,465	\$ 172,333	\$ 3,759,059
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ -	\$ 3,919	\$ 5,461	\$ 46,518	\$ 20,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,877	\$ 80,701
Accrued expenditures	-	21,733	-	58,492	-	-	-	-	-	-	-	80,225
Due to component unit	-	-	-	-	-	19,931	-	-	-	-	-	19,931
Due to other funds	-	87,123	110	196,752	-	100,514	53,536	-	14,389	-	-	452,424
Advances from other funds	-	9,977	-	-	-	-	-	-	-	-	-	9,977
Total liabilities	-	122,752	5,571	301,762	20,926	120,445	53,536	-	14,389	-	3,877	643,258
FUND BALANCES												
Nonspendable:												
Prepaid items	-	9,900	-	-	-	-	-	-	-	-	-	9,900
Restricted:												
Law enforcement	15,608	-	-	-	-	-	-	-	-	-	-	15,608
E911 services	-	424,551	-	-	-	-	-	-	-	-	-	424,551
Capital construction	-	-	75,451	-	-	-	230,561	-	-	760,465	-	1,066,477
Debt service	-	-	-	-	-	-	-	-	157	-	-	157
Committed:												
Tree preservation	-	-	-	-	62,150	-	-	-	-	-	-	62,150
Children and youth services	-	-	-	1,368,502	-	-	-	-	-	-	-	1,368,502
Assigned:												
Cemetery operations	-	-	-	-	-	-	-	-	-	-	168,456	168,456
Total fund balance	15,608	434,451	75,451	1,368,502	62,150	-	230,561	-	157	760,465	168,456	3,115,801
Total liabilities, deferred inflows of resources and fund balances	\$ 15,608	\$ 557,203	\$ 81,022	\$ 1,670,264	\$ 83,076	\$ 120,445	\$ 284,097	\$ -	\$ 14,546	\$ 760,465	\$ 172,333	\$ 3,759,059

CITY OF DECATUR, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds					Capital Projects Funds				Cemetery Capital Improvement Fund	Total Nonmajor Governmental Funds	
	Confiscated Drug Fund	Emergency Telephone System Fund	Grant Fund	Children and Youth Services Fund	Tree Bank Fund	Hotel/Motel Tax Fund	2007 GO Bonds Fund	2010 URA Bonds Fund	2013 URA Bonds Fund			SPLOST Fund
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 643,963	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 643,963
Charges for services	-	608,593	-	2,036,222	2,479	-	-	-	-	-	-	2,647,294
Intergovernmental	-	-	127,186	372	-	-	-	418,611	402,725	760,465	-	1,709,359
Fines and forfeitures	4,080	-	-	-	-	-	-	-	-	-	-	4,080
Interest	6	-	-	-	-	2,701	-	181	-	-	-	2,888
Miscellaneous	-	-	-	-	-	-	-	-	-	-	37,548	37,548
Contributions	-	-	-	85	-	-	-	-	-	-	-	85
Total revenues	4,086	608,593	127,186	2,036,679	2,479	643,963	2,701	418,611	402,906	760,465	37,548	5,045,217
EXPENDITURES												
Current:												
General government	-	-	-	-	134,524	184,044	-	-	-	-	11,676	330,244
Public safety	561	891,211	-	-	-	-	-	-	-	-	-	891,772
Public works	-	-	146,563	-	-	-	-	-	-	-	-	146,563
Culture and recreation	-	-	-	1,961,396	-	-	-	-	-	-	-	1,961,396
Capital outlay	-	-	-	-	-	-	72,635	-	-	-	-	72,635
Debt service:												
Principal	-	19,718	-	-	-	-	-	408,979	665,000	-	-	1,093,697
Interest	-	791	-	-	-	-	-	760,712	1,220,700	-	-	1,982,203
Total expenditures	561	911,720	146,563	1,961,396	134,524	184,044	72,635	1,169,691	1,885,700	-	11,676	6,478,510
Excess (deficiency) of revenues over expenditures	3,525	(303,127)	(19,377)	75,283	(132,045)	459,919	(69,934)	(751,080)	(1,482,794)	760,465	25,872	(1,433,293)
Other financing sources (uses):												
Transfers in	-	400,000	63,333	100,000	-	-	-	487,703	1,476,075	-	-	2,527,111
Transfers out	-	-	-	-	-	(459,919)	(265,580)	-	-	-	(30,000)	(755,499)
Total other financing sources (uses)	-	400,000	63,333	100,000	-	(459,919)	(265,580)	487,703	1,476,075	-	(30,000)	1,771,612
Net change in fund balances	3,525	96,873	43,956	175,283	(132,045)	-	(335,514)	(263,377)	(6,719)	760,465	(4,128)	338,319
FUND BALANCES, beginning of year	12,083	337,578	31,495	1,193,219	194,195	-	566,075	263,377	6,876	-	172,584	2,777,482
FUND BALANCES, end of year	\$ 15,608	\$ 434,451	\$ 75,451	\$ 1,368,502	\$ 62,150	\$ -	\$ 230,561	\$ -	\$ 157	\$ 760,465	\$ 168,456	\$ 3,115,801

**CITY OF DECATUR, GEORGIA
CONFISCATED DRUG FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ -	\$ 4,080	\$ 4,080	\$ -
Interest	10	10	6	(4)
Total revenue	10	4,090	4,086	(4)
EXPENDITURES				
Public safety	1,000	570	561	9
Net change in fund balances	(990)	3,520	3,525	5
FUND BALANCES, beginning of year	12,083	12,083	12,083	-
FUND BALANCES, end of year	<u>\$ 11,093</u>	<u>\$ 15,603</u>	<u>\$ 15,608</u>	<u>\$ 5</u>

**CITY OF DECATUR, GEORGIA
EMERGENCY TELEPHONE SYSTEM FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 564,300	\$ 545,000	\$ 608,593	\$ 63,593
EXPENDITURES				
Public safety	1,003,720	980,350	891,211	89,139
Debt service:				
Principal retirements	40,630	39,830	19,718	20,112
Interest and fiscal charges	-	800	791	9
 Total expenditures	 1,044,350	 1,020,980	 911,720	 109,260
 Deficiency of revenues over expenditures	 (480,050)	 (475,980)	 (303,127)	 172,853
OTHER FINANCING SOURCES				
Transfers in	400,000	400,000	400,000	-
 Net change in fund balances	 (80,050)	 (75,980)	 96,873	 172,853
FUND BALANCES, beginning of year	337,578	337,578	337,578	-
FUND BALANCES, end of year	\$ 257,528	\$ 261,598	\$ 434,451	\$ 172,853

**CITY OF DECATUR, GEORGIA
GRANT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 87,000	\$ 189,450	\$ 127,186	\$ (62,264)
EXPENDITURES				
Public works	159,240	277,180	146,563	130,617
Deficiency of revenues over expenditures	(72,240)	(87,730)	(19,377)	68,353
OTHER FINANCING SOURCES				
Transfers in	55,000	63,300	63,333	33
Net change in fund balances	(17,240)	(24,430)	43,956	68,386
FUND BALANCES, beginning of year	31,495	31,495	31,495	-
FUND BALANCES, end of year	<u>\$ 14,255</u>	<u>\$ 7,065</u>	<u>\$ 75,451</u>	<u>\$ 68,386</u>

**CITY OF DECATUR, GEORGIA
CHILDREN AND YOUTH SERVICES FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,923,770	\$ 2,024,760	\$ 2,036,222	\$ 11,462
Intergovernmental	-	-	372	372
Contributions	-	-	85	85
	<u>1,923,770</u>	<u>2,024,760</u>	<u>2,036,679</u>	<u>11,919</u>
EXPENDITURES				
Recreation	<u>2,355,440</u>	<u>2,176,530</u>	<u>1,961,396</u>	<u>215,134</u>
Excess (deficiency) of revenues over expenditures	(431,670)	(151,770)	75,283	227,053
OTHER FINANCING SOURCES				
Transfer in	<u>150,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	(281,670)	(51,770)	175,283	227,053
FUND BALANCES, beginning of year	<u>1,193,219</u>	<u>1,193,219</u>	<u>1,193,219</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 911,549</u>	<u>\$ 1,141,449</u>	<u>\$ 1,368,502</u>	<u>\$ 227,053</u>

**CITY OF DECATUR, GEORGIA
TREE BANK FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ 2,479	\$ (22,521)
EXPENDITURES				
General government	55,000	135,000	134,524	476
Net change in fund balances	(30,000)	(110,000)	(132,045)	(22,045)
FUND BALANCES, beginning of year	194,195	194,195	194,195	-
FUND BALANCES, end of year	<u>\$ 164,195</u>	<u>\$ 84,195</u>	<u>\$ 62,150</u>	<u>\$ (22,045)</u>

**CITY OF DECATUR, GEORGIA
HOTEL/MOTEL TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 674,260	\$ 646,000	\$ 643,963	\$ (2,037)
EXPENDITURES				
General government	192,630	185,000	184,044	956
Excess of revenues over expenditures	481,630	461,000	459,919	(1,081)
OTHER FINANCING USES				
Transfers out	(481,630)	(461,000)	(459,919)	1,081
Net change in fund balances	-	-	-	-
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF DECATUR, GEORGIA

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,651,000	\$ 5,721,000	\$ 5,814,155	\$ 93,155
Interest	500	-	-	-
Miscellaneous	18,400	18,400	18,400	-
Total revenues	<u>5,669,900</u>	<u>5,739,400</u>	<u>5,832,555</u>	<u>93,155</u>
EXPENDITURES				
Debt service:				
Principal retirements	2,660,000	2,660,000	2,660,000	-
Interest and fiscal charges	3,655,450	3,655,450	3,654,525	925
Total expenditures	<u>6,315,450</u>	<u>6,315,450</u>	<u>6,314,525</u>	<u>925</u>
Net change in fund balances	(645,550)	(576,050)	(481,970)	94,080
FUND BALANCES, beginning of year	<u>4,539,829</u>	<u>4,539,829</u>	<u>4,539,829</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 3,894,279</u>	<u>\$ 3,963,779</u>	<u>\$ 4,057,859</u>	<u>\$ 94,080</u>

**CITY OF DECATUR, GEORGIA
PUBLIC FACILITIES AUTHORITY FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 993,000	\$ 994,853	\$ 1,853
Interest	-	19,300	21,849	2,549
Miscellaneous	-	2,090	2,100	10
Total revenues	-	1,014,390	1,018,802	4,412
EXPENDITURES				
General government	-	400,240	364,697	35,543
Capital outlay	40,500,000	40,020,900	40,020,900	-
Debt service:				
Principal retirements	-	211,980	211,974	6
Interest and fiscal charges	692,430	667,370	667,361	9
Issuance costs	500,000	766,520	766,119	401
Total expenditures	41,692,430	42,067,010	42,031,051	35,959
Deficiency of revenues over expenditures	(41,692,430)	(41,052,620)	(41,012,249)	40,371
OTHER FINANCING SOURCES				
Issuance of bonds	41,000,000	41,077,000	29,625,000	(11,452,000)
Bond premium	-	434,490	434,497	7
Issuance of note payable	-	-	11,452,000	11,452,000
Transfers in	1,455,100	850,000	850,000	-
Total other financing sources	42,455,100	42,361,490	42,361,497	7
Net change in fund balances	762,670	1,308,870	1,349,248	40,378
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ 762,670</u>	<u>\$ 1,308,870</u>	<u>\$ 1,349,248</u>	<u>\$ 40,378</u>

**CITY OF DECATUR, GEORGIA
CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,371,700	\$ 6,719,620	\$ 7,904,264	\$ 1,184,644
Intergovernmental	2,297,300	1,882,100	1,404,549	(477,551)
Interest	-	-	8,844	8,844
Miscellaneous	427,100	-	-	-
Total revenues	<u>8,096,100</u>	<u>8,601,720</u>	<u>9,317,657</u>	<u>715,937</u>
EXPENDITURES				
General government	1,810,750	1,161,750	1,148,180	13,570
Public safety	176,000	155,000	128,143	26,857
Capital outlay	5,001,300	4,416,600	2,577,969	1,838,631
Debt service:				
Principal retirements	1,023,500	491,000	490,620	380
Interest and fiscal charges	78,900	71,660	71,637	23
Total expenditures	<u>8,090,450</u>	<u>6,296,010</u>	<u>4,416,549</u>	<u>1,879,461</u>
Excess of revenues over expenditures	5,650	2,305,710	4,901,108	2,595,398
OTHER FINANCING SOURCES (USES)				
Capital lease	1,537,180	450,000	450,000	-
Transfers in	29,000	294,590	294,580	(10)
Transfers out	(2,994,980)	(2,018,840)	(2,018,778)	62
Total other financing sources (uses)	<u>(1,428,800)</u>	<u>(1,274,250)</u>	<u>(1,274,198)</u>	<u>52</u>
Net change in fund balances	(1,423,150)	1,031,460	3,626,910	2,595,450
FUND BALANCES, beginning of year	<u>7,190,198</u>	<u>7,190,198</u>	<u>7,190,198</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 5,767,048</u>	<u>\$ 8,221,658</u>	<u>\$ 10,817,108</u>	<u>\$ 2,595,450</u>

**CITY OF DECATUR, GEORGIA
2007 BONDS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ 700	\$ 2,701	\$ 2,001
EXPENDITURES				
Capital outlay	330,000	301,180	72,635	228,545
Deficiency of revenues over expenditures	(330,000)	(300,480)	(69,934)	230,546
OTHER FINANCING USES				
Transfers out	-	(265,590)	(265,580)	10
Net change in fund balances	(330,000)	(566,070)	(335,514)	230,556
FUND BALANCES, beginning of year	<u>566,075</u>	<u>566,075</u>	<u>566,075</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 236,075</u>	<u>\$ 5</u>	<u>\$ 230,561</u>	<u>\$ 230,556</u>

**CITY OF DECATUR, GEORGIA
2010 URA BONDS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 417,800	\$ 418,600	\$ 418,611	\$ 11
EXPENDITURES				
Debt service:				
Principal retirements	408,980	408,980	408,979	1
Interest and fiscal charges	760,720	760,720	760,712	8
Total expenditures	1,169,700	1,169,700	1,169,691	9
Deficiency of revenues over expenditures	(751,900)	(751,100)	(751,080)	20
OTHER FINANCING SOURCES				
Transfers in	751,900	487,730	487,703	(27)
Net change in fund balances	-	(263,370)	(263,377)	(7)
FUND BALANCES, beginning of year	<u>263,377</u>	<u>263,377</u>	<u>263,377</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 263,377</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ (7)</u>

**CITY OF DECATUR, GEORGIA
2013 URA BONDS FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 402,730	\$ 402,730	\$ 402,725	\$ (5)
Interest	-	-	181	181
Total revenues	<u>402,730</u>	<u>402,730</u>	<u>402,906</u>	<u>176</u>
EXPENDITURES				
Debt service:				
Principal retirements	665,000	665,000	665,000	-
Interest and fiscal charges	<u>1,220,710</u>	<u>1,220,710</u>	<u>1,220,700</u>	<u>10</u>
Total expenditures	<u>1,885,710</u>	<u>1,885,710</u>	<u>1,885,700</u>	<u>10</u>
Deficiency of revenues over expenditures	(1,482,980)	(1,482,980)	(1,482,794)	186
OTHER FINANCING SOURCES				
Transfers in	<u>1,482,980</u>	<u>1,476,110</u>	<u>1,476,075</u>	<u>(35)</u>
Net change in fund balances	-	(6,870)	(6,719)	151
FUND BALANCES, beginning of year	<u>6,876</u>	<u>6,876</u>	<u>6,876</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 6,876</u>	<u>\$ 6</u>	<u>\$ 157</u>	<u>\$ 151</u>

**CITY OF DECATUR, GEORGIA
CEMETERY CAPITAL IMPROVEMENT FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ 55,000	\$ 25,900	\$ 37,548	\$ 11,648
EXPENDITURES				
General government	132,000	11,700	11,676	24
Excess (deficiency) of revenues over expenditures	(77,000)	14,200	25,872	11,672
OTHER FINANCING USES				
Transfers out	(30,000)	(30,000)	(30,000)	-
Total other financing uses	(30,000)	(30,000)	(30,000)	-
Net change in fund balances	(107,000)	(15,800)	(4,128)	11,672
FUND BALANCES, beginning of year	172,584	172,584	172,584	-
FUND BALANCES, end of year	<u>\$ 65,584</u>	<u>\$ 156,784</u>	<u>\$ 168,456</u>	<u>\$ 11,672</u>

**CITY OF DECATUR, GEORGIA
SPLOST FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 825,000	\$ 760,465	\$ (64,535)
Net change in fund balances	-	825,000	760,465	(64,535)
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ 760,465</u>	<u>\$ (64,535)</u>

CITY OF DECATUR, GEORGIA

**SCHEDULE OF PROJECTS CONSTRUCTED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PROJECT	ORIGINAL ESTIMATED COST	REVISED ESTIMATED COST	PRIOR YEARS	CURRENT YEAR	TOTAL	ESTIMATED PERCENT COMPLETE
SPLOST:						
Repayment of 2010 Series Urban Redevelopment Bonds	\$ 4,600,000	\$ 4,600,000	\$ -	\$ -	\$ -	0.00 %
Repayment of 2013 Series Urban Redevelopment Bonds	8,900,000	8,900,000	-	-	-	0.00
Street intersection improvements	5,920,000	5,920,000	-	-	-	0.00
Pedestrian, Bicycle & Traffic Improvements	1,109,218	1,109,218	-	-	-	0.00
Total SPLOST	<u>\$ 20,529,218</u>	<u>\$ 20,529,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF DECATUR, GEORGIA

FIDUCIARY FUNDS

Municipal Court Fund – To account for the collection of court fines and miscellaneous charges and payments to the General Fund and other governments.

Board of Education Fund – To account for the collection and payment of property taxes levied and collected by the City for the City of Decatur Board of Education.

Downtown Development Authority Fund – To account for the collection and payment of property taxes levied and collected by the City for the Decatur Downtown Development Authority.

CITY OF DECATUR, GEORGIA

**COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018**

ASSETS	Municipal Court Fund	Board of Education Fund	Downtown Development Authority Fund	Totals
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash	\$ 88,850	\$ 2,348,339	\$ 55,058	\$ 2,492,247
Uncollected taxes	<u> -</u>	<u> 782,798</u>	<u> -</u>	<u> 782,798</u>
 Total assets	 <u><u> \$ 88,850</u></u>	 <u><u> \$ 3,131,137</u></u>	 <u><u> \$ 55,058</u></u>	 <u><u> \$ 3,275,045</u></u>
 LIABILITIES				
Due to others	\$ 88,850	\$ 3,131,137	\$ -	\$ 3,219,987
Due to component unit	<u> -</u>	<u> -</u>	<u> 55,058</u>	<u> 55,058</u>
 Total liabilities	 <u><u> \$ 88,850</u></u>	 <u><u> \$ 3,131,137</u></u>	 <u><u> \$ 55,058</u></u>	 <u><u> \$ 3,275,045</u></u>

CITY OF DECATUR, GEORGIA

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
<u>MUNICIPAL COURT</u>				
Assets - cash	\$ 122,801	\$ 983,750	\$ 1,017,701	\$ 88,850
Liabilities - due to others	\$ 122,801	\$ 983,750	\$ 1,017,701	\$ 88,850
<u>BOARD OF EDUCATION</u>				
Assets:				
Cash	\$ 1,931,075	\$ 32,591,723	\$ 32,174,459	\$ 2,348,339
Uncollected taxes	661,154	29,402,129	29,280,485	782,798
Total assets	\$ 2,592,229	\$ 61,993,852	\$ 61,454,944	\$ 3,131,137
Liabilities - due to others	\$ 2,592,229	\$ 61,993,852	\$ 61,454,944	\$ 3,131,137
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
Assets:				
Cash	\$ 41,594	\$ 723,149	\$ 709,685	\$ 55,058
Liabilities - due to component unit	\$ 41,594	\$ 723,149	\$ 709,685	\$ 55,058
<u>TOTAL AGENCY FUNDS</u>				
Assets				
Cash	\$ 2,095,470	\$ 34,298,622	\$ 33,901,845	\$ 2,492,247
Uncollected taxes	661,154	29,402,129	29,280,485	782,798
Total assets	\$ 2,756,624	\$ 63,700,751	\$ 63,182,330	\$ 3,275,045
Liabilities:				
Due to others	\$ 2,715,030	\$ 62,977,602	\$ 62,472,645	\$ 3,219,987
Due to component unit	41,594	723,149	709,685	55,058
Total liabilities	\$ 2,756,624	\$ 63,700,751	\$ 63,182,330	\$ 3,275,045

COMPONENT UNITS

CITY OF DECATUR, GEORGIA

BALANCE SHEET COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY JUNE 30, 2018

ASSETS	
Cash	\$ 1,606,150
Taxes receivable	26,040
Other receivables, net of allowance	30,914
Due from primary government	<u>239,103</u>
Total assets	<u>\$ 1,902,207</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
LIABILITIES	
Accounts payable	<u>\$ 20,622</u>
Total liabilities	<u>20,622</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	<u>13,768</u>
Total deferred inflows of resources	<u>13,768</u>
 FUND BALANCE	
Unassigned	<u>1,867,817</u>
Total fund balance	<u>1,867,817</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,902,207</u>

CITY OF DECATUR, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REVENUES

Taxes	\$ 909,805
Miscellaneous	<u>1,202,350</u>
Total revenues	<u>2,112,155</u>

EXPENDITURES

Downtown development	1,924,510
Debt service:	
Principal retirement	102,490
Interest and fiscal charges	<u>75,900</u>
Total expenditures	<u>2,102,900</u>

Excess of revenues over expenditures 9,255

OTHER FINANCING SOURCES

Issuance of note payable	<u>224,896</u>
Total other financing sources	<u>224,896</u>

Net change in fund balance 234,151

FUND BALANCE, beginning of year 1,633,666

FUND BALANCE, end of year \$ 1,867,817

CITY OF DECATUR, GEORGIA

BALANCE SHEET COMPONENT UNIT - DECATUR TOURISM BOARD JUNE 30, 2018

ASSETS	
Cash	\$ 131,210
Due from primary government	<u>19,931</u>
Total assets	<u><u>\$ 151,141</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accrued liabilities	<u>\$ 43,949</u>
Total liabilities	<u>43,949</u>
FUND BALANCE	
Restricted for promotion of tourism	<u>107,192</u>
Total fund balance	<u>107,192</u>
Total liabilities and fund balance	<u><u>\$ 151,141</u></u>

CITY OF DECATUR, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE COMPONENT UNIT - DECATUR TOURISM BOARD FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REVENUES

Taxes	\$ 184,045
Charges for services	14,592
Interest	<u>102</u>

Total revenues	<u>198,739</u>
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EXPENDITURES

Tourism	<u>228,114</u>
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Total expenditures	<u>228,114</u>
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Net change in fund balance	(29,375)
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FUND BALANCE, beginning of year	<u>136,567</u>
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FUND BALANCE, end of year	<u><u>\$ 107,192</u></u>
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STATISTICAL SECTION

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

	<u>Page</u>
Financial Trends	107
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	113
These schedules contain information to help the reader assess the City’s most significant local revenue source, property tax.	
Debt Capacity	118
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.	
Demographic and Economic Information	122
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information	124
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.	

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

CITY OF DECATUR, GEORGIA

NET POSITION BY COMPONENT

LAST TEN YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	2018	2017	2016	2015
Governmental activities				
Net investment in capital assets	\$ 13,343	\$ 13,369	\$ 10,030	\$ 8,347 (2)
Restricted	12,058	6,664	5,969	5,233
Unrestricted	(122,076) (4)	(99,455)	(98,095) (3)	(22,540)
Total governmental activities net position	\$ (96,674)	\$ (79,422)	\$ (82,096)	\$ (8,961)
Business-type activities				
Net investment in capital assets	\$ 16,155	\$ 16,221	\$ 15,116	\$ 15,399 (2)
Unrestricted	1,135	(339)	(396)	(404)
Total business-type activities net position	\$ 17,289	\$ 15,882	\$ 14,720	\$ 14,996
Primary government				
Net investment in capital assets	\$ 29,498	\$ 29,590	\$ 25,146	\$ 23,746
Restricted	12,058	6,664	5,969	5,233
Unrestricted	(120,941) (4)	(99,794)	(98,491)	(22,944)
Total primary government net position	\$ (79,385)	\$ (63,540)	\$ (67,376)	\$ 6,035

NOTES: (1) In May 2011 the City of Decatur transferred title to all of the capital assets related to the schools to the City Schools of Decatur. This reduced the amount reported as net investment in capital assets and net position overall for governmental activities.

(2) During 2015, capital assets were transferred from governmental to business-type activities.

(3) During 2016, the City issued General Obligation Bonds, Series 2016, the proceeds of which (when combined with the original issuance premium) were passed through to the City Schools of Decatur in the amount of \$75,000,000.

(4) During 2018, the City implemented Government Auditing Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017.

2014	2013	2012	2011	2010	2009
\$ 20,161	\$ 14,725	\$ 12,964	\$ 12,718 (1)	\$ 52,582	\$ 49,255
310	1,946	2,024	1,073	663	129
(17,724)	(13,403)	(12,067)	(11,007) (1)	11,384	9,040
<u>\$ 2,747</u>	<u>\$ 3,268</u>	<u>\$ 2,921</u>	<u>\$ 2,784 (1)</u>	<u>\$ 64,629</u>	<u>\$ 58,424</u>
\$ 6,093	\$ 5,574	\$ 5,269	\$ 4,448	\$ 4,754	\$ 5,027
(395)	729	1,424	1,743	1,469	1,524
<u>\$ 5,698</u>	<u>\$ 6,303</u>	<u>\$ 6,693</u>	<u>\$ 6,191</u>	<u>\$ 6,223</u>	<u>\$ 6,551</u>
\$ 26,254	\$ 20,299	\$ 18,233	\$ 17,166	\$ 57,336	\$ 54,282
310	1,946	2,024	1,073	663	129
(18,119)	(12,674)	(10,643)	(9,264)	12,853	10,564
<u>\$ 8,445</u>	<u>\$ 9,571</u>	<u>\$ 9,614</u>	<u>\$ 8,975</u>	<u>\$ 70,852</u>	<u>\$ 64,975</u>

CITY OF DECATUR, GEORGIA

CHANGES IN NET POSITION LAST TEN YEARS

(accrual basis of accounting)
(amounts expressed in thousands)

	2018	2017	2016	2015
Expenses				
Governmental activities:				
General government	\$ 12,288	\$ 11,913	\$ 10,601	\$ 10,642
Education	-	-	-	-
Public safety	12,521	12,592	12,311	10,959
Public works	6,190	4,759	4,678	4,007
Recreation	5,640	4,966	4,556	4,248
Interest on long-term debt	6,084	5,099	3,989	3,038
Total governmental activities expenses	<u>42,724</u>	<u>39,329</u>	<u>36,133</u>	<u>32,894</u>
Business-type activities:				
Conference center	481	479	497	491
Stormwater	760	1,036	803	838
Solid waste	2,515	2,603	2,424	2,153
Total business-type activities expenses	<u>3,756</u>	<u>4,118</u>	<u>3,724</u>	<u>3,482</u>
Total primary government expenses	<u>\$ 46,480</u>	<u>\$ 43,447</u>	<u>\$ 39,857</u>	<u>\$ 36,376</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 1,787	\$ 2,031	\$ 1,470	\$ 2,258
Education	-	-	-	-
Public safety	2,403	2,396	2,333	2,724
Public works	91	71	112	92
Recreation	2,873	2,643	2,446	2,267
Operating grants and contributions	297	306	423	440
Capital grants and contributions	3,324	3,341	1,713	991
Total governmental activities program revenues	<u>10,776</u>	<u>10,789</u>	<u>8,498</u>	<u>8,772</u>
Business-type activities:				
Charges for services:				
Conference center	-	-	-	5
Stormwater	1,290	2,108	1,123	1,076
Solid waste	2,745	2,716	2,337	2,287
Total business-type activities program revenues	<u>4,035</u>	<u>4,824</u>	<u>3,460</u>	<u>3,368</u>
Total primary government program revenues	<u>\$ 14,811</u>	<u>\$ 15,613</u>	<u>\$ 11,958</u>	<u>\$ 12,140</u>

2014	2013	2012	2011	2010	2009
\$ 9,244	\$ 8,572	\$ 7,301	\$ 6,951	\$ 6,804	\$ 6,382
-	-	-	-	2,071	1,314
10,804	9,960	9,828	9,648	10,511	10,295
3,993	3,941	3,935	3,731	3,883	3,855
3,934	3,513	3,335	2,887	3,041	3,163
3,522	2,546	2,422	1,869	1,878	1,586
<u>31,497</u>	<u>28,532</u>	<u>26,821</u>	<u>25,084</u>	<u>28,188</u>	<u>26,595</u>
485	463	392	314	325	363
909	537	547	592	713	641
2,170	2,066	1,936	1,979	2,154	2,017
<u>3,564</u>	<u>3,066</u>	<u>2,875</u>	<u>2,885</u>	<u>3,192</u>	<u>3,021</u>
<u>\$ 35,061</u>	<u>\$ 31,598</u>	<u>\$ 29,696</u>	<u>\$ 27,969</u>	<u>\$ 31,380</u>	<u>\$ 29,616</u>
\$ 2,258	\$ 1,295	\$ 1,232	\$ 1,142	\$ 842	\$ 839
-	-	-	36	91	-
2,371	1,803	2,404	2,252	1,985	1,657
102	109	95	79	114	89
1,930	1,694	1,510	1,399	1,322	1,075
456	573	501	324	320	356
393	305	605	624	10,474	16,419
<u>7,510</u>	<u>5,779</u>	<u>6,347</u>	<u>5,856</u>	<u>15,148</u>	<u>20,435</u>
-	-	-	81	84	84
975	968	976	988	928	1,023
2,327	2,279	2,283	2,226	2,223	2,266
<u>3,302</u>	<u>3,247</u>	<u>3,259</u>	<u>3,295</u>	<u>3,235</u>	<u>3,373</u>
<u>\$ 10,812</u>	<u>\$ 9,026</u>	<u>\$ 9,606</u>	<u>\$ 9,151</u>	<u>\$ 18,383</u>	<u>\$ 23,808</u>

(Continued)

CITY OF DECATUR, GEORGIA

CHANGES IN NET POSITION LAST TEN YEARS

(accrual basis of accounting)
(amounts expressed in thousands)

	2018	2017	2016	2015
Net (expense)/revenue				
Governmental activities	\$ (31,948)	\$ (28,540)	\$ (27,635)	\$ (24,122)
Business-type activities	279	706	(264)	(114)
Total primary government net expense	\$ (31,669)	\$ (27,834)	\$ (27,899)	\$ (24,236)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Property taxes	\$ 24,717	\$ 22,151	\$ 20,149	\$ 17,720
Franchise taxes	1,647	1,704	1,623	1,564
Sales taxes	7,100	5,504	5,001	5,675
Other taxes	1,869	1,777	1,676	1,560
Unrestricted investment earnings	496	479	1,921	21
Gain on sale of capital assets	4	-	-	21
Miscellaneous	18	55	98	178
Transfers	242	(456)	12	(9,819) (5)
Special item	-	-	(75,979) (6)	-
Total governmental activities	36,092	31,214	(45,499)	16,920
Business-type activities:				
Gain on sale of capital assets	-	-	-	-
Transfers	(242)	456	(12)	9,819 (5)
Total business-type activities	(242)	456	(12)	9,819
Total primary government	\$ 35,850	\$ 31,670	\$ (45,511)	\$ 26,739
Change in Net Position				
Governmental activities	\$ 4,145	\$ 2,673	\$ (73,134)	\$ (7,202)
Business-type activities	37	1,162	(276)	9,705
Total primary government	\$ 4,181	\$ 3,835	\$ (73,410)	\$ 2,503

NOTES: (1) 2009 was the first year which the City recorded the Other Postemployment Benefits liability, and a majority of the costs are allocated to the public safety function.

(2) A large portion of the Conference Center assets were fully depreciated in FY 2008 and the debt was paid in full during FY 2009, thus incurring less in interest expense.

(3) In 2009 the City Schools of Decatur used the 2007 bond proceeds to begin large construction projects on City owned assets, which are reported as contributions from the School System.

2014	2013	2012	2011	2010	2009
\$ (23,987)	\$ (22,753)	\$ (20,474)	\$ (19,228)	\$ (13,040)	\$ (6,160)
(262)	181	384	410	43	352
<u>\$ (24,249)</u>	<u>\$ (22,571)</u>	<u>\$ (20,090)</u>	<u>\$ (18,818)</u>	<u>\$ (12,998)</u>	<u>\$ (5,809)</u>
\$ 15,058	\$ 14,680	\$ 14,634	\$ 14,571	\$ 15,135	\$ 14,585
1,451	1,486	1,509	1,466	1,377	1,364
4,944	4,580	3,706	694	617	641
1,500	1,464	1,332	1,397	1,394	1,399
42	33	37	55	151	307
3	-	23	-	-	13
116	278	67	-	-	-
350	580	(118)	442	371	(484)
-	-	-	(61,242) (4)	-	-
<u>23,464</u>	<u>23,101</u>	<u>21,190</u>	<u>(42,617)</u>	<u>19,045</u>	<u>17,825</u>
9	9	-	-	-	-
(350)	(580)	118	(442)	(371)	484
(341)	(571)	118	(442)	(371)	484
<u>\$ 23,123</u>	<u>\$ 22,530</u>	<u>\$ 21,308</u>	<u>\$ (43,059)</u>	<u>\$ 18,674</u>	<u>\$ 18,309</u>
\$ (523)	\$ 348	\$ 716	\$ (61,845)	\$ 6,005	\$ 11,665
(603)	(390)	502	(32)	(328)	836
<u>\$ (1,126)</u>	<u>\$ (42)</u>	<u>\$ 1,218</u>	<u>\$ (61,877)</u>	<u>\$ 5,677</u>	<u>\$ 12,501</u>

(4) In May 2011 the City of Decatur transferred title to all of the capital assets related to the schools to the City Schools of Decatur. There was no compensation provided by the School District and, therefore, the City reports a loss for this activity.

(5) During 2015, capital assets were transferred from governmental to business-type activities.

(6) During 2016, the City issued GO Bonds, Series 2016, the proceeds of which (when combined with the original issuance premium) were used to make a \$75,000,000 payment to the City Schools of Decatur to be used on capital projects for the schools.

CITY OF DECATUR, GEORGIA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN YEARS
(accrual basis of accounting)
(amounts expressed in thousands)**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Franchise Tax</u>	<u>Sales Tax</u>	<u>Insurance Tax</u>	<u>Other Taxes</u>	<u>Total</u>
2009	\$ 14,585	\$ 1,364	\$ 641	\$ 1,016	\$ 383	\$ 17,989
2010	15,135	1,377	617	1,006	388	18,523
2011	14,571	1,466	694	977	420	18,128
2012	14,634	1,509	3,706 (1)	907	425	21,181
2013	14,680	1,486	4,580	963	501	22,210
2014	15,058	1,451	4,944	997	502	22,953
2015	17,720	1,564	5,675	1,046	513	26,518
2016	20,149	1,623	5,001	1,114	562	28,449
2017	22,151	1,704	5,504	1,223	554	31,136
2018	24,717	1,647	7,100	1,305	564	35,332

NOTE: (1) The increase is the result of the fact that 2012 was the first fiscal year in which the City received payments of Homestead Option Sales Taxes (HOST) from DeKalb County.

CITY OF DECATUR, GEORGIA

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS**

(modified accrual basis of accounting)
(amounts expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable - prepaids	3	25	43	60
Assigned:				
Greenspace acquisition	13	13	13	12
Beacon School redevelopment	-	-	-	-
Next fiscal year operations	1,481	1,180	1,224	-
Unassigned	9,034	8,498	7,140	7,137
Total general fund	<u>\$ 10,531</u>	<u>\$ 9,716</u>	<u>\$ 8,420</u>	<u>\$ 7,209</u>
All other governmental funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Nonspendable - prepaids				
Prepaids	1,364	1,690	1,096	35
Advances	-	585	549	337
Assets held for resale	-	-	6,335	5,089
Restricted:				
Capital construction	11,278	6,099	5,865	5,108
Equipment purchases	740	193	227	265
Debt service	3,543	4,023	5,377	7,496
Law enforcement	16	12	14	14
E911 services	425	333	268	175
Tourism	-	-	-	5
Committed:				
Tree preservation	62	194	168	143
Children and youth services	1,369	1,193	1,131	953
Assigned:				
Development activities	-	-	324	193
Cemetery operations	168	173	203	167
Equipment purchases	376	129	987	1,049
Unassigned	-	(117)	(25)	(1,163)
Total all other governmental funds	<u>\$ 19,340</u>	<u>\$ 14,508</u>	<u>\$ 22,517</u>	<u>\$ 19,866</u>

- NOTES:** (1) The City implemented GASB Statement 54 in fiscal year 2011.
(2) The increase from 2012 to 2013 is the result of the issuance of URA Bonds, Series 2013 which will be used to fund capital projects in future periods.

2014	2013	2012	2011 (1)	2010	2009
\$ -	\$ -	\$ -	\$ -	\$ 23	\$ 391
-	-	-	-	7,670	6,300
15	15	6	88	-	-
12	12	12	12	-	-
-	3,000	3,000	-	-	-
-	654	702	1,295	-	-
5,475	5,065	5,324	6,965	-	-
<u>\$ 5,502</u>	<u>\$ 8,746</u>	<u>\$ 9,044</u>	<u>\$ 8,360</u>	<u>\$ 7,693</u>	<u>\$ 6,691</u>
\$ -	\$ -	\$ -	\$ -	\$ 14,985	\$ 13,095
-	-	-	-	1,560	1,475
-	-	-	-	1,884	1,560
54	150	42	1,157	-	-
476	334	395	343	-	-
5,089	-	-	-	-	-
11,038 (2)	35,890	15,661	17,566	-	-
495	659	667	705	-	-
7,317	6,862	3,189	3,949	-	-
10	12	12	12	-	-
156	269	278	331	-	-
25	45	61	81	-	-
164	51	62	40	-	-
796	748	804	1,023	-	-
-	-	-	-	-	-
151	78	55	41	-	-
892	1,707	255	1,425	-	-
(420)	-	-	-	-	-
<u>\$ 26,243</u>	<u>\$ 46,805</u>	<u>\$ 21,481</u>	<u>\$ 26,672</u>	<u>\$ 18,429</u>	<u>\$ 16,130</u>

CITY OF DECATUR, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

(modified accrual basis of accounting)
(amounts expressed in thousands)

	2018	2017	2016	2015
Revenues				
Taxes	\$ 35,261	\$ 31,176	\$ 28,397	\$ 26,500
Licenses and permits	1,218	1,472	653	1,429
Intergovernmental	4,613	4,418	3,123	1,621
Fines and forfeitures	859	805	707	1,341
Charges for services	4,417	4,307	4,175	3,661
Interest income	36	10	1,260	21
Other revenues	212	346	851	838
Total revenues	46,616	42,535	39,165	35,411
Expenditures				
General government	11,257	11,086	9,232	9,313
Education	-	-	-	-
Public safety	9,749	9,498	9,790	9,379
Public works	3,850	3,445	3,557	3,013
Recreation	4,051	3,901	3,599	3,413
Capital outlay	42,672	6,050	2,468	9,375
Intergovernmental	-	-	75,000 (5)	-
Debt service				
Principal retirements	4,456	9,130	3,870	2,032
Interest and fiscal charges	6,376	5,682	3,107	3,734
Cost of issuance	766	-	979	608
Total expenditures	83,177	48,793	111,603	40,867
Excess of revenues over (under) expenditures	(36,561)	(6,258)	(72,438)	(5,456)
Other financing sources (uses)				
Proceeds from capital leases	450	-	173	-
Issuance of long-term debt	41,077	-	69,755	29,895
Premium on bond issuance	434	-	6,224	2,337
Refunding deposit with escrow agent	-	-	-	(31,624)
Proceeds from sale of capital assets	5	2	30	25
Transfers in	4,375	4,184	3,714	3,621
Transfers out	(4,133)	(4,640)	(3,596)	(3,467)
Total other financing sources (uses)	42,208	(454)	76,300	787
Net change in fund balances	\$ 5,647	\$ (6,712)	\$ 3,862	\$ (4,669)
Debt service as a percentage of noncapital expenditures	26.68%	34.62% (6)	6.41%	18.38%

NOTES: (1) In 2009 the downturn in the economy caused the sales of building license and permits to decrease.

(2) In 2008 the City completed large projects which were funded with Department of Education and FEMA grants. These grants were not available in 2009.

(3) The DOE no longer offered funding to the City, due to federal budget cuts.

(4) In 2010 the City issued new notes which increased the debt service expenditures without increasing expenditures as the proceeds were given to the component unit and recorded as a note receivable.

2014	2013	2012	2011	2010	2009
\$ 22,994	\$ 22,354	\$ 21,317	\$ 18,323	\$ 18,748	\$ 17,912
1,482	882	852	730	481	440 (1)
1,014	1,010	1,177	891	784	448 (2)
1,171	581	1,153	1,039	767	512
3,328	3,019	2,875	2,732	2,682	2,312
43	33	37	55	110	307
632	565	358	465	318	452
<u>30,664</u>	<u>28,444</u>	<u>27,769</u>	<u>24,235</u>	<u>23,890</u>	<u>22,383</u>
8,432	7,253	6,759	6,523	5,836	5,804
-	-	-	-	-	10 (3)
9,347	8,990	8,675	8,406	8,430	8,667
3,171	3,232	3,223	3,171	3,139	3,080
3,093	3,016	2,946	2,679	2,745	2,827
32,103	14,887	6,939	4,639	3,502	4,182
-	-	-	-	-	-
1,367	2,532	2,310	2,198	1,546	259
3,297	2,394	2,397	1,644	1,623	1,592
168	826	-	271	140	-
<u>60,978</u>	<u>43,130</u>	<u>33,250</u>	<u>29,530</u>	<u>26,961</u>	<u>26,421</u>
(30,315)	(14,686)	(5,481)	(5,294)	(3,071)	(4,038)
1,030	744	-	-	-	-
5,120	34,705	-	13,760	5,900	-
-	3,673	-	-	101	-
-	-	-	-	-	-
8	10	27	3	-	18
10,981	3,101	2,554	9,936	1,446	2,268
(10,631)	(2,521)	(1,607)	(9,494)	(1,075)	(2,752)
<u>6,508</u>	<u>39,712</u>	<u>975</u>	<u>14,205</u>	<u>6,372</u>	<u>(466)</u>
<u>\$ (23,807)</u>	<u>\$ 25,026</u>	<u>\$ (4,507)</u>	<u>\$ 8,911</u>	<u>\$ 3,301</u>	<u>\$ (4,504)</u>
16.19%	17.53%	18.00%	15.42%	14.18% (4)	8.32%

(5) In 2016 the City issued GO Bonds, Series 2016, the proceeds of which (when combined with the original issuance premium) were used to make a \$75,000,000 payment to the City Schools for capital projects.

(6) In 2017 the City retired the URA Bonds, Series 2013C pursuant to the sale of the Callaway Building in August of 2016. The bonds required a single principal payment equal to the entire amount of the bond (\$5,120,000).

CITY OF DECATUR, GEORGIA

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN YEARS**

(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax	Franchise Tax	Sales Tax	Insurance Tax	Other Taxes	Total
2009	\$ 14,508	\$ 1,364	\$ 641	\$ 1,016	\$ 383	\$ 17,912
2010	15,360	1,377	617	1,006	388	18,748
2011	14,766	1,466	694	977	420	18,323
2012	14,769	1,510	3,706 (1)	907	425	21,317
2013	14,824	1,486	4,580	963	501	22,354
2014	15,100	1,451	4,944	997	502	22,994
2015	17,701	1,564	5,675	1,046	514	26,500
2016	20,098	1,623	5,001	1,114	561	28,397
2017	22,193	1,704	5,504	1,223	553	31,177
2018	24,647	1,647	7,100	1,305	563	35,261

NOTE: (1) The increase is the result of the fact that 2012 was the first fiscal year in which the City received payments of Homestead Option Sales Taxes (HOST) from DeKalb County.

CITY OF DECATUR, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY LAST TEN YEARS

(amounts expressed in thousands)

Fiscal Year	Real Property		Personal Property	Public Utility	Motor Vehicle
	Residential	Commercial			
2009	\$ 996,485	\$ 165,632	\$ 20,385	\$ 16,474	\$ 50,081
2010	1,000,018	162,993	20,649	15,989	46,120
2011	993,586	158,863	21,086	13,590	46,724
2012	1,000,689	167,430	22,174	14,299	49,311
2013	1,003,607	175,035	23,054	14,640	42,384
2014	1,104,202	190,813	21,507	15,153	47,331
2015	1,370,510	210,898	23,124	15,236	28,417
2016	1,417,946	243,143	22,447	15,708	21,299
2017	1,545,077	279,030	25,729	16,522	18,785
2018	1,658,748	344,392	26,234	16,258	10,600

Source: DeKalb County, Georgia Board of Tax Assessors

Source: City of Decatur Revenue Division

Less:					Assessed Value
Tax Exempt	Total Taxable	Total Direct	Estimated Actual	Estimated Actual	as a Percentage
Real Property	Assessed Value	Tax Rate	Taxable Value	Taxable Value	of Actual Value
\$ 118,900	\$ 1,130,157	1.266	\$ 2,260,314	2,260,314	50.00%
122,579	1,123,190	1.266	2,246,380	2,246,380	50.00%
125,110	1,108,739	1.262	2,217,478	2,217,478	50.00%
126,914	1,126,989	1.262	2,253,978	2,253,978	50.00%
111,549	1,147,171	1.262	2,294,342	2,294,342	50.00%
98,373	1,280,633	1.262	2,561,266	2,561,266	50.00%
131,095	1,517,090	1.162	3,034,180	3,034,180	50.00%
132,877	1,587,666	1.279	3,175,332	3,175,332	50.00%
104,883	1,780,260	1.311	3,560,520	3,560,520	50.00%
109,049	1,947,183	1.324	3,894,366	3,894,366	50.00%

CITY OF DECATUR, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS (Per \$1000 of Assessed Value) LAST TEN YEARS

Calendar Year	City of Decatur, Georgia			DeKalb County	School District	Downtown Development Authority	State	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage		Operating Millage	Operating Millage		
2009	1.122	0.144	1.266	39.30	1.990	0.038	0.25	44.110
2010	1.122	0.144	1.266	40.09	1.990	0.038	0.25	44.900
2011	1.130	0.132	1.262	44.44	2.090	0.038	0.25	49.342
2012	1.120	0.142	1.262	45.39	2.090	0.038	0.25	50.292
2013	1.120	0.142	1.262	45.34	2.090	0.038	0.15	50.142
2014	1.120	0.142	1.262	45.19	2.050	0.038	0.10	49.902
2015	1.070	0.092	1.162	42.63	1.866	0.038	0.05	46.908
2016	1.030	0.249	1.279	42.55	1.866	0.038	0.00	47.007
2017	1.030	0.249	1.311	42.55	1.866	0.038	0.00	47.039
2018	1.052	0.272	1.324	43.99	1.866	0.038	0.00	48.542

Source: City of Decatur Tax Department and DeKalb County

CITY OF DECATUR, GEORGIA

PRINCIPAL TAXPAYERS CURRENT AND NINE YEARS AGO

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
Decatur Properties I LLC	\$ 26,325,000	1	1.35 %	\$ -	-	- %
Decatur Trinity MF 1 LP	24,550,000	2	1.26	-	-	-
Clairemont Apartments LLC	17,800,000	3	0.91	-	-	-
PLN OWCS L P	15,269,214	4	0.78	-	-	-
DTC Partners LLC	15,000,948	5	0.77	-	-	-
MARTA	14,730,250	6	0.76	-	-	-
Gateway Clairemont LLC	13,715,425	7	0.70	-	-	-
GP Govt Properties I LLC	11,145,650	8	0.57	-	-	-
TDC 250 E Ponce LLC	10,747,336	9	0.55	-	-	-
RS Decatur Office LLC	9,404,398	10	0.48	-	-	-
Decatur Plaza, LLC	-	-	-	11,578,000	1	1.02
Bell South Communications	-	-	-	9,854,000	2	0.87
Decatur Towncenter Association	-	-	-	6,676,000	3	0.59
DCP Renaissance Investors	-	-	-	6,640,000	4	0.59
Ackerman Decatur, LP	-	-	-	6,456,000	5	0.57
Lexington Decatur, LLC	-	-	-	6,437,000	6	0.57
Deck-Decatur Court LLC	-	-	-	6,225,000	7	0.55
Georgia Power	-	-	-	5,275,000	8	0.47
Ashton Park Trace, LLC	-	-	-	4,530,000	9	0.40
Bask Decatur Hotel	-	-	-	4,302,000	10	0.38
	<u>\$ 158,688,221</u>		<u>8.15 %</u>	<u>\$ 67,973,000</u>		<u>6.01 %</u>

Source: City of Decatur Revenue Division

CITY OF DECATUR, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN YEARS

(amounts expressed in thousands)

Tax Year*	Total Tax Levy (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 33,106	\$ 14,364	43.4%	\$ 18,678	\$ 33,042	99.81%
2009	35,153	15,442	43.9%	19,701	35,143	99.97%
2010	34,872	16,682	47.8%	18,190	34,872	100.00%
2011	35,855	16,759	46.7%	19,092	35,851	99.99%
2012	35,781	17,185	48.0%	18,593	35,778	99.99%
2013	36,499	17,139	47.0%	19,356	36,495	99.99%
2014	40,749	17,539	43.0%	23,076	40,615	99.67%
2015	44,385	19,783	44.6%	24,405	44,188	99.56%
2016	50,512	22,412	44.4%	27,869	50,281	99.54%
2017	51,969	22,572	43.4%	29,363	51,935	99.93%

NOTES: (1) Includes all taxes levied for the General Fund, Board of Education Fund, Debt Service Fund, Capital Projects Fund and the Decatur Downtown Development Authority Fund.

*Taxes are billed twice a year in April and October for the calendar year. The billing in April is an estimated billing based on the prior years assessed values. The ten year presentation above is for completed tax years only.

CITY OF DECATUR, GEORGIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS**

(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Revenue Bonds	Certificates of Participation	Note Payable	Capital Leases	Notes Payable	Capital Leases			
2009	\$ 33,245	\$ -	\$ 3,800	\$ -	\$ 530	\$ -	\$ 98	\$ 37,673	7.07%	\$ 2,076
2010	32,970	-	3,695	4,900	364	-	66	41,995	7.55%	2,217
2011	32,615	13,760	3,585	3,300	231	-	34	53,525	7.46%	2,768
2012	32,175	13,743	3,470	1,700	93	-	-	51,181	6.72%	2,617
2013	31,898	46,418	3,350	5,660	618	-	-	87,944	10.32%	4,430
2014	31,370	51,039	3,225	5,590	1,299	-	-	92,523	11.06%	4,606
2015	33,502	49,854	3,095	5,520	963	-	-	92,934	10.49%	4,560
2016	108,752 (2)	48,654	2,965	3,692	793	-	-	164,856	17.45%	7,508
2017	107,553	42,311	2,830	1,852	425	-	-	154,971	15.24%	6,793
2018	106,168	71,106	2,685	11,240	510	-	-	191,709	18.14%	8,044

(1) See the Demographic and Economic Statistics for personal income and population data.

(2) The City issued \$69,755,000 of general obligation bonds for school construction projects.

CITY OF DECATUR, GEORGIA

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN YEARS

(amounts expressed in thousands, except per capita amount)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2009	\$ 33,245	\$ 501	\$ 32,744	1.45%	\$ 1,804
2010	32,970	598	32,372	1.44%	1,709
2011	32,615	649	31,966	1.44%	1,653
2012	32,175	1,081	31,094	1.38%	1,590
2013	31,898	1,040	30,858	1.34%	1,554
2014	31,370	969	30,401	1.19%	1,514
2015	33,502	1,160	32,342	1.07%	1,587
2016	108,752 (3)	2,255	106,497	3.35%	4,850
2017	107,553	2,700 (4)	104,853	2.94%	4,596
2018	106,168	4,058	102,110	2.62%	4,285

(1) See the Schedule of Assessed Value and Estimated Actual Value - All Taxable Property for property value data.

(2) See the Demographic and Economic Statistics for population data.

(3) The City issued \$69,755,000 of general obligation bonds for school construction projects.

(4) Amount is calculated as the total fund balance of the Debt Service Fund minus the receivable from the City Schools of Decatur (balance of \$1,800,000 as of June 30, 2017).

CITY OF DECATUR, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT JUNE 30, 2018

(amounts expressed in thousands)

	<u>Net General Obligation Debt Outstanding</u>	<u>Percentage Applicable to City of Decatur (1)</u>	<u>Amount Applicable to City of Decatur</u>
Overlapping General Obligation Debt:			
DeKalb County			
General obligation debt	\$ 176,345	6.883%	\$ 12,138
Certificates of participation	22,215	6.883%	1,529
Capital leases	14,992	6.883%	1,032
Fulton DeKalb Hospital Authority	21,870	6.883%	1,505
Total overlapping debt	235,422		16,204
City direct debt:			
General obligation debt	106,168	100.000%	106,168
Revenue bonds	71,106	100.000%	71,106
Capital leases	510	100.000%	510
Notes payable	11,240	100.000%	11,240
Certificates of participation	2,685	100.000%	2,685
	191,709		191,709
Total direct and overlapping debt	\$ 427,131		\$ 207,913

Source: Assessed value data used to estimate applicable percentages provided by the DeKalb County Finance Department. Debt outstanding data provided by DeKalb County Finance Department.

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

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

CITY OF DECATUR, GEORGIA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

	Fiscal Year			
	2018	2017	2016	2015
Debt limit	\$ 205,623	\$ 188,514	\$ 172,054	\$ 164,819
Total net debt applicable to limit	102,110	104,853	106,497	32,342
Legal debt margin	<u>\$ 103,513</u>	<u>\$ 83,661</u>	<u>\$ 65,557</u>	<u>\$ 132,477</u>
Assessed Value	\$ 1,947,183			
Add back: exempt real property	109,049			
Total assessed value	2,056,232			
Debt limit (10% of total assessed value)	205,623			
Debt applicable to limit:				
General obligation bonds	106,168			
Less: Amount set aside for repayment of general obligation debt	(4,058)			
Total net debt applicable to limit	102,110			
Legal debt margin	<u>\$ 103,513</u>			
Total net debt applicable to the limit as a percentage of debt limit	49.66%			

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Fiscal Year					
2014	2013	2012	2011	2010	2009
\$ 137,901	\$ 125,872	\$ 125,390	\$ 123,385	\$ 124,437	\$ 124,906
30,401	30,858	31,093	31,966	32,372	32,744
<u>\$ 107,500</u>	<u>\$ 95,014</u>	<u>\$ 94,297</u>	<u>\$ 91,419</u>	<u>\$ 92,065</u>	<u>\$ 92,162</u>

CITY OF DECATUR, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN YEARS

Fiscal Year	Population (1)	Personal Income (in thousands) (1)	Per Capita Personal Income (1)	Median Age (1)	Percentage of Population Age 25 and Older with Greater than 12 Years of Formal Schooling (3)	School Enrollment (2)	Unemployment Rate (4)
2009	18,147	\$ 532,850	\$ 29,363	36.0	75%	2,693	10.6% (5)
2010	18,942	556,194	29,363	36.0	88%	2,888	8.7%
2011	19,335	717,909	37,130	37.0	91%	3,246	10.7%
2012	19,555	762,097	38,972	37.0	92%	3,644	9.4%
2013	19,853	852,210	42,926	37.5	95%	3,991	8.6%
2014	20,086	836,220	41,632	38.0	95%	4,157	7.8%
2015	20,380	886,061	43,477	37.6	96%	4,521	6.0%
2016	21,957	944,854	43,032	35.9	95%	4,661	5.4%
2017	22,813	1,016,821	44,572	35.5	95%	5,229	5.6%
2018	23,832	1,056,878	44,347	35.2	95%	5,518	5.6%

(1) Source: U.S. Census (available every tenth year)

(2) Source: Provided by City of Decatur School Board

(3) Source: U.S. Census and Department of Community Affairs

(4) Source: U.S. Census and Department of Labor

(5) With the recent decline in the economy, unemployment rates across the county have seen significant increases.

CITY OF DECATUR, GEORGIA

PRINCIPAL EMPLOYERS CURRENT AND NINE YEARS AGO

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
DeKalb County Government	1,707	1	N/A %	1,732	1	N/A %
Emory University Health Systems	1,051	2	N/A	365	4	N/A
The City Schools of Decatur (education)	751	3	N/A	477	2	N/A
Agnes Scott College (education)	436	4	N/A	395	3	N/A
City of Decatur	218	5	N/A	210	6	N/A
US Postal Service	200	6	N/A	-	-	
Task Force for Global Health	147	7	N/A	-	-	
Columbia Theological Seminary	80	8	N/A	-	-	
Regus	74	9	N/A	-	-	
DeVry University	50	10	N/A	107	8	N/A
McCurdy & Candler	-	-		214	5	N/A
DeKalb Medical - Decatur Hospital	-	-		175	7	N/A
Third Millennium	-	-		50	9	N/A
Decatur First Bank	-	-		27	10	N/A
	<u>4,714</u>		<u>N/A %</u>	<u>3,752</u>		<u>N/A %</u>

Source: Various City departments

N/A - Information not available

CITY OF DECATUR, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TEN FISCAL YEARS

Function	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General government	31	39	32	31	31
Public safety					
Police					
Officers	48	37	39	42	42
Civilians	13	11	12	11	13
Fire					
Firefighters and officers	37	36	37	39	39
Highways and streets					
Engineering	14	29	17	18	17
Maintenance	29	28	31	27	29
Sanitation	16	14	14	14	14
Culture and recreation	20	21	23	21	20
Total	<u>208</u>	<u>215</u>	<u>205</u>	<u>203</u>	<u>205</u>

Source: City of Decatur department records

2013	2012	2011	2010	2009
27	27	28	27	24
44	39	44	42	41
13	13	14	13	16
39	39	40	39	38
15	13	14	14	14
27	27	25	20	24
17	17	18	15	19
17	16	17	16	18
<u>199</u>	<u>191</u>	<u>200</u>	<u>186</u>	<u>194</u>

CITY OF DECATUR, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	2018	2017	2016	2015	2014
Physical arrests	775	652	622	1,132	1,252
Parking violations (1)	3,567	4,975	5,469	4,915	6,364
Traffic violations (2)	7,256	8,417	6,572	9,070	13,591
Fire					
Number of calls answered	3,629	3,654	3,313	3,483	3,331
Inspections	255	336	858	896	941
Highways and streets					
Street resurfacing (miles)	1.65	0.96	1.00	2.55	1.43
Potholes repaired	33	37	66	30	33
Sanitation					
Refuse collected (tons/day)	18.10	16.50	18.20	20.13	20.01
Recyclables collected (tons/day)	12.56	13.30	14.50	19.70	20.07
Culture and recreation					
Athletic field permits issued	26	44	304	280	248
Community center admissions (3)	58,580	52,904	49,213	47,549	37,236

Source: City of Decatur Departments

N/A - Information not available

(1) During 2008, the City hired four additional PAL employees and implemented new electronic ticketing equipment; during 2010 additional employees were hired to increase monitoring of parking violations.

(2) Fluctuations experienced in traffic violations from year to year result from changing numbers of officers on street patrol during these periods.

(3) Operations have increased over the past few years due to new programs resulting in increased admissions.

** The number of permits issued decreased due to construction at athletic field facilities.

2013	2012	2011	2010	2009
968	1,170	1,321	1,363	1,054
9,897	10,497	10,971	14,186	9,554
6,884	10,583	9,567	13,112	6,820
3,409	3,106	2,958	2,755	2,975
1,408	506	546	764	1,023
1.15	1.16	1.14	0.80	0.71
26	30	35	92	38
20.12	23.20	27.20	27.80	28.00
20.00	21.90	22.30	22.53	18.25
26 **	195	180	185	169 **
16,252	27,628	23,104	20,190	13,008

CITY OF DECATUR, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	2018	2017	2016	2015	2014
Public safety					
Police					
Stations	1	1	1	1	1
Patrol units	37	41	41	41	43
Fire stations	2	2	2	2	2
Sanitation					
Collection trucks	11	10	10	10	10
Highways and streets					
Streets (miles)	121	75	75	62	62
Culture and recreation					
Parks acreage	193.0	116.0	116.0 **	56.5	56.5
Parks	22	21	21	14	14
Swimming pools	4	3	3	3	3
Tennis courts	9	9	9	9	9
Community centers	3	2	2	2	2

Source: Various City departments

Note: Capital asset indicators are not available for the general government function.

**The increase from 2015 is due to research performed by the City that identified additional land that was already owned by the City that needed to be reclassified to park lands.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
1	1	1	1	1
40	37	37	37	37
2	2	2	2	1
10	10	10	9	9
62	62	62	62	62
56.5	66.7	66.7	66.7	64.7
14	14	14	14	13
3	3	3	3	3
9	9	9	9	9
3	3	3	3	3