

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

of the



FOR THE FISCAL YEAR ENDED
SEPTEMBER 30,
2010

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, 2009

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, 2010

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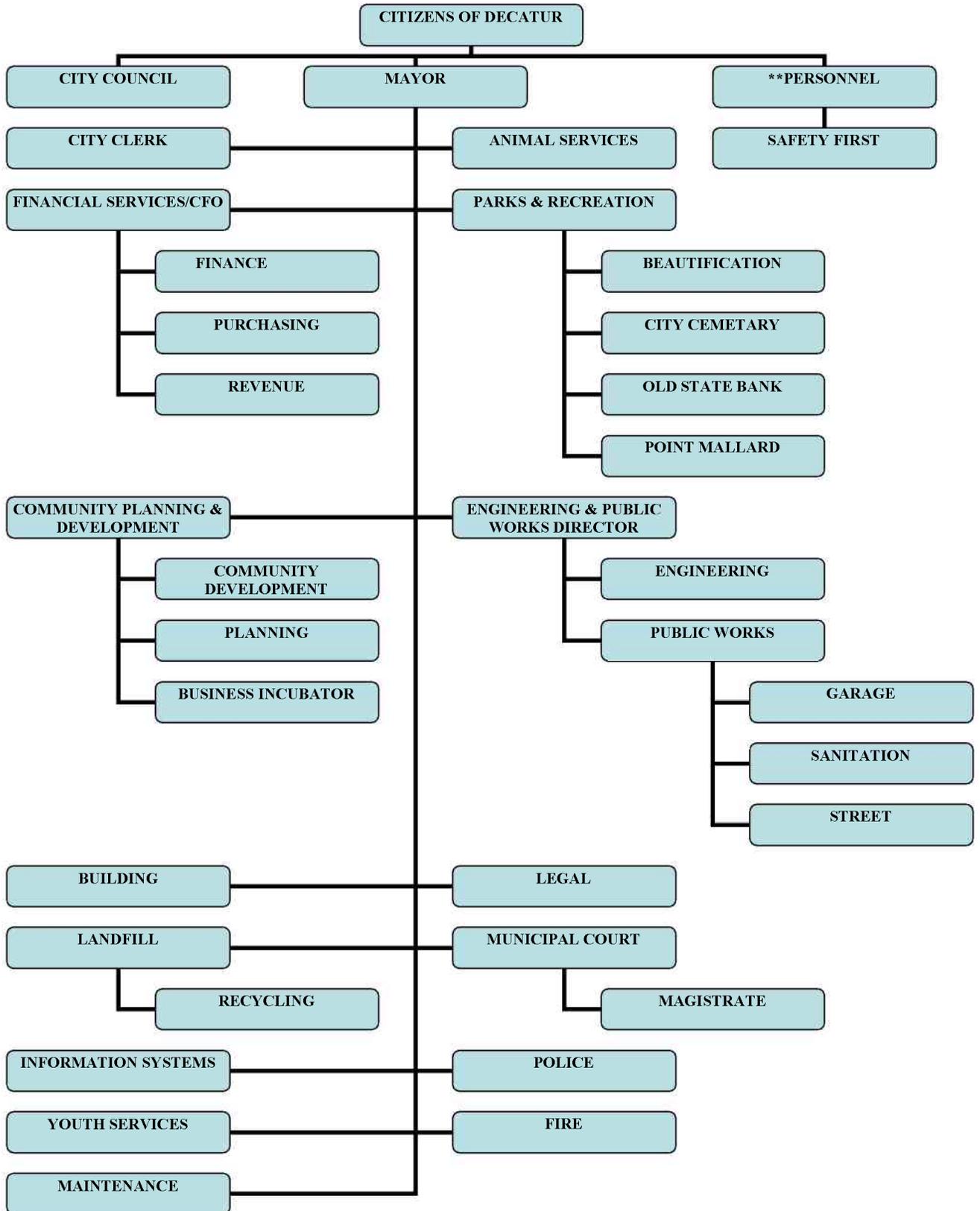
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2010 Organizational Chart



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

City of Decatur

Boards and Commissions

Historic Preservation Commission	Decatur Library Board
Industrial Development Board	Planning Commission
Public Building Authority	Board of Zoning and Adjustment
Housing Authority	Decatur Animal Services Board
Board of Examinations and Appeals	Small Business Development Board
Parks & Recreation Board	Personnel Board
Old Bank Building Board	Municipal Utilities Board
Decatur Beautification Board	City Board of Education
Community Preservation Board	Educational Building Authority
Downtown Redevelopment Authority	Bingo Review Committee

City / County Boards

North Central Mental Retardation Authority	Mental Health Center of North Central Alabama
State Products Mart Authority	Board of Equalization
E-911 Board	Healthcare Authority of Morgan County
Decatur/Morgan County Port Authority	Airport Authority
EMS Advisory Committee	Decatur/Morgan County Farmer's Market
Morgan County Industrial Park & Economic Development Cooperative District	

OFFICIALS OF THE CITY OF DECATUR

MAYOR

Don Stanford

CITY COUNCIL

Greg Reeves – President

Gary Hammon – President Pro Tempore
Ronny Russell

Billy Jackson
Roger Anders

DEPARTMENT DIRECTORS

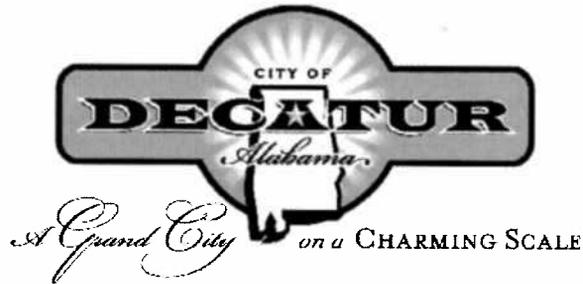
Animal Shelter
Building Department
City Attorney
City Clerk
City Engineer/Public Works Director
Community Planning & Development
Fire Chief
Information Systems
Municipal Judge
Landfill
Parks & Recreation
Personnel
Police Chief
Youth Services

Carol Wicks
Jimmy Brothers
Herman Marks
Betty Marshall
Mark Petersohn
Vacant
Charlie Johnson
Todd Russell
Bill Cook, Jr.
Rickey Terry
Jeff Dunlap
Ken Smith
Ed Taylor
Bruce Jones

OTHER KEY PERSONNEL

Beautification Coordinator
Court Magistrate
Director of General Services
Finance Supervisor
Maintenance Supervisor
Old State Bank Coordinator
Purchasing Agent
Recycling Coordinator
Revenue Administrator

Linda Eubanks
Jessica Hayes
Wally Terry
Linda McKinney
Ray Wilkinson
Melinda Dunn
Jeff Fussell
Emily Johnson
Tina Boyles



March 29, 2011

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

The Comprehensive Annual Financial Report of the City of Decatur, Alabama, for the fiscal year ending September 30, 2010, 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, 2010 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 the 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 African American 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, water slides, Kiddies water feature, 18-hole championship golf course, regulation size ice rink, and a 227 sites campground. In 2010, Point Mallard won the World Water Park Association Industry Leadership Award for setting an exceptional standard for the industry over the years. The City continues to make investments in the park to attract visitors to the area as well as serve the citizens of Decatur. 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 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 proximity to raw materials and easy access to markets. Transportation and Decatur's riverside location have played important roles in the county's history, especially in the development of business and industry. Eighteen of the top Fortune 500 companies are located in Decatur.

Decatur was recently recognized in the Winter 2010 edition of *Southern Business & Development (SB&D)* as number two of the Top Ten Small Markets of the Decade. SB&D rankings were based on projects in states and markets that brought 200 or more jobs and/or projects that invested \$30 million or more. Decatur was selected because of several notable projects including United Launch Alliance, Nucor Steel, Toray Carbon Fibers America, 3M and BP.

Decatur & Morgan County's new and expanding industry investment numbers for fiscal year 2010 continue to reflect the troubled economy, but there were still many companies whose annual investments totaled one million or more. There was one new industry and fourteen expanding companies which created thirty-eight jobs and invested \$145,692,440. One prime example of this was DeBruce Grain out of Kansas City, Missouri which purchased the former eighty-five acre Cargill facility for \$10.3 million with plans to build a grain distribution facility at an investment of \$80.0 million. The facility is expected to employ approximately 20 people in the first twelve months. Other examples were British Petroleum's \$21.5 million investment in equipment, ConAgra's commitment of \$5.9 million towards an expansion, and the \$18.3 million spent by Nucor Steel related to expansion. Also noteworthy, were the major investments were made by AlphaPET, C and L Wood Products, MICOR Industries and Valley Rubber. Surveys conducted by EDA of local businesses indicate 2011 will be an improvement over the past two years, with several local companies seeing improving sales and considering expansions.

Decatur continues to improve in the area of space and technology as well. The first Atlas V rocket to pass through Decatur's United Launch Alliance plant delivered a satellite into orbit in August of 2010. Although, the Decatur Team did not assemble this first rocket, which was built by Lockheed Martin Corporation (50 percent of the joint venture, ULA), they did perform its final check-out before transport to Florida for launch. The first Atlas V rocket to be fully assembled in Decatur will ship from the local plant by the end of the 2011 fiscal year.

Groundbreaking for Phase 2 of the Robotics Technology Center occurred in June, 2010. The \$8 million project will feature a thirty-five thousand square foot building with an open shop space, labs and classrooms for robotics research, and development space. Phase 1 of the \$17 million, 52,000 square foot Robotics Maintenance Training Center, a partnership of Calhoun Community College and the Alabama Industrial Development and Training Institute has attracted the world's cutting-edge producers of robotics to outfit the education and training facility. Phase 1 of the Center is now open and operational.

The Decatur Metropolitan area which includes Morgan and Lawrence counties tied for fifth-largest drop in the nation when the unemployment rate dropped from 11.4% in August, 2009 to 9.5% in August, 2010. This positive news shows businesses in the area have started to hire again after putting hiring on hold due to the economic downturn.

During the past eight years, the largest increase in City expenses both in terms of actual increase, and increase in total expenses has been in public services. Public service expenses have increased by 108.1% and 4.7% as a percentage of total expenses. Public service expenses include Animal Services whose expenses have increased 129.9%, Parks and Recreation expenses which have increased by 78.8% and Youth Services whose expenses have increased 75.1%. Total expenses for governmental activities increased 32.8% during this period.

During this same eight year period charges for services as a percentage of total program revenue increased by 24.4% and capital and operating grants and contributions decreased by 24.4%. The city's license and fees have been increased slightly in order to offset expenses related to those services. Capital & operating grants and contribution amounts fluctuate from year to year based on capital and operating grants received and contributions of infrastructure received from state funded projects and developers.

Long-term financial planning

Leadership of the City continues to invest in long-term economic development initiatives. Area leaders issued \$16.7 million in bonds in FY 2009 to purchase 166 acres for a new industrial park in Morgan County near Decatur. Unlike Mallard Fox Industrial Park, this park will have neither railroad nor barge access but is located on both sides of Interstate 65 and easy access to Huntsville. The new park, named Morgan Center Business Park, will focus on the aerospace, biotech and defense industries in Huntsville. The Center was also named as one of 12 primary ready-for development sites to accommodate data centers, specially designed facilities that house computer systems and components for internet search engine companies, in a study sponsored by the Tennessee Valley Authority. TVA is partnering with Joe Wheeler EMC, regional, state and community economic development leaders to begin marketing these sites. Finalization of the Morgan Center Business Park entrance, signage and roadway engineering and design were well underway as fiscal year 2010 ended.

After the City donated city-owned property and committed to paying \$800,000 toward funding a college campus in downtown in 2009, the Decatur Planning Commission approved the plan for the North Alabama Fine Arts Center on a 2.73 acre site south of Lee Street and between First and Second Avenues in September of 2010. This project is a partnership of Athens State University and Calhoun Community College. The City and Morgan County Commission are participating in the project. The colleges are planning to build a 43,572 square-foot visual arts center where the Robinson Furniture Building stands. This is the first of up to four phases in the project. School and city officials hope to add buildings for drama, music and other fine arts on the property as money becomes available.

The Downtown Redevelopment Authority (DDRA) continues to carry out the vision that was forged with the citizens of our community some five years ago. DDRA raised over \$2.5 million dollars during this recession to support its work over the next five year. DDRA will have incentives to help attract retailers and refurbish downtown buildings. Federal stimulus grant money received in 2009 will help complete the ongoing project with DDRA to revamp Second Avenue and restore an old railroad building. The Alabama Department of Transportation awarded enhancement grants to the City in FY 2009 that will be used to purchase, renovate and landscape the former L&N Railroad Depot and enhance the downtown roadway from Lee Street to Jackson Street with angle parking, additional trees, landscaping and other beautification features. \$64 thousand of this work was completed in 2010. The Downtown Redevelopment Authority has plans for an additional phase of the downtown streetscape project that would revamp lower Bank Street and Lee Street from Cain Street to Second Avenue.

With the assistance of a Federal grant in the amount of \$553,900 the City purchased four recycling-collection trucks and began planning to move its recycling program in-house by the beginning of 2011. The change is intended to save money, allowing the city to control expenses now dictated by private contractors. The estimated cost of moving the program in-house is approximately \$3.2 million including grant funds. The recycling center, a 10,800 square foot sorting facility was under construction at the landfill on Alabama 20 at fiscal year end.

The City continued to invest in Ingalls Harbor by approval to hire a local architectural firm to design a 25,000 square foot pavilion and associated improvements. The pavilion is expected to seat approximately 1,200 people and will include a catering kitchen, two stone fireplaces, and numerous restroom facilities. The council voted to spend up to \$2.8 million on the project. The Hospitality Association has agreed to reimburse the City over time with funds from its \$2.00 per night surcharge on local hotel stays.

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, 2009. This was the eighteenth 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 requirement, 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 retired Finance Supervisor, Joy Hill. 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 "Linda McKinney", with a stylized flourish at the end.

Linda McKinney
Finance Supervisor

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 100 percent, of the assets, net assets, and revenues of the discretely presented component units. The Utilities Board's financial statements represent 89.5 percent, 87.2 percent, and 93.6 percent, respectively, of the assets, net assets, and revenues of the enterprise funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously 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 City of Decatur, Alabama, as of September 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2011, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 64 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Decatur's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Decatur, Alabama

March 29, 2011



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, 2010. 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.

2010 Highlights

Financial Highlights

- The total net assets of the City are \$261 million. Of this amount, \$9.2 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 \$35.3 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net assets decreased by \$1.4 million (or 0.5%). The governmental net assets decreased \$5.3 million (or 10.6 %) and business-type net assets increased by \$3.88 million (or 1.8%).
- The governmental activities revenues decreased \$3.4 million (or 4.3%) due in large part to fewer capital grants & contributions and total expenses of governmental activities increased \$1.2 million (or 1.6%).
- As of September 30, 2010, the governmental funds reported a combined ending fund balance of \$26.6 million, a decrease of \$2.2 million from the prior year. Of the ending fund balance, \$13.9 million is unreserved and available to finance the activities of the governmental funds and \$2.6 million is reserved to meet existing obligations.
- The General Fund reported a fund balance of \$20.2 million and \$9.6 million of this amount is available for any purpose. The fund balance decreased \$950 thousand from the prior year.
- The policy of the City is to at all times maintain a reserve of 3 months (90 days) General Fund operating expenses. The \$9.6 undesignated and the \$8.7 designated for future general contingencies are the two components of the reserve. At fiscal year end, there were sufficient funds to meet the reserve and exceed the requirement by \$4.8 million or a total of 122 operating days of expenses in reserve.
- The City's total debt increased by \$17.9 million during 2010. Debt of the governmental activities decreased \$529 thousand. The City purchased 12 new police cruisers, 8 new detective vehicles, and two additional vehicles under capital leases totaling \$575 thousand while total principal reductions of the governmental activities in the current year were \$4.6 million. Debt of the business-type activities increased \$18.1 million due to \$21.7 million in new warrants issued in relation to the American Recovery and Reinvestment Act for water and wastewater systems improvements exceeding total principal reductions of \$3.6 million on existing debt.

Management's Discussion and Analysis- Continued

City Highlights

- The Crossings of Decatur, a major retail development, continued to be a top performer throughout the year. The success of the Crossings has attracted three additional businesses into the development in 2010. The sales tax related to the Crossings has been used in the current year to reduce principal on related debt by an additional \$610 thousand for a total of \$1.1 million paid in principal reduction prior to the regularly scheduled payments which are to begin in fiscal year 2012.
- Fourteen expansions of existing companies and one new company within the City and Morgan County were announced during the year for a total investment of \$146 million and 38 new jobs.
- The Downtown Redevelopment Authority, a public-private partnership formed to bring growth and businesses to downtown Decatur, raised over \$2.5 million in a troubled economy to support its work over the next five years. This includes incentives to help attract retailers and refurbish downtown buildings to create an environment of sustainable growth.
- Plans were finalized on the \$8 million construction project for the Downtown Arts Center on Second Avenue which is a partnership with Athens State University, Calhoun Community College, and Morgan County Commission whose intent is to bring a four year baccalaureate degree program in fine arts to the area.
- The new 24,000 sq. ft. Animal Services facility opened in 2010 and has seen a dramatic increase in volunteers for service and adoptions of animals. A record 1,143 pets were adopted in 2010.
- The \$17 million robotics center opened at Calhoun Community college. The city contributed \$1 million toward the project over a four year period in conjunction with the Athens City Council and Morgan and Limestone County Commissions, for partial funding of a robotics and automation training facility.
- The City Council approved a \$2.8 million entertainment pavilion at Ingalls Harbor with an internal financing. The 25,000 sq. ft. facility will provide enhanced opportunities to attract national fishing tournaments and other large civic events.

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

Management's Discussion and Analysis- Continued

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 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 15 through 16 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 Capital Projects 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 17 through 19 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.

Management's Discussion and Analysis- Continued

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 21 through 23 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 60 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 63 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 \$260.7 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (75.6 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 (7.4 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 \$44.5 million, which consisted of \$9.2 million from governmental activities and \$35.3 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.

Management's Discussion and Analysis- Continued

City of Decatur's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$32,448	\$35,632	\$79,290	\$58,830	\$111,738	\$ 94,462
Capital assets	81,927	85,251	215,011	206,228	296,938	291,479
Total assets	114,375	120,883	294,301	265,058	408,676	385,941
Long-term liabilities outstanding	65,130	65,658	54,416	36,002	119,546	101,660
Other liabilities	4,700	5,380	23,765	16,814	28,465	22,194
Total liabilities	69,830	71,038	78,181	52,816	148,011	123,854
Net assets:						
Invested in capital assets, net of related debt	32,970	34,519	164,006	173,451	196,976	207,970
Restricted	2,325	3,401	16,837	5,059	19,162	8,460
Unrestricted	9,250	11,925	35,277	33,732	44,527	45,657
Total net assets	\$44,545	\$49,845	\$ 216,120	\$ 212,242	\$260,665	\$ 262,087

Net assets from governmental activities decreased \$5.3 million in fiscal year 2010. Depreciation exceeded asset additions by \$2.2 million and the City had \$3 million less in cash and investments. Cash in General Fund decreased \$1.5 million in 2010. Although expenses were reduced by \$1.4 million compared to FY 2009, expenses still exceeded revenue by \$453 thousand. Transfers out to other funds for their expenses further reduced cash in General Fund by an additional \$1 million. Intergovernmental expenses in School Fund increased \$1.5 million which reflects a positive revenue increase for the Board of Education. Of the \$1.5 million, \$587 thousand of the increase was additional revenue from sales tax and property tax and \$943 thousand reduction in debt payments. Net assets from business-type activities increased \$3.8 million due primarily to the new recycling center facility and equipment at the Landfill. CIP increased \$1.3 million and buildings and equipment were added for \$1 million.

Management's Discussion and Analysis- Continued

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$19,521	\$20,794	\$144,990	\$149,916	\$164,511	\$ 170,710
Operating grants & contributions	625	986	-	-	625	986
Capital grants & contributions	840	3,216	1,058	1,965	1,898	5,181
General revenues:						
Sales taxes	33,346	32,327	-	-	33,346	32,327
Property taxes	11,218	10,739	-	-	11,218	10,739
Other taxes	8,005	8,507	-	-	8,005	8,507
Interest on investments	272	383	260	391	532	774
Other	43	270	-	-	43	270
Total revenues	73,870	77,222	146,308	152,272	220,178	229,494
Expenses:						
General government	5,100	4,768	-	-	5,100	4,768
Public safety	21,236	21,632	-	-	21,236	21,632
Public works	7,620	7,914	-	-	7,620	7,914
Public services	10,198	10,274	-	-	10,198	10,274
Intergovernmental assistance	24,545	22,613	-	-	24,545	22,613
Community service contracts	3,063	2,832	-	-	3,063	2,832
Community development	1,099	1,449	-	-	1,099	1,449
Personnel Board	560	526	-	-	560	526
Interest on long-term debt	2,582	2,675	-	-	2,582	2,675
Unallocated depreciation	2,906	2,994	-	-	2,906	2,994
Municipal Utilities Board	-	-	134,498	143,022	134,498	143,022
Other	-	-	8,193	7,762	8,193	7,762
Total expenses	78,909	77,677	142,691	150,784	221,600	228,461
Increase in net assets before Transfers	(5,039)	(455)	3,617	1,488	(1,422)	1,033
Transfers	(261)	(356)	261	356	-	-
Increase in net assets	(5,300)	(811)	3,878	1,844	(1,422)	1,033
Net assets - beginning of year	49,845	50,656	212,242	210,398	262,087	261,054
Net assets - end of year	\$ 44,545	\$ 49,845	\$ 216,120	\$ 212,242	\$260,665	\$ 262,087

Management's Discussion and Analysis- Continued

Governmental Activities. Revenues from governmental activities decreased \$3.4 million (4.3 percent) during 2010. The changes were significant compared to the previous year's decrease, we have noted some of these below:

- Sales taxes increased \$1 million, or 3.2 percent compared to 2009, due to an overall improvement in the local economy as well as the national economy. Local industries continued to invest in plant expansions and the overall workforce began to stabilize in FY 2010 which created consumer optimism and increased spending that we expect to continue into the subsequent year.
- Property taxes increased \$479 thousand or 4.5 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.
- Rental tax revenues decreased \$371 thousand, or 25.9 percent compared to 2009. Tax revenues from construction equipment rentals and uniform rentals were the largest percentage of the drop due to reduced construction activity and plant lay-offs early in the year.
- Interest on investments decreased \$110 thousand, or 29 percent due to continued low interest rates and lower cash available.
- Capital grants and contributions decreased \$2.4 million in 2010. 2009 had increased dramatically over the prior two years due to street and drainage projects contributed by city contractors and a contribution by the Public Building Authority of the building that houses the Morgan County Department of Human Resources. As these were one-time transactions which are not recurring, the amounts reported in 2010 are significantly lower although more consistent with normal revenues of this type.
- Operating grants decreased \$360 thousand in 2010 primarily as a result of a \$400 thousand Cops Technology grant from the Department of Justice in 2009 to purchase in-car video cameras and the supporting system for the Police Department which was below the capitalization threshold of \$7500. As this was a reimbursement grant, it resulted in lower expenditures in the current year as well, as described further below, for a net effect of zero on the City's financial position.

Expenses of governmental activities increased \$1.2 million (1.6 percent) in 2010. This is due in large part to the increased Intergovernmental assistance category which reflects increased payments to the Board of Education from the School Fund of \$1.5 million resulting from increased revenues of \$587 thousand and decreased debt service payments of \$943 thousand. This overall increase was offset by some decreases in other City expenses. \$294 thousand of this decrease was related to Public Works. The largest reductions were in the Sanitation Department with lower dumping fees and depreciation. Public Safety expenditures decreased by \$396 thousand from 2009 mainly related to safety gear replacements that were purchased in 2009. Community Development expenditures decreased in 2010 by \$350 thousand which corresponds to the reduction of revenue from the COPS Technology grant noted above.

Business-Type Activities. Revenues from business-type activities decreased \$6 million (3.9 percent) which is attributable to decreases within the Municipal Utilities Board. The majority of the decrease was due to the Electric System whose revenue was down \$5.3 million or 5% from 2009 with the majority of the decrease coming from the industrial section. The Gas System showed a drop of \$3.1 million or 13% in revenues despite a 7% increase in quantities sold and transported. This was related to a decrease of 17% in the average cost of natural gas, including demand charges. This resulted in a similar decrease in expenses which more than offset the lower revenues. Total gallons of water sold increased 2% compared to 2009. This along with a rate increase which became effective in October 2009 resulted in an overall increase in Water System revenues of \$1.18 million or 15%. Wastewater System revenues increased \$1.78 million or 18% although gallons billed decreased by 10% compared to 2009. This was related to an overall rate increase which took effect in November 2009. The rate increase for both the Water and Wastewater Systems are part of a 3-year series of rate increases that the Municipal Utilities Board implemented to overcome the lack of adjustments since 2004. Additionally, the ordinance provides for annual indexed increases after the third year. Subsequent year increases will become effective if projected debt service coverage is not at least 1.50 and cash reserves would not cover at least 3 months' expenses. The rate increases, if needed, would be the greater of 3% or the change in the July 1 to July 1 consumer price index.

Management's Discussion and Analysis- Continued

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

Financial Analysis of the Governments Funds

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

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

The combined fund balances of the City's governmental funds as of September 30, 2010 were \$26.6 million, which was a decrease of \$2.2 million from the 2009 fiscal year. Of this amount, \$24 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.

There was a net decrease of \$2.2 million in the combined fund balances of the City's governmental funds. Fund balance of General Fund decreased \$950 thousand. Revenue decreased by \$717 thousand or 1.37%, and total expenditures decrease by 2.65% which should have made the change in fund balance positive. However, transfers in the current year of \$1.1 million reduced this to present an overall reduction in fund balance. The 2006 Capital Improvement Fund continued its spend down of funds to complete the Animal Shelter with no additional money received for the fund. The Capital Projects Fund was presented in the non-major funds in 2009. It's fund balance decreased \$867 thousand lower due to capital purchases in 2010 of vehicles and equipment. Heritage Trust fund balance is \$280 thousand lower due to improvements to buildings and the Corrections fund balance was \$371 thousand lower due to operating expense increases associated with the jail. The 2006 Capital Improvement, Heritage Trust, and Corrections funds are nonmajor funds.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$19.6 million, but \$10 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 \$3.8 million, with \$2.2 million attributable to the continued profitability of the Sanitary Landfill, a nonmajor proprietary fund, and \$1.9 million attributable to the Municipal Utilities Board, and the offset related to smaller losses from the other nonmajor proprietary 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. Revenues remained lower than prior to the downturn of the economy which caused a continued reduction of existing fund balance. The Council tightened the budget in 2010 so that the overall excess of expenditures over revenue was much less than in 2009. The FY 2010 budgeted revenues were based on FY 2008 actual revenues taking into account the downturn in the economy as reflected nationally. Overall, revenues were 3.1% below budget for FY 2010. Sales tax represented 46% of the revenue budget and was \$128 thousand or .5% below budget. Other taxes that underperformed were the beer tax remitted by wholesalers that was \$115 thousand or 7.7% below budget and the 4% rental tax that was \$240 thousand below budget. Beer sales were affected by other local municipalities going "wet" and the extreme heat of the summer that curtailed outdoor activities. Business licenses fees are based on prior year actual sales and were below

Management's Discussion and Analysis- Continued

budget by \$243 thousand. Construction activity was significantly less in the current year due to the economy which resulted in revenue from building permits falling \$156 thousand below budget.

Interest rates remained low causing interest revenue to be \$306 thousand below budget. State shared revenue also fell below budgeted amounts by \$240 thousand due to lower revenue from the State of Alabama which unfavorably affected municipalities across the state. The \$1 million positive variance between budgeted and actual expenditures is primarily the result of efficient budget management and voluntary budget reductions by department directors. The City as a whole also experienced a large reduction in the number of insurance claim payments and damage claims paid with associated legal and professional fees likewise being reduced by \$164 thousand reflecting a return on the investment made by the City in safety training and claims administration.

Payments to the Decatur Convention and Visitors Bureau, which are included within Community Service Contracts expenditures, exceeded the budget for this appropriation by \$9 thousand. This amount was based on 75% of lodging tax collections; collections exceeded projections based on budget by this amount. Several large sporting events at the Jack Allen Recreation Complex, the Jimmy Johns Tennis Complex, Ingalls Harbor, and the Wilson Morgan Softball/Baseball complex have contributed to the increase in lodging taxes.

Expenditures were below budget by all departments due to voluntary reductions. The exception was the Public Building Department which was less than \$5 thousand over budget due to storm damage to roofs. Collectively, all departments reduced temporary employees by \$93 thousand, with salary and wages being decreased by \$898 thousand due to a hiring freeze. Other significant reductions include overtime which was reduced by \$102 thousand, and dumping fees which fell by \$120 thousand.

Point Mallard did not require a transfer from General Fund, which had transferred \$160 thousand in the prior year, to cover its operating costs. It was the first time since it became a City operated facility that no transfer was required for operations.

The above savings offset the increased costs of retiree expense, which increased by \$132 thousand, gas & oil expenses which increased by \$150 thousand, and workers compensation expense which rose \$191 thousand in comparison to the prior year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2010, totals \$297 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 increased \$5.5 million in 2010. Those used for governmental activities decreased by \$3.3 million as total additions (\$6.2 million) was exceeded by depreciation and disposition of those assets (\$12.9 million). Capital assets used for business-type activities increased by \$8.8 million as total depreciation and disposition of assets (\$33.8 million) were less than the total additions (\$40.4 million).

Major Capital events during the fiscal year included the following:

- \$1.3 million for machinery and equipment at the Landfill, including \$688 thousand for four recycling trucks.
- \$994 thousand for the new Recycling Center facility
- \$327 thousand on the leachate collection and treatment system
- \$95 thousand for a new energy efficient chiller with back-up system for City Hall.
- \$348 thousand for twelve (12) new Ford Crown Victoria police cruisers and \$181 thousand for eight (8) new Chevrolet Impalas for detectives' duty, both of which were purchased under capital leases.
- \$86 thousand for field reporting software for the Police Department to enhance data access and transmission away from the station.

Management's Discussion and Analysis- Continued

- \$53 thousand in capital expenditures were shared by the Police Department and Municipal Court to purchase and build a fingerprint data base to identify repeat offenders in the court system with integration into the state data base.
- Phase 1 of the Police Firearms Training Complex began with \$420 thousand spent on architectural plans and site work with earthen berms and \$67 thousand spent on equipment for the firing range target line
- \$72 thousand upgraded the Blue Prince software in the Building Department to integrate Community Development and Planning on a common address and property information system. The system enhanced on-line capability for customers to access their data and apply for building permits.
- A new press box at Jack Allen Park Recreation Complex for \$143 thousand provided needed space to attract more national soccer tournaments.
- Spirit of American parking lot and stage were upgraded for \$211 thousand.
- \$109 thousand provided lighting at the Butch Matthews ball field for night league play.
- Subdivision contributions were \$409 thousand for street and \$212 thousand for drainage additions.
- \$457 thousand was spent from the Capital Fund for various street and drainage projects around the city.

City of Decatur's Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$9,858	\$9,821	\$3,963	\$3,863	\$13,821	\$13,684
Land improvements	12,236	12,542	-	-	12,236	12,542
Buildings and improvements	17,890	17,184	7,015	7,176	24,905	24,360
Infrastructure	34,531	36,674	-	-	34,531	36,674
Construction in process	2,555	3,451	13,647	1,911	16,202	5,362
Machinery and Equipment	4,857	5,579	2,105	1,356	6,962	6,935
Utility plant-in-service	-	-	188,281	191,922	188,281	191,922
Total	\$81,927	\$85,251	\$215,011	\$206,228	\$296,938	\$291,479

Additional information on the City's capital assets can be found in Note 4B on pages 39 through 40 of this report.

Long-term debt. As of September 30, 2010, the City had \$107.7million of long-term debt outstanding. Of this amount, \$55.4 million is debt backed by the full faith and credit of the City and \$51.7 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 4 million (6.7 percent). This was attributable to principal payments on outstanding debt primarily \$2.48 million on the 2009 Refunding Warrants which will pay off in 2014. Additionally, advance principal payments of \$610 thousand were paid on The Crossings debt as noted previously. Long-term debt of the business-type activities increased by \$18.1 million (53.9 percent) as new warrants issued in relation to the American Recovery and Reinvestment Act (the "ARRA") of \$21.7 million exceeded the continued principal payments on revenue warrants of \$3.6 million. These have been described in more detail within the notes to the financial statements on page 47. The School System has debt of \$26 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.

Management's Discussion and Analysis- Continued

City of Decatur's Outstanding Debt (in thousands)
General Obligation and Revenue Debt

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation warrants	\$55,352	\$59,542	\$ -	\$ -	\$55,352	\$59,542
Revenue warrants	-	-	51,749	33,615	51,749	33,615
Capital leases	579	400	-	-	579	400
Total	\$55,931	\$59,942	\$51,749	\$33,615	\$107,680	\$93,557

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, 2010, the City's allocable debt outstanding was \$59.9 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 44 through 49 of this report.

2011 Budget

The Mayor and City Council have considered many factors in the development of the fiscal year 2011 budget. The approach to the budget process has been one of conservatism. Revenue projections are based on estimates from the source of the revenue as well as trend analysis, historical data, and the current economic conditions. Department expenditures were reduced in salaries and wages for unfilled positions, contract services, and overtime. Management believes revenues and expenditures will meet overall budgetary goals.

In FY 2011, the City has contracted with the Public Affairs Research Council of Alabama (PARCA) to assist with more strategic organizational plans and budgets. The goal is to provide more efficient and cost effective services to the citizens as well as provide greater accountability and transparency.

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, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$ 25,389,209	\$ 41,549,934	\$ 66,939,143	\$ 18,746,954
Receivables (net of allowances)	4,247,472	18,679,844	22,927,316	-
Due from governmental entities	1,397,963	-	1,397,963	17,496,198
Inventories	17,840	1,713,473	1,731,313	140,818
Prepaid items	-	-	-	-
Other	70,341	74,542	144,883	-
Deferred costs	979,391	102,613	1,082,004	168,114
Internal balances	346,130	(346,130)	-	-
Restricted assets				
Cash & investments, at cost	-	17,515,780	17,515,780	-
Capital assets				
Land, collections and construction in process	12,413,118	17,609,929	30,023,047	6,820,453
Other assets, net of accum. depreciation	69,513,542	197,401,061	266,914,603	69,676,443
Total assets	114,375,006	294,301,046	408,676,052	113,048,980
LIABILITIES				
Accounts payable	1,123,425	16,645,561	17,768,986	263,317
Accrued liabilities	1,840,198	3,091,530	4,931,728	5,634,716
Contract retainages	6,423	44,662	51,085	-
Due to component units	1,374,003	-	1,374,003	-
Due to governmental entities	71,188	-	71,188	-
Customer deposits	122,476	3,982,895	4,105,371	-
Unearned revenue	38,823	-	38,823	14,061,667
Other	124,213	-	124,213	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	3,595,000	3,595,000	-
Noncurrent liabilities				
Due within one year	4,346,291	87,334	4,433,626	286,136
Due in more than one year	60,782,354	50,734,005	111,516,358	26,697,081
Total liabilities	69,829,394	78,180,987	148,010,381	46,942,917
NET ASSETS				
Invested in capital assets, net of related debt	32,970,177	164,005,708	196,975,885	49,485,021
Restricted for:				
Capital projects	1,484,186	-	1,484,186	-
Debt service	-	16,836,846	16,836,846	-
Perpetual care:				
Expendable	-	-	-	-
Nonexpendable	841,046	-	841,046	-
Unrestricted	9,250,203	35,277,505	44,527,708	16,621,042
Total net assets	\$ 44,545,612	\$ 216,120,059	\$ 260,665,671	\$ 66,106,063

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2010

Functions/Programs	Program Revenue		Net Revenue (Expense) & Changes in Net Assets			
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Component Units
Primary Government						
Governmental activities						
General government	\$ 5,100,298	\$ -	\$ -	\$ 30,381	\$ -	\$ -
Public safety	21,236,517	-	-	(18,697,983)	-	-
Public works	7,619,663	-	397,577	(4,195,500)	-	-
Public services	10,198,141	-	-	(9,628,488)	-	-
Intergovernmental assistance	24,544,626	-	-	(16,288,811)	-	-
Community service contracts	3,062,672	-	-	(3,062,672)	-	-
Community development	1,099,361	625,182	442,451	(31,728)	-	-
Personnel board	559,696	-	-	(559,696)	-	-
Interest on long-term debt	2,581,851	-	-	(2,581,851)	-	-
Unallocated depreciation	2,906,451	-	-	(2,906,451)	-	-
Total governmental activities	78,909,276	625,182	840,028	(57,922,799)	-	(57,922,799)
Business-type activities						
Municipal Utilities Board	134,497,905	-	504,597	-	1,758,648	-
Point Mallard	4,231,449	-	-	-	(475,006)	-
Sanitary Landfill	3,961,936	-	553,900	-	2,073,661	-
Total business-type activities	142,691,290	-	1,058,497	-	3,357,303	-
Total primary government	221,600,566	625,182	1,898,525	(57,922,799)	3,357,303	(54,565,496)
Component Units						
All	92,793,166	49,283,678	2,898,787	-	-	(34,237,510)
Total component units	\$ 92,793,166	\$ 49,283,678	\$ 2,898,787	-	-	(34,237,510)
General Revenues						
Sales & use taxes				33,346,132	-	11,635,434
Property taxes				11,218,029	-	15,458,124
Alcoholic beverage taxes				2,058,897	-	-
Gasoline taxes				817,274	-	-
Automobile taxes				1,256,066	-	-
Lodging taxes				1,210,713	-	-
Rental taxes				1,062,431	-	-
Other taxes				1,599,568	-	953,826
Interest on investments				272,408	259,204	62,496
Other				42,752	-	4,737,315
Transfers				(261,089)	261,089	-
Total general revenues & transfers				52,623,181	520,293	32,847,195
Change in net assets				(5,299,618)	3,877,596	(1,390,315)
Net assets, beginning				49,845,230	212,242,463	67,496,378
Net assets, ending				\$ 44,545,612	\$ 216,120,059	\$ 66,106,063

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2010

	General Fund	School Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash & cash equivalents	\$ 7,654,465	\$ 681,175	\$ 2,115,953	\$ 3,694,969	\$ 14,146,562
Cash with fiscal agents	636,351	-	-	-	636,351
Investments, at cost	9,856,296	-	-	750,000	10,606,296
Receivables (net of allowances)	-	-	-	-	-
Accounts	304,151	698,749	-	80,472	1,083,372
Notes	-	-	-	394,831	394,831
Taxes	2,647,105	-	-	114,391	2,761,496
Accrued interest	6,699	-	420	654	7,773
Due from other funds	421,335	28,763	-	-	450,098
Due from governmental entities	1,013,567	94,346	22,935	267,115	1,397,963
Deposits	70,341	-	-	-	70,341
Inventories	17,840	-	-	-	17,840
Total assets	22,628,150	1,503,033	2,139,308	5,302,432	31,572,923
LIABILITIES					
Accounts payable	820,982	2,361	23,622	276,460	1,123,425
Accrued liabilities	1,070,747	-	-	92,664	1,163,411
Contract retainages	-	-	-	6,423	6,423
Due to other funds	-	-	-	103,968	103,968
Due to component units	-	1,374,003	-	-	1,374,003
Due to governmental entities	70,949	-	-	239	71,188
Deferred revenue	237,677	-	22,935	627,160	887,772
Customer deposits	122,476	-	-	-	122,476
Other	124,213	-	-	-	124,213
Total liabilities	2,447,044	1,376,364	46,557	1,106,914	4,976,879
FUND BALANCES					
Reserved for:					
Noncurrent notes receivable	-	-	-	-	-
Encumbrances	3,800	-	608,565	575,836	1,188,201
Inventories	17,840	-	-	-	17,840
Prepaid items	-	-	-	-	-
Perpetual care	-	-	-	841,046	841,046
Debt service	-	-	-	-	-
Capital improvements	-	-	-	-	-
DA Fees	-	-	-	-	-
Donor restricted	-	-	-	-	-
Postemployment benefits	568,000	-	-	-	568,000
Unreserved & Designated for:					
Future general contingencies	8,651,935	-	-	-	8,651,935
Future capital needs	-	-	-	-	-
Landfill	1,265,725	-	-	-	1,265,725
Other	89,010	-	-	-	89,010
Unreserved & undesignated, reported in:					
General fund	9,584,796	-	-	-	9,584,796
Special revenue funds	-	126,669	-	2,778,636	2,905,305
Capital projects funds	-	-	1,484,186	-	1,484,186
Total fund balance	20,181,106	126,669	2,092,751	\$ 4,195,518	26,596,044
Total liabilities and fund balance	\$ 22,628,150	\$ 1,503,033	\$ 2,139,308	\$ 5,302,432	

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.	\$ 81,926,660
Other long-term receivables are not available for current-period expenditures and, therefore, are deferred in the funds.	848,949
The net other post retirement obligation resulting from the amount of annual required contribution in excess of contributions are not current financial obligations and therefore are not reported in the funds.	(6,727,849)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(58,098,192)</u>

Net assets of governmental activities \$ 44,545,612

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2010**

	General Fund	School Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUE					
Sales & use taxes	\$ 24,358,833	\$ 8,096,827	\$ -	\$ 890,475	\$ 33,346,135
Property taxes	3,096,297	8,121,732	-	-	11,218,029
Other taxes	6,499,467	1,065,419	-	440,062	8,004,948
Licenses & permits	5,250,842	-	-	-	5,250,842
Fines & forfeitures	1,100,973	-	-	465,651	1,566,624
Revenues from money & property	389,608	-	8,112	63,485	461,205
Charges for services	4,306,050	-	-	-	4,306,050
Intergovernmental	6,463,095	577,252	311,344	1,971,760	9,323,451
Gifts & donations	-	-	45,500	5,000	50,500
Other revenues	25,224	-	-	19,748	44,972
Total revenues	51,490,389	17,861,230	364,956	3,856,181	73,572,756
EXPENDITURES					
Current					
General government	3,607,911	26,883	15,400	366,720	4,016,914
Public safety	20,219,050	-	533,475	736,649	21,489,174
Public works	7,079,444	-	731,894	152,064	7,963,402
Public services	9,105,435	-	42,875	897,559	10,045,869
Intergovernmental assistance	4,444,395	16,413,140	14,795	1,507	20,873,837
Community services contracts	3,055,299	7,373	-	-	3,062,672
Community development	-	-	-	1,099,361	1,099,361
Personnel Board	-	-	-	559,696	559,696
Debt service	-	-	-	-	-
Principal	2,504,901	1,416,149	-	665,368	4,586,418
Interest and fiscal charges	1,926,669	89,675	-	371,326	2,387,670
Debt issuance costs	-	-	-	-	-
Capital projects construction and outlay	-	-	-	-	-
Total expenditures	51,943,104	17,953,220	1,338,439	4,850,250	76,085,013
Excess (deficiency) of revenues over expenditures	(452,715)	(91,990)	(973,483)	(994,069)	(2,512,257)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Premium on debt issue	-	-	-	-	-
Discount on debt issued	-	-	-	-	-
Capital lease proceeds	574,929	-	-	-	574,929
Payment to escrow agent	-	-	-	-	-
Transfers in	16,376	85,000	375,000	628,958	1,105,334
Transfers (out)	(1,088,958)	-	(261,089)	(16,376)	(1,366,423)
Transfers (out) - component units	-	-	-	-	-
Total other financing (uses) sources	(497,653)	85,000	113,911	612,582	313,840
Net change in fund balance	(950,368)	(6,990)	(859,572)	(381,487)	(2,198,417)
Fund balance, beginning	21,131,474	133,659	2,952,323	4,577,005	28,794,461
Fund balance, ending	\$ 20,181,106	\$ 126,669	\$ 2,092,751	\$ 4,195,518	\$ 26,596,044

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, 2010**

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

Net change in fund balances - total governmental funds	\$ (2,198,417)
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.	(3,054,872)
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.	(269,617)
Revenues in the statement of activities that do not provide current financial resources	(66,413)
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.	3,867,746
Other expenses reported in the Statement of Activities that do not require current financial resources.	<u>(3,578,045)</u>
Change In Net Assets Of Governmental Activities	<u>\$ (5,299,618)</u>

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL
For the Year Ended September 30, 2010**

	General Fund			School Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	Final Budget		Actual Amounts	
	Original	Final		Original Budget	Final Budget		
REVENUES							
Taxes and payments in lieu of taxes	\$ 34,884,595	\$ 34,525,404	\$ 33,954,597	\$ 14,521,704	\$ 16,545,400	\$ 17,283,978	\$ 738,578
Licenses and permits	6,156,485	5,656,485	5,250,842	-	-	-	-
Fines and forfeitures	1,220,388	1,220,388	1,100,973	-	-	-	-
Revenues from money and property	642,721	697,856	389,608	-	-	-	-
Charges for services	4,236,092	4,305,498	4,306,050	-	-	-	-
Intergovernmental	6,066,296	6,665,296	6,463,095	588,058	588,058	577,252	(10,806)
Other revenues	123,809	77,403	25,224	-	-	-	-
Total revenues	53,330,386	53,148,330	51,490,389	15,109,762	17,133,458	17,861,230	727,772
EXPENDITURES							
Current							
General government	3,854,419	3,710,774	3,607,911	22,943	28,243	26,883	1,360
Public safety	20,381,150	20,439,251	20,219,050	-	-	-	-
Public works	7,181,739	7,190,277	7,079,444	-	-	-	-
Public services	9,248,511	9,275,129	9,105,435	-	-	-	-
Intergovernmental assistance	4,790,673	4,529,479	4,444,395	13,560,439	15,663,135	16,413,140	(750,005)
Community services contracts	2,750,885	3,046,325	3,055,299	16,365	7,740	7,373	367
Debt service							
Principal	2,275,000	2,488,853	2,504,901	1,416,149	1,416,149	1,416,149	-
Interest	2,331,180	2,276,473	1,926,669	93,866	89,675	89,675	-
Total expenditures	52,813,557	52,956,561	51,943,104	15,109,762	17,204,942	17,953,220	(748,278)
Excess of revenues over expenditures	516,829	191,769	(452,715)	-	(71,484)	(91,990)	(20,506)
OTHER FINANCING SOURCES (USES)							
Capital lease proceeds	-	371,686	574,929	-	-	-	-
Operating transfers in	25,159	25,159	16,376	-	85,000	85,000	-
Operating transfers out	(678,825)	(999,029)	(1,088,958)	-	-	-	-
Total other financing sources (uses)	(653,666)	(602,184)	(497,653)	-	85,000	85,000	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(136,837)	(410,415)	(950,368)	-	13,516	(6,990)	(20,506)
Fund balance, beginning	23,245,766	17,010,578	21,131,474	133,659	133,659	133,659	-
Fund balance, ending	\$ 23,108,929	\$ 16,600,163	\$ 20,181,106	\$ 133,659	\$ 147,175	\$ 126,669	\$ (20,506)

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2010

	Municipal Utilities Board	Other Enterprise Funds	Totals
ASSETS			
Current assets			
Cash & cash equivalents	\$ 23,526,451	\$ 14,023,483	\$ 37,549,934
Investments, at cost	-	4,000,000	4,000,000
Receivables (net of allowance)			
Accounts	13,449,470	582,070	14,031,540
Accrued interest	-	4,574	4,574
Other	4,643,730	-	4,643,730
Prepaid items	-	-	-
Inventories, at cost	1,618,518	94,955	1,713,473
Other	74,542	-	74,542
Total current assets	43,312,711	18,705,082	62,017,793
Noncurrent assets			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	17,515,780	-	17,515,780
Deferred costs	102,613	-	102,613
Investments in Municipal Utility Funds	-	-	-
Capital assets:			
Land	2,547,517	1,415,739	3,963,256
Buildings	-	7,199,274	7,199,274
Improvements other than buildings	-	15,252,448	15,252,448
Furniture & equipment	-	6,465,492	6,465,492
Utility plant in service	313,287,835	-	313,287,835
Construction work in progress	11,884,296	1,762,377	13,646,673
Less accumulated depreciation	(125,007,179)	(19,796,809)	(144,803,988)
Total capital assets (net of accumulated depreciation)	202,712,469	12,298,521	215,010,990
Total noncurrent assets	220,330,862	12,298,521	232,629,383
Total assets	263,643,573	31,003,603	294,647,176
LIABILITIES			
Current liabilities			
Accounts payable	16,106,176	539,385	16,645,561
Accrued liabilities	3,021,659	69,871	3,091,530
Contract retainages	-	44,662	44,662
Compensated absences	70,909	16,425	87,334
Customer deposits	3,982,895	-	3,982,895
Revenue warrants payable - current	3,595,000	-	3,595,000
Due to other funds	346,130	-	346,130
Total current liabilities	27,122,769	670,343	27,793,112
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,537,709	2,537,709
Revenue notes payable	47,410,282	-	47,410,282
Compensated absences	638,181	147,833	786,014
Total noncurrent liabilities	48,048,463	2,685,542	50,734,005
Total liabilities	75,171,232	3,355,885	78,527,117
NET ASSETS			
Invested in capital assets, net of related debt	151,707,187	12,298,521	164,005,708
Restricted for debt service	16,836,846	-	16,836,846
Unrestricted	19,928,308	15,349,197	35,277,505
Total net assets	\$ 188,472,341	\$ 27,647,718	\$ 216,120,059

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, 2010**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating revenue			
Charges for services	\$ 135,751,956	\$ 5,481,697	\$ 141,233,653
Premiums & fees	-	3,756,443	3,756,443
Total operating revenue	135,751,956	9,238,140	144,990,096
Operating expenses			
Personnel, operations & maintenance	124,879,664	5,843,889	130,723,553
Closure and postclosure costs	-	176,443	176,443
Depreciation and amortization	8,461,289	1,100,410	9,561,699
Administrative costs	-	1,161,499	1,161,499
Total operating expenses	133,340,953	8,282,241	141,623,194
Operating income	2,411,003	955,899	3,366,902
Nonoperating revenue (expenses)			
Interest income	112,189	147,015	259,204
Interest expense	(1,157,549)	-	(1,157,549)
Intergovernmental grant income	-	553,900	553,900
Gain (loss) on disposition of assets	-	39,081	39,081
Miscellaneous revenue (expense)	597	49,775	50,372
Total nonoperating revenue (expenses)	(1,044,763)	789,771	(254,992)
Income before contributions, transfers & special items	1,366,240	1,745,670	3,111,910
Capital contributions	504,597	-	504,597
Transfers in	-	261,089	261,089
Transfers (out)	-	-	-
Change in net assets	1,870,837	2,006,759	3,877,596
Total net assets, beginning	186,601,504	25,640,959	212,242,463
Total net assets, ending	\$ 188,472,341	\$ 27,647,718	\$ 216,120,059

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, 2010**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating activities			
Receipts from customers and users	\$130,552,905	\$ 9,267,331	\$ 139,820,236
Other operating cash receipts	-	43,660	43,660
Payments to suppliers	(108,634,324)	(4,727,534)	(113,361,858)
Payments to employees	(10,864,278)	(2,140,711)	(13,004,989)
Non-operating cash payments	597	-	597
Net cash provided by operating activities	11,054,900	2,442,746	13,497,646
Noncapital financing activities			
Transfers in	-	261,089	261,089
Transfers (out)	-	-	-
Net cash provided by noncapital financing activities	-	261,089	261,089
Capital and related financing activities			
Acquisition and construction of capital assets	(15,100,783)	(2,881,585)	(17,982,368)
Proceeds from sale of capital assets	-	39,081	39,081
Proceeds from issuing warrants	21,713,965	-	21,713,965
Capital contributions	504,597	-	504,597
Principal payments on warrants	(3,580,001)	-	(3,580,001)
Interest paid on warrants	(803,543)	-	(803,543)
Intergovernmental grants	-	553,900	553,900
Net cash (used) by capital and related financing activities	2,734,235	(2,288,604)	445,631
Investing activities			
Decrease (increase) in restricted assets	(12,451,392)	-	(12,451,392)
Miscellaneous non-operating income	-	-	-
Interest received	112,189	147,884	260,073
Net cash provided (used) by investing activities	(12,339,203)	147,884	(12,191,319)
Net increase (decrease) in cash and cash equivalents	1,449,932	563,115	2,013,047
Cash and cash equivalents, beginning	22,076,519	13,460,368	35,536,887
Cash and cash equivalents, ending	\$ 23,526,451	\$ 14,023,483	\$ 37,549,934
Operating income (loss)	\$ 2,411,003	\$ 955,899	\$ 3,366,902
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	8,461,289	1,100,410	9,561,699
Miscellaneous item	205,179	226,218	431,397
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(6,493,334)	23,076	(6,470,258)
Accounts payable	4,872,162	58,735	4,930,897
Contract retainages	-	44,662	44,662
Inventory	188,758	7,156	195,914
Prepaid items	-	-	-
Due to (from) other funds	-	-	-
Accrued liabilities	770,080	26,590	796,670
Deferred demand credit	639,763	-	639,763
Deferred revenue	-	-	-
Other items	-	-	-
Net cash provided by operating activities	\$ 11,054,900	\$ 2,442,746	\$ 13,497,646

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR
DISCRETELY PRESENTED COMPONENT UNITS
COMBING STATEMENT OF NET ASSETS
September 30, 2010**

	Governmental Activities	Business-Type Activities	
	Board of Education	Public Building Authority	Total
ASSETS			
Cash & cash equivalents	\$ 18,711,547	\$ -	\$ 18,711,547
Investments, at cost	35,407	-	35,407
Due from primary government	1,374,003	-	1,374,003
Due from governmental entities	16,122,195	-	16,122,195
Inventories	140,818	-	140,818
Deferred Charges	168,114	-	168,114
Capital assets			
Land and construction in process	6,820,453	-	6,820,453
Other assets, net of accum. depreciation	69,676,443	-	69,676,443
Total assets	113,048,980	-	113,048,980
LIABILITIES			
Accounts payable	263,317	-	263,317
Accrued liabilities	5,634,716	-	5,634,716
Deferred revenue	14,061,667	-	14,061,667
Noncurrent liabilities			
Due within one year	286,136	-	286,136
Due in more than one year	26,697,081	-	26,697,081
Total liabilities	46,942,917	-	46,942,917
NET ASSETS			
Invested in capital assets, net of related debt	49,485,021	-	49,485,021
Unrestricted	16,621,042	-	16,621,042
Total net assets	\$ 66,106,063	\$ -	\$ 66,106,063

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, 2010**

Functions/Programs	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Component Units							
Decatur City Board of Education	\$ 92,792,875	\$ 6,373,191	\$ 49,283,678	\$ 2,898,787	\$ (34,237,219)	-	\$ (34,237,219)
Public Building Authority	291	-	-	-	-	(291)	(291)
Total component units	<u>\$ 92,793,166</u>	<u>\$ 6,373,191</u>	<u>\$ 49,283,678</u>	<u>\$ 2,898,787</u>	<u>(34,237,219)</u>	<u>(291)</u>	<u>(34,237,510)</u>
General Revenues							
Sales & use taxes					11,635,434	-	11,635,434
Property taxes					15,458,124	-	15,458,124
Other taxes					953,826	-	953,826
Interest on investments					62,496	-	62,496
Other					4,737,315	-	4,737,315
Total general revenues & transfers					<u>32,847,195</u>	<u>-</u>	<u>32,847,195</u>
Change in net assets					(1,390,024)	(291)	(1,390,315)
Net assets, beginning					67,496,087	291	67,496,378
Net assets, ending					<u>\$ 66,106,063</u>	<u>\$ -</u>	<u>\$ 66,106,063</u>

The accompanying notes are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

City of Decatur
Notes To The Financial Statements
September 30, 2010

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City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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, 2010

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 were used to satisfy the annual debt service payments. In 2009, the remaining debt service on the building was satisfied in full. At that time, ownership of the building was transferred to the City of Decatur, with all future lease payments being paid to and recorded within the General Fund. 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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The following are the City's major governmental funds:

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

The following are the City's major enterprise funds:

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

Additionally, the City reports the following fund types:

Governmental Funds:

- The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects or permanent funds). Such funds are established when required by statute, charter provision, local ordinance, or executive decision to finance particular functions or activities.
- The *Debt Service 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 *Capital Projects Funds* account for financial resources used to refund other G.O. Warrants held by the City and for future capital projects related to additional funding received.
- 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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Funds:

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

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

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

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

Receivables and Payables

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Amounts receivable and payable from federal, state, county, and local governments are classified as “due from/to other governmental entities.” The only individually significant amount due from any single entity as of September 30, 2010, was \$1,072,079 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 \$420,000.

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.

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

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Compensated Absences

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

Long-term Obligations

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

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Equity

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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 \$58,098,192 difference are as follows:

Warrants Payable	\$ 54,887,888
Less: Deferred charge on refunding (to be amortized as interest expense)	(979,391)
Capital leases payable	579,506
Accrued interest payable	676,787
Compensated absences	<u>2,933,402</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	 <u>\$ 58,098,192</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 \$3,054,872 difference are as follows:

Capital outlay	\$ 3,784,375
Depreciation expense	<u>(6,839,247)</u>
 Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 3,054,872</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 \$3,867,746 difference are as follows:

Debt issued or incurred:	
Capital lease financing	(574,929)
Principal repayments:	
General obligation debt	4,190,368
Capital lease	396,049
Amortization of premium and refunding loss	(48,890)
Deferral of issuance costs	<u>(94,852)</u>
 Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 3,867,746</u>

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 \$3,578,045 difference is as follows:

Compensated absences	\$ 4,876
Claims	129,881
Accrued interest	145,290
Other postemployment expenses	<u>3,297,998</u>
 Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 3,578,045</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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:

<u>Annually-Budgeted Governmental Funds</u>	<u>Governmental Funds Not Annually-Budgeted</u>
General Fund	Special Revenue Funds
	Community Development Fund
Special Revenue Funds	Municipal Court Fund
7 Cent Gas Tax Fund	
4&5 Cent Gas Tax Fund	Debt Service Fund
School Fund	Crossings Warrant Fund
Personnel Board Fund	
Heritage Trust Fund	Capital Projects Funds
Docket Fees Fund	Capital Projects Fund
Drug Seizure Fund	2006 Capital Improvements Fund
Room Occupancy Fund	2009 A & B Warrants Fund
Corrections 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.

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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

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, 2010:

<u>General Fund</u>	
<i>General Government:</i>	
Public Building	\$ 4,524
<i>Public Services</i>	
Business development board	\$ 65
<i>Community Services Contracts</i>	\$ 8,974
<u>School Fund</u>	
<i>Intergovernmental assistance</i>	\$ 750,005
<u>Special Revenue Funds</u>	
<i>Corrections Fund</i>	
Personal services	\$ 5,372
<i>Personnel Board Fund</i>	
Personal services	\$ 5,354
<i>Room Occupancy Tax Fund</i>	
Capital Outlay	\$ 210,273

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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	\$ 51,696,496
Carrying amount of deposits	4,636,351
Carrying amount of investments	<u>28,122,076</u>
Total	<u>\$ 84,454,923</u>
Per Governmental Funds Balance Sheet-total governmental funds	
Cash and investments	\$ 25,389,209
Per Proprietary Funds Statement of Net Assets	
Total enterprise funds	
Cash and investments	41,549,934
Restricted cash for debt service	<u>17,515,780</u>
Total	<u>\$ 84,454,923</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	\$ 18,711,547
Carrying amount of deposits	<u>35,407</u>
Total Cash and investments	<u>\$ 18,746,954</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance September 30, 2009	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2010
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 9,821,387	\$ 36,423	\$ -	\$ 9,857,813
Construction in progress	3,451,385	1,530,406	(5,051,236)	2,555,305
Total capital assets, not being depreciated	13,272,772	1,566,829	(5,051,236)	12,413,118
Capital assets, being depreciated:				
Buildings and improvements	34,730,972	2,328,286	(508,104)	36,551,154
Land improvements	19,840,245	552,056	-	20,392,301
Furniture, equipment and other	24,896,996	989,713	(567,595)	25,319,114
Infrastructure	94,554,364	763,976	-	95,318,341
Total capital assets, being depreciated	174,022,577	4,634,031	(1,075,699)	177,580,910
Less accumulated depreciation for:				
Buildings and improvements	(17,546,951)	(1,362,712)	248,485	(18,661,178)
Land improvements	(7,298,164)	(858,468)	-	(8,156,632)
Furniture, equipment and other	(19,318,054)	(1,711,616)	567,595	(20,462,075)
Infrastructure	(57,881,032)	(2,906,451)	-	(60,787,483)
Total accumulated depreciation	(102,044,201)	(6,839,247)	816,080	(108,067,368)
Total capital assets, being depreciated, net	71,978,376	(2,205,216)	(259,619)	69,513,542
Governmental activities capital assets, net	\$ 85,251,148	\$ (638,387)	\$ (5,310,855)	\$ 81,926,660
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,863,756	\$ 99,500	\$ -	\$ 3,963,256
Construction in progress	1,910,519	33,876,922	(22,140,768)	13,646,673
Total capital assets, not being depreciated	5,774,275	33,976,422	(22,140,768)	17,609,929
Capital assets, being depreciated:				
Buildings and improvements	22,138,094	373,318	(59,690)	22,451,722
Furniture, equipment and other	5,443,132	1,316,077	(293,718)	6,465,491
Utility plant-in-service	310,249,427	4,794,419	(1,756,009)	313,287,837
Total capital assets, being depreciated	337,830,653	6,483,814	(2,109,417)	342,205,050
Less accumulated depreciation for:				
Buildings and improvements	(14,962,431)	(533,465)	59,690	(15,436,206)
Furniture, equipment and other	(4,087,373)	(566,945)	293,714	(4,360,604)
Utility plant-in-service	(118,326,984)	(8,461,289)	1,781,094	(125,007,179)
Total accumulated depreciation	(137,376,788)	(9,561,699)	2,134,498	(144,803,989)
Total capital assets, being depreciated, net	200,453,865	(3,077,885)	25,082	197,401,061
Business-type activities capital assets, net	\$ 206,228,140	\$ 30,898,537	\$ (22,115,687)	\$ 215,010,990

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Depreciation expense of \$2,906,451 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	\$ 922,664
Public Safety	970,715
Public Works	428,808
Public Services	1,354,241
Intergovernmental	<u>256,368</u>
Total depreciation expense – governmental activities	<u>\$ 3,932,796</u>
<u>Business-type activities:</u>	
Municipal Utilities Board Fund	\$ 8,461,289
Sanitary Landfill Fund	651,787
Point Mallard Fund	<u>448,623</u>
Total depreciation expense – business-type activities	<u>\$ 9,561,699</u>

Activity for the discretely presented component unit, Board of Education for the year ended September 30, 2010 was as follows:

	September 30, 2009	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,476,997	\$ -	\$ -	\$ 6,476,997
Construction in progress	117,691	1,097,676	(871,911)	343,456
Total capital assets, not being depreciated	6,594,688	1,097,676	(871,911)	6,820,453
Capital assets, being depreciated:				
Buildings and improvements	102,168,474	871,911	-	103,040,385
Furniture, equipment and other	7,370,345	501,135	(178,153)	7,693,327
Total capital assets, being depreciated	109,538,819	1,373,046	(178,153)	110,733,712
Less accumulated depreciation	(37,820,931)	(3,370,864)	134,526	(41,057,269)
Total capital assets, being depreciated, net	71,717,888	(1,997,818)	(43,627)	69,676,443
Total governmental activities capital assets, net	\$78,312,576	\$ (900,142)	\$ (915,538)	\$76,496,896

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2010 is as follows:

Transfers In/Out:

Transfers Out:

From General Fund:		
To School Fund	\$	85,000
To Capital Projects Fund		375,000
To non-major governmental funds		<u>628,958</u>
	\$	1,088,958
 From Capital Projects Fund		
To non-major enterprise funds		261,089
 From Non-major governmental funds:		
To General Fund		<u>16,376</u>
 Total	\$	<u><u>1,366,423</u></u>

Transfers In:

To General Fund:		
From non-major governmental funds	\$	16,376
 To School Fund:		
From General Fund		85,000
 To Capital Project		
From General Fund		375,000
 To Non-major governmental funds:		
From General Fund		628,958
 To Non-major proprietary funds:		
From Capital Project Fund		<u>261,089</u>
 Total	\$	<u><u>1,366,423</u></u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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	\$ 317,367
	Non-major Governmental Funds	<u>103,968</u>
		421,335
School Fund	Municipal Utilities Board Enterprise Fund	<u>28,763</u>
Total due to/from other funds		<u>\$ 450,098</u>

Due To/From Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Component Unit – Board of Education	Primary Government – School Fund	<u>\$ 1,374,003</u>
Total due to/from primary government to component units		<u>\$ 1,374,003</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.

D. Leases

Operating Leases

In 2008, the City entered into three non-cancelable operating lease agreements for the use of golf carts. Total costs for such leases were \$70,717 for the year ended September 30, 2010. The future minimum lease payments for these leases are as follow:

Year Ending	Business-Type Activities
September 30	Point Mallard
2011	\$ 70,717
2012	70,717
2013	<u>1,936</u>
Total minimum lease payments	<u>\$ 143,370</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Equipment	\$ 1,191,403
Less: accumulated amortization	(159,524)
Total	\$ 1,031,879

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2010 are as follows:

Year Ending September 30	Governmental Activities
2011	\$ 413,978
2012	197,756
Total minimum lease payments	611,734
Less amount representing interest	(32,271)
Present value of minimum lease payments	\$ 579,463

The future debt service requirements of the governmental activities leases at September 30, 2010 are primarily to be provided by the General Fund.

Component Unit

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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2010 are as follows:

Year Ending September 30	Governmental Activities
2011	\$ 329,834
2012	232,161
2013	154,112
2014	154,112
2015	154,112
2015-2019	308,252
Total minimum lease payments	1,332,583
Less amount representing interest	(149,366)
Present value of minimum lease payments	\$ 1,183,217

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:

Type of Debt	Paid From	Resources Provided By
<u>Governmental Activities:</u>		
G.O. warrants - major capital facilities	General Fund Crossings Warrant Fund	General Fund Crossings Warrant 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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2010, 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>							
2003-C	3,775	2/1/2003	8/1/2013	3.7 - 4.0	205 - 500	660	210
2003-E	19,900	11/1/2003	7/1/2026	4.0 - 4.75	380 - 1,140	16,100	410
2006-Crossings	4,775	9/20/2006	9/20/2021	6.55	28 - 54	3,687	-
2006-Capital Improvement	16,215	10/11/2006	10/1/2026	4.0 - 4.375	175 -2,360	15,440	275
2009-A	13,170	6/1/2009	7/1/2020	2.0 - 4.0	190-2,015	12,980	440
2009-B	8,775	6/1/2009	6/1/2014	1.2 - 2.5	1,080-2,290	6,485	2,330
	<u>66,610</u>					<u>55,352</u>	<u>3,665</u>
Total Governmental Activities	\$ 66,610					\$ 55,352	\$ 3,665

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, 2010

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>							
2009	17,915	6/1/2009	6/1/2019	2.0 - 4.0	1,670 - 2,050	16,245	1,615
	<u>17,915</u>					<u>16,245</u>	<u>1,615</u>
<i>Wastewater System Revenue Warrants</i>							
1997	2,850	11/1/1996	8/15/2017	3.95	135 - 200	1,260	160
2000	15,590	12/22/1999	8/15/2020	3.85	720 - 1,095	9,275	775
2004	9,645	04/21/2004	8/15/2013	2.85	910 - 1,125	3,255	1,045
	<u>28,085</u>					<u>13,790</u>	<u>1,980</u>
Total Business-Type Activities	<u>46,000</u>					<u>30,035</u>	<u>3,595</u>
Total Primary Government	<u>\$ 105,542</u>					<u>\$ 85,387</u>	<u>\$ 7,260</u>

COMPONENT UNITS

Governmental-Type Activities

Board of Education

2005	\$ 26,000	2005	2030	4.0 - 4.5	270 - 9,625	\$ 26,000	\$ -
Total Component Units	<u>\$ 26,000</u>					<u>\$ 26,000</u>	<u>\$ -</u>

The City is not obligated in any manner for the debt of the Board of Education, a discretely presented component unit.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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, 2010 are shown below. There is \$134,053 available in the Crossings Debt Service Fund to service general obligation debt and \$17,515,780 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
2011	\$ 3,665	\$ 2,255
2012	3,302	2,142
2013	3,412	2,031
2014	2,632	1,918
2015 – 2019	15,030	7,943
2020 – 2024	12,075	4,948
2025 – 2029	11,000	2,080
2030 – 2033	4,236	518
Total governmental activities	\$ 55,352	\$ 23,835

	Water System Revenue Warrants		Wastewater System Revenue Warrants	
<u>Business-Type Activities</u>	Principal	Interest	Principal	Interest
2011	\$ 1,615	\$ 508	\$ 1,980	\$ 500
2012	1,650	476	2,055	433
2013	1,690	434	2,140	365
2014	1,735	384	1,050	294
2015 – 2019	9,555	1,076	5,470	836
2020 - 2024	-	-	1,095	43
Total business-type activities	\$ 16,245	\$ 2,878	\$ 13,790	\$ 2,471

During 2010, the Municipal Utilities Board Fund received multiple loans made available by the American Recovery and Reinvestment Act (the "ARRA"). The Alabama Drinking Water Finance Authority loaned \$6,265,416 to the Municipal Utilities Board Fund of which \$3,050,416 will be forgiven pursuant to the ARRA. The Alabama Water Pollution Control Authority also loaned \$15,665,364 to the Municipal Utilities Board Fund of which \$5,135,364 will be forgiven pursuant to the ARRA. The fund is required to issue water and sewer warrants, respectively, in the amount of the loans less the ARRA forgiveness portion. Principal payments on both loans are scheduled to begin on February 15, 2012 with final maturity in March 2032.

The Alabama Drinking Water Finance Authority made an additional loan to the Municipal Utilities Board Fund in 2010 of \$611,986, which will be forgiven in full pursuant to ARRA.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

COMPONENT UNITS

	Capital Outlay Warrants	
	Principal	Interest
<u>Governmental Activities: Board of Education</u>		
2011	\$ -	\$ 1,107
2012	270	1,101
2013	275	1,090
2014	1,040	1,064
2015	1,080	1,022
2016-2020	6,105	4,408
2021-2025	7,605	2,998
2026-2030	9,625	1,121
Total Governmental Activities	<u>\$ 26,000</u>	<u>\$ 13,911</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2010, 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	\$ 59,542	\$ -	\$ (4,190)	\$ 55,352	\$ 3,665
Less amounts deferred for:					
Issue discounts & premiums	308	-	(42)	266	-
Refunding losses	(821)	-	91	(730)	-
Total warrant, bonds, & notes	59,029	-	(4,141)	54,888	3,665
Capitalized leases	400	575	(396)	579	388
Compensated absences	2,312	29	(25)	2,316	231
Claims payable	487	560	(429)	618	62
Other post-employment benefits	3,430	4,558	(1,260)	6,728	-
Governmental Activities Long-Term Liabilities	<u>\$ 65,658</u>	<u>\$ 5,722</u>	<u>\$ (6,251)</u>	<u>\$ 65,129</u>	<u>\$ 4,346</u>
<u>Business-Type Activities:</u>					
Revenue warrants	\$ 33,615	\$ 21,714	\$ (3,580)	\$ 51,749	\$ 3,595
Less amounts deferred for:					
Issue discounts & premiums	(838)	-	94	(744)	-
Total warrants	32,777	\$ 21,714	(3,486)	51,005	3,595
Landfill closure and postclosure	2,361	177	-	2,538	-
Compensated absences	864	749	(740)	873	87
Business-Type Activities Long-Term Liabilities	<u>\$ 36,002</u>	<u>\$ 22,640</u>	<u>\$ (4,226)</u>	<u>\$ 54,416</u>	<u>\$ 3,682</u>

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

COMPONENT UNITS- BOARD OF EDUCATION

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-Type Activities – Board of Education</u>					
Revenue warrants	\$ 26,000	\$ -	\$ -	\$ 26,000	\$ -
Issue discounts & premiums	(210)		10	(200)	
Capitalized Leases	1,582	-	(399)	1,183	286
Total Board of Education					
Long-Term Liabilities	<u>\$ 27,372</u>	<u>\$ -</u>	<u>\$ 389</u>	<u>\$ 26,983</u>	<u>\$ 286</u>

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, 2010, there were nine series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the nine outstanding issues was approximately \$405,148,457. The original issue amounts of these series totaled \$530,240,000.

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 future general contingencies – restricted revenues for future use related to certain contingencies.

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.

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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

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 2010 was \$1,485,174 by the Electric System, \$497,694 by the Natural Gas System, \$471,699 by the Water System and \$77,791 by the Wastewater 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 \$2,537,709 reported for landfill closure and postclosure care liability at September 30, 2010 within the proprietary statement of net assets, represents the cumulative amount reported to date based on the use of 43.59 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of \$3,283,993 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, 2010. 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, 2010.

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, 2010, 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.

Construction Contracts

The City has entered into various construction contracts as of September 30, 2010. The unfulfilled balance of these contracts that relate to the non-major governmental funds operations are included in the "Reserve for Encumbrances" as described more fully in Note 4G.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

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, of which two members are appointed by the City and a third in conjunction with the County. There are no financial assets, liabilities or ongoing activity related to the authority during the year or at September 30, 2010.

Morgan County Industrial Park Economic Development Cooperative District Board was incorporated in 2008, as a joint venture between the seven municipalities with Morgan County and the Morgan County Commission. The Authority has a nine-member board, in which the City appoints one member. During 2010, the Board issued \$16.7 million in bonds to purchase 166 acres and infrastructure improvements for a new industrial park in Morgan County near Decatur. The new park will focus on the aerospace, biotech and defense industries in Huntsville. The City pledged a 48.55 percent share (based on population/census) of the cooperative district's TVA in-lieu-of tax funds received by Morgan County, and has that share of voting power on the Board

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 \$26,791 in appropriations during the fiscal year ending September 30, 2010.

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 \$46,946 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 \$566,474 in appropriations during the fiscal year.

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 \$35,610 to the Board during the fiscal year.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

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 \$12,585 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 does 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) 517-7000.

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 11.72%, with the exception of the Municipal Utilities Board Fund, for which the rate is 17.23%. 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, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2010, 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, 2009 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, 2009 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, 2009 and September 30, 2008, 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, 2009 was 10 and 26 for the Board and the City, respectively.

	Trend Information for the System (1)		
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Decatur	9/30/09	2,770,883	100%
	9/30/08	2,294,853	100%
	9/30/07	2,038,996	100%
	9/30/06	1,926,493	100%
	9/30/05	1,844,308	100%
Municipal Utilities Board	9/30/09	1,473,229	100%
	9/30/08	1,288,608	100%
	9/30/07	1,195,506	100%
	9/30/06	1,177,637	100%
	9/30/05	1,167,645	100%

(1) Trend information for the year ended September 30, 2010 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	9/30/09	\$70,643,974	\$100,531,710	\$29,887,736	70.3%	\$23,818,576	125.5%
	9/30/08	\$71,189,160	\$96,887,807	\$25,698,647	73.5%	\$23,784,423	108.0%
	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%
Municipal Utilities Board	9/30/09	\$ 26,035,764	\$41,029,331	\$ 14,993,567	63.5%	8,597,323	174.4%
	9/30/08	25,564,413	39,155,660	13,591,247	65.3%	7,919,390	171.6%
	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%

(1) Trend information for the year ended September 30, 2010 was not yet available from the System.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

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, 1941, 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,		
	2010	2009	2008
Total percentage of payroll	17.07%	17.07%	16.75%
Contributions:			
Percentage contributed by the Board	12.51%	12.07%	11.75%
Percentage contributed by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	\$ 6,282,555	\$ 6,061,304	\$ 5,842,659
Amount contributed by employees	2,511,013	2,510,896	2,486,238
Total Contributions	\$ 8,793,568	\$ 8,572,200	\$ 8,328,897

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

E. Post-Retirement Health Plan

Plan Description

The City of Decatur provides certain post-retirement medical benefits to certain retired employees, through a single-employer defined benefit plan, an other postemployment benefit plan ("OPEB") as defined by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. For all employees hired before October 1, 2009, the City 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.

All employees hired after October 1, 2009 who desire to retire and continue their health insurance coverage, as previously provided by the City, will be responsible for the total cost of continued coverage.

All OPEB benefits are administered by City personnel. There are no separate financial statements published or available for the plan

Funding Policy

Retirees with family coverage are required to pay premiums for a portion of the benefits in an amount established by City Ordinance, which is \$100 or 11.79% of the total cost to the City as of September 30, 2010 unless Medicare is involved, in which case, retirees pay the State Employee's Insurance benefit Medicare rate. The City pays all costs of retirees with single coverage. This is equivalent to the required premiums of active employees. 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.

The City is required to pay the remaining premiums and has funded the plan on a projected pay-as-you-go basis in the current year. Based on the change in terms of retirees hired after October 1, 2009, as noted above, the City believes the actuarial liability will decrease upon the next valuation date. Therefore, a \$568,000 reserve of fund balance has been created for OPEB liabilities as of year-end, but the City will continue to fund the plan on a projected pay-as-you-go basis until after the next valuation. At that time, the City plans to begin contributing the remaining cost of benefits at a rate determined by an actuarial valuation that is prepared in accordance with certain parameters.

Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the City's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty (30) years.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

For 2009 and 2010, the required contribution was determined as part of the September 30, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.0% investment rate of return; (b) a 11.0% medical cost trend rate graded to 5.0% over eight years; (c) a 6.0% and 3.5% cost trend for dental and vision care, respectively; (d) 100% participation rate by retirees and 60.0% participation rate by spouses of participating retirees; (e) retirement rates consistent with the City's pension plan actuarial valuation; and (f) a thirty-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis. The actuarially determined rate as a percentage of annual covered payroll was 20.09%.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/10	\$4,557,577	27.7%	\$3,297,997
9/30/09	\$4,557,577	24.7%	\$3,429,850

The funded status of the plan as of September 30, 2010, was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/08	\$0	\$58,847,513	\$58,847,513	\$0	\$22,680,049	259.5%

The City elected to implement GASB Statement No. 45, prospectively in the year of implementation, fiscal year 2009. Therefore, comparative data prior to 2009 is not available. In fiscal year 2011 and subsequent years, three-year trend information will be presented.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

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, 2010 include:

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

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

For 2010, the required contribution of the Board was determined as part of the October 1, 2008 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 6.0% discount rate; (b) 4.0% projected salary increases; (c) an 8% medical cost trend rate graded to 5.0% over six years; (d) 100% participation rate by retirees and 60.0% participation rate by spouses of participating retirees; (e) retirement rates consistent with the City's pension plan actuarial valuation; and (f) a thirty-year amortization period of the actuarial liability. The actuarially determined rate as a percentage of annual covered payroll was 20.09%.

The Board's annual OPEB cost, the annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2010 are as follows:

Annual Required Contribution:

Normal Cost		\$ 241,209
Amortization		683,654
Interest		<u>27,342</u>
Total ARC		\$ 932,636

Net OPEB Obligation:

Annual Required Contribution		\$ 952,205
Interest		<u>-</u>
Net OPEB Obligation		\$ 952,205

Present Value of Future Benefits as of October 1, 2008:

Active Employees		\$ 9,573,848
Retirees		<u>6,394,251</u>
Total		\$ 15,968,099

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

Component Units

Plan Description

The Board of Education contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The **Code of Alabama 1975**, Section 16-25A-4 provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financial tab.

Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 255 to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust Fund assets used in paying administrative costs and retiree benefits are transferred to and paid from PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	<u>2010</u>
Individual Coverage – Non-Medicare Eligible	\$ 97.54
Individual Coverage – Medicare Eligible	\$ 1.14
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 284.94
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 188.54
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 188.54
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 92.14
Surviving Spouse – Non-Medicare Eligible	\$ 598.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$ 730.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$ 689.00
Surviving Spouse – Medicare Eligible	\$ 313.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$ 445.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$ 404.00

For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September, 30,	<u>2010</u>	<u>2009</u>	<u>2008</u>
Active Health Insurance Premiums Paid by the Board	\$752.00	\$752.00	\$775.00
Amount of Premium Attributable to Retirees	\$241.27	\$205.45	\$212.35
Percentage of Active Employee Premiums Attributable to Retirees	32.08%	27.32%	27.40%
Percentage of Required Amount Contributed	100.00%	100.00%	100.00%
Total Amount Paid Attributable to Retirees	\$3,597,802	\$3,098,897	\$3,140,376

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefit for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method. The provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, were implemented prospectively.

The Public Building Authority does 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, 2010 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:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Unpaid claims, beginning of year	\$ 489,802	\$ 643,251
Incurred claims	510,303	57,040
Less claim payments	<u>(381,655)</u>	<u>(210,489)</u>
Unpaid claims, end of year	<u>\$618,450</u>	<u>\$ 489,802</u>

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.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2010

NOTE 5 – OTHER INFORMATION – CONTINUED

G. GASB Accounting Pronouncements

The City adopted 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. Application of this statement is effective for fiscal years beginning after June 15, 2009, in fiscal 2010. The adoption of this standard did not have a material impact on the City's financial statements.

The City adopted 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. The adoption of this standard did not have a material impact on the City's financial statements

The City plans to adopt GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, required for fiscal periods beginning after June 15, 2010, in fiscal 2011. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental fund.

The City plans to adopt GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 189 FASB and AICPA Pronouncements*, required for fiscal periods beginning after December 15, 2011, in fiscal 2013. This statement incorporates certain accounting and financial reporting guidance included in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure that were issued before November 30, 1989 into the Governmental Accounting Standards Board's (GASB) authoritative literature.

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

H. Subsequent Events

The Company has evaluated subsequent events through March 29, 2011, the date on which the financial statements were available for issue

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SUPPLEMENTAL INFORMATION

**CITY OF DECATUR
GENERAL FUND
BALANCE SHEET
September 30, 2010**

ASSETS

Cash & cash equivalents	\$ 7,654,465
Cash with fiscal agent	636,351
Investments, at cost	9,856,296
Receivables (net of allowances):	
Accounts	304,151
Notes	-
Taxes	2,647,105
Accrued interest	6,699
Due from other funds	421,335
Due from other governmental entities	1,013,567
Deposits	70,341
Inventories	17,840
	<hr/>
Total assets	\$ 22,628,150
	<hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 820,982
Accrued liabilities	1,070,747
Due to other governmental entities	70,949
Deferred revenue	237,677
Customer deposits	122,476
Other	124,213
	<hr/>
Total liabilities	2,447,044
	<hr/>

FUND BALANCE

Reserved for encumbrances	-
Reserved for inventories	17,840
Reserved for DA fees	-
Reserved for other postemployment benefits	568,000
Unreserved	
Designated for Encumbrances	3,800
Designated for Future general contingencies	8,651,935
Designated for Future capital needs	-
Designated for Landfill	1,265,725
Designated for Corrections fund	-
Designated for Heritage Trust fund	-
Designated for Marina and Tourism	-
Designated for other purposes	89,010
Undesignated	9,584,796
	<hr/>
Total fund balance	20,181,106
	<hr/>
Total liabilities and fund balance	\$ 22,628,150
	<hr/>

**CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET & ACTUAL
September 30, 2010**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes	\$ 34,884,595	\$ 34,525,404	\$ 33,954,597	\$ (570,807)
Licenses and permits	6,156,485	5,656,485	5,250,842	(405,643)
Fines and forfeitures	1,220,388	1,220,388	1,100,973	(119,415)
Revenues from money and property	642,721	697,856	389,608	(308,248)
Charges for services	4,236,092	4,305,498	4,306,050	552
Intergovernmental	6,066,296	6,665,296	6,463,095	(202,201)
Other revenues	123,809	77,403	25,224	(52,179)
Total revenues	53,330,386	53,148,330	51,490,389	(1,657,941)
EXPENDITURES				
Current				
General government	3,854,419	3,710,774	3,607,911	102,863
Public safety	20,381,150	20,439,251	20,219,050	220,201
Public works	7,181,739	7,190,277	7,079,444	110,833
Public services	9,248,511	9,275,129	9,105,435	169,694
Intergovernmental assistance	4,790,673	4,529,479	4,444,395	85,084
Community services contracts	2,750,885	3,046,325	3,055,299	(8,974)
Debt service:				
Principal	2,275,000	2,488,853	2,504,901	(16,048)
Interest and fiscal charges	2,331,180	2,276,473	1,926,669	349,804
Total expenditures	52,813,557	52,956,561	51,943,104	1,013,457
Excess of revenues over expenditures	516,829	191,769	(452,715)	(644,484)
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	371,686	574,929	203,243
Operating transfers in	25,159	25,159	16,376	(8,783)
Operating transfers out	(678,825)	(999,029)	(1,088,958)	(89,929)
Total other financing sources (uses)	(653,666)	(602,184)	(497,653)	104,531
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(136,837)	(410,415)	(950,368)	(539,953)
Fund balance, beginning	23,245,766	17,010,578	21,131,474	4,120,896
Fund balance, ending	\$ 23,108,929	\$ 16,600,163	\$ 20,181,106	\$ 3,580,943

**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, 2010**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	\$ 24,486,564	\$ 24,486,564	\$ 24,358,833	\$ (127,731)
Ad valorem	3,046,861	3,067,670	3,096,297	28,627
Other	7,351,170	6,971,170	6,499,467	(471,703)
Total	34,884,595	34,525,404	33,954,597	(570,807)
Licenses and permits				
Motor Vehicle	186,708	186,708	179,767	(6,941)
Business Licenses and Permits	5,307,301	4,807,301	4,564,480	(242,821)
Building Permits and Inspection Fees	662,476	662,476	506,595	(155,881)
Total	6,156,485	5,656,485	5,250,842	(405,643)
Fines and forfeitures				
	1,220,388	1,220,388	1,100,973	(119,415)
Revenues from money and property				
Interest	548,036	548,036	241,712	(306,324)
Other	94,685	149,820	147,896	(1,924)
Total	642,721	697,856	389,608	(308,248)
Charges for current services				
Recreation	488,054	488,054	445,312	(42,742)
Animal shelter	27,776	27,776	32,955	5,179
General government	482,612	505,612	507,751	2,139
Public safety	173,056	219,462	233,895	14,433
Public works	3,012,670	3,012,670	3,026,585	13,915
Cemetery	48,000	48,000	57,875	9,875
Old bank	1,580	1,580	339	(1,241)
Youth services	2,314	2,314	1,338	(976)
Historic Preservation	30	30	-	(30)
Total	4,236,092	4,305,498	4,306,050	552
Intergovernmental				
Tax equivalents	5,658,190	6,257,190	6,295,283	38,093
Federal Government Grants	-	-	-	-
State Shared Taxes	408,106	408,106	167,812	(240,294)
State contributions	-	-	-	-
Total	6,066,296	6,665,296	6,463,095	(202,201)
Other revenues				
	123,809	77,403	25,224	(52,179)
TOTAL REVENUES	53,330,386	53,148,330	51,490,389	(1,657,941)

**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, 2010**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES				
Current Expenditures				
General Government				
Mayor and Council				
Personal services	264,941	321,293	317,688	3,605
Operating expenses	39,400	44,400	43,087	1,313
Total	304,341	365,693	360,775	4,918
Legal Services				
Personal services	347,151	327,151	325,893	1,258
Operating expenses	76,025	58,777	43,717	15,060
Total	423,176	385,928	369,610	16,318
Municipal Court				
Personal services	407,250	370,199	367,874	2,325
Operating expenses	47,032	47,032	34,022	13,010
Total	454,282	417,231	401,896	15,335
City Clerk				
Personal services	443,698	436,105	437,820	(1,715)
Operating expenses	115,073	115,073	105,562	9,511
Total	558,771	551,178	543,382	7,796
Revenue department				
Personal services	154,580	154,580	154,490	90
Operating expenses	72,299	87,299	73,686	13,613
Total	226,879	241,879	228,176	13,703
Finance department				
Personal services	567,084	462,334	451,302	11,032
Operating expenses	39,796	40,546	37,200	3,346
Total	606,880	502,880	488,502	14,378
Public building				
Personal services	132,387	132,387	129,988	2,399
Operating expenses	503,053	503,053	509,976	(6,923)
Total	635,440	635,440	639,964	(4,524)
Community development				
Personal services	460,550	434,495	426,733	7,762
Operating expenses	184,100	176,050	148,873	27,177
Total	644,650	610,545	575,606	34,939
Total general government	3,854,419	3,710,774	3,607,911	102,863

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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public Safety				
Fire				
Personal services	7,866,070	7,826,070	7,699,686	126,384
Operating expenses	713,500	761,500	705,904	55,596
Total	8,579,570	8,587,570	8,405,590	181,980
Inspection				
Personal services	710,507	682,347	678,921	3,426
Operating expenses	61,387	56,987	36,923	20,064
Total	771,894	739,334	715,844	23,490
Police				
Personal services	9,600,703	9,337,678	9,247,374	90,304
Operating expenses	1,428,983	1,402,983	1,850,242	(447,259)
Capital outlay	-	371,686		371,686
Total	11,029,686	11,112,347	11,097,616	14,731
Total public safety	20,381,150	20,439,251	20,219,050	220,201
Public Works				
Director				
Personal services	423,281	423,281	423,984	(703)
Operating expenses	138,330	118,330	114,245	4,085
Total	561,611	541,611	538,229	3,382
Streets				
Personal services	2,031,796	2,031,796	2,006,594	25,202
Operating expenses	960,211	990,211	1,006,603	(16,392)
Total	2,992,007	3,022,007	3,013,197	8,810
Engineering				
Personal services	179,857	179,857	165,655	14,202
Operating expenses	35,000	33,538	43,700	(10,162)
Total	214,857	213,395	209,355	4,040
Sanitation				
Personal services	1,774,022	1,774,022	1,688,757	85,265
Operating expenses	1,639,242	1,639,242	1,629,906	9,336
Total	3,413,264	3,413,264	3,318,663	94,601
Total public works	7,181,739	7,190,277	7,079,444	110,833

**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, 2010**

Page 4 of 7

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Public Services				
Animal Shelter				
Personal services	513,797	513,797	480,261	33,536
Operating expenses	164,314	160,314	162,146	(1,832)
Total	678,111	674,111	642,407	31,704
Park and recreation				
Personal services	3,480,918	3,772,622	3,682,887	89,735
Operating expenses	3,250,176	3,402,876	3,437,368	(34,492)
Total	6,731,094	7,175,498	7,120,255	55,243
Landscape and beautification				
Personal services	471,252	179,548	179,620	(72)
Operating expenses	349,136	208,136	174,045	34,091
Total	820,388	387,684	353,665	34,019
Cemetery				
Personal services	110,557	123,057	114,889	8,168
Operating expenses	78,875	98,875	94,412	4,463
Total	189,432	221,932	209,301	12,631
Business development board				
Personal services	36,265	9,489	-	9,489
Operating expenses	22,045	22,045	31,599	(9,554)
Total	58,310	31,534	31,599	(65)
Youth services				
Personal services	243,463	243,463	245,803	(2,340)
Operating expenses	296,670	324,064	314,449	9,615
Total	540,133	567,527	560,252	7,275
Culture				
Cultural Facilities	110,675	110,675	92,028	18,647
Old Bank	117,088	105,088	95,499	9,589
Historic Preservation Commission	3,280	1,080	429	651
Total	231,043	216,843	187,956	28,887
Total public services	9,248,511	9,275,129	9,105,435	169,694

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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Intergovernmental assistance</i>				
Garage				
Personal services	472,637	385,422	372,913	12,509
Operating expenses	52,290	102,495	93,864	8,631
Total	524,927	487,917	466,777	21,140
Purchasing				
Personal services	129,538	129,538	129,886	(348)
Operating expenses	13,900	13,900	14,208	(308)
Capital outlay	1,500	1,500	-	1,500
Total	144,938	144,938	144,094	844
Information services				
Personal services	568,827	532,830	532,308	522
Operating expenses	546,300	568,297	530,675	37,622
Total	1,115,127	1,101,127	1,062,983	38,144
Miscellaneous				
Workman's compensation	600,000	600,000	626,780	(26,780)
Insurance	275,000	225,000	221,515	3,485
Other	1,779,400	1,669,400	1,630,219	39,181
Total	2,654,400	2,494,400	2,478,514	15,886
Planning department				
Personal services	280,134	260,079	262,810	(2,731)
Operating expenses	33,820	24,471	16,856	7,615
Total	313,954	284,550	279,666	4,884
Safety				
Personal services	1,275	1,275	495	780
Operating expenses	36,052	15,272	11,866	3,406
Total	37,327	16,547	12,361	4,186
<i>Total Intergovernmental assistance</i>	4,790,673	4,529,479	4,444,395	85,084

**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, 2010**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Community Service Contracts				
Wheeler Basin Regional Library Board	372,081	372,081	372,081	-
Morgan County Emergency Management Dist.	566,474	566,474	566,474	-
Decatur-Morgan County Emergency Mgt. Agency	26,791	26,791	26,791	-
NARCOG:				
Regional Planning	18,846	18,846	18,846	-
Senior Aid Program	2,000	2,000	2,000	-
Transport Planning	26,100	26,100	26,100	-
NCA Mental Health Board	19,402	19,402	19,402	-
NCA Mental Health Board - Facets	16,208	16,208	16,208	-
Economic Development Association	76,274	76,274	76,274	-
NCA Mental Retardation Center, Inc.	12,585	12,585	12,585	-
Morgan County Health Department	148,200	148,200	148,200	-
Morgan County Commission	148,200	148,200	148,200	-
Community Action and Community Development Agency of North Alabama:				
Meals on Wheels	19,760	19,760	19,760	-
Foster Grandparents	14,301	14,301	14,301	-
Decatur-Morgan County Seniors' Council, Inc.	59,112	59,112	59,112	-
Decatur Convention and Visitors' Bureau	522,000	569,000	577,974	(8,974)
Chamber of Commerce:				
BRAC	9,534	9,534	9,534	-
Beautification Board	19,068	19,068	19,068	-
Community Business Development Board	28,602	28,602	28,602	-
Cornerstone	38,137	38,137	38,137	-
Morgan County Rescue Squad	9,534	9,534	9,534	-
Main Street of Decatur	33,370	21,810	21,810	-
Hospice of the Valley	5,434	5,434	5,434	-
American Red Cross	5,434	5,434	5,434	-
Pryor Field Airport Authority	30,000	30,000	30,000	-
ARC of Morgan County	7,074	7,074	7,074	-
Volunteer Center	10,488	10,488	10,488	-
Carnegie Visual Arts	4,940	4,940	4,940	-
PACT	4,767	4,767	4,767	-
System of Services	4,800	4,800	4,800	-
Free Health Clinic	74,100	74,100	74,100	-
Morgan County Child Advocacy Center	24,700	24,700	24,700	-
Junior Achievement	4,767	4,767	4,767	-
Downtown Redevelopment Authority	74,100	74,100	74,100	-
Decatur Youth Symphony	14,302	14,302	14,302	-
Calhoun Robotics Complex	250,000	250,000	250,000	-
Princess Theatre	49,400	49,400	49,400	-
Downtown Arts Center	-	200,000	200,000	-
Entrepreneurial Center	-	60,000	60,000	-
Total Community Services Contract	2,750,885	3,046,325	3,055,299	(8,974)
Debt Service Expenditures	4,606,180	4,765,326	4,431,570	333,756
TOTAL EXPENDITURES	52,813,557	52,956,561	51,943,104	1,013,457
Excess (deficiency) of revenues over expenditures	516,829	191,769	(452,715)	(644,484)

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, 2010

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	371,686	574,929	203,243
Operating transfers in	25,159	25,159	16,376	(8,783)
Operating transfers out	(678,825)	(999,029)	(1,088,958)	(89,929)
Total other financing sources (uses)	(653,666)	(602,184)	(497,653)	104,531
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(136,837)	(410,415)	(950,368)	(539,953)
Fund balance, beginning	23,245,766	17,010,578	21,131,474	4,120,896
Fund balance, ending	\$ 23,108,929	\$ 16,600,163	\$ 20,181,106	\$ 3,580,943

CITY OF DECATUR
 NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
 COMBINING BALANCE SHEET
 September 30, 2010

	Special Revenue Funds										Debt Service Fund	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	2006 Capital Improvements Fund	2009 A&B Warrants Fund	Crossings Warrant Fund
ASSETS																
Cash & investments, at cost	\$ 322,802	\$ 734,185	\$ -	\$ 150,074	\$ 174,035	\$ 1,055,367	\$ 617,882	\$ 111,690	\$ 181,853	\$ 54,972	\$ 90,642	\$ -	\$ -	\$ 139,861	\$ 61,606	\$ 3,694,969
Investments, at cost	-	-	-	-	-	-	-	-	-	-	750,000	-	-	-	-	750,000
Receivables (net of allowances)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	80,342	-	130	-	-	-	-	-	-	-	-	-	-	80,472
Notes	-	-	384,831	-	-	-	-	-	-	-	-	-	-	-	-	384,831
Accrued interest	32	83	-	-	-	-	105	-	30	-	404	-	-	-	-	654
Taxes	13,332	29,623	216,339	-	52	-	-	-	7,769	41,944	-	-	-	-	72,447	114,391
Due from governmental entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	267,115
Total assets	\$ 336,166	\$ 763,891	\$ 691,512	\$ 150,074	\$ 174,217	\$ 1,055,367	\$ 617,987	\$ 111,690	\$ 189,652	\$ 96,916	\$ 841,046	\$ -	\$ -	\$ 139,861	\$ 134,053	\$ 5,302,432
LIABILITIES																
Accounts payable	-	310	25,270	4,398	117,533	6,889	5,859	-	524	96,917	-	-	-	18,760	-	276,460
Accrued liabilities	-	-	9,074	15,810	56,445	-	11,335	-	-	-	-	-	-	-	-	92,664
Contract retainages	-	-	6,423	-	-	-	-	-	-	-	-	-	-	-	-	6,423
Due to other funds	-	-	22,525	16,151	-	-	-	-	-	65,292	-	-	-	-	-	103,968
Due to other governmental entities	-	-	-	-	239	-	-	-	-	-	-	-	-	-	-	239
Deferred revenue	-	-	627,160	-	-	-	-	-	-	-	-	-	-	-	-	627,160
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	310	690,452	36,359	174,217	6,889	17,194	-	524	162,209	-	-	-	18,760	-	1,106,914
FUND BALANCES																
Reserved for:																
Encumbrances	-	-	-	-	-	393,075	-	-	-	68,300	-	-	-	114,461	-	575,836
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-	-	-	-	841,046	-	-	-	-	-	841,046
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donor restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Designated for:																
Capital improvements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved & undesignated	336,166	763,581	1,060	113,715	-	655,403	600,793	111,690	189,128	(133,593)	-	-	-	6,640	134,053	2,778,636
Total fund balance (deficit)	\$ 336,166	\$ 763,581	\$ 1,060	\$ 113,715	\$ -	\$ 1,048,478	\$ 600,793	\$ 111,690	\$ 189,128	\$ (65,293)	\$ 841,046	\$ -	\$ -	\$ 121,101	\$ 134,053	\$ 4,195,518
Total liabilities and fund balance	\$ 336,166	\$ 763,891	\$ 691,512	\$ 150,074	\$ 174,217	\$ 1,055,367	\$ 617,987	\$ 111,690	\$ 189,652	\$ 96,916	\$ 841,046	\$ -	\$ -	\$ 139,861	\$ 134,053	\$ 5,302,432

CITY OF DECATUR
7 CENT GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
September 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 144,776	\$ 144,776	\$ 147,157	\$ 2,381
Revenues from money and property	300	300	546	246
Total revenues	145,076	145,076	147,703	2,627
Expenditures				
Operating expenses	100,339	288,803	-	288,803
Capital outlay	44,737	44,737	-	44,737
Total expenditures	145,076	333,540	-	333,540
Excess (deficiency) of revenues over expenditures	-	(188,464)	147,703	336,167
Net change in fund balance	-	(188,464)	147,703	336,167
Fund balance, beginning	42,975	39,475	188,463	(148,988)
Fund balance, ending	\$ 42,975	\$ (148,989)	\$ 336,166	\$ 485,155

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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 325,087	\$ 325,087	\$ 327,723	\$ 2,636
Revenues from money and property	1,200	1,200	1,650	450
Total revenues	326,287	326,287	329,373	3,086
Expenditures				
Operating expenses	326,287	835,988	75,494	760,494
Total expenditures	326,287	835,988	75,494	760,494
Excess (deficiency) of revenues over expenditures	-	(509,701)	253,879	763,580
Net change in fund balance	-	(509,701)	253,879	763,580
Fund balance, beginning	18,481	14,681	509,702	495,021
Fund balance, ending	\$ 18,481	\$ (495,020)	\$ 763,581	\$ 1,258,601

CITY OF DECATUR
PERSONNEL BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ -	\$ -	\$ 603	\$ 603
Total revenues	-	-	603	603
Expenditures				
Personal services	443,960	443,960	449,314	(5,354)
Operating expenses	132,296	127,296	110,382	16,914
Total expenditures	576,256	571,256	559,696	11,560
Excess (deficiency) of revenues over expenditures	(576,256)	(571,256)	(559,093)	12,163
Other financing sources				
Operating transfers in	576,256	571,256	571,256	-
Total other financing sources (uses)	576,256	571,256	571,256	-
Net change in fund balance	-	-	12,163	12,163
Fund balance, beginning	119,897	61,897	101,552	39,655
Fund balance, ending	\$ 119,897	\$ 61,897	\$ 113,715	\$ 51,818

CITY OF DECATUR
HERITAGE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 383,706	\$ 355,400	\$ 355,400	\$ -
Total revenues	383,706	355,400	355,400	-
Expenditures				
Operating expenses	175,000	84,850	64,850	20,000
Capital outlay	322,962	1,250,677	570,832	679,845
Total expenditures	497,962	1,335,527	635,682	699,845
Excess (deficiency) of revenues over expenditures	(114,256)	(980,127)	(280,282)	699,845
Net change in fund balance	(114,256)	(980,127)	(280,282)	699,845
Fund balance, beginning	376,561	703,862	1,328,760	624,898
Fund balance, ending	\$ 262,305	\$ (276,265)	\$ 1,048,478	\$ 1,324,743

CITY OF DECATUR
CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 383,510	\$ 383,510	\$ 418,889	\$ 35,379
Revenues from money and property	3,500	3,500	3,172	(328)
Total revenues	387,010	387,010	422,061	35,051
Expenditures				
Personal services	238,422	538,498	543,870	(5,372)
Operating expenses	211,000	257,843	249,678	8,165
Capital outlay	-	59,573		59,573
Total expenditures	449,422	855,914	793,548	62,366
Excess (deficiency) of revenues over expenditures	(62,412)	(468,904)	(371,487)	97,417
Net change in fund balance	(62,412)	(468,904)	(371,487)	97,417
Fund balance, beginning	597,304	597,304	972,280	374,976
Fund balance, ending	\$ 534,892	\$ 128,400	\$ 600,793	\$ 472,393

CITY OF DECATUR
DOCKET FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 20,367	\$ 20,367	\$ 46,762	\$ 26,395
Total revenues	20,367	20,367	46,762	26,395
Expenditures				
Operating expenses	30,000	30,000	10,741	19,259
Total expenditures	30,000	30,000	10,741	19,259
Net change in fund balance	(9,633)	(9,633)	36,021	45,654
Fund balance, beginning	23,987	23,987	75,669	51,682
Fund balance, ending	\$ 14,354	\$ 14,354	\$ 111,690	\$ 97,336

CITY OF DECATUR
DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 141,574	\$ 141,574	\$ 73,844	\$ (67,730)
Revenues from money and property	1,000	1,000	789	(211)
Other	-	-	6,000	6,000
Total revenues	142,574	142,574	80,633	(61,941)
Expenditures				
Operating expenses	160,000	160,000	139,269	20,731
Capital outlay	50,000	50,000	-	50,000
Total expenditures	210,000	210,000	139,269	70,731
Excess (deficiency) of revenues over expenditures	(67,426)	(67,426)	(58,636)	8,790
Other financing sources (uses)				
Operating transfers (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	(67,426)	(67,426)	(58,636)	8,790
Fund balance, beginning	(29,008)	(66,408)	247,764	314,172
Fund balance, ending	\$ (96,434)	\$ (133,834)	\$ 189,128	\$ 322,962

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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and Payments in lieu of taxes	\$ 450,000	\$ 450,000	\$ 440,062	\$ (9,938)
Total revenues	450,000	450,000	440,062	(9,938)
Expenditures				
Capital outlay	250,000	250,000	460,273	(210,273)
Debt service				
Principal	55,000	55,000	55,000	
Interest	106,919	106,919	104,719	2,200
Total expenditures	411,919	411,919	619,992	(208,073)
Excess (deficiency) of revenues over expenditures	38,081	38,081	(179,930)	(218,011)
Net change in fund balance	38,081	38,081	(179,930)	(218,011)
Fund balance, beginning	247,696	(69,292)	114,637	183,929
Fund balance, ending	\$ 285,777	\$ (31,211)	\$ (65,293)	\$ (34,082)

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2010**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash & investments, at cost	\$ 199,747	\$ 13,823,736	\$14,023,483
Investments, at cost	-	4,000,000	4,000,000
Receivables (net of allowance)			
Accounts	24,185	557,885	582,070
Accrued interest	-	4,574	4,574
Inventories, at cost	68,305	26,650	94,955
Total current assets	292,237	18,412,845	18,705,082
Noncurrent assets			
Capital assets:			
Land	173,940	1,241,799	1,415,739
Buildings	6,614,177	585,097	7,199,274
Improvements other than buildings	6,847,421	8,405,027	15,252,448
Furniture & equipment	1,117,053	5,348,439	6,465,492
Construction work in progress	39,848	1,722,529	1,762,377
Less accumulated depreciation	(9,281,664)	(10,515,145)	(19,796,809)
Total capital assets (net of accumulated depreciation)	5,510,775	6,787,746	12,298,521
Total noncurrent assets	5,510,775	6,787,746	12,298,521
Total assets	5,803,012	25,200,591	31,003,603
LIABILITIES			
Current liabilities			
Accounts payable	147,208	392,177	539,385
Accrued liabilities	48,731	21,140	69,871
Contract retainages	-	44,662	44,662
Compensated absences	4,061	12,364	16,425
Total current liabilities	200,000	470,343	670,343
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,537,709	2,537,709
Compensated absences	36,553	111,280	147,833
Total noncurrent liabilities	36,553	2,648,989	2,685,542
Total liabilities	236,553	3,119,332	3,355,885
NET ASSETS			
Invested in capital assets, net of related debt	5,510,775	6,787,746	12,298,521
Unrestricted	55,684	15,293,513	15,349,197
Total net assets	\$ 5,566,459	\$ 22,081,259	\$ 27,647,718

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2010**

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating revenue			
Charges for services	\$ -	\$ 5,481,697	\$ 5,481,697
Premiums & fees	3,756,443	-	3,756,443
Total operating revenue	3,756,443	5,481,697	9,238,140
Operating expenses			
Personnel, operations & maintenance	3,220,160	2,623,729	5,843,889
Closure and postclosure costs	-	176,443	176,443
Depreciation and amortization	448,623	651,787	1,100,410
Administrative costs	570,620	590,879	1,161,499
Total operating expenses	4,239,403	4,042,838	8,282,241
Operating income (loss)	(482,960)	1,438,859	955,899
Nonoperating revenue (expenses)			
Interest income	-	147,015	147,015
Intergovernmental grant income	-	553,900	553,900
Gain on disposition of assets	-	39,081	39,081
Miscellaneous revenue	7,954	41,821	49,775
Total nonoperating revenue	7,954	781,817	789,771
Income (loss) before contributions, transfers & special items	(475,006)	2,220,676	1,745,670
Transfers in	261,089	-	261,089
Transfers (out)	-	-	-
Change in net assets	(213,917)	2,220,676	2,006,759
Total net assets, beginning	5,780,376	19,860,583	25,640,959
Total net assets, ending	\$ 5,566,459	\$ 22,081,259	\$ 27,647,718

**CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2010**

	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating activities			
Receipts from customers and users	\$ 3,734,392	\$ 5,532,939	\$ 9,267,331
Other operating cash receipts	7,954	35,706	43,660
Receipts from interfund services provided	-	-	-
Payments to suppliers	(2,733,167)	(1,994,367)	(4,727,534)
Payments to employees	(1,134,131)	(1,006,580)	(2,140,711)
Payments for legal settlement	-	-	-
Payments for interfund services	-	-	-
Non-operating cash receipts	-	-	-
Net cash provided (used) by operating activities	(124,952)	2,567,698	2,442,746
Noncapital financing activities			
Operating transfers in	261,089	-	261,089
Operating transfers (out)	-	-	-
Net cash provided (used) by noncapital financing activities	261,089	-	261,089
Capital and related financing activities			
Acquisition and construction of capital assets	(220,590)	(2,660,995)	(2,881,585)
Proceeds from sale of capital assets	-	39,081	39,081
Intergovernmental grants	-	553,900	553,900
Net cash used by capital and related financing activities	(220,590)	(2,068,014)	(2,288,604)
Investing activities			
Purchase of investments	-	-	-
Interest received	-	147,884	147,884
Net cash provided by investing activities	-	147,884	147,884
Net increase in cash and cash equivalents	(84,453)	647,568	563,115
Cash and cash equivalents, beginning	284,200	13,176,168	13,460,368
Cash and cash equivalents, ending	\$ 199,747	\$ 13,823,736	\$ 14,023,483
Operating income (loss)	\$ (482,960)	\$ 1,438,859	\$ 955,899
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	448,623	651,787	1,100,410
Miscellaneous items	7,954	218,264	226,218
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(22,051)	45,127	23,076
Accounts payable	(117,164)	175,899	58,735
Contract retainages	-	44,662	44,662
Inventory	16,691	(9,535)	7,156
Due to (from) other funds	-	-	-
Accrued liabilities	23,955	2,635	26,590
Deferred revenue	-	-	-
Other items	-	-	-
Net cash provided (used) by operating activities	\$ (124,952)	\$ 2,567,698	\$ 2,442,746

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.

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

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities								
Invested in capital assets, net of related debt	\$ 32,970,177	\$ 34,519,124	\$ 27,357,664	\$ 20,698,547	\$ 24,602,623	\$ 22,478,756	\$ 17,000,702	\$ 21,175,447
Restricted	2,325,232	3,401,527	4,459,535	5,417,757	(2,385,360)	1,368,157	3,035,459	(1,549,012)
Unrestricted	9,250,203	11,924,579	18,838,999	24,266,429	24,343,072	23,391,527	24,372,544	18,583,958
Total governmental activities net assets	44,545,612	49,845,230	50,656,198	50,382,733	46,560,335	47,238,440	44,408,705	38,210,393
Business-type activities								
Invested in capital assets, net of related debt	164,005,708	173,451,387	167,520,564	165,133,023	163,020,598	162,954,372	158,026,539	156,968,021
Restricted	16,836,846	5,059,388	5,185,299	5,050,864	4,980,645	4,825,400	5,651,405	6,933,863
Unrestricted	35,277,505	33,731,687	37,692,763	37,098,632	33,733,133	28,132,562	26,485,303	23,821,201
Total business-type activities net assets	216,120,059	212,242,462	210,398,626	207,282,519	201,734,376	195,912,334	190,163,247	187,723,085
Primary government								
Invested in capital assets, net of related debt	196,975,885	207,970,511	194,878,228	185,831,570	187,623,221	185,433,128	175,027,241	178,143,468
Restricted	19,162,078	8,460,915	9,644,834	10,468,621	2,595,285	6,193,557	8,686,864	5,384,851
Unrestricted	44,527,708	45,656,266	56,531,762	61,365,061	58,076,205	51,524,089	50,857,847	42,405,159
Total primary government net assets	\$ 260,665,671	\$ 262,087,692	\$ 261,054,824	\$ 257,665,252	\$ 248,294,711	\$ 243,150,774	\$ 234,571,952	\$ 225,933,478

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 Eight Fiscal Years (Unaudited)
(accrual basis of accounting)

Expenses	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities:								
General Government	\$ 5,100,298	\$ 4,768,152	\$ 4,484,066	\$ 4,259,575	\$ 9,456,769	\$ 4,106,422	\$ 4,130,141	\$ 3,757,380
Public safety	21,236,517	21,631,775	20,949,207	19,883,381	18,468,401	18,735,909	18,393,540	16,785,797
Public works	7,619,663	7,913,537	9,238,083	7,428,328	7,066,626	7,864,825	8,022,796	7,622,959
Public services	10,198,141	10,273,746	11,436,422	9,939,516	9,425,623	7,496,941	6,535,471	4,900,781
Intergovernmental assistance	24,544,626	22,613,644	19,601,360	18,271,003	18,146,194	17,335,424	17,231,600	16,172,276
Community service contracts	3,062,672	2,831,805	2,973,892	2,840,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,099,361	1,449,526	1,315,544	1,647,028	1,633,891	720,867	1,138,744	1,171,444
Personnel board	559,696	525,530	537,308	540,514	498,392	530,389	469,260	457,214
Interest on long-term debt	2,581,851	2,675,197	3,227,317	3,411,694	2,680,090	2,877,155	2,591,239	3,021,996
Unallocated depreciation	2,906,451	2,994,155	3,114,842	3,294,946	3,395,762	3,457,256	3,365,134	3,358,051
Total governmental activities expense	78,909,276	77,677,067	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)	134,497,905	143,021,311	146,138,993	133,900,304	134,770,313	116,460,704	116,534,857	144,486,670
Point Mallard	4,231,449	4,252,309	4,731,723	4,031,207	3,652,042	3,276,086	3,388,884	2,790,091
Sanitary Landfill	3,961,936	3,509,975	3,561,336	3,319,933	3,177,301	3,011,682	3,188,082	3,255,403
Total business-type activities expenses	142,691,290	150,783,595	154,432,052	141,251,444	141,599,656	122,748,472	123,111,823	150,532,164
Total primary government expenses	221,600,566	228,460,662	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	5,130,679	6,064,711	5,723,572	3,197,582	5,012,310	4,682,502	4,413,236	4,151,954
Public safety	2,538,534	2,625,851	2,669,455	2,411,482	2,247,078	2,482,336	2,467,035	2,025,104
Public works	3,026,586	2,718,167	2,793,431	2,667,469	2,248,765	1,991,888	2,143,766	1,833,725
Public services	569,653	563,471	605,347	509,251	569,054	570,640	594,366	588,478
Intergovernmental assistance	8,255,815	8,821,683	8,273,255	9,514,493	7,692,435	5,655,455	5,530,185	5,623,692
Operating grants and contributions	625,182	985,777	549,862	785,689	685,272	473,856	1,232,546	856,207
Capital grants and contributions	840,028	3,216,221	430,745	661,390	2,273,151	2,068,497	1,573,144	5,633,564
Total governmental activities program revenues	20,986,477	24,995,881	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)	135,751,956	141,266,120	145,442,999	136,260,625	136,117,615	117,869,302	117,445,093	144,515,069
Point Mallard	3,756,443	3,560,994	3,708,573	3,231,385	2,838,530	2,615,778	2,254,948	1,695,243
Sanitary Landfill	5,481,697	5,089,116	5,127,222	4,920,629	4,166,182	3,840,554	3,657,950	3,326,670
Capital grants and contributions	1,058,497	1,964,787	952,638	1,577,854	1,663,669	1,674,920	1,201,659	1,573,760
Total business-type activities program revenues	146,048,593	151,881,017	155,231,432	145,990,493	144,785,996	126,000,554	124,559,650	151,110,742
Total primary government program revenues	167,035,070	176,876,898	176,277,099	165,737,849	165,514,061	143,925,728	142,513,928	171,823,466
Net (Expense)/Revenue								
Governmental activities	(57,922,799)	(52,681,186)	(55,832,374)	(51,769,016)	(52,599,556)	(47,625,797)	(46,282,612)	(38,726,612)
Business-type activities	3,357,303	1,097,422	799,380	4,739,048	3,186,248	3,252,082	1,447,827	578,578
Total primary government net expense	(54,565,496)	(51,583,764)	(55,032,994)	(47,029,968)	(49,413,308)	(44,373,715)	(44,834,785)	(38,148,034)

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

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets								
Governmental activities								
Taxes								
Sales & use taxes	33,346,132	32,326,864	36,339,971	35,529,035	34,171,298	31,822,887	30,980,345	29,817,226
Property taxes	11,218,029	10,739,439	9,936,417	9,410,127	8,927,164	8,506,525	8,128,683	7,625,178
Alcoholic beverage taxes	2,058,897	2,079,989	2,178,344	2,096,980	1,959,620	1,899,066	-	-
Gasoline taxes	817,274	854,729	866,383	908,017	881,061	1,324,890	-	-
Automobile taxes	1,256,066	1,316,502	1,386,524	1,422,446	1,345,890	1,280,830	-	-
Lodging taxes	1,210,713	1,219,763	1,480,525	1,270,831	1,139,526	1,101,824	-	-
Rental taxes	1,062,431	1,433,785	1,393,968	1,237,542	1,099,616	1,101,615	-	-
Other taxes	1,599,568	1,601,848	1,633,787	1,591,861	1,554,270	2,019,036	8,940,282	8,309,236
Interest on investments	272,408	382,714	1,035,330	1,930,389	1,416,270	829,131	560,181	475,938
Other	42,752	270,146	375,869	618,759	278,875	1,874,267	1,587,883	1,358,172
Transfers	(261,089)	(355,561)	(521,279)	(424,573)	(640,061)	(1,304,539)	(571,380)	(2,665,404)
Total governmental activities	52,623,181	51,870,218	56,105,839	55,591,414	52,133,529	50,455,532	49,625,994	44,920,346
Business-type activities:								
Interest on investments	259,204	390,853	1,795,448	2,579,834	1,995,733	1,017,206	420,955	571,861
Transfers	261,089	355,561	521,279	493,633	640,061	1,304,539	571,380	2,665,404
Total business-type activities	520,293	746,414	2,316,727	3,073,467	2,635,794	2,321,745	992,335	3,237,265
Total primary government	53,143,474	52,616,632	58,422,566	58,664,881	54,769,323	52,777,277	50,618,329	48,157,611
Change in Net Assets								
Governmental activities	(5,299,618)	(810,968)	273,465	3,822,398	(466,027)	2,829,735	3,343,382	6,193,734
Business-type activities	3,877,596	1,843,836	3,116,107	7,812,515	5,822,042	5,573,827	2,440,162	3,815,843
Total primary government	\$ (1,422,022)	\$ 1,032,868	\$ 3,389,572	\$ 11,634,913	\$ 5,356,015	\$ 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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Reserved	\$ 589,640	\$ 623,643	\$ 620,606	\$ 56,368	\$ 20,298	\$ 37,677	\$ 42,261	\$ 305,034	\$ 739,759	\$ 99,401
Unreserved	19,591,466	20,507,843	23,136,284	23,219,358	20,873,265	19,717,342	20,935,192	20,864,514	19,302,994	19,553,304
Total general fund	20,181,106	21,131,486	23,756,890	23,275,726	20,893,563	19,755,019	20,977,453	21,169,548	20,042,753	19,652,705
All Other Governmental Funds										
Reserved	2,025,447	1,451,421	2,493,068	2,474,867	3,222,378	2,352,645	1,453,824	1,588,403	556,344	1,291,447
Unreserved, reported in:										
Special purposes	-	-	-	4,187,649	-	-	2,040,204	-	-	-
Special revenue funds	2,905,305	3,610,185	2,590,092	3,006,657	1,430,568	2,439,265	1,037,247	218,490	995,538	1,152,801
Capital projects funds (a)	1,484,186	2,601,381	3,278,650	4,572,320	(3,210,457)	559,273	2,238,036	(2,381,294)	-	1,726,408
Total all other governmental funds	\$6,414,938	\$7,662,987	\$8,361,810	\$14,241,493	\$1,442,489	\$5,351,183	\$6,769,311	\$ (574,401)	\$1,551,882	\$4,170,656

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 Eight Fiscal Years (Unaudited)

	Fiscal Year							
	2010	2009	2008	2007	2006	2005	2004	2003
Revenues								
Sales & use taxes	\$ 33,346,135	\$ 32,326,864	\$ 36,339,971	\$ 35,529,035	\$ 34,171,298	\$ 31,822,887	\$ 30,980,345	\$ 29,817,226
Property taxes	11,218,029	10,739,439	9,936,417	9,410,127	8,927,164	8,506,525	8,128,683	7,625,178
Other taxes	8,004,948	8,506,615	8,939,531	8,527,677	7,979,983	7,846,184	7,815,865	7,413,359
Licenses & permits	5,250,842	6,074,151	6,097,503	5,820,517	5,506,691	5,260,874	5,104,988	4,326,519
Fines & forfeitures	1,566,624	1,653,106	1,537,289	1,164,807	1,209,951	1,353,878	1,279,018	1,038,611
Revenues from money & property	461,205	547,055	1,224,431	2,047,717	1,638,407	997,734	709,263	497,656
Charges for services	4,306,050	3,876,829	3,958,824	3,711,980	3,178,711	2,853,277	2,635,734	2,752,786
Intergovernmental	9,323,451	10,138,379	9,231,663	11,342,347	8,683,754	8,548,765	9,530,118	8,429,566
Gifts & donations	50,500	81,383	171,487	250,030	10,000	928,267	-	-
Other revenues	44,972	155,030	219,020	466,313	489,283	-	946,523	937,826
Total revenues	73,572,756	74,098,851	77,656,136	78,270,550	71,795,242	68,118,391	67,130,537	62,838,727
Expenditures								
General Government	4,016,914	4,076,940	4,041,456	3,850,086	8,400,847	3,324,352	3,417,204	3,223,379
Public safety	21,489,174	22,545,457	24,420,567	21,048,410	18,432,108	18,031,194	17,750,748	16,744,547
Public works	7,963,402	7,930,561	9,526,118	8,217,746	7,132,047	7,580,606	7,767,477	8,696,689
Public services	10,045,869	10,949,244	10,892,284	12,550,008	14,176,760	7,169,487	6,032,400	5,482,307
Intergovernmental assistance	20,873,837	19,272,133	19,941,091	18,279,913	17,857,678	17,131,023	17,102,980	16,098,611
Community service contracts	3,062,672	2,831,805	2,973,892	2,780,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,099,361	1,635,289	1,315,546	1,647,028	2,028,470	1,503,289	2,114,283	1,171,444
Personnel board	559,696	525,530	537,308	540,514	498,392	530,389	469,260	457,214
Debt Service								
Principal	4,586,418	5,134,778	5,331,457	6,364,555	5,390,162	5,674,464	6,321,257	5,346,671
Interest and fiscal charges	2,387,670	2,983,520	3,233,231	3,063,770	2,653,381	2,839,686	2,795,990	2,664,575
Debt issuance costs	-	482,284	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	76,085,013	78,367,541	82,533,376	78,810,751	79,205,331	70,467,823	75,805,152	66,740,294
Excess (deficiency) of revenues over expenditures	(2,512,257)	(4,268,690)	(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	-	21,945,000	-	16,215,000	5,280,000	-	19,900,000	18,600,000
Premium on debt issue	-	325,960	-	-	-	-	21,888	-
Discount on debt issue	-	-	-	-	-	-	-	-
Capital lease proceeds	574,929	614,474	-	-	-	-	39,351	1,305,963
Payment to escrow agent	-	(21,585,422)	-	-	-	-	(3,600,000)	(16,304,212)
Transfers in	1,105,334	3,293,644	1,399,865	4,545,593	2,977,048	3,112,376	7,845,603	20,684,103
Transfers (out)	(1,366,423)	(3,649,205)	(1,921,144)	(5,039,225)	(3,617,109)	(3,403,506)	(8,380,610)	(21,383,775)
Total other financing sources (uses)	313,840	944,451	(521,279)	15,721,368	4,639,939	(291,130)	15,826,232	2,902,079
Net change in fund balance	\$ (2,198,417)	\$ (3,324,239)	\$ (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	9.2%	11.0%	11.4%	13.7%	11.4%	13.9%	17.1%	16.5%

** Capital outlay and construction are included in the expenditure function categories
Prior to FY 2003,

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	Net Assessed Value	Total Direct Tax Rate	**Estimated Actual Taxable Value	Net Assessed Value as a Percentage of Actual Taxable Value
2001	\$ 132,294,920.00	\$ 343,310,060.00	\$ 17,342,520.00	\$ 131,720,360.00	\$ 361,227,140.00	18.6 Mills	3,095,842,926.30	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	423,220,560	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	525,198,960	18.6 Mills	4,448,186,036	11.81%
2009	200,069,940	534,383,300	8,777,200	207,876,920	535,353,620	18.6 Mills	4,699,659,746	11.39%
2010	201,477,560	561,757,560	9,239,000	209,795,900	562,678,220	18.6 Mills	4,852,129,478	11.60%

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
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
2009	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2010	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	2001			2002			2003			2004			2005		
	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value
Trico Steel	\$ 73,476,760	1	20.34%	\$ 24,637,540	2	6.65%	\$ -	-	-	\$ -	-	-	\$ -	-	-
Worthington Steel	23,583,660	2	6.53%	25,094,180	1	6.72%	24,274,260	2	6.20%	23,074,080	2	5.70%	23,074,080	2	5.70%
Bunge Corporation	10,814,960	3	2.99%	9,883,220	3	2.64%	11,502,820	3	2.94%	11,072,020	3	2.73%	11,072,020	3	2.73%
BellSouth	8,963,960	4	2.48%	8,842,960	4	2.37%	9,056,200	4	2.31%	9,258,400	4	2.29%	9,258,400	4	2.29%
Hexcel Corporation	5,968,080	6	1.65%	4,355,140	9	1.17%	3,991,440	9	1.02%	*	*	*	*	*	*
Goodyear Tire & Rubber	6,313,440	5	1.75%	6,108,200	6	1.63%	6,228,220	5	1.59%	5,945,900	6	1.47%	5,945,900	6	1.47%
General Electric Appliance	4,779,340	10	1.32%	6,898,420	5	1.85%	5,509,140	6	1.41%	5,081,660	8	1.25%	5,081,660	8	1.25%
Mi Tech	5,685,220	7	1.57%	*	*	*	*	*	*	*	*	*	*	*	*
Colonial Realty Limited	5,428,500	8	1.50%	5,425,800	7	1.45%	*	*	*	5,114,540	7	1.26%	5,114,540	7	1.26%
National Healthcare	*	*	*	3,949,340	10	1.08%	*	*	*	*	*	*	*	*	*
Trigen-Alabama Energy	5,410,000	9	1.50%	5,296,000	8	1.42%	*	*	*	*	*	*	*	*	*
Nucor Steel	*	*	*	*	*	*	30,079,240	1	7.68%	41,185,540	1	10.17%	41,185,540	1	10.17%
O.C.I. Chemical Corp	*	*	*	*	*	*	5,357,300	7	1.37%	5,319,340	9	1.31%	5,319,340	9	1.31%
Meow Mix	*	*	*	*	*	*	5,081,980	8	1.30%	7,731,400	5	1.91%	7,731,400	5	1.91%
Charter Communications	*	*	*	*	*	*	3,907,080	10	1.00%	3,472,920	10	0.86%	3,472,920	10	0.86%
Hyosung USA, Inc.	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
First Republic Group Realty	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Marine Terminals of Ala	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
ITW Sexton	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
ITC-AL LLC	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Conagra Inc	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Total	\$ 150,423,940		41.64%	\$ 100,690,800		26.95%	\$ 104,987,680		26.80%	\$ 117,255,800		26.96%	\$ 122,091,860		28.65%
Net City Taxable Assessed Value	361,227,140			373,686,160			391,735,100			404,957,400			423,220,680		

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), continued

Taxpayer	2006			2007			2008			2009			2010		
	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net City Taxable Assessed Value
Trico Steel	\$ -		-	\$ -		-	\$ -		-	\$ -		-	\$ -		-
Worthington Steel	10,525,220	2	2.35%	83,485,960	1	17.62%	8,702,100	3	1.66%	10,263,540	3	1.92%	10,583,820	3	1.88%
Bunge Corporation	8,633,700	4	1.93%	11,061,040	2	2.34%	8,642,900	4	1.62%	9,442,740	4	1.76%	7,337,600	4	1.30%
BellSouth	4,350,360	9	0.97%	9,923,320	3	2.09%	13,997,040	2	2.67%	22,905,500	2	4.28%	35,580,040	2	6.32%
Hexel Corporation	4,632,580	8	1.04%	4,603,620	8	0.97%	4,242,200	7	0.81%	4,543,620	7	0.85%	6,044,220	5	1.07%
Goodyear Tire & Rubber	4,864,380	7	1.09%	5,304,720	7	1.12%	5,232,860	5	1.00%	5,189,300	5	0.97%	3,430,800	9	0.61%
General Electric Appliance	5,281,800	6	1.18%	3,878,740	9	0.82%	2,674,800	9	0.51%	128,517,280	1	24.01%	4,780,840	7	0.85%
Colonial Realty Limited	3,699,460	10	0.87%	6,074,000	6	1.28%	95,310,360	1	18.15%	5,299,680	9	0.99%	135,048,680	1	24.00%
National Healthcare	76,363,820	1	17.08%	8,949,320	4	1.89%	8,657,940	6	1.65%	8,644,500	6	1.61%	8,784,220	6	1.56%
Trigen-Alabama Energy	6,282,120	5	1.41%	3,238,860	10	0.68%	5,232,860	5	1.00%	5,189,300	5	0.97%	3,430,800	9	0.61%
Nucor Steel	9,300,180	3	2.08%	2,777,740	10	0.53%	2,500,980	8	0.48%	7,188,780	8	1.34%	4,780,840	7	0.85%
O.C.I. Chemical Corp	*		*	*		*	2,777,740	10	0.53%	4,550,000	10	0.85%	7,321,540	8	1.30%
Meow Mix	*		*	*		*	*		*	*		*	*		*
Charter Communications	*		*	*		*	*		*	*		*	*		*
Hyosung USA, Inc.	*		*	*		*	*		*	*		*	*		*
First Republic Group Realty	*		*	*		*	*		*	*		*	*		*
Marine Terminals of Ala	*		*	*		*	*		*	*		*	*		*
ITW Sexton	*		*	*		*	*		*	*		*	*		*
ITC-AL LLC	*		*	*		*	*		*	*		*	*		*
Conagra Inc	*		*	*		*	*		*	*		*	*		*
Total	\$134,133,620		30.00%	\$145,162,480		30.65%	\$152,595,420		29.05%	\$206,544,940		38.58%	\$221,673,180		39.40%

Net City Taxable Assessed Value 447,105,560

473,685,800

525,198,980

535,353,520

562,678,220

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

Fiscal Year Ended September 30,	Taxes Levied for the Fiscal Year	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	13,604,719	98.41%	18,905	13,623,624	99%
2005	14,304,430	14,174,242	99.09%	149,521	14,323,763	100%
2006	15,040,466	14,887,346	98.98%	2,052	14,889,398	99%
2007	16,004,314	15,839,439	98.97%	53	15,839,492	99%
2008	17,059,718	16,850,721	98.77%	31,731	16,882,452	99%
2009	17,845,697	17,842,973	99.98%			
2010**	18,613,467					

Source:
Morgan County Revenue Commissioner

** FY 10 revenue collected amounts will not be available until mid-July 2011.
FY 09 collections in subsequent years will not be available until mid-July 2011.

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, assessment commissions, collection commissions, and expenses.
Expenses include reappraisal, supernumerary, and salary.

Collections in subsequent years include insolvents, bankruptcy, and escapes.

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

Category Description	Calendar Year					
	2010	2009	2008	2007	2006	2005
Apparel	\$ 62,171	\$ 63,494	\$ 66,241	\$ 67,976	\$ 60,049	\$ 59,159
Multi-Line Retail	173,074	135,093	194,174	184,170	140,837	136,207
Restaurants	110,793	88,955	95,996	90,931	86,759	77,867
Grocery Stores	80,154	77,044	80,101	74,071	56,265	52,101
Building Materials	62,814	74,413	115,558	113,975	79,993	73,812
Automobile Dealers	222,580	150,216	280,506	393,859	227,712	214,032
Household Furnishings	15,935	12,277	16,557	17,912	16,706	15,979
Convenience Stores	42,563	65,220	107,623	102,031	33,581	31,523
All other outlets	233,802	211,402	169,134	138,176	319,057	297,844
Total	\$ 1,003,886	\$ 878,114	\$ 1,125,890	\$ 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)

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Morgan County</u>	<u>State of Alabama</u>
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%
2009	4.00%	1.00%	4.00%
2010	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 5 Prior Years (Unaudited)

Tax Remitter Description	Calendar Year 2010			Calendar Year 2009			Calendar Year 2008			Calendar Year 2007			Calendar Year 2006			Calendar 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	Tax Liability	Rank	Percentage of Total	Tax Liability	Rank	Percentage of Total
Multi-line retailer	\$ 3,267,680	1	10.10%	\$ 3,332,677	1	10.31%	\$ 3,432,389	1	9.64%	\$ 3,398,690	1	9.62%	\$ 3,467,513	1	10.20%	\$ 3,638,724	1	11.09%
Manufacturer	1,480,051	2	4.60%	1,215,982	2	3.76%	2,184,933	2	6.08%	2,099,335	2	5.94%	2,410,658	2	7.09%	2,172,806	2	6.65%
Multi-line retailer	1,478,000	3	4.59%	1,215,982	3	3.76%	2,184,933	3	6.08%	2,099,335	3	5.94%	2,410,658	3	7.09%	2,172,806	3	6.65%
Grocery store	943,688	4	2.92%	881,470	4	2.73%	908,895	4	2.65%	895,524	4	2.53%	719,608	4	2.12%	497,428	7	1.56%
Building materials /hard line	902,975	5	2.79%	876,426	5	2.71%	1,152,320	3	3.24%	1,055,579	3	2.99%	1,085,172	3	3.19%	994,399	3	3.12%
Multi-line retailer	677,686	6	2.10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grocery store	655,050	7	2.03%	630,738	7	1.95%	690,565	7	1.96%	563,720	7	1.60%	510,791	8	1.50%	459,897	9	1.44%
Building materials /hard line	567,857	8	1.82%	664,233	6	2.05%	680,106	6	1.91%	689,525	5	1.95%	684,218	5	2.01%	713,414	4	2.24%
Automobile dealer	554,647	9	1.72%	496,031	8	1.53%	503,718	8	1.41%	622,068	6	1.76%	570,183	7	1.68%	586,306	5	1.83%
Apparel store	525,665	10	1.63%	458,425	9	1.39%	458,425	9	1.39%	432,186	8	1.39%	433,099	10	1.27%	509,379	6	1.48%
Multi-line retailer	-	-	-	324,425	10	1.00%	324,425	10	1.00%	445,465	9	1.26%	456,211	9	1.34%	471,869	8	1.41%
Manufacturer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grocery store	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$10,563,457		32.89%	\$ 9,679,064		30.13%	\$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 5 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>
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
2009	98,913,684	24,628,903	8,084,517	9,639,016	141,266,120
2010	93,571,114	21,495,060	9,266,433	11,419,349	135,751,956

Financial statements 2001 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 2010 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
	General Obligation Warrants	Notes Payable	Capital Leases	Water Revenue Warrants	Wastewater Revenue Warrants	Capital Leases			
2001	57,315	2,630	-	27,745	33,930	-	121,620	11.40%	
2002	52,360	2,380	1,036	26,325	32,190	-	114,291	10.71%	
2003	50,615	2,330	1,575	24,825	28,525	77	107,947	10.12%	
2004	63,005	680	854	23,240	26,590	29	114,398	10.72%	
2005	57,935	630	299	22,140	22,680	45	103,729	9.72%	
2006	57,970	630	154	20,995	21,030	-	100,779	8.40%	
2007	68,575	-	29	19,795	19,320	-	107,719	9.20%	
2008	63,273	-	-	18,545	17,545	-	99,363	6.78%	
2009	59,542	-	401	17,915	15,700	-	93,558	7.71%	
2010	55,352	-	579	16,245	13,790	-	85,966	6.44%	

Sources:

2006 through 2010 are estimates 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:

2001 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 Debt Outstanding,
Last Ten Fiscal Years (Unaudited)**

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
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
2009	59,542,038	1.27%	1,114
2010	55,351,670	1.14%	996

Sources:

Morgan County Economic Development Association for 2006 through 2010 population estimates

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, 2010 (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	\$ 55,351,670	100.00%	\$ 55,351,670
* City of Decatur Board of Education	26,000,000	100.00%	26,000,000
Total Direct Debt			<u>81,351,670</u>
Morgan County	24,915,000	47.35%	11,797,253
Morgan County Board of Education	22,611,703	47.35%	10,706,641
Total Overlapping Debt			<u>22,503,894</u>
Total direct and overlapping debt			103,855,564

The percentage of overlapping debt applicable to the City is calculated on the basis of the ratio of the estimated 2010 net assessed valuation of all taxable property in the City (\$562,678,220) - exclusive of taxable property outside the boundaries of Morgan County - to that of all net taxable property in Morgan County (\$1,188,232,000).

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

Sources:

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)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 72,245,428	\$ 74,737,632	\$ 78,347,020	\$ 80,991,480	\$ 84,644,116	\$ 89,421,112	\$ 94,737,160	\$ 105,039,796	\$ 107,070,704	\$ 112,535,644
Total net debt applicable to limit	38,220,000	35,420,000	35,465,000	48,370,000	45,485,000	47,485,000	60,240,000	56,997,969	55,330,038	52,555,819
Legal debt margin	34,025,428	39,317,632	42,882,020	32,621,480	39,159,116	41,936,112	34,497,160	48,041,827	51,740,666	59,979,825
Total net debt applicable to the limit as a percentage of debt limit	52.90%	47.39%	45.27%	59.72%	53.74%	53.10%	63.59%	54.26%	51.68%	46.70%
Legal Debt Margin Calculation for Fiscal Year 2010										
Assessed value	\$ 772,474,120									
Less tax exempt property	(209,795,900)									
Net Assessed Value	562,678,220									
Debt limit (20% of net assessed value)	112,535,644									
Debt applicable to limit:										
General obligation bonds	55,351,670									
Less: School	(2,795,851)									
Total net debt applicable to limit	52,555,819									
Legal debt margin	\$ 59,979,825									

Note:
 Numbers were 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
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%
2009	141,472,819	133,607,497	7,865,322	5,064,336	1.55%
2010	135,864,145	124,879,664	10,984,481	4,657,987	2.36%

Financial statements 2001 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 2010 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
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%
2009	53,465	1,213,549	22,698	38.9	536	8,812	10.6%
2010	55,588	1,335,335	24,022	39.4	498	8,723	9.0%

Sources:
 Morgan County Economic Development Association for 2006 through 2009 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 Four Years (Unaudited)

Employer	2010			2009			2008			2007			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
General Electric	1,250	1	3.98%	1,250	1	3.65%	1,390	1	3.86%	1,390	1	4.10%	1,390	1	3.68%
Decatur City Schools	1,205	2	3.84%	1,205	2	3.52%	1,205	2	3.35%	1,205	2	3.55%	1,205	2	3.19%
Decatur General Hospital	1,000	3	3.19%	1,000	3	2.92%	1,200	3	3.33%	1,200	3	3.54%	1,200	3	3.18%
Wayne Farms	858	4	2.73%	858	5	2.51%	799	5	2.22%	813	5	2.39%	813	5	2.15%
3M Company	760	5	2.42%	760	4	2.22%	830	4	2.31%	895	4	2.64%	828	4	2.19%
Nucor Steel	713	6	2.27%	700	8	2.05%	710	8	1.97%	630	8	1.85%	630	8	1.67%
City of Decatur	675	8	2.15%	675	7	1.97%	673	7	1.87%	671	7	1.97%	681	7	1.80%
United Launch Alliance	654	7	2.08%	654	6	1.91%	684	6	1.90%	638	6	1.88%	650	6	1.72%
BP America				446	9	1.30%	446	9	1.24%	453	9	1.33%	-		-
Wayne Farms East Facility	444	9	1.41%	444	10	1.30%	418	10	1.16%	418	10	1.23%	-		-
Wolverine Tube													525	9	1.39%
Goodyear Tire & Rubber													408	10	1.08%
Parkway Medical Center	414	10	1.32%												
Total	7,973		25.39%	7,992		23.36%	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)

Function/Program	Full-Time-Equivalent Employees as of September 30									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government	43	41	44	44	43	44	43	42	40	41
Public safety	275	272	263	276	283	266	275	268	274	263
Public works	76	81	81	82	77	74 *	94	94	92	96
Public services	77	72	78	71	73	73 *	59	57	57	58
Intergovernmental assistance	18	19	19	20	20	23	23	22	20	17
Municipal Utilities Board	163	165	163	157	160	170	178	177	170	181
Point Mallard	9	11	10	8	12	25	25	23	26	26
Sanitary Landfill	14	14	13	13	13	13	12	12	13	14
Total	675	675	671	671	681	688	709	695	692	696

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	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General government										
Building permits issued	2,910	3,703	3,133	4,778	5,449	3,969	3,999	4,004	2,815	2,396
Building inspections conducted	6,751	5,487	8,004	9,955	8,365	9,155	7,327	**	**	**
Police										
Adult arrests	5,428	6,291	6,500	6,141	10,808	11,386	10,431	9,574	9,937	9,732
Traffic citations	15,948	16,022	16,695	13,946	12,154	12,662	15,963	10,919	13,891	15,386
Fire										
Inspections	182	154	91	69	52	37	31	130	112	138
Emergency medical responses	5281	3917	3885	2900	3059	3461	3556	3484	3580	3240
Fire and/or Hazmat responses	1467	1291	1004	888	906	889	1014	1094	921	1221
Refuse collections										
Recyclables collected in tons	1,416	1,381	1,488	1,532	1,509	1,447	1,369	1,408	1,509	1,566
Garbage and trash collected	38,164	39,608	36,384	34,536	43,252	41,990	41,659	49,552 *	**	**
Municipal Utilities Board										
Electrical connections	26,453	26,403	26,595	26,439	26,105	26,348	26,316	26,034	26,036	26,118
Water connections	25,144	25,155	25,154	24,990	24,532	24,495	24,288	23,820	23,660	23,287
Wastewater connections	20,293	20,308	20,338	20,233	19,895	19,900	19,694	19,372	19,317	19,121
Gas connections	13,793	13,785	13,861	13,824	13,835	13,925	14,578	14,267	13,965	13,267

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	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Police										
Stations	3	3	3	4	4	3	3	4	6	3
Patrol units	135	135	137	142	122	102	102	82	74	79
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Pumper Fire trucks	10	13	13	14	12	11	11	10	10	10
Special Response Vehicle	3	4	4	4	4	2	2	2	2	2
Sanitation										
Garbage collection trucks	17	17	17	17	19	19	21	22	16	17
Other public works										
Paved streets (miles)	335	334	333	333	333	333	331	329	329	329
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	48	48
Storm drainage conduits (miles)	143	143	143	143	143	143	142	141	141	141
Parks and Recreation										
Number of parks*	26	26	26	26	26	24	24	32	32	32
Acres of Parks	1,278	1,278	1,278	1,278	1,278	1,263	1,263	1,263	1,263	1,263
Golf courses (public & private)	4	4	4	4	4	4	4	4	4	4
Tennis courts	46	46	46	46	46	34	34	34	34	34
Recreations centers	4	4	4	4	4	4	4	4	4	4
Senior citizen centers	2	2	2	2	2	2	1	1	1	1
Ball fields in use	35	35	35	35	34	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	2	2	3	3	3	3	3
Soccer facilities (acres)	62	62	62	62	62	62	62	35	35	35
Ice rinks	1	1	1	1	1	1	1	1	1	1
Marina/boat launch	2	2	2	2	2	2	1	1	1	1
Campgrounds	1	1	1	1	1	1	1	1	1	1
Municipal Utilities Board										
Water mains (miles)	478	480	478	476	474	472	405	464	461	451
Gas mains (miles)	414	413	412	411	409	407	405	401	400	394
Electric lines (miles)	592	592	592	588	586	585	581	577	577	575
Sanitary sewers (miles)	337	340	337	337	334	331	327	325	320	312
Fire hydrants in service	2,009	2,019	2,003	1,985	1,958	1,939	1,901	1,883	1,871	1,840

Sources:
 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.