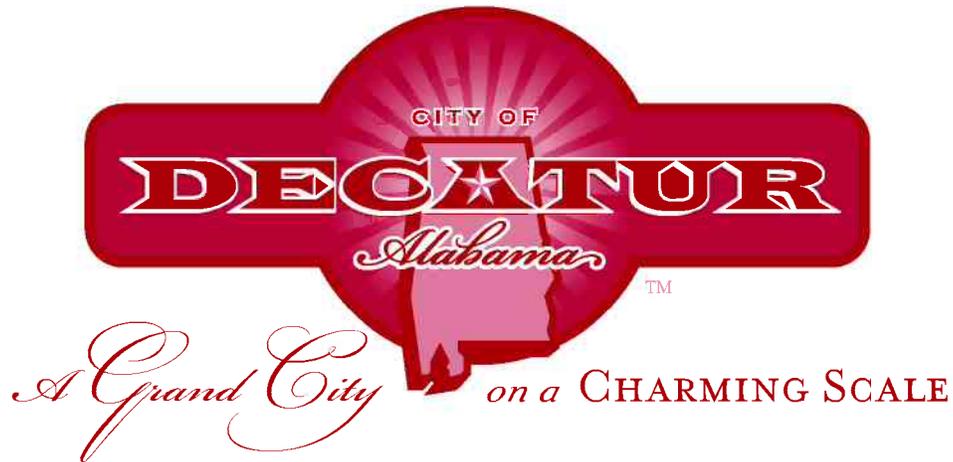


COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of the



FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2008

FINANCIAL SERVICES

Gail Busbey, Chief Financial Officer

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, 2007

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.



President

Executive Director

CITY OF Decatur

COMPREHENSIVE ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2008

Table of Contents

Part I - Introductory Section:	Page
Title Page.....	I
GFOA Certificate of Achievement.....	II
Table of Contents.....	III
Organizational Chart.....	VII
Boards and Commissions.....	VIII
Officials of the City of Decatur, Alabama.....	IX
Letter of Transmittal.....	X
Part II - Financial Section:	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual.....	18
Statement of Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	20

Table of Contents

Statement of Cash Flows – Proprietary Funds	21
Combining Statement of Net Assets – Discretely Presented Component Units	22
Combining Statement of Activities – Discretely Presented Component Units	23
Notes to the Financial Statements	24
Supplementary Information:	
Combining and Individual Fund Financial Statements:	
Balance Sheet – General Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual – General Fund.....	55
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget & Actual – By Activity – General Fund.....	56
Combining Balance Sheet – Non-major Governmental Funds (by fund type).....	63
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Non-major Governmental Funds (by fund type).....	64
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: 7 Cent Gas Tax Fund.....	65
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: 4 & 5 Cent Gas Tax Fund	66
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Personnel Board Fund	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Heritage Trust Fund.....	68
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Corrections Fund	69
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Docket Fee Fund	70
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Drug Seizure Fund.....	71
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual: Room Occupancy Tax Fund	72
Combining Statement of Net Assets – Non-major Proprietary Funds	73
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets – Non-major Proprietary Funds	74
Combining Statement of Cash Flows – Non-major Proprietary Funds.....	75

Table of Contents

Part III - Single Audit Section:

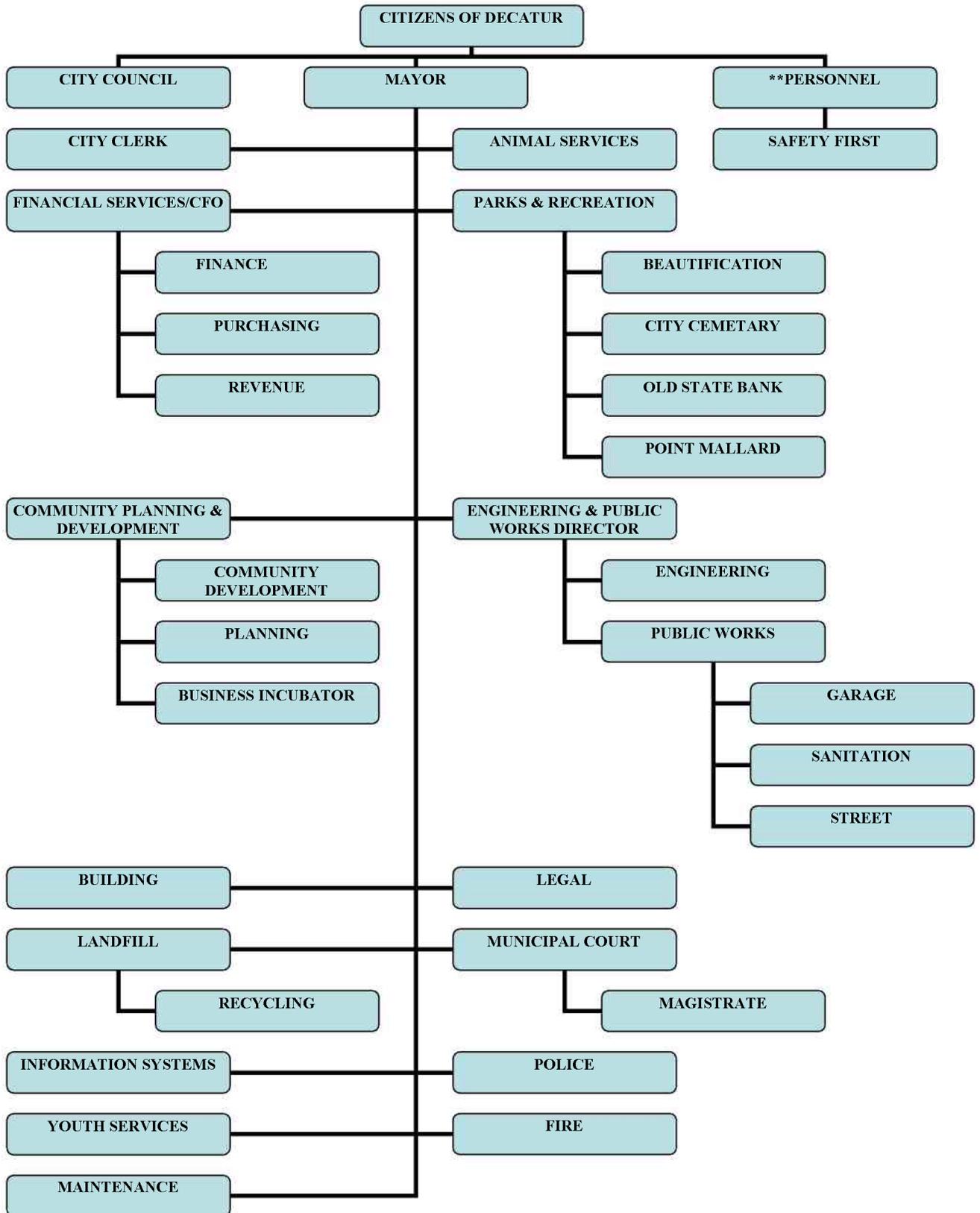
Independent Auditor's Reports	76
Schedule of Expenditures of Federal Awards	80
Notes to Schedule of Expenditures of Federal Awards.....	82
Schedule of Findings and Questioned Costs	83
Summary Schedule of Prior Year Audit Findings.....	86

Part IV - Statistical Section (Unaudited):

Table of Contents	A-1
Net Assets by Component, Last Five Fiscal Years	B-1
Changes in Net Assets, Last Five Fiscal Years	B-2
Fund Balance, Governmental Funds, Last Ten Fiscal Years	B-4
Changes in Fund Balances, Governmental Funds, Last Five Fiscal Years.....	B-5
Assessed and Estimated Actual Value of Taxable Property, Last Nine Fiscal Years	C-1
Direct and Overlapping Property Tax Rates, Last Ten Fiscal Years	C-2
Principal Property Taxpayers, Last Ten Fiscal Years.....	C-3
Property Tax Levies and Collections, Last Four Fiscal Years.....	C-4
Taxable Sales by Category, Current Year and Two Prior Calendar Years	C-5
Direct and Overlapping Sales Tax Rate, Last Ten Fiscal Years	C-6
Principal Sales Tax Remitters, Current Year and Two Prior Years.....	C-7
Gas Electric, Water & Wastewater Revenues, Last Ten Fiscal Years	C-8
Ratio of Outstanding Debt by Type, Last Ten Fiscal Years.....	D-1
Ratio of General Bonded Outstanding, Last Ten Fiscal Years	D-2
Direct and Overlapping Governmental Activities Debt as of September 30, 2007.....	D-3
Legal Debt Margin Information, Last Ten Fiscal Years	D-4
Pledged-Revenue Coverage, Last Ten Fiscal Years	D-5
Demographic and Economic Statistics, Last Ten Fiscal Years	E-1
Principal Employers, Current Year and Prior Year.....	E-2
Full-Time-Equivalent City Government Employees by Function, Last Ten Fiscal Years	F-1
Operating Indicators by Function/Program, Last Ten Fiscal Years	F-2
Capital Asset Statistics by Function/Program, Last Ten Fiscal Years	F-3

This Page Intentionally Left Blank

2008 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

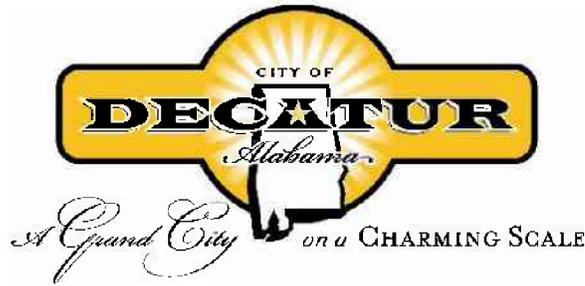
Animal Shelter
Building Department
Chief Financial Officer
City Attorney
City Clerk
City Engineer/Public Works Director
Community Planning & Development
Fire Chief
Information Systems
Municipal Judge
Landfill
Parks & Recreation
Personnel
Police Chief
Youth Services

Carol Wicks
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
Jessica Hayes
Linda McKinney
Ray Wilkinson
Melinda Dunn
Jeff Fussell
Emily Johnson



March 23, 2009

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, 2008, 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, 2008 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; elections continue to be held on this basis quadrennially.

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 investments in the park. Utility services are provided through a separate Municipal Utilities Board, which is a major proprietary fund included in 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 transportation routes, 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. The diversification of our manufacturing base made it less vulnerable to recessionary factors than many parts of the country. Our manufacturers are still investing money into their companies and many are expanding operations. In fiscal year 2008, twenty-three Morgan County companies invested \$274 million and created 193 jobs. One large new manufacturing company located in Decatur. Since the end of the fiscal year, two more large expansions have been announced that raise the planned investment to \$658 million and the anticipated total jobs created to 270. In addition, a \$160.6 million plant announced in 2007 and now under construction will employ 100 when it opens later this year. Companies continue to invest in their local facilities, expressing a confidence in their outlook of Decatur and Morgan County. Decatur placed third in the nation among comparably sized cities in Site Selection Magazine's 2008 compilation of top industry-getters.

Decatur enjoyed the highest appreciation of home-sale prices of any metropolitan area in the United States in 2008, according to the federal Office of Fair Housing Enterprise Oversight. Decatur home prices rose 6.58 percent during the year, while nationally, prices fell an average of 8.2 percent and some areas of the country saw housing values decline by as much as 49.5 percent during the year. The report notes that Decatur houses have consistently increased in value every quarter since the third quarter of 1995.

The Decatur unemployment rate rose in 2008 with 4.9% unemployed compared with 3.3% at 9/30/07. This rate, however, is lower than the state's average unemployment rate which was 5.4% at September 30, 2008.

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. Due to the volatile conditions in the municipal bond market on a national level, issuance of the debt has been delayed until market conditions are more favorable.

The Downtown Redevelopment Authority was revived and the City is completing 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 actively seeking a commitment from Calhoun Community College to locate a portion of its Fine Arts Program downtown. A tax incentive package for the movie and entertainment industry recently passed by the Legislature has increased interest in this plan and the possibility of a joint partnership between Calhoun and Athens State University for four-year and two-year degree programs makes it even more viable. In addition, a \$570,000 grant was approved for the downtown Streetscape Program, an exciting part of the downtown redevelopment program.

A three-phase, \$71 million Robotics Center is underway at Calhoun Community College. Phase I, a \$15 million, 52,000 sq. ft. robotics training center is currently under construction. The City of Decatur is contributing \$1 million towards the funding of this center over a four-year period. Phase II of the Robotics Center is scheduled to be completed in 2010. Governor Riley has committing to seeing Phase III initiated before he leaves office in 2011. Robotics and automation manufacturers have committed \$40 million in robots and equipment to the project and the Robotics Center is expected to serve as a magnet that will attract many high-tech companies to the area.

The Target-anchored development known as "The Crossings of Decatur," located at the intersection of Alabama Highway No. 67 and U.S. Highway No. 31, has attracted approximately seventeen, including Target, Regions Bank, Panera Bread Co. and Old Navy. In addition, AT&T has announced that it plans to open a new 3,500 square foot interactive concept store to provide customers access to all AT&T products. The Crossings' success has been attributed to the projected influx of federal defense jobs and wages to North Alabama. Final construction of The Crossings is expected to be completed this year.

Another economic development initiative is the continued investment in recreational facilities in the City. More improvements, in addition to the floating docks system and new restrooms, are planned 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, 2007 and 2008 and the Cajunfest for the first time in 2008. 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. 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 the opening anticipated in April of the only all-access playground in North Alabama, allowing access to people with multiple handicaps and representing an investment of over \$500,000. Work on a

comprehensive system of bicycle paths continues and will provide recreational and transportation benefits to citizens across the City.

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 continued to invest in 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 will facilitate the development of 400 new homes in the southeast area of Decatur. The second project has also been approved and will bring a franchise restaurant to the property and the annexation by the property owners of an additional 80 acres which will be developed for residential use. Because of federal regulations involving municipal elections, the City adopts a moratorium on annexations that typically covers ten months of the year; even with this moratorium in place during the 2008 election year, the City still annexed over 300 acres into the corporate limits in 2008.

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. An ambitious signage program saw the first phase completed with the installation of attractive directional signs which were funded by a grant from the state tourism program.

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 was constructed on West Moulton Street and enhances the 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 continue to the area surrounding and complementing the Turner-Surles Community Resource Center in Northwest Decatur, including continued enhancements to the adjacent Railroad Park, as well as major additional work to the park planned for the coming year, all funded by Community Development Grant funds. The Turner-Surles Center is 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. Well over one million dollars have been spent on this new resource center funded entirely by community development block grant funds. Plans are under way to convey additional lots owned by the City to the CDC, to be used for a single family home ownership program.

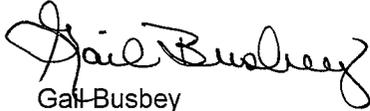
Awards and Acknowledgements

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, 2007. This was the sixteenth consecutive year that the government has achieved this prestigious award. In order to be 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, particularly that of Finance Supervisor, Linda McKinney. We wish to express our appreciation to our independent auditors, especially Jeremy Jefferys, CPA and Casi Edwards, 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 sound and responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gail Busbey". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

Gail Busbey
Chief Financial Officer

This Page Intentionally Left Blank

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, 2008, 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 98.9% of the total assets and 99.8% of the revenues of the discretely presented component units. The Utilities Board's financial statements represent 89.9% of the total assets and 94.3% 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, 2008, 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 23, 2009 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.



Huntsville, Alabama

March 23, 2009



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, 2008. 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.

2008 Highlights

Financial Highlights

- The total net assets of the City are \$261.1 million. Of this amount, \$18.8 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 \$37.7 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net assets increased by \$3.4 million (or 1.3%). The governmental net assets increased \$273 thousand (or 0.5 %) and business-type net assets increased by \$3.12 million (or 1.5%).
- The governmental activities revenues increased \$1.8 million (or 2.4%), and total expenses of governmental activities increased \$5.4 million (or 7.5%).
- As of September 30, 2008, the governmental funds reported a combined ending fund balance of \$32.1 million, a decrease of \$5.4 million from the prior year. Of the ending fund balance, \$19.0 million is unreserved and available to finance the activities of the governmental funds and \$3.1 million is reserved to meet existing obligations.
- The General Fund reported a fund balance of \$23.8 million and \$13.1 million of this amount is available for any purpose. The fund balance increased \$481 thousand from the prior year.
- The City's total debt decreased by \$5.3 million during 2008. The City incurred no new debt and paid principal of \$5.3 million during the year.

City Highlights

- The Crossings of Decatur, a major retail development, continued to be a top performer throughout the year. At its opening in October 2007, the Decatur Target store, was number one store in sales among the 61 other new stores opened during the same period. The success of the Crossings has continued to attract additional businesses into the development. The additional sales tax related to the Crossings has been used in the current year to reduce principal on the related debt prior to the regularly scheduled payments being required.
- Twenty-two expansions of existing Companies were announced during the year within the City and the police jurisdiction. Numerous new suppliers have laid plans to establish locations within the City and police jurisdiction to support existing industries.

Management's Discussion and Analysis- Continued

- Continued contribution to a revolving fund for sewer development to foster economic and residential growth in the City and to encourage annexation of unincorporated areas.
- Established, along with Morgan County and the other six municipalities in the county, a new 1800 acre Industrial Park and pledged TVA shared revenues toward funding the \$1,000,000 per year debt service and \$200,000 per year Industrial Incentive Fund.
- Continued revitalization of City's Downtown Development Authority and the second year of three-year funding to hire a Director to develop and implement a plan for revitalization of the downtown area;
- Substantial completion of three new fire stations, complete with larger bays for modern fire trucks
- Construction of the new Animal Services facility which will be completed in 2009.
- Joined with Athens City Council and Morgan and Limestone County Commissions, for partial funding of a planned robotics and automation training center located at Calhoun Community College which will provide educational programs and a location for NASA and the U.S. Army Missile Command to conduct research, development and testing of "leading edge robotics" for military projects and space exploration

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. 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

Management's Discussion and Analysis- Continued

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 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.

Management's Discussion and Analysis- Continued

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 53 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 governmental 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.

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 \$261.1 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (74.7 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 (3.4 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 \$56.5 million, which consisted of \$18.8 million from governmental activities and \$37.7 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$38,180	\$44,090	\$64,734	\$62,134	\$102,914	\$ 106,224
Capital assets	84,277	83,726	203,166	204,401	287,443	288,127
Total assets	122,457	127,816	267,900	266,535	390,357	394,351
Long-term liabilities outstanding	66,211	71,253	38,751	38,397	104,962	109,650
Other liabilities	5,590	6,180	18,751	20,855	24,216	27,035
Total liabilities	71,801	77,433	57,502	59,252	129,303	136,685
Net assets:						
Invested in capital assets, net of related debt	27,358	20,699	167,521	165,834	194,879	186,533
Restricted	4,460	5,418	5,185	5,051	9,645	10,469
Unrestricted	18,838	24,266	37,692	36,398	56,530	60,664
Total net assets	\$50,656	\$50,383	\$ 210,398	\$ 207,283	\$ 261,054	\$ 257,666

Management's Discussion and Analysis- Continued

Net assets from governmental activities increased \$273 thousand in fiscal year 2008 and net assets from business-type activities increased \$3.1 million.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$20,065	\$18,300	\$154,279	\$144,412	\$ 174,344	\$ 162,712
Operating grants & contributions	550	786	-	-	550	786
Capital grants & contributions	431	661	953	1,577	1,384	2,238
General revenues:						
Sales taxes	36,340	35,529	-	-	36,340	35,529
Property taxes	9,936	9,410	-	-	9,936	9,410
Other taxes	8,940	8,528	-	-	8,940	8,528
Interest on investments	1,035	1,930	1,795	2,580	2,830	4,510
Other	376	688	-	-	376	688
Total revenues	77,673	75,832	157,027	148,569	234,700	224,401
Expenses:						
General government	4,484	4,260	-	-	4,484	4,260
Public safety	20,949	19,883	-	-	20,949	19,883
Public works	9,238	7,428	-	-	9,238	7,428
Public services	11,438	9,940	-	-	11,438	9,940
Intergovernmental assistance	19,601	18,271	-	-	19,601	18,271
Community service contracts	2,974	2,840	-	-	2,974	2,840
Community development	1,316	1,647	-	-	1,316	1,647
Personnel Board	537	540	-	-	537	540
Interest on long-term debt	3,227	3,412	-	-	3,227	3,412
Unallocated depreciation	3,115	3,295	-	-	3,115	3,295
Municipal Utilities Board	-	-	146,139	133,900	146,139	133,900
Other	-	-	8,294	7,350	8,294	7,350
Total expenses	76,879	71,516	154,433	141,250	231,312	212,766
Increase in net assets before Transfers	794	4,316	2,594	7,319	3,388	11,635
Transfers	(521)	(494)	521	494	-	-
Increase in net assets	273	3,822	3,115	7,813	3,388	11,635
Net assets - beginning of year	50,383	46,561	207,283	201,734	257,666	248,295
Prior period adjustments	-	-	-	(2,264)	-	(2,264)
Net assets - end of year	\$ 50,656	\$ 50,386	\$ 210,398	\$ 207,283	\$ 261,054	\$ 257,666

Management's Discussion and Analysis- Continued

Governmental Activities. Revenues from governmental activities increased \$1.8 million (2.4 percent) during 2008. Although the changes were not as significant as the most recent previous years increases, we have noted some of these below:

- Sales taxes increased \$810 thousand, or 2.3 percent compared to 2007, due to an increase in retail sales. Although this increase is not as substantial as in previous years, we do believe it is noticeable compared to the state of the economy throughout the remainder of the country and the State of Alabama.
- Property taxes increased 5.6 percent due to annual property value re-appraisals and continued appreciation in home prices within the City and City limits despite the economic downturn which has caused a decrease in values nationally.
- Lodging tax revenues increased \$210 thousand, or 16.5 percent compared to 2007, due to increased visitors attending tournaments and other events at the newly constructed soccer and softball recreation centers.
- Interest on investments decreased \$895 thousand, or 46.4 percent due to a lowering of interest rates and the conversion of short-term investments in certificates of deposits into cash to be used for current operations.
- Capital grants and contributions decreased \$231 thousand in 2008. This was mainly due to a capital grant received in 2007 for \$495 thousand related to the Ingalls Harbor and Marina renovation project which did not repeat in 2008 as it was a one-time capital grant. This was partially offset by grant proceeds in 2008 related to the Delano Boundless Playground construction which amount to \$240 thousand.
- Operating grants decreased \$236 thousand in 2008. This was mainly attributable to a decrease in funding related to the Community Development Block Grant, which decreased from \$614 thousand in 2007 to \$327 in 2008. The reduction was due to the qualification of additional cities as entitlement cities in the current year which reduced the grant funds available to each existing entitlement city. This decrease was slightly offset by other smaller grants which began in 2008.

Expenses of governmental activities increased \$5.4 million (7.5 percent) in 2008. The majority of this increase is related to increases in salary and wage expenditures. A substantial portion of this is related to a City-wide 3 percent cost of living adjustment that went into effect in September 2007. Furthermore, two departments were reorganized in the current year, Police and Parks and Recreation Departments, which resulted in new positions, some of which were at rates on the higher end of the pay scale. Expenses further increased in the current year due to the high volatility of fuel prices which affected many departments such as fire, police and parks and recreations.

Business-Type Activities. Revenues from business-type activities increased \$8.5 million (5.7 percent) which is almost entirely attributable to increases within the Municipal Utilities Board. The majority of the increase was related to a TVA quarterly fuel cost adjustments and a 7 percent wholesale rate increase affecting the Electric System which went into effect April 1, 2008. The Gas System showed an increase in revenues due to the increased rates on natural gas. This was mostly offset, however, by a direct increase in the cost of natural gas to the System. Other Systems within the Municipal Utilities Board experienced small increases in overall revenues, even with declining usage, by overall increases in rates charged for providing services. These were almost entirely offset by the continuing cost of operations within these Systems.

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

Management's Discussion and Analysis- Continued

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.

The combined fund balances of the City's governmental funds as of September 30, 2008, were \$32.1 million, which was a decrease of \$5.4 million from the 2007 fiscal year. Of this amount, \$29.0 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 decrease of \$5.4 million in the combined fund balances of the City's governmental funds was mostly attributable to a \$5.1 million decrease in the 2006 Capital Improvement Fund. This decrease is related to the continued planned construction utilizing 2006 bond proceeds. As there are no new proceeds related to this issue, all expenditures are taken from current fund balance which remained positive at the end of the year.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$23.1 million, but \$9.9 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 net assets of the enterprise funds increased \$3.1 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 \$2,835,963 positive difference between budgeted and actual revenues is a result of the conservative budgeting approach of the governing body in budgeting FY 2008 revenues based on FY 2007 actual revenues. The \$2,695,236 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 did not meet budgetary projections although these only slightly underperformed due to management's expected decline in the amount of consumer spending based on the current economic environment. For this reason, sales tax were only \$17,843 below the projections for the year. It should also be noted that \$772 thousand in sales tax revenues were attributable to the Crossings development and has been reported within the Crossings Warrant Fund which is a nonmajor governmental fund not requiring an annual budget. Tax revenues associated with the sale of alcoholic beverages exceed budget by \$197,914, attributable to increased sales. An increase of \$399,973 in revenues for business licenses was a result of economic growth in 2007. The base for calculation is the revenue from the 2007 calendar year. This was increased by the addition of revenue from the new Crossings development which added many new stores in the current year, and the resulting boost in new businesses stemming from the traffic within this area. Payments to the Decatur Convention and Visitors Bureau, which are included within Community Service Contracts expenditures, exceeded the budget for this appropriation by \$189,205. This amount was based on

Management's Discussion and Analysis- Continued

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. 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, 2008, totals \$287.4 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 \$683 thousand in 2008. Those used for governmental activities increased by \$552 thousand as total additions (\$8.4 million) exceeded depreciation and disposition of those assets (\$7.8 million). Capital assets used for business-type activities decreased by \$1.2 million as total depreciation and disposition of assets (\$14 million) exceeded total additions (\$12.8 million).

Major capital events during the fiscal year included the following:

- \$2.8 million for the continued construction of three fire stations which replace existing, outdated stations which were contaminated and could not be salvaged through mold remediation measures in prior years. The stations were substantially complete but had not obtained their issuance of occupancy as of year-end. Therefore, these remain in construction in progress at year-end.
- \$503 thousand towards the City's continued effort to improve parks and public recreation areas throughout the City. The majority of this (\$440 thousand) was directed into improvements of the Delano Park Boundless Playground. A substantial portion of this project is funded by a grant from the Department of the Interior, National Parks Service, which was passed through the Alabama Department of Economic and Community Affairs.
- \$203 thousand for the construction of restrooms at the newly renovated Ingall's Harbor Marina.
- \$596 thousand towards the continued construction of the new Animal Shelter which is scheduled for completion in 2009.
- \$340 thousand towards continuing road construction and improvement, the largest portion of which was the Sandlin Road widening project.
- \$510 thousand for the acquisition of twenty new police cars which were partially offset by the disposal of other similar vehicles during the year.
- \$618 thousand for the purchase of a two pumper trucks to be used within the new fire stations referenced above.
- \$119 thousand for the purchase of refurbished automated external defibrillators (AED) for use by the fire department, which were mostly funded through a grant from Federal Emergency Management Agency.
- \$237 thousand for the purchase of a Track loader within the Sanitary Landfill proprietary fund. This was partially offset by the disposal of the bulldozer which it replaced.
- \$268 thousand for the purchase of a groundwater interceptor which is utilized to lower the water table and allow for deeper penetration and further landfill capacity as required by Alabama Department of Environmental Management.
- \$675 thousand for the purchase of a compactor as an upgrade of an older compactor. The new compactor allows for further compression which ultimately results in less space utilized within the landfill. The previous compactor has been maintained as backup as required by Alabama Department of Environmental Management.

Management's Discussion and Analysis- Continued

City of Decatur's Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$9,657	\$9,585	\$3,864	\$3,725	\$13,382	\$13,310
Land improvements	12,755	13,095	-	-	12,755	13,095
Buildings and improvements	12,766	13,596	7,850	8,603	20,616	22,199
Infrastructure	37,962	40,370	-	-	37,962	40,370
Construction in process	6,486	2,955	2,697	1,026	9,321	3,981
Machinery and Equipment	4,651	4,124	1,754	1,025	6,406	5,149
Utility plant-in-service	-	-	187,001	190,022	187,001	190,022
Total	\$84,277	\$83,725	\$203,166	\$204,401	\$287,443	\$288,126

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, 2008, the City had \$99.4 million of long-term debt outstanding. Of this amount, \$63.3 million is debt backed by the full faith and credit of the City and \$36.1 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (utility system debt). Long-term debt of the governmental activities decreased by 5.3 million (7.8 percent). This was entirely attributable to principal payments on outstanding debt as there were no new issues the current year. Long-term debt of the business-type activities decreased by \$3 million (7.8 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	
	2008	2007	2008	2007	2008	2007
General obligation warrants	\$63,273	\$68,575	\$-	\$-	\$63,273	\$68,575
Revenue warrants	-	-	36,090	39,115	36,090	39,115
Notes payable	-	-	-	-	-	-
Total	\$63,273	\$68,575	\$36,090	\$39,115	\$99,363	\$107,690

Management's Discussion and Analysis- Continued

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, 2008, the City's allocable debt outstanding was \$48.0 million less than the legal debt limit.

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 adjusted by amounts which were known one time revenue sources. 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.decaturalabamausa.com.

BASIC FINANCIAL STATEMENTS

CITY OF DECATUR
STATEMENT OF NET ASSETS
September 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$ 31,664,397	\$ 44,240,015	\$ 75,904,412	\$ 25,286,525
Receivables (net of allowances)	4,497,196	13,453,444	17,950,640	-
Due from governmental entities	1,013,518	-	1,013,518	16,530,097
Inventories	24,626	1,751,989	1,776,615	218,785
Prepaid items	-	-	-	-
Other	66,046	71,855	137,901	-
Deferred costs	667,329	274,081	941,410	184,925
Internal balances	247,585	(247,585)	-	-
Restricted assets				
Cash & investments, at cost	-	5,190,299	5,190,299	-
Capital assets				
Land, collections and construction in process	16,142,945	6,560,890	22,703,835	12,010,232
Other assets, net of accum. depreciation	68,133,846	196,605,309	264,739,155	65,827,787
Total assets	122,457,488	267,900,297	390,357,785	120,058,351
LIABILITIES				
Accounts payable	1,976,498	13,639,857	15,616,355	1,437,783
Accrued liabilities	1,870,419	1,954,942	3,825,361	6,375,519
Contract retainages	142,851	-	142,851	-
Due to component units	1,270,151	-	1,270,151	-
Due to governmental entities	39,400	-	39,400	-
Customer deposits	99,222	3,155,998	3,255,220	-
Unearned revenue	23,089	-	23,089	12,591,904
Other	168,225	-	168,225	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	3,155,000	3,155,000	-
Noncurrent liabilities				
Due within one year	4,826,792	83,902	4,910,694	723,354
Due in more than one year	61,384,643	35,511,972	96,896,615	27,362,355
Total liabilities	71,801,290	57,501,671	129,302,961	48,490,915
NET ASSETS				
Invested in capital assets, net of related debt	27,357,664	167,520,564	194,878,228	49,755,813
Restricted for:				
Capital projects	3,278,650	-	3,278,650	-
Debt service	417,139	5,185,299	5,602,438	-
Perpetual care:				
Expendable	-	-	-	-
Nonexpendable	763,746	-	763,746	-
Unrestricted	18,838,999	37,692,763	56,531,762	21,811,623
Total net assets	\$ 50,656,198	\$ 210,398,626	\$ 261,054,824	\$ 71,567,436

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

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	\$ 4,484,066	\$ 5,723,572	\$ -	\$ -	\$ 1,239,506	\$ -	\$ 1,239,506	\$ -
Public safety	20,949,207	2,669,455	-	-	(18,279,752)	-	(18,279,752)	-
Public works	9,238,083	2,793,431	-	22,200	(6,422,452)	-	(6,422,452)	-
Public services	11,436,422	605,347	-	-	(10,831,075)	-	(10,831,075)	-
Intergovernmental assistance	19,601,360	8,273,255	-	-	(11,328,105)	-	(11,328,105)	-
Community service contracts	2,973,892	-	-	-	(2,973,892)	-	(2,973,892)	-
Community development	1,315,546	-	549,862	408,545	(357,139)	-	(357,139)	-
Personnel board	537,308	-	-	-	(537,308)	-	(537,308)	-
Interest on long-term debt	3,227,317	-	-	-	(3,227,317)	-	(3,227,317)	-
Unallocated depreciation	3,114,842	-	-	-	(3,114,842)	-	(3,114,842)	-
Total governmental activities	76,878,041	20,065,060	549,862	430,745	(55,832,374)	-	(55,832,374)	-
Business-type activities								
Municipal Utilities Board	146,138,993	145,442,999	-	952,638	-	256,644	256,644	-
Point Mallard	4,731,723	3,708,573	-	-	-	(1,023,150)	(1,023,150)	-
Sanitary Landfill	3,561,336	5,127,222	-	-	-	1,565,886	1,565,886	-
Total business-type activities	154,432,052	154,278,794	-	952,638	-	799,380	799,380	-
Total primary government	\$ 231,310,093	\$ 174,343,854	\$ 549,862	\$ 1,383,383	\$ (55,832,374)	\$ 799,380	\$ (55,032,994)	\$ -
Component Units								
All	93,406,163	6,382,192	54,101,493	7,311,688	-	-	-	(25,610,790)
Total component units	\$ 93,406,163	\$ 6,382,192	\$ 54,101,493	\$ 7,311,688	\$ -	\$ -	\$ -	\$ (25,610,790)
General Revenues								
Sales & use taxes					\$ 36,339,971	\$ -	\$ 36,339,971	\$ 12,601,063
Property taxes					9,936,417	-	9,936,417	14,229,645
Alcoholic beverage taxes					2,178,344	-	2,178,344	-
Gasoline taxes					866,383	-	866,383	-
Automobile taxes					1,386,524	-	1,386,524	-
Lodging taxes					1,480,525	-	1,480,525	-
Rental taxes					1,393,968	-	1,393,968	-
Other taxes					1,633,787	-	1,633,787	989,584
Interest on investments					1,035,330	1,795,448	2,830,778	840,730
Other					375,869	-	375,869	4,264,124
Transfers					(521,279)	521,279	-	-
Total general revenues & transfers					56,105,839	2,316,727	58,422,566	32,925,146
Change in net assets					273,465	3,116,107	3,389,572	7,314,356
Net assets, beginning					50,382,733	207,282,519	257,665,252	64,253,080
Net assets, ending					\$ 50,656,198	\$ 210,398,626	\$ 261,054,824	\$ 71,567,436

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2008**

	General Fund	School Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 11,771,077	\$ 638,802	\$ 2,086,627	\$ 6,155,046	\$ 20,651,552
Cash with fiscal agents	672,874	-	-	-	672,874
Investments, at cost	9,639,971	-	-	700,000	10,339,971
Receivables (net of allowances)					
Accounts	259,794	725,379	-	170,479	1,155,652
Notes	-	-	-	414,771	414,771
Taxes	2,812,115	-	-	101,333	2,913,448
Accrued interest	12,371	-	-	954	13,325
Due from other funds	515,260	24,675	-	-	539,935
Due from governmental entities	722,238	115,493	-	175,787	1,013,518
Deposits	66,046	-	-	-	66,046
Inventories	24,626	-	-	-	24,626
Total assets	26,496,372	1,504,349	2,086,627	7,718,370	37,805,718
LIABILITIES					
Accounts payable	1,311,700	1,334	404,976	258,488	1,976,498
Accrued liabilities	925,602	-	-	59,393	984,995
Contract retainages	-	-	119,595	23,256	142,851
Due to other funds	-	-	-	292,350	292,350
Due to component units	-	1,270,151	-	-	1,270,151
Due to governmental entities	39,400	-	-	-	39,400
Deferred revenue	195,333	-	-	517,993	713,326
Customer deposits	99,222	-	-	-	99,222
Other	168,225	-	-	-	168,225
Total liabilities	2,739,482	1,271,485	524,571	1,151,480	5,687,018
FUND BALANCES					
Reserved for:					
Encumbrances	27,980	-	1,235,330	76,853	1,340,163
Inventories	24,626	-	-	-	24,626
Perpetual care	-	-	-	763,746	763,746
Debt service	-	-	-	417,139	417,139
Postemployment benefits	568,000	-	-	-	568,000
Unreserved & Designated for:					
Special purposes	8,651,935	-	-	-	8,651,935
Future capital needs	133,234	-	-	-	133,234
Landfill	1,203,109	-	-	-	1,203,109
Other	1,522	-	-	-	1,522
Unreserved & undesignated, reported in:					
General fund	13,146,484	-	-	-	13,146,484
Special revenue funds	-	232,864	-	2,357,228	2,590,092
Capital projects funds	-	-	326,726	2,951,924	3,278,650
Total fund balance	23,756,890	232,864	1,562,056	\$ 6,566,890	32,118,700
Total liabilities and fund balance	\$ 26,496,372	\$ 1,504,349	\$ 2,086,627	\$ 7,718,370	

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.	\$ 84,276,791
Other long-term receivables are not available for current-period expenditures and, therefore, are deferred in the funds.	690,237
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(66,429,530)
Net assets of governmental activities	\$ 50,656,198

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2008**

	General Fund	School Fund	2006 Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUE					
Sales & use taxes	\$ 26,676,004	\$ 8,891,964	\$ -	\$ 772,003	\$ 36,339,971
Property taxes	2,727,931	7,208,486	-	-	9,936,417
Other taxes	7,242,901	1,174,725	-	521,905	8,939,531
Licenses & permits	6,097,503	-	-	-	6,097,503
Fines & forfeitures	1,133,412	-	-	403,877	1,537,289
Revenues from money & property	923,448	-	130,865	170,118	1,224,431
Charges for services	3,958,824	-	-	-	3,958,824
Intergovernmental	6,517,708	588,058	-	2,125,897	9,231,663
Gifts & donations	-	-	-	171,487	171,487
Other revenues	134,656	-	-	84,364	219,020
Total revenues	55,412,387	17,863,233	130,865	4,249,651	77,656,136
EXPENDITURES					
Current					
General government	3,817,299	48,351	-	175,806	4,041,456
Public safety	20,163,301	-	3,987,310	269,956	24,420,567
Public works	7,138,538	-	360,384	2,027,196	9,526,118
Public services	9,988,200	-	843,563	60,521	10,892,284
Intergovernmental assistance	4,200,529	15,404,216	71,235	265,111	19,941,091
Community services contracts	2,973,892	-	-	-	2,973,892
Community development	-	-	-	1,315,546	1,315,546
Personnel Board	-	-	-	537,308	537,308
Debt service					
Principal	2,399,426	2,060,000	-	872,031	5,331,457
Interest and fiscal charges	2,416,552	381,489	-	435,190	3,233,231
Debt issuance costs	-	-	311	999	1,310
Capital projects construction and outlay	-	-	-	319,116	319,116
Total expenditures	53,097,737	17,894,056	5,262,803	6,278,780	82,533,376
Excess (deficiency) of revenues over expenditures	2,314,650	(30,823)	(5,131,938)	(2,029,129)	(4,877,240)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Transfers in	38,364	-	-	1,361,501	1,399,865
Transfers (out)	(1,871,850)	-	-	(49,294)	(1,921,144)
Total other financing (uses) sources	(1,833,486)	-	-	1,312,207	(521,279)
Net change in fund balance	481,164	(30,823)	(5,131,938)	(716,922)	(5,398,519)
Fund balance, beginning	23,275,726	263,687	6,693,994	7,283,812	37,517,219
Fund balance, ending	\$ 23,756,890	\$ 232,864	\$ 1,562,056	\$ 6,566,890	\$ 32,118,700

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, 2008**

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

Net change in fund balances - total governmental funds	\$ (5,398,519)
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.	575,080
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.	(23,887)
Revenues in the statement of activities that do not provide current financial resources	93,398
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.	5,225,814
Other expenses reported in the Statement of Activities that do not require current financial resources.	<u>(198,421)</u>
Change In Net Assets Of Governmental Activities	<u><u>\$ 273,465</u></u>

CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL
For the Year Ended September 30, 2008

	General Fund				School Fund			
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final						
REVENUES								
Taxes and payments in lieu of taxes	\$ 35,698,597	\$ 35,698,597	\$ 36,646,836	\$ 948,239	\$ 16,188,884	\$ 16,188,884	\$ 17,275,175	\$ 1,086,291
Licenses and permits	5,770,647	5,800,647	6,097,503	296,856	-	-	-	-
Fines and forfeitures	970,310	970,310	1,133,412	163,102	-	-	-	-
Revenues from money and property	1,046,081	1,046,081	923,448	(122,633)	-	-	-	-
Charges for services	3,848,473	3,880,573	3,958,824	78,251	-	-	-	-
Intergovernmental	6,159,483	6,159,483	6,517,708	358,225	545,934	545,934	588,058	42,124
Other revenues	140,989	140,989	134,656	(6,333)	-	-	-	-
Total revenues	53,634,580	53,696,680	55,412,387	1,715,707	16,734,818	16,734,818	17,863,233	1,128,415
EXPENDITURES								
Current								
General government	4,039,013	4,041,613	3,817,299	224,314	20,762	52,137	48,351	3,786
Public safety	20,081,878	20,219,328	20,163,301	56,027	-	-	-	-
Public works	7,178,665	7,334,365	7,138,538	195,827	-	-	-	-
Public services	9,026,406	9,942,958	9,988,200	(45,242)	-	-	-	-
Intergovernmental assistance	4,912,917	4,923,012	4,200,529	722,483	14,269,816	14,269,816	15,404,216	(1,134,400)
Community services contracts	2,552,247	2,800,012	2,973,892	(173,880)	-	28,625	-	28,625
Debt service								
Principal	2,416,552	2,416,552	2,399,426	17,126	2,060,000	2,444,240	2,060,000	384,240
Interest	2,399,426	2,399,426	2,416,552	(17,126)	384,240	384,240	381,489	2,751
Total expenditures	52,607,104	54,077,266	53,097,737	979,529	16,734,818	17,179,058	17,894,056	(714,998)
Excess of revenues over expenditures	1,027,476	(380,586)	2,314,650	2,695,236	-	(444,240)	(30,823)	413,417
OTHER FINANCING SOURCES (USES)								
Operating transfers in	51,357	57,357	38,364	(18,993)	-	-	-	-
Operating transfers out	(1,108,793)	(2,031,570)	(1,871,850)	159,720	-	-	-	-
Total other financing sources (uses)	(1,057,436)	(1,974,213)	(1,833,486)	140,727	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(29,960)	(2,354,799)	481,164	2,835,963	-	(444,240)	(30,823)	413,417
Fund balance, beginning	23,275,726	23,275,726	23,275,726	-	263,687	263,687	263,687	-
Fund balance, ending	\$ 23,245,766	\$ 20,920,927	\$ 23,756,890	\$ 2,835,963	\$ 263,687	\$ (180,553)	\$ 232,864	\$ 413,417

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2008

	Municipal Utilities Board	Other Enterprise Funds	Totals
ASSETS			
Current assets			
Cash & cash equivalents	\$ 28,990,020	\$ 11,249,995	\$ 40,240,015
Investments, at cost	-	4,000,000	4,000,000
Receivables (net of allowance)			
Accounts	11,466,351	550,235	12,016,586
Accrued interest	-	5,905	5,905
Other	1,430,953	-	1,430,953
Prepaid items	-	-	-
Inventories, at cost	1,689,417	62,572	1,751,989
Other	71,855	-	71,855
Total current assets	43,648,596	15,868,707	59,517,303
Noncurrent assets			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	5,190,299	-	5,190,299
Deferred costs	274,081	-	274,081
Investments in Municipal Utility Funds	-	-	-
Capital assets:			
Land	2,448,017	1,415,739	3,863,756
Buildings	-	7,193,908	7,193,908
Improvements other than buildings	-	14,894,545	14,894,545
Furniture & equipment	-	5,445,630	5,445,630
Utility plant in service	299,356,500	-	299,356,500
Construction work in progress	2,392,953	304,181	2,697,134
Less accumulated depreciation	(112,355,763)	(17,929,511)	(130,285,274)
Total capital assets (net of accumulated depreciation)	191,841,707	11,324,492	203,166,199
Total noncurrent assets	197,306,087	11,324,492	208,630,579
Total assets	240,954,683	27,193,199	268,147,882
LIABILITIES			
Current liabilities			
Accounts payable	13,142,037	497,820	13,639,857
Accrued liabilities	1,910,915	44,027	1,954,942
Compensated absences	66,730	17,171	83,902
Customer deposits	3,155,998	-	3,155,998
Revenue warrants payable - current	3,155,000	-	3,155,000
Due to other funds	247,585	-	247,585
Total current liabilities	21,678,265	559,018	22,237,284
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,266,224	2,266,224
Revenue notes payable	32,490,635	-	32,490,635
Compensated absences	600,574	154,540	755,113
Total noncurrent liabilities	33,091,209	2,420,764	35,511,972
Total liabilities	54,769,474	2,979,782	57,749,256
NET ASSETS			
Invested in capital assets, net of related debt	156,196,072	11,324,492	167,520,564
Restricted for debt service	5,185,299	-	5,185,299
Unrestricted	24,803,838	12,888,925	37,692,763
Total net assets	\$ 186,185,209	\$ 24,213,417	\$ 210,398,626

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, 2008**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating revenue			
Charges for services	\$ 145,442,999	\$ 5,127,222	\$ 150,570,221
Premiums & fees	-	3,708,573	3,708,573
Total operating revenue	145,442,999	8,835,795	154,278,794
Operating expenses			
Personnel, operations & maintenance	136,753,211	2,031,197	138,784,408
Closure and postclosure costs	-	246,919	246,919
Depreciation and amortization	7,668,591	1,249,994	8,918,585
Administrative costs	-	4,875,328	4,875,328
Total operating expenses	144,421,802	8,403,438	152,825,240
Operating income	1,021,197	432,357	1,453,554
Nonoperating revenue (expenses)			
Interest income	1,363,158	432,290	1,795,448
Interest expense	(1,717,199)	-	(1,717,199)
Intergovernmental	-	(7,031)	(7,031)
Gain (loss) on disposition of assets	-	90,382	90,382
Miscellaneous revenue (expense)	8	27,028	27,036
Total nonoperating revenue (expenses)	(354,033)	542,669	188,636
Income before contributions, transfers & special items	667,164	975,026	1,642,190
Capital contributions	952,638	-	952,638
Transfers in	15,375	512,935	528,310
Transfers (out)	-	(7,031)	(7,031)
Change in net assets	1,635,177	1,480,930	3,116,107
Total net assets, beginning	184,550,032	22,732,487	207,282,519
Prior period adjustments	-	-	-
Total net assets, ending	\$ 186,185,209	\$ 24,213,417	\$ 210,398,626

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, 2008**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating activities			
Receipts from customers and users	\$145,747,163	\$ 9,057,367	\$ 154,804,530
Other operating cash receipts	-	11,186	11,186
Payments to suppliers	(127,569,134)	(4,746,859)	(132,315,993)
Payments to employees	(8,830,510)	(2,019,049)	(10,849,559)
Non-operating cash payments	-	5,993	5,993
Net cash provided by operating activities	9,347,519	2,308,638	11,656,157
Noncapital financing activities			
Transfers in	-	512,935	512,935
Transfers (out)	-	(7,031)	(7,031)
Net cash provided by noncapital financing activities	-	505,904	505,904
Capital and related financing activities			
Acquisition and construction of capital assets	(6,236,691)	(1,447,121)	(7,683,812)
Proceeds from sale of capital assets	-	90,382	90,382
Capital contributions	968,013	-	968,013
Principal payments on warrants	(3,025,000)	-	(3,025,000)
Interest paid on warrants	(1,702,685)	-	(1,702,685)
Net cash (used) by capital and related financing activities	(9,996,363)	(1,356,739)	(11,353,102)
Investing activities			
Decrease (increase) in restricted assets	(139,435)	-	(139,435)
Miscellaneous non-operating income	8	-	8
Sale of investments	-	-	-
Interest received	1,363,158	432,290	1,795,448
Net cash provided (used) by investing activities	1,223,731	432,290	1,656,021
Net increase (decrease) in cash and cash equivalents	574,887	1,890,093	2,464,980
Cash and cash equivalents, beginning	28,415,133	9,359,902	37,775,035
Cash and cash equivalents, ending	\$ 28,990,020	\$ 11,249,995	\$ 40,240,015
Operating income (loss)	\$ 1,021,197	\$ 432,357	\$ 1,453,554
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	7,668,591	1,249,994	8,918,585
Miscellaneous item	-	266,915	266,915
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(81,256)	205,729	124,473
Accounts payable	1,135,135	175,745	1,310,880
Inventory	253,339	(34,250)	219,089
Prepaid items	-	-	-
Due to (from) other funds	-	0	0
Accrued liabilities	(708,071)	12,148	(695,923)
Deferred demand credit	58,584	-	58,584
Deferred revenue	-	-	-
Other items	-	0	0
Net cash provided by operating activities	\$ 9,347,519	\$ 2,308,638	\$ 11,656,157

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008**

	Governmental Activities	Business-Type Activities	
	Board of Education	Public Building Authority	Total
ASSETS			
Cash & cash equivalents	\$ 25,126,569	\$ 123,750	\$ 25,250,319
Investments, at cost	36,206	-	36,206
Due from primary government	1,270,151	-	1,270,151
Due from governmental entities	15,259,946	-	15,259,946
Inventories	218,785	-	218,785
Deferred Charges	184,925	-	184,925
Capital assets			
Land and construction in process	11,876,930	133,302	12,010,232
Other assets, net of accum. depreciation	64,725,344	1,102,443	65,827,787
Total assets	118,698,856	1,359,495	120,058,351
LIABILITIES			
Accounts payable	1,437,783	-	1,437,783
Accrued liabilities	6,375,519	-	6,375,519
Deferred revenue	12,591,904	-	12,591,904
Noncurrent liabilities			
Due within one year	553,610	169,744	723,354
Due in more than one year	27,362,355	0	27,362,355
Total liabilities	48,321,171	169,744	48,490,915
NET ASSETS			
Invested in capital assets, net of related debt	48,689,812	1,066,001	49,755,813
Unrestricted	21,687,873	123,750	21,811,623
Total net assets	\$ 70,377,685	\$ 1,189,751	\$ 71,567,436

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Component Units							
Decatur City Board of Education	\$ 93,343,114	\$ 6,204,369	\$ 54,101,493	\$ 7,311,688	\$ (25,725,564)	\$ -	\$ (25,725,564)
Public Building Authority	63,049	177,823	-	-	-	114,774	114,774
Total component units	\$ 93,406,163	\$ 6,382,192	\$ 54,101,493	\$ 7,311,688	\$ (25,725,564)	\$ 114,774	\$ (25,610,790)
General Revenues							
					\$ 12,601,063	\$ -	\$ 12,601,063
					14,229,645	-	14,229,645
					989,584	-	989,584
					837,782	2,948	840,730
					4,264,124	-	4,264,124
					32,922,198	2,948	32,925,146
					7,196,634	117,722	7,314,356
					63,181,051	1,072,029	64,253,080
					\$ 70,377,685	\$ 1,189,751	\$ 71,567,436

The accompanying notes are an integral part of this statement.

This Page Intentionally Left Blank

NOTES TO THE FINANCIAL STATEMENTS

City of Decatur
Notes To The Financial Statements
September 30, 2008

TABLE OF CONTENTS

Note	Page
1. Summary of Significant Accounting Policies	
A. Reporting Entity	25
B. Government-Wide and Fund Financial Statements.....	26
C. Measurement Focus, Basis of Accounting and Basis of Presentation	27
D. Assets, Liabilities, and Net Assets or Equity.....	28
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	31
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	31
3. Stewardship, Compliance and Accountability	
A. Budgetary Information	32
B. Excess of Expenditures Over Appropriations	33
4. Detailed Notes on All Funds	
A. Deposits and Investments	34
B. Capital Assets.....	35
C. Interfund Receivables, Payables, and Transfers	37
D. Leases	39
E. Long-Term Debt.....	40
F. Conduit Debt Obligations.....	45
G. Fund Equity Reserves and Designations.....	45
H. Tax Equivalents	46
I. Closure and Postclosure Care Cost	46
5. Other Information	
A. Contingent Liabilities and Commitments	46
B. Jointly Governed Organizations.....	47
C. Related Organizations	48
D. Pension Plans.....	48
E. Post-Retirement Health Plan	51
F. Risk Financing Programs.....	52
G. GASB Accounting Pronouncements.....	52

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

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, 2008

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, 2008

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 *2006 Capital Improvement Fund* accounts for financial resources to be used for the acquisition or construction of various capital facilities such as an animal shelter and new fire stations.

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 Funds* account 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, 2008

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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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”.

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, 2008, was \$691,432 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 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 \$390,000.

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 \$7,500 (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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

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.

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 \$66,429,530 difference are as follows:

Warrants Payable	\$ 63,219,152
Less: Deferred charge on refunding (to be amortized as interest expense)	(667,329)
Accrued interest payable	885,424
Compensated absences	<u>2,992,283</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 66,429,530</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 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 \$575,080 difference are as follows:

Capital outlay	\$ 7,382,873
Depreciation expense	<u>(6,807,793)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 575,080</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 \$5,225,814 difference are as follows:

Principal repayments:	
General obligation debt	5,302,031
Payment on capital lease	29,427
Amortization of premium and refunding loss	(42,823)
Deferral of issuance costs	<u>(62,821)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 5,225,814</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

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 detail of this \$201,421 difference is as follows:

Compensated absences	\$	(10,742)
Claims		(236,415)
Accrued interest		48,736
		48,736
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$	(198,421)

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

General Fund

Special Revenue Funds

- 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

Governmental Funds Not Annually-Budgeted

Special Revenue Funds

- Community Development Fund
- Municipal Court 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, 2008

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, 2008:

<u>General Fund</u>	
<i>General Government:</i>	
<i>Public Building</i>	\$ 40,805
<i>Public Services:</i>	
Animal Shelter	\$ 39,340
Youth Services	19,128
Park and Recreation	241,705
<i>Public Works:</i>	
Director	\$ 26,657
Engineering	5,950
<i>Community Services Contracts</i>	\$ 173,880
<u>School Fund</u>	
<i>Intergovernmental assistance</i>	1,134,400
<u>Special Revenue Funds</u>	
<i>7 Cent Gas Tax Fund:</i>	
Operating expenses	\$ 106,116
<i>Personnel Board Fund</i>	
Personal services	\$ 18,051
<i>Room Occupancy Tax Fund</i>	
Capital Outlay	\$ 1,778

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. 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	\$ 61,391,567
Carrying amount of deposits	4,672,874
Carrying amount of investments	<u>15,030,270</u>
 Total	 <u>\$ 81,094,711</u>
 Per Governmental Funds Balance Sheet-total governmental funds	
Cash and investments	\$31,664,397
Per Proprietary Funds Statement of Net Assets	
Total enterprise funds	
Cash and investments	44,240,015
Restricted cash for debt service	<u>5,190,299</u>
 Total	 <u>\$ 81,094,711</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:

	<u>Board of Education</u>
Cash on hand	\$ 25,126,569
Carrying amount of deposits	<u>36,206</u>
 Total Cash and investments	 <u>\$ 25,162,775</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance September 30, 2007	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2008
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 9,584,617	\$ 84,831	\$ (12,523)	\$ 9,656,925
Construction in progress	2,954,841	4,540,249	(1,009,069)	6,486,021
Total capital assets, not being depreciated	12,539,458	4,625,080	(1,021,592)	16,142,946
Capital assets, being depreciated:				
Buildings and improvements	28,634,786	456,817	(29,433)	29,062,170
Land improvements	18,723,267	479,143	-	19,202,410
Furniture, equipment and other	22,825,464	2,125,971	(1,664,771)	23,286,664
Infrastructure	92,144,628	704,930	-	92,849,560
Total capital assets, being depreciated	162,328,145	3,766,861	(1,694,204)	164,400,802
Less accumulated depreciation for:				
Buildings and improvements	(15,038,361)	(1,275,712)	18,068	(16,296,005)
Land improvements	(5,627,995)	(819,765)	-	(6,447,760)
Furniture, equipment and other	(18,701,215)	(1,598,700)	1,664,771	(18,635,144)
Infrastructure	(51,774,433)	(3,113,615)	-	(54,888,048)
Total accumulated depreciation	(91,142,004)	(6,807,792)	1,682,839	(96,266,957)
Total capital assets, being depreciated, net	71,186,141	(3,040,931)	(11,365)	68,133,845
Governmental activities capital assets, net	\$ 83,725,599	\$ 1,077,917	\$ (1,032,957)	\$ 84,276,791
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,725,954	\$ 137,802	\$ -	\$ 3,863,756
Construction in progress	1,025,940	6,692,163	(5,020,969)	2,697,134
Total capital assets, not being depreciated	4,751,894	6,829,965	(5,020,969)	6,560,890
Capital assets, being depreciated:				
Buildings and improvements	22,348,210	-	(259,757)	22,088,453
Furniture, equipment and other	4,351,596	1,227,014	(132,980)	5,445,630
Utility plant-in-service	295,606,087	4,757,312	(1,006,899)	299,356,500
Total capital assets, being depreciated	322,305,893	5,984,326	(1,399,636)	326,890,583
Less accumulated depreciation for:				
Buildings and improvements	(13,745,687)	(752,265)	259,757	(14,238,195)
Furniture, equipment and other	(3,326,567)	(497,726)	132,979	(3,691,314)
Utility plant-in-service	(105,584,561)	(7,668,593)	897,389	(112,355,765)
Total accumulated depreciation	(122,656,815)	(8,918,584)	1,290,125	(130,285,274)
Total capital assets, being depreciated, net	199,649,078	(2,934,258)	(109,511)	196,605,309
Business-type activities capital assets, net	\$ 204,400,972	\$ 3,895,707	\$ (5,130,480)	\$ 203,166,199

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Depreciation expense of \$3,114,842 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	\$ 950,510
Public Safety	725,022
Public Works	517,841
Public Services	1,423,500
Intergovernmental	<u>76,078</u>
Total depreciation expense – governmental activities	<u>\$ 3,692,951</u>
<u>Business-type activities:</u>	
Municipal Utilities Board Fund	\$ 7,668,591
Sanitary Landfill Fund	679,633
Point Mallard Fund	<u>570,361</u>
Total depreciation expense – business-type activities	<u>\$ 8,918,585</u>

Activity for the discretely presented component unit, Board of Education for the year ended September 30, 2008 was as follows:

	September 30, 2007	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2008
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 5,943,471	\$ 533,526	\$ -	\$ 6,476,997
Construction in progress	6,097,383	6,530,519	(7,227,969)	5,399,933
Total capital assets, not being depreciated	<u>12,040,854</u>	<u>7,064,045</u>	<u>(7,227,969)</u>	<u>11,876,930</u>
Capital assets, being depreciated:				
Buildings and improvements	85,697,109	6,694,443	-	92,391,552
Furniture, equipment and other	5,544,893	1,914,332	(413,701)	7,045,524
Total capital assets, being depreciated	<u>91,242,002</u>	<u>8,608,775</u>	<u>(413,701)</u>	<u>99,437,076</u>
Less accumulated depreciation	<u>32,217,360</u>	<u>2,886,459</u>	<u>392,087</u>	<u>34,711,732</u>
Total capital assets, being depreciated, net	<u>59,024,642</u>	<u>5,722,316</u>	<u>(21,614)</u>	<u>64,725,344</u>
Total governmental activities capital assets, net	<u>\$ 71,065,496</u>	<u>\$ 12,786,361</u>	<u>\$ (7,249,583)</u>	<u>\$76,602,274</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2008 is as follows:

Transfers In/Out:

Transfers Out:

From General Fund:			
To non-major governmental funds	\$	1,358,915	
To non-major enterprise funds		<u>512,935</u>	\$ 1,871,850
From Non-major governmental funds:			
To General Fund	\$	31,333	
To Municipal Utilities Board Enterprise Fund		15,375	
To non-major governmental funds		<u>2,586</u>	49,294
From Non-major enterprise funds:			
To General Fund			<u>7,031</u>
Total			<u><u>\$ 1,928,175</u></u>

Transfers In:

To General Fund:			
From non-major governmental funds	\$	31,333	
From non-major enterprise funds		<u>7,031</u>	\$ 38,364
To Municipal Utilities Board Enterprise Fund:			
From non-major governmental funds			15,375
To Non-major governmental funds			
From General Fund		1,358,915	
From other non-major governmental funds		<u>2,586</u>	1,361,501
To Non-major enterprise funds			
From General Funds			<u>512,935</u>
Total			<u><u>\$ 1,928,175</u></u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

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	\$ 222,910
	Non-major Governmental Funds	<u>292,350</u>
		515,260
School Fund	Municipal Utilities Board Enterprise Fund	<u>24,675</u>
Total due to/from other funds		<u>\$ 539,935</u>

Due To/From Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Component Unit – Board of Education	Primary Government – School Fund	<u>\$ 1,270,151</u>
Total due to/from primary government to component units		<u>\$ 1,270,151</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, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. 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 \$50,687 for the year ended September 30, 2008. The future minimum lease payments for these leases are as follow:

Year Ending September 30	Business-Type Activities Point Mallard
2009	\$ 69,663
2010	70,717
2011	70,717
2012	70,717
2013	1,936
Total minimum lease payments	<u>\$ 283,750</u>

Capital Leases

The discretely presented component unit, Board of Education, has entered into various lease agreements as lessee for financing the acquisition of transportation and computer 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 future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2008 are as follows:

Year Ending September 30	Governmental Activities
2009	\$ 637,615
2010	459,878
2011	329,834
2012	232,161
2013	154,112
Thereafter	616,447
Total minimum lease payments	2,430,047
Less amount representing interest	<u>(294,082)</u>
Present value of minimum lease payments	<u>\$ 2,135,965</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. 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, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2008, 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	5.0 – 5.2	310 - 1,150	\$ 4,170	\$ 510
1997-B	3,975	6/1/1997	6/1/2011	4.875 – 5.1	295 - 410	1,170	370
2000	15,920	7/1/2000	6/1/2020	5.375 - 5.4	110 - 2,095	12,540	135
2003-C	3,775	2/1/2003	8/1/2013	2.875 - 4.0	205 - 500	1,365	500
2003-E	19,900	11/1/2003	7/1/2026	4.0 - 4.75	380 - 800	16,875	380
2006-AMFund	505	5/4/2006	5/20/2009	3.81	160 - 175	175	175
2006-Crossings	4,775	9/20/2006	9/20/2021	6.55	37 - 547	4,738	48
2006-Capital Improvement	<u>16,215</u>	10/11/2006	10/1/2026	4.0-4.375	175 -2,360	<u>15,965</u>	<u>260</u>
	<u>74,760</u>					<u>56,998</u>	<u>2,378</u>
<i>G.O. Warrants - school purposes</i>							
1997-School	7,965	6/1/1997	6/1/2013	4.875 – 5.1	530 - 715	3,225	575
1997-A	7,370	6/1/1997	6/1/2011	4.875 – 5.1	545 - 760	2,155	680
2003-D	<u>7,305</u>	2/1/2003	8/1/2009	2.87 - 3.125	865 – 1,220	<u>895</u>	<u>895</u>
	<u>22,640</u>					<u>6,275</u>	<u>2,150</u>
Total Governmental Activities	<u>\$ 97,400</u>					<u>\$ 63,273</u>	<u>\$ 4,528</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, 2008

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 (thousand)	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	1,310 - 2,140	\$ 18,545	\$ 1,310
	<u>23,240</u>					<u>18,545</u>	<u>1,310</u>
<i>Wastewater System Revenue Warrants</i>							
1997	2,850	11/1/1996	8/15/2017	3.95	135 - 200	1,565	150
2000	15,590	12/22/1999	8/15/2020	3.85	720 - 1,095	10,740	720
2004	9,645	04/21/2004	8/15/2013	2.85	910 - 1,125	5,240	975
	<u>28,085</u>					<u>17,545</u>	<u>1,845</u>
Total Business-Type Activities	<u>51,325</u>					<u>36,090</u>	<u>3,155</u>
Total Primary Government	<u>\$ 154,245</u>					<u>\$ 99,363</u>	<u>\$ 7,683</u>

COMPONENT UNITS

Governmental-Type Activities

Board of Education

2005	\$ 26,000	2005	2030	4.0 - 4.5	270 - 8,750	\$ 25,780	\$ -
	<u>26,000</u>					<u>25,780</u>	<u>-</u>

Business-Type Activities

Public Building Authority

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

Total Component Units

	<u>\$ 26,950</u>					<u>\$ 26,105</u>	<u>\$ 170</u>
--	-------------------------	--	--	--	--	-------------------------	----------------------

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, 2008

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, 2008 are shown below. There is \$417,139 available in the Crossings Debt Service Fund to service general obligation debt and \$5,190,299 available in the Municipal Utilities Board Enterprise Fund to service the revenue warrants.

PRIMARY GOVERNMENT

	(thousands)	
<u>Governmental Activities:</u>	G.O. Warrants	
	Principal	Interest
2009	4,528	3,048
2010	3,215	2,862
2011	3,380	2,710
2012	3,097	2,540
2013	3,257	2,384
Thereafter	45,796	18,847
Total governmental activities	\$ 63,273	\$ 32,391

	Water System Revenue Warrants		Wastewater System Revenue Warrants	
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
2013	1,580	641	2,140	365
Thereafter	11,345	2,070	7,615	1,173
Total business-type activities	\$ 18,545	\$ 5,941	\$17,545	\$ 3,659

COMPONENT UNITS

<u>Governmental Activities: Board of Education</u>	Capital Outlay Warrants	
	Principal	Interest
2009	\$ -	\$ 1,107
2010	-	1,107
2011	-	1,107
2012	270	1,101
2013	275	1,090
Thereafter	25,510	10,612
Total Governmental Activities	\$ 25,780	\$ 16,124

<u>Business-Type Activities – Public Building Authority</u>	Lease Revenue Warrants	
	Principal	Interest
2009	\$ 170	\$ 8
Total Business-Type Activities	\$ 160	\$ 8

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2008, 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	\$ 68,575	\$ -	\$ (5,302)	\$ 63,273	\$ 5,265
Notes payable	-	-	-	-	-
Subtotal	68,575	-	(5,302)	63,273	5,265
Less amounts deferred for:					
Issue discounts & premiums	(5)	-	1	(4)	-
Refunding losses	(91)	-	41	(50)	-
Total warrant, bonds, & notes	68,479	-	(5,260)	63,219	5,265
Capitalized leases	29	-	(29)	-	-
Compensated absences	2,345	35	(25)	2,355	234
Claims payable	400	749	(512)	637	40
Governmental Activities Long-Term Liabilities	\$ 71,253	\$ 784	\$ (5,826)	\$ 66,211	\$ 5,568
<u>Business-Type Activities:</u>					
Revenue warrants	\$ 39,115	\$ -	\$ (3,025)	\$ 36,090	\$ 3,155
Less amounts deferred for:					
Issue discounts & premiums	(492)	-	48	(444)	-
Total warrants	38,623	-	(2,860)	35,646	3,155
Landfill closure and postclosure	2,019	247	-	2,266	-
Compensated absences	781	240	(182)	839	84
Business-Type Activities Long-Term Liabilities	\$ 41,423	\$ 971	\$ (3,077)	\$ 38,751	\$ 3,239

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

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	\$ 335	\$ -	\$ (165)	\$ 170	\$ 160
Total Public Building Authority					
Long-Term Liabilities	\$ 335	\$ -	\$ (165)	\$ 170	\$ 160

F. 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, 2008, 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 approximately \$120,340,000. 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.

G. Fund Equity Reserves and Designations

General Fund

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

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

Reserved for post-employment benefits - represents amounts set aside to fund the benefits expected to be paid for retired employees in the next fiscal year.

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, 2008

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.

H. 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 2008 was \$1,464,460 by the Electric System, \$499,772 by the Natural Gas System, \$93,428 by the Wastewater System and \$496,863 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.

I. 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 \$2,266,224 reported for landfill closure and postclosure care liability at September 30, 2008 within the proprietary statement of net assets, represents the cumulative amount reported to date based on the use of 38.84 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of \$3,568,453 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, 2008. The City expects to close the landfill in the year 2043. 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, 2008.

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, 2008, 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, 2008

NOTE 5 – OTHER INFORMATION – CONTINUED

Construction Contracts

The City entered into various construction contracts as of September 30, 2008. 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, 2008.

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, 2008

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, 2008

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2008, 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, 2007 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, 2007 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, 2007 and September 30, 2006, 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, 2007 was twenty for the Board and the City.

	Trend Information for the System (1)		
	Fiscal Year	Annual Pension	Percentage of APC
	Ending	Cost (APC)	Contributed
City of Decatur	9/30/07	2,038,996	100%
	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%
Municipal Utilities Board	9/30/07	1,195,506	100%
	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%

(1) Trend information for the year ended September 30, 2008 was not yet available from the System.

Department	Schedule of Funding Progress for the System						UAAL as a Percentage of Covered Payroll
	Actuarial Valuation Date(1)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	
City of Decatur	9/30/07	\$70,294,168	\$91,599,506	\$21,305,337	76.7%	\$22,785,195	93.5%
	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%
Municipal Utilities Board	9/30/07	\$23,777,554	\$36,629,622	\$12,852,068	64.9%	7,260,852	177.0%
	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%

(1) Trend information for the year ended September 30, 2008 was not yet available from the System.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

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,		
	2008	2007	2006
Total percentage of payroll	16.75%	14.376%	13.17%
Contributions:			
Percentage contributed by the Board	11.75%	9.36%	8.17%
Percentage contributed by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	\$ 5,842,659	\$ 4,378,759	\$ 3,565,559
Amount contributed by employees	2,486,238	2,339,081	2,182,105
Total Contributions	\$ 8,328,897	\$ 6,717,840	\$ 5,747,664

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 5 – OTHER INFORMATION – CONTINUED

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.

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 ninety-five (95) retirees are eligible to participate and ninety-three (93) 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) or Medicare eligibility. Forty-one (41) of these retirees have single coverage and make no payment toward this coverage and one (1) retiree has dental and vision (no medical) coverage and makes no payment toward these benefits. 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, 2008, there were thirty-nine retirees eligible and receiving the benefit, at a cost to the City of \$11,248 monthly.

The cost of retiree health care benefits is recognized as an expenditure as premiums are paid. During the year, expenditures of \$998,173 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, 2008 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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 5 – OTHER INFORMATION – CONTINUED

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

At September 30, 2008, 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.

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, 2008 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,	
	2008	2007
Unpaid claims, beginning of year	\$ 405,270	\$ 553,153
Incurred claims	748,977	220,859
Less claim payments	(510,996)	(368,742)
Unpaid claims, end of year	\$ 643,251	\$ 405,270

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 2009. This statement addresses how governments should account for and report their costs and obligations related to post employment healthcare and other non-pension benefits.

The City plans to adopt GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, required for fiscal periods beginning after December 15, 2007, in fiscal 2009. This Statement sets uniform standards requiring more timely and complete reporting of pollution redial obligations.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2008

NOTE 5 – OTHER INFORMATION – CONTINUED

The City plans to adopt GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which provides additional guidance to state and local governments to determine whether and when intangible assets should be considered capital assets for financial reporting purposes. The statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. It also provides guidance on determining the useful life of intangible assets when the length of their life is limited by contractual or legal provisions. Applications of this statement is effective for fiscal years beginning after June 15, 2009, in fiscal 2010.

The City plans to adopt GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, required for fiscal periods beginning after June 15, 2008, in fiscal 2009. This Statement requires endowments to report their land and other real estate investments at fair value, creating consistency in reporting amount similar entities that exist to invest resources for the purpose of generating income.

The City plans to adopt GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, required for fiscal periods beginning after June 15, 2009, in fiscal 2010. This Statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

This Page Intentionally Left Blank

SUPPLEMENTAL INFORMATION

**CITY OF DECATUR
GENERAL FUND
BALANCE SHEET
September 30, 2008**

ASSETS

Cash & cash equivalents	\$ 11,771,077
Cash with fiscal agent	672,874
Investments, at cost	9,639,971
Receivables (net of allowances):	
Accounts	259,794
Taxes	2,812,115
Accrued interest	12,371
Due from other funds	515,260
Due from other governmental entities	722,238
Deposits	66,046
Inventories	24,626
	<hr/>
Total assets	\$ 26,496,372
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,311,700
Accrued liabilities	925,602
Due to other governmental entities	39,400
Deferred revenue	195,333
Customer deposits	99,222
Other	168,225
	<hr/>
Total liabilities	2,739,482
	<hr/>

FUND BALANCE

Reserved for encumbrances	-
Reserved for inventories	24,626
Reserved for DA fees	-
Reserved for other postemployment benefits	568,000
Unreserved	
Designated for Encumbrances	27,980
Designated for Special purposes	8,651,935
Designated for Future capital needs	133,234
Designated for Landfill	1,203,109
Designated for other purposes	1,522
Undesignated	13,146,484
	<hr/>
Total fund balance	23,756,890
	<hr/>
Total liabilities and fund balance	\$ 26,496,372
	<hr/> <hr/>

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET & ACTUAL
For the Year Ended September 30, 2008**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes	\$ 35,698,597	\$ 35,698,597	\$ 36,646,836	\$ 948,239
Licenses and permits	5,770,647	5,800,647	6,097,503	296,856
Fines and forfeitures	970,310	970,310	1,133,412	163,102
Revenues from money and property	1,046,081	1,046,081	923,448	(122,633)
Charges for services	3,848,473	3,880,573	3,958,824	78,251
Intergovernmental	6,159,483	6,159,483	6,517,708	358,225
Other revenues	140,989	140,989	134,656	(6,333)
Total revenues	53,634,580	53,696,680	55,412,387	1,715,707
EXPENDITURES				
Current				
General government	4,039,013	4,041,613	3,817,299	224,314
Public safety	20,081,878	20,219,328	20,163,301	56,027
Public works	7,178,665	7,334,365	7,138,538	195,827
Public services	9,026,406	9,942,958	9,988,200	(45,242)
Intergovernmental assistance	4,912,917	4,923,012	4,200,529	722,483
Community services contracts	2,552,247	2,800,012	2,973,892	(173,880)
Debt service:				
Principal	2,416,552	2,416,552	2,399,426	17,126
Interest and fiscal charges	2,399,426	2,399,426	2,416,552	(17,126)
Total expenditures	52,607,104	54,077,266	53,097,737	979,529
Excess of revenues over expenditures	1,027,476	(380,586)	2,314,650	2,695,236
OTHER FINANCING SOURCES (USES)				
Operating transfers in	51,357	57,357	38,364	(18,993)
Operating transfers out	(1,108,793)	(2,031,570)	(1,871,850)	159,720
Total other financing sources (uses)	(1,057,436)	(1,974,213)	(1,833,486)	140,727
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(29,960)	(2,354,799)	481,164	2,835,963
Fund balance, beginning	23,275,726	23,275,726	23,275,726	-
Fund balance, ending	\$ 23,245,766	\$ 20,920,927	\$ 23,756,890	\$ 2,835,963

**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, 2008**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$ 26,693,847	\$ 26,693,847	\$ 26,676,004	\$ (17,843)
Ad valorem	2,564,104	2,564,104	2,727,931	163,827
Other	6,440,646	6,440,646	7,242,901	802,255
Total	35,698,597	35,698,597	36,646,836	948,239
Licenses and permits				
Motor Vehicle	172,691	172,691	186,708	14,017
Business Licenses and Permits	4,718,059	4,748,059	5,148,032	399,973
Building Permits and Inspection Fees	879,897	879,897	762,763	(117,134)
Total	5,770,647	5,800,647	6,097,503	296,856
Fines and forfeitures				
	970,310	970,310	1,133,412	163,102
Revenues from money and property				
Interest	964,378	964,378	763,009	(201,369)
Other	81,703	81,703	160,439	78,736
Total	1,046,081	1,046,081	923,448	(122,633)
Charges for current services				
Recreation	439,504	441,604	477,056	35,452
Animal shelter	19,967	19,967	27,776	7,809
General government	415,800	415,800	482,612	66,812
Public safety	168,596	198,596	173,056	(25,540)
Public works	2,749,630	2,749,630	2,746,400	(3,230)
Cemetery	53,075	53,075	48,000	(5,075)
Old bank	1,582	1,582	1,610	28
Youth services	319	319	2,314	1,995
Total	3,848,473	3,880,573	3,958,824	78,251
Intergovernmental				
Tax equivalents	5,574,247	5,574,247	6,258,190	683,943
Federal Government Grants	-	-	47,650	47,650
State Shared Taxes	565,236	565,236	211,868	(353,368)
State contributions	20,000	20,000	-	(20,000)
Total	6,159,483	6,159,483	6,517,708	358,225
Other revenues				
	140,989	140,989	134,656	(6,333)
TOTAL REVENUES	53,634,580	53,696,680	55,412,387	1,715,707

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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current Expenditures				
General Government				
Mayor and Council				
Personal services	255,431	255,431	253,183	2,248
Operating expenses	47,050	47,050	41,632	5,418
Total	302,481	302,481	294,815	7,666
Legal Services				
Personal services	328,693	328,693	330,579	(1,886)
Operating expenses	83,125	83,125	66,689	16,436
Total	411,818	411,818	397,268	14,550
Municipal Court				
Personal services	441,572	444,072	451,739	(7,667)
Operating expenses	63,000	60,500	39,486	21,014
Total	504,572	504,572	491,225	13,347
City Clerk				
Personal services	405,596	405,596	408,524	(2,928)
Operating expenses	149,000	149,000	102,734	46,266
Total	554,596	554,596	511,258	43,338
Revenue department				
Personal services	223,823	224,423	147,075	77,348
Operating expenses	65,750	65,150	45,505	19,645
Total	289,573	289,573	192,580	96,993
Finance department				
Personal services	547,608	547,608	511,429	36,179
Operating expenses	76,150	76,150	59,487	16,663
Total	623,758	623,758	570,916	52,842
Public building				
Personal services	124,571	124,571	125,714	(1,143)
Operating expenses	477,574	478,174	517,836	(39,662)
Total	602,145	602,745	643,550	(40,805)
Community development				
Personal services	585,310	585,310	554,714	30,596
Operating expenses	164,760	166,760	160,973	5,787
Total	750,070	752,070	715,687	36,383
Total general government	4,039,013	4,041,613	3,817,299	224,314

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, 2008

Page 3 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Fire				
Personal services	7,710,913	7,710,913	7,603,690	107,223
Operating expenses	702,500	735,500	839,109	(103,609)
Total	8,413,413	8,446,413	8,442,799	3,614
Inspection				
Personal services	774,346	774,346	776,281	(1,935)
Operating expenses	89,065	95,065	80,815	14,250
Total	863,411	869,411	857,096	12,315
Police				
Personal services	9,313,439	9,313,439	9,207,377	106,062
Operating expenses	1,491,615	1,590,065	1,656,029	(65,964)
Total	10,805,054	10,903,504	10,863,406	40,098
Total public safety	20,081,878	20,219,328	20,163,301	56,027
Public Works				
Director				
Personal services	406,798	406,798	408,520	(1,722)
Operating expenses	106,220	106,920	131,855	(24,935)
Total	513,018	513,718	540,375	(26,657)
Streets				
Personal services	2,022,243	2,022,243	1,960,258	61,985
Operating expenses	1,050,366	1,063,366	1,002,376	60,990
Total	3,072,609	3,085,609	2,962,634	122,975
Engineering				
Personal services	174,618	174,618	170,439	4,179
Operating expenses	58,500	99,500	109,629	(10,129)
Total	233,118	274,118	280,068	(5,950)
Sanitation				
Personal services	1,714,126	1,714,126	1,644,597	69,529
Operating expenses	1,645,794	1,746,794	1,710,864	35,930
Total	3,359,920	3,460,920	3,355,461	105,459
Total public works	7,178,665	7,334,365	7,138,538	195,827

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, 2008

Page 4 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Services				
Animal Shelter				
Personal services	372,828	371,565	416,000	(44,435)
Operating expenses	117,310	125,752	120,657	5,095
Total	490,138	497,317	536,657	(39,340)
Park and recreation				
Personal services	3,343,998	3,458,998	3,440,505	18,493
Operating expenses	2,978,815	3,745,038	4,005,236	(260,198)
Total	6,322,813	7,204,036	7,445,741	(241,705)
Landscape and beautification				
Personal services	630,211	630,211	468,335	161,876
Operating expenses	518,100	531,100	501,007	30,093
Total	1,148,311	1,161,311	969,342	191,969
Cemetery				
Personal services	103,688	109,688	110,277	(589)
Operating expenses	75,648	82,148	77,416	4,732
Total	179,336	191,836	187,693	4,143
Business development board				
Personal services	44,533	44,533	45,060	(527)
Operating expenses	30,700	30,700	13,462	17,238
Total	75,233	75,233	58,522	16,711
Youth services				
Personal services	201,491	201,491	203,424	(1,933)
Operating expenses	327,681	330,281	347,476	(17,195)
Total	529,172	531,772	550,900	(19,128)
Culture				
Cultural Facilities	166,000	166,000	150,935	15,065
Old Bank	111,123	111,173	88,410	22,763
Historic Preservation Commission	4,280	4,280	-	4,280
Total	281,403	281,453	239,345	42,108
Total public services	9,026,406	9,942,958	9,988,200	(45,242)

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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Intergovernmental assistance</i>				
Garage				
Personal services	494,590	494,590	395,056	99,534
Operating expenses	61,525	63,725	63,983	(258)
Total	556,115	558,315	459,039	99,276
Purchasing				
Personal services	133,920	133,920	134,962	(1,042)
Operating expenses	27,700	27,700	12,606	15,094
Total	161,620	161,620	147,568	14,052
Information services				
Personal services	463,460	463,460	465,709	(2,249)
Operating expenses	412,700	412,700	357,112	55,588
Total	876,160	876,160	822,821	53,339
Miscellaneous				
Workman's compensation	650,000	650,000	710,594	(60,594)
Insurance	290,000	290,000	242,191	47,809
Other	2,020,918	2,028,413	1,507,037	521,376
Total	2,960,918	2,968,413	2,459,822	508,591
Planning department				
Personal services	256,489	256,489	260,299	(3,810)
Operating expenses	51,540	51,940	30,760	21,180
Total	308,029	308,429	291,059	17,370
Safety				
Personal services	1,575	1,575	1,045	530
Operating expenses	48,500	48,500	19,175	29,325
Total	50,075	50,075	20,220	29,855
<i>Total Intergovernmental assistance</i>	4,912,917	4,923,012	4,200,529	722,483

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, 2008

	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	-
Morgan County District Court/Corrections Fund	-	-	-	-
NARCOG:				
Regional Planning	16,153	16,153	16,153	-
Senior Aid Program	3,000	2,000	2,000	-
Transport Planning	27,335	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	130,000	130,000	130,000	-
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	-
Decatur-Morgan County Seniors' Council, Inc.	62,000	62,000	62,000	-
Decatur Convention and Visitors' Bureau	522,000	522,000	711,205	(189,205)
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	24,475	10,525
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	80,000	-
Hospice of the Valley Capital Campaign	25,000	25,000	25,000	-
Decatur Youth Symphony	15,000	15,000	15,000	-
Calhoun Robotics Complex	-	250,000	250,000	-
Total Community Services Contract	2,552,247	2,800,012	2,973,892	(173,880)
Debt Service Expenditures	4,815,978	4,815,978	4,815,978	-
TOTAL EXPENDITURES	52,607,104	54,077,266	53,097,737	979,529
Excess (deficiency) of revenues over expenditures	1,027,476	(380,586)	2,314,650	2,695,236

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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Operating transfers in	51,357	57,357	38,364	(18,993)
Operating transfers out	(1,108,793)	(2,031,570)	(1,871,850)	159,720
Total other financing sources (uses)	(1,057,436)	(1,974,213)	(1,833,486)	140,727
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(29,960)	(2,354,799)	481,164	2,835,963
Fund balance, beginning	23,275,726	23,275,726	23,275,726	-
Fund balance, ending	\$ 23,245,766	\$ 20,920,927	\$ 23,756,890	\$ 2,835,963

CITY OF DECATUR
NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING BALANCE SHEET
September 30, 2008

	Special Revenue Funds										Permanent Fund	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	Capital Improvements Fund	Crossings Warrant Fund	Public Port & Infrastructure Warrants Fund	
ASSETS															
Cash & investments, at cost	\$ 30,160	\$ 160,928	\$ -	\$ 200,643	\$ 145,060	\$ 1,021,889	\$ 853,059	\$ 54,514	\$ 215,775	\$ 40,360	\$ 63,031	\$ 3,006,957	\$ 362,670	\$ -	\$ 6,155,046
Investments, at cost	-	-	-	-	-	-	-	-	-	-	700,000	-	-	-	700,000
Receivables (net of allowances)															
Accounts	-	-	170,349	-	130	-	-	-	-	-	-	-	-	-	170,479
Notes	-	-	414,771	-	-	-	-	-	-	-	-	-	-	-	414,771
Accrued interest	35	204	-	-	-	-	-	-	-	-	715	-	-	-	954
Taxes	-	-	-	-	-	-	-	-	-	46,864	-	-	54,469	-	101,333
Due from governmental entities	12,780	28,549	134,458	-	-	-	-	-	-	-	-	-	-	-	175,787
Total assets	\$ 42,975	\$ 189,681	\$ 719,578	\$ 200,643	\$ 145,190	\$ 1,021,889	\$ 853,059	\$ 54,514	\$ 215,775	\$ 87,224	\$ 763,746	\$ 3,006,957	\$ 417,139	\$ -	\$ 7,718,370
LIABILITIES															
Accounts payable	-	-	67,147	9,180	103,700	-	26,142	506	4,955	-	-	46,858	-	-	258,488
Accrued liabilities	-	-	3,357	12,253	41,490	-	2,293	-	-	-	-	-	-	-	59,393
Contract retainages	-	-	23,256	-	-	-	-	-	-	-	-	-	-	-	23,256
Due to other funds	-	-	39,147	14,138	-	-	-	-	-	239,065	-	-	-	-	292,350
Due to other governmental entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	517,993	-	-	-	-	-	-	-	-	-	-	-	517,993
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	650,900	35,571	145,190	-	28,435	506	4,955	239,065	-	46,858	-	-	1,151,480
FUND BALANCES															
Reserved for:															
Encumbrances	-	-	68,678	-	-	-	-	-	-	-	-	8,175	-	-	76,853
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-	-	-	763,746	-	-	-	763,746
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	417,139	-	417,139
Capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donor restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for:															
Capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved & undesignated	42,975	189,681	-	165,072	-	1,021,889	824,624	54,008	210,820	(151,841)	-	2,951,924	-	-	5,309,152
Total fund balance (deficit)	42,975	189,681	68,678	165,072	-	1,021,889	824,624	54,008	210,820	(151,841)	763,746	2,960,099	417,139	-	6,566,890
Total liabilities and fund balance	\$ 42,975	\$ 189,681	\$ 719,578	\$ 200,643	\$ 145,190	\$ 1,021,889	\$ 853,059	\$ 54,514	\$ 215,775	\$ 87,224	\$ 763,746	\$ 3,006,957	\$ 417,139	\$ -	\$ 7,718,370

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, 2008

	Special Revenue Funds										Permanent Fund	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																
Sales & use taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 772,003	\$ -	\$ -	\$ 772,003
Other taxes	-	-	-	-	-	-	-	-	-	-	-	521,905	-	-	-	521,905
Licenses & permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-	383,510	20,367	-	-	-	-	-	-	-	403,877
Revenues from money & property	8,679	7,687	-	-	-	-	20,719	-	-	2,826	-	54,259	-	-	75,948	170,118
Intergovernmental	144,776	325,087	958,407	-	-	383,706	-	-	141,574	-	-	-	-	-	171,347	2,125,897
Gifts & donations	-	-	91,308	-	-	-	-	-	-	-	-	-	-	-	80,179	171,487
Other revenues	-	-	84,157	207	-	-	-	-	-	-	-	-	-	-	-	84,364
Total revenues	153,455	332,774	1,133,872	207	-	383,706	404,229	20,367	144,400	521,905	54,259	327,474	772,003	1,000	4,249,651	
EXPENDITURES																
Current																
General government	-	-	-	-	-	-	163,957	8,942	-	-	-	2,907	-	-	-	175,806
Public safety	-	-	-	-	-	-	101,138	-	31,480	-	-	137,338	-	-	-	269,956
Public works	607,684	809,736	-	-	-	90,280	-	-	-	-	-	519,496	-	-	-	2,027,196
Public services	-	-	-	-	-	-	-	-	-	-	-	60,521	-	-	-	60,521
Intergovernmental assistance	-	-	-	-	-	-	-	-	-	-	-	265,111	-	-	-	265,111
Community development	-	-	1,315,546	-	-	-	-	-	-	-	-	-	-	-	-	1,315,546
Personnel board	-	-	-	537,308	-	-	-	-	-	-	-	-	-	-	-	537,308
Debt service																
Principal	-	-	-	-	-	-	-	-	-	-	-	-	37,031	835,000	-	872,031
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	106,919	-	317,833	10,438	-	435,190
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	999	-	999
Capital projects construction and outlay	18,292	-	-	-	-	71,567	-	-	-	229,257	-	-	-	-	-	319,116
Total expenditures	625,976	809,736	1,315,546	537,308	-	161,847	265,095	8,942	31,480	336,176	-	985,373	354,864	846,437	6,278,780	
Excess (deficiency) of revenues over expenditures	(472,521)	(476,962)	(181,674)	(537,101)	-	221,859	139,134	11,425	112,920	185,729	54,259	(657,899)	417,139	(845,437)	(2,029,129)	
OTHER FINANCING SOURCES (USES)																
Transfers in	-	-	40,055	548,669	-	-	-	-	-	-	-	772,777	-	-	-	1,361,501
Transfers (out)	-	-	(174)	-	-	-	-	-	(8,586)	-	(25,159)	(15,375)	-	-	-	(49,294)
Total other financing sources (uses)	-	-	39,881	548,669	-	-	-	-	(8,586)	-	(25,159)	757,402	-	-	-	1,312,207
Net change in fund balance	(472,521)	(476,962)	(141,793)	11,568	-	221,859	139,134	11,425	104,334	185,729	29,100	99,503	417,139	(845,437)	(716,922)	
Fund balance (deficit), beginning	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	
Fund balance (deficit), ending	\$ 42,975	\$ 189,681	\$ 68,678	\$ 165,072	\$ -	\$ 1,021,889	\$ 824,624	\$ 54,008	\$ 210,820	\$ (151,841)	\$ 763,746	\$ 2,960,099	\$ 417,139	\$ -	\$ 6,566,890	

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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 147,497	\$ 147,497	\$ 144,776	\$ (2,721)
Revenues from money and property	6,052	6,052	8,679	2,627
Total revenues	153,549	153,549	153,455	(94)
Expenditures				
Operating expenses	-	501,568	607,684	(106,116)
Capital outlay	569,375	67,807	18,292	49,515
Total expenditures	569,375	569,375	625,976	(56,601)
Net change in fund balance	(415,826)	(415,826)	(472,521)	(56,695)
Fund balance, beginning	515,496	515,496	515,496	-
Fund balance, ending	\$ 99,670	\$ 99,670	\$ 42,975	\$ (56,695)

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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 330,145	\$ 330,145	\$ 325,087	\$ (5,058)
Revenues from money and property	3,000	3,000	7,687	4,687
Total revenues	333,145	333,145	332,774	(371)
Expenditures				
Operating expenses	981,307	981,307	809,736	171,571
Total expenditures	981,307	981,307	809,736	171,571
Net change in fund balance	(648,162)	(648,162)	(476,962)	171,200
Fund balance, beginning	666,643	666,643	666,643	-
Fund balance, ending	\$ 18,481	\$ 18,481	\$ 189,681	\$ 171,200

CITY OF DECATUR
PERSONNEL BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	\$ -	\$ 207	\$ 207
Total revenues	-	-	207	207
Expenditures				
Personal services	399,802	399,802	417,853	(18,051)
Operating expenses	148,876	148,876	119,455	29,421
Total expenditures	548,678	548,678	537,308	11,370
Excess (deficiency) of revenues over expenditures	(548,678)	(548,678)	(537,101)	11,577
Other financing sources				
Operating transfers in	548,669	548,669	548,669	-
Total other financing sources (uses)	548,669	548,669	548,669	-
Net change in fund balance	(9)	(9)	11,568	11,577
Fund balance, beginning	119,906	119,906	153,504	33,598
Fund balance, ending	\$ 119,897	\$ 119,897	\$ 165,072	\$ 45,175

CITY OF DECATUR
HERITAGE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 366,604	\$ 383,706	\$ 383,706	\$ -
Total revenues	366,604	383,706	383,706	-
Expenditures				
Operating expenses	215,000	189,377	90,280	99,097
Capital outlay	276,000	127,206	71,567	55,639
Total expenditures	491,000	316,583	161,847	154,736
Excess (deficiency) of revenues over expenditures	(124,396)	67,123	221,859	154,736
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	(196,564)	(5,045)	221,859	226,904
Fund balance, beginning	800,030	800,030	800,030	-
Fund balance, ending	\$ 603,466	\$ 794,985	\$ 1,021,889	\$ 226,904

CITY OF DECATUR
CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 363,933	\$ 363,933	\$ 383,510	\$ 19,577
Revenues from money and property	19,136	19,136	20,719	1,583
Total revenues	383,069	383,069	404,229	21,160
Expenditures				
Personal services	183,518	183,518	124,946	58,572
Operating expenses	225,000	225,000	140,149	84,851
Total expenditures	408,518	408,518	265,095	143,423
Excess (deficiency) of revenues over expenditures	(25,449)	(25,449)	139,134	164,583
Net change in fund balance	(25,449)	(25,449)	139,134	164,583
Fund balance, beginning	685,490	685,490	685,490	-
Fund balance, ending	\$ 660,041	\$ 660,041	\$ 824,624	\$ 164,583

CITY OF DECATUR
DOCKET FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 19,635	\$ 19,635	\$ 20,367	\$ 732
Total revenues	19,635	19,635	20,367	732
Expenditures				
Operating expenses	19,500	19,500	8,942	10,558
Total expenditures	19,500	19,500	8,942	10,558
Net change in fund balance	135	135	11,425	11,290
Fund balance, beginning	42,583	42,583	42,583	-
Fund balance, ending	<u>\$ 42,718</u>	<u>\$ 42,718</u>	<u>\$ 54,008</u>	<u>\$ 11,290</u>

CITY OF DECATUR
DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 53,621	\$ 121,221	\$ 141,574	\$ 20,353
Revenues from money and property	2,206	2,206	2,826	620
Total revenues	55,827	123,427	144,400	20,973
Expenditures				
Operating expenses	76,000	97,500	31,480	66,020
Capital outlay	19,000	94,000	-	94,000
Total expenditures	95,000	191,500	31,480	160,020
Excess (deficiency) of revenues over expenditures	(39,173)	(68,073)	112,920	180,993
Other financing sources (uses)				
Operating transfers (out)	-	(8,500)	(8,586)	(86)
Total other financing sources (uses)	-	(8,500)	(8,586)	(86)
Net change in fund balance	(39,173)	(76,573)	104,334	180,907
Fund balance, beginning	106,486	106,486	106,486	-
Fund balance, ending	\$ 67,313	\$ 29,913	\$ 210,820	\$ 180,907

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, 2008

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and Payments in lieu of taxes	\$ 475,680	\$ 475,680	\$ 521,905	\$ 46,225
Total revenues	475,680	475,680	521,905	46,225
Expenditures				
Debt service expenditures	106,919	106,919	106,919	-
Capital outlay	160,491	227,479	229,257	(1,778)
Total expenditures	267,410	334,398	336,176	(1,778)
Excess (deficiency) of revenues over expenditures	208,270	141,282	185,729	44,447
Net change in fund balance	208,270	141,282	185,729	44,447
Fund balance, beginning	(337,570)	(337,570)	(337,570)	-
Fund balance, ending	\$ (129,300)	\$ (196,288)	\$ (151,841)	\$ 44,447

CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2008

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash & investments, at cost	\$ 210,715	\$ 11,039,280	\$11,249,995
Investments, at cost	-	4,000,000	4,000,000
Receivables (net of allowance)			
Accounts	49,831	500,404	550,235
Accrued interest	-	5,905	5,905
Inventories, at cost	62,572	-	62,572
Total current assets	323,118	15,545,589	15,868,707
Noncurrent assets			
Capital assets:			
Land	173,940	1,241,799	1,415,739
Buildings	6,614,177	579,731	7,193,908
Improvements other than buildings	6,543,783	8,350,762	14,894,545
Furniture & equipment	1,129,490	4,316,140	5,445,630
Construction work in progress	-	304,181	304,181
Less accumulated depreciation	(8,411,563)	(9,517,948)	(17,929,511)
Total capital assets (net of accumulated depreciation)	6,049,827	5,274,665	11,324,492
Total noncurrent assets	6,049,827	5,274,665	11,324,492
Total assets	6,372,945	20,820,254	27,193,199
LIABILITIES			
Current liabilities			
Accounts payable	189,523	308,297	497,820
Accrued liabilities	27,993	16,034	44,027
Compensated absences	3,930	13,241	17,171
Total current liabilities	221,446	337,572	559,018
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,266,224	2,266,224
Compensated absences	35,369	119,171	154,540
Total noncurrent liabilities	35,369	2,385,395	2,420,764
Total liabilities	256,815	2,722,967	2,979,782
NET ASSETS			
Invested in capital assets, net of related debt	6,049,827	5,274,665	11,324,492
Unrestricted	66,303	12,822,622	12,888,925
Total net assets	\$ 6,116,130	\$ 18,097,287	\$ 24,213,417

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2008**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating revenue			
Charges for services	\$ -	\$ 5,127,222	\$ 5,127,222
Premiums & fees	3,708,573	-	3,708,573
Total operating revenue	3,708,573	5,127,222	8,835,795
Operating expenses			
Personnel, operations & maintenance	1,115,707	915,490	2,031,197
Closure and postclosure costs	-	246,919	246,919
Depreciation and amortization	570,361	679,633	1,249,994
Administrative costs	3,045,655	1,829,673	4,875,328
Total operating expenses	4,731,723	3,671,715	8,403,438
Operating income (loss)	(1,023,150)	1,455,507	432,357
Nonoperating revenue (expenses)			
Interest income	-	432,290	432,290
Intergovernmental	-	(7,031)	(7,031)
Gain on disposition of assets	-	90,382	90,382
Miscellaneous revenue	-	27,028	27,028
Total nonoperating revenue	-	542,669	542,669
Income (loss) before contributions, transfers & special items	(1,023,150)	1,998,176	975,026
Transfers in	512,935	-	512,935
Transfers (out)	-	(7,031)	(7,031)
Change in net assets	(510,215)	1,991,145	1,480,930
Total net assets, beginning	6,626,345	16,106,142	22,732,487
Total net assets, ending	\$ 6,116,130	\$ 18,097,287	\$ 24,213,417

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2008**

	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating activities			
Receipts from customers and users	\$ 3,710,152	\$ 5,347,215	\$ 9,057,367
Other operating cash receipts	-	11,186	11,186
Receipts from interfund services provided	-	-	-
Payments to suppliers	(3,045,907)	(1,700,952)	(4,746,859)
Payments to employees	(1,100,778)	(918,271)	(2,019,049)
Payments for legal settlement	-	-	-
Payments for interfund services	-	-	-
Non-operating cash receipts	5,993	-	5,993
Net cash provided (used) by operating activities	(430,540)	2,739,178	2,308,638
Noncapital financing activities			
Operating transfers in	512,935	-	512,935
Operating transfers (out)	-	(7,031)	(7,031)
Net cash provided (used) by noncapital financing activities	512,935	(7,031)	505,904
Capital and related financing activities			
Acquisition and construction of capital assets	(25,044)	(1,422,077)	(1,447,121)
Proceeds from sale of capital assets	-	90,382	90,382
Principal payments on capital leases	-	-	-
Interest paid on capital leases	-	-	-
Net cash used by capital and related financing activities	(25,044)	(1,331,695)	(1,356,739)
Investing activities			
Purchase of investments	-	-	-
Interest received	-	432,290	432,290
Net cash provided by investing activities	-	432,290	432,290
Net increase in cash and cash equivalents	57,351	1,832,742	1,890,093
Cash and cash equivalents, beginning	153,364	9,206,538	9,359,902
Cash and cash equivalents, ending	\$ 210,715	\$ 11,039,280	\$ 11,249,995
Operating income (loss)	\$ (1,023,150)	\$ 1,455,507	\$ 432,357
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	570,361	679,633	1,249,994
Miscellaneous items	-	266,915	266,915
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	1,578	204,151	205,729
Accounts payable	49,778	125,967	175,745
Contract retainages	-	-	-
Inventory	(44,036)	9,786	(34,250)
Due to (from) other funds	-	-	-
Accrued liabilities	14,929	(2,781)	12,148
Deferred revenue	-	-	-
Other items	-	-	-
Net cash provided (used) by operating activities	\$ (430,540)	\$ 2,739,178	\$ 2,308,638

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, 2008. 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, 2008. 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.

A handwritten signature in black ink that reads "Beason-Held, Inc." The signature is written in a cursive, flowing style.

Huntsville, Alabama

March 23, 2009



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, 2008, and have issued our report thereon dated March 23, 2009. 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.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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.

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

Tel: 256.533.1720
800.416.1946ax: 256.534.8558
Fax: 256.534.8558
www.beasonnalley.com
www.beasonnalley.com

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. 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 23, 2009.

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.



Huntsville, Alabama

March 23, 2009

City of Decatur, Alabama
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2008

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:			
Forestry Grant/Point Mallard	10.664	07UCF-374446-DEC	\$ 10,000
Passed Through Alabama Department of Education:			
Summer Food Service Program	10.559	AGQ-000	102,254
			<u>112,254</u>
<u>U.S. Department of Homeland Security</u>			
Direct Programs:			
Firefighters Grant Program	97.044	EMW-2007-FP-02451	95,987
Passed Through Alabama Department of Homeland Security:			
Mutual Aid Sustainment	97.067	6SMA	19,311
			<u>115,298</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Community Development Block Grant	14.218	B05MC0-10011	4,145
	14.218	B06MC0-10011	35,794
	14.218	B07MC0-10011	174,251
	14.218	B08MC0-10011	112,494
EDI Delano	14	B -05-SP-AL-0690	600
HUD EDI Tech Ctr/Chamber	14.246	B-03-SP-AL-0016	38,771
			<u>366,055</u>
Passed Through Alabama Department of Economic and Community Affairs:			
Emergency Shelter Grant	14.231	ESG-06-009	9,096
			<u>375,151</u>

City of Decatur, Alabama
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2008

Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grant or Pass-Through Grantor's Number	Grant Expenditures
<u>U.S. Department of the Interior</u>			
Passed Through Alabama Historical Commission:			
Historic Preservation/CLG	15.904	AL-05-025	1,399
Passed Through Alabama Department of Economic and Community Affairs:			
Delano Boundless Playground	15.916	07-LW-898	240,217
			241,616
<u>U.S. Department of Justice</u>			
Direct Program:			
Bulletproof Vest Partnership Grant Program	16.607	2007BUBX0703771B	2,700
COPS Law Enforcement Technology	16	2006CKWX0027	15
Decatur/Morgan County Justice – JAG 2007	16	2007-DJ-BX-0274	32,422
			35,137
Passed Through Alabama Department of Economic and Community Affairs:			
Crime Control/Safe Streets	16.738	07-DH-05-016	22,500
			57,637
<u>U.S. Department of Transportation</u>			
Passed Through North Alabama Highway Safety Office:			
402 Step GHSP	20.600	07-SP-PT-001	4,683
406 Safety Belt	20.602, 609	07-HS-164-004	1,025
410 DUI	20.601-605	09-SP-PT-001	956
			6,664
Passed Through Alabama Department of Transportation:			
Bike Path Grant	20	STPTE-TE01 (910)	24,643
			31,307
<u>Office of National Drug Control Policy, Executive Office of the President</u>			
Alabama HIDTA Operations Center			
Gulf Coast HIDTA	--	I7PGCP504	6,738
Total Federal Awards			\$ 940,001

City of Decatur, Alabama
Notes to Schedule of Expenditures of Federal Awards
For the year ended September 30, 2008

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, 2008

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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
Schedule of Findings and Questioned Costs – Continued
For the year ended September 30, 2008

Section II - Financial Statement Findings

None noted.

City of Decatur, Alabama
Schedule of Findings and Questioned Costs – Continued
For the year ended September 30, 2008

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, 2008

Financial Statement Findings

None Noted.

City of Decatur, Alabama
Summary Schedule of Prior Year Audit Findings - Continued
For the year ended September 30, 2008

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.

THIS PAGE INTENTIONALLY LEFT BLANK

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Governmental activities						
Invested in capital assets, net of related debt	\$ 27,357,664	\$ 20,698,547	\$ 24,602,623	\$ 22,478,756	\$ 17,000,702	\$ 21,175,447
Restricted	4,459,535	5,417,757	(2,385,360)	1,368,157	3,035,459	(1,549,012)
Unrestricted	18,838,999	24,266,429	24,343,072	23,391,527	24,372,544	18,583,958
Total governmental activities net assets	<u>50,656,198</u>	<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	167,520,564	165,133,023	163,020,598	162,954,372	158,026,539	156,968,021
Restricted	5,185,299	5,050,864	4,980,645	4,825,400	5,651,405	6,933,863
Unrestricted	37,692,763	37,098,632	33,733,133	28,132,562	26,485,303	23,821,201
Total business-type activities net assets	<u>210,398,626</u>	<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	194,878,228	185,831,570	187,623,221	185,433,128	175,027,241	178,143,468
Restricted	9,644,834	10,468,621	2,595,285	6,193,557	8,686,864	5,384,851
Unrestricted	56,531,762	61,365,061	58,076,205	51,524,089	50,857,847	42,405,159
Total primary government net assets	<u>\$ 261,054,824</u>	<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 Six Fiscal Years (Unaudited)
(accrual basis of accounting)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental activities:						
General Government	\$ 4,484,066	\$ 4,259,575	\$ 9,456,769	\$ 4,106,422	\$ 4,130,141	\$ 3,757,380
Public safety	20,949,207	19,883,381	18,468,401	18,735,909	18,393,540	16,785,797
Public works	9,238,083	7,428,328	7,066,626	7,864,825	8,022,796	7,622,959
Public services	11,436,422	9,939,516	9,425,623	7,496,941	6,535,471	4,900,781
Intergovernmental assistance	19,601,360	18,271,003	18,146,194	17,335,424	17,231,600	16,172,276
Community service contracts	2,973,892	2,840,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,315,544	1,647,028	1,633,891	720,867	1,138,744	1,171,444
Personnel board	537,308	540,514	498,392	530,389	469,260	457,214
Interest on long-term debt	3,227,317	3,411,694	2,680,090	2,877,155	2,591,239	3,021,996
Unallocated depreciation	3,114,842	3,294,946	3,395,762	3,457,256	3,365,134	3,358,051
Total governmental activities expense	76,878,041	71,516,372	73,327,621	65,550,971	64,236,890	59,439,336
Business-type activities:						
Municipal Utilities Board (a)	146,138,993	133,900,304	134,770,313	116,460,704	116,534,857	144,486,670
Point Mallard	4,731,723	4,031,207	3,652,042	3,276,086	3,388,884	2,790,091
Sanitary Landfill	3,561,336	3,319,933	3,177,301	3,011,682	3,188,082	3,255,403
Total business-type activities expenses	154,432,052	141,251,444	141,599,656	122,748,472	123,111,823	150,532,164
Total primary government expenses	231,310,093	212,767,816	214,927,277	188,299,443	187,348,713	209,971,500
Program Revenues						
Governmental activities:						
Charges for services:						
General government	5,723,572	3,197,582	5,012,310	4,682,502	4,413,236	4,151,954
Public safety	2,669,455	2,411,482	2,247,078	2,482,336	2,467,035	2,025,104
Public works	2,793,431	2,667,469	2,248,765	1,991,888	2,143,766	1,833,725
Public services	605,347	509,251	569,054	570,640	594,366	588,478
Intergovernmental assistance	8,273,255	9,514,493	7,692,435	5,655,455	5,530,185	5,623,692
Operating grants and contributions	549,862	785,689	685,272	473,856	1,232,546	856,207
Capital grants and contributions	430,745	661,390	2,273,151	2,068,497	1,573,144	5,633,564
Total governmental activities program revenues	21,045,667	19,747,356	20,728,065	17,925,174	17,954,278	20,712,724
Business-type activities						
Charges for services:						
Municipal Utilities Board (a)	145,442,999	136,260,625	136,117,615	117,869,302	117,445,093	144,515,069
Point Mallard	3,708,573	3,231,385	2,838,530	2,615,778	2,254,948	1,695,243
Sanitary Landfill	5,127,222	4,920,629	4,166,182	3,840,554	3,657,950	3,326,670
Capital grants and contributions	952,638	1,577,854	1,663,669	1,674,920	1,201,659	1,573,760
Total business-type activities program revenues	155,231,432	145,990,493	144,785,996	126,000,554	124,559,650	151,110,742
Total primary government program revenues	176,277,099	165,737,849	165,514,061	143,925,728	142,513,928	171,823,466
Net (Expense)/Revenue						
Governmental activities	(55,832,374)	(51,769,016)	(52,599,556)	(47,625,797)	(46,282,612)	(38,726,612)
Business-type activities	799,380	4,739,049	3,186,340	3,252,082	1,447,827	578,578
Total primary government net expense	(55,032,994)	(47,029,967)	(49,413,216)	(44,373,715)	(44,834,785)	(38,148,034)

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
General Revenues						
and Other Changes in Net Assets						
Governmental activities						
Taxes						
Sales & use taxes	36,339,971	35,529,035	34,171,298	31,822,887	30,980,345	29,817,226
Property taxes	9,936,417	9,410,127	8,927,164	8,506,525	8,128,683	7,625,178
Alcoholic beverage taxes	2,178,344	2,096,980	1,959,620	1,899,066	-	-
Gasoline taxes	866,383	908,017	881,061	1,324,890	-	-
Automobile taxes	1,386,524	1,422,446	1,345,890	1,280,830	-	-
Lodging taxes	1,480,525	1,270,831	1,139,526	1,101,824	-	-
Rental taxes	1,393,968	1,237,542	1,099,616	1,101,615	-	-
Other taxes	1,633,787	1,591,861	1,554,270	2,019,036	8,940,282	8,309,236
Interest on investments	1,035,330	1,930,389	1,416,270	829,131	560,181	475,938
Other	375,869	687,818	278,875	1,874,267	1,587,883	1,358,172
Transfers	(521,279)	(493,632)	(640,061)	(1,304,539)	(571,380)	(2,665,404)
Total governmental activities	56,105,839	55,591,414	52,133,529	50,455,532	49,625,994	44,920,346
Business-type activities:						
Interest on investments	1,795,448	2,579,834	1,995,733	1,017,206	420,955	571,861
Transfers	521,279	493,633	640,061	1,304,539	571,380	2,665,404
Total business-type activities	2,316,727	3,073,467	2,635,794	2,321,745	992,335	3,237,265
Total primary government	58,422,566	58,664,881	54,769,323	52,777,277	50,618,329	48,157,611
Change in Net Assets						
Governmental activities	273,465	3,822,398	(466,027)	2,829,735	3,343,382	6,193,734
Business-type activities	3,116,107	7,812,516	5,822,134	5,573,827	2,440,162	3,815,843
Total primary government	\$ 3,389,572	\$ 11,634,914	\$ 5,356,107	\$ 8,403,562	\$ 5,783,544	\$ 10,009,577

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									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 620,606	\$ 56,368	\$ 20,298	\$ 37,677	\$ 42,261	\$ 305,034	\$ 739,759	\$ 99,401	\$ 487,255	\$ 490,651
Unreserved	23,136,284	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
Total general fund	23,756,890	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
All Other Governmental Funds										
Reserved	2,493,068	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
Unreserved, reported in:										
Special purposes	-	4,187,649	-	-	2,040,204	-	-	-	-	-
Special revenue funds	2,590,092	3,006,657	1,430,568	2,439,265	1,037,247	218,490	995,538	1,152,801	875,513	2,895,282
Capital projects funds (a)	3,278,650	4,572,320	(3,210,457)	559,273	2,238,036	(2,381,294)	-	1,726,408	10,789,444	-
Total all other governmental funds	\$ 8,361,810	\$ 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

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 Six Fiscal Years (Unaudited)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Revenues						
Sales & use taxes	\$ 36,339,971	\$ 35,529,035	\$ 34,171,298	\$ 31,822,887	\$ 30,980,345	\$ 29,817,226
Property taxes	9,936,417	9,410,127	8,927,164	8,506,525	8,128,683	7,625,178
Other taxes	8,939,531	8,527,677	7,979,983	7,846,184	7,815,865	7,413,359
Licenses & permits	6,097,503	5,820,517	5,506,691	5,260,874	5,104,988	4,326,519
Fines & forfeitures	1,537,289	1,164,807	1,209,951	1,353,878	1,279,018	1,038,611
Revenues from money & property	1,224,431	2,047,717	1,638,407	997,734	709,263	497,656
Charges for services	3,958,824	3,711,980	3,178,711	2,853,277	2,635,734	2,752,786
Intergovernmental	9,231,663	11,342,347	8,683,754	8,548,765	9,530,118	8,429,566
Gifts & donations	171,487	250,030	10,000	928,267	-	-
Other revenues	219,020	466,313	489,283	-	946,523	937,826
Total revenues	77,656,136	78,270,550	71,795,242	68,118,391	67,130,537	62,838,727
Expenditures						
General Government	4,041,456	3,850,086	8,400,847	3,324,352	3,417,204	3,223,379
Public safety	24,420,567	21,048,410	18,432,108	18,031,194	17,750,748	16,744,547
Public works	9,526,118	8,217,746	7,132,047	7,580,606	7,767,477	8,696,689
Public services	10,892,284	12,550,008	14,176,760	7,169,487	6,032,400	5,482,307
Intergovernmental assistance	19,941,091	18,279,913	17,857,678	17,131,023	17,102,980	16,098,611
Community service contracts	2,973,892	2,780,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,315,546	1,647,028	2,028,470	1,503,289	2,114,283	1,171,444
Personnel board	537,308	540,514	498,392	530,389	469,260	457,214
Debt Service						
Principal	5,331,457	6,364,555	5,390,162	5,674,464	6,321,257	5,346,671
Interest and fiscal charges	3,233,231	3,063,770	2,653,381	2,839,686	2,795,990	2,664,575
Debt issuance costs	1,310	271,303	79,613	-	365,635	313,276
Capital projects construction and outlay	319,116	197,031	**	4,257,550	9,308,953	4,350,143
Total expenditures	82,533,376	78,810,751	79,205,331	70,467,823	75,805,152	66,740,294
Excess (deficiency) of revenues over expenditures	(4,877,240)	(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	1,399,865	4,545,593	2,977,048	3,112,376	7,845,603	20,684,103
Transfers (out)	(1,921,144)	(5,039,225)	(3,617,109)	(3,403,506)	(8,380,610)	(21,383,775)
Total other financing sources (uses)	(521,279)	15,721,368	4,639,939	(291,130)	15,826,232	2,902,079
Net change in fund balance	\$ (5,398,519)	\$ 15,181,167	\$ (2,770,150)	\$ (2,640,562)	\$ 7,151,617	\$ (999,488)
Debt service as a percentage of noncapital expenditures	11.4%	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 Ten 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	\$ 177,193,253	\$ 340,526,151	18.6 Mills	\$ 3,190,373,662	10.67%
2000	128,237,760	383,571,080	13,710,700	185,210,722	340,308,818	18.6 Mills	3,244,146,968	10.49%
2001	132,294,920	343,310,060	17,342,520	131,720,360	361,227,140	18.6 Mills	3,095,842,926	11.67%
2002	133,679,440	352,089,620	17,932,860	130,013,760	373,688,160	18.6 Mills	3,155,551,610	11.84%
2003	149,888,620	382,311,100	12,879,520	153,344,140	391,735,100	18.6 Mills	3,451,700,346	11.35%
2004	157,351,760	400,216,780	13,313,320	165,924,460	404,957,400	18.6 Mills	3,617,188,351	11.20%
2005	163,761,540	418,926,480	12,852,320	172,319,760	423,220,580	18.6 Mills	3,773,231,885	11.22%
2006	174,696,180	444,945,640	11,698,340	184,234,600	447,105,560	18.6 Mills	4,008,747,002	11.15%
2007	183,386,980	466,603,380	11,658,060	187,962,620	473,685,800	18.6 Mills	4,103,768,107	11.54%
2008	195,464,700	491,616,620	11,213,700	173,096,040	525,198,980	18.6 Mills	4,448,186,036	11.81%

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.

Numbers have been revised in 2008 to reflect net assessed value. Prior to revision, numbers were based on assessed value.

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
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
2008	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	1999			2000			2001			2002			2003		
	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed	Rank	Percentage of Total City Taxable Assessed Value
	Value		Value												
Trico Steel	\$ 78,529,780	1	23.06%	\$ 73,670,540	1	21.65%	\$ 73,476,760	1	20.34%	\$ 24,837,540	2	6.65%	\$ -		
Worthington Steel	22,257,220	2	6.54%	23,629,940	2	6.94%	23,593,660	2	6.53%	25,094,180	1	6.72%	24,274,260	2	6.20%
Bunge Corporation	10,946,800	3	3.21%	11,221,800	3	3.30%	10,814,960	3	2.99%	9,883,220	3	2.64%	11,502,820	3	2.94%
BellSouth	9,153,900	4	2.69%	9,117,480	4	2.68%	8,963,980	4	2.48%	8,842,960	4	2.37%	9,056,200	4	2.31%
Hexel Corporation	7,394,120	5	2.17%	6,837,840	5	2.01%	5,958,080	6	1.65%	4,355,140	9	1.17%	3,991,440	9	1.02%
General Electric Appliance	6,163,920	6	1.81%	5,778,960	7	1.70%	4,779,340	10	1.32%	6,898,420	5	1.85%	5,509,140	6	1.41%
Mi Tech	5,730,340	7	1.68%	5,774,880	8	1.70%	5,685,220	7	1.57%	*			*		
Colonial Realty Limited	5,415,440	8	1.59%	5,413,700	9	1.59%	5,428,500	8	1.50%	5,425,800	7	1.45%			
Goodyear Tire & Rubber	5,336,580	9	1.57%	6,396,620	6	1.88%	6,313,440	5	1.75%	6,108,200	6	1.63%	6,228,220	5	1.59%
Air Product & Chemicals	3,938,480	10	1.16%	3,377,260	10	0.99%	*			*			*		
National Healthcare	*			*			*			3,949,340	10	1.06%			
Mutual Savings Life Ins.	*			*			*			*			*		
Trigen-Alabama Energy	*			*			5,410,000	9	1.50%	5,296,000	8	1.42%	*		
Nucor Steel	*			*			*			*			30,079,240	1	7.68%
O.C.I. Chemical Corp	*			*			*			*			5,357,300	7	1.37%
Meow Mix	*			*			*			*			5,081,980	8	1.30%
Falcon Communications	*			*			*			*			*		
Charter Communciations	*			*			*			*			3,907,080	10	1.00%
Hyosung USA, Inc.	*			*			*			*			*		
Total	\$ 154,866,580		45.48%	\$ 151,219,020		44.44%	\$ 150,423,940		41.63%	\$ 100,690,800		26.96%	\$ 104,987,680		26.82%
Net City Taxable Assessed Value			340,526,151			340,308,818			361,227,140			373,688,160			391,735,100

Source:
Revenue Commissioner of Morgan County

* Denotes company was not a principal taxpayer for year reported.

Numbers have been revised in 2008 to reflect net assessed value. Prior to revision, numbers were based on assessed value.

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

Taxpayer	2004			2005			2006			2007			2008		
	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	*			*			*			*			*		
Worthington Steel	23,074,080	2	5.70%	*			*			83,485,960	1	17.62%	*		
Bunge Corporation	11,072,020	3	2.73%	10,699,380	2	2.53%	10,525,220	2	2.35%	11,061,040	2	2.34%	8,702,100	3	1.66%
BellSouth	9,258,400	4	2.29%	8,883,200	4	2.10%	8,633,700	4	1.93%	8,642,900	5	1.82%	8,499,400	4	1.62%
Hexel Corporation	*			3,794,280	9	0.90%	4,350,360	9	0.97%	9,923,320	3	2.09%	13,997,040	2	2.67%
General Electric Appliance	5,081,660	8	1.25%	4,483,180	7	1.06%	4,864,380	7	1.09%	4,603,620	8	0.97%	4,242,200	7	0.81%
Mi Tech	*			*			*			*			*		
Colonial Realty Limited	5,114,540	7	1.26%	5,014,740	6	1.18%	5,281,800	6	1.18%	5,304,720	7	1.12%	*		
Goodyear Tire & Rubber	5,945,900	6	1.47%	4,348,720	8	1.03%	4,632,580	8	1.04%	*			*		
Air Product & Chemicals	*			*			*			*			*		
National Healthcare	*			*			3,899,460	10	0.87%	3,878,740	9	0.82%	2,674,800	9	0.51%
Mutual Savings Life Ins.	*			*			*			*			*		
Trigen-Alabama Energy	*			*			*			*			*		
Nucor Steel	41,185,540	1	10.17%	67,380,360	1	15.92%	76,363,820	1	17.08%	*			95,310,360	1	18.15%
O.C.I. Chemical Corp	5,319,340	9	1.31%	5,182,780	5	1.22%	6,282,120	5	1.41%	6,074,000	6	1.28%	*		
Meow Mix	7,731,400	5	1.91%	9,214,840	3	2.18%	9,300,180	3	2.08%	8,949,320	4	1.89%	8,657,940	6	1.65%
Falcon Communications	*			*			*			*			*		
Charter Communciations	3,472,920	10	0.86%	3,090,380	10	0.73%	*			*			*		
Hyosung USA, Inc.	*			*			*			3,238,860	10	0.68%	*		
First Republic Group Realty	*			*			*			*			5,232,860	5	1.00%
Marine Terminals of Ala	*			*			*			*			2,500,980	8	0.48%
ITW Sexton	*			*			*			*			2,777,740	10	0.53%
Total	\$ 117,255,800		28.95%	\$ 122,091,860		28.85%	\$ 134,133,620		30.00%	\$ 145,162,480		30.63%	\$ 152,595,420		29.08%
				404,957,400			423,220,580			447,105,560			473,685,800		525,198,980

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

Fiscal Year Ended September 30	Taxes Levied for the Fiscal Year	Interest	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2004	\$ 13,824,909	\$ 13,542	\$ 13,618,262	98.41%	\$ 8,010	\$ 13,626,272	98.46%
2005	14,304,430	11,531	14,315,961	99.09%	149,124	\$ 14,465,085	100.00%
2006	15,040,466	14,156	15,054,622	98.98%	1,391	15,056,013	100.01%
2007	16,005,884	11,891	16,017,775	98.96%			
2008	17,059,718						

Source:

Morgan County Revenue Commissioner

** FY 08 revenue collected amounts will not be available until mid-July 2009.
FY 07 collections in subsequent years will not be available until mid-July 2009.

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 Three Prior Calendar Years (Unaudited)
(In thousands)

Category Description	Calendar Year			
	2008	2007	2006	2005
Apparel	\$ 66,241	\$ 67,976	\$ 60,049	\$ 59,159
Multi-Line Retail	194,174	184,170	140,837	136,207
Restaurants	95,664	90,931	86,759	77,867
Grocery Stores	80,101	74,071	56,265	52,101
Building Materials	115,558	113,975	79,993	73,812
Automobile Dealers	280,506	393,859	227,712	214,032
Household Furnishings	16,557	17,912	16,706	15,979
Convenience Stores	107,623	102,031	33,581	31,523
All other outlets	169,134	138,176	319,057	297,844
Total	\$ 1,125,558	\$ 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 3 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
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%
2008	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 3 Prior Years (Unaudited)**

Tax Remitter Description	Fiscal Year 2008			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	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,432,359	1	9.64%	\$ 3,398,590	1	9.62%	\$ 3,467,513	1	10.20%	\$ 3,538,724	1	11.09%
Manufacturer	2,164,933	2	6.08%	2,099,335	2	5.94%	2,410,858	2	7.09%	2,122,806	2	6.65%
Building materials /hard line	1,152,320	3	3.24%	1,055,579	3	2.99%	1,085,172	3	3.19%	994,399	3	3.12%
Grocery store	908,885	4	2.55%	895,524	4	2.53%	719,608	4	2.12%	497,428	7	1.56%
Building materials /hard line	885,335	5	2.49%	689,525	5	1.95%	684,218	5	2.01%	713,414	4	2.24%
Automobile dealer	680,106	6	1.91%	622,068	6	1.76%	570,183	7	1.68%	586,306	5	1.84%
Grocery store	590,565	7	1.66%	563,720	7	1.60%	510,791	8	1.50%	459,897	9	1.44%
Apparel store	503,718	8	1.41%	492,186	8	1.39%	433,099	10	1.27%	509,379	6	1.60%
Apparel store	458,425	9	1.29%	445,485	9	1.26%	456,211	9	1.34%	471,869	8	1.48%
Multi-line retailer	354,459	10	1.00%	407,697	10	1.15%						
Manufacturer	*			*			609,641	6	1.79%	*		
Grocery store	*			*			*			407,787	10	1.28%
Total	\$ 11,131,105		31.26%	\$ 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 3 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>
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
2008	92,242,668	34,360,009	8,604,599	10,235,723	145,442,999

Financial statements 1999 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			
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
2008	63,273	-	-	18,545	17,545	-	99,363	6.78%	1,799

Source:

2000 Census information.

2006, 2007 and 2008 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:

1999 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
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
2008	63,272,969	1.42%	1,146

Source:

Morgan County Economic Development Association for 2006, 2007 and 2008 population estimate

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, 2008 (Unaudited)**

Governmental Unit	Debt Outstanding	Percent Applicable to City	City's Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Decatur general obligation bonds & warrants	\$ 63,272,969	100.00%	\$ 63,272,969
* City of Decatur Board of Education	26,000,000	100.00%	26,000,000
Morgan County	25,875,000	43.40%	11,229,750
Morgan County Board of Education	22,010,000	43.40%	9,552,340
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 2008 net assessed valuation of all taxable property in the City (\$525,198,980) - exclusive of taxable property outside the boundaries of Morgan County - to that of all net taxable property in Morgan County (\$1,102,930,260).

*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)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 68,105,230	\$ 68,061,764	\$ 72,245,428	\$ 74,737,632	\$ 78,347,020	\$ 80,991,480	\$ 84,644,116	\$ 89,421,112	\$ 94,737,160	\$ 105,039,796
Total net debt applicable to limit	26,815,000	40,305,000	38,220,000	35,420,000	35,465,000	48,370,000	45,485,000	47,485,000	60,240,000	56,997,969
Legal debt margin	41,290,230	27,756,764	34,025,428	39,317,632	42,882,020	32,621,480	39,159,116	41,936,112	34,497,160	48,041,827
Total net debt applicable to the limit as a percentage of debt limit	39.37%	59.22%	52.90%	47.39%	45.27%	59.72%	53.74%	53.10%	63.59%	54.26%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 698,295,020
Less tax exempt property	<u>(173,096,040)</u>
Net Assessed Value	525,198,980
Debt limit (20% of net assessed value)	105,039,796
Debt applicable to limit:	
General obligation bonds	63,272,969
Less: School	<u>(6,275,000)</u>
Total net debt applicable to limit	<u>56,997,969</u>
Legal debt margin	<u>\$ 48,041,827</u>

Note:

Numbers have been revised in 2008 to reflect net assessed value. Prior to revision numbers were based on assessed value.

**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
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%
2008	146,806,157	136,753,211	10,052,946	4,823,628	2.08%

Financial statements 1999 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
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%
2008	55,233	1,465,608	26,535	38.4	521	8,873	4.9%

Sources:

Morgan County Economic Development Association for 2006 through 2008 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 Two Years (Unaudited)

Employer	2008			2007			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
General Electric	1,390	1	3.86%	1,390	1	4.10%	1,390	1	3.68%
Decatur City Schools	1,205	2	3.35%	1,205	2	3.55%	1,205	2	3.19%
Decatur General Hospital	1,200	3	3.33%	1,200	3	3.54%	1,200	3	3.18%
3M Company	830	4	2.31%	895	4	2.64%	828	4	2.19%
Wayne Farms	799	5	2.22%	813	5	2.39%	813	5	2.15%
City of Decatur	673	7	1.87%	671	7	1.97%	681	7	1.80%
United Launch Alliance	684	6	1.90%	638	6	1.88%	650	6	1.72%
Nucor Steel	710	8	1.97%	630	8	1.85%	630	8	1.67%
BP America	446	9	1.24%	453	9	1.33%	-	-	-
Wayne Farms East Facility	418	10	1.16%	418	10	1.23%	-	-	-
Wolverine Tube							525	9	1.39%
Goodyear Tire & Rubber							408	10	1.08%
Total	8,355		23.22%	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)**

<u>Function/Program</u>	<u>Full-Time-Equivalent Employees as of September 30</u>									
	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
General government	44	44	43	44	43	42	40	41	39	36
Public safety	263	276	283	266	275	268	274	263	266	271
Public works	81	82	77	74 *	94	94	92	96	94	95
Public services	78	71	73	73 *	59	57	57	58	58	55
Intergovernmental assistance	19	20	20	23	23	22	20	17	17	19
Municipal Utilities Board	163	157	160	170	178	177	170	181	179	181
Point Mallard	10	8	12	25	25	23	26	26	22	21
Sanitary Landfill	13	13	13	13	12	12	13	14	15	14
Total	<u>671</u>	<u>671</u>	<u>681</u>	<u>688</u>	<u>709</u>	<u>695</u>	<u>692</u>	<u>696</u>	<u>690</u>	<u>692</u>

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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General government										
Building permits issued	3,133	4,778	5,449	3,969	3,999	4,004	2,815	2,396	3,005	3,018
Building inspections conducted	8,004	9,955	8,365	9,155	7,327	**	**	**	**	**
Police										
Adult arrests	6,500	6,141	10,808	11,386	10,431	9,574	9,937	9,732	**	**
Traffic citations	16,695	13,946	12,154	12,662	15,963	10,919	13,891	15,386	17,678	**
Fire										
Inspections	91	69	52	37	31	130	112	138	**	**
Emergency medical responses	3885	2900	3059	3461	3556	3484	3580	3240	**	**
Fire and/or Hazmat responses	1004	888	906	889	1014	1094	921	1221	**	**
Refuse collections										
Recyclables collected in tons	1,488	1,532	1,509	1,447	1,369	1,408	1,509	1,566	1,569	1,584
Garbage and trash collected	36,384	34,536	43,252	41,990	41,659	49,552	**	**	**	**
Municiple Utilities Board										
Electrical connections	26,595	26,439	26,105	26,348	26,316	26,034	26,036	26,118	25,899	25,724
Water connections	25,154	24,990	24,532	24,495	24,268	23,820	23,660	23,287	22,998	22,649
Wastewater connections	20,338	20,233	19,895	19,900	19,694	19,372	19,317	19,121	19,001	18,830
Gas connections	13,861	13,824	13,835	13,925	14,578	14,267	13,965	13,267	13,422	13,027

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	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Stations	3	4	4	3	3	4	6	3	3	3
Patrol units	137	142	122	102	102	82	74	79	82	-
Fire										
Stations	8	8	8	8	8	8	8	8	8	7
Pumper Fire trucks	13	14	12	11	11	10	10	10	9	-
Special Response Vehicle	4	4	4	2	2	2	2	2	2	-
Sanitation										
Garbage collection trucks	17	17	19	19	21	22	16	17	16	-
Other public works										
Paved streets (miles)	333	333	333	333	331	329	329	329	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	48	46	46
Storm drainage conduits (miles)	143	143	143	143	142	141	141	141	138	138
Parks and Recreation										
Number of parks*	26	26	26	24	24	32	32	32	31	31
Acres of Parks	1,278	1,278	1,278	1,263	1,263	1,263	1,263	1,263	1,186	1,186
Golf courses (public & private)	4	4	4	4	4	4	4	4	3	3
Tennis courts	46	46	46	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	2	1	1	1	1	1	1
Ball fields in use	35	35	34	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	2	3	3	3	3	3	3	3
Soccer facilities (acres)	62	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	2	1	1	1	1	1	1
Campgrounds	1	1	1	1	1	1	1	1	1	1
Municiple Utilities Board										
Water mains (miles)	478	476	474	472	405	464	461	451	445	435
Gas mains (miles)	412	411	409	407	405	401	400	394	391	384
Electric lines (miles)	592	588	586	585	581	577	577	575	567	567
Sanitary sewers (miles)	337	337	334	331	327	325	320	312	306	306
Fire hydrants in service	2,003	1,985	1,958	1,939	1,901	1,883	1,871	1,840	1,790	1,755

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 was not readily available for these capital assets.