

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of the



FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2007

FINANCIAL SERVICES
Gail Busbey, Chief Financial Officer
Linda McKinney, Finance Supervisor

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FINANCIAL REPORT

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2007

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Linda McKinney, Finance Supervisor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Decatur
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

CITY OF Decatur

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2007

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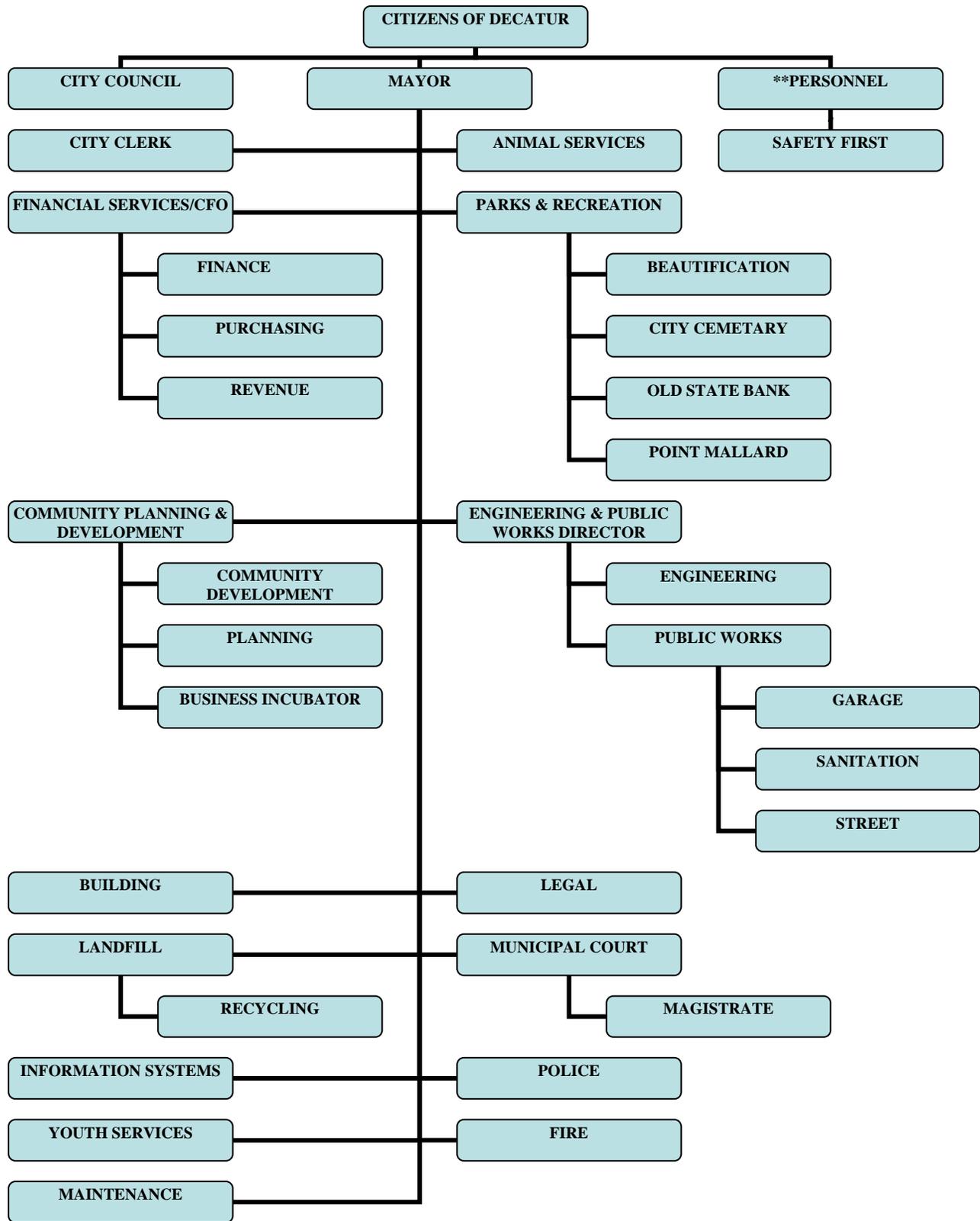
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2007 City of Decatur Organizational Chart



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

City of Decatur

Boards and Commissions

Decatur Historic Preservation Commission

Medical Clinic Board

Industrial Development Board

Public Building Authority

Housing Authority

Board of Examinations and Appeals

Parks & Recreation Board

Old Bank Building Board

Decatur Beautification Board

Community Preservation Board

Downtown Redevelopment Authority

Housing Board of Adjustments & Appeals

Planning Commission

Board of Zoning and Adjustment

Decatur Animal Services Board

Decatur Health Care Authority

Small Business Development Board

Personnel Board

Municipal Utilities Board

City Board of Education

Urban Forestry Board

Educational Building Authority

City / County Boards

North Central Mental Retardation
Authority

State Products Mart Authority

E-911 Board

Civil Defense/Emergency Management

Decatur/Morgan County Port Authority

EMS Advisory Committee

Board of Equalization

Wheeler Basin Regional Library

Healthcare Authority of Morgan County

Airport Authority

Decatur/Morgan County Farmer's Market
Board

Mental Health Center of North Central
Alabama

OFFICIALS OF THE CITY OF DECATUR

MAYOR

Don Kyle

CITY COUNCIL

Billy Jackson – President

Ronny Russell – President Pro Tempore
Gary Hammon

David Bolding
Ray Metzger

DEPARTMENT DIRECTORS

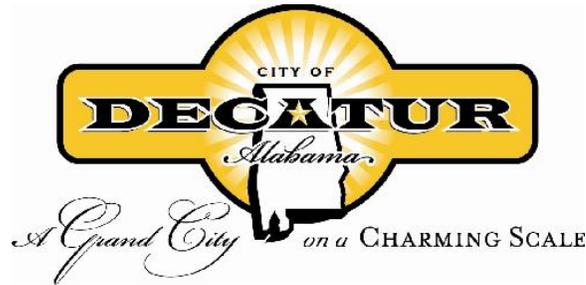
Animal Shelter
Building Department
Chief Financial Officer
City Attorney
City Clerk
City Engineer/Public Works Director
Community Planning & Development
Fire Chief
Information Systems
Municipal Judge
Landfill
Parks & Recreation
Personnel
Police Chief
Youth Services

Melinda Gilbert
Jimmy Brothers
Gail Busbey
Herman Marks
Betty Marshall
Mark Petersohn
Michelle Gilliam-Jordan
Charlie Johnson
Todd Russell
Bill Cook, Jr.
Rickey Terry
Jeff Dunlap
Ken Smith
Ken Collier
Bruce Jones

OTHER KEY PERSONNEL

Beautification Coordinator
Court Magistrate
Finance Supervisor
Maintenance Supervisor
Old State Bank Coordinator
Purchasing Agent
Recycling Coordinator

Linda Eubanks
Janice Clemons
Linda McKinney
Ray Wilkinson
Melinda Dunn
Jeff Fussell
Emily Johnson



March 30, 2008

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

The Comprehensive Annual Financial Report of the City of Decatur, Alabama, for the fiscal year ending September 30, 2007, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. This report, including the exhibits and statistical data contained herein, has been prepared by the Finance Department of the City of Decatur in conformity with the standards established by the Governmental Accounting Standards Board and complies with accounting principles generally accepted in the United States of America (GAAP). We believe the data as presented is accurate in all material aspects, and that it is presented in a manner to fairly set forth the financial position and results of operations of the City.

Alabama state law requires an annual audit to be made, in accordance with generally accepted auditing standards, of all books and accounts of the City by independent certified public accountants. This requirement has been complied with and the report of Beason & Nalley, Inc., Certified Public Accountants, for the fiscal year ended September 30, 2007 is included in this report.

This year's annual audit included a single audit of all federal grants, which complies with federal legislation. The single audit report is forwarded to the City's grantor agencies for review.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Decatur's MD&A can be found immediately following the report of our independent auditors, Beason & Nalley, Inc., Certified Public Accountants.

Profile of the Government

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

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

Since October 1968, the City of Decatur has been governed by a mayor-council form of government. The mayor is chief executive officer of the city and is elected by general election to a four year term. The city council is the legislative body and consists of five (5) members, who are elected for four year terms. Prior to 1988, members of the city council were elected on an "at large" basis. In 1988, the city council established five (5) electoral districts, one of which is primarily black in population. An election was held August 23, 1988, on a "single member district" basis to fill all five places on the city council.

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

The City of Decatur provides a full range of services. These include police and fire protection, sanitation services, the construction and maintenance of streets and infrastructure, recreational facilities (26 parks comprising 1,278 acres, 46 tennis courts, 4 recreation centers, 35 ball fields, 3 pools, 4 golf courses both public & private, 62 acres of soccer fields), cultural events, community services, and general administrative services. The city operates Point Mallard Park, a major 750 acre family recreation park on the Tennessee River, and home of America's first wave pool. At this location, in addition to the wave pool, there is an Olympic diving pool, water slides, Kiddies water feature, 18-hole championship golf course, regulation size ice rink, and a 210 sites campground. The City continues to make major investments in the park. Utility services are provided through a separate Municipal Utilities Board, which functions as a department of the City of Decatur and has been included as an integral part of the City's financial statements.

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

Local economy

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

Decatur and Morgan County have a strong, diversified industrial base built on the area's access to raw materials and their end markets. Looking back on economic activity for the past year, positive trends continue for the area despite layoffs and company downsizings that have occurred over the past couple of years. Our manufacturers are still investing money into their companies and many are expanding operations. In fiscal year 2007, twenty-six Morgan County companies invested \$560 million and created 317 jobs. Three new manufacturing companies located in Decatur. Companies continue to invest in their local facilities, expressing a confidence in their outlook of Decatur and Morgan County.

The Decatur MSA unemployment rate rose slightly in 2007 with 3.3% unemployed compared with 3.1% at September 30, 2006. This rate is lower than the state's average unemployment rate, which was 3.7% at September 30, 2007.

Long-term financial planning

Leadership of the City continues to invest in long-term economic development initiatives.

After the final debt service payment was made on the Mallard Fox Creek Industrial Park, a joint venture with Morgan County and the other six municipalities in the county, the City formed another partnership with these entities to develop a new 1800 acre Industrial Park, pledging TVA revenues to fund \$1,000,000 in yearly debt service and \$200,000 annually for a new Industrial Incentive Fund.

The Downtown Redevelopment Authority was revived and the City made a three-year funding commitment of \$240,000 for the salary of a Director for the Authority. Building on the Envision Decatur Plan, the Authority has developed plans and budgets for an ambitious revitalization of the downtown area and is seeking a commitment from Calhoun Community College to locate a portion of its Fine Arts Program downtown.

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

A new major retail development, which consists entirely of retailers new to the City and brings a new dimension to retail sales in Decatur and significant projected increases in sales tax revenues opened in October 2007. The City provided a \$4,750,000 incentive program to bring this project to fruition.

Another economic development initiative is the investment in recreational facilities in the City. Improvements, including a floating docks system and new restrooms, continue to the Ingalls Harbor, over 30 acres adjacent to the Tennessee River. Designed for a marina, the facility can be used for many other open-air events, increasing tourism and sales tax revenues. It has successfully hosted the annual Riverfest, a major tourist event, in September 2006 and 2007. Several major fishing tournaments are being held at the marina and it is enjoying a reputation as the best tournament facility in the country. Tourism events involve hotel night stays, thus increasing lodging tax revenues, one of the sources of funding for the marina development. A new tennis complex and tennis center was constructed in 2007 to provide facilities (including indoor play under a heated, lighted tennis "bubble") to entice large tennis tournaments to the City. The City has continued to invest in the Jack Allen Recreation Complex, which has proven to be a major sales tax revenue source to the City, as it has hosted several large soccer tournaments and its technologically-advanced playing facilities have been compared by coaches and players to Disney's Wide World of Sports Complex in Orlando, Florida. Extensive improvements to Delano Park, funded by grants and a public-private partnership with Friends of Delano Park and Junior League, continue with an investment of \$500,000 for construction of the only all-access playground in North Alabama, allowing access to people with multiple handicaps.

To foster business and residential growth and to prepare for the influx expected to result from the BRAC (Base Realignment and Closure) initiative, the City has established a Sewer Revolving Fund to share the cost of installing sewer lines to new developments and recoup those costs through the Municipal Utilities Board Sewer Development Policy. The first project under this program has begun and will facilitate the development of 400 new homes in the southeast area of Decatur. In addition, rezoning of two large tracts of agricultural land will provide for the development of 330 new residential lots in southwest Decatur. The City annexed approximately 200 acres into the corporate limits in 2007.

To further economic development, attract new residents and provide greater service to our Citizens, the City has continued the services of a marketing firm to enhance its comprehensive marketing plan and to continue improvements to the City's website.

The City continues to work toward implementation of Envision Decatur, a plan for the renovation of the downtown, uptown, riverfront, and West Moulton Street areas. The consultant contract was completed in the spring of 2004 and estimated time for full implementation of this plan is twenty years. One of the City's new fire stations is being constructed on West Moulton Street and will provide an attractive western entrance to the City. Work funded by the room occupancy tax generated by tourism has continued on Hospitality Park, an entryway to north of the City which is part of the North Alabama Birding Trail.

Improvements, including \$156,000 for an adjacent park to be funded by Community Development Grant funds, continue to the new Turner-Surles Community Resource Center in Northwest Decatur, providing a beautiful multi-use facility available to the whole community. It houses a senior citizens program and nutrition site daily and provides a facility for large meetings not previously available in the City. The North West Community Development Corporation was formed to provide the organizational framework for community-based leadership to plan and implement actions which will lead to the revitalization, development and sustainability of Northwest Decatur using this new Resource Center. Over one million dollars have been spent on this new resource center funded entirely by community development block grant

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Decatur for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the fifteenth consecutive year that the government has achieved this prestigious award. In order to be

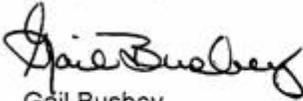
Honorable Mayor, Members of the City Council, and Citizens of the City of Decatur, Alabama

awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report is possible because of the efficient and dedicated service of the entire staff of the finance department, especially that of Finance Supervisor Linda McKinney. We wish to express our appreciation to our independent auditors, especially Jeremy Jefferys, CPA. We would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Gail Busbey
Chief Financial Officer

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FINANCIAL SECTION



Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Decatur, Alabama ("the City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Decatur's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Decatur's Board of Education ("Board of Education"), which is a component unit of the City, or the financial statements of the Municipal Utilities Board Enterprise Fund ("Utilities Board"). The Board of Education's financial statements represent 98.7% of the total assets and 99.8% of the revenues of the discretely presented component units. The Utilities Board's financial statements represent 90.5% of the total assets and 94.4% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Decatur, Alabama, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, and the School Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Beason & Nalley, Inc.
101 Monroe Street
Huntsville, Alabama
35801-4829

Tel: 256.533.1720
800.416.1946
Fax: 256.534.8558

www.beasonnalley.com

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

The management's discussion and analysis beginning on page 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

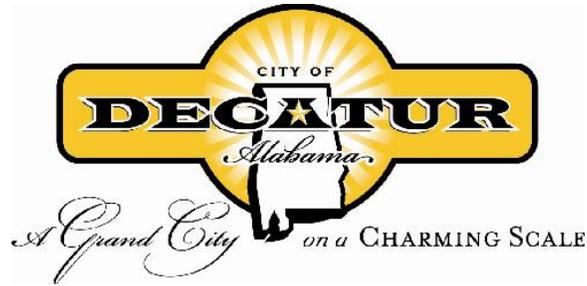
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Decatur's basic financial statements. The introductory section, supplementary information and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008 on our consideration of the City of Decatur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Deason Valley, Inc." The signature is written in black ink and is positioned above the typed name.

Huntsville, Alabama

March 31, 2008



Management's Discussion and Analysis

As management of the City of Decatur (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the challenges of the coming and subsequent years), (d) identify any material deviations from the financial plan (the adopted budget) and (e) identify individual fund issues or concerns.

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

2007 Highlights

Financial Highlights

- The total net assets of the City are \$257.7 million. Of this amount, \$24.3 million from governmental activities is considered unrestricted, which means the City may use this amount, plus future revenues, to meet its ongoing obligations to citizens and creditors.
- The unrestricted net assets of the business-type activities are \$36.4 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net assets increased by \$9.4 million (or 3.8%). The governmental net assets increased \$3.8 million (or 8.2 %) and business-type net assets increased by \$5.6 million (or 2.8%).
- The governmental activities revenues increased \$2.3 million (or 3.2%), and total expenses of governmental activities decreased \$1.8 million (or 2.5%).
- As of September 30, 2007, the governmental funds reported a combined ending fund balance of \$37.5 million, an increase of \$15.2 million from the prior year. Of the ending fund balance, \$21 million is unreserved and available to finance the activities of the governmental funds and \$2.5 million is reserved to meet existing obligations.
- The General Fund reported a fund balance of \$23.3 million and \$13.4 million of this amount is available for any purpose. The fund balance increased \$2.4 million from the prior year.
- The City's total debt increased by \$10 million during 2007. \$6.2 million in principal was paid during the year, as \$16.2 million in additional debt was issued.

City Highlights

- The Crossings of Decatur, a major retail development, opened in October. Target opened 61 new stores nationwide in October and Decatur's Target store was number one among those new stores in sales.
- Issued \$16.2 million General Obligation Warrants to fund infrastructure improvements, recreational facilities, capital equipment (including garbage trucks, police cars and fire trucks) and construction of three new fire stations and a new animal control facility.
- Established a revolving fund for sewer development to foster economic and residential growth in the City and to encourage annexation of unincorporated areas.

Management's Discussion and Analysis- Continued

- Established, along with Morgan County and the other six municipalities in the county, a new 1800 acre Industrial Park and pledged its share of TVA shared revenues to fund the \$1,000,000 per year debt service and \$200,000 per year Industrial Incentive Fund.
- Revived the City's Downtown Development Authority and provided three year funding to hire a Director to develop and implement a plan for revitalization of the downtown area;
- Purchased an additional Information Systems network server, storage and communications equipment as part of the City's Continuity of Operations and Emergency Preparedness Plan.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public services, intergovernmental, community service, community development, and personnel board functions. The intergovernmental functions of the City are those activities whereby the City provides financial resources to other governmental entities, primarily the Decatur Board of Education for support of the city school system.

The business-type activities of the City include the Municipal Utilities Board, Sanitary Landfill and Point Mallard operations. All of these activities are collectively referred to in the financial statements as those of the *primary government*.

As described in the letter of transmittal and notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Board of Education and Public Building Authority are referred to in the financial statements as those of the *discretely-presented component units*. This discussion and analysis focuses on the primary government, and the complete financial statements (including MD&A) of the component units may be obtained from the Finance Department of the City.

The government-wide financial statements can be found on pages 13 through 14 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal

Management's Discussion and Analysis- Continued

requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains seventeen individual governmental funds:

- General Fund, the School Fund and the 2006 Capital Improvement Fund are considered to be *major* funds, and information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for these funds.
- The fourteen other governmental funds are considered to be *nonmajor* governmental funds, and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary funds. The City maintains only one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sanitary Landfill and Point Mallard operations and the Municipal Utilities Board Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements provide information as follows:

- The Municipal Utilities Board Fund is considered to be a *major* proprietary fund of the City, and information is presented separately in the *proprietary statement of net assets* and in the *proprietary fund statement of revenues, expenditures, and changes in fund net assets* for these funds
- The other two enterprise activities are considered to be *nonmajor* proprietary funds, and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 52 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. Because the City adopts an annual operating budget for most of its government funds, a comparison of budget to actual results is provided for these funds to demonstrate compliance with the budget. This information and the combining nonmajor funds statements referred to earlier can be found beginning on page 54 of this report.

Management's Discussion and Analysis- Continued

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Overall, the City's assets exceeded liabilities by \$257.7 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (72.4 percent) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, infrastructure, and other), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (4.1 percent) represents resources that are subject to restrictions as to how they may be used, such restrictions being imposed by legal requirements other than those imposed by the City Council (e.g. state or federal law).

The remaining balance of unrestricted net assets is \$60.7 million, which consisted of \$24.3 million from governmental activities and \$36.4 million from business-type activities.

The positive unrestricted net assets of the business-type activities are available to be used to fund governmental activities if deemed necessary by the City Council because they are only restricted for business-type activities by local ordinance.

City of Decatur's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$44,090	\$31,499	\$62,134	\$52,322	\$106,224	\$ 83,821
Capital assets	83,726	82,662	204,401	209,086	288,127	291,748
Total assets	127,816	114,161	266,535	261,408	394,351	375,569
Long-term liabilities outstanding	71,253	61,470	38,397	43,530	109,650	105,000
Other liabilities	6,180	6,131	20,855	16,144	27,035	22,275
Total liabilities	77,433	67,601	59,252	59,674	136,685	127,275
Net assets:						
Invested in capital assets, net of related debt	20,699	24,603	165,834	163,021	186,533	187,624
Restricted	5,418	(2,385)	5,051	4,981	10,469	2,596
Unrestricted	24,266	24,343	36,398	33,733	60,664	58,076
Total net assets	\$50,383	\$46,561	\$ 207,283	\$ 201,735	\$ 257,666	\$ 248,296

Net assets from governmental activities increased \$3.8 million in fiscal year 2007 and net assets from business-type activities increased \$5.5 million. Net assets of business type activities also changed due to a prior period adjustments of \$2.3 million as noted in Note 4A on page 34.

Management's Discussion and Analysis- Continued

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$18,300	\$17,770	\$144,412	\$143,122	\$ 162,712	\$ 160,892
Operating grants & contributions	786	685	-	-	786	685
Capital grants & contributions	661	2,273	1,577	1,664	2,238	3,937
General revenues:						
Sales taxes	35,529	34,171	-	-	35,529	34,171
Property taxes	9,410	8,927	-	-	9,410	8,927
Other taxes	8,528	7,980	-	-	8,528	7,980
Interest on investments	1,930	1,416	2,580	1,996	4,510	3,412
Other	688	279	-	-	688	279
Total revenues	75,832	73,501	148,569	146,782	224,401	220,283
Expenses:						
General government	4,260	9,457	-	-	4,260	9,457
Public safety	19,883	18,468	-	-	19,883	18,468
Public works	7,428	7,067	-	-	7,428	7,067
Public services	9,940	9,425	-	-	9,940	9,425
Intergovernmental assistance	18,271	18,146	-	-	18,271	18,146
Community service contracts	2,840	2,556	-	-	2,840	2,556
Community development	1,647	1,634	-	-	1,647	1,634
Personnel Board	540	498	-	-	540	498
Interest on long-term debt	3,412	2,680	-	-	3,412	2,680
Unallocated depreciation	3,295	3,396	-	-	3,295	3,396
Municipal Utilities Board	-	-	133,900	134,770	133,900	134,770
Other	-	-	7,350	6,830	7,350	6,830
Total expenses	71,516	73,327	141,250	141,600	212,766	214,927
Increase in net assets before Transfers	4,316	174	7,319	5,182	11,635	5,356
Transfers	(494)	(640)	494	640	-	-
Increase in net assets	3,822	(466)	7,813	5,822	11,635	5,356
Net assets - beginning of year	46,561	47,239	201,734	195,912	248,295	243,151
Prior period adjustments	-	(212)	(2,264)	-	(2,264)	(212)
Net assets - end of year	\$ 50,383	\$ 46,561	\$ 207,283	\$ 201,734	\$ 257,666	\$ 248,295

Management's Discussion and Analysis- Continued

Governmental Activities. Revenues from governmental activities increased \$3.4 million (6.6 percent) during 2007. The most significant changes were as follows:

- Sales taxes increased \$1.4 million, or 4.0 percent compared to 2006, due to an increase in retail sales and record low unemployment rates.
- Property taxes increased 5.4 percent due to annual property value re-appraisals and continued growth of the City.
- Interest on investments increased \$514 thousand, or 36.3 percent due to rising interest rates, increased revenues, the 2006 warrant issue investment income, and the City's effort to invest revenues in excess of expenditures in high interest short-term investments such as certificates of deposit.
- Capital grants and contributions decreased \$1.6 million in 2007. This was due to overall decreases in both capital contributions and capital grants. In the prior year, the City recognized total contribution of streets, drainage and sidewalks in four subdivisions totaling \$1.4 million. This did not repeat in 2007 as total capital contributions totaled only \$96 thousand. Further, capital grants decreased significantly due to a 2006 grant for marina construction, which was a one-time award that did not repeat in 2007.

Expenses of governmental activities decreased \$1.8 million (2.5 percent) in 2007. The majority of this decrease is related to a prior year land purchase of \$4.75 million made as a retail incentive for a major retail development. This decrease was mostly offset by a \$731 thousand increase in interest related to debt service on the above transaction and the 2006 general obligation warrants which were issued in the current year and an increase of \$1.4 million in public safety expenditures. The increase in Public safety related to a couple of factors: (1) numerous routine repairs of small equipment within the fire department which became necessary in the current year, (2) several retirements within the police department including high ranking positions such as the Chief of Police, which further led to a reorganization of this department resulting in promotions and the introductions of two new classifications, and (3) the absorption of costs associated with officers in City schools which had previously been covered by the School Resource Officer (SRO) grant, but is now expensed by the City and then reimbursed by the school system, due to the expiration of that grant award. Operating expenses, particularly fuel-related costs and depreciation, also increased.

Business-Type Activities. Revenues from business-type activities increased \$1.8 million (1.2 percent). The majority of the increase was related to an increase in the usage of services for the Municipal Utilities Board. All departments of the Municipal Utilities Board showed significant increases in usage during 2007, with most reporting higher revenues due to steady or increased costs of these services from prior year rate increases. These were mostly offset by a large decrease in overall revenue for the Gas department caused by an increase in natural gas prices. These revenue increases were largely offset by accompanying increases in expenses.

New residential construction in Decatur brought in 334 new Electric System customers. The Gas System had a net loss of 11 customers, attributed to the high costs of natural gas. The Water System had a net increase of 458 customers in residential. The Wastewater System had a gain of 338 in residential customers. The Board was able to increase overall revenues based on increases in rates as noted above.

Charges for services represent ninety-seven percent of the revenues of the business-type activities and interest on investments and capital grants and contributions represent three percent.

Financial Analysis of the Governments Funds

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

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

Management's Discussion and Analysis- Continued

The combined fund balances of the City's governmental funds as of September 30, 2007, were \$37.5 million, which was an increase of \$15.2 million from the 2006 fiscal year. Of this amount, \$35 million constitutes unreserved fund balance, which is generally available for spending at the City's discretion, although it is subject to certain designation made within each fund by the City Council.

The net increase of \$15.2 million in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- An increase of \$10.5 million in the 2006 Capital Improvement Fund. This was primarily attributable to debt proceeds related to the 2006 General Obligation Capital Improvement warrants issued in the amount of \$16.2 million, which were offset by an increase in capital expenditures for the intended purposes of the proceeds which ranged from capital improvements to recreational facilities and tennis centers to land acquisition and construction of fire stations as replacement to those damaged by mold in prior years to storm sewer, drainages and other infrastructure improvements.
- An increase of \$2.4 million in the General Fund. This is primarily attributable to an increase in tax equivalents from the Municipal Utilities Board and TVA which increased by \$2 million in the current year, plus slight increases across all revenue sources due to an increase in population growth from 2006. These increases were slightly offset by net difference in the increase in transfers to other funds, which accounted for a \$3.8 million in net assets of the General Fund, and the net decrease in due from other funds of \$2.5 million. The decrease in due from other funds in 2007 is related to repayment of funds advanced to the 2006 Capital Improvements Fund in the prior year in anticipation of repayment from the 2006 warrant issue proceeds at the end of 2006.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$23.3 million, but \$9.8 million of this amount has been designated, or earmarked by management for special purposes.

Proprietary funds. The focus of the City's proprietary funds (enterprise and internal service funds) is to provide the same type of information as found in the government-wide financial statements, but in more detail.

The unrestricted net assets of the enterprise funds increased \$2.7 million, which is primarily attributable to rate changes within the Municipal Utilities Board and weather-related revenues, as discussed earlier which caused increases in the amount of revenues that were greater than the related expenses for this fund.

Other factors concerning the finances of the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

Governmental Funds Budgetary Highlights

General Fund. A \$2,445,999 positive difference between budgeted and actual revenues is a result of the conservative budgeting approach of the governing body in budgeting FY 2007 revenues based on FY 2006 actual revenues. The \$2,405,950 difference between budgeted and actual expenditures is primarily the result of efficient budget management by department directors, a number of personnel vacancies, and lower-than-usual mowing costs because of drought conditions. The City as a whole also experienced a large reduction in the number of insurance claim payments, workers compensation claim payments, damage claims paid and associated legal and professional fees, reflecting a return on the investment made by the City in safety training and claims administration. Sales and use taxes exceeded budgetary projections by \$1,115,281, based on increased sales slightly above the average for the State of Alabama and enhanced by tourism events in the City. Tax revenues associated with the sale of alcoholic beverages exceed budget by \$197,914, attributable to increased sales. An increase of \$99,092 in revenues for business licenses was a result of economic growth reflected in sales and use tax collections and of construction projects at industries located in the police jurisdiction. A \$131,881 difference between budgeted and actual revenues from building permits includes building permit fees generated by the new Target development and industrial expansions in the police jurisdiction. A \$43,914 reduction in payments by Decatur Utilities' Gas Department was due to a reduction in

Management's Discussion and Analysis- Continued

their net revenues due to large fluctuations in the price of natural gas; tax equivalent payments by the Electric Department increased \$42,660, based upon an increase of the value of land and buildings; tax equivalent payments by the Water and Wastewater Departments increased \$29,713 and \$11,099, respectively, reflecting increased water usage during the drought period. Payments in lieu of taxes made by TVA increased \$171,891, based upon TVA's formula of revenues and valuation of assets. Community Service Contracts budget was exceeded by \$126,576.95 in the form of payments to the Decatur Convention and Visitors Bureau--this amount was based on 75% of lodging tax collections; collections exceeded projections based on prior year revenues by this amount. Several large sporting events at the new Jack Allen Recreation Complex and the new Ingalls Harbor have contributed to the increase in lodging taxes, as well as sales and use tax revenues. Budgeted expenditures were exceeded by the Youth Services and Parks & Recreation Departments as a result of extreme fluctuations in fuel prices and overtime necessitated by several large special events and increased utility costs, due mainly to electrical rate increases passed on from TVA.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2007, totals \$288.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, utility plant-in-service, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets decreased \$3.6 million in 2007. Those used for governmental activities increased by \$1.1 million (1.3 percent) as total additions (\$8.8 million) exceeded depreciation and disposition of those assets (\$7.7 million). Capital assets used for business-type activities decreased by \$4.7million (2.2 percent).

Major capital events during the fiscal year included the following:

- \$605 thousand spent on a zero entrance depth swimming pool at the Carrie Matthews Recreation Center. The zero depth of the entrance allows wheelchair accessibility and enhances Park and Recreations' therapeutic program.
- \$912 thousand spent on the continued improvements to tennis courts at Jimmy Johns Tennis Center, to create a central tennis facility suitable for tournament play;
- \$1.6 million for the construction of three fire stations which replace existing stations which were contaminated and could not be salvaged through mold remediation measures in prior years;
- \$1.06 million towards the City's continued effort to improve parks and public recreation areas throughout the City. \$840 thousand of this \$1.06 million was directed into additional development of soccer and softball recreation centers aimed at providing resources for citizens while also attracting tournaments to the City.
- \$217 thousand for the acquisition of new sanitation trucks which was partially offset by the disposal of other similar vehicles during the year. The primary purpose for this acquisition was the smaller size of the new vehicles, which is intended to enhance the fleet by allowing for easier alley pick-up service for citizens.
- \$127 thousand for the purchase of a bucket truck by the parks and recreation department, which is now responsible for all tree trimming in order to reduce on costs that were previously spent on outside contractors for these services.

Management's Discussion and Analysis- Continued

City of Decatur's Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$9,585	\$9,458	\$3,725	\$3,780	\$13,310	\$13,238
Land improvements	13,095	11,134	-	-	13,095	11,134
Buildings and improvements	13,596	13,767	8,603	9,186	22,199	22,953
Infrastructure	40,370	42,839	-	-	40,370	42,839
Construction in process	2,955	1,101	1,026	515	3,981	1,616
Machinery and Equipment	4,124	4,363	1,025	1,126	5,149	5,489
Utility plant-in-service	-	-	190,022	194,479	190,022	194,479
Total	\$83,725	\$82,662	\$204,401	\$209,086	\$288,126	\$291,748

Additional information on the City's capital assets can be found in Note 4C on pages 35 through 36 of this report.

Long-term debt. As of September 30, 2007, the City had \$107.7 million of long-term debt outstanding. Of this amount, \$68.6 million is debt backed by the full faith and credit of the City and \$39 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (utility system debt). Long-term debt of the governmental activities increased by 10 million (17.0 percent) as the issuance of the 2006 General Obligation Capital Improvement Warrants in the amount of \$16.2 million exceeded total principal payments on outstanding debt of \$6.2 million during the year. Long-term debt of the business-type activities decreased by \$2.9 million (6.9 percent) which was entirely attributable to principal payments on revenue warrants maintained within the Municipal Utilities Board. The School System has debt of \$25.8 million in capital outlay warrants, for which the School System's ad valorem tax payments are pledged and which is not an obligation of the City of Decatur.

City of Decatur's Outstanding Debt (in thousands)

General Obligation and Revenue Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation warrants	\$68,575	\$57,970	\$-	\$-	\$68,575	\$57,970
Revenue warrants	-	-	39,115	42,025	39,115	42,025
Notes payable	-	630	-	-	-	630
Total	\$68,575	\$58,600	\$39,115	\$42,025	\$107,690	\$100,625

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investor Services, Inc. are "AA-" and "Aa3", respectively.

Other than debt paid from proprietary fund revenue sources (e.g. revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2007, the City's allocable debt outstanding was \$72.1 million less than the legal debt limit.

Management's Discussion and Analysis- Continued

Additional information regarding the City's long-term debt can be found in Note 4F on pages 40 through 45 of this report.

2008 Budget

The Mayor and City Council have considered many factors in the development of the fiscal year 2008 budget. The approach to the budget process has been one of conservatism. Revenue projections are based on 2007 actual receipts of \$53.6 million for the General Fund budget. Department expenditures are currently held to the 2007 level, with adjustments for expected fluctuations in fuel and other necessary expenditures. Management believes revenues and expenditures will meet overall budgetary goals.

Request for Information

This financial report is designed with a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Linda McKinney, P.O. Box 488 Decatur, Alabama 35602, by calling (256) 341-4561, or by sending an email to lmckinney@decatur-al.gov. This report and other City financial information are available on the City's website at www.decaturalabamaua.com.

BASIC FINANCIAL STATEMENTS

CITY OF DECATUR
STATEMENT OF NET ASSETS
September 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$ 37,085,129	\$ 41,775,034	\$ 78,860,163	\$ 23,171,970
Receivables (net of allowances)	4,599,135	12,159,406	16,758,541	-
Due from governmental entities	1,328,199	-	1,328,199	15,495,585
Inventories	16,368	1,971,077	1,987,445	182,950
Prepaid items	-	54,495	54,495	-
Other	62,005	1,337,662	1,399,667	-
Deferred costs	730,150	55,308	785,458	193,331
Internal balances	269,506	(269,506)	-	-
Restricted assets				
Cash & investments, at cost	-	5,050,864	5,050,864	-
Capital assets				
Land, collections and construction in process	12,539,458	4,751,894	17,291,352	12,174,156
Other assets, net of accum. depreciation	71,186,141	199,649,078	270,835,219	60,180,099
Total assets	127,816,091	266,535,312	394,351,403	111,398,091
LIABILITIES				
Accounts payable	2,389,418	10,815,909	13,205,327	814,635
Accrued liabilities	1,992,154	3,361,414	5,353,568	7,367,620
Contract retainages	19,846	-	19,846	-
Due to component units	1,365,071	-	1,365,071	-
Due to governmental entities	53,990	-	53,990	-
Customer deposits	-	3,652,982	3,652,982	-
Unearned revenue	82,049	-	82,049	11,868,105
Other	277,918	-	277,918	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	3,025,000	3,025,000	-
Noncurrent liabilities				
Due within one year	5,568,940	17,594	5,586,533	493,433
Due in more than one year	65,683,972	38,379,894	104,063,867	26,601,218
Total liabilities	77,433,358	59,252,793	136,686,151	47,145,011
NET ASSETS				
Invested in capital assets, net of related debt	20,698,547	165,834,216	186,532,763	44,316,881
Restricted for:				
Capital projects	4,572,320	-	4,572,320	-
Debt service	845,437	5,050,864	5,896,301	-
Unrestricted	24,266,429	36,397,439	60,663,868	19,936,199
Total net assets	\$ 50,382,733	\$ 207,282,519	\$ 257,665,252	\$ 64,253,080

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			Component Units
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
General government	\$ 4,259,575	\$ 3,197,582	\$ -	\$ -	\$ (1,061,993)	\$ -	\$ (1,061,993)	\$ -
Public safety	19,883,381	2,411,482	-	-	(17,471,899)	-	(17,471,899)	-
Public works	7,428,328	2,667,469	-	113,150	(4,647,709)	-	(4,647,709)	-
Public services	9,939,516	509,251	-	-	(9,430,265)	-	(9,430,265)	-
Intergovernmental assistance	18,271,003	9,514,493	-	-	(8,756,510)	-	(8,756,510)	-
Community service contracts	2,840,387	-	-	-	(2,840,387)	-	(2,840,387)	-
Community development	1,647,028	-	-	785,689	(313,099)	-	(313,099)	-
Personnel board	540,514	-	-	-	(540,514)	-	(540,514)	-
Interest on long-term debt	3,411,694	-	-	-	(3,411,694)	-	(3,411,694)	-
Unallocated depreciation	3,294,946	-	-	-	(3,294,946)	-	(3,294,946)	-
Total governmental activities	71,516,372	18,300,277	785,689	661,390	(51,769,016)	-	(51,769,016)	-
Business-type activities								
Municipal Utilities Board	133,900,304	136,260,625	-	1,577,854	-	3,938,175	3,938,175	-
Point Mallard	4,031,208	3,231,385	-	-	-	(799,823)	(799,823)	-
Sanitary Landfill	3,319,933	4,920,629	-	-	-	1,600,696	1,600,696	-
Total business-type activities	141,251,445	144,412,639	-	1,577,854	-	4,739,048	4,739,048	-
Total primary government	\$ 212,767,817	\$ 162,712,916	\$ 785,689	\$ 2,239,244	\$ (51,769,016)	\$ 4,739,048	\$ (47,029,968)	\$ -
Component Units								
All	85,977,298	5,902,736	48,899,323	1,674,867	-	-	-	(29,500,372)
Total component units	\$ 85,977,298	\$ 5,902,736	\$ 48,899,323	\$ 1,674,867	\$ -	\$ -	\$ -	\$ (29,500,372)
General Revenues								
Sales & use taxes					\$ 35,529,035	\$ -	\$ 35,529,035	\$ 11,924,009
Property taxes					9,410,127	-	9,410,127	\$ 13,526,628
Alcoholic beverage taxes					2,096,980	-	2,096,980	-
Gasoline taxes					908,017	-	908,017	-
Automobile taxes					1,422,446	-	1,422,446	-
Lodging taxes					1,270,831	-	1,270,831	-
Rental taxes					1,237,542	-	1,237,542	-
Other taxes					1,591,861	-	1,591,861	995,401
Interest on investments					1,930,389	2,579,834	4,510,223	1,559,115
Other					687,818	-	687,818	4,642,825
Transfers					(493,632)	493,633	1	-
Total general revenues & transfers					55,591,414	3,073,467	58,664,881	32,647,978
Change in net assets					3,822,398	7,812,515	11,634,913	3,147,606
Net assets, beginning					46,560,335	201,734,376	248,294,711	61,105,474
Prior period adjustments					-	(2,264,372)	(2,264,372)	-
Net assets, ending					\$ 50,382,733	\$ 207,282,519	\$ 257,665,252	\$ 64,253,080

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2007**

	General Fund	School Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 10,854,338	\$ 768,742	\$ 7,409,799	\$ 6,644,381	\$ 25,677,260
Cash with fiscal agents	662,325	-	-	-	662,325
Investments, at cost	9,395,544	-	-	1,350,000	10,745,544
Receivables (net of allowances)					
Accounts	294,391	779,977	-	80,372	1,154,740
Notes	-	-	-	428,043	428,043
Taxes	2,899,993	-	-	46,519	2,946,512
Accrued interest	37,798	-	-	32,042	69,840
Due from other funds	744,908	30,705	-	-	775,613
Due from governmental entities	1,011,458	111,834	-	204,907	1,328,199
Deposits	62,005	-	-	-	62,005
Inventories	16,368	-	-	-	16,368
Total assets	25,979,128	1,691,258	7,409,799	8,786,264	43,866,449
LIABILITIES					
Accounts payable	1,243,064	62,500	715,805	368,049	2,389,418
Accrued liabilities	982,176	-	-	75,817	1,057,993
Contract retainages	-	-	-	19,846	19,846
Due to other funds	-	-	-	506,107	506,107
Due to component units	-	1,365,071	-	-	1,365,071
Due to governmental entities	42,755	-	-	11,235	53,990
Deferred revenue	168,795	-	-	510,092	678,887
Other	266,612	-	-	11,306	277,918
Total liabilities	2,703,402	1,427,571	715,805	1,502,452	6,349,230
FUND BALANCES					
Reserved for:					
Encumbrances	40,000	-	270,720	624,064	934,784
Inventories	16,368	-	-	-	16,368
Perpetual care	-	-	-	734,646	734,646
Debt service	-	-	-	845,437	845,437
Unreserved & Designated for:					
Special purposes	8,491,935	-	4,187,649	-	12,679,584
Future capital needs	139,199	-	-	-	139,199
Landfill	1,148,037	-	-	-	1,148,037
Other	1,496	-	-	-	1,496
Unreserved & undesignated, reported in:					
General fund	13,438,691	-	-	-	13,438,691
Special revenue funds	-	263,687	-	2,742,970	3,006,657
Capital projects funds	-	-	2,235,625	2,336,695	4,572,320
Total fund balance	23,275,726	263,687	6,693,994	\$ 7,283,812	37,517,219
Total liabilities and fund balance	\$ 25,979,128	\$ 1,691,258	\$ 7,409,799	\$ 8,786,264	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 83,725,599
Other long-term receivables are not available for current-period expenditures and, therefore, are deferred in the funds.	596,838
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(71,456,923)</u>

Net assets of governmental activities \$ 50,382,733

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2007**

	General Fund	School Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUE					
Sales & use taxes	\$ 26,646,824	\$ 8,882,211	\$ -	\$ -	\$ 35,529,035
Property taxes	2,564,369	6,845,758	-	-	9,410,127
Other taxes	6,918,532	1,203,946	-	405,199	8,527,677
Licenses & permits	5,820,517	-	-	-	5,820,517
Fines & forfeitures	841,767	-	-	323,040	1,164,807
Revenues from money & property	1,285,316	-	450,562	311,839	2,047,717
Charges for services	3,711,980	-	-	-	3,711,980
Intergovernmental	7,007,328	600,080	-	3,734,939	11,342,347
Gifts & donations	-	-	-	250,030	250,030
Other revenues	262,942	-	-	203,371	466,313
Total revenues	55,059,575	17,531,995	450,562	5,228,418	78,270,550
EXPENDITURES					
Current					
General government	3,594,568	22,225	-	173,293	3,790,086
Public safety	18,856,376	-	1,619,841	546,193	21,022,410
Public works	6,564,973	-	1,103,530	549,243	8,217,746
Public services	8,917,467	-	2,461,482	940,230	12,319,179
Intergovernmental assistance	3,627,239	14,653,796	-	-	18,281,035
Community services contracts	2,780,387	60,000	-	-	2,840,387
Community development	-	-	-	1,647,028	1,647,028
Personnel Board	-	-	-	540,514	540,514
Debt service					
Principal	3,139,555	2,420,000	-	805,000	6,364,555
Interest and fiscal charges	2,135,646	473,564	-	454,560	3,063,770
Debt issuance costs	-	-	270,303	1,000	271,303
Capital projects construction and outlay	-	-	-	452,738	452,738
Total expenditures	49,616,211	17,629,585	5,455,156	6,109,799	78,810,751
Excess (deficiency) of revenues over expenditures	5,443,364	(97,590)	(5,004,594)	(881,381)	(540,201)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	16,215,000	-	16,215,000
Transfers in	702,845	120,000	-	3,722,748	4,545,593
Transfers (out)	(3,765,206)	-	(730,000)	(544,019)	(5,039,225)
Total other financing (uses) sources	(3,062,361)	120,000	15,485,000	3,178,729	15,721,368
Net change in fund balance	2,381,003	22,410	10,480,406	2,297,348	15,181,167
Fund balance, beginning	20,894,723	241,277	(3,786,412)	4,986,464	22,336,052
Fund balance, ending	\$ 23,275,726	\$ 263,687	\$ 6,693,994	\$ 7,283,812	\$ 37,517,219

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007**

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

Net change in fund balances - total governmental funds	\$ 15,181,167
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	937,618
Governmental funds report the sales of capital assets as revenues and unlike the Statement of Activities, do not recognize the effect of the cost of those assets and their related depreciation. This is the amount by which the cost of assets sold, minus their accumulated depreciation, was exceeded by the proceeds from the sales. This amount is included in Other revenue in the Statement of Activities.	126,051
Revenues in the statement of activities that do not provide current financial resources	(2,542,834)
For governmental funds, the issuance of long-term debt (e.g. warrants and leases) provide current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(9,718,329)
Other expenses reported in the Statement of Activities that do not require current financial resources.	<u>(161,275)</u>
Change In Net Assets Of Governmental Activities	<u><u>\$ 3,822,398</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL
For the Year Ended September 30, 2007**

	General Fund				School Fund				Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget		Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final			Original Budget	Final Budget			
REVENUES									
Taxes and payments in lieu of taxes	\$ 34,350,176	\$ 34,350,176	\$ 36,129,725	\$ 1,779,549	\$ 14,717,217	\$ 14,717,217	\$ 16,931,915	\$ 2,214,698	
Licenses and permits	5,576,870	5,576,870	5,820,517	243,647	-	-	-	-	
Fines and forfeitures	970,310	970,310	841,767	(128,543)	-	-	-	-	
Revenues from money and property	1,046,081	1,046,081	1,285,316	239,235	-	-	-	-	
Charges for services	3,644,059	3,644,059	3,711,980	67,921	-	-	-	-	
Intergovernmental	5,725,003	6,760,620	7,007,328	246,708	545,667	570,667	600,080	29,413	
Other revenues	312,894	265,460	262,942	(2,518)	-	-	-	-	
Total revenues	51,625,393	52,613,576	55,059,575	2,445,999	15,262,884	15,287,884	17,531,995	2,244,111	
EXPENDITURES									
Current									
General government	3,960,418	3,994,027	3,594,568	399,459	24,262	24,262	22,225	2,037	
Public safety	19,214,115	19,374,880	18,856,376	518,504	-	-	-	-	
Public works	7,178,789	7,227,614	6,564,973	662,641	-	-	-	-	
Public services	8,325,652	8,797,314	8,917,467	(120,153)	-	-	-	-	
Intergovernmental assistance	4,604,367	4,631,057	3,627,239	1,003,818	13,429,556	13,429,556	14,653,796	(1,224,240)	
Community services contracts	2,477,777	2,668,510	2,780,387	(111,877)	60,000	60,000	60,000	-	
Debt service									
Principal	2,862,043	3,492,006	3,139,555	352,451	2,254,706	2,254,706	2,420,000	(165,294)	
Interest	1,827,356	1,836,753	2,135,646	(298,893)	578,859	698,859	473,564	225,295	
Total expenditures	50,450,517	52,022,161	49,616,211	2,405,950	16,347,383	16,467,383	17,629,585	(1,162,202)	
Excess of revenues over expenditures	1,174,876	591,415	5,443,364	4,851,949	(1,084,499)	(1,179,499)	(97,590)	1,081,909	
OTHER FINANCING SOURCES (USES)									
Operating transfers in	51,357	684,357	702,845	18,488	-	-	120,000	120,000	
Operating transfers out	(1,159,036)	(3,788,593)	(3,765,206)	23,387	-	-	-	-	
Total other financing sources (uses)	(1,107,679)	(3,104,236)	(3,062,361)	41,875	-	-	120,000	120,000	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	67,197	(2,512,821)	2,381,003	4,893,824	(1,084,499)	(1,179,499)	22,410	1,201,909	
Fund balance, beginning	20,894,723	20,894,723	20,894,723	-	239,780	239,870	241,277	-	
Fund balance, ending	\$ 20,961,920	\$ 18,381,902	\$ 23,275,726	\$ 4,893,824	\$ (844,719)	\$ (939,629)	\$ 263,687	\$ 1,201,909	

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2007**

	Municipal Utilities Board	Other Enterprise Funds	Totals
ASSETS			
Current assets			
Cash & cash equivalents	\$ 28,415,133	\$ 9,359,901	\$ 37,775,034
Investments, at cost	-	4,000,000	4,000,000
Receivables (net of allowance)			
Accounts	10,966,197	753,059	11,719,256
Accrued interest	-	8,809	8,809
Other	431,341	-	431,341
Prepaid items	54,495	-	54,495
Inventories, at cost	1,942,756	28,321	1,971,077
Other	1,337,662	-	1,337,662
Total current assets	43,147,584	14,150,090	57,297,674
Noncurrent assets			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	5,050,864	-	5,050,864
Deferred costs	55,308	-	55,308
Investments in Municipal Utility Funds	-	-	-
Capital assets:			
Land	2,448,017	1,415,739	3,863,756
Buildings	-	7,513,289	7,513,289
Improvements other than buildings	-	14,894,545	14,894,545
Furniture & equipment	-	4,291,972	4,291,972
Utility plant in service	295,606,087	-	295,606,087
Construction work in progress	804,062	84,076	888,138
Less accumulated depreciation	(105,584,560)	(17,072,255)	(122,656,815)
Total capital assets (net of accumulated depreciation)	193,273,606	11,127,366	204,400,972
Total noncurrent assets	198,379,778	11,127,366	209,507,144
Total assets	241,527,362	25,277,456	266,804,818
LIABILITIES			
Current liabilities			
Accounts payable	10,493,834	322,075	10,815,909
Accrued liabilities	3,333,757	27,657	3,361,414
Compensated absences	-	17,594	17,594
Customer deposits	3,652,982	-	3,652,982
Revenue warrants payable - current	3,025,000	-	3,025,000
Due to other funds	269,506	-	269,506
Total current liabilities	20,775,079	367,326	21,142,405
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,019,305	2,019,305
Revenue notes payable	35,597,064	-	35,597,064
Compensated absences	605,187	158,338	763,525
Total noncurrent liabilities	36,202,251	2,177,643	38,379,894
Total liabilities	56,977,330	2,544,969	59,522,299
NET ASSETS			
Invested in capital assets, net of related debt	154,706,850	11,127,366	165,834,216
Restricted for debt service	5,050,864	-	5,050,864
Unrestricted	24,792,318	11,605,121	36,397,439
Total net assets	\$ 184,550,032	\$ 22,732,487	\$ 207,282,519

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 For the Year Ended September 30, 2007**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating revenue			
Charges for services	\$136,260,625	\$ 4,920,629	\$ 141,181,254
Premiums & fees	-	3,231,385	3,231,385
Total operating revenue	136,260,625	8,152,014	144,412,639
Operating expenses			
Personnel, operations & maintenance	125,022,901	3,269,458	128,292,359
Closure and postclosure costs	-	167,658	167,658
Depreciation and amortization	7,115,033	1,260,872	8,375,905
Administrative costs	-	2,709,716	2,709,716
Total operating expenses	132,137,934	7,407,704	139,545,638
Operating income	4,122,691	744,310	4,867,001
Nonoperating revenue (expenses)			
Interest income	1,976,287	603,547	2,579,834
Interest expense	(1,899,231)	-	(1,899,231)
Intergovernmental	-	(33,121)	(33,121)
Gain (loss) on disposition of assets	-	41,450	41,450
Miscellaneous revenue (expense)	136,861	48,234	185,095
Total nonoperating revenue (expenses)	213,917	660,110	874,027
Income before contributions, transfers & special items	4,336,608	1,404,420	5,741,028
Capital contributions	1,577,854	-	1,577,854
Transfers in	69,059	457,695	526,754
Transfers (out)	-	(33,121)	(33,121)
Change in net assets	5,983,521	1,828,994	7,812,515
Total net assets, beginning	180,830,883	20,903,493	201,734,376
Prior period adjustments	(2,264,372)	-	(2,264,372)
Total net assets, ending	\$184,550,032	\$ 22,732,487	\$ 207,282,519

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the Year Ended September 30, 2007**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating activities			
Receipts from customers and users	\$135,903,464	\$ 7,830,323	\$ 143,733,787
Other operating cash receipts	-	33,626	33,626
Payments to suppliers	(116,345,221)	(5,336,595)	(121,681,816)
Payments to employees	(7,287,254)	(673,187)	(7,960,441)
Payments for interfund services	-	10,036	10,036
Non-operating cash payments	-	(400)	(400)
Net cash provided by operating activities	12,270,989	1,863,803	14,134,792
Noncapital financing activities			
Transfers in	-	457,695	457,695
Transfers (out)	-	(33,121)	(33,121)
Net cash provided by noncapital financing activities	-	424,574	424,574
Capital and related financing activities			
Acquisition and construction of capital assets	(5,855,711)	(660,812)	(6,516,523)
Proceeds from sale of capital assets	-	41,450	41,450
Capital contributions	1,734,334	-	1,734,334
Principal payments on warrants	(2,910,000)	-	(2,910,000)
Interest paid on warrants	(1,899,234)	-	(1,899,234)
Net cash (used) by capital and related financing activities	(8,930,611)	(619,362)	(9,549,973)
Investing activities			
Decrease (increase) in restricted assets	(65,220)	-	(65,220)
Miscellaneous non-operating income	27,343	-	27,343
Sale of investments	-	(4,000,000)	(4,000,000)
Interest received	1,976,288	618,158	2,594,446
Net cash provided (used) by investing activities	1,938,411	(3,381,842)	(1,443,431)
Net increase (decrease) in cash and cash equivalents	5,278,789	(1,712,827)	3,565,962
Cash and cash equivalents, beginning	23,136,344	11,072,728	34,209,072
Cash and cash equivalents, ending	\$ 28,415,133	\$ 9,359,901	\$ 37,775,034
Operating income (loss)	\$ 5,983,521	\$ 744,306	\$ 6,727,827
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	7,775,075	1,260,873	9,035,948
Miscellaneous item	-	168,163	168,163
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(2,888,862)	(321,689)	(3,210,551)
Accounts payable	799,839	33,492	833,331
Inventory	294,482	857	295,339
Prepaid items	6,213	-	6,213
Due to (from) other funds	-	9,389	9,389
Accrued liabilities	146,868	(31,835)	115,033
Deferred demand credit	153,853	-	153,853
Deferred revenue	-	(400)	(400)
Other items	-	647	647
Net cash provided by operating activities	\$ 12,270,989	\$ 1,863,803	\$ 14,134,792

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
September 30, 2007**

	Governmental Activities	Business-Type Activities	
	Board of Education	Public Building Authority	Total
ASSETS			
Cash & cash equivalents	\$ 23,018,382	\$ 117,398	\$ 23,135,780
Investments, at cost	36,190	-	36,190
Due from primary government	1,365,071	-	1,365,071
Due from governmental entities	14,130,514	-	14,130,514
Inventories	182,950	-	182,950
Deferred Charges	193,331	-	193,331
Capital assets			
Land and construction in process	12,040,854	133,302	12,174,156
Other assets, net of accum. depreciation	59,024,642	1,155,457	60,180,099
Total assets	109,991,934	1,406,157	111,398,091
LIABILITIES			
Accounts payable	814,635	-	814,635
Accrued liabilities	7,367,620	-	7,367,620
Deferred revenue	11,868,105	-	11,868,105
Noncurrent liabilities			
Due within one year	333,433	160,000	493,433
Due in more than one year	26,427,090	174,128	26,601,218
Total liabilities	46,810,883	334,128	47,145,011
NET ASSETS			
Invested in capital assets, net of related debt	44,316,881	-	44,316,881
Unrestricted	18,864,170	1,072,029	19,936,199
Total net assets	\$ 63,181,051	\$ 1,072,029	\$ 64,253,080

The accompanying notes are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

City of Decatur
Notes To The Financial Statements
September 30, 2007

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City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The City complies with Accounting Principles Generally Accepted in the United States of America (GAAP). The City’s reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

Primary Government

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

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

Blended Component Unit

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Discretely Presented Component Unit

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

Public Building Authority: The Public Building Authority was established to construct and maintain the building occupied by the Morgan County Department of Human Resources. This building is leased to the State of Alabama and the lease payments are used for the debt service. The three-member board is wholly appointed by the City of Decatur. The City is responsible for maintenance of the building and is liable for any default on the lease. The Public Building Authority is presented as a proprietary fund type and is comprised of one fund.

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

Board of Education
302 Fourth Avenue Northeast
Decatur, Alabama 35601

Separate financial statements are not prepared for the Public Building Authority or the Personnel Board.

B. Government-wide and Fund Financial Statements

Financial information of the City, the primary government, and the Board of Education and Public Building Authority, the City's component units, is presented as follows:

- *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net assets and a statement of activities.

These statements report all activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

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

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The following are the City's major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the government, except those accounted for in another fund.
- The *School Fund* accounts for the specific revenues that are for specific expenditures – which include sales and use tax, and the designated portion of the tobacco tax, general property tax, automotive tax, and tax-equivalent – Electric and Water departments.
- The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital facilities and projects not financed by Proprietary Funds.

The following are the City's major enterprise funds:

- The *Municipal Utilities Board Fund* accounts for the operating expenses, user fees (revenue), assets and liabilities of the Municipal Utilities Board, which provides electricity, gas, water, and wastewater treatment to the City of Decatur and other regions. Decatur Utilities is managed by a three-member Board appointed by the City Council.

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects or permanent funds). Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.
- The *Debt Service Fund* accounts for the servicing of warrants which are not being used for general government purposes. Sources of funds for servicing this debt consist of payments-in-lieu of taxes and designated sales tax collections.
- The *Permanent Fund* accounts for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the City's programs.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Funds:

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

The City applies all applicable Financial Accounting Standards Board pronouncements issued after November 30, 1989 in accounting and reporting for its proprietary operations.

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

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

Proprietary funds distinguish operating revenues and expense from nonoperating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Decatur Utilities enterprise fund are charges to customers for services and fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U.S. Treasury, State of Alabama, Alabama counties, or the general obligations of Alabama Municipalities.

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

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

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

Receivables and Payables

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Amounts receivable and payable from federal, state, county, and local governments are classified as "due from/to other governmental entities." The only individually significant amount due from any single entity as of September 30, 2007, was \$1,090,064 due from Morgan County for various tax receivables.

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

Non-current portions of long-term receivables due to Governmental Funds are reported on their balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of Governmental Fund type revenues represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of long-term loans receivable are offset by fund balance reserve accounts.

Property taxes are levied in May for the following year beginning October 1, at which time a lien is attached. These taxes are due and payable on October 1 and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Morgan County Revenue and License Commissioners and remitted to the City net of a collection fee ranging from 1 to 4 percent for the different taxes.

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the purchases method to account for monthly medical insurance payments. The average monthly payment is \$300,000.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets tangible in nature, with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. When capital assets are disposed, the cost and related accumulated depreciation are removed, and any gain or loss arising from the disposal is credited or charged to operations.

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

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

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Compensated Absences

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

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, 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, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

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

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

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$71,456,923 difference are as follows:

Warrants Payable	\$ 68,478,359
Less: Deferred charge on refunding (to be amortized as interest expense)	(730,150)
Accrued interest payable	934,161
Capital leases payable	29,427
Compensated absences	<u>2,745,126</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 71,456,923</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$937,618 difference are as follows:

Capital outlay	\$ 7,891,111
Depreciation expense	<u>(6,953,493)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 937,618</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., warrants and leases) provides current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$9,718,329 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation debt	\$ (16,190,037)
Issuance costs	270,303
Principal repayments:	
General obligation debt	22
Payment on capital lease	6,239,963
Amortization of premium and refunding loss	124,592
Deferral of issuance costs	<u>(84,294)</u>
Deferral of issuance costs	<u>(78,856)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (9,718,329)</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

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

Another element of that reconciliation states that “other expenses reported in the statement of activities that do not require current financial resources.” The details of this \$161,275 difference is as follows:

Compensated absences	\$ (11,650)
Claims	138,968
Accrued interest	<u>(288,593)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (161,275)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Annually-Budgeted Governmental Funds

Governmental Funds Not Annually-Budgeted

General Fund

Special Revenue Funds

Special Revenue Funds

Community Development Fund
Municipal Court Fund

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

Debt Service Fund

Public Port and Infrastructure Warrants Fund
Crossings Warrant Fund

Capital Projects Funds

2006 GO Warrants Fall Capital Projects Fund
2006 Capital Improvements Fund

Permanent Fund

Perpetual Care Fund

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

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

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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

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

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

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

B. Excess of Expenditures over Appropriations

The following funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2007:

<u>General Fund</u>	
<i>Public Services:</i>	
Cemetery	\$ 3,265
Youth Services	13,596
Park and Recreation	210,786
 <i>Public Works:</i>	
Director	\$ 21,169
 <i>Community Services Contracts</i>	 \$ 111,877
 <u>School Fund</u>	
<i>Intergovernmental assistance</i>	\$ 2,291,784
 <u>Special Revenue Funds</u>	
<i>Corrections Fund:</i>	
Personal services	\$ 6,046
 <i>Room Occupancy Tax Fund</i>	
Capital Outlay	\$ 5,509

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Restatement of Beginning Net Assets – Proprietary Fund

In the prior year, the Net Assets for the Municipal Utilities Board were restated due to understated depreciation for certain assets which had been retired in previous years. The amount of the error resulted in an overstatement of net assets in the amount of \$2,264,372. This amount is shown as a change to the beginning net asset balance in the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets.

B. Deposits and Investments

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

At fiscal year end, the entire bank balances of the City, the Board of Education and Public Building Authority were covered by federal depository insurance and insured by the Security for Alabama Funds Enhancement, or SAFE Program. The SAFE Program is administered by the State Treasurer according to State of Alabama statute. Effective January 1, 2001, any bank or financial institution in the State of Alabama accepting deposits of public funds is required to insure those funds by pledging eligible collateral to the State Treasurer for the SAFE collateral pool. The entire pool stands behind each deposit. Eligible collateral are those securities currently designated as acceptable collateral for state deposits as defined by State law.

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

Cash on hand	\$ 59,162,294
Carrying amount of deposits	15,095,544
Carrying amount of investments	<u>5,653,189</u>
Total	<u>\$ 79,911,027</u>
Per Governmental Funds Balance Sheet-total governmental funds	
Cash and investments	\$37,085,129
Per Proprietary Funds Statement of Net Assets	
Total enterprise funds	
Cash and investments	37,775,034
Restricted cash for debt service	<u>5,050,864</u>
Total	<u>\$ 79,911,027</u>

A reconciliation of Discretely Presented Component Unit's cash and investments as shown on the Combining Statement of Net Assets for the Discretely Presented Component Unit is as follows:

	Board of Education
Cash on hand	\$ 23,135,780
Carrying amount of deposits	<u>36,190</u>
Total Cash and investments	<u>\$ 23,171,970</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Capital Assets

Capital asset activity for the year ended September 30, 2007 was as follows:

	Balance September 30, 2006	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2007
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 9,457,814	\$ 130,753	\$ (3,950)	\$ 9,584,617
Construction in progress	1,100,799	2,663,632	(809,590)	2,954,841
Total capital assets, not being depreciated	10,558,613	2,794,385	(813,540)	12,539,458
Capital assets, being depreciated:				
Buildings and improvements	27,552,919	1,081,867	-	28,634,786
Land improvements	16,048,902	2,674,365	-	18,723,267
Furniture, equipment and other	22,204,548	1,456,754	(835,838)	22,825,464
Infrastructure	91,321,299	823,329	-	92,144,628
Total capital assets, being depreciated	157,127,668	6,036,315	(835,838)	162,328,145
Less accumulated depreciation for:				
Buildings and improvements	(13,785,642)	(1,252,719)	-	(15,038,361)
Land improvements	(4,915,129)	(712,866)	-	(5,627,995)
Furniture, equipment and other	(17,841,106)	(1,695,947)	835,838	(18,701,215)
Infrastructure	(48,482,474)	(3,291,959)	-	(51,774,433)
Total accumulated depreciation	(85,024,351)	(6,953,491)	835,838	(91,142,004)
Total capital assets, being depreciated, net	72,103,317	(917,176)	-	71,186,141
Governmental activities capital assets, net	\$ 82,661,930	\$ 1,877,209	\$ (813,540)	\$ 83,725,599
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,780,254	-	\$ (54,300)	\$ 3,725,954
Construction in progress	515,176	6,505,041	(5,994,277)	1,025,940
Total capital assets, not being depreciated	4,295,430	6,505,041	(6,048,577)	4,751,894
Capital assets, being depreciated:				
Buildings and improvements	22,173,198	175,012	-	22,348,210
Furniture, equipment and other	4,416,317	401,721	(466,441)	4,351,596
Utility plant-in-service	291,202,454	5,684,927	(1,281,294)	295,606,087
Total capital assets, being depreciated	317,791,969	6,261,660	(1,747,736)	322,305,893
Less accumulated depreciation for:				
Buildings and improvements	(12,987,653)	(758,034)	-	(13,745,687)
Furniture, equipment and other	(3,290,171)	(502,837)	466,441	(3,326,567)
Utility plant-in-service	(96,723,877)	(10,063,801)	1,203,117	(105,584,561)
Total accumulated depreciation	(113,001,701)	(11,324,672)	1,669,558	(122,656,815)
Total capital assets, being depreciated, net	204,790,268	(5,063,012)	(78,176)	199,649,078
Business-type activities capital assets, net	\$ 209,085,698	\$ 1,442,029	\$ (6,126,753)	\$ 204,400,972

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The above schedule has grouped the prior period restatement of the Municipal Utilities Board noted in Note 4A with additions to utility plant-in-service and additions to the related accumulated depreciation above.

Depreciation expense of \$3,294,946 for the Governmental activities Infrastructure assets is not allocated to the functions. The depreciation expense for all other depreciable assets is charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General government	\$ 933,116
Public Safety	673,486
Public Works	609,113
Public Services	1,256,970
Intergovernmental	<u>185,860</u>
Total depreciation expense – governmental activities	<u>\$ 3,658,545</u>
 <u>Business-type activities:</u>	
Municipal Utilities Board Fund	\$ 7,115,033
Sanitary Landfill Fund	687,058
Point Mallard Fund	<u>573,814</u>
Total depreciation expense – business-type activities	<u>\$ 8,375,905</u>

Activity for the discretely presented component unit, Board of Education for the year ended September 30, 2007 was as follows:

	September 30, 2006	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2007
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 5,234,934	\$ 708,537	\$ -	\$ 5,943,471
Construction in progress	10,781,240	5,571,999	(10,255,856)	6,097,383
Total capital assets, not being depreciated	<u>16,016,174</u>	<u>6,280,536</u>	<u>(10,255,856)</u>	<u>12,040,854</u>
Capital assets, being depreciated:				
Buildings and improvements	73,231,656	12,465,452	-	85,697,109
Furniture, equipment and other	5,155,902	570,394	(181,403)	5,544,893
Total capital assets, being depreciated	<u>78,387,558</u>	<u>13,035,846</u>	<u>(181,403)</u>	<u>91,242,002</u>
Less accumulated depreciation	<u>29,832,775</u>	<u>2,530,993</u>	<u>146,409</u>	<u>32,217,360</u>
Total capital assets, being depreciated, net	<u>48,554,783</u>	<u>10,504,853</u>	<u>(34,994)</u>	<u>59,024,642</u>
Total governmental activities capital assets, net	<u>\$ 64,570,957</u>	<u>\$ 16,785,389</u>	<u>(\$10,290,850)</u>	<u>\$71,065,496</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2007 is as follows:

Transfers In/Out:

Transfers Out:

From General Fund:			
To non-major governmental funds	\$ 3,563,011		
To non-major enterprise funds	<u>202,195</u>	\$	3,765,206
From 2006 Capital Improvement Fund:			
To General Fund	\$ 630,000		
To non-major governmental funds	<u>100,000</u>		730,000
From Non-major governmental funds:			
To General Fund	\$ 39,724		
To School Fund	120,000		
To Municipal Utilities Board	69,059		
To non-major governmental funds	59,736		
To non-major enterprise funds	<u>255,500</u>		544,019
From Non-major enterprise funds:			
To General Fund			<u>33,121</u>
Total		\$	<u><u>5,072,346</u></u>

Transfers In:

To General Fund:			
From 2006 Capital Improvement Fund	\$ 630,000		
From non-major governmental funds	39,724		
From non-major enterprise funds	<u>33,121</u>	\$	702,845
To School Fund:			
From non-major governmental funds			120,000
To Municipal Utilities Board:			
From non-major governmental funds			69,059
To Non-major governmental funds			
From General Fund	3,563,011		
From 2006 Capital Improvement Fund	100,000		
From other non-major governmental funds	<u>59,736</u>		3,722,747
To Non-major enterprise funds			
From General Funds	202,195		
From non-major governmental funds	<u>255,500</u>		457,695
Total		\$	<u><u>5,072,346</u></u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Due To/From Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Municipal Utilities Board Enterprise Fund	\$ 238,803
	Non-major Governmental Funds	<u>506,105</u>
		744,908
School Fund	Municipal Utilities Board Enterprise Fund	<u>30,705</u>
Total due to/from other funds		<u>\$ 775,613</u>

Due To/From Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Component Unit – Board of Education	Primary Government – School Fund	<u>\$ 1,365,071</u>
Total due to/from primary government to component units		<u>\$ 1,365,071</u>

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations. The due to/from balances resulted from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Leases

Operating Leases

In 2006, the City entered into four non-cancelable operating lease agreements for the use of golf carts. Total costs for such leases were \$51,444 for the year ended September 30, 2007. The future minimum lease payments for these leases are as follow:

Year Ending September 30	Business-Type Activities Point Mallard
2008	\$ 49,421
Total minimum lease payments	\$ 49,421

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities Point Mallard
Equipment	\$ 2,004,580	\$ 139,639
Less: accumulated amortization	(1,671,647)	(139,639)
Total	\$ 332,933	\$ -

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2007 are as follows:

Year Ending September 30	Governmental Activities
2008	\$ 29,957
Total minimum lease payments	29,957
Less amount representing interest	(531)
Present value of minimum lease payments	\$ 29,426

The future debt service requirements of the governmental activities leases at September 30, 2007 are primarily to be provided by the General Fund, and the requirements of the business-type activities will be provided by the respective fund.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

F. Long-Term Debt

General Obligation Warrants

The City issues general obligation ("G.O.") warrants, which is a direct obligation and pledge of the full faith and credit of the City, for the following purposes:

- a. For the acquisition and construction of major capital facilities.
- b. To refund other G.O. warrants.

Source of Repayment of Long-Term Debt

Repayment of the City's long-term debt is generally provided for as follows:

<u>Type of Debt</u>	<u>Paid From</u>	<u>Resources Provided By</u>
<u>Governmental Activities:</u>		
G.O. warrants - major capital facilities	General Fund Public Port and Infrastructure Warrants Fund Crossings Warrant Fund	General Fund Public Port and Infrastructure Warrants Fund General Fund
G.O. warrants - school facilities	School Fund	School Fund
<u>Business-Type Activities:</u>		
Revenue warrants	Municipal Utilities Board Fund	Municipal Utilities Board Fund

Lease Revenue Bonds – Public Building Authority Component Unit

The Public Building Authority, a blended component unit of the City, issued bonds in 2003. Repayment of the bonds is secured by annual lease payments received by the Authority. Pursuant to the trust indenture, the Authority is required to maintain debt service reserve accounts for a portion of the outstanding principal. The Authority was in compliance with the reserve requirements at year-end.

The bonds do not constitute a direct obligation and pledge of the full faith and credit of the City.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2007, and information related to it was as follows:

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance (thousands)	Amount Due Within One Year (thousands)
PRIMARY GOVERNMENT							
<u>Governmental Activities</u>							
<i>G.O. Warrants - general purposes</i>							
1997-Municipal	\$ 9,695	6/1/1997	6/1/2014	4.75 - 5.2	310 - 1,150	\$ 4,170	\$ -
1997-B	3,975	6/1/1997	6/1/2011	4.75 - 5.0	295 - 410	1,520	350
2000	15,920	7/1/2000	6/1/2020	5.375 - 5.4	110 - 2,095	12,670	130
2003-A	3,945	2/1/2003	12/1/2007	2.4 - 2.5	760 - 835	835	835
2003-B	1,575	2/1/2003	12/1/2007	2.4 - 2.5	305 - 340	340	340
2003-C	3,775	2/1/2003	8/1/2013	2.875 - 4.0	205 - 500	1,845	480
2003-E	19,900	11/1/2003	7/1/2026	4.0 - 4.75	380 - 800	17,525	650
2006-AMFund	505	5/4/2006	5/20/2009	3.81	160 - 175	345	170
2006-Crossings	4,775	9/20/2006	9/20/2021	6.55	28 - 54	4,775	-
2006-Capital Improvement	16,215	10/11/2006	10/1/2026	4.0-4.375	175-2,360	16,215	250
	<u>80,280</u>					<u>60,240</u>	<u>3,205</u>
<i>G.O. Warrants - school purposes</i>							
1997-School	7,965	6/1/1997	6/1/2013	4.75 - 5.1	530 - 715	3,775	550
1997-A	7,370	6/1/1997	6/1/2011	4.75 - 5.0	545 - 760	2,800	645
2003-D	7,305	2/1/2003	8/1/2009	2.88 - 3.125	865 - 1,220	1,760	865
	<u>22,640</u>					<u>8,335</u>	<u>2,060</u>
Total Governmental Activities	<u>\$ 102,920</u>					<u>\$ 68,575</u>	<u>\$ 5,265</u>

The City may incur a penalty upon the early retirement of AMFund debt based on the underlying agreement. The City does not expect to retire this debt prior to the stated maturity date.

During 2006, the City entered into an agreement to purchase land for the future Crossings development. Under this agreement, the City transferred ownership of the property to a developer and retained responsibility for the related debt. Fifty percent of future sales tax revenue and annual ad valorem taxes in excess of \$20,000 related to this development are to be reserved for reduction of this debt. Any amounts not covered by the above reserves at the end of fifteen years are to be reimbursed by the developer.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt - Continued

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance (thousands)	Amount Due Within One Year
<u>Business-Type Activities</u>							
<i>Water System Revenue Warrants</i>							
1999	\$ 23,240	5/1/1999	5/1/2019	4.65 - 5.0	1,200 - 2,140	\$ 19,795	\$ 1,250
	<u>23,240</u>					<u>19,795</u>	<u>1,250</u>
<i>Wastewater System Revenue Warrants</i>							
1997	2,850	11/1/1996	8/15/2017	3.95	135 - 200	1,705	140
2000	15,590	12/22/1999	8/15/2020	3.85	665 - 1,095	11,430	690
2004	9,645	04/21/2004	8/15/2013	2.85	910 - 1,125	6,185	945
	<u>28,085</u>					<u>19,320</u>	<u>1,775</u>
Total Business-Type Activities	<u>51,325</u>					<u>39,115</u>	<u>3,025</u>
Total Primary Government	<u>\$ 154,245</u>					<u>\$ 107,690</u>	<u>\$ 8,290</u>

COMPONENT UNITS

Governmental-Type Activities

Board of Education

2005	\$ 26,000	2005	2030	4.0 - 4.5	2,665 - 9,625	\$ 25,770	\$ -
	<u>26,000</u>					<u>25,770</u>	<u>-</u>

Business-Type Activities

Public Building Authority

2003	\$ 950	2/1/2003	3/1/2009	2.75 - 3.4	150 - 170	\$ 335	\$ 165
	<u>950</u>					<u>335</u>	<u>165</u>

Total Component Units

	<u>\$ 26,950</u>					<u>\$ 26,105</u>	<u>\$ 165</u>
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The City is not obligated in any manner for the debt of the Public Building Authority or the Board of Education, discretely presented component units.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Future Debt Service

The City's future debt service requirements on its outstanding warrants and bonds as of September 30, 2007 are shown below. There is \$845,438 available in the Public Port and Infrastructure Warrants Fund to service general obligation debt and \$5,050,864 is available in the Municipal Utilities Board Enterprise Fund to service the revenue warrants.

PRIMARY GOVERNMENT

(thousands)

Governmental Activities:

G.O. Warrants	
Principal	Interest
\$ 5,265	\$ 3,233
4,480	3,053
3,215	2,867
3,380	2,715
3,097	2,545
49,138	21,281
\$ 68,575	\$ 35,694

2008
2009
2010
2011
2012
Thereafter
Total governmental activities

<u>Business-Type Activities:</u>	Water System Revenue Warrants	Interest	Wastewater System Revenue Warrants	Principal	Interest
2008	\$ 1,250	\$ 960	\$ 1,775	\$ 683	
2009	1,310	902	1,845	624	
2010	1,370	841	1,910	564	
2011	1,435	777	1,980	500	
2012	1,505	710	2,055	433	
Thereafter	12,925	2,711	9,755	1,537	
Total business-type activities	\$ 19,795	\$ 6,901	\$ 19,320	\$ 4,341	

COMPONENT UNITS

<u>Governmental Activities: Board of Education</u>	Capital Outlay Warrants	Principal	Interest
2008	\$ -	\$ 1,107	
2009	-	1,107	
2010	-	1,107	
2011	-	1,107	
2012	270	1,101	
Thereafter	25,500	11,702	
Total Governmental Activities	\$ 25,770	\$ 17,231	

<u>Business-Type Activities – Public Building Authority</u>	Lease Revenue Warrants	Principal	Interest
2008	\$ 160	\$ 11	
2009	175	5	
Total Business-Type Activities	\$ 335	\$ 16	

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows (in thousands):

PRIMARY GOVERNMENT

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$ 57,970	\$ 16,215	\$ (5,610)	\$ 68,575	\$ 5,265
Notes payable	630	-	(630)	-	-
Subtotal	58,600	16,215	(6,240)	68,575	5,265
Less amounts deferred for:					
Issue discounts & premiums	19	(25)	1	(5)	-
Refunding losses	(175)	-	84	(91)	-
Total warrant, bonds, & notes	58,444	16,190	(6,155)	68,479	5,265
Capitalized leases	154	-	(125)	29	29
Compensated absences	2,333	2,375	(2,363)	2,345	234
Claims payable	553	407	(560)	400	40
Governmental Activities Long-Term Liabilities	\$ 61,484	\$ 18,972	\$ (9,203)	\$ 71,253	\$ 5,568
<u>Business-Type Activities:</u>					
Revenue warrants	\$ 42,025	\$ -	\$ (2,910)	\$ 39,115	\$ 3,025
Less amounts deferred for:					
Issue discounts & premiums	(542)	-	50	(492)	-
Total warrants	41,483	-	(2,860)	38,623	3,025
Landfill closure and postclosure	1,852	167	-	2,019	-
Compensated absences	194	804	(217)	781	18
Business-Type Activities Long-Term Liabilities	\$ 43,529	\$ 971	\$ (3,077)	\$ 41,423	\$ 3,043

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

COMPONENT UNITS – PUBLIC BUILDING AUTHORITY

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-Type Activities – Public Building Authority</u>					
Revenue warrants	\$495	\$ -	\$(160)	\$335	\$160
Plus amounts deferred for:					
Issue discounts & premiums	(1)	-	1	-	-
 Total Public Building Authority					
Long-Term Liabilities	\$494	\$ -	\$(159)	\$335	\$160

G. Conduit Debt Obligations

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

As of September 30, 2007, there were thirty-seven series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the nine series outstanding that were issued after September 30, 1996, was \$250,008,977. The aggregate principal amount payable for the twenty-eight series issued prior to September 30, 1996, could not be determined; however, their original issue amounts totaled \$732,455,000.

H. Fund Equity Reserves and Designations

General Fund

Reserve for inventories - represents a portion of general fund assets that do not represent available expendable financial resources.

Designated for special purposes – restricted revenues for future use related to certain expenditures.

Designated for future capital needs – restricted revenues for use related to certain capital expenditures in the subsequent year.

Designated for landfill –revenues set aside for purposes of funding operating deficit and development costs of the landfill should they occur.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Other Governmental Funds

Reserved for encumbrances - restricted monies for future payment of encumbered goods and services.

Reserved for perpetual care - funds restricted for maintenance of cemetery property.

Reserved for debt service - funds restricted to servicing debt.

I. Tax Equivalents

The Municipal Utilities Board Fund is required to pay to the City a tax equivalent which is determined by applying the current property tax rates to the Utilities' net plant in service at the end of the preceding year. The amount of tax equivalents paid to the City by the Municipal Utilities Board Fund during 2007 was \$1,436,125 by the Electric System, \$530,275 by the Natural Gas System, \$92,266 by the Wastewater System and \$526,641 by the Water System. These amounts are reported as intergovernmental revenue in the General Fund and the School Fund of the City and as operating expenses in the financial statements of the Municipal Utility Board Enterprise Fund.

J. Closure and Postclosure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will only be paid near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The total amount of \$2,019,305 reported for landfill closure and postclosure care liability at September 30, 2007 within the proprietary statement of net assets, represents the cumulative amount reported to date based on the use of 36.48 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of \$3,516,441 as the remaining capacity is filled. These costs are based on the amount required to be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of September 30, 2007. The City expects to close the landfill in the year 2032. Actual costs of closure and postclosure may be higher due to inflation, changes in technology, or changes in laws and regulations.

NOTE 5 – OTHER INFORMATION

A. Contingent Liabilities and Commitments

Litigation

The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that are not covered by insurance will not exceed \$250,000, which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2007.

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

Grants

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. As of September 30, 2007, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that future disallowed expenditures related to the unaudited grant programs, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

Construction Contracts

The City entered into various construction contracts as of September 30, 2007. The unfulfilled balance of these contracts that related to the non-major governmental funds operations are included in the “Reserve for Encumbrances” as described more fully in Note 4H.

B. Jointly Governed Organizations

Joint Ventures

The City of Decatur is involved in two joint ventures:

Decatur – Morgan County Port Authority was incorporated in 1982 for the purpose of developing the port and industrial park located in Morgan County on the Tennessee River. The Authority has a five-member board, which is appointed equally by the governing body of the City of Decatur and Morgan County. The reviewed financial statements are available at 219 East Moulton Street, Decatur, Alabama, 35601. The City has an ongoing financial responsibility and is directly obligated for the Authority’s outstanding warrants.

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

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

Jointly Governed

Decatur-Morgan County Emergency Management Agency provides measures for the mobilization, organization, and direction of the civilian population and necessary support agencies to prevent, or minimize, the effect of fire, flood, earthquake and epidemic. The officers and employees of the City and Morgan County comprise the agency. The City provided \$28,100 in appropriations during the fiscal year ending September 30, 2007.

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

NARCOG – The North Alabama Regional Council of Governments provide regional planning for the physical, economic and human resources development within North Alabama. There are three particular programs controlled by NARCOG, which the City of Decatur supports financially. These are the Aging Program, Regional Planning, and Transportation Planning. The City of Decatur contributed a total of \$44,253 to these programs during the fiscal year.

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

Morgan County Emergency Management Commission District is commonly known as 911. This seven-member board, of which the City Council appoints three members, manages the emergency phone service 911 along with other duties. The City of Decatur provided \$594,149 in appropriations during the fiscal year.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

North Central Alabama Mental Health Board provides mental health and general welfare services to the citizens of North Alabama. The Board is comprised of nine members of whom three are appointed by the City Council. The City contributed \$37,350 to the Board during the fiscal year.

North Central Alabama Mental Retardation Authority provides services to mentally disabled children. The Board is comprised of five members of whom one is appointed by the City Council. The City contributed \$13,200 to the Authority during the fiscal year.

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

C. Related Organizations

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

D. Pension Plans

The City of Decatur's defined benefit pension plan provides retirement, disability benefits and death benefits to plan members and beneficiaries. The City is affiliated with the Employees' Retirement System of Alabama (the System), an agent multiple-employer pension plan administered by the Retirement Systems of Alabama. The Retirement Systems of Alabama assigns the authority to establish and amend the benefit provisions of the plans that participate in the System to the respective employer entities. For the City of Decatur, that authority rests with the City Council with the exception of the Municipal Utilities Board Enterprise Fund, for which the Board has the authority. The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Retirement Systems of Alabama, PO Box 302150, Montgomery, Alabama, 36130-2150 or by calling (334) 832-4140.

On October 1, 2002, the Municipal Utilities Board elected to move its retirement plan to the Employee Retirement System of Alabama. Prior to this date the assets of the plan were maintained by The Municipal Utilities Board of Decatur, Morgan County, Alabama Pension Plan, and a single-employer defined benefit pension plan administered by Aetna Life Insurance Company. Among the requirements, the Board was directed to move all of its assets for current employees and the majority of its assets for retired employees to the Employees Retirement System. A small number of annuity investments for certain employees are funded in the plan and could not be transferred. These retirees are paid from these assets and their retirement benefits from RSA are adjusted accordingly. The plan is fully funded with respect to these retirees and requires no current contributions.

State correctional officers, certified full-time firefighters, and certified full-time law enforcement officers are required to contribute 6% of their annual covered salary to the plan. All other System members are required by the State of Alabama to contribute 5% of their annual covered salary to the plan. The City is required to contribute at actuarially determined rates. The rate as a percentage of annual covered payroll for the City is 11.56%, with the exception of the Municipal Utilities Board Fund, for which the rate is 16.77%. The contribution requirements of plan members are established and may be amended by the Employee's Retirement System of Alabama.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2007, the City of Decatur's annual pension cost was equal to their required and actual contributions. The required contribution was determined as part of the September 30, 2006 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of the

system's assets was determined using market values of instruments at September 30, 2006 for the City, and using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period in the years prior to September 30, 2006 and September 30, 2005, respectively. The System's unfunded actuarial accrued liability is amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2006 was twenty for the Board and the City.

	Trend Information for the System (1)		
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Decatur	9/30/06	1,926,493	100%
	9/30/05	1,844,308	100%
	9/30/04	1,627,581	100%
	9/30/03	1,376,829	100%
	9/30/02	965,488	100%
Municipal Utilities Board	9/30/06	1,177,637	100%
	9/30/05	1,167,645	100%
	9/30/04	1,129,323	100%
	9/30/03	1,055,331	100%
	9/30/02	1,197,944	100%

(1) Trend information for the year ended September 30, 2007 was not yet available from the System.

Department	Schedule of Funding Progress for the System						
	Actuarial Valuation Date(1)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Decatur	9/30/06	\$66,564,613	\$86,885,998	\$20,321,385	76.6%	\$22,206,051	91.5%
	9/30/05	63,790,804	79,255,382	15,464,578	80.5%	21,707,078	69.8%
	9/30/04	60,941,212	72,166,289	11,225,077	84.4%	21,200,230	52.2%
	9/30/03	57,761,965	68,409,110	10,647,145	84.4%	20,179,635	52.8%
	9/30/02	55,874,584	65,185,554	9,310,970	85.7%	20,487,418	45.4%
Municipal Utilities Board	9/30/06	\$21,223,330	\$34,761,112	\$13,537,782	61.1%	\$7,176,924	188.6%
	9/30/05	19,538,611	32,934,918	13,396,307	59.3%	7,339,704	181.4%
	9/30/04	17,647,774	30,560,464	12,912,690	57.7%	7,121,446	181.3%
	9/30/03	15,908,417	27,643,247	11,734,830	57.5%	7,159,805	163.9%
	9/30/02	14,308,951	25,129,839	10,820,888	56.9%	6,317,144	171.3%

(1) Trend information for the year ended September 30, 2007 was not yet available from the System.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

Component Unit

City Board of Education

The Board contributes to the Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public retirement system for the various state-supported education agencies and institutions. The plan is administered by the Retirement Systems of Alabama.

Substantially all employees of the Board are members of the Teachers' Retirement System. Membership is mandatory for covered or eligible employees of the Board. Benefits vest after ten years of creditable service. Vested employees may retire with full benefits at age sixty or after twenty-five years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method, which yields the highest monthly benefit. The methods are: (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers' Retirement System was established October 1, 1939, under the provisions of Act Number 419, of the Legislature of 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently fourteen members). Benefit provisions are established by the Code of Alabama 1975, Section 16-25-1 through Section 16-25-170, as amended, and Section 36-27B-1 through Section 36-27B-5, as amended.

Employees of the Board are required to contribute 5% of their salary to the Teachers' Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers' Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriations bill. The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

	Fiscal Year Ended September 30,		
	2007	2006	2005
Total percentage of payroll	14.376%	13.17%	12.03%
Contributions:			
Percentage contributed by the Board	9.36%	8.17%	7.03%
Percentage contributed by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	\$ 4,378,759	\$ 3,565,559	\$ 2,883,110
Amount contributed by employees	2,339,081	2,182,105	2,050,576
Total Contributions	\$ 6,717,840	\$ 5,747,664	\$ 4,933,686

E. Post-Retirement Health Plan

The City of Decatur provides post employment health, dental and vision care benefits to each permanent full-time employee who has twenty-five years of qualified service or reaches age sixty (60) with at least ten years under the state requirements of service with the City of Decatur and retires from the City of Decatur through the Employees Retirement System of the State of Alabama (ERS), prior to the age of sixty-five (65) and whose effective date of retirement, as approved by the ERS, falls on or after July 1, 1995.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

Between July 1, 1995 and September 1, 1998, limited opportunities for insurance benefits for retirees were offered to full time employees who had attained age fifty-five and could retire through ERS prior to age sixty-five whereby the City would pay a portion of the monthly premium for Medical and Dental insurance until the retiree reaches age sixty-five. The portion paid by the City is equal to that being paid for active employees. All insurance benefits ceased at age sixty-five or Medicare eligibility.

Effective October 1, 1998, any employee, regardless of age, who qualified for retirement with at least twenty-five years of service or age sixty with at least ten years service with the City of Decatur qualified for medical and dental insurance benefits. (After adoption of the State Employees' Insurance benefit, the minimum ten (10) years service with the City of Decatur was dropped. Now, if eligible to retire through ERS, retiree is eligible for insurance benefits regardless of years of service with City.) The portion paid by the City is equal to that being paid for active employees. As of July 1, 2004, vision coverage was added as a benefit. The medical insurance continues as a secondary insurance to Medicare and the City continues to pay a reduced premium for the retirees insurance.

Currently eighty-five (85) retirees are eligible to participate and eighty-three (83) retirees eligible have elected to have the City pay a portion of the monthly premium for medical, dental and vision (where applicable) insurance until such time that the retiree reaches the age of sixty-five (65). Thirty-two (32) of these retirees have single coverage and make no payment toward this coverage. The remaining fifty-one (51) have family coverage and pay \$100 per month for the coverage, unless Medicare is involved, in which case, they will pay the State Employee's Insurance benefit Medicare rate.

In addition, when an eligible retiree reaches Medicare eligibility, the City will continue to pay for the medical insurance (at a reduced rate) with Medicare becoming primary. On September 30, 2007, there were thirty-five retirees eligible and receiving the benefit, at a cost to the City of \$9,870 monthly.

The cost of retiree health care benefits is recognized as an expenditure as premiums are paid. During the year, expenditures of \$897,027 were recognized for post-employment health care.

The Municipal Utilities Board Enterprise Fund provides post-employment benefits other than pension benefits to all full time employees who retire as an eligible participant in the qualified retirement plan and who are age 55 or older. Benefits provided retirees at September 30, 2007 include:

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

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

At September 30, 2007, approximately seventy-three employees were receiving benefits. The cost of postretirement benefits other than pension benefits is included within the total benefit expenditures, and cannot be separately determined.

Component Units

The Board of Education and *The Public Building Authority* do not provide post-employment benefits.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2007

NOTE 5 – OTHER INFORMATION – CONTINUED

F. Risk Financing Programs

The City elected to retain risk related to the employees' health and dental insurance for the first time beginning December 1, 1999. Then, on January 1, 2002 the City elected to no longer retain the health insurance risk and purchased health insurance. The City currently pays premiums to the State Employee Insurance Board. However, the City still retains the risk for the period under the health self-insurance. The amount of outstanding claims liability remaining as of September 30, 2007 is insignificant and immaterial to the City's statements as a whole.

The City has chosen to finance risks associated with workers compensation coverage through the City's general fund. The City maintains insurance coverage for individual claims in excess of \$250,000 or an aggregate of 115% of annual standard premium. Claims liabilities are based on estimated claim settlements.

Changes in the balance of Workers' Compensation insurance claims liability are as follows:

	September 30,	
	2007	2006
Unpaid claims, beginning of year	\$ 553,153	\$ 417,378
Incurred claims	220,859	519,976
Less claim payments	(368,742)	(384,201)
Unpaid claims, end of year	\$ 405,270	\$ 553,153

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

G. GASB Accounting Pronouncements

The City plans to adopt GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, required for fiscal periods beginning after December 15, 2007 for phase 2 governments (those with more than \$10 million but less than \$100 million in total revenues), in fiscal 2008. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other non-pension benefits.

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

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SUPPLEMENTAL INFORMATION

**CITY OF DECATUR
GENERAL FUND
BALANCE SHEET
September 30, 2007**

ASSETS

Cash & cash equivalents	\$ 10,854,338
Cash with fiscal agent	662,325
Investments, at cost	9,395,544
Receivables (net of allowances):	
Accounts	294,391
Taxes	2,899,993
Accrued interest	37,798
Due from other funds	744,908
Due from other governmental entities	1,011,458
Deposits	62,005
Inventories	16,368
	<hr/>
Total assets	\$ 25,979,128
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,243,064
Accrued liabilities	982,176
Due to other governmental entities	42,755
Deferred revenue	168,795
Other	266,612
	<hr/>
Total liabilities	2,703,402
	<hr/>

FUND BALANCE

Reserved for inventories	16,368
Unreserved	
Designated for Encumbrances	40,000
Designated for Special purposes	8,491,935
Designated for Future capital needs	139,199
Designated for Landfill	1,148,037
Designated for other purposes	1,496
Undesignated	13,438,691
	<hr/>
Total fund balance	23,275,726
	<hr/>
Total liabilities and fund balance	\$ 25,979,128
	<hr/> <hr/>

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET & ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 34,350,176	\$ 34,350,176	\$ 36,129,725	\$ 1,779,549
Licenses and permits	5,576,870	5,576,870	5,820,517	243,647
Fines and forfeitures	970,310	970,310	841,767	(128,543)
Revenues from money and property	1,046,081	1,046,081	1,285,316	239,235
Charges for services	3,644,059	3,644,059	3,711,980	67,921
Intergovernmental	5,725,003	6,760,620	7,007,328	246,708
Other revenues	312,894	265,460	262,942	(2,518)
Total revenues	51,625,393	52,613,576	55,059,575	2,445,999
EXPENDITURES				
Current				
General government	3,960,418	3,994,027	3,594,568	399,459
Public safety	19,214,115	19,374,880	18,856,376	518,504
Public works	7,178,789	7,227,614	6,564,973	662,641
Public services	8,325,652	8,797,314	8,917,467	(120,153)
Intergovernmental assistance	4,604,367	4,631,057	3,627,239	1,003,818
Community services contracts	2,477,777	2,668,510	2,780,387	(111,877)
Debt service:				
Principal	2,862,043	3,492,006	3,139,555	352,451
Interest and fiscal charges	1,827,356	1,836,753	2,135,646	(298,893)
Total expenditures	50,450,517	52,022,161	49,616,211	2,405,950
Excess of revenues over expenditures	1,174,876	591,415	5,443,364	4,851,949
OTHER FINANCING SOURCES (USES)				
Operating transfers in	51,357	684,357	702,845	18,488
Operating transfers out	(1,159,036)	(3,788,593)	(3,765,206)	23,387
Total other financing sources (uses)	(1,107,679)	(3,104,236)	(3,062,361)	41,875
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	67,197	(2,512,821)	2,381,003	4,893,824
Fund balance, beginning	20,894,723	20,894,723	20,894,723	-
Fund balance, ending	\$ 20,961,920	\$ 18,381,902	23,275,726	\$ 4,893,824

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007**

Page 1 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$ 25,531,543	\$ 25,531,543	\$ 26,646,824	\$ 1,115,281
Ad valorem	2,448,285	2,448,285	2,564,369	116,084
Other	6,370,348	6,370,348	6,918,532	548,184
Total	34,350,176	34,350,176	36,129,725	1,779,549
Licenses and permits				
Motor Vehicle	172,691	172,691	185,365	12,674
Business Licenses and Permits	4,625,775	4,625,775	4,724,867	99,092
Building Permits and Inspection Fees	778,404	778,404	910,285	131,881
Total	5,576,870	5,576,870	5,820,517	243,647
Fines and forfeitures	970,310	970,310	841,767	(128,543)
Revenues from money and property				
Interest	964,378	964,378	1,198,035	233,657
Other	81,703	81,703	87,281	5,578
Total	1,046,081	1,046,081	1,285,316	239,235
Charges for current services				
Recreation	383,781	383,781	381,988	(1,793)
Animal shelter	18,168	18,168	18,708	540
General government	335,744	335,744	482,017	146,273
Public safety	168,596	168,596	144,371	(24,225)
Public works	2,682,794	2,682,794	2,636,072	(46,722)
Cemetary	53,075	53,075	46,275	(6,800)
Old bank	1,582	1,582	2,206	624
Youth services	319	319	343	24
Total	3,644,059	3,644,059	3,711,980	67,921
Intergovernmental				
Tax equivalents	4,934,294	6,196,817	6,444,535	247,718
Federal Government Grants	-	13,329	20,829	7,500
State Shared Taxes	790,709	530,474	541,964	11,490
State contributions	-	20,000	-	(20,000)
Total	5,725,003	6,760,620	7,007,328	246,708
Other revenues	312,894	265,460	262,942	(2,518)
TOTAL REVENUES	51,625,393	52,613,576	55,059,575	2,445,999

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007**

Page 2 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
General Government				
Mayor and Council				
Personal services	244,980	244,980	243,034	1,946
Operating expenses	41,150	42,850	43,123	(273)
Total	286,130	287,830	286,157	1,673
Legal Services				
Personal services	332,000	332,000	325,086	6,914
Operating expenses	90,695	95,295	63,366	31,929
Total	422,695	427,295	388,452	38,843
Municipal Court				
Personal services	469,755	469,755	448,804	20,951
Operating expenses	61,200	63,000	36,063	26,937
Total	530,955	532,755	484,867	47,888
City Clerk				
Personal services	372,660	379,682	367,629	12,053
Operating expenses	60,627	60,627	46,297	14,330
Total	433,287	440,309	413,926	26,383
Revenue department				
Personal services	248,902	248,902	200,942	47,960
Operating expenses	65,250	65,750	47,137	18,613
Total	314,152	314,652	248,079	66,573
Finance department				
Personal services	542,709	560,146	547,861	12,285
Operating expenses	54,600	54,750	31,714	23,036
Total	597,309	614,896	579,575	35,321
Public building				
Personal services	117,940	117,940	110,864	7,076
Operating expenses	522,574	522,574	482,879	39,695
Total	640,514	640,514	593,743	46,771
Community development				
Personal services	556,676	556,676	491,201	65,475
Operating expenses	178,700	179,100	108,568	70,532
Total	735,376	735,776	599,769	136,007
Total general government	3,960,418	3,994,027	3,594,568	399,459

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007**

Page 3 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Fire				
Personal services	7,203,420	7,203,420	7,173,258	30,162
Operating expenses	691,650	767,143	771,305	(4,162)
Total	7,895,070	7,970,563	7,944,563	26,000
Inspection				
Personal services	719,865	719,865	705,353	14,512
Operating expenses	86,300	86,300	55,144	31,156
Total	806,165	806,165	760,497	45,668
Police				
Personal services	9,050,169	9,018,296	8,713,772	304,524
Operating expenses	1,462,711	1,579,856	1,437,544	142,312
Total	10,512,880	10,598,152	10,151,316	446,836
Total public safety	19,214,115	19,374,880	18,856,376	518,504
Public Works				
Director				
Personal services	378,603	384,303	380,389	3,914
Operating expenses	102,300	104,600	129,683	(25,083)
Total	480,903	488,903	510,072	(21,169)
Streets				
Personal services	1,954,251	1,955,451	1,856,646	98,805
Operating expenses	1,078,525	1,096,725	896,489	200,236
Total	3,032,776	3,052,176	2,753,135	299,041
Engineering				
Personal services	187,181	187,181	155,378	31,803
Operating expenses	103,300	103,300	32,676	70,624
Total	290,481	290,481	188,054	102,427
Sanitation				
Personal services	1,644,428	1,644,428	1,535,857	108,571
Operating expenses	1,730,201	1,751,626	1,577,855	173,771
Total	3,374,629	3,396,054	3,113,712	282,342
Total public works	7,178,789	7,227,614	6,564,973	662,641

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007**

Page 4 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Services				
Animal Shelter				
Personal services	295,631	318,909	312,572	6,337
Operating expenses	91,207	105,902	97,628	8,274
Total	386,838	424,811	410,200	14,611
Park and recreation				
Personal services	3,170,905	3,272,207	3,107,992	164,215
Operating expenses	2,710,033	3,008,788	3,383,789	(375,001)
Total	5,880,938	6,280,995	6,491,781	(210,786)
Landscape and beautification				
Personal services	618,156	618,156	523,396	94,760
Operating expenses	422,573	432,205	501,863	(69,658)
Total	1,040,729	1,050,361	1,025,259	25,102
Cemetary				
Personal services	98,332	98,332	103,433	(5,101)
Operating expenses	75,648	80,648	78,812	1,836
Total	173,980	178,980	182,245	(3,265)
Business development board				
Personal services	43,077	43,077	43,087	(10)
Operating expenses	30,550	30,550	16,513	14,037
Total	73,627	73,627	59,600	14,027
Youth services				
Personal services	192,978	192,978	195,029	(2,051)
Operating expenses	294,186	308,186	319,731	(11,545)
Total	487,164	501,164	514,760	(13,596)
Culture				
Cultural Facilities	161,000	166,000	156,515	9,485
Old Bank	110,096	110,096	76,286	33,810
Historic Preservation Commission	11,280	11,280	821	10,459
Total	282,376	287,376	233,622	53,754
Total public services	8,325,652	8,797,314	8,917,467	(120,153)

CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007

Page 5 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Intergovernmental assistance</i>				
Garage				
Personal services	489,067	489,067	395,085	93,982
Operating expenses	61,350	62,590	59,892	2,698
Total	550,417	551,657	454,977	96,680
Purchasing				
Personal services	129,406	129,406	129,330	76
Operating expenses	27,700	27,700	11,431	16,269
Total	157,106	157,106	140,761	16,345
Information services				
Personal services	447,861	447,861	438,050	9,811
Operating expenses	525,650	525,650	370,727	154,923
Total	973,511	973,511	808,777	164,734
Miscellaneous				
Workman's compensation	750,000	750,000	585,469	164,531
Insurance	265,000	265,000	226,188	38,812
Other	1,553,035	1,575,035	1,100,530	474,505
Total	2,568,035	2,590,035	1,912,187	677,848
Planning department				
Personal services	247,229	247,229	246,490	739
Operating expenses	59,050	62,500	31,201	31,299
Total	306,279	309,729	277,691	32,038
Safety				
Personal services	1,334	1,334	833	501
Operating expenses	47,685	47,685	32,013	15,672
Total	49,019	49,019	32,846	16,173
<i>Total Intergovernmental assistance</i>	4,604,367	4,631,057	3,627,239	1,003,818

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007**

Page 6 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Service Contracts				
Wheeler Basin Regional Library Board	360,000	360,000	360,000	-
Morgan County Emergency Management Dist.	594,149	594,149	594,149	-
Decatur-Morgan County Emergency Mgt. Agency	28,100	28,100	28,100	-
NARCOG:				
Regional Planning	21,153	16,153	16,153	-
Senior Aid Program	1,000	2,000	2,000	-
Transport Planning	24,865	26,100	26,100	-
NCA Mental Health Board	20,350	20,350	20,350	-
NCA Mental Health Board - Facets	17,000	17,000	17,000	-
Economic Development Association	80,000	193,498	193,498	-
NCA Mental Retardation Center, Inc.	13,200	13,200	13,200	-
Tennessee Valley Rehabilitation Center, Inc.	10,000	10,000	10,000	-
Morgan County Health Department	150,000	150,000	150,000	-
Morgan County Commission	150,000	150,000	150,000	-
Community Action and Community Development Agency of North Alabama:				
Meals on Wheels	20,000	20,000	20,000	-
Foster Grandparents	15,000	15,000	15,000	-
Carnegie Library	-	-	-	-
Princess Theatre	70,000	70,000	70,000	-
Decatur-Morgan County Seniors' Council, Inc.	62,000	62,000	62,000	-
Decatur Convention and Visitors' Bureau	522,000	522,000	648,577	(126,577)
Chamber of Commerce:				
BRAC	10,000	10,000	10,000	-
Beautification Board	20,000	20,000	20,000	-
Community Business Development Board	30,000	30,000	30,000	-
Cornerstone	40,000	40,000	40,000	-
Morgan County Rescue Squad	10,000	10,000	10,000	-
Main Street of Decatur	35,000	35,000	20,300	14,700
Hospice of the Valley	5,500	5,500	5,500	-
American Red Cross	5,500	5,500	5,500	-
Pryor Field Airport Authority	30,000	30,000	30,000	-
ARC of Morgan County	7,160	7,160	7,160	-
Volunteer Center	11,000	11,000	11,000	-
PACT	5,000	5,000	5,000	-
System of Services	4,800	4,800	4,800	-
Free Health Clinic	50,000	50,000	50,000	-
Morgan County Child Advocacy Center	25,000	25,000	25,000	-
Junior Achievement	5,000	5,000	5,000	-
Downtown Redevelopment Authority	-	80,000	80,000	-
Hospice of the Valley Capital Campaign	25,000	25,000	25,000	-
Total Community Services Contract	2,477,777	2,668,510	2,780,387	(111,877)
Debt Service Expenditures	4,689,399	5,328,759	5,275,201	53,558
TOTAL EXPENDITURES	50,450,517	52,022,161	49,616,211	2,405,950
Excess (deficiency) of revenues over expenditures	1,174,876	591,415	5,443,364	4,851,949

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BY ACTIVITY
For the Year Ended September 30, 2007**

Page 7 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Operating transfers in	51,357	684,357	702,845	18,488
Operating transfers out	(1,159,036)	(3,788,593)	(3,765,206)	23,387
Total other financing sources (uses)	(1,107,679)	(3,104,236)	(3,062,361)	41,875
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	67,197	(2,512,821)	2,381,003	4,893,824
Fund balance, beginning	20,894,723	20,894,723	20,894,723	-
Fund balance, ending	\$ 20,961,920	\$ 18,381,902	23,275,726	\$ 4,893,824

CITY OF DECATUR
 NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
 COMBINING BALANCE SHEET
 September 30, 2007

	Special Revenue Funds										Capital Projects Fund			Debt Service Funds			Total Nonmajor Governmental Funds
	7 Cent Gas Tax	4 & 5 Cent Gas Tax	Community Development	Personnel Board	Municipal Court	Heritage Trust	Corrections	Docket Fees	Drug Seizure	Room Occupancy	Perpetual Care	Improvements Fund	Capital	Crossings Warrant Fund	Public Port & Infrastructure Warrants Fund		
ASSETS																	
Cash & investments, at cost	\$ 136,129	\$ 323,078	\$ 164,890	\$ 197,304	\$ 105,145	\$ 801,480	\$ 699,346	\$ 42,849	\$ 108,081	\$ 107,771	\$ 32,855	\$ 3,080,016	\$ -	\$ -	\$ 845,437	\$ 6,644,381	
Investments, at cost	350,000	300,000	-	-	-	-	-	-	-	-	700,000	-	-	-	-	1,350,000	
Receivables (net of allowances)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accounts	-	-	80,242	-	130	-	-	-	-	-	-	-	-	-	-	80,372	
Notes	-	-	428,043	-	-	-	-	-	-	-	-	-	-	-	-	428,043	
Accrued interest	15,982	14,269	-	-	-	-	-	-	-	-	1,791	-	-	-	-	32,042	
Taxes	-	-	-	-	-	-	-	-	-	46,519	-	-	-	-	-	46,519	
Due from governmental entities	13,385	29,296	160,738	-	-	-	-	-	1,488	-	-	-	-	-	-	204,907	
Total assets	\$ 515,496	\$ 666,643	\$ 833,913	\$ 197,304	\$ 105,275	\$ 801,480	\$ 699,346	\$ 42,849	\$ 109,569	\$ 154,290	\$ 734,646	\$ 3,080,016	\$ -	\$ -	\$ 845,437	\$ 8,786,264	
LIABILITIES																	
Accounts payable	-	-	46,339	12,202	62,145	1,450	11,656	266	3,083	52,794	-	178,114	-	-	-	368,049	
Accrued liabilities	-	-	2,416	9,306	31,895	-	2,200	-	-	-	-	30,000	-	-	-	75,817	
Contract retainages	-	-	19,846	-	-	-	-	-	-	-	-	-	-	-	-	19,846	
Due to other funds	-	-	44,749	22,292	-	-	-	-	-	439,066	-	-	-	-	-	506,107	
Due to other governmental entities	-	-	-	-	11,235	-	-	-	-	-	-	-	-	-	-	11,235	
Deferred revenue	-	-	510,092	-	-	-	-	-	-	-	-	-	-	-	-	510,092	
Other	-	-	-	-	-	-	-	-	-	-	-	11,306	-	-	-	11,306	
Total liabilities	-	-	623,442	43,800	105,275	1,450	13,856	266	3,083	491,860	-	219,420	-	-	-	1,502,452	
FUND BALANCES																	
Reserved for:																	
Encumbrances	-	-	72,383	-	-	27,780	-	-	-	-	-	523,901	-	-	-	624,064	
Perpetual care	-	-	-	-	-	-	-	-	-	-	734,646	-	-	-	-	734,646	
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	845,437	-	845,437	
Unreserved & undesignated	515,496	666,643	138,088	153,504	-	772,250	685,490	42,583	106,486	(337,570)	-	2,336,695	-	-	-	5,073,665	
Total fund balance (deficit)	515,496	666,643	210,471	153,504	-	800,030	685,490	42,583	106,486	(337,570)	734,646	2,860,596	-	-	845,437	7,283,812	
Total liabilities and fund balance	\$ 515,496	\$ 666,643	\$ 833,913	\$ 197,304	\$ 105,275	\$ 801,480	\$ 699,346	\$ 42,849	\$ 109,569	\$ 154,290	\$ 734,646	\$ 3,080,016	\$ -	\$ -	\$ 845,437	\$ 8,786,264	

CITY OF DECATUR
 NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended September 30, 2007

	Special Revenue Funds										Capital Projects Funds			Debt Service Funds			Total Nonmajor Governmental Funds
	7 Cent Gas Tax	4 & 5 Cent Gas Tax	Community Development	Personnel Board	Municipal Court	Heritage Trust	Corrections	Docket Fees	Drug Seizure	Room Occupancy	Perpetual Care	Capital Improvements Fund	Crossings Warrant Fund	Public Port & Infrastructure Warrants Fund			
REVENUE																	
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Fines & forfeitures	20,507	20,889	-	-	-	306,771	16,269	-	-	-	-	-	-	-	-	323,040	
Revenues from money & property	148,071	330,736	1,828,928	-	-	32,858	-	5,014	-	69,774	162,797	-	-	-	-	311,839	
Intergovernmental	-	-	-	-	-	366,604	-	33,665	-	-	170,060	-	-	856,875	-	3,734,939	
Gifts & donations	-	-	-	-	-	-	-	-	-	-	250,030	-	-	-	-	250,030	
Other revenues	-	-	203,307	64	-	-	-	-	-	-	-	-	-	-	-	203,371	
Total revenues	188,578	351,625	2,032,235	64	-	366,604	339,629	38,679	405,199	69,774	582,887	-	-	856,875	-	5,228,418	
EXPENDITURES																	
Current																	
General government	-	-	-	-	-	-	136,054	-	-	-	29,926	-	-	-	-	173,293	
Public safety	-	-	-	-	-	80,803	167,480	28,728	-	-	269,182	-	-	-	-	546,193	
Public works	36,465	-	-	-	-	-	-	-	-	-	512,778	-	-	-	-	549,243	
Community development	-	-	-	-	-	-	-	-	-	-	940,230	-	-	-	-	940,230	
Personnel board	-	-	1,647,028	540,514	-	-	-	-	-	-	-	-	-	-	-	1,647,028	
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	540,514	
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt issuance costs	-	-	-	-	-	-	-	-	106,919	-	-	-	317,106	-	-	805,000	
Capital projects construction and outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	454,560	
	-	-	-	-	-	163,294	-	-	229,707	-	-	-	59,737	-	-	1,000	
Total expenditures	36,465	-	1,647,028	540,514	-	244,097	303,534	28,728	336,626	-	1,752,116	-	376,843	836,535	-	6,109,799	
Excess (deficiency) of revenues over expenditures	132,113	351,625	385,207	(540,450)	-	122,507	36,095	8,956	9,951	68,573	(1,169,229)	(376,843)	(376,843)	20,340	(881,381)		
OTHER FINANCING SOURCES (USES)																	
Transfers in	-	-	157,337	574,048	-	-	-	-	-	-	2,613,360	-	376,003	-	-	3,722,748	
Transfers (out)	-	-	-	-	-	-	-	-	-	(39,724)	(504,295)	-	-	-	-	(544,019)	
Total other financing sources (uses)	-	-	157,337	574,048	-	-	-	-	-	(39,724)	2,109,065	-	376,003	-	-	3,178,729	
Net change in fund balance	132,113	351,625	542,544	33,598	-	122,507	36,095	8,956	9,951	68,573	939,836	1,160	1,160	20,340	2,297,348		
Fund balance (deficit), beginning	383,383	315,018	(332,073)	119,906	-	677,523	649,395	33,627	(406,143)	704,596	1,920,760	(1,160)	(1,160)	825,097	4,986,464		
Fund balance (deficit), ending	515,496	666,643	210,471	153,504	\$ -	800,030	685,490	42,583	(337,570)	734,646	2,860,596	\$ -	\$ -	845,437	7,283,812		

**CITY OF DECATUR
7 CENT GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 147,497	\$ 147,497	\$ 148,071	\$ 574
Revenues from money and property	6,052	6,052	20,507	14,455
Total revenues	153,549	153,549	168,578	15,029
Expenditures				
Operating expenses	21,049	21,049	-	21,049
Capital outlay	100,057	100,057	36,465	63,592
Total expenditures	121,106	121,106	36,465	84,641
Net change in fund balance	32,443	32,443	132,113	99,670
Fund balance, beginning	383,383	383,383	383,383	-
Fund balance, ending	\$ 415,826	\$ 415,826	\$ 515,496	\$ 99,670

**CITY OF DECATUR
4 & 5 CENT GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 330,145	\$ 330,145	\$ 330,736	\$ 591
Revenues from money and property	3,000	3,000	20,889	17,889
Total revenues	333,145	333,145	351,625	18,480
Expenditures				
Operating expenses	333,145	333,145	-	333,145
Total expenditures	333,145	333,145	-	333,145
Net change in fund balance	-	-	351,625	351,625
Fund balance, beginning	315,018	315,018	315,018	-
Fund balance, ending	\$ 315,018	\$ 315,018	\$ 666,643	\$ 351,625

**CITY OF DECATUR
PERSONNEL BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	\$ -	\$ 64	\$ 64
Total revenues	-	-	64	64
Expenditures				
Personal services	383,348	383,348	381,562	1,786
Operating expenses	190,700	190,700	158,952	31,748
Total expenditures	574,048	574,048	540,514	33,534
Excess (deficiency) of revenues over expenditures	(574,048)	(574,048)	(540,450)	33,598
Other financing sources				
Operating transfers in	574,048	574,048	574,048	-
Total other financing sources (uses)	574,048	574,048	574,048	-
Net change in fund balance	-	-	33,598	33,598
Fund balance, beginning	119,906	119,906	119,906	-
Fund balance, ending	\$ 119,906	\$ 119,906	\$ 153,504	\$ 33,598

**CITY OF DECATUR
HERITAGE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 317,853	\$ 317,853	\$ 366,604	\$ 48,751
Total revenues	317,853	317,853	366,604	48,751
Expenditures				
Operating expenses	-	254,803	80,803	174,000
Capital outlay	-	433,000	163,294	269,706
Total expenditures	-	687,803	244,097	443,706
Excess (deficiency) of revenues over expenditures	317,853	(369,950)	122,507	492,457
Other financing sources (uses)				
Operating transfers (out)	(72,168)	(72,168)	-	72,168
Total other financing sources (uses)	(72,168)	(72,168)	-	72,168
Net change in fund balance	245,685	(442,118)	122,507	564,625
Fund balance, beginning	677,523	677,523	677,523	-
Fund balance, ending	\$ 923,208	\$ 235,405	\$ 800,030	\$ 564,625

**CITY OF DECATUR
CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 363,933	\$ 363,933	\$ 306,771	\$ (57,162)
Revenues from money and property	19,136	19,136	32,858	13,722
Total revenues	383,069	383,069	339,629	(43,440)
Expenditures				
Personal services	122,940	122,940	128,986	(6,046)
Operating expenses	258,967	258,967	174,548	84,419
Total expenditures	381,907	381,907	303,534	78,373
Excess (deficiency) of revenues over expenditures	1,162	1,162	36,095	34,933
Net change in fund balance	1,162	1,162	36,095	34,933
Fund balance, beginning	649,395	649,395	649,395	-
Fund balance, ending	\$ 650,557	\$ 650,557	\$ 685,490	\$ 34,933

**CITY OF DECATUR
DOCKET FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 19,635	\$ 19,635	\$ 16,269	\$ (3,366)
Total revenues	19,635	19,635	16,269	(3,366)
Expenditures				
Operating expenses	19,635	19,635	7,313	12,322
Total expenditures	19,635	19,635	7,313	12,322
Net change in fund balance	-	-	8,956	8,956
Fund balance, beginning	33,627	33,627	33,627	-
Fund balance, ending	\$ 33,627	\$ 33,627	\$ 42,583	\$ 8,956

**CITY OF DECATUR
DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 53,621	\$ 53,621	\$ 33,665	\$ (19,956)
Revenues from money and property	2,206	2,206	5,014	2,808
Total revenues	55,827	55,827	38,679	(17,148)
Expenditures				
Operating expenses	76,000	73,000	28,728	44,272
Capital outlay	17,000	17,000	-	17,000
Total expenditures	93,000	90,000	28,728	61,272
Excess (deficiency) of revenues over expenditures	(37,173)	(34,173)	9,951	44,124
Other financing sources (uses)				
Operating transfers (out)	-	(3,000)	-	3,000
Total other financing sources (uses)	-	(3,000)	-	3,000
Net change in fund balance	(37,173)	(37,173)	9,951	47,124
Fund balance, beginning	96,535	96,535	96,535	-
Fund balance, ending	\$ 59,362	\$ 59,362	\$ 106,486	\$ 47,124

**CITY OF DECATUR
ROOM OCCUPANCY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2007**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and Payments in lieu of taxes	\$ 357,654	\$ 357,654	\$ 405,199	\$ 47,545
Total revenues	357,654	357,654	405,199	47,545
Expenditures				
Operating expenses	224,198	106,919	106,919	-
Capital outlay	-	224,198	229,707	(5,509)
Total expenditures	224,198	331,117	336,626	(5,509)
Excess (deficiency) of revenues over expenditures	133,456	26,537	68,573	42,036
Net change in fund balance	133,456	26,537	68,573	42,036
Fund balance, beginning	(406,143)	(406,143)	(406,143)	-
Fund balance, ending	\$ (272,687)	\$ (379,606)	\$ (337,570)	\$ 42,036

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2007**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash & investments, at cost	\$ 153,363	\$ 9,206,538	\$9,359,901
Investments, at cost	-	4,000,000	4,000,000
Receivables (net of allowance)			
Accounts	51,408	701,651	753,059
Accrued interest	-	8,809	8,809
Inventories, at cost	18,536	9,785	28,321
Total current assets	223,307	13,926,783	14,150,090
Noncurrent assets			
Capital assets:			
Land	173,940	1,241,799	1,415,739
Buildings	6,614,177	899,112	7,513,289
Improvements other than buildings	6,543,783	8,350,762	14,894,545
Furniture & equipment	1,104,448	3,187,524	4,291,972
Construction work in progress	-	84,076	84,076
Less accumulated depreciation	(7,841,202)	(9,231,053)	(17,072,255)
Total capital assets (net of accumulated depreciation)	6,595,146	4,532,220	11,127,366
Total noncurrent assets	6,595,146	4,532,220	11,127,366
Total assets	6,818,453	18,459,003	25,277,456
LIABILITIES			
Current liabilities			
Accounts payable	139,745	182,330	322,075
Accrued liabilities	16,568	11,089	27,657
Compensated absences	3,580	14,014	17,594
Total current liabilities	159,893	207,433	367,326
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,019,305	2,019,305
Compensated absences	32,215	126,123	158,338
Total noncurrent liabilities	32,215	2,145,428	2,177,643
Total liabilities	192,108	2,352,861	2,544,969
NET ASSETS			
Invested in capital assets, net of related debt	6,595,146	4,532,220	11,127,366
Unrestricted	31,199	11,573,922	11,605,121
Total net assets	\$ 6,626,345	\$ 16,106,142	\$ 22,732,487

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2007**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating revenue			
Charges for services	\$ -	\$ 4,920,629	\$ 4,920,629
Premiums & fees	3,231,385	-	3,231,385
Total operating revenue	3,231,385	4,920,629	8,152,014
Operating expenses			
Personnel, operations & maintenance	762,289	2,507,169	3,269,458
Closure and postclosure costs	-	167,658	167,658
Depreciation and amortization	573,814	687,058	1,260,872
Administrative costs	2,709,716	-	2,709,716
Total operating expenses	4,045,819	3,361,885	7,407,704
Operating income (loss)	(814,434)	1,558,744	744,310
Nonoperating revenue (expenses)			
Interest income	-	603,547	603,547
Intergovernmental	-	(33,121)	(33,121)
Gain on disposition of assets	-	41,450	41,450
Miscellaneous revenue	14,611	33,623	48,234
Total nonoperating revenue	14,611	645,499	660,110
Income (loss) before contributions, transfers & special items	(799,823)	2,204,243	1,404,420
Transfers in	457,695	-	457,695
Transfers (out)	-	(33,121)	(33,121)
Change in net assets	(342,128)	2,171,122	1,828,994
Total net assets, beginning	6,968,473	13,935,020	20,903,493
Total net assets, ending	\$ 6,626,345	\$ 16,106,142	\$ 22,732,487

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007**

	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating activities			
Receipts from customers and users	\$ 3,187,312	\$ 4,643,011	\$ 7,830,323
Other operating cash receipts	-	33,626	33,626
Payments to suppliers	(3,447,637)	(1,888,958)	(5,336,595)
Payments to employees	(53,890)	(619,297)	(673,187)
Payments for interfund services	10,057	(21)	10,036
Non-operating cash receipts	-	(400)	(400)
Net cash provided (used) by operating activities	(304,158)	2,167,961	1,863,803
Noncapital financing activities			
Operating transfers in	457,695	-	457,695
Operating transfers (out)	-	(33,121)	(33,121)
Net cash provided (used) by noncapital financing activities	457,695	(33,121)	424,574
Capital and related financing activities			
Acquisition and construction of capital assets	(126,929)	(533,883)	(660,812)
Proceeds from sale of capital assets	-	41,450	41,450
Principal payments on capital leases	-	-	-
Interest paid on capital leases	-	-	-
Net cash used by capital and related financing activities	(126,929)	(492,433)	(619,362)
Investing activities			
Purchase of investments	-	(4,000,000)	(4,000,000)
Interest received	14,611	603,547	618,158
Net cash provided by investing activities	14,611	(3,396,453)	(3,381,842)
Net increase in cash and cash equivalents	41,219	(1,754,046)	(1,712,827)
Cash and cash equivalents, beginning	112,144	10,960,584	11,072,728
Cash and cash equivalents, ending	\$ 153,363	\$ 9,206,538	\$ 9,359,901
Operating income (loss)	\$ (814,435)	\$ 1,558,741	\$ 744,306
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	573,815	687,058	1,260,873
Miscellaneous items	-	168,163	168,163
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(44,073)	(277,616)	(321,689)
Accounts payable	30,950	2,542	33,492
Contract retainages	-	-	-
Inventory	(2,968)	3,825	857
Due to (from) other funds	9,410	(21)	9,389
Accrued liabilities	(57,504)	25,669	(31,835)
Deferred revenue	-	(400)	(400)
Other items	647	-	647
Net cash provided (used) by operating activities	\$ (304,158)	\$ 2,167,961	\$ 1,863,803

SINGLE AUDIT SECTION



Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Decatur, Alabama (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Beason & Nalley, Inc.
101 Monroe Street
Huntsville, Alabama
35801-4829

Tel: 256.533.1720
800.416.1946
Fax: 256.534.8558

www.beasonnalley.com

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report is intended for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Huntsville, Alabama

March 31, 2008



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

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

We have audited the financial statements of the City of Decatur, Alabama (the City) as of and for the year ended September 30, 2007, and have issued our report thereon dated March 31, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

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101 Monroe Street
Huntsville, Alabama
35801-4829

Tel: 256.533.1720
800.416.1946ax:
Fax: 256.533.8558

www.beasonnalley.com

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 31, 2008.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Season Valley, Inc." The signature is written in black ink and is positioned above the printed name of the company.

Huntsville, Alabama

March 31, 2008

City of Decatur, Alabama
Schedule of Expenditures of Federal Awards
September 30, 2007

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Cooperative Forestry Assistance	10.664	05-DG-11083150-020	\$ 13,197
Passed Through Alabama Department of Education:			
Summer Food Service Program	10.559	AGQ-000	<u>94,005</u>
			<u>107,202</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Alabama Department of Homeland Security:			
State Homeland Security Grant Program	97.067	6SMA	9,198
Passed Through Emergency Preparedness and Response Directorate's Assistance:			
Firefighters Grant Program	97.044	EMW-2005-FP-00163	<u>10,000</u>
			<u>19,198</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B05MC0-10011	160,065
	14.218	B06MC0-10011	373,648
	14.218	B07MC0-10011	119,950
EDI Delano	14	B-05-SP-AL-0690	<u>1,997</u>
			655,660
Passed Through Alabama Department of Economic and Community Affairs:			
Emergency Shelter Grant	14.231	ESG-06-009	<u>182,245</u>
			<u>837,905</u>
<u>U.S. Department of the Interior</u>			
Passed Through Alabama Historical Commission:			
Historic Preservation/CAMP/Training	15.904	AL-06-026	<u>8,176</u>

City of Decatur, Alabama
Schedule of Expenditures of Federal Awards
September 30, 2007

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership Grant Program	16.607	2006BUBX05026143	2,300
COPS Law Enforcement Technology	16	2006CKWX0027	20,896
Secure Our Schools	16	2005CKWX0501	94,180
Decatur/Morgan County Justice – JAG 2006	16	2005-DJ-BX-0469	21,043
Decatur/Morgan County Justice – JAG 2007	16	2006-DJ-BX-0198	1,104
			139,523
<u>U.S. Department of Transportation</u>			
Passed Through North Alabama Highway Safety Office:			
Safety Belt Enforcement	20.605	06-HS-K4-007	2,276
402 Step GHSP	20.600	07-SP-PT-001	3,396
Underage Drinking	20.605	06-AH-LO-001	3,575
			9,247
Passed Through Alabama Department of Transportation:			
Delano Trail of Histroy	20	STPTE-TE03 (927)	249,958
Bike Path Grant	20	STPTE-TE01 (910)	198,460
			448,418
<u>Executive Office of the President</u>			
The City of Huntsville, AL			
Madison/Morgan County HIDTA	07.999	I7PGCP504Z	6,226
Total Federal Awards			\$ 1,575,895

City of Decatur, Alabama
Notes to Schedule of Expenditures of Federal Awards
September 30, 2007

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Decatur, Alabama and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

Note 2 - Entity Definition

For the purposes of this schedule, the entity is defined as the City of Decatur; therefore, this schedule does not include the grant activities of the City's component units described in the notes to the general-purpose financial statements.

City of Decatur, Alabama
Schedule of Findings and Questioned Costs
For the year ended September 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements
noted? _____yes no

Federal Awards

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

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

Any audit findings disclosed that are required to
Be reported in accordance with Circular A-133,
Section .510(a)? _____yes No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

14.218 Community Development Block Grant

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes _____ No

City of Decatur, Alabama
Notes to Schedule of Findings and Questioned Costs – Continued
For the year ended September 30, 2007

Section II - Financial Statement Findings

None noted.

City of Decatur, Alabama
Notes to Schedule of Findings and Questioned Costs – Continued
For the year ended September 30, 2007

Section III - Federal Award Findings and Questioned Costs

None noted.

City of Decatur, Alabama
Summary Schedule of Prior Year Audit Findings
For the year ended September 30, 2007

Financial Statement Findings

06-1 New World Financials Access Control

During the implementation of the New World financial software, IT support employees were granted unrestricted access to the financial programs. This has resulted in vulnerability for unauthorized use. We observed that the IT support personnel have access to all programs which allows for posting and other data manipulation.

Without proper access controls, data can be retrieved and used by unauthorized individuals, data can be lost or changed, and programs can be tampered with or destroyed.

We recommend that access to employees be given on an as needed basis in order to perform their job duties. A review of all New World access should be performed to ensure that segregation of duties is obtained and that access is proper based on job function.

City of Decatur, Alabama
Summary Schedule of Prior Year Audit Findings - Continued
For the year ended September 30, 2007

Federal Award Findings and Questioned Costs

None noted.

**STATISTICAL SECTION
(Unaudited)**

Statistical Section

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

Contents

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

Source:

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

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities					
Invested in capital assets, net of related debt	\$ 20,698,547	\$ 24,602,623	\$ 22,478,756	\$ 17,000,702	\$ 21,175,447
Restricted	5,417,757	(2,385,360)	1,368,157	3,035,459	(1,549,012)
Unrestricted	24,266,429	24,343,072	23,391,527	24,372,544	18,583,958
Total governmental activities net assets	<u>50,382,733</u>	<u>46,560,335</u>	<u>47,238,440</u>	<u>44,408,705</u>	<u>38,210,393</u>
Business-type activities					
Invested in capital assets, net of related debt	165,133,023	163,020,598	162,954,372	158,026,539	156,968,021
Restricted	5,050,864	4,980,645	4,825,400	5,651,405	6,933,863
Unrestricted	37,098,632	33,733,133	28,132,562	26,485,303	23,821,201
Total business-type activities net assets	<u>207,282,519</u>	<u>201,734,376</u>	<u>195,912,334</u>	<u>190,163,247</u>	<u>187,723,085</u>
Primary government					
Invested in capital assets, net of related debt	185,831,570	187,623,221	185,433,128	175,027,241	178,143,468
Restricted	10,468,621	2,595,285	6,193,557	8,686,864	5,384,851
Unrestricted	61,365,061	58,076,205	51,524,089	50,857,847	42,405,159
Total primary government net assets	<u>\$ 257,665,252</u>	<u>\$ 248,294,711</u>	<u>\$ 243,150,774</u>	<u>\$ 234,571,952</u>	<u>\$ 225,933,478</u>

Notes:

The City began to report accrual information when it implemented GASB 34 in fiscal year 2003.

Financial statements prior to fiscal year 2003 do not provide readily available information for comparison.

City of Decatur
Changes in Net Assets
Last Five Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
General Government	\$ 4,319,575	\$ 9,456,769	\$ 4,106,422	\$ 4,130,141	\$ 3,757,380
Public safety	19,883,381	18,468,401	18,735,909	18,393,540	16,785,797
Public works	7,428,328	7,066,626	7,864,825	8,022,796	7,622,959
Public services	9,939,516	9,425,623	7,496,941	6,535,471	4,900,781
Intergovernmental assistance	18,271,003	18,146,194	17,335,424	17,231,600	16,172,276
Community service contracts	2,780,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,647,028	1,633,891	720,867	1,138,744	1,171,444
Personnel board	540,514	498,392	530,389	469,260	457,214
Interest on long-term debt	3,411,694	2,680,090	2,877,155	2,591,239	3,021,996
Unallocated depreciation	3,294,946	3,395,762	3,457,256	3,365,134	3,358,051
Total governmental activities expense	<u>71,516,372</u>	<u>73,327,621</u>	<u>65,550,971</u>	<u>64,236,890</u>	<u>59,439,336</u>
Business-type activities:					
Municipal Utilities Board (a)	133,900,304	134,770,313	116,460,704	116,534,857	144,486,670
Point Mallard	4,031,207	3,652,042	3,276,086	3,388,884	2,790,091
Sanitary Landfill	3,319,933	3,177,301	3,011,682	3,188,082	3,255,403
Total business-type activities expenses	<u>141,251,444</u>	<u>141,599,656</u>	<u>122,748,472</u>	<u>123,111,823</u>	<u>150,532,164</u>
Total primary government expenses	<u>212,767,816</u>	<u>214,927,277</u>	<u>188,299,443</u>	<u>187,348,713</u>	<u>209,971,500</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	3,197,582	5,012,310	4,682,502	4,413,236	4,151,954
Public safety	2,411,482	2,247,078	2,482,336	2,467,035	2,025,104
Public works	2,667,469	2,248,765	1,991,888	2,143,766	1,833,725
Public services	509,251	569,054	570,640	594,366	588,478
Intergovernmental assistance	9,514,493	7,692,435	5,655,455	5,530,185	5,623,692
Operating grants and contributions	785,689	685,272	473,856	1,232,546	856,207
Capital grants and contributions	661,390	2,273,151	2,068,497	1,573,144	5,633,564
Total governmental activities program revenues	<u>19,747,356</u>	<u>20,728,065</u>	<u>17,925,174</u>	<u>17,954,278</u>	<u>20,712,724</u>
Business-type activities					
Charges for services:					
Municipal Utilities Board (a)	136,260,625	136,117,615	117,869,302	117,445,093	144,515,069
Point Mallard	3,231,385	2,838,530	2,615,778	2,254,948	1,695,243
Sanitary Landfill	4,920,629	4,166,182	3,840,554	3,657,950	3,326,670
Capital grants and contributions	1,577,854	1,663,669	1,674,920	1,201,659	1,573,760
Total business-type activities program revenues	<u>145,990,493</u>	<u>144,785,996</u>	<u>126,000,554</u>	<u>124,559,650</u>	<u>151,110,742</u>
Total primary government program revenues	<u>165,737,849</u>	<u>165,514,061</u>	<u>143,925,728</u>	<u>142,513,928</u>	<u>171,823,466</u>
Net (Expense)/Revenue					
Governmental activities	51,769,016	(52,599,556)	(47,625,797)	(46,282,612)	(38,726,612)
Business-type activities	4,739,049	3,186,248	3,252,082	1,447,827	578,578
Total primary government net expense	<u>56,508,065</u>	<u>(49,413,308)</u>	<u>(44,373,715)</u>	<u>(44,834,785)</u>	<u>(38,148,034)</u>

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

	Fiscal Year				
	2007	2006	2005	2004	2003
General Revenues					
and Other Changes in Net Assets					
Governmental activities					
Taxes					
Sales & use taxes	35,529,035	34,171,298	31,822,887	30,980,345	29,817,226
Property taxes	9,410,127	8,927,164	8,506,525	8,128,683	7,625,178
Alcoholic beverage taxes	2,096,980	1,959,620	1,899,066	-	-
Gasoline taxes	908,017	881,061	1,324,890	-	-
Automobile taxes	1,422,446	1,345,890	1,280,830	-	-
Lodging taxes	1,270,831	1,139,526	1,101,824	-	-
Rental taxes	1,237,542	1,099,616	1,101,615	-	-
Other taxes	1,591,861	1,554,270	2,019,036	8,940,282	8,309,236
Interest on investments	1,930,389	1,416,270	829,131	560,181	475,938
Other	687,818	278,875	1,874,267	1,587,883	1,358,172
Transfers	(493,632)	(640,061)	(1,304,539)	(571,380)	(2,665,404)
Total governmental activities	<u>55,591,414</u>	<u>52,133,529</u>	<u>50,455,532</u>	<u>49,625,994</u>	<u>44,920,346</u>
Business-type activities:					
Interest on investments	2,579,834	1,995,733	1,017,206	420,955	571,861
Transfers	424,573	640,061	1,304,539	571,380	2,665,404
Total business-type activities	<u>3,004,407</u>	<u>2,635,794</u>	<u>2,321,745</u>	<u>992,335</u>	<u>3,237,265</u>
Total primary government	<u>58,595,821</u>	<u>54,769,323</u>	<u>52,777,277</u>	<u>50,618,329</u>	<u>48,157,611</u>
Change in Net Assets					
Governmental activities	3,822,398	(466,027)	2,829,735	3,343,382	6,193,734
Business-type activities	7,812,515	5,822,042	5,573,827	2,440,162	3,815,843
Total primary government	<u>\$ 11,634,913</u>	<u>\$ 5,356,015</u>	<u>\$ 8,403,562</u>	<u>\$ 5,783,544</u>	<u>\$ 10,009,577</u>

Notes:

(a) In 2003, the Municipal Utilities Board reported on a 15-month basis due to a change in fiscal years to coincide with the remainder of the City.

Financial statements prior to fiscal year 2003 do not provide readily available information for comparison.

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 56,368	\$ 20,298	\$ 37,677	\$ 42,261	\$ 305,034	\$ 739,759	\$ 99,401	\$ 487,255	\$ 490,651	\$ 196,545
Unreserved	23,219,358	20,873,265	19,717,342	20,935,192	20,864,514	19,302,994	19,553,304	18,176,244	15,853,835	15,190,292
Total general fund	23,275,726	20,893,563	19,755,019	20,977,453	21,169,548	20,042,753	19,652,705	18,663,499	16,344,486	15,386,837
All Other Governmental Funds										
Reserved	2,474,867	3,222,378	2,352,645	1,453,824	1,588,403	556,344	1,291,447	3,274,475	487,857	720,236
Unreserved, reported in:										
Special purposes	4,187,649	-	-	2,040,204	-	-	-	-	-	-
Special revenue funds	3,006,657	1,430,568	2,439,265	1,037,247	218,490	995,538	1,152,801	875,513	2,895,282	2,985,218
Capital projects funds (a)	4,572,320	(3,210,457)	559,273	2,238,036	(2,381,294)	-	1,726,408	10,789,444	-	595,703
Total all other governmental funds	\$ 14,241,493	\$ 1,442,489	\$ 5,351,183	\$ 6,769,311	\$ (574,401)	\$ 1,551,882	\$ 4,170,656	\$ 14,939,432	\$ 3,383,139	\$ 4,301,157

Notes:
(a) Funds expended in advance of November 2003 bond issue resulted in a negative fund balance in the capital projects fund.

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Revenues					
Sales & use taxes	\$ 35,529,035	\$ 34,171,298	\$ 31,822,887	\$ 30,980,345	\$ 29,817,226
Property taxes	9,410,127	8,927,164	8,506,525	8,128,683	7,625,178
Other taxes	8,527,677	7,979,983	7,846,184	7,815,865	7,413,359
Licenses & permits	5,820,517	5,506,691	5,260,874	5,104,988	4,326,519
Fines & forfeitures	1,164,807	1,209,951	1,353,878	1,279,018	1,038,611
Revenues from money & property	2,047,717	1,638,407	997,734	709,263	497,656
Charges for services	3,711,980	3,178,711	2,853,277	2,635,734	2,752,786
Intergovernmental	11,342,347	8,683,754	8,548,765	9,530,118	8,429,566
Gifts & donations	250,030	10,000	928,267	-	-
Other revenues	466,313	489,283	-	946,523	937,826
Total revenues	78,270,550	71,795,242	68,118,391	67,130,537	62,838,727
Expenditures					
General Government	3,850,086	8,400,847	3,324,352	3,417,204	3,223,379
Public safety	21,048,410	18,432,108	18,031,194	17,750,748	16,744,547
Public works	8,217,746	7,132,047	7,580,606	7,767,477	8,696,689
Public services	12,550,008	14,176,760	7,169,487	6,032,400	5,482,307
Intergovernmental assistance	18,279,913	17,857,678	17,131,023	17,102,980	16,098,611
Community service contracts	2,780,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,647,028	2,028,470	1,503,289	2,114,283	1,171,444
Personnel board	540,514	498,392	530,389	469,260	457,214
Debt Service					
Principal	6,364,555	5,390,162	5,674,464	6,321,257	5,346,671
Interest and fiscal charges	3,063,770	2,653,381	2,839,686	2,795,990	2,664,575
Debt issuance costs	271,303	79,613	-	365,635	313,276
Capital projects construction and outlay	197,031	**	4,257,550	9,308,953	4,350,143
Total expenditures	78,810,751	79,205,331	70,467,823	75,805,152	66,740,294
Excess (deficiency) of revenues over expenditures	(540,201)	(7,410,089)	(2,349,432)	(8,674,615)	(3,901,567)
Other Financing Sources (Uses)					
Long-term debt issued	16,215,000	5,280,000	-	19,900,000	18,600,000
Premium on debt issue	-	-	-	21,888	-
Discount on debt issue	-	-	-	-	-
Capital lease proceeds	-	-	-	39,351	1,305,963
Payment to escrow agent	-	-	-	(3,600,000)	(16,304,212)
Transfers in	4,545,593	2,977,048	3,112,376	7,845,603	20,684,103
Transfers (out)	(5,039,225)	(3,617,109)	(3,403,506)	(8,380,610)	(21,383,775)
Total other financing sources (uses)	15,721,368	4,639,939	(291,130)	15,826,232	2,902,079
Net change in fund balance	\$ 15,181,167	\$ (2,770,150)	\$ (2,640,562)	\$ 7,151,617	\$ (999,488)
Debt service as a percentage of noncapital expenditures	13.7%	11.4%	13.9%	17.1%	16.5%

** Capital outlay and construction are included in the expenditure function categories
Financial statements prior to fiscal year 2003 do not provide readily available information for comparison.

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

Fiscal Year	Residential Property	Commercial and Industrial Property	Public Utility Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1999	\$ 125,361,620	\$ 378,381,624	\$ 13,976,160	\$ 1,737,858	\$ 515,981,546	18.6 Mills	\$ 3,190,373,662	16.17%
2000	128,237,760	383,571,080	13,710,700	1,788,365	523,731,175	18.6 Mills	3,244,146,968	16.14%
2001	132,294,920	343,310,060	17,342,520	1,464,974	491,482,526	18.6 Mills	3,095,842,926	15.88%
2002	133,679,440	352,089,620	17,932,860	1,457,090	502,244,830	18.6 Mills	3,155,551,610	15.92%
2003	149,888,620	382,311,100	12,879,520	1,673,087	543,406,153	18.6 Mills	3,451,700,346	15.74%
2004	157,351,760	400,216,780	13,313,320	1,790,882	569,090,978	18.6 Mills	3,617,188,351	15.73%
2005	163,761,540	418,926,480	12,852,320	1,856,982	593,683,358	18.6 Mills	3,773,231,885	15.73%
2006	174,696,180	444,945,640	11,698,340	1,937,464	629,402,696	18.6 Mills	4,008,747,002	15.70%
2007	183,386,980	466,603,380	11,658,060	1,978,793	659,669,627	18.6 Mills	4,103,768,107	16.07%

Source:
Morgan County Revenue Commissioner

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

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

Property in Morgan County is assessed annually.

1998 was not readily available from the County files.

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

Fiscal Year	City Direct Rates			Overlapping Rates			
	Basic Rate	General Obligation Debt Service	Total Direct Rate	City Schools	County Schools	Morgan County	State of Alabama
1998	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
1999	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2000	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2001	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2002	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2003	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2004	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2005	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2006	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2007	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills

Source:
Morgan County Revenue Commissioner

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

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

Taxpayer	1998			1999			2000			2001			2002			
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	
Trico Steel	\$ 73,895,400	1	15.26%	\$ 78,529,780	1	14.59%	\$ 73,670,540	1	14.02%	\$ 73,476,760	1	12.84%	\$ 24,837,540	2	4.93%	
BellSouth	8,893,940	2	1.84	9,153,900	4	1.77	9,117,480	4	1.73	8,963,980	4	1.57	8,842,960	4	1.76	
Bunge Corporation	6,957,160	3	1.44	10,946,800	3	2.11	11,221,800	3	2.14	10,814,960	3	1.89	9,883,220	3	1.96	
General Electric Appliance	6,252,360	4	1.29	6,163,920	6	1.19	5,778,960	7	1.1	4,779,340	10	0.84	6,898,420	5	1.37	
Colonial Realty Limited	5,057,860	5	1.04	5,415,440	8	1.05	5,413,700	9	1.03	5,428,500	8	0.95	5,425,800	7	1.08	
Hexel Corporation	4,968,380	6	1.03	7,394,120	5	1.43	6,837,840	5	1.3	5,958,080	6	1.04	4,355,140	9	0.87	
Air Product & Chemicals	3,825,240	7	0.79	3,938,480	10	0.76	3,377,260	10	0.64							
Goodyear Tire & Rubber	3,581,080	8	0.74	5,336,580	9	1.03	6,396,620	6	1.22	6,313,440	5	1.1	6,108,200	6	1.21	
National Healthcare	1,679,380	9	0.35	*	*	*	*	*	*	*	*	*	3,949,340	10	0.78	
Mutual Savings Life Ins.	1,638,020	10	0.34	*	*	*	*	*	*	*	*	*	25,094,180	1	4.98	
Worthington Steel	*			22,257,220	2	4.29	23,629,940	2	4.5	23,593,660	2	4.12	*			
Mi Tech	*			5,730,340	7	1.11	5,774,880	8	1.1	5,685,220	7	0.99	*			
Trigen-Alabama Energy	*			*		*	*	*	*	*	*	*	5,296,000	8	1.05	
Nucor Steel	*			*		*	*	*	*	*	*	*				
O.C.I. Chemical Corp	*			*		*	*	*	*	*	*	*				
Meow Mix	*			*		*	*	*	*	*	*	*				
Falcon Communications	*			*		*	*	*	*	*	*	*				
Charter Communications	*			*		*	*	*	*	*	*	*				
Hyosung USA, Inc.	*			*		*	*	*	*	*	*	*				
Total	\$ 116,748,820		24.12%	\$ 154,866,580		29.33%	\$ 151,219,020		28.78%	\$ 150,423,940		26.29%	\$ 100,690,800		19.99%	

Source:
Revenue Commissioner of Morgan County
* Denotes company was not a principal taxpayer for year reported.

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

Taxpayer	2003			2004			2005			2006			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Trico Steel	\$ -	-	0.00%	\$ -	-	0.00%	\$ -	-	0.00%	\$ -	-	0.00%	\$ -	-	0.00%
BellSouth	9,056,200	4	1.66	9,258,400	4	1.62	8,883,200	4	1.49	8,633,700	4	1.37	8,642,900	5	1.31%
Bunge Corporation	11,502,820	3	2.11	11,072,020	3	1.94	10,699,380	2	1.8	10,525,220	2	1.67	11,061,040	2	1.67%
General Electric Appliance	5,509,140	6	1.01	5,081,860	8	0.89	4,483,180	7	0.75	4,864,380	7	0.77	4,603,620	8	0.70%
Colonial Realty Limited	3,991,440	9	0.73	5,114,540	7	0.9	5,014,740	6	0.84	5,281,800	6	0.84	5,304,720	7	0.80%
Hexel Corporation							3,794,280	9	0.64	4,350,360	9	0.69	9,923,320	3	1.50%
Air Product & Chemicals										4,632,580	8	0.73			
Goodyear Tire & Rubber	6,228,220	5	1.14	5,945,900	6	1.04	4,348,720	8	0.73	3,899,460	10	0.62	3,878,740	9	0.59%
National Healthcare															
Mutual Savings Life Ins.															
Worthington Steel	24,274,260	2	4.46	23,074,080	2	4.04							83,485,960	1	12.62%
Mi Tech	*														
Trigen-Alabama Energy															
Nucor Steel	30,079,240	1	5.52	41,185,540	1	7.22	67,380,360	1	11.3	76,363,820	1	12.09			
O.C.I. Chemical Corp	5,357,300	7	0.98	5,319,340	9	0.93	5,182,780	5	0.87	6,282,120	5	1.00	6,074,000	6	0.92%
Meow Mix	5,081,980	8	0.93	7,731,400	5	1.35	9,214,840	3	1.55	9,300,180	3	1.47	8,949,320	4	1.35%
Falcon Communications															
Charter Communications	3,907,080	10	0.72	3,472,920	10	0.61	3,090,380	10	0.52						
Hyosung USA, Inc.													3,238,860	10	0.49%
Total	\$ 104,987,680		19.26%	\$ 117,255,800		20.54%	\$ 122,091,860		20.49%	\$ 134,133,620		21.25%	\$ 145,162,480		21.95%

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

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Interest	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2004	\$ 13,824,909	\$ 13,618,262	98.41%	\$ 13,542	\$ 8,010	\$ 13,626,272	98.46%
2005	14,304,430	14,315,961	99.09%	11,531	149,124	\$ 14,465,085	100.00%
2006	15,040,466	15,054,622	98.98%	14,156			
2007	16,005,884						

Source:
 Morgan County Revenue Commissioner

** FY 07 revenue collected amounts will not be available until mid-July 2008.

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

Collected includes remittance with interest, assessment commissions, collection commissions, and expenses. Expenses include reappraisal, supernumerary, and salary.

Collections in subsequent years include insolvents, bankruptcy, and escapes. Interest is computed on amounts collected beginning January 1 of each year.

Collected amounts were not available prior to 2004. Remitted amounts would not have provided comparative data.

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

Category Description	Calendar Year		
	2007	2006	2005
Apparel	\$ 67,976	\$ 60,049	\$ 59,159
Multi-Line Retail	184,170	140,837	136,207
Restaurants	90,931	86,759	77,867
Grocery Stores	74,071	56,265	52,101
Building Materials	113,975	79,993	73,812
Automobile Dealers	393,859	227,712	214,032
Household Furnishings	17,912	16,706	15,979
Convenience Stores	102,031	33,581	31,523
All other outlets	138,176	319,057	297,844
Total	\$ 1,183,101	\$ 1,020,959	\$ 958,524

Source:
City Revenue Department

Notes:
City direct sales tax rate is 4%
Information prior to the current year and prior 2 calendar years is not available.

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

Fiscal Year	City Direct Rate	Morgan County	State of Alabama
1998	3.00%	1.00%	4.00%
1999	3.00%	1.00%	4.00%
2000	3.00%	1.00%	4.00%
2001	3.00%	1.00%	4.00%
2002*	4.00%	1.00%	4.00%
2003	4.00%	1.00%	4.00%
2004	4.00%	1.00%	4.00%
2005	4.00%	1.00%	4.00%
2006	4.00%	1.00%	4.00%
2007	4.00%	1.00%	4.00%

Source:
 City revenue department

Notes:
 *Sales tax increase became effective 01/01/2002
 Tax rates indicated are the general rate.

City of Decatur
Principal Sales Tax Remitters,
Current Year and 2 Prior Years (Unaudited)

Tax Remitter Description	Fiscal Year 2007			Fiscal Year 2006			Fiscal Year 2005		
	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,398,590	1	9.62%	\$ 3,467,513	1	10.20%	\$ 3,538,724	1	11.09%
Manufacturer	2,099,335	2	5.94%	2,410,858	2	7.09%	2,122,806	2	6.65%
Building materials /hard line	1,055,579	3	2.99%	1,085,172	3	3.19%	994,399	3	3.12%
Grocery store	895,524	4	2.53%	719,608	4	2.12%	497,428	7	1.56%
Building materials /hard line	689,525	5	1.95%	684,218	5	2.01%	713,414	4	2.24%
Automobile dealer	622,068	6	1.76%	570,183	7	1.68%	586,306	5	1.84%
Grocery store	563,720	7	1.60%	510,791	8	1.50%	459,897	9	1.44%
Apparel store	492,186	8	1.39%	433,099	10	1.27%	509,379	6	1.60%
Apparel store	445,485	9	1.26%	456,211	9	1.34%	471,869	8	1.48%
Multi-line retailer	407,697	10	1.15%						
Manufacturer	*			609,641	6	1.79%	*		
Grocery store	*			*			407,787	10	1.28%
Total	\$ 10,669,709		30.19%	\$ 10,947,294		32.19%	\$ 10,302,009		32.27%

Source:

City Revenue Department

Notes:

Confidentiality requirements prohibit disclosure of tax remitter business names. Information based on total sales tax collections.

Information prior to the current year and prior 2 calendar years is not available.

* Denotes company was not a principal sales tax remitter for year reported.

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

<u>Fiscal Year</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
1998	\$ 67,245,260	\$ 21,125,972	\$ 6,786,384	\$ 6,015,325	\$ 101,172,941
1999	70,995,452	17,901,270	7,563,942	6,404,643	102,865,307
2000	72,274,202	20,586,875	8,588,096	6,687,520	108,136,693
2001	73,944,458	43,709,585	9,382,229	7,707,990	134,744,262
2002	68,738,298	23,152,126	9,516,536	7,601,848	109,008,808
2003*	91,075,855	34,896,833	9,360,996	9,181,385	144,515,069
2004	72,558,786	29,355,332	7,495,436	8,035,539	117,445,093
2005	74,388,148	26,684,990	7,901,111	8,895,053	117,869,302
2006	83,688,511	34,999,393	8,490,576	8,939,135	136,117,615
2007	86,367,173	30,715,823	9,063,331	10,114,298	136,260,625

Financial statements 1998 through 2002 were presented on 12-month period ending June 30.

Financial statements 2003 were presented on 15-month period ending September 30.

Financial statements 2004 through 2007 were presented on 12-month period ending September 30.

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

Fiscal Year	Governmental Activities			Business-type Activities			Total Primary Government	*Percentage of Personal Income	Per Capita
	General Obligation Warrants	Notes Payable	Capital Leases	Water Revenue Warrants	Wastewater Revenue Warrants	Capital Leases			
1998	\$ 56,880	\$ -	\$ -	\$ 8,345	\$ 25,725	\$ -	\$ 90,950	-	\$ 1,651
1999	52,595	-	-	30,375	20,530	-	103,500	-	1,844
2000	64,030	-	-	29,090	35,095	-	128,215	12.02%	2,377
2001	57,315	2,630	-	27,745	33,930	-	121,620	11.40%	2,222
2002	52,360	2,380	1,036	26,325	32,190	-	114,291	10.71%	2,089
2003	50,615	2,330	1,575	24,825	28,525	77	107,947	10.12%	1,934
2004	63,005	680	854	23,240	26,590	29	114,398	10.72%	2,038
2005	57,935	630	299	22,140	22,680	45	103,729	9.72%	1,824
2006	57,970	630	154	20,995	21,030	-	100,779	8.40%	1,886
2007	68,575	-	29	19,795	19,320	-	107,719	9.20%	2,010

Source:

2000 Census information.

2006 and 2007 estimate from the Morgan County Economic Development Association

See Schedule 19 (E-1) for personal income and per capita data

*Comparable personal income data was unavailable prior to 2006 other than the 2000 census

2000 census numbers were used to compute percentage of personal income for years 2000 through 2005.

Notes:

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

Business type activities:

1998 through 2002 are reported on 12-month reporting period with June 30 year end dates

2003 is a 15-month reporting period with year end of September 30

2004 forward report on 12-month reporting period with fiscal year end of September 30

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
1998	\$ 56,880,000	0.00%	\$ 1,033
1999	52,595,000	1.65%	937
2000	64,030,000	1.97%	1,187
2001	57,315,000	1.85%	1,047
2002	52,360,000	1.66%	957
2003	50,615,000	1.47%	907
2004	63,005,000	1.74%	1,122
2005	57,935,000	1.54%	1,019
2006	57,970,000	1.45%	1,085
2007	68,575,000	1.67%	1,280

Source:

Morgan County Economic Development Association for 2006 and 2007 population estimate
 1998 estimated actual taxable value data was not available from Morgan County files.

Notes:

FY 2000 through FY 2005 are based on 2000 U.S. census population information

**City of Decatur
Direct and Overlapping Governmental Activities Debt,
As of September 30, 2007 (Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percent Applicable to City</u>	<u>City's Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
City of Decatur general obligation bonds & warrants	\$ 68,575,000	100.00%	\$ 68,575,000
* City of Decatur Board of Education Morgan County	26,000,000	100.00%	26,000,000
Morgan County Board of Education	26,020,953	43.40%	11,293,094
	23,510,000	43.40%	10,203,340

Total direct and overlapping debt

The percentage of overlapping debt applicable to the City is calculated on the basis of the ratio of the estimated 2007 assessed valuation of all taxable property in the City (\$661,648,420) - exclusive of taxable property outside the boundaries of Morgan County - to that of all taxable property in Morgan County (\$1,524,431,220).

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

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

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 96,838,868	\$ 103,543,881	\$ 105,103,908	\$ 114,421,896	\$ 100,740,384	\$ 109,015,848	\$ 114,176,372	\$ 119,108,068	\$ 132,329,684	\$ 132,329,684
Total net debt applicable to limit	29,130,000	26,815,000	40,305,000	38,220,000	35,420,000	35,465,000	48,370,000	45,485,000	60,240,000	60,240,000
Legal debt margin	67,708,868	76,728,881	64,798,908	76,201,896	65,320,384	73,550,848	65,806,372	73,623,068	72,089,684	72,089,684
Total net debt applicable to the limit as a percentage of debt limit	30.08%	25.90%	38.35%	33.40%	35.16%	32.53%	42.36%	38.19%	45.52%	45.52%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 661,648,420
Debt limit (20% of assessed value)	132,329,684
Debt applicable to limit:	
General obligation bonds	133,690,000
Less:	
School	(8,335,000)
School capital outlay warrants	(26,000,000)
Municipal Utilities	(39,115,000)
Total net debt applicable to limit	<u>60,240,000</u>
Legal debt margin	<u>\$ 72,089,684</u>

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

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service	Coverage
1998	\$ 104,474,891	\$ 91,104,316	\$ 13,370,575	\$ 3,214,079	4.16%
1999	105,913,297	90,681,097	15,232,200	3,837,211	3.97%
2000	111,790,310	96,236,991	15,553,319	3,856,206	4.04%
2001	136,577,804	120,763,228	15,814,576	4,139,797	3.82%
2002	109,592,516	96,482,022	13,110,494	5,127,707	2.56%
*2003	144,971,255	132,736,841	12,234,414	5,789,000	2.11%
2004	117,727,587	107,176,453	10,551,134	5,788,552	1.82%
2005	118,591,409	107,151,729	11,439,680	5,159,606	2.22%
2006	137,591,436	125,146,933	12,444,503	4,774,913	2.61%
2007	138,236,912	125,022,901	13,214,011	4,875,660	2.71%

Financial statements 1998 through 2002 were presented on 12-month period ending June 30.

Financial statements 2003 were presented on 15-month period ending September 30.

Financial statements 2004 through 2007 were presented on 12-month period ending September 30.

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

Calendar Year	Population	Personal Income <i>Thousands of dollars</i>	Per Capita Personal Income	Median Age	Graduated	School Enrollment	Unemployment Rate
1998	55,087			36.4	454	8,764	3.7%
1999	56,138			37.0	437	8,799	4.0%
2000*	53,929	\$ 1,066,284	\$ 19,772	37.0	418	8,947	3.8%
2001	54,723			37.0	425	8,841	5.2%
2002	54,723			36.3	406	8,839	6.4%
2003	55,809			36.3	451	8,840	6.0%
2004	56,136			37.5	449	8,806	6.1%
2005	56,866			38.1	442	8,815	3.9%
2006	53,442	1,192,879	22,321	38.3	483	8,831	3.1%
2007	53,581	1,170,477	21,845	38.8	437	8,812	3.3%

Sources:

Morgan County Economic Development Association for 2006 and 2007 population and personal income, and for all median age and unemployment rate.

City Planning department for population estimate prior to 2006

*2000 is Federal Census information

Decatur City Schools for graduated and school enrollment

Notes:

Comparative per capita personal income estimates have not been retained in years prior to 2006 other than the 2000 census information.

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

<u>Employer</u>	<u>2007</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
General Electric	1,390	1	4.10%	1,390	1	3.68%
Decatur City Schools	1,205	2	3.55%	1,205	2	3.19%
Decatur General Hospital	1,200	3	3.54%	1,200	3	3.18%
3M Company	895	4	2.64%	828	4	2.19%
Wayne Farms	813	5	2.39%	813	5	2.15%
City of Decatur	671	7	1.97%	681	7	1.80%
United Launch Alliance	638	6	1.88%	650	6	1.72%
Nucor Steel	630	8	1.85%	630	8	1.67%
BP America	453	9	1.33%	-	-	-
Wayne Farms East Facility	418	10	1.23%	-	-	-
Wolverine Tube				525	9	1.39%
Goodyear Tire & Rubber				408	10	1.08%
Total	8,313		24.48%	8,330		22.05%

Source:

Morgan County Economic Development Association

Prior years' comparative information was not available.

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

Function/Program	Full-Time-Equivalent Employees as of September 30									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government	44	43	44	43	42	40	41	39	36	35
Public safety	276	283	266	275	268	274	263	266	271	256
Public works	82	77	74 *	94	94	92	96	94	95	94
Public services	71	73	73 *	59	57	57	58	58	55	52
Intergovernmental assistance	20	20	23	23	22	20	17	17	19	17
Municipal Utilities Board	157	160	170	178	177	170	181	179	181	177
Point Mallard	8	12	25	25	23	26	26	22	21	22
Sanitary Landfill	13	13	13	12	12	13	14	15	14	12
Total	671	681	688	709	695	692	696	690	692	665

Source:

City of Decatur Personnel Board
 Decatur Utilities Personnel Department

* Right of way mowing crew was moved from Street Department to Beautification Department

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

Function/Program	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government										
Building permits issued	4,778	5,449	3,969	3,999	4,004	2,815	2,396	3,005	3,018	3,187
Building inspections conducted	9,955	8,365	9,155	7,327	**	**	**	**	**	**
Police										
Adult arrests	6,141	10,808	11,386	10,431	9,574	9,937	9,732	**	**	**
Traffic citations	13,946	12,154	12,662	15,963	10,919	13,891	15,386	17,678	**	**
Fire										
Inspections	69	52	37	31	130	112	138	**	**	**
Emergency medical responses	2900	3059	3461	3556	3484	3580	3240	**	**	**
Fire and/or Hazmat responses	888	906	889	1014	1094	921	1221	**	**	**
Refuse collections										
Recyclables collected in tons	1,532	1,509	1,447	1,369	1,408	1,509	1,566	1,569	1,584	1,634
Garbage and trash collected	34,536	43,252	41,990	41,659	49,552	**	**	**	**	**
Municiple Utilities Board										
Electrical connections	26,439	26,105	26,348	26,316	26,034	26,036	26,118	25,899	25,724	25,494
Water connections	24,990	24,532	24,495	24,268	23,820	23,660	23,287	22,998	22,649	22,256
Wastewater connections	20,233	19,895	19,900	19,694	19,372	19,317	19,121	19,001	18,830	18,575
Gas connections	13,824	13,835	13,925	14,578	14,267	13,965	13,267	13,422	13,027	12,530

Source:

Various city departments

Notes:

** Indicates information not available.

*Refuse collections in 2003 was larger due to the demolition of a housing project.

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

Function/Program	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Police										
Stations	4	4	3	3	4	6	3	3	3	3
Patrol units	142	122	102	102	82	74	79	82	-	-
Fire										
Stations	8	8	8	8	8	8	8	8	7	7
Pumper Fire trucks	14	12	11	11	10	10	10	9	-	-
Special Response Vehicle	4	4	2	2	2	2	2	2	-	-
Sanitation										
Garbage collection trucks	17	19	19	21	22	16	17	16	-	-
Other public works										
Paved streets (miles)	333	333	333	331	329	329	329	326	326	326
Unpaved streets (miles)	7	7	7	7	7	7	7	7	7	7
Paved invert drainage channels (miles)	48	48	48	48	48	48	48	46	46	46
Storm drainage conduits (miles)	143	143	143	142	141	141	141	138	138	138
Parks and Recreation										
Number of parks*	26	26	24	24	32	32	32	31	31	31
Acres of Parks	1,278	1,278	1,263	1,263	1,263	1,263	1,263	1,186	1,186	1,186
Golf courses (public & private)	4	4	4	4	4	4	4	3	3	4
Tennis courts	46	46	34	34	34	34	34	34	34	34
Recreations centers	4	4	4	4	4	4	4	4	4	4
Senior citizen centers	2	2	2	1	1	1	1	1	1	1
Ball fields in use	35	34	32	32	32	32	32	32	32	32
Enclosed swimming pool	1	1	1	1	1	1	1	1	1	1
Open air swimming pools	2	2	3	3	3	3	3	3	3	3
Soccer facilities (acres)	62	62	62	62	35	35	35	35	-	-
Ice rinks	1	1	1	1	1	1	1	1	1	1
Marina/boat launch	2	2	2	1	1	1	1	1	1	1
Campgrounds	1	1	1	1	1	1	1	1	1	1
Municiple Utilities Board										
Water mains (miles)	476	474	472	405	464	461	451	445	435	428
Gas mains (miles)	411	409	407	405	401	400	394	391	384	370
Electric lines (miles)	588	586	585	581	577	577	575	567	567	564
Sanitary sewers (miles)	337	334	331	327	325	320	312	306	306	300
Fire hydrants in service	1,985	1,958	1,939	1,901	1,883	1,871	1,840	1,790	1,755	1,730

Source:
Various city departments and capital assets records

Notes:
*City parks were listed with duplicate names. The list was purged in FY 2004.
(-) Information for 1999 and 1998 was not readily available for these capital assets.