NEW ISSUE–BOOK-ENTRY ONLY

RATING:
Standard & Poor's: A+
(Stable Outlook)
(See "RATING" herein)

In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 2017 Warrants is not includable in the gross income of the holders thereof for Federal income tax purposes. In the opinion of Bond Counsel, interest on the Series 2017 Warrants is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. Bond counsel is also of the opinion that interest on the Series 2017 Warrants will be exempt from State of Alabama income taxation. See "TAX EXEMPTION" herein.

$3,285,000

CITY OF DALEVILLE, ALABAMA
GENERAL OBLIGATION WARRANTS
Series 2017

Dated: November 1, 2017 **Due: December 1, as shown on inside cover**

The Series 2017 Warrants will be issuable as fully registered warrants, without coupons, in the denomination of $5,000 or authorized integral multiples thereof, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as Bond Depository for the Series 2017 Warrants pursuant to a book-entry only system. So long as such book-entry only system is in effect with respect to the Series 2017 Warrants, purchases of the Series 2017 Warrants will be made in book-entry form through DTC participants; no physical delivery of Series 2017 Warrants will be made to purchasers, except as otherwise described herein; and payments of principal and interest with the respect to the Series 2017 Warrants will be made to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE SERIES 2017 WARRANTS — Book-Entry Only System" herein. U. S. Bank National Association, Birmingham, Alabama, is the registrar and paying agent with respect to the Series 2017 Warrants.

Interest on the Series 2017 Warrants will be payable on June 1, 2018, and on each June 1 and December 1 thereafter.

The Series 2017 Warrants will constitute general obligations of the City of Daleville, Alabama, for payment of which the full faith, credit and taxing power of said City are irrevocably pledged (subject, in case of said pledge of said City's taxing power, to applicable state constitutional, statutory and other law-imposed limitations). The Series 2017 Warrants will be additionally secured by a special pledge of a portion of the gross receipts tax described herein. Certain of the Series 2017 Warrants will be subject to separate redemption prior to their respective maturities as described herein.

The Series 2017 Warrants are offered, when issued by the City and received by the Underwriter at the above offering prices, subject to prior sale and to the approval of legality by Butler Snow LLP, Bond Counsel, of Birmingham, Alabama. Certain matters will be passed upon on behalf of the City by Henry B. Steagall, III, Esq., Attorney at Law of Ozark, Alabama. It is expected that the Series 2017 Warrants in definitive form will be available for delivery through The Depository Trust Company in New York, New York, on or about November 28, 2017.

The Frazer Lanier Company
Incorporated

November 9, 2017

$3,285,000

CITY OF DALEVILLE, ALABAMA
GENERAL OBLIGATION WARRANTS
Series 2017

Dated: November 1, 2017 **Due: December 1, as shown below**

Maturities, Amounts, Interest Rates and Prices or Yields

Year (Dec. 1)	Principal Maturing	Interest Rate	Yield	CUSIP†
2021	$ 375,000	2.000%	1.760%	234379GE9
2022	380,000	2.000	1.920	234379GF6
2023	385,000	2.000	2.060	234379GG4

$450,000 Term Warrants Due December 1, 2020 at 2.000%; Yield – 1.620%; CUSIP: 234379GD1
$135,000 Term Warrants Due December 1, 2025 at 2.200%; Yield – 2.300%; CUSIP: 234379GH2
$230,000 Term Warrants Due December 1, 2027 at 2.400%; Yield – 2.500%; CUSIP: 234379GJ8
$235,000 Term Warrants Due December 1, 2029 at 2.600%; Yield – 2.690%; CUSIP: 234379GK5
$250,000 Term Warrants Due December 1, 2031 at 2.700%; Yield – 2.830%; CUSIP: 234379GL3
$265,000 Term Warrants Due December 1, 2033 at 2.875%; Yield – 2.970%; CUSIP: 234379GM1
$285,000 Term Warrants Due December 1, 2035 at 3.000%; Yield – 3.100%; CUSIP: 234379GN9
$295,000 Term Warrants Due December 1, 2037 at 3.125%; Yield – 3.220%; CUSIP: 234379GP4

(Plus accrued interest from November 1, 2017)

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CITY OF DALEVILLE, ALABAMA

Mayor

Jayme Stayton

Members of the City Council

Bobby Hardrick
Katheryne Horace
Scott Moore
Alan Souders
Marvin Wise

City Clerk

Angelia Filmore

Underwriter

The Frazer Lanier Company
Incorporated
Montgomery, Alabama

Bond Counsel

Butler Snow LLP
Birmingham, Alabama

City Attorney

Henry B. Steagall, III, Esq.
Ozark, Alabama

In connection with the sale of the Series 2017 Warrants herein described, no person has been authorized to give any information or to make any representation not contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by the City of Daleville, Alabama. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of such Series 2017 Warrants, nor shall there be any sale of such Series 2017 Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2017 Warrants shall under any circumstances create any implication that there has been no change in the affairs of the City of Daleville, Alabama, since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City of Daleville, and the purchasers or holders of any of such Series 2017 Warrants.

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$3,285,000
CITY OF DALEVILLE, ALABAMA
General Obligation Warrants
Series 2017

INTRODUCTION

This Official Statement provides certain information in connection with the issuance and sale by the City of Daleville, Alabama (the "City") of its $3,285,000 in aggregate principal amount General Obligation Warrants, Series 2017, dated November 1, 2017 (the "Series 2017 Warrants"). The Series 2017 Warrants will be issued pursuant to the provisions of Sections 11-47-2 and 11-81-4, Code of Alabama 1975, as amended, and an ordinance (the "Series 2017 Warrant Ordinance") adopted by the governing body of the City, in order (i) to refund the outstanding principal of the City's General Obligation Various Purpose Warrants, Series 2008, dated March 1, 2008 (the "Series 2008 Warrants"), originally issued in the principal amount of $4,140,000 and now outstanding in the aggregate principal amount of $1,470,000, (ii) to refund a portion of the City's General Obligation Refunding Warrants, Series 2011, dated July 1, 2011 (the "Refunded Series 2011 Warrants"), originally issued in the aggregate principal amount of $2,955,000 and now outstanding in the aggregate principal amount of $1,975,000, (iii) to finance the costs of capital improvements in the City, and (iv) to pay the expenses of issuing the Series 2017 Warrants. The Series 2017 Warrant Ordinance will constitute a contract with the holders of the Series 2017 Warrants.

The information contained in this Official Statement is not definitive. All references herein to, or summaries of, the Series 2017 Warrant Ordinance or any ordinance, resolution or other document related to the Series 2017 Warrants are qualified by the exact terms thereof, which ordinances, resolutions or other documents are items of public record available from the City. All references herein to, or summaries of, the Series 2017 Warrants are qualified in their entirety by the definitive form thereof and the information with respect thereto included in the Series 2017 Warrant Ordinance.

THE SERIES 2017 WARRANTS

General Description

The Series 2017 Warrants will be fully registered warrants issued initially in the denomination of $5,000 or any integral multiple thereof, will be subject to exchange as hereinafter provided, will be dated November 1, 2017, will bear interest payable on June 1, 2018, and semiannually on each June 1 and December 1 thereafter at the rates, and will mature on December 1 in the respective years and principal amounts, shown on the inside cover page hereof.

Overdue installments of principal and interest on the Series 2017 Warrants will bear interest from their respective due dates until paid at the rate of six percent (6%) per annum.

The principal of and the premium, if any, on the Series 2017 Warrants will be payable, with par clearance guaranteed, at the designated corporate trust office of U.S. Bank National Association in Birmingham, Alabama (the "Paying Agent"). Interest on the Series 2017 Warrants will be payable by check or draft mailed to the registered owner, provided that said payment of interest will be deemed timely made if mailed on the interest payment date (or if such interest payment date is not a business day, on the next business day following such interest payment date).

Purpose of the Series 2017 Warrants

The governing body of the City has determined that it is appropriate for the City to refund the Series 2008 Warrants and the Refunded Series 2011 Warrants in order to enable the City to realize a savings in its interest cost to be applied to the costs of capital improvements in the City. The City therefore proposes to issue the Series 2017 Warrants for the following purposes:

(1) to refund the outstanding Series 2008 Warrants;

(2) to refund the Refunded Series 2011 Warrants;

(3) to finance the costs of capital improvements in the City; and

(3) to pay the expenses of issuing the Series 2017 Warrants.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2017 Warrants (the "Series 2017 Warrants"). The Series 2017 Warrants will be issued as fully-registered Series 2017 Warrants registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Warrant certificate will be issued for each maturity of the Series 2017 Warrants, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Warrants under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Warrants on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Warrant ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Warrants are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2017 Warrants, except in the event that use of the book-entry system for the Series 2017 Warrants is discontinued.

To facilitate subsequent transfers, all Series 2017 Warrants deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Warrants with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Warrants; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Warrants are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Warrants may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017 Warrants, such as redemptions, tenders, defaults, and proposed amendments to the Series 2017 Warrant documents. For example, Beneficial Owners of Series 2017 Warrants may wish to ascertain that the nominee holding the Series 2017 Warrants for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Warrants within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 Warrants unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer (i.e., the City) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017 Warrants are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2017 Warrants will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent (i.e., the Paying Agent), on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2017 Warrants held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement

of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2017 Warrants purchased or tendered, through its Participant, to Agent, and shall effect delivery of such Series 2017 Warrants by causing the Direct Participant to transfer the Participant's interest in the Series 2017 Warrants, on DTC's records, to Agent. The requirement for physical delivery of Series 2017 Warrants in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2017 Warrants are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2017 Warrants to Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2017 Warrants at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 Warrant certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Series 2017 Warrants depository). In that event, Series 2017 Warrant certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

Registration, Transfer and Exchange on Discontinuance of Book-Entry Only System

The provisions of the Series 2017 Warrant Ordinance described below shall apply in the event that the Book-Entry System is discontinued.

U.S. Bank National Association, Birmingham, Alabama, is the paying agent, registrar and transfer agent for the Series 2017 Warrants and in such capacity is herein called the "Paying Agent." Under applicable provisions of the Series 2017 Warrant Ordinance, the Series 2017 Warrants will be registered as to both principal and interest and will be transferable only on the registry books of the Paying Agent. The Paying Agent will keep at its designated office registry and transfer books in which it will note the registration and transfer of the Series 2017 Warrants. The person in whose name any Series 2017 Warrant is registered on the books of the Paying Agent will be considered the absolute owner thereof for all purposes and will be the sole person to whom payments of principal thereof and interest and premium (if any) thereon will be made.

The Series 2017 Warrants are transferable only on the registry and transfer books of the Paying Agent, and no transfer of a Series 2017 Warrant shall be valid unless it is duly presented for transfer at the principal corporate trust office of the Paying Agent with written power to transfer signed by the registered owner in person or by duly authorized attorney. Upon the proper transfer of any Series 2017 Warrant, the Paying Agent will deliver to the transferee a new Series 2017 Warrant registered in the name of such transferee.

Any one or more of the Series 2017 Warrants may be exchanged for a Series 2017 Warrant or Warrants in an authorized denomination or denominations aggregating the same principal amount as that of the Series 2017 Warrant or Warrants surrendered therefor, but only if such Series 2017 Warrants have

the same maturity and bear interest at the same rate, and only to the extent and subject to the conditions provided in the Series 2017 Warrant Ordinance.

In every case involving any transfer or exchange of any of the Series 2017 Warrants that is requested by the holder thereof, such holder shall be responsible for paying all taxes and other government charges relating to such transfer or exchange. In addition, if a Series 2017 Warrant is lost, stolen, destroyed or mutilated, the City and the Paying Agent may require satisfactory indemnification for the replacement thereof and may charge the holder of such Series 2017 Warrant any fees and expenses incurred by them in connection with the replacement thereof. Subject only to these exceptions, every registration, transfer or exchange of Series 2017 Warrants will be made without any expense to the holders thereof.

The Paying Agent will not be required to transfer or exchange any Series 2017 Warrants (i) during the period commencing on the fifteenth day of the month next preceding any interest payment date and ending on such interest payment date, and (ii) in the case of any Series 2017 Warrant called for redemption (in whole or in part), during the period of forty-five (45) days next preceding the date fixed for such redemption.

Legal Authority

The Series 2017 Warrants will be issued under Sections 11-47-2 and 11-81-4, Code of Alabama 1975. Those of the Series 2017 Warrants that will be issued in order to refund the principal of the Series 2008 Warrants will be issued under the said Section 11-81-4; and the balance of the Series 2017 Warrants will be issued under Section 11-47-2, Code of Alabama 1975.

Security and Sources of Payment

The Series 2017 Warrants will be general obligations of the City for the payment of which the full faith and credit of the City will be irrevocably pledged. The Series 2017 Warrants will be additionally secured by a pledge of the proceeds or revenues from the special privilege license tax (the "Gross Receipts Tax Revenues") levied by the City on those engaged in the business of selling tangible personal property at retail in the corporate limits of the City, on a parity of lien and pledge with (i) the non-refunded portion of the Series 2011 Warrants (the "Non-Refunded Series 2011 Warrants"), and (ii) the City's General Obligation Warrants, Series 2015, dated May 1, 2015 (the "Series 2015 Warrants"), originally issued in the aggregate principal amount of $3,320,000 and now outstanding in the aggregate principal amount of $3,260,000. However, the pledge of the proceeds of the Gross Receipts Tax Revenues for the benefit of the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants, and the Series 2017 Warrants is subject to the law-imposed requirement that the City must first pay the said reasonable and necessary expenses of operating the City before the principal of or the interest on the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants or the Series 2017 Warrants is paid therefrom.

After the refunding and retirement of the Series 2008 Warrants and the Refunded Series 2011 Warrants, the Gross Receipts Tax Revenues will have been pledged only for the benefit of the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants, and the Series 2017 Warrants. Therefore, the Series 2017 Warrants will be secured by a first pledge of the Gross Receipts Tax Revenues, on a parity of lien and pledge with the aforesaid pledge thereof made for the benefit of the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants and any Additional Warrants hereinafter described that may be issued by the City in the future.

Except for the Gross Receipts Tax Revenues, none of the general revenues of the City that will be legally available for the payment of debt service on the Series 2017 Warrants will be specially pledged for payment of debt service on the Series 2017 Warrants. Information describing the taxes collected by the City and other revenues of the City is set forth in the section entitled "CITY REVENUES."

Optional Redemption of the Series 2017 Warrants

Those of the Series 2017 Warrants having stated maturities in 2026 and thereafter will be subject to redemption prior to their respective maturities, at the option of the City, on December 1, 2025, and on any date thereafter, as a whole or in part (but if in part, in the inverse order of their maturities, and if less than all the Series 2017 Warrants of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot), at and for a redemption price for each Series 2017 Warrant redeemed equal to the par or face amount thereof plus accrued interest thereon to the date of redemption.

Notice of any such redemption is required to be given, not less than thirty (30) days prior to the date fixed for redemption, by United States registered or certified mail to the registered holder of any Series 2017 Warrant called for redemption.

Mandatory Redemption of Series 2017 Term Warrants

Those of the Series 2017 Warrants maturing on December 1, 2020 (herein called the "2020 Term Warrants") shall be subject to mandatory redemption prior to their stated maturity, at a redemption price equal to the par or face amount of each 2020 Term Warrant so redeemed plus accrued interest thereon to the date of redemption, on December 1 in the following respective principal amounts in the following years:

Year of Redemption	Principal Amount to be Redeemed
2018	$ 40,000
2019	45,000

As a result of such mandatory redemption, $365,000 in principal amount of 2020 Term Warrants will remain to be paid on December 1, 2020, their stated maturity date.

Those of the Series 2017 Warrants having a stated maturity in 2025 (the "Series 2017 Warrants Due 2025") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2025, at and for a redemption price, with respect to each Series 2017 Warrant Due 2025 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the principal amount of $25,000 on December 1, 2024. Series 2017 Warrants Due 2025 in the principal amount of $110,000 will remain to be paid at their maturity date.

Those of the Series 2017 Warrants having a stated maturity in 2027 (the "Series 2017 Warrants Due 2027") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2027, at and for a redemption price, with respect to each Series 2017 Warrant Due 2027 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the

principal amount of $110,000 on December 1, 2026. Series 2017 Warrants Due 2027 in the principal amount of $120,000 will remain to be paid at their maturity date

Those of the Series 2017 Warrants having a stated maturity in 2029 (the "Series 2017 Warrants Due 2029") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2029, at and for a redemption price, with respect to each Series 2017 Warrant Due 2029 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the principal amount of $115,000 on December 1, 2028. Series 2017 Warrants Due 2029 in the principal amount of $120,000 will remain to be paid at their maturity date

Those of the Series 2017 Warrants having a stated maturity in 2031 (the "Series 2017 Warrants Due 2031") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2031, at and for a redemption price, with respect to each Series 2017 Warrant Due 2031 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the principal amount of $125,000 on December 1, 2030. Series 2017 Warrants Due 2031 in the principal amount of $125,000 will remain to be paid at their maturity date

Those of the Series 2017 Warrants having a stated maturity in 2033 (the "Series 2017 Warrants Due 2033") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2033, at and for a redemption price, with respect to each Series 2017 Warrant Due 2033 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the principal amount of $130,000 on December 1, 2032. Series 2017 Warrants Due 2033 in the principal amount of $135,000 will remain to be paid at their maturity date

Those of the Series 2017 Warrants having a stated maturity in 2035 (the "Series 2017 Warrants Due 2035") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2035, at and for a redemption price, with respect to each Series 2017 Warrant Due 2035 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the principal amount of $140,000 on December 1, 2034. Series 2017 Warrants Due 2035 in the principal amount of $145,000 will remain to be paid at their maturity date

Those of the Series 2017 Warrants having a stated maturity in 2037 (the "Series 2017 Warrants Due 2037") shall be subject to redemption prior to their maturity, and the City shall redeem such Series 2017 Warrants Due 2037, at and for a redemption price, with respect to each Series 2017 Warrant Due 2037 (or portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest to the date fixed for redemption (with those to be redeemed to be selected by the Paying Agent by lot) in the principal amount of $145,000 on December 1, 2036. Series 2017 Warrants Due 2037 in the principal amount of $150,000 will remain to be paid at their maturity date

Any such redemption for the 2020 Term Warrants, 2025 Term Warrants, 2027 Term Warrants, 2029 Term Warrants, 2031 Term Warrants, 2033 Term Warrants, 2035 Term Warrants and 2037 Term Warrants (herein together called the "Series 2017 Term Warrants") shall be effected in the following manner:

(a) Prior to October 15 in each year next preceding any December 1 on which Series 2017 Term Warrants are to be redeemed, the Paying Agent shall select by lot Series 2017 Term Warrants in Authorized Denominations in an aggregate amount

equal to the principal amount thereof required to be redeemed on the next succeeding December 1;

(b) Not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption the City shall give notice, or shall cause the Paying Agent on its behalf to give notice, of the redemption of such Series 2017 Term Warrants by depositing into the United States First Class mail, addressed to the named payee of each Series 2017 Term Warrant, or portion thereof to be redeemed, at the address of such payee as the same appears on the registry books of the Paying Agent pertaining to the Series 2017 Warrants, a notice which shall state that Series 2017 Term Warrants in a stated aggregate principal amount have been called for redemption and will become due and payable at the applicable redemption price or prices on a specified redemption date, and that all interest thereon will cease after such redemption date. The payee of any Series 2017 Term Warrant may waive the requirements of this subsection with respect to the Series 2017 Term Warrant or Series 2017 Term Warrants held by him or it without affecting the validity of the call for redemption of any other Series 2017 Term Warrants; and

(c) On or prior to the date fixed for redemption the City shall make available at the Paying Agent from moneys on deposit in the Warrant Fund, the total redemption price of the Series 2017 Term Warrants so called.

Upon compliance with the foregoing requirements on its part contained in this section, and if on the redemption date specified in said resolution and notice the City is not in default in payment of the principal of or the interest on any of the Series 2017 Warrants, the Series 2017 Term Warrants so called for redemption shall become due and payable at the redemption price on the date fixed for redemption, and interest thereon shall thereafter cease. No bank at which the Series 2017 Warrants may at any time be payable shall be required to pay any interest maturing on the date fixed for redemption which is applicable to any Series 2017 Term Warrant so called for redemption on that date unless the Series 2017 Term Warrant to which such interest is applicable is presented for payment on such date; provided that in the event any such bank should pay any such interest without payment of the applicable Series 2017 Term Warrant it shall not be liable to the holder of such applicable Series 2017 Term Warrant or to the City or to anyone whomsoever.

Privilege Reserved to Issue Additional Warrants

In the ordinance of the City authorizing the issuance of the Series 2011 Warrants (the "Series 2011 Ordinance"), the City reserved the privilege of issuing from time to time additional warrants (the "Additional Warrants") secured by a pledge of the Gross Receipts Tax Revenues on a parity with the pledge thereof made therein for the benefit of the Series 2011 Warrants, but only if there shall have been filed in the office of the City Clerk a certificate signed by the Mayor and City Treasurer of the City stating that the Gross Receipts Tax Revenues received by the City during the twelve (12) consecutive months next preceding the calendar month in which the Additional Warrants are then proposed to be issued was not less than 1.25 times the maximum annual principal and interest that will mature during any then succeeding fiscal year of the City with respect to the Series 2011 Warrants and any Additional Warrants that will be outstanding immediately following the issuance of Additional Warrants then proposed to be issued. The Gross Receipts Tax Revenues received by the City in the twelve months' period ending September 30, 2017, were not less than $4,147,417.78 (unaudited). Therefore, the Series 2017 Warrants will constitute Additional Warrants as aforesaid. In the Series 2011 Warrant Ordinance the City has reserved the right to issue other such Additional Warrants in the future.

Registration, Transfer and Exchange

Subject to the provisions of the Series 2017 Warrant Ordinance respecting the book-entry only system of DTC discussed above, the Series 2017 Warrants will be registered as to both principal and interest and will be transferable only on the registry books of the Paying Agent. The Paying Agent will be the registrar and transfer agent of the City and will keep at its designated corporate trust office registry and transfer books in which it will note the registration and transfer of the Series 2017 Warrants. The person in whose name any Series 2017 Warrant is registered on the books of the Paying Agent will be considered the absolute owner thereof for all purposes and will be the sole person to whom payments of principal of and interest and premium (if any) will be made.

No transfer of any Series 2017 Warrant will be valid except upon presentation and surrender of such Series 2017 Warrant at the designated corporate trust office of the Paying Agent with written power to transfer signed by the registered owner in person or by duly authorized attorney. Upon the proper transfer of any Series 2017 Warrant the City will execute a new Series 2017 Warrant, and the Paying Agent will deliver to the transferee such new Series 2017 Warrant registered in the name of such transferee.

Any two or more of the Series 2017 Warrants may, at the option of the holder thereof, be exchanged for an equal aggregate principal amount of Series 2017 Warrants in the denomination of $10,000 or any other integral multiple of $5,000 of the same maturity and interest rate as the Series 2017 Warrants surrendered for exchange.

Warrant Fund

The Series 2017 Warrant Ordinance will amend the Series 2011 Ordinance in order to provide for the payment of the Series 2017 Warrants. The Series 2011 Ordinance created a special fund (the "Warrant Fund") to provide for payment of the principal of and interest and premium (if any) on the Series 2011 Warrants and any Additional Warrants. The Series 2017 Warrant Ordinance will require the City to deposit into the Warrant Fund, which is held by the Paying Agent as the paying agent for the Series 2011 Warrants, the Series 2015 Warrants, the Series 2017 Warrants and any Additional Warrants, on or before the last business day of each month commencing with the month of December, 2017, an amount which, when added to the amounts required to be paid therein under the Series 2011 Ordinance, will equal the sum of (i) one-sixth (1/6) of the interest maturing with respect to the then outstanding Series 2017 Warrants on the then next succeeding semiannual interest payment date with respect thereto, plus (ii) one-twelfth (1/12) of the principal maturing with respect to the then outstanding Series 2017 Warrants on the next succeeding December 1.

The Series 2017 Warrant Ordinance will require that the said payments required to be made into the Warrant Fund shall first be made with the Gross Receipts Tax Revenues and then with any other funds that shall be available to the City for that purpose. Any balance of the Gross Receipts Tax Revenues remaining after the making of such deposits may, so long as no deficiency or delinquency exists with respect to such deposits, be used by the City for any lawful purpose.

Defeasance of the Series 2017 Warrant Ordinance

The Series 2017 Warrant Ordinance will provide that any of the Series 2017 Warrants shall be deemed to be paid when there shall have been irrevocably deposited with the Paying Agent, in trust, cash sufficient to provide for full payment of such Series 2017 Warrants, including the interest that will mature

thereon until such payment. In addition, any of the Series 2017 Warrants shall be deemed fully paid if the City and the Paying Agent (or another bank acting as trustee) enter into an appropriate trust agreement under which there shall be deposited, for payment or redemption of such Series 2017 Warrants and for payment of the interest to mature thereon until maturity or redemption, United States Securities (as hereinafter defined) or any combination of cash and United States Securities, which, together with the income to be derived from such obligations, will produce moneys sufficient to provide for the payment, redemption and retirement of such Series 2017 Warrants. When any of the Series 2017 Warrants are deemed paid under the conditions described above, they shall be payable solely out of the moneys held in trust for the payment thereof and shall no longer be payable out of the Pledged Tax Proceeds. Further conditions precedent to any of the Series 2017 Warrants being deemed paid as a result of the creation of a trust for the payment thereof are (i) that there shall have theretofore been adopted all necessary proceedings relating to the redemption of any such Series 2017 Warrants that are required to be redeemed prior to their respective maturities, (ii) that the City and the trustee under such trust shall have been furnished with an opinion of nationally recognized bond counsel to the effect that the creation of any such trust will not result in the inclusion in gross income of the holders thereof for purposes of federal income taxation the interest on any of the Series 2017 Warrants that are to be paid by such trust, and (iii) that the City and the trustee shall have furnished a certificate of a firm of certified public accountants stating that such trust will produce moneys sufficient to provide for the full payment and retirement of such Series 2017 Warrants.

For purposes of any trust established to provide for the payment and retirement of any of the Series 2017 Warrants, the term "United States Securities" shall mean any combination of (i) direct obligations of the United States of America, (ii) obligations unconditionally guaranteed as to the payment of both principal and interest by the United States of America, and (iii) any share or other investment unit representing a beneficial interest in any money market fund which is registered under the Investment Company Act of 1940, as from time to time amended (or successor provision of federal law), provided that the investment portfolio of such money market fund consists solely of obligations described in clauses (i) and (ii) of this definition.

DEBT SERVICE AND COVERAGE

The following is the principal of and the interest payable in future years with respect to the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants and the Series 2017 Warrants (the "Outstanding Warrants") at the rates of interest shown on the cover hereof with respect to the Series 2017 Warrants:

Fiscal Year Ending September 30	Principal of the Series 2017 Warrants	Interest on the Series 2017 Warrants	Total Debt Service on the Series 2017 Warrants	Total Debt Service on the Series 2015 Warrants	Total Debt Service on the Non-Refunded Series 2011 Warrants	Aggregate Debt Service on the Outstanding Warrants
2018	$ --	$ 45,813.54	$ 45,813.54	$ 131,678.76	$ 8,230.00	$ 185,722.30
2019	40,000	78,137.50	118,137.50	131,328.76	317,647.50	567,113.76
2020	45,000	77,287.50	122,287.50	130,803.76	314,417.50	567,508.76
2021	365,000	73,187.50	438,187.50	130,103.76	---	568,291.26
2022	375,000	65,787.50	440,787.50	134,353.76	---	575,141.26
2023	380,000	58,237.50	438,237.50	133,553.76	---	571,791.26
2024	385,000	50,587.50	435,587.50	132,678.76	---	568,266.26
2025	25,000	46,462.50	71,462.50	131,728.76	---	203,191.26
2026	110,000	44,977.50	154,977.50	278,997.51	---	433,975.01
2027	110,000	42,447.50	152,447.50	279,303.76	---	431,751.26
2028	120,000	39,687.50	159,687.50	279,166.26	---	438,853.76
2029	115,000	36,752.50	151,752.50	278,596.26	---	430,348.76
2030	120,000	33,697.50	153,697.50	282,608.76	---	436,306.26
2031	125,000	30,450.00	155,450.00	281,191.26	---	436,641.26
2032	125,000	27,075.00	152,075.00	279,403.76	---	431,478.76
2033	130,000	23,518.75	153,518.75	282,215.01	---	435,733.76
2034	135,000	19,709.38	154,709.38	274,695.01	---	429,404.39
2035	140,000	15,668.76	155,668.76	276,895.01	---	432,563.77
2036	145,000	11,393.76	156,393.76	278,578.76	---	434,972.52
2037	145,000	6,953.13	151,953.13	279,606.26	---	431,559.39
2038	150,000	2,343.75	152,343.75	279,984.38	---	432,328.13
TOTALS	$3,285,000	$830,176.07	$4,115,176.07	$4,687,472.08	$640,295.00	$9,442,943.15

Maximum Annual Debt Service: $575,141.26

Average Annual Debt Service: $449,663.96

For the fiscal year of the City that ended on September 30, 2016, the Gross Receipts Tax Revenues were $2,364,656. This provides the following coverage of maximum annual debt service and of average annual debt service with respect to the Outstanding Warrants:

Coverage of Maximum Annual Debt Service	4.11 times
Coverage of Average Annual Debt Service	5.26 times

The pledge of the Gross Receipts Tax Revenues is nonetheless subject to the law-imposed requirement that prior to payment of the principal of and the interest on the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants, and the Series 2017 Warrants from the Gross Receipts Tax Revenues, the reasonable and necessary expenses of operating the City must first be paid. If all revenues of the City other than the Gross Receipts Tax Revenues are not sufficient for that purpose, then the reasonable and necessary expenses of operating the City must be paid from the Gross Receipts Tax Revenues notwithstanding the pledge thereof made for the benefit of the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants, and the Series 2017 Warrants.

SOURCES AND USES OF FUNDS

The proceeds derived from the sale of the Series 2017 Warrants (exclusive of accrued interest) are expected to be applied substantially as follows:

Sources of Funds:

Gross proceeds of sale of the Series 2017 Warrants	$3,285,000.00
Accrued Interest	5,890.31
Less net original issue discount	(11,515.00)
Series 2008 Warrant Fund	30,259.78
TOTAL	$3,309,635.09

Uses of Funds:

Refund the Series 2008 Warrants	$1,511,688.94
Refund the Refunded Series 2011 Warrants	1,370,784.38
Capital Improvements	321,996.46
Deposit to Series 2017 Warrant Fund	5,890.31
Expenses of issuance (underwriting discount, fees of rating agencies, legal fees and miscellaneous)	99,275.00
TOTAL	$3,309,635.09

Refunding the Series 2008 Warrants

Simultaneously with the issuance and delivery of the Series 2017 Warrants, the City will deposit a portion of the proceeds derived from the issuance of the Series 2017 Warrants with U. S. Bank National Association, said bank acting in such capacity being herein called the "Series 2008 Paying Agent." The balances held by the Series 2008 Paying Agent in the Series 2008 Warrant Fund for the Series 2008 Warrants, together with the portion of the Series 2017 Warrant proceeds deposited with the Series 2008 Paying Agent, will be applied by the Series 2008 Paying Agent for redemption of the Series 2008 Warrants. Such proceeds will be invested in direct obligations of the United States of America which will mature at such times and in such amounts as will be sufficient (a) to pay the principal of and interest on the Series 2008 Warrants until and on December 28, 2017, all of the outstanding Series 2008 Warrants that mature after such date, and (b) to pay the redemption price on December 28, 2017, on the Series 2008 Warrants.

Refunding the Refunded Series 2011 Warrants

Simultaneously with the issuance and delivery of the Series 2017 Warrants, the City will deposit a portion of the proceeds derived from the issuance of the Series 2017 Warrants with U. S. Bank National Association, said bank acting in such capacity being herein called the "Series 2011 Paying Agent." The balances held by the Series 2011 Paying Agent in the Series 2011 Warrant Fund for the Refunded Series 2011 Warrants, together with the portion of the Series 2017 Warrant proceeds deposited with the Series 2011 Paying Agent, will be applied by the Series 2011 Paying Agent for redemption of the Refunded

Series 2011 Warrants. Such proceeds will be invested in direct obligations of the United States of America which will mature at such times and in such amounts as will be sufficient (a) to pay the principal of and interest on the Refunded Series 2011 Warrants until and on December 28, 2017, and (b) to pay the redemption price on December 28, 2017, on the Refunded Series 2011 Warrants.

CITY DEBT

Existing and Proposed Debt

Following the refunding of the Series 2008 Warrants and the Refunded Series 2011 Warrants and the issuance of the Series 2017 Warrants, the following will constitute outstanding funded debt of the City:

The Non-Refunded Series 2011 Warrants	$ 615,000
The Series 2015 Warrants	3,260,000
The Series 2017 Warrants	3,285,000
Total	$7,160,000

The only other indebtedness of the City are obligations incurred in its normal municipal activities.

The City does not plan to authorize or issue any indebtedness other than the Series 2017 Warrants within the next 90 days. The City does not have any additional indebtedness authorized but unissued.

Direct and Overlapping Debt

The following table reflects the direct debt of the City that will be outstanding after the issuance of the Series 2017 Warrants and the overlapping debt of Dale County and governmental entities subordinate to the County and the City. Debt of the State of Alabama is not included in overlapping debt. For purposes of this table, direct and overlapping debt includes only general obligation debt or debt payable from taxes levied by the County, the City or a governmental entity subordinate to the County or the City.

Pro Forma Direct and
Overlapping Indebtedness

	Principal Balance	Percent of Debt Allocable to City [l]	City's Allocable Share of Debt
Direct Debt			
General obligation bonds or warrants [2]	$ 7,160,000	100.00%	$ 7,160,000
Overlapping Debt [3]			
Dale County	$2,575,000	14.11%	$ 363,333
Dale County Board of Education	$11,485,000	100.00%	$11,485,000
Total Direct and Overlapping Debt	$21,220,000		$19,008,333

[l] The percent of this debt allocable to the City was calculated on the basis of the ratio of net assessed value of taxable property within the City's corporate limits ($53,081,740) to net assessed value of taxable property within Dale County ($376,131,060) for the year ended September 30, 2016 (unaudited).

[2] After giving effect to the issuance of the Series 2017 Warrants.

[3] As of fiscal year ended September 30, 2016, includes all general obligation debt and other County debt payable from County-wide ad valorem taxes.

Certain Debt Ratios

The following table presents certain ratios which relate the total general obligation debt of the City that will be outstanding after the issuance of the Series 2017 Warrants (viz., $7,160,000) to other economic and demographic data in this Official Statement:

Net direct general obligation debt to net assessed value of taxable property** 13.49%

Per capita net direct general obligation debt*** $1,352.22

Constitutional Debt Limit

The Constitution of Alabama generally provides that cities having a population of less than six thousand may not become indebted in an amount in excess of twenty percent (20%) of the assessed value of the property situated therein, except that additional indebtedness in an amount not exceeding three percent (3%) of such assessed value may be incurred specifically for the purchase or construction of waterworks, gas or electric lighting plants or sewerage or for the improvements of streets. The assessed

** Based on 2016 unaudited net assessed valuations of $53,081,740 (including motor vehicles).

*** Based on present population of 5,295 in the City according to the 2010 Census.

value of the property in the City as assessed for City taxation for the tax year which ended September 30, 2016 (net of exemptions and including motor vehicles), was $53,081,740 (unaudited). Consequently, the constitutional debt limitation applicable to the City for purposes of general borrowing is not less than $10,616,348.

Consequently, the City may incur additional indebtedness under its general borrowing power of approximately $3,456,348 (viz., $10,616,348 - $7,160,000), in addition to a total borrowing of $1,593,452.20 for the purpose of financing the costs of waterworks, gas or electric lighting plants, sewerage or street improvements without violating its constitutional debt limit.

CITY REVENUES

Financial Statements

A copy of the audited financial statements of the City for its fiscal year ended September 30, 2016, is included as Appendix A to this Official Statement. Contained therein are statements of revenues, expenditures and changes in fund balances for such fiscal year.

Property Taxes

The levy and collection of ad valorem taxes in Alabama are subject to the provisions of the Alabama Constitution as amended, which, among other things, fix the percentage of market value at which property can be assessed for taxation, limit the rates of municipal taxation that can be levied against property, and provide a maximum value for the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year. Ad valorem taxation in Alabama has been significantly affected in the last decade by several judicial decisions and two constitutional amendments.

The amount of any specific ad valorem tax in Alabama is computed by multiplying the tax rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are generally stated in terms of mills (one-thousandth of a dollar) per dollar of assessed value. Thus, for any given ad valorem tax, each mill in the rate of taxation represents a tax on property equal to one-tenth of one percent of the assessed value of such property.

The assessed value of all taxable property located in the City as assessed for City taxation (including motor vehicles and net of exemptions) for the five tax years which ended on September 30 in the years 2012 through 2016 are set forth below:

Fiscal Year Ending September 30	Real and Personal Property	Motor Vehicles	Total
2016	$46,688,400	$6,393,340	$53,081,740
2015	$49,828,480	$6,779,220	$56,607,700
2014	$47,394,220	$6,347,980	$53,742,200
2013	$48,837,360	$6,315,260	$55,152,620
2012	$50,992,840	$6,100,760	$57,093,600

Source: Revenue Commissioner's Office of Dale County, Alabama.

The following taxes are currently levied on property situated in the City (expressed in mills or one-thousandth of a dollar per dollar of assessed value):

State of Alabama	6.5 mills
City of Daleville	5 mills
Dale County	
General	7 mills
Road, Bridge & Public Building	3.5 mills
Countywide School Tax	5 mills
District School	5 mills
County Hospital	3 mills
Jail	0.5 mills

Taxes having an aggregate rate of 38 mills are therefore currently being levied on taxable property situated in the City by all taxing authorities. Ad valorem taxes on taxable properties in the City are required to be collected by the Tax Collector of Dale County.

Gross Receipts Tax

The City levies by ordinance the Gross Receipts Tax within its corporate limits at the rate of 3% on the gross receipts of all persons selling tangible personal property at retail and conducting places of amusement or entertainment in the City; however, certain transactions are taxed at lower rates. There is no statutory minimum rate applicable to the said tax. The Gross Receipts Tax is collected by the vendor from the consumer and paid to the City. The Gross Receipts Tax was levied pursuant to Ordinance 11-10-65 of the City which was enacted by its governing body in 1965. Subsequently the general rate of the Gross Receipts Tax rate was raised from 1% to 2% by an ordinance of the City that became effective on May 1, 1986, and from 2% to 3% by an ordinance of the City that became effective in 1993.

The Gross Receipts Tax is levied outside the corporate limits of the City and within the police jurisdiction of the City at a rate equal to one-half of the applicable rate levied within the corporate limits of the City. The proceeds of the Gross Receipts Tax collected within the police jurisdiction of the City outside its corporate limits are not pledged for the benefit of the Series 2017 Warrants.

The following table sets forth the amounts of Gross Receipts Tax (after deduction for the cost of collection) received by the City for the fiscal years indicated below:

Fiscal Year	Gross Receipts Tax
2016	$2,310,228.34
2015	1,512,309.64
2014	1,448,207.91
2013	3,355,916.00
2012	3,073,157.00

Source: Daleville City Clerk.

Comparative Statement of General Fund Revenues and Expenditures

The table shown below sets forth revenues, expenditures and changes in fund balance for the City's General Fund for the five fiscal years ended September 30, 2012 through 2016. The information included in the table was extracted from the audited financial statements of the City for such years.

	2012	2013	2014	2015	2016
Revenues					
Taxes	$ 3,606,208	$ 3,891,580	$ 2,034,297	$ 2,053,176	$ 2,881,120
Fines and forfeitures	416,591	432,209	320,950	317,280	309,969
Licenses and permits	415,444	392,040	431,121	426,236	431,255
Charges for services	384,055	376,725	373,728	415,711	415,526
Intergovernmental	246,552	118,913	30,124	25,491	24,324
Investment earnings	1,482	105	---	---	---
Miscellaneous	186,262	176,015	157,486	178,492	248,863
Total revenues	5,256,594	5,387,587	3,347,706	3,416,386	4,311,057
Expenditures					
Current					
General government	1,234,678	1,380,318	1,039,922	992,807	1,277,935
Public safety	1,504,401	1,692,711	1,580,533	1,471,507	1,446,935
Health and sanitation	266,715	293,856	366,687	375,333	---
Culture and recreation	352,729	369,751	458,934	422,211	498,006
Streets and roads	534,932	345,931	212,449	184,899	644,252
Debt service					
Principal	---	---	---	---	---
Interest	---	---	---	---	---
Capital outlay	372,913	374,473	92,152	32,302	178,911
Total expenditures	4,266,368	4,457,040	3,750,677	3,479,059	4,046,039
Excess (deficiency) of revenues over expenditures	990,226	930,547	(402,971)	(62,673)	265,018
Other Financing Sources (Uses)					
Insurance Recoveries	---	119,100	---	---	---
Transfers in	186,300	88,291	89,034	295,298	320,848
Transfers out	(446,795)	(357,843)	(424,523)	(470,003)	(572,007)
Proceeds from Sale of Assets			10,790	---	305,712
Total other financing sources (uses)	(260,495)	(150,452)	(324,699)	(174,705)	54,553
Net change in fund balances	729,731	780,095	(727,670)	(237,378)	319,571
Fund Balances – beginning	1,707,240	2,436,971	3,217,066	2,489,396	2,252,018
Fund Balances – ending	$ 2,436,971	$ 3,217,066	$ 2,489,396	$ 2,252,018	$ 2,571,589

THE CITY

Geographic Information

The City is located in southeast Alabama in Dale County (the "County") approximately 85 miles southeast of Montgomery, Alabama and 175 miles southeast of Birmingham, Alabama.

Population

The following table presents historical population statistics relating to the City and the County:

Census Year	City of Daleville	Dale County
1970	5,182	52,938
1980	5,113	47,821
1990	5,177	49,633
2000	4,653	49,129
2010	5,295	50,251

Source: United States Bureau of Census

Governmental Organization and Administration

The City is a municipal corporation incorporated under the Constitution and the laws of the State of Alabama. The City is governed by a Mayor and a City Council consisting of five members elected for terms of four years. The Mayor and the members of the City Council, together with the date upon which their respective current terms of office end are as follows:

	Date Current Term of Office Ending
Mayor Jayme Stayton	November 1, 2020
Council Members:	
Bobby Hardrick	November 1, 2020
Katheryne Horace	November 1, 2020
Scott Moore	November 1, 2020
Alan Souders	November 1, 2020
Marvin Wise	November 1, 2020

The Mayor is responsible for the daily management of the City and supervision of its employees. The Mayor and the City Council as a whole are responsible for adopting all legislative ordinances and setting the policies of the City, including the appropriation of money. The City Clerk is appointed by the City Council and is responsible for, among other things, managing the fiscal affairs of the City. The managers of the City's several departments are appointed by the City Council and are responsible for the day-to-day operation of their respective departments.

Personnel

The City employed approximately 58 persons in its several departments as of October 1, 2017. The benefits and compensation for all employees of the City's several departments are established by the Mayor and the City Council. No employees of the City are represented by labor unions or similar employee organizations, and the City does not bargain collectively with any labor unions or employee organizations. The City considers its relations with its employees to be generally good.

Economy of the City and Dale County

Known as the "Gateway to Fort Rucker," the City is located at the south entrance to Fort Rucker, which is the largest single employer in the area, providing thousands of civilian jobs in the area. Fort Rucker became an army installation in 1955, is the Headquarters for the Aviation Branch of the Department of the Army, and is the site of the United States Army Aviation Center and School which provides training for helicopter pilots. Fort Rucker also serves as a center for related aviation research and development programs. Fort Rucker maintains a base population of approximately 18,000 and an active military strength of 5,000. In addition to the direct employment of civilian; at Fort Rucker, military personnel stationed there stimulate employment in the Enterprise area through demand on local businesses and services. Other employment opportunities are created and maintained by the need of services to be provided by local businesses in support of the activities at Fort Rucker. With military cutbacks occurring around the country, the City can give no absolute assurance that Fort Rucker will continue to operate throughout the life of the Series 2017 Warrants or that it will continue to operate at the same levels.

THE CITY IS FINANCIALLY HEAVILY DEPENDENT ON THE EXISTENCE OF FORT RUCKER. IF FORT RUCKER WERE TO BE CLOSED OR SIGNIFICANTLY REDUCED, THE IMPACT OF SUCH CLOSING OR REDUCTION ON THE FINANCIAL CONDITION OF THE CITY WOULD BE MATERIAL, SIGNIFICANT AND ADVERSE.

Income Levels. For the fiscal year 2016, the U.S. Department of Housing and Urban Development estimates the following with respect to median family income levels in the jurisdictions indicated:

	Median Family Income
Dale County	$57,600
State of Alabama	55,500
United States	65,700

Source: U.S. Department of Housing and Urban Development

Major Employers. The following table sets forth certain information with respect to certain of the major employers in the County:

Employer	**Business or Industry**	**Employees**
Army Fleet Support	Aviation Maintenance	3,284
Michelin North America, Inc.	Automobile Tires	584
Covan International, Inc.	Headquarters and Distribution	250
Jeld-Wen	Doors	150
Computer Sciences Corporation	Aviation Simulation	130
E&H Steel Corporation	Structural Steel Fabricating	125
MAHA, Inc.	Automotive Lifts	70
Bell Helicopter	Helicopter Maintenance and Refurbishing	51
Quality Fab	Metal Fabrication	51
Brown Manufacturing	Farm Equipment	35

Utilities

Electric power is supplied to residents of the City by Alabama Power Company. Water and sewer service is provided by City-owned systems. Telephone service is provided by CenturyTel and natural gas is provided by Southeast Alabama Gas Corporation.

Education

The City maintains a separate school system, and residents of the City attend the public schools under the administration of the Board of Education of the City.

Health Services

Dale County Hospital facilities in Ozark, Alabama provides comprehensive health care services to residents of the City.

LITIGATION

There is no litigation pending or, to the knowledge of the City, threatened questioning the validity of the Series 2017 Warrants, the proceedings under which they are to be issued, the security for the Series 2017 Warrants provided by the Series 2017 Warrant Ordinance, the consummation of the transactions contemplated by the Series 2017 Warrant Ordinance, the organization of the City, or the election or qualification of the City's officers.

Recent court decisions have substantially eroded the immunity from tort liability formerly enjoyed by local governmental units in Alabama; however, Chapter 93 of Title 11 of the Code of Alabama 1975, as amended, now prescribes certain limits on the liability of local governmental units for bodily injury or death and for damage or loss of property. The limits are presently $100,000 in the case of bodily injury or death of one person in any single bodily occurrence, $300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence, and $ 100,000 for damage or loss of property arising out of any single occurrence. The Alabama Supreme Court has held that the limitations prescribed by said Chapter 93 are constitutional.

Local governmental units throughout the country increasingly have been subjected to lawsuits–many of which claim damages in large amounts–for alleged denials of civil rights under the provisions of Section 1983 of Title 42 of the United States Code. While the question is not free from doubt, it should be assumed that existing Alabama statutory limitations on liability for personal injury would not serve to limit liability under Section 1983.

The City has been notified of various claims against it arising from matters relating to normal operations of a municipality. The City believes that any liability resulting from these suits and claims will be covered by the City's liability insurance, which has a deductible amount of $25,000 per occurrence, or by other funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

RISK FACTORS

Purchasers of Series 2017 Warrants are subject to certain risks in connection with their investment. The risks set forth below are those which, at the date of this Official Statement, seem to be the most significant; see also "LITIGATION" herein. No assurance can be given that additional risks do not now exist or will not arise in the future that will impair the ability of the City to pay, when due, the debt service on the Series 2017 Warrants. Moreover, other factors ultimately may affect a Holder's investment in a manner and to a degree which cannot be foreseen. Accordingly, consideration of the purchase of the Series 2017 Warrants should be limited to individuals and institutions having such experience in financial matters as to be capable of evaluating the risks and merits of investment in the Series 2017 Warrants and having an adequate net worth so as to be capable of risking the loss or premature termination of their investment in the Series 2017 Warrants.

Limitation on Remedies; Bankruptcy

Holders of the Series 2017 Warrants should be aware that their rights and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and the exercise of judicial discretion in appropriate cases, including the law-imposed requirement that the City may first use its taxes and other revenues to pay the expenses of providing necessary governmental services before paying debt service on the Series 2017 Warrants.

The United States Bankruptcy Code permits political subdivisions and public agencies or instrumentalities that are insolvent or unable to meet their debts to file petitions for relief in the Federal bankruptcy courts if authorized by State law. While the matter is not entirely free from doubt, prospective purchasers of the Series 2017 Warrants should assume that existing Alabama statutes presently authorize the City and other political subdivisions in Alabama to file such petitions for relief.

Bankruptcy proceedings by the City could have adverse effects on holders of the Series 2017 Warrants, including (i) delay in the enforcement of their remedies, (ii) subordination of their claims to the claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (iii) imposition without their consent of a reorganization plan reducing or delaying payment on the Series 2017 Warrants. Such a reorganization plan, when confirmed by the bankruptcy court, binds all creditors who had timely notice or actual knowledge of the petition or plan and discharges all claims against the petitioning political subdivision provided for in the plan. However, no plan may be confirmed by the court unless, among other conditions, either the pan has been accepted in writing by 2/3 in amount and more than 50% in number of the allowed claims of each class which is impaired by the plan, or the court finds that the plan does not discriminate unfairly, and is fair and equitable, with respect to each class of claims that is impaired under, and has not accepted, the plan.

Tax-Exempt Status of Series 2017 Warrants

It is expected that the Series 2017 Warrants will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX EXEMPTION." Bond counsel is delivering an opinion with respect to certain aspects of the tax status of the Series 2017 Warrants. That opinion is attached to this Official Statement as Appendix B and should be read in its entirety for a complete understanding of the scope of the opinion and the conclusions expressed. A legal opinion is only the

expression of professional judgment and does not constitute a guaranty with respect to the matters covered. In addition, the opinion of bond counsel speaks only as of its date, and bond counsel does not undertake to advise Warrantholders about subsequent developments.

The tax status of the Series 2017 Warrants could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2017 Warrants in order for the Series 2017 Warrants to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2017 Warrants, use of the facilities financed by the Series 2017 Warrants, investment of warrant proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the City.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2017 Warrants the City would be treated as the taxpayer, and the owners of the Series 2017 Warrants may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2017 Warrants could adversely affect the market value and liquidity of the Series 2017 Warrants, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2017 Warrants do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2017 Warrants.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2017 Warrants could affect the tax-exempt status of the Series 2017 Warrants or the effect of investing in the Series 2017 Warrants. For example, Congress could eliminate the exemption for interest on the Series 2017 Warrants, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax.

The Warrant Ordinance does not provide for the payment of any additional interest or penalty if a determination is made that the Series 2017 Warrants do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects tax-exempt status of the Series 2017 Warrants or the effect of investing in the Series 2017 Warrants.

Lack of Registration

Upon issuance, the Series 2017 Warrants will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal or state regulatory authority will have passed upon the accuracy or adequacy of this Official Statement.

UNDERWRITING

The Series 2017 Warrants will be purchased by The Frazer Lanier Company, Incorporated (the "Underwriter") at a purchase price of $3,224,210.00 (which reflects an Underwriter's discount of $49,275.00 and a net original issue discount of $11,515.00) plus accrued interest thereon from November 1, 2017, to the date of their delivery. The Underwriter is obligated to purchase and pay for all the Series 2017 Warrants in cash.

LEGAL MATTERS

Legal matters incident to the issuance of the Series 2017 Warrants and with regard to the status of the interest on the Series 2017 Warrants as excludable from gross income for federal income tax purposes (see "TAX EXEMPTION" herein) are subject to the approving opinion of Butler Snow LLP, Birmingham, Alabama, Bond Counsel. A signed copy of the opinion of Bond Counsel, dated and speaking only as of the date of original delivery of the Series 2017 Warrants, will be delivered to the Underwriter at the time of such original delivery. The form of that opinion is included as Appendix B hereto.

In its capacity as Bond Counsel, Butler Snow LLP, has participated in the preparation of, and has reviewed those portions of, this Official Statement pertaining to the Series 2017 Warrants, the Series 2017 Warrant Ordinance, and the excludability from gross income for federal income tax purposes of the interest on the Series 2017 Warrants, all as contained under the headings "THE SERIES 2017 WARRANTS," "SECURITY," and "TAX EXEMPTION" herein. Said firm has also supplied Appendix B hereto. Said firm has not been retained to pass upon any other information in this Official Statement, including Appendices A, C and D hereto, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City, the Paying Agent, the Series 2017 Warrants or the purposes to which the proceeds thereof are to be applied that may be prepared or made available by said parties or others to the prospective purchasers of the Series 2017 Warrants or to others.

Certain legal matters will be passed upon for the City by its counsel, Henry B. Steagall, Esq., Ozark, Alabama.

TAX EXEMPTION

General

The delivery of the Series 2017 Warrants is subject to the opinion of Butler Snow LLP, Birmingham, Alabama, Bond Counsel, to the effect that, under the law existing on the date thereof, interest on the Series 2017 Warrants (1) is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"); and (2) is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. However, Code provisions applicable only to corporations (as defined for federal income tax purposes) may subject a portion of the interest on the Series 2017 Warrants earned by certain corporations to that alternative minimum tax imposed on corporations. The opinion of Bond Counsel will also be to the effect that, under the law existing on the date thereof, the interest on the Series 2017 Warrants will be exempt from present income taxation imposed by the State of Alabama. Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2017 Warrants.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Series 2017 Warrants from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code imposes a number of requirements that must be satisfied in order for interest on state or local obligations, such as the Series 2017 Warrants, to be and remain excluded from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds of such obligations, limitations on the investment of those proceeds prior to expenditure, requirements as to the timing of

expenditure of those proceeds, a requirement that excess arbitrage earned on the investment of those proceeds be paid periodically to the United States, a requirement that the City file an information report with the IRS, and other requirements. The City has covenanted in the Series 2017 Warrant Ordinance to comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with those covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Series 2017 Warrants for federal income tax purposes and, in addition, will rely on representations by the City with respect to matters solely within the knowledge of the City, which Bond Counsel has not independently verified. If the City should fail to comply with those covenants, or if those representations should be determined to be inaccurate or incomplete, interest on the Series 2017 Warrants could become includable in gross income for federal income tax purposes from their issuance date, regardless of the date on which the event causing such includability occurs. See "RISK FACTORS – Tax-Exempt Status of Series 2017 Warrants" herein.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress, and legislation affecting the exemption of interest on such obligations for purposes of taxation by the State may be considered by the State legislature. Court proceedings may also be filed the outcome of which could modify the tax treatment of obligations such as the Series 2017 Warrants. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2017 Warrants will not have an adverse effect on the tax status of interest on or the market value of the Series 2017 Warrants. See "RISK FACTORS – Tax-Exempt Status of Series 2017 Warrants" herein.

The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2017 Warrants, under current IRS procedures the IRS will treat the City as the taxpayer, and the beneficial owners of the Series 2017 Warrants will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2017 Warrants for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Series 2017 Warrants. Unless separately engaged, Bond Counsel would not necessarily be involved in any such post-issuance audit of the Series 2017 Warrants. See "RISK FACTORS – Tax-Exempt Status of Series 2017 Warrants" herein.

Bank Qualification

In the Series 2017 Warrant Ordinance, the City authorized the designation of the Series 2017 Warrants as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code, provided the prerequisites for such designation could be met. The City intends to make such a designation and therein to certify, as to itself, all subordinate entities, all entities which issue obligations on behalf of the City and all entities (if any) on behalf of which the City is deemed to issue obligations (within the meaning of said Section 265(b)(3) and the Regulations and rulings promulgated thereunder), that the total amount of all tax-exempt obligations theretofore issued and reasonably anticipated to be issued by the City and such other entities during calendar year 2017 will not exceed $10,000,000 (subject to certain exceptions). Based on such designation and certification, Bond Counsel will opine that the Series 2017 Warrants are "qualified tax-exempt obligations" within the meaning of said Section 265(b)(3) and that therefore, in the case of certain financial institutions, within the meaning of Section 265(b)(5) of the Code, a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Series 2017 Warrants.

Original Issue Discount and Original Issue Premium

The Series 2017 Warrants maturing in 2023, 2025, 2027, 2029, 2031, 2033, 2035, and 2037 have been offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (i.e., the principal amount) over the "issue price" of a given maturity of the Series 2017 Warrants. The "issue price" of a given maturity of the Series 2017 Warrants is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Series 2017 Warrants of that maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Series 2017 Warrant issued with OID over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of such a Series 2017 Warrant (i) is interest excludable from gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above with respect to interest on the Series 2017 Warrants generally, and (ii) is added to that owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Series 2017 Warrant. A purchaser of such a Series 2017 Warrant at its issue price in the initial offering who holds that Series 2017 Warrant to maturity will realize no gain or loss upon the retirement of that Series 2017 Warrant.

The Series 2017 Warrants maturing in 2020, 2021, and 2022 (hereinafter, each a "Premium Warrant") have been offered and sold to the public at a price in excess of the stated redemption price at maturity (i.e., the principal amount) of such Series 2017 Warrant. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Warrant, based on the yield to maturity of that Premium Warrant (or, in the case of a Premium Warrant callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Warrant), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Warrant. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Warrant, the owner's tax basis in that Warrant is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Warrant for an amount equal to or less than the amount paid by the owner for that Warrant. A purchaser of a Premium Warrant at its issue price in the initial offering who holds that Warrant to maturity (or, in the case of a callable Premium Warrant, to its earlier call date that results in the lowest yield on that Premium Warrant) will realize no gain or loss upon the retirement of that Warrant.

Owners of Series 2017 Warrants should consult their own tax advisors as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to those Series 2017 Warrants and as to other federal tax consequences and the treatment of OID and bond premium for state and local tax purposes.

Collateral Consequences

Prospective purchasers of the Series 2017 Warrants should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences. Specifically, prospective purchasers of the Series 2017 Warrants should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2017 Warrants or (for the reasons described above under "Bank Qualification"), in the case of a financial institution described in Section 265(b)(5) of the Code, for 20% of that portion of such an owner's interest expense allocable to

interest on the Series 2017 Warrants; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the amount of "losses incurred" by 15% of the sum of certain items, including interest on the Series 2017 Warrants; (iii) interest on the Series 2017 Warrants earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest on the Series 2017 Warrants, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S corporation is passive investment income; (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2017 Warrants; (vi) a portion of the interest on the Series 2017 Warrants may be subject to a federal corporate alternative minimum tax; and (vii) under Section 32 of the Code, receipts or accruals of interest on the Series 2017 Warrants must be taken into account in determining the income limits applicable to the earned income credit. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Bond Counsel expresses no opinion regarding such consequences.

Backup Withholding

Payments of interest on tax-exempt obligations, including the Series 2017 Warrants, are generally subject to IRS Form 1099-INT information reporting requirements. If an owner of Series 2017 Warrants is subject to backup withholding under those requirements, then payments of interest on the Series 2017 Warrants will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("Standard & Poor's"), has assigned a rating of "A+ (Stable Outlook)" to the Series 2017 Warrants. Any definitive explanation of the significance of any such ratings may be obtained only from Standard & Poor's. The City furnished to Standard & Poor's the information contained in this Official Statement and certain other information respecting the City and the Series 2017 Warrants. Generally, Standard & Poor's bases its rating on such material and information, as well as its own investigations, studies and assumptions. There is no assurance that any such rating will remain in effect for any given period of time or that such rating will not be lowered or withdrawn entirely if, in the judgment of Standard & Poor's, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Series 2017 Warrants could have an adverse effect on their market price. Neither the City nor the Underwriter has undertaken any responsibility after the issuance of the Series 2017 Warrants to ensure maintenance of any rating or to oppose any such revision or withdrawal.

Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Series 2017 Warrants, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or any of its agencies, then such event could also adversely affect the rating and market value of outstanding debt obligations, including the Series 2017 Warrants.

CONTINUING DISCLOSURE AGREEMENT

General

The City will enter into a Continuing Disclosure Agreement (the "Agreement") for the benefit of the beneficial owners of the Series 2017 Warrants to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "Rule"), as amended, adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Agreement, including termination, amendment and remedies, are set forth in Appendix C to this Official Statement.

A failure by the City to comply with the Agreement will not constitute an event of default under the Series 2017 Warrant Ordinance, and beneficial owners of the Series 2017 Warrants are limited to the remedies described in the Agreement. A failure by the City to comply with the Agreement must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2017 Warrants in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2017 Warrants and their market price.

Previous Non-Compliance and Remedial Action

Prior to amendment of the Rule in 2010, obligated persons obligated with respect to greater than $1,000,000 but less than $10,000,000 aggregate amount of municipal securities were not required to provide annual financial information for each obligated person for whom financial information or operating data is presented in the final official statement for the obligated person's municipal securities with the nationally recognized municipal securities information repositories ("NRMSIRs") or state information depository (if applicable) provided for under the Rule. Rather, such small issuers, including the City, were required to furnish such annual financial information to any person requesting the same (or at least annually to the state information depository, if applicable). The State of Alabama has not established a state information depository. In 2008 the SEC adopted amendments to the Rule that designated the web-based Electronic Municipal Market Access (EMMA) system, previously established by the MSRB, as the sole NRMSIR for purposes of electronically submitting all continuing disclosure filings under the Rule, effective July 1, 2009.

2010 amendments to the Rule, among other things, effectively eliminated the above-described small issuer exemption for obligated persons obligated with respect to greater than $1,000,000 in aggregate amount of outstanding municipal securities from filing of annual financial information for all municipal securities issued on or after December 1, 2010.

Since the effective date of the 2010 amendments to the Rule, the City has not issued any municipal securities other than the Series 2011 Warrants and the Series 2015 Warrants.

In connection with the issuance by the City of the Series 2011Warrants, the City undertook to provide annual filings of certain financial information and operating data of the City pursuant to the Electronic Municipal Market Access (EMMA) system of the Municipal Securities Rulemaking Board not later than March 31, 2012 and each March 31 thereafter. The City failed to timely provide such annual financial information and operating data for its fiscal years ended September 30, 2012 and 2013.

However, upon discovery of such non-compliance with its undertaking, the City provided its filings of audited financial statements for its fiscal years ended September 30, 2008 through 2013 to the Municipal Securities Rulemaking Board via the EMMA system on July 31, 2014. On September 19, 2014, the City filed on the EMMA website a report of its annual operating data for its fiscal years ended September 30, 2011 through 2013. On October 27, 2014, the City filed on the EMMA website notices with respect to certain previous rating downgrades and upgrades of Assured Guaranty Municipal Corp., which was the bond insurer with respect to the Series 2011 Warrants. The City has not filed any notices with respect to the previous rating downgrades of Radian Asset Assurance, Inc., which was the bond insurer with respect to the Series 2008 Warrants.

Engagement of Dissemination Agent

The City has engaged Digital Assurance Certification, L.L.C. ("DAC"), as its disclosure dissemination agent for the purpose of ensuring ongoing compliance with the City's continuing disclosure filing requirements. DAC, in its capacity as disclosure dissemination agent (the "Disclosure Dissemination Agent"), will have only the duties specifically set forth in the Continuing Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Continuing Disclosure Agreement is limited to the extent the City has provided such information to the Disclosure Dissemination Agent as required by the Continuing Disclosure Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notices made pursuant to the terms of the Continuing Disclosure Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the holders of the Series 2017 Warrants or any other party. The Disclosure Dissemination Agent has no responsibility for the City's failure to report to the Disclosure Dissemination Agent a notice event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the City has complied with the Continuing Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the City at all times.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2017 Warrants.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

The Series 2017 Warrants will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement. Any representation to the contrary is a criminal offense. The Series 2017 Warrant Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the City since the date hereof.

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the City to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, population trends and political and economic developments that could adversely impact the collection of revenues. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The City disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2017 Warrants offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time. The prices and other terms of the offering and sale of the Series 2017 Warrants may be changed from time to time by the Underwriter after the Series 2017 Warrants are released for sale, and the Series 2017 Warrants may be offered and sold at prices other than the initial offering prices, including sales to dealers, without prior notice.

The Underwriter has provided the following sentence for inclusion in this Official Statement: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information."

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

The distribution of this Official Statement and its use in the offering and sale of the Series 2017 Warrants have been approved by the governing body of the City.

CITY OF DALEVILLE, ALABAMA

By: /s/ Jayme Stayton
Mayor

November 9, 2017

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016

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City of Daleville

FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

City of Daleville
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Daleville, Alabama (the "City"), as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-Type Activities	Qualified
General Fund	Unmodified
Debt Service Fund	Unmodified
Water and Sewer Fund	Unmodified
Nonmajor Fund – Rescue Squad	Qualified

Basis for Qualified Opinion on Business-Type Activities and Nonmajor Fund – Rescue Squad

Because of the inadequacy of accounting records, we were unable to obtain sufficient appropriate audit evidence for certain charges for services reported as business-type activities and nonmajor fund – rescue squad accounted for in the City's rescue squad fund. The supporting documentation for particular charges was not maintained by the rescue squad's personnel and could not be regenerated to provide sufficient appropriate audit evidence for the reported balance as of year-end. The total net amount reported as charges for services as of September 30, 2016 was $225,197.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on Business-Type Activities and Nonmajor Fund – Rescue Squad" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position and cash flows of the business-type activities and nonmajor fund – rescue squad of the City as of September 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America also require that the Schedule of Changes in Net Pension Liability on page 42 and Schedule of Employer Contributions on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Receipts and Expenditures of Funds Related to the Water and Sewer Revenue Bonds Series 2011 and Bond Covenant Information Required by Bond Trustee and the combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Receipts and Expenditures of Funds Related to the Water and Sewer Revenue Bonds Series 2011 and Bond Covenant Information Required by Bond Trustee and combining nonmajor governmental fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Receipts and Expenditures of Funds Related to the Water and Sewer Revenue Bonds Series 2011 and Bond Covenant Information Required by Bond Trustee and the combining nonmajor governmental fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants
Enterprise, Alabama

June 29, 2017

City of Daleville
Statement of Net Position
September 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 3,744,210	$ 1,712,811	$ 5,457,021
Receivables, net	393,705	180,160	573,865
Unbilled revenue	-	18,720	18,720
Internal balances	39,852	(39,852)	-
Prepaid expenses	69,017	-	69,017
Net pension asset	353,390	58,587	411,977
Restricted cash and cash equivalents	235,617	-	235,617
Land and other nondepreciable assets	975,038	84,791	1,059,829
Capital assets, net of depreciation	4,782,140	7,295,027	12,077,167
Total assets	10,592,969	9,310,244	19,903,213
Deferred Outflows of Resources			
Deferred loss on refunding	300,745	-	300,745
Deferred outflows related to pension	141,293	46,058	187,351
Total deferred outflows of resources	442,038	46,058	488,096
Liabilities			
Accounts payable	232,461	42,385	274,846
Accrued expenses	83,613	18,118	101,731
Cash bonds payable	32,217	-	32,217
Due to other governments	-	222	222
Accrued interest	91,418	7,274	98,692
Compensated absences	46,799	6,684	53,483
Bonds payable			
Due within one year	150,000	85,000	235,000
Due in more than one year, net of unamortized loss on refunding	6,923,212	2,209,938	9,133,150
Total liabilities	7,559,720	2,369,621	9,929,341
Deferred Inflows of Resources			
Deferred inflows related to pension	250,601	64,924	315,525
Unearned revenue - property taxes	228,773	-	228,773
Total deferred inflows of resources	479,374	64,924	544,298
Net Position			
Net investment in capital assets	(1,015,289)	5,084,880	4,069,591
Restricted	440,319	-	440,319
Unrestricted	3,570,883	1,836,879	5,407,762
Total net position	$ 2,995,913	$ 6,921,759	$ 9,917,672

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

City of Daleville
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	$ 1,174,035	$ 431,255	$ -	$ 468,212
Public safety	1,701,598	333,459	-	13,164
Health and sanitation	-	415,526	-	-
Culture and recreation	556,628	-	11,160	-
Streets and roads	724,703	-	-	-
Interest	266,988	-	-	-
Total governmental activities	4,423,952	1,180,240	11,160	481,376
Business-type Activities:				
Water works	1,053,897	1,171,247	-	-
Rescue squad	120,366	181,526	-	-
Total business-type activities	1,174,263	1,352,773	-	-
Total primary government	$ 5,598,215	$ 2,533,013	$ 11,160	$ 481,376

General Revenues	
Taxes:	
Property taxes	
Sales taxes	
Gasoline taxes	
Other taxes	
Rental income	
Investment earnings	
Miscellaneous	
Transfers	
Total general revenues and transfers	
Change in Net Position	
Net Position - beginning	
Net Position - ending	

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (274,568)	$ -	$ (274,568)
(1,354,975)	-	(1,354,975)
415,526	-	415,526
(545,468)	-	(545,468)
(724,703)	-	(724,703)
(266,988)	-	(266,988)
(2,751,176)	-	(2,751,176)
-	117,350	117,350
-	61,160	61,160
-	178,510	178,510
(2,751,176)	178,510	(2,572,666)
244,374	-	244,374
2,358,873	-	2,358,873
141,860	-	141,860
333,775	-	333,775
107,093	-	107,093
15	221	236
537,577	-	537,577
320,848	(320,848)	-
4,044,415	(320,627)	3,723,788
1,293,239	(142,117)	1,151,122
1,702,674	7,063,876	8,766,550
$ 2,995,913	$ 6,921,759	$ 9,917,672

City of Daleville
Balance Sheet – Governmental Funds
September 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 2,714,149	$ 1,030,061	$ 3,744,210
Receivables, net	386,106	7,599	393,705
Due from other funds	39,852	-	39,852
Restricted cash and cash equivalents	-	235,617	235,617
Total assets	$ 3,140,107	$ 1,273,277	$ 4,413,384
Liabilities			
Accounts payable	$ 223,915	$ 8,547	$ 232,462
Cash bonds payable	32,217	-	32,217
Accrued expenses	83,613	-	83,613
Total liabilities	339,745	8,547	348,292
Deferred Inflows of Resources			
Unearned revenue - property taxes	228,773	-	228,773
Fund Balances			
Restricted	-	675,936	675,936
Assigned	-	301,793	301,793
Unassigned	2,571,589	287,001	2,858,590
Total fund balances	2,571,589	1,264,730	3,836,319
Total liabilities, deferred inflows of resources and fund balances	$ 3,140,107	$ 1,273,277	$ 4,413,384

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

City of Daleville
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2016

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balance - governmental funds	$	3,836,319
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		5,757,178
Prepaid expenses are recorded as expenditures in governmental funds when paid rather than as assets.		69,017
Employer contributions to defined benefit pension plan are recorded as expenditures in governmental funds when paid. Net employer contributions in excess of the acturially determined total pension liability are reported as an asset in the Statement of Net Pension.		353,391
Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.		
Deferred outflows related to pension		141,293
Deferred inflows related to pension		(250,601)
Long-term liabilities and related deferred items are not due and payable in the current period and therefore are not reported in the governmental fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		
Deferred loss on refunding		300,745
Compensated absences		(46,799)
Bonds payable		(7,073,212)
Accrued interest		(91,418)
Net position of governmental activities in the Statement of Net Position	$	2,995,913

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

City of Daleville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
September 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 2,881,120	$ 197,762	$ 3,078,882
Fines and forfeitures	309,969	23,490	333,459
Licenses and permits	431,255	-	431,255
Charges for services	415,526	-	415,526
Intergovernmental	24,324	468,212	492,536
Investment earnings	-	15	15
Miscellaneous	248,863	32,429	281,292
Total revenues	4,311,057	721,908	5,032,965
Expenditures			
Current			
General government	1,277,935	-	1,277,935
Public safety	1,446,935	118,507	1,565,442
Culture and recreation	498,006	-	498,006
Streets and roads	644,252	4,799	649,051
Debt service			
Principal	-	115,000	115,000
Interest	-	273,800	273,800
Dues, fees and issuance costs	-	750	750
Capital outlay	178,911	321,808	500,719
Total expenditures	4,046,039	834,664	4,880,703
Excess (deficiency) of revenues over expenditures	265,018	(112,756)	152,262
Other Financing Sources (Uses)			
Transfers in	320,848	572,007	892,855
Transfers out	(572,007)	-	(572,007)
Sales of capital assets	305,712	-	305,712
Total other financing sources	54,553	572,007	626,560
Net change in fund balances	319,571	459,251	778,822
Fund Balances - beginning	2,252,018	805,479	3,057,497
Fund Balances - ending	$ 2,571,589	$ 1,264,730	$ 3,836,319

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

City of Daleville
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds:	$	778,822
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		654,758
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position.		(340,227)
Repayment of debt is reported as an expenditure in governmental funds, but as a reduction in long-term liabilities in the Statement of Net Position.		115,000
Certain items reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the Statement of Activities. These items include:		
Current year decrease in accrued interest expense		(30,038)
Current year decrease in pension expense		131,023
Amortization of bond discounts and deferred gain on refunding		(18,902)
Current year increase in prepaid insurance		2,803
Change in net position of governmental activities	$	1,293,239

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

City of Daleville
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	$ 2,014,950	$ 2,014,950	$ 2,881,120	$ 866,170
Fines and forfeitures	336,000	336,000	309,969	(26,031)
Licenses and permits	427,900	427,900	431,255	3,355
Charges for services	417,000	417,000	415,526	(1,474)
Intergovernmental	25,523	25,523	24,324	(1,199)
Miscellaneous	156,000	156,000	248,863	92,863
Total revenues	3,377,373	3,377,373	4,311,057	933,684
Expenditures				
Current				
General government	906,747	906,747	1,277,935	(371,188)
Public safety	1,405,971	1,405,971	1,446,935	(40,964)
Culture and recreation	432,975	432,975	498,006	(65,031)
Streets and roads	583,785	583,785	644,252	(60,467)
Capital outlay	145,450	145,450	178,911	(33,461)
Total expenditures	3,474,928	3,474,928	4,046,039	(571,111)
Excess (deficiency) of revenues over expenditures	(97,555)	(97,555)	265,018	362,573
Other Financing Sources (Uses)				
Transfers in	255,837	255,837	320,848	65,011
Transfers out	(451,557)	(451,557)	(572,007)	(120,450)
Sales of capital assets	-	-	305,712	305,712
Total other financing sources (uses)	(195,720)	(195,720)	54,553	250,273
Net change in fund balance	(293,275)	(293,275)	319,571	612,846
Fund Balance - beginning	2,252,019	2,252,019	2,252,019	-
Fund Balance - ending	$ 1,958,744	$ 1,958,744	$ 2,571,590	$ 612,846

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

City of Daleville
Statement of Net Position – Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities		
	Water and Sewer	Non-Major Fund Rescue Squad	Total
Assets			
Current assets			
Cash and cash equivalents	$ 1,610,116	$ 102,695	$ 1,712,811
Accounts receivable, net	139,476	40,684	180,160
Unbilled revenue	18,720	-	18,720
Total current assets	1,768,312	143,379	1,911,691
Noncurrent assets			
Capital assets			
Land	84,791	-	84,791
Other capital assets, net of depreciation	7,078,659	216,368	7,295,027
Net pension asset	58,587	-	58,587
Total noncurrent assets	7,222,037	216,368	7,438,405
Total assets	8,990,349	359,747	9,350,096
Deferred Outflows of Resources			
Deferred outflows related to pension	46,058	-	46,058
Liabilities			
Current liabilities			
Current maturities of bonds payable	85,000	-	85,000
Accounts payable	38,582	3,803	42,385
Payable to other governments	222	-	222
Other accrued expenses	12,068	6,050	18,118
Accrued interest	7,274	-	7,274
Compensated absences	6,684	-	6,684
Total current liabilities	149,830	9,853	159,683
Long-term liabilities			
Due to other funds	39,852	-	39,852
Revenue bonds	2,209,938	-	2,209,938
Total liabilities	2,399,620	9,853	2,409,473
Deferred Inflows of Resources			
Deferred inflows related to pension	64,924	-	64,924
Net Position			
Net investment in capital assets	4,868,512	216,368	5,084,880
Unrestricted	1,703,351	133,528	1,836,879
Total net position	$ 6,571,863	$ 349,896	$ 6,921,759

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

City of Daleville
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities		
	Water and Sewer Fund	Non-Major Fund Rescue Squad	Total
Operating Revenues			
Charges for services, net	$ 1,039,924	$ 167,484	$ 1,207,408
Miscellaneous	131,323	14,042	145,365
Total operating revenues	1,171,247	181,526	1,352,773
Operating Expenses			
Advertising	1,229	-	1,229
Depreciation and amortization	281,525	25,794	307,319
Dues and subscriptions	1,621	-	1,621
Gas and oil	9,780	16,251	26,031
Insurance claims and expenses	44,068	10,147	54,215
Lab fees	32,616	-	32,616
Miscellaneous	31,815	821	32,636
Office supplies	23,795	1,961	25,756
Payroll taxes	16,661	3,923	20,584
Professional services	34,446	-	34,446
Regulatory fees	11,665	-	11,665
Rent	810	-	810
Repairs and maintenance	55,308	2,902	58,210
Retirement	454	-	454
Salaries	213,913	44,475	258,388
System supplies	55,264	12,740	68,004
Training	2,785	-	2,785
Utilities	147,683	1,352	149,035
Total operating expenses	965,438	120,366	1,085,804
Operating Income	205,809	61,160	266,969
Non-Operating Revenues (Expenses)			
Interest income	3	218	221
Interest expense	(88,459)	-	(88,459)
Total non-operating revenues (expenses)	(88,456)	218	(88,238)
Net Income Before Transfers	117,353	61,378	178,731
Transfers out	(320,848)	-	(320,848)
Change in Net Position	(203,495)	61,378	(142,117)
Total Net Position - beginning	6,775,358	288,518	7,063,876
Total Net Position - ending	$ 6,571,863	$ 349,896	$ 6,921,759

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

City of Daleville
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type Activities		
	Water and Sewer	Non-Major Fund Rescue Squad	Total
Cash Flows From Operating Activities			
Receipts from customers and users	$ 1,033,934	$ 144,031	$ 1,177,965
Other operating receipts	158,061	14,042	172,103
Payments to suppliers	(461,394)	(49,766)	(511,160)
Payments to and on behalf of employees	(221,934)	(44,651)	(266,585)
Payments to other funds	613	-	613
Net cash provided by operating activities	509,280	63,656	572,936
Cash Flows From Non-Capital and Related Financing Activities			
Transfers to other funds	(320,848)	-	(320,848)
Cash Flows From Capital and Related Financing Activities			
Principal payments on long-term debt	(85,000)	-	(85,000)
Interest paid on debt	(88,438)	-	(88,438)
Acquisition of fixed assets	(3,891)	(104,663)	(108,554)
Other payments	(20)	-	(20)
Net cash used in capital and related financing activities	(177,349)	(104,663)	(282,012)
Cash Flows From Investing Activities			
Interest received	3	216	219
Net increase (decrease) in cash and cash equivalents	11,086	(40,791)	(29,705)
Cash and Cash Equivalents -beginning	1,599,030	143,486	1,742,516
Cash and Cash Equivalents - ending	$ 1,610,116	$ 102,695	$ 1,712,811

-Continued-

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

City of Daleville
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended September 30, 2016

	Business-Type Activities		
	Water and Sewer	Non-Major Fund Rescue Squad	Total
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income	$ 205,809	$ 61,160	$ 266,969
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	281,525	25,794	307,319
Changes in operating assets and liabilities:			
Increase in accounts receivable	(5,990)	(23,453)	(29,443)
Decrease in unbilled revenue	26,738	-	26,738
Incease in deferred outflows related to pension	(42,432)	-	(42,432)
(Increase) in net pension asset	(9,915)	-	(9,915)
Increase in accounts payable	7,553	331	7,884
(Decrease) increase in accrued expenses	946	(176)	770
Decrease in due to other funds	(613)	-	(613)
Decrease in compensated absences	(1,447)	-	(1,447)
Increase in deferred inflows related to pension	47,126	-	47,126
Decrease in due to other governments	(20)	-	(20)
Net cash provided by operating activities	$ 509,280	$ 63,656	$ 572,936

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Daleville, Alabama (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 following notes to the financial statements are an integral part of the City's basic financial statements.

Reporting Entity

The City is an incorporated municipality of the State of Alabama. As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government.

Blended Component Units

The Water and Sewer Fund and the Rescue Squad serve all citizens of the government and are governed by boards appointed by the City Council. The rates for user charges and bond issuance authorizations are approved by the City Council and the legal liability for the general obligation portion of any debt remains with the City. These component units are reported as business-type activities. Each blended component unit has a September 30 year end.

Government-Wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net position and the statement of activities which reports information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Fiduciary funds of the government are eliminated from this presentation since these resources are not available for general government funding purposes. Governmental activities, which normally are 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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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

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 to customers for sales and services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating expenses includes the cost of sales 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.

The following are reported as major governmental funds:

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 City reports the following major proprietary funds:

Water and Sewer Fund accounts for all of the activity related to providing water and sewer services to the citizens of Daleville.

Cash and Cash Equivalents

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 proprietary funds consider all short-term investments purchased with a maturity date of three months or less to be cash equivalents.

Investments

The City has not formally adopted an investment policy buy historically has limited its investments to certificates of deposits and money market accounts held at federally insured banks, reported at fair value. The City held no investments at year end.

Receivables and Unbilled Revenue

The City considers all governmental fund receivables at year end to be collectible and as such, no allowance for uncollectibles is recorded. The City reports proprietary fund receivables at gross amounts due from customers and where appropriate, reduces these amounts by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. The City grants credit to customers who use its various services, substantially all of whom are local residents or businesses. A contractual and uncollectible allowance has been recorded based on contractual and historical experience.

Federal and other financial assistance due to the City as reimbursement for expenditures incurred as of September 30 are accrued and reported as revenue in the year the expenditures are made.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payment for goods and services applicable to future periods are recorded as prepaid items in the government-wide financial statements. Prepaids are recorded as expenses when consumed rather than when purchased.

Interfund Loans and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City did not report infrastructure acquired prior to October 1, 2003.

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

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	20 – 50 years
Improvements and infrastructure	7 – 40 years
Water and sewer system	10 – 50 years
Equipment	5 – 20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

Long-term Debt

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 life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, the deferred loss on refunding and deferred outflows related to pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pension results from pension contributions related to normal and accrued employer liability (net of any refunds or error service payments) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category deferred inflows related to pension and unearned property taxes. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments, and is amortized over five years beginning with the year in which the difference occurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Bond Insurance

Unamortized debt expense related to bond insurance is amortized by using the outstanding principal method over the life of the related debt and is reported as unamortized bond insurance on the statement of net position. Other bond issuance costs are expensed as incurred.

Net Position and Fund Balance

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

The government-wide statement of net position reports $440,319 of restricted net position, of which $440,319 is restricted by enabling legislation.

Fund balance is reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The City has advances due from other funds that are considered nonspendable.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

Restricted – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City's restricted fund balance primarily includes federal, state, and local grant funds that are for a stated purpose per the grant agreements, taxes for road and bridge maintenance and repairs, and cash and investments set aside for debt service.

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City has no fund balances classified as committed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City's assigned fund balances classified as assigned are for the operations of the City's jail and fire department.

Unassigned – Fund balances that are not constrained for any particular purpose.

The City's reported governmental fund balance at September 30, 2016 is comprised of the following:

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	General Fund	Nonmajor Funds	Total
Restricted	$ -	$ 675,936	$ 675,936
Assigned	-	301,793	301,793
Unassigned	2,571,589	287,001	2,858,590
	$ 2,571,589	$ 1,264,730	$ 3,836,319

Restricted fund balances include debt service principal, interest, and paying agent fees of $235,617, judicial administrative fees of $59,738, gas taxes of $275,523, and E-911 fees of $105,057.

The authority to establish, modify or rescind a committed or assigned fund balance rests with the City Council, the City's highest level of decision-making authority, and these actions are accomplished through an adopted ordinance.

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.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to use committed funds then assigned, and finally unassigned.

Property Tax Calendar

In Alabama, City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31st. Taxes levied in fiscal year 2016 for the 2017 budget year have been recorded as receivables and deferred inflows of resources.

Management Estimates and Assumptions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Recently Issued Accounting Pronouncements

Recently Issued and Adopted

The accounting policies of the Board are based upon GAAP as prescribed by the GASB. Effective October 1, 2015, the Board adopted four (4) new statements issued by GASB as follows:

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"), addresses accounting and financial reporting issues related to fair value measurements. GASB 72 will be effective for the City beginning with its year ending September 30, 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and the related disclosures. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* ("GASB 73"), extends the approach to accounting and financial reporting established in Statement 68 to all pensions. It establishes requirements for defined contribution pensions that are not within the scope of Statement 68. Requirements of this Statement for pension plans that are within the scopes of Statement No. 67 or Statement 68, are effective for fiscal years beginning after June 15, 2015. Thus, these requirements of GASB 73 will be effective for the City beginning with its year ending September 30, 2016. GASB 73 clarifies the application of certain provisions of Statements 67 and 68 with regard to: (1) Information that is required to be presented as notes, (2) Accounting and financial reporting for separately financed specific liabilities, and (3) Timing of employer recognition of revenue.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"), supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 76 will be effective for the City beginning with its year ending September 30, 2016.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* ("GASB 79"), addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. GASB 79 will be effective for fiscal years beginning after June 15, 2015.

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* ("GASB 74"), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, and GASB Statement No. 57, *OPEB (Other Postemployment Benefits) Measurement by Agent Employers and Agent Multiple-Employer Plans.* GASB 74 will be effective for fiscal years beginning after June 15, 2016. Included are requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures.* GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* for OPEB. GASB 75 will be effective for fiscal years beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB.

GASB Statement No. 77, *Tax Abatement Disclosures* ("GASB 77"), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement. GASB 77 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* ("GASB 78"), amends the scope and applicability of GASB Statement No. 68. It excludes pensions provided to employees of state or local governmental employers through a cost-

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local government employers, and (3) has no predominate state or local government employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosure; and required supplementary information for pensions that have the characteristics described above. GASB 78 will be effective for fiscal years beginning after December 15, 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14 ("GASB 80"), amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 will be effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* ("GASB 81"), requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 will be effective for the fiscal years beginning after December 15, 2016.

GASB Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73 ("GASB 82"), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. GASB 82 will be effective for fiscal years beginning after June 15, 2016.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Each year formal budgets are legally adopted and amended as required by the City Council for all funds. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the City Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level. Budgets for the governmental funds are adopted on a basis consistent with GAAP.

Excess Expenditures Over Appropriations

The general fund actual expenditures exceeded budgeted expenditures by $571,111. The excess was funded with additional revenue.

NOTE 3 - CASH AND CASH EQUIVALENTS

At September 30, 2016, the City has elected to place its cash and cash equivalents in demand deposits, savings, and money market funds. Except as noted below, demand and time deposits are fully insured and collateralized by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program operated by the office of the Treasurer of the State of Alabama as authorized by Section 41-14A of the Code of Alabama 1975, as amended. A total of $39,023 held by the Rescue Squad is not covered under the SAFE Program but is covered under the National Credit Union Association (NCUA) Program.

Except as noted in the previous paragraphs, the City maintains deposits only with "Qualified Public Depositories" as defined by Section 41-14A-2 Code of Alabama 1975. In the event of default by a "Qualified Public Depository", public deposits in excess of FDIC insurance limits will be repaid by liquidating collateral pledged to the SAFE Program by the bank in default. The liability for any remaining public deposits will be shared by all other "Qualified Public Depositories" participating in the SAFE Program.

NOTE 4 - RECEIVABLES

Receivables at September 30, 2016 consist of the following:

	Governmental Funds		Proprietary Funds	
	General Fund	Nonmajor Governmental Funds	Water and Sewer Fund	Rescue Squad Fund
Taxes	$ 386,106	$ 7,599	$ -	$ -
Customer Accounts	-	-	240,068	-
Patient transport accounts:				
Medicare	-	-	-	7,722
Medicaid	-	-	-	5,286
Insurance providers	-	-	-	14,414
Patients	-	-	-	28,203
Other	-	-	-	107
Less: allowance	-	-	(100,592)	(15,048)
Receivables, net	$ 386,106	$ 7,599	$ 139,476	$ 40,684

NOTE 5 - INTERFUND ACTIVITY

Interfund balances are generally used to meet cash demands necessary to pay operating expenses. Amounts are generally repaid during the next fiscal year. Balances at September 30, 2016 were as follows:

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	$ 39,852

NOTE 5 - INTERFUND ACTIVITY (Continued)

Interfund Transfers:

Interfund transfers are for debt service and to meet the operational needs of the City.

NOTE 6 - RESTRICTED ASSETS

Restricted assets of the City are those required to be set aside for future debt service. At September 30, 2016, restricted assets were comprised of cash and cash equivalents totaling $235,617.

NOTE 7 - CAPITAL ASSETS

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

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 968,008	$ -	$ 10,000	$ 958,008
Parks	7,880	9,150	-	17,030
Total capital assets, not being depreciated	$ 975,888	$ 9,150	$ 10,000	$ 975,038
Capital assets, being depreciated:				
Buildings	$ 4,212,035	$ -	$ -	$ 4,212,035
Ball park improvements	411,346	154,039	-	565,385
Furniture and fixtures	188,830	1,816	-	190,646
Machinery and equipment	3,274,222	205,138	82,248	3,397,112
Infrastructure	1,416,496	284,615	-	1,701,111
Total capital assets being depreciated	9,502,929	645,608	82,248	10,066,289
Less accumulated depreciation for:				
Buildings	1,817,586	105,451	-	1,923,037
Ball park improvements	210,885	6,187	-	217,072
Furniture and fixtures	186,765	479	-	187,244
Machinery and equipment	2,757,989	194,159	125,748	2,826,400
Infrastructure	96,445	33,951	-	130,396
Total accumualted depreciation	5,069,670	340,227	125,748	5,284,149
Total capital assets, being depreciated, net	$ 4,433,259	$ 305,381	$ (43,500)	$ 4,782,140

NOTE 7 - CAPITAL ASSETS (Continued)

Business-Type Activities:
Water and Sewer

Water and Sewer	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 84,791	$ -	$ -	$ 84,791
Capital assets, being depreciated:				
Water system	$ 3,427,867	$ -	$ -	$ 3,427,867
Sewer system	5,564,008	-	-	5,564,008
Extensions	1,591,293	-	-	1,591,293
Sanitary sewer outfall	24,114	-	-	24,114
Vehicles	302,538	-	-	302,538
Equipment	1,227,135	3,891	-	1,231,026
Total capital assets being	12,136,955	3,891	-	12,140,846
Less accumulated depreciation for:				
Water system	1,309,949	77,999	-	1,387,948
Sewer system	2,371,874	112,293	-	2,484,167
Extensions	391,493	29,121	-	420,614
Sanitary sewer outfall	21,102	482	-	21,584
Vehicles	275,933	5,509	-	281,442
Equipment	412,323	54,109	-	466,432
Total accumulated depreciation	4,782,674	279,513	-	5,062,187
Total capital assets, being depreciated, net	$ 7,354,281	$ (275,622)	$ -	$ 7,078,659
Rescue Squad				
Capital assets being depreciated:				
Vehicles	$ 223,401	$ 104,663	$ -	$ 328,064
Equipment	78,554	-	-	78,554
Furniture and fixtures	2,946	-	-	2,946
Buildings	113,988	-	-	113,988
Total capital assets being depreciated	418,889	104,663	-	523,552
Less accumulated depreciation	281,390	25,794	-	307,184
Total capital assets being depreciated, net	$ 137,499	$ 78,869	$ -	$ 216,368
Business-type Activites				
Land and other nondepreciable assets	$ 84,791	$ -	$ -	$ 84,791
Capital assets, net of depreciation	$ 7,491,780	$ (196,753)	$ -	$ 7,295,027

NOTE 7 - CAPITAL ASSETS (Continued)

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

Governmental Activities:	
General government	$ 65,391
Culture and recreation	58,622
Public safety	140,562
Street	75,652
Total	$ 340,227
Business-Type Activities:	
Water and sewer	$ 279,513
Rescue squad	25,794
Total	$ 305,307

NOTE 8 - DEFERRED OUTFLOWS OF RESOURCES

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Amounts being deferred are as follows:

General Obligation Bonds	
Series 2008 original issue discount	$ 17,413
Series 2011 original issue discount	18,484
Series 2015 original issue discount	45,891
Total deferred charge on refunding	$ 81,788

NOTE 9 - LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Series 2008	$ 1,470,000	$ -	$ -	$ 1,470,000	$ -
Series 2011	2,505,000	-	115,000	2,390,000	115,000
Series 2015	3,320,000	-	25,000	3,295,000	35,000
Unamortized discount	81,788	-	-	81,788	-
	$ 7,213,212	$ -	$ 140,000	$ 7,236,788	$ 150,000

NOTE 9 - LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Series 2011	$ 2,420,000	$ -	$ 85,000	$ 2,335,000	$ 85,000
Unamortized discount	(42,074)	-	(2,012)	(40,062)	-
	$ 2,377,926	$ -	$ 82,988	$ 2,294,938	$ 85,000

Governmental Activities

Debt service requirements on long-term debt at September 30, 2016 are as follows:

General Obligation Bonds

General Obligation Bonds, Series 2008 – On March 1, 2008, the City issued $4,140,000 of Series 2008 General Obligation Bonds. The City used a portion of the bonds to advance refund the outstanding Series 2001 General Obligation Bonds with an interest rate of 6%. As a result, the 2001 series bonds are considered defeased and the City has removed the liability from its accounts.

The carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred loss on refunding and will be amortized over the remaining life of the old bond on the straight line basis. The amount deferred on the reacquisition was $58,782; the total amount amortized for the year ended September 30, 2016 was $1,270 and was reported as part of interest expense. The unamortized balance of the deferred loss on refunding at September 30, 2016 was $-0-.

On May 5, 2015, the City issued an advance refunding of a portion of these bonds through the General Obligation Bonds, Series 2015.

The Series 2008 bonds are reported net of original issue discount. Original issue discount in the amount of $77,849 is also being amortized over the life of the bonds and is reported as part of interest expense. Of the remaining original issue discount, a reduction in the amount of $32,216 was recorded through the advance refunding of the issuance of the General Obligation Bonds, Series 2015. The total amount expensed related to the Series 2008 bonds for the year ended September 30, 2016 is $782. Remaining original issue discount to be amortized in future periods and reported as a decrease in bonds payable is $17,413.

Principal payments are due in 2028, 2033, and 2037 with interest payments due semiannually and interest rates varying from 4.8% to 5.0%.

NOTE 9 - LONG-TERM DEBT (Continued)

Fiscal Year Ending September 30,	General Obligation Bonds – 2008 Principal	Interest
2017	$ -	$ 72,503
2018	-	72,503
2019	-	72,503
2020	-	72,503
2021	-	72,503
2022-2026	-	362,513
2027-2031	360,000	319,313
2032-2036	555,000	207,431
2037-2038	555,000	41,625
	$ 1,470,000	$ 1,293,397

General Obligation Bonds, Series 2011 – On July 1, 2011, the City issued its Series 2011 General Obligation Refunding Warrants in the amount of $2,955,000. Proceeds of the bond were used to redeem $2,660,000 of outstanding Series 2003 bonds and to provide $162,361 in funds for the construction of capital improvements. The net proceeds of $2,830,664 were used to repay bondholders on September 30, 2011. As a result, the 2003 Series bonds are considered to be defeased and the liability for those bonds has been removed from the City's outstanding general obligations warrants.

The Series 2011 bonds are reported net of original issue discount. Original issue discount in the amount of $27,464 is also being amortized over the life of the bonds and is reported as part of interest expense. The total amount expensed related to the Series 2011 bonds for the year ended September 30, 2016 is $2,113. Remaining original issue discount to be amortized in future periods and reported as a decrease in bonds payable is $18,484.

Principal payments are due annually in increasing amounts and interest is due semi-annually with rates varying from 2.0% to 3.5%.

Fiscal Year Ending September 30,	General Obligation Bonds – 2011 Principal	Interest
2017	$ 115,000	$ 68,692
2018	300,000	64,386
2019	305,000	57,273
2020	310,000	49,043
2021	325,000	39,571
2022-2024	1,035,000	54,020
	$ 2,390,000	$ 332,985

NOTE 9 - LONG-TERM DEBT (Continued)

General Obligation Bonds, Series 2015 – On Mary 5, 2015, the City issued its Series 2015 General Obligation Refunding Warrants in the amount of $3,320,000. Proceeds of the bond were used to advance refund a portion of the outstanding Series 2008 Warrants and to provide $212,367 in funds for the construction of capital improvements. The net proceeds of $2,958,579 will be used to repay bondholders.

The Series 2015 bonds are reported net of original issue discount. Original issue discount in the amount of $46,754 is also being amortized over the life of the bonds and is reported as part of interest expense. The total amount expensed related to the Series 2011 bonds for the year ended September 30, 2016 is $2,033. Remaining original issue discount to be amortized in future periods and reported as a decrease in bonds payable is $45,891.

The carrying difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred loss on refunding and will be amortized over the remaining life of the old bond issue on the straight line basis. The amount deferred on the reacquisition was $320,795. The total amount amortized for the year ended September 30, 2016 was $14,153 and was reported as part of interest expense. The unamortized balance of the deferred loss on refunding at September 30, 2016 is $300,745.

Principal payments are due annually in increasing amounts and interest is due semi-annually with rates varying from 4.8% to 5.0%.

Fiscal Year Ending September 30,	General Obligation Bonds – 2015	
	Principal	Interest
2017	$ 35,000	$ 97,204
2018	35,000	97,204
2019	35,000	97,204
2020	35,000	97,204
2021	35,000	97,204
2022-2026	350,000	467,063
2027-2031	1,035,000	365,866
2032-2036	1,195,000	196,788
2037-2038	540,000	19,591
	$ 3,295,000	$ 1,535,328

Business-Type Activities

On September 1, 2011, the City issued its Series 2011 Water and Sewer Revenue Bonds in the amount of $2,735,000. Proceeds of the bonds were used to finance the costs of certain capital improvements to the City's water distribution system, including radio meter-reading equipment.

NOTE 9 - LONG-TERM DEBT (Continued)

The Series 2011 bonds are reported net of original issue discount. Original issue discount in the amount of $50,287 is also being amortized over the life of the bonds and is reported as part of interest expense. The total amount expensed related to the Series 2011 bonds for the year ended September 30, 2016 is $2,012. Remaining original issue discount to be amortized in future periods and reported as a decrease in bonds payable is $40,062.

Principal payments are due annually in increasing amounts and interest is due semi-annually with rates varying from 1.50% to 4.25%.

Fiscal Year Ending September 30,	Revenue Bonds Bonds – 2011 Principal	Interest
2017	$ 85,000	$ 87,290
2018	85,000	84,995
2019	90,000	82,700
2020	90,000	80,270
2021	95,000	77,840
2022-2026	510,000	341,900
2027-2031	625,000	239,125
2032-2036	755,000	98,813
	$ 2,335,000	$ 1,092,933

NOTE 10 - REVENUES PLEDGED

The Series 2008, Series 2011 and Series 2015 bonds are general obligations of the City for the payment of which the full faith and credit of the City are irrevocably pledged. The Series 2008, Series 2011 and Series 2015 bonds are additionally secured by a pledge of the proceeds or revenues from the special privilege license tax (the "Gross Receipts Tax Revenues") levied by the City on those engaged in the business of selling tangible personal property at retail in the corporate limits of the City with any deficit funded by other general fund revenues. However, the pledge of the proceeds of the Gross Receipts Tax Revenues for the benefit of the these bonds is subject to the law-imposed requirement that the City must first pay the said reasonable and necessary expenses of operating the City before the principal of or the interest on the Series 2008, 2011 and 2015 Warrants is paid therefrom. The total principal and interest remaining to be paid on the Series 2008, 2011, and 2015 bonds is $2,763,397, $2,722,985, and $4,830,328, respectively. Principal and interest paid for the current year were $140,000 and $271,886, respectively. For the current year, total Gross Receipts Tax Revenues were $2,364,656.

The City has pledged future water customer revenues, net of specific operating expenses, to repay $2,735,000 in water system revenue bonds issued in September 2011. Proceeds from the bonds provided financing for the costs of certain capital improvements to the City's water distribution system, including radio meter-reading equipment. The bonds are payable solely from water

NOTE 10 - REVENUES PLEDGED (Continued)

customer net revenues, distribution system and its sanitary sewer system and are payable through 2036. Annual principal and interest payments on the bonds are expected to require less than 87 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,427,933. Principal and interest paid for the current year and total customer net revenues were $172,928 and $1,039,924, respectively.

NOTE 11 - DEFERRED INFLOWS OF RESOURCES

Governmental Activities:	General Fund	Governmental Activities
Property Taxes – Property taxes are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. The actual billing and collection of these taxes will occur subsequent to year-end.	$ 228,773	$ 228,773
Pensions – Net difference between projected and actual earnings on pension plan investments.	-	250,601
	$ 228,773	$ 479,374

Business-type Activites:	Water and Sewer	Business-type Activities
Pensions – Net difference between projected and actual earnings on pension plan investments	$ 64,924	$ 64,924

NOTE 12 - EMPLOYEE RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions. The Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

General Information about the Pension Plan

Plan description. The Employees' Retirement System of Alabama ("ERS"), an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operating of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board on Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

Benefits provided. State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for state police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except state police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State police are allowed 2.875% for each year of state police service in computing the formula method.

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for state police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except state police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

The ERS services approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	55,378
Total	84,393

As of September 30, 2016, the City's membership consisted of:

Retirees and beneficiaries currently receiving benefits	19
Terminated employees entitled to but not yet receiving benefits	2
Terminated employees not entitled to a benefit	5
Active members	64
Total	90

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by a statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement,

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 state police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5% of covered employee payroll for normal Tier 1 employees and 6% of covered employee payroll for normal Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 1.74% of covered employee payroll for Tier 1 employees and 0% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2016 was 2.09% of pensionable pay for Tier 1 employees, and 0.35% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were $40,128 for the year ended September 30, 2016.

Net Pension Liability

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

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

	Expected	Actual
Total pension liability		
As of September 30, 2014 (a)	$ 4,304,334	$ 3,963,489
Entry age normal cost for		
October 1, 2014 – September 30, 2015 (b)	154,539	154,539
Actual benefit payments and refunds for		
October 1, 2014 – September 30, 2015 (c)	(290,542)	(290,542)
Total pension liability as of September 30, 2015		
[(a) x (1.08)] + (b) – [(c) x (1.04)]	$ 4,501,056	$ 4,132,943
Difference between expected and actual		
experience (gain)/loss		$ (368,113)

Actuarial assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

	Target Allocation	Long-term Expected Rate of Return*
Fixed income	25.00%	5.00%
U.S. large stocks	34.00%	9.00%
U.S. mid stocks	8.00%	12.00%
U.S. small stocks	3.00%	15.00%
International developed market stocks	15.00%	11.00%
International emerging market stocks	3.00%	16.00%
Real estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%.

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

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2014	$ 4,304,334	$ 4,678,732	$ (374,398)
Changes for the year:			
Service costs	154,539	-	154,539
Interest	332,725	-	332,725
Difference between expected and actual experience	(368,113)	-	(368,113)
Contributions - employer	-	22,498	(22,498)
Contributions - employee	-	90,904	(90,904)
Net investment income	-	54,391	(54,391)
Benefit payments, including refunds of employee contributions	(290,542)	(290,542)	-
Transfers among employers	-	(11,063)	11,063
Net changes	(171,391)	(133,812)	(37,579)
Balances at September 30, 2015	$ 4,132,943	$ 4,544,920	$ (411,977)

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

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

	1% Decrease -7.00%	Current Rate -8.00%	1% Increase -9.00%
City's net pension liability (asset)	$ 62,277	$ (411,977)	$ (813,501)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of $16,315. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 315,525
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	147,223	-
Employer contributions subsequent to the measurement date	40,128	-
Total	$ 187,351	$ 315,525

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

NOTE 12 - EMPLOYEE RETIREMENT PLAN (Continued)

Year Ended September 30:	
2017	$ (24,338)
2018	(24,338)
2019	(24,340)
2020	(9,887)
2021	(52,588)
Thereafter	(52,585)

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and natural disasters. The City has insurance for its buildings, contents, and automobiles through the Alabama Municipal Insurance Corporation. Workers compensation coverage is provided by the Municipal Workers Compensation Fund, Inc., a public entity risk pool with third party insurance provided by Millennium Risk Managers. This insurance coverage effectively transfers most of the risk of loss from the City.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 29, 2017, the date these financial statement were available to be issued, and no event was deemed to warrant disclosure.

September 30,	2015(1)	2014(1)
Total Pension Liability		
Service cost	$ 154,539	$ 154,411
Interest	332,725	315,996
Changes of benefit terms	-	-
Differences between expected and actual experience	(368,113)	-
Changes of assumptions	-	-
Benefit payments, including refunds of employee contributions	(290,542)	(232,041)
Net change in total pension liability	(171,391)	238,366
Total pension liability - beginning	4,304,334	4,065,968
Total pension liability - ending (a)	$ 4,132,943	$ 4,304,334
Plan Fiduciary Net Position		
Contributions - employer	$ 22,498	$ 25,418
Contributions - member	90,904	90,321
Net investment income	54,391	513,517
Benefit payments, including refunds of employee contributions	(290,542)	(232,041)
Transfers among employers	(11,063)	(112,884)
Net change in plan fiduciary net position	(133,812)	284,331
Plan net position - beginning	4,678,732	4,394,402
Plan net position - ending (b)	$ 4,544,920	$ 4,678,733
Net pension liability (asset) - ending (a) - (b)	$ (411,977)	$ (374,399)
Plan fiduciary net position as a percentage of the total pension liability	109.97%	108.70%
Covered-employee payroll*	$ 1,442,641	$ 1,464,969
Net pension liability (asset) as a percentage of covered-employee payroll	28.56%	25.56%

*Employer's covered-payroll during the measurement period is the total covered payroll paid. For FY 2016 the measurement period is October 1, 2014 - September 30, 2015. GASB issued a statement "Pension Issues" in March 2016 to redefined covered payroll for FY 2016.

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

September 30,	**2016(1)**	**2015(1)**
Actuarially determined contribution*	$ 40,128	$ 27,890
Contributions in relation to the actuarially determined contribution*	40,128	27,890
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll**	$ 1,620,542	$ 1,442,641
Contributions as a percentage of covered-employee payroll	2.48%	1.93%

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

**Employer's covered-payroll for FY2016 is the total covered payroll for the 12 month period of the underlying financial statements.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

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

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization periood	31 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increase	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense including

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

City of Daleville
Bond Covenant Information Required by Bond Trustee
Schedule of Receipts and Expenditures of Funds Related to the Water and Sewer Revenue Bonds Series 2011

		Water & Sewer Revenue Bonds Series 2011 Bond Fund
Balance as of September 30, 2015	$	14,464
Cash received by the City		144,640
Principal paid		(85,000)
Interest paid		(59,637)
Balance as of September 30, 2016	$	14,467

1. The Board is in compliance with the rate covenant required by the bond agreement.
2. The number of properties connected with and served by the Board is 3,209.
3. Officers of the Board at September 30, 2016 were:

   Robert Slagle – Chairman
   Marvin Wise – Vice Chairman
   Angelia Filmore – Secretary

The 2016 water and sewer rates for the residents and businesses of the City of Daleville were as follows:

Residential Water
$14.04 minimum rate (up to 3,000 gallons)

After 3,000 gallons, the charge is $2.13 per 1,000 gallons for all else

Small Business/Professional
$15.51 minimum rate (up to 3,000 gallons)

After 3,000 gallons, the charge is $2.24 per 1,000 gallons for all else

Commercial/Industrial
$22.18 minimum rate (up to 3,000 gallons)

After 3,000 gallons, the charge is $2.31 per 1,000 for all else

Sewer - Residential
$10.17 minimum rate (up to 3,000 gallons)

After 3,000 gallons, the sewer charge will be $1.62 per 1,000 gallons

Sewer - Business
$12.74 minimum rate (up to 3,000 gallons)

After 3,000 gallons, the sewer charge will be $1.70 per 1,000 gallons

Sewer – Commercial
$16.10 minimum rate (up to 3,000 gallons)

After 3,000 gallons, the sewer charge will be $1.76 per 1,000 gallons

Qualified Elderly Sewer*
$10.17 Flat Rate

*To quality for this rate, you must be 65 years of age; head of household and your **only** source of income must be Social Security.

-Continued-

As of September 30,			**2016**
Company and Policy Number	**Coverage**	**Limit of Insurance**	**Expiration Date**
Alabama Municipal Insurance Corporation			
90126058191			3/12/2017
	Commercial General Liability:		
	Each Occurrence	$3,000,000	
	Fire Damage	$100,000	
	Medical Expense	$5,000	
	Property Coverage:		
	All Premises	$11,120,432 Blanket Limit	
	Crime Coverage:		
	Employee Dishonesty	$50,000	
	Automobile Liability:		
	Combined Single Limit for bodily injury & property damage	$3,000,000	

Description of Non-major Governmental Funds

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

Four Cent State Gasoline Tax Fund and Seven Cent State Gasoline Tax Fund accounts for proceeds from a state gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

Corrections Fund accounts for the operations of the City's jail.

Fire Department Fund accounts for the operations of the City's fire department.

E-911 Fund accounts for the proceeds from the E-911 tax collections.

Judicial Administrative Fund accounts for the municipal court fees fixed by law and are restricted for the enforcement of municipal court ordinances.

Capital Improvement Fund accounts for revenues and expenditures reserved for capital improvement projects.

Debt Service Funds include funds which are used to service the debt of the City.

Debt Service Fund accounts for the resources used to service the principal and debt of the City’s general obligation debt.

City of Daleville
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

	Four Cent State Gasoline Tax	Seven Cent State Gasoline Tax	Corrections
Assets			
Cash and cash equivalents	$ 186,354	$ 85,580	$ 212,373
Receivables, net	1,793	2,217	1,394
Restricted cash and cash equivalents	-	-	-
Total assets	$ 188,147	$ 87,797	$ 213,767
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ -	$ 421	$ 162
Fund balances			
Restricted	188,147	87,376	-
Assigned	-	-	213,605
Unassigned	-	-	-
Total liabilities and fund balances	$ 188,147	$ 87,797	$ 213,767

Fire Department	E-911	Judicial Administrative	Capital Improvement	Debt Service	Total Nonmajor Governmental Funds
$ 88,546	$ 111,263	$ 58,944	$ 287,001	$ -	$ 1,030,061
-	1,401	794	-	-	7,599
-	-	-	-	235,617	235,617
$ 88,546	$ 112,664	$ 59,738	$ 287,001	$ 235,617	$ 1,273,277
$ 358	$ 7,606	$ -	$ -	$ -	$ 8,547
-	105,058	59,738	-	235,617	675,936
88,188	-	-	-	-	301,793
-	-	-	287,001	-	287,001
$ 88,546	$ 112,664	$ 59,738	$ 287,001	$ 235,617	$ 1,273,277

City of Daleville
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Four Cent State Gasoline Tax	Seven Cent State Gasoline Tax	Corrections
Revenues			
Taxes	$ 19,724	$ 45,588	$ -
Fines and forfeitures	-	-	23,490
Intergovernmental	-	-	-
Investment earnings	-	-	-
Miscellaneous	-	-	-
Total revenues	19,724	45,588	23,490
Expenditures			
Current			
Public safety	-	-	16,975
Street and roads	-	4,799	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Dues, fees and issuance costs	-	-	-
Capital outlay	-	-	-
Total expenditures	-	4,799	16,975
Excess (deficiency) of revenues over expenditures	19,724	40,789	6,515
Other Financing Sources (Uses)			
Transfers in	-	-	-
Net Change in Fund Balances	19,724	40,789	6,515
Fund Balances (Deficit) - beginning	168,423	46,587	207,090
Fund Balances - ending	$ 188,147	$ 87,376	$ 213,605

Fire Department	E-911	Judicial Adminstrative	Capital Improvement	Debt Service	Total Nonmajor Governmental Funds
$ 14,424	$ 118,026	$ -	$ -	$ -	$ 197,762
-	-	-	-	-	23,490
-	-	-	468,212	-	468,212
12	-	-	-	3	15
19,503	-	12,926	-	-	32,429
33,939	118,026	12,926	468,212	3	721,908
13,512	83,614	-	-	4,406	118,507
-	-	-	-	-	4,799
-	-	-	-	115,000	115,000
-	-	-	-	273,800	273,800
-	-	-	-	750	750
7,022	47,678	-	267,108	-	321,808
20,534	131,292	-	267,108	393,956	834,664
13,405	(13,266)	12,926	201,104	(393,953)	(112,756)
-	-	-	179,710	392,297	572,007
13,405	(13,266)	12,926	380,814	(1,656)	459,251
74,783	118,324	46,812	(93,813)	237,273	805,479
$ 88,188	$ 105,058	$ 59,738	$ 287,001	$ 235,617	$ 1,264,730

CRI CARR RIGGS & INGRAM

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Daleville, Alabama (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2017. The report on the financial position, changes in financial position, and cash flows of the nonmajor fund – rescue squad information and business-type activities were qualified because the City failed to maintain adequate supporting documentation for charges for services reported by the rescue squad.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control that we consider to be a material weakness.

2013-01 Accounting for Rescue Squad Revenue (Repeat)

Condition – During our testing of the revenue reported by the rescue squad for services rendered, we noted that sufficient supporting documentation could not be provided for charges reported that would allow the application of auditing procedures sufficient to support an opinion on the fairness of the presentation of these accounts in the City's financial statements.

Criteria – Sound accounting practices require that supporting documentation be maintained for revenue reported sufficient to allow accounting personnel to correctly account for the transactions in the City's general ledger.

Cause of the Condition – A change in personnel over the rescue squad activities created a lack of knowledge related to prior charges and no detail of transactions reported.

Effect of Condition – Failure to provide supporting documentation for customer charges increases the risk that revenue is not properly authorized, executed and recorded consistent with the assertions of management.

Recommendation – We recommend that personnel charged with oversight control of rescue squad revenue follow the City's internal control procedures for maintaining adequate supporting documentation for all transactions and providing an accurate accounting to facilitate the recording of that activity in the City's general ledger.

Management Response – The City's management acknowledges the finding and will require personnel charged with administering the procedures over revenue to properly document each run.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted certain other matters that we reported to management of the City in a separate letter dated June 29, 2017.

The City's Response to Findings

The City's response to the findings identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants
Enterprise, Alabama

June 29, 2017

APPENDIX B

PROPOSED FORM OF BOND COUNSEL OPINION

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APPENDIX B

[Proposed Form of Bond Counsel Opinion]

City of Daleville
Daleville, Alabama

The Frazer Lanier Company
Incorporated
Montgomery, Alabama

Ladies and Gentlemen:

We have served as Bond Counsel to the CITY OF DALEVILLE, ALABAMA (the "City"), and in connection therewith, we have examined certified copies of proceedings of the governing body of the City, together with other documents certificates pertaining to the authorization, issuance and sale of

$3,285,000
CITY OF DALEVILLE, ALABAMA
General Obligation Warrants
Series 2017

(herein called the "Series 2017 Warrants"). We have not examined any of the executed Series 2017 Warrants. We have, however, been furnished with appropriate certificates respecting their form and due execution. In our examination of all documents pertaining to the issuance of the Series 2017 Warrants, we have assumed the genuineness of all signatures, the authenticity of documents submitted to us as originals, the conformity to original documents of documents submitted to us as copies, the authenticity of such latter documents and the correctness of any facts stated in such documents. The statements herein made and the opinions hereinafter expressed are based upon our examination of the aforesaid proceedings and certificates.

The documents submitted to us show that the City has specially pledged its full faith and credit for payment of the principal of and the interest on the Series 2017 Warrants, as well as so much as may be necessary therefor of the proceeds of the special privilege license tax levied by the City on businesses selling tangible personal property at retail within the corporate limits of the City and measured by gross receipts (herein called the "Gross Receipts Tax"). The pledge of the proceeds of the Gross Receipts Tax is on a parity of lien and pledge with a previous pledge thereof made for the benefit of (i) the non-refunded portion of the City's General Obligation Refunding Warrants, Series 2011, dated July 1, 2011, originally issued in the aggregate principal amount of $2,955,000 and now outstanding in the aggregate principal amount of $1,975,000 (herein called the "Non-Refunded Series 2011 Warrants") and (ii) the City's General Obligation Warrants, Series 2015, dated May 1, 2015, originally issued in the aggregate principal amount of $3,320,000 and now outstanding in the aggregate principal amount of $3,260,000 (herein called the "Series 2015 Warrants"). The City has reserved the right, subject to certain conditions, to issue additional warrants without express limit as to principal amount, and to pledge for the benefit thereof, pro rata and on a parity with the aforesaid pledges for the benefit of the Non-Refunded Series 2011 Warrants, the Series 2015 Warrants, and the Series 2017 Warrants, the proceeds from the Gross Receipts Tax.

Based upon and subject to the foregoing, and subject to the following qualifications, we are of the following opinion on the date hereof:

(1) The Series 2017 Warrants have been validly authorized, executed and issued pursuant to the applicable provisions of the Constitution and laws of the State of Alabama, are in due and legal form and constitute valid orders on the City Treasurer of the City for the payment thereof as therein provided.

(2) The indebtedness ordered paid by the Series 2017 Warrants is a valid general obligation of the City for payment of the principal of and the interest on which the City has validly and irrevocably pledged its full faith and credit.

(3) Assuming that the rates of the Gross Receipts Tax are reasonable and non-discriminatory, the Gross Receipts Tax has been validly levied.

(4) The aforesaid pledge of the said proceeds thereof for the benefit of the Series 2017 Warrants is valid, subject to (i) all lawful prior charges thereon, including the law-imposed requirement that, if necessary, out of the proceeds from the Gross Receipts Tax, the necessary and legitimate governmental expenses of operating the City must first be paid, (ii) the parity pledge thereof made for the benefit of the Non-Refunded Series 2011 Warrants and the Series 2015 Warrants, and (iii) any parity pledges thereof that may hereafter be made for the benefit of any of said additional warrants hereafter issued pursuant to the aforesaid reserved right; that under existing statutes the interest income on each of the Series 2017 Warrants is exempt from income taxation by the State of Alabama.

(5) Under existing statutes, regulations, rulings and court decisions, the interest income on each of the Series 2017 Warrants (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) of the next preceding sentence is subject to the condition that the City shall comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2017 Warrants in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2017 Warrants to be so included in gross income retroactive to the date of issuance of the Series 2017 Warrants, but the City has covenanted to comply with all such requirements.

The opinions hereinabove expressed respecting the Series 2017 Warrants are subject to all applicable bankruptcy, insolvency, moratory and other laws respecting the enforcement of creditors' rights generally, including specifically, but without limitation, the provisions of Chapter 9 of the United States Bankruptcy Code, as amended, relating to the adjustment of debts of political subdivisions and public agencies and instrumentalities of the several states.

We have been employed for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2017 Warrants have been authorized to be issued and rendering an opinion in conventional form relating solely to the essential validity and legality of the Series 2017 Warrants, to the legal security for their payment, to the exemption of the interest thereon from income taxation by the State, and to certain related matters.

We are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy or completeness of the Official Statement relating to the Series 2017 Warrants or any other statements made in connection with any offer or sale of the Series 2017 Warrants or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership or disposition of the Series 2017 Warrants, except those specifically addressed herein.

This opinion letter is issued as of the date hereof, and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

BUTLER SNOW LLP

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APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX C

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the City, for the benefit of the holders of the Series 2017 Warrants, in order to assist the Underwriter in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in this Appendix, all capitalized terms have the respective meanings assigned in the front portion of this Official Statement.

The City agrees to provide certain annual financial information (the "Annual Report") relating to the Series 2017 Warrants not later than the March 31 next succeeding the end of each fiscal year of the City, to provide audited financial statements of the City when such financial statements become available, and to provide notices of the occurrence of certain events specified in Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Specified Events").

The Annual Report shall include certain annual financial information and operating data relating to the City updating the financial information and operating data relating to the City that is presented in this Official Statement, to the extent necessary and appropriate, in the judgment of the City, to disclose material changes in such information, including in any event an update of the financial information and operating data relating to the City of the type found in the sections of this Official Statement captioned "CITY DEBT" and "REVENUES." The City may, solely as a matter of administrative convenience, provide the Annual Report in a format that includes other information in addition to the items identified in the preceding sentence, it being understood that any such provision of any such additional information one year shall not result in an obligation to provide such additional information in any subsequent year.

The Specified Events currently include the following:

(1) Principal and interest payment delinquencies;
(2) Non-payment related defaults (if material);
(3) Unscheduled draws on debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers, or failure of any such provider to perform;
(6) Adverse tax opinions or events affecting the tax-exempt status of the Series 2017 Warrants;
(7) Modifications to rights of holders of Series 2017 Warrants (if material);
(8) Calls for redemption of any of the Series 2017 Warrants (if material);
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Series 2017 Warrants (if material);
(11) Rating changes;
(12) The issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017 Warrants;
(13) Tender offers;
(14) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(15) The consummation of a merger, consolidation, or acquisition, or certain asset sales, involving the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms (if material); and

(16) Appointment of a successor or additional trustee or the change of name of a trustee (if material).

The Annual Report and financial statements (if any) of the City will be filed by the City with the Municipal Securities Rulemaking Board electronically pursuant to its Electronic Municipal Market Access ("EMMA") System and will be publicly available at www.emma.msrb.org. The notices of Specified Events will also be filed by the City, in a timely manner and in any event not more than 10 days after the occurrence of the Specified Events, with the Municipal Securities Rulemaking Board electronically and will be publicly available pursuant to the EMMA System. In addition to such filings, all such information, data and notices can be obtained from Angelia Filmore, City Clerk, City of Daleville, Post Office Box 188, Daleville, Alabama 36322, Telephone: (334) 598-2345.

The foregoing covenants of the City have been made for the express purpose of complying with the requirements of the aforesaid Rule 15c2-12 and shall be deemed to be revised and amended if and to the extent that the pertinent provisions of said Rule are hereafter amended. Such covenants, and the City's obligations pursuant thereto, shall automatically terminate (a) upon the payment in full of all of the Series 2017 Warrants or (b) when all of the Series 2017 Warrants shall be deemed to be paid within the meaning of the Series 2017 Warrant Ordinance.

Any holder of a Series 2017 Warrants may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its covenants respecting continuing disclosure. Under the provisions of the Series 2017 Warrant Ordinance, the sole remedy available in the event of a failure to comply with such covenants shall be an action to compel performance.

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