

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

*of the*



FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30,  
**2012**

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

*of the*



FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30,  
**2012**

# 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, 2011

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.



*Christopher P. Moivell*

President

*Jeffrey R. Emmer*

Executive Director

**CITY OF Decatur**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**SEPTEMBER 30, 2012**

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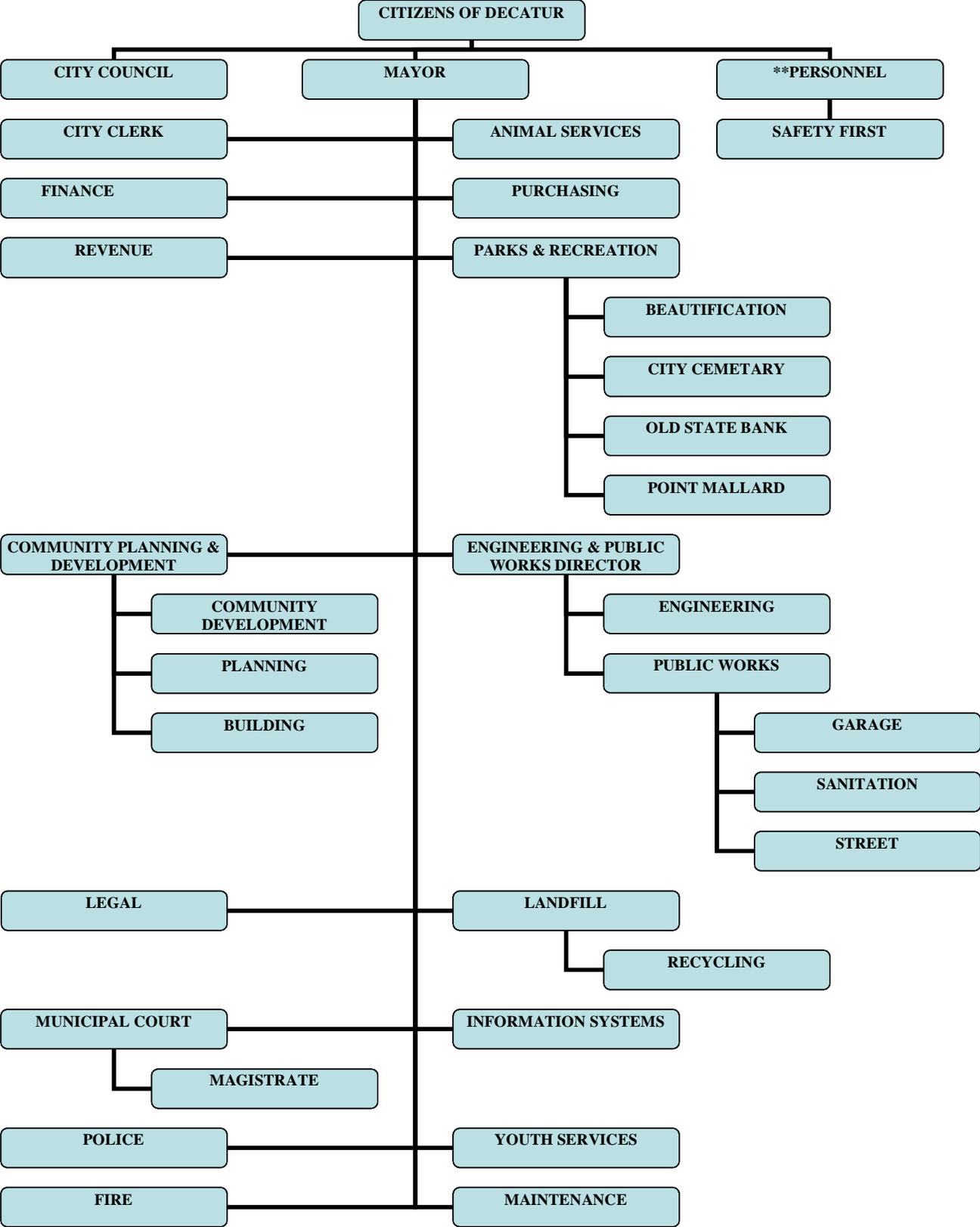
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# 2012 Organizational Chart



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

# City of Decatur

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## Boards and Commissions

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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
Medical Clinic Board	

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## City / County Boards

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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**

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## CITY COUNCIL

**Gary Hammon – President**

Roger Anders – President Pro Tempore  
Charles Kirby

Billy Jackson  
Greg Reeves

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## DEPARTMENT DIRECTORS

Animal Shelter  
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

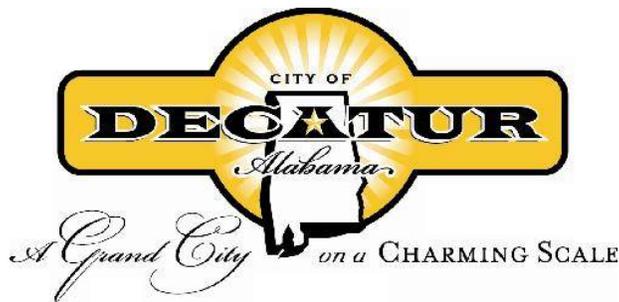
Carol Wicks  
Herman Marks  
Stacy Gilley  
Mark Petersohn  
Wally Terry  
Darwin Clark  
vacant  
Bill Cook, Jr.  
Rickey Terry  
Jeff Dunlap  
Ken Smith  
Ed Taylor  
Bruce Jones

## OTHER KEY PERSONNEL

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

Yvonne Krenkel  
Jessica Hayes  
Linda McKinney  
Kurt Johnson  
Melinda Dunn  
Laura Martin  
Emily Johnson  
Tina Boyles

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March 29, 2013

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, 2012, 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.

An accounting system is designed to assemble, analyze, clarify, record and report financial data. In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable but not absolute assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition, and (2) the valuation of costs and benefits requires estimates and judgments made by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions. Key controls are evaluated periodically by the City's finance department.

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, 2012 is included in this report.

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

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

### **Profile of the Government**

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

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

Since October 1968, the City of Decatur has been governed by a mayor-council form of government. The mayor is chief executive officer of the city and is elected by general election to a four year term. The city council is the legislative body and consists of five (5) members, who are elected for four year terms. Prior to 1988, members of the city council were elected on an "at large" basis. In 1988, the city council established five (5) electoral districts, one of which is primarily 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, 17 developed playgrounds, 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. 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 operates Point Mallard Park, a major 750 acre family recreation park on the Tennessee River, and home of America's first wave pool. At this location in addition to the wave pool, there are water slides, a Kiddies water feature, 18-hole championship golf course, regulation size ice rink, and a campground with 233 full hook-up sites and 6 primitive tent sites. The City continues to make investments in the park to attract visitors to the area as well as serve the citizens of Decatur, including the 2012 investment for the construction of a new Lazy River attraction and other improvements to the Water Park.

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 & Morgan County's new and expanding industry investment numbers for fiscal year 2012 continue to remain strong. Decatur won *Site Selection Magazine's* No. 1 Metro with a population under 200,000 in the U.S. for 2011 and was granted No. 7 in 2012. There was one new industry and thirty-two expanding companies which will create 301 jobs and made investments of \$413,833,450 during the year. This continuing expansion helped the unemployment rate for Decatur to fall to 6.8% at fiscal year-end, the lowest level since 2008.

Based on 2011 calendar year numbers, the Alabama Development Office ranked Morgan County #2 in the state for expanding investment, and #3 in overall investment. Of particular note are: Daikin America as they expand their existing facility with \$9 million and added 25 new jobs. After the expansion, the Decatur plant will have 400 employees and total plant investment of \$600 million. Hexcel Corporation plans to invest \$150.5 million and create 35 jobs and Nucor Steel announced investments of \$43 million that will create 8 new jobs and help to secure the employment of the 716 team members currently employed at the Decatur facility.

In addition, two Decatur companies with close ties to Nucor, Yates Industries and Feralloy Corp, announced expansions which include investments of \$10.6 million and will create 24 new jobs. In August, Jemison-Demsey LLC, a customer of Nucor, announced it would build a new \$28 million metal-processing plant and create 28 new jobs. Toray Carbon Fibers announced in March an expansion that will cost \$97 million and add 43 new jobs. 3M Company announced an investment of \$11.6 million in its facility that will add two more jobs. Decatur is proud to be the manufacturing, assembly, and integration location of United Launch Alliance's (ULA) Delta and Atlas rockets. ULA remains the key to America's access to space.

Since it opened its doors in November 2010, the Entrepreneurial Center has helped create through its incubation process 153 new jobs for Decatur-Morgan County with new payroll revenue of \$4.7 million. Twenty-two new start-up businesses and 11 growing or relocating companies account for the new jobs. Currently, 65% of its 40,000 square feet is occupied by tenants.

The Alabama Center for the Arts, a partnership of Calhoun Community College and Athens State University, opened for classes in August 2012. The \$8.5 million visual arts center is a new 43,000 square feet, three-story building on Second Avenue. The arts center is a joint project of the City of Decatur, Morgan County Commission, and the two colleges. The location of the arts center combined with a \$1.3 million streetscape project has helped bring over forty new and relocated businesses to downtown. The second phase of the Arts College's funding is in place and architectural drawings are being prepared.

Decatur General Hospital and Parkway Medical Center merged with Huntsville Hospital in September 2012. Decatur-Morgan Hospital is now Decatur's largest employer with over 1400 employees. The merger is expected to provide buying power and increase efficiency at the facilities.

A new Wal-Mart Neighborhood Market will be located on 4.39 acres on Sixth Avenue, close to the downtown area where sidewalk café dining was legalized by the City Council in December and proved to be an attractive addition to downtown restaurants.

### **Long-term financial planning**

The City of Decatur was awarded \$1.2 million in ATRIP funds with 20% local match to pave Church Street and rehab the Gordon Street overpass. ATRIP is a federal aid highway program administered through the Alabama Department of Transportation. Church Street is the main shipping and transportation route for six major industries in Decatur and leads directly to Point Mallard Park that has over 1 million visitors per year. The Gordon Drive overpass bridge is critical access point for downtown.

Tourism continues to be a major focus of development. Ingalls' Harbor opened its Pavilion Meeting and Event Center in December 2011. The 27,000 square foot facility located on the banks of the Tennessee River can seat 1,200 people. The Pickwick Belle riverboat is now docked at Ingalls' Harbor and provides river sightseeing cruises and private dinner party cruises.

An archery park funded by the State of Alabama through a partnership with the Division of Wildlife and Freshwater Fisheries opened in the summer and is expected to attract hundreds to the tournaments at Point Mallard. Plans are underway for an amphitheater to be located in the park adjacent to the Old State Bank with a \$100,000 donation from Daikin, a \$50,000 state grant, and other contributions both public and private in nature.

As the local economy improves and industries continue to expand and add jobs, retail development has added new businesses across all sections of Decatur. The hot spot has been the intersection of US Highways 67 and 31 where The Market Shoppes shopping center is located. The new center is anchored by Kohl's which is under construction and an Olive Garden that opened close by during the summer. Both venues participate with the City in revenue sharing agreements.

The Decatur Mall located on Beltline Road, also an incentive agreement partner, has undergone renovations, an expansion of existing businesses, attracted new tenants, and has a new 12-screen, 2,400 seat, and state-of-the-art theatre under construction. The theatre is expected to be a catalyst for resurgence at the mall which had been in decline for the past several years and struggled to retain tenants and shoppers. The anchor tenant, Belk's Department Store, has invested \$5.5 million in its store

### **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, 2012. This was the twentieth 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 Poslajko, 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 long, sweeping flourish extending to the right.

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, 2012, 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 87.9 percent, 87.1 percent, and 93.1 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, 2012, 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.

Beason & Nalley, Inc.  
101 Monroe Street  
Huntsville, Alabama  
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Tel: 256.533.1720  
800.416.1946  
Fax: 256.534.8558

[www.beasonnalley.com](http://www.beasonnalley.com)

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, 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.

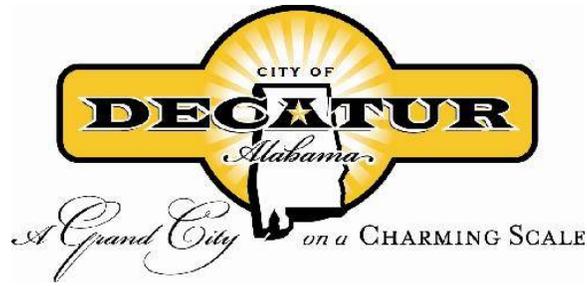
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 63 through 80 be presented to supplement the basic financial statements. Such information, although not a part 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

A handwritten signature in black ink, appearing to read "Beason-Held".

Huntsville, Alabama  
March 29, 2013



## 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, 2012. 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.

### 2012 Highlights

#### Financial Highlights

- i The total net assets of the City are \$280 million. Of this amount, \$(2.1) million from governmental activities is considered unrestricted and is the result of increased principal debt and transfers for capital assets of \$3 million in the Point Mallard Enterprise Fund. Further interest savings of \$3 million will be realized on the warrant issue refinance although \$920 loss is recognized in FY12.
- i The unrestricted net assets of the business-type activities are \$45.5 million and may be used to meet the ongoing obligations of the business-type activities.
- i The City's net assets increased by \$17.8 million (or 6.8%). The governmental net assets decreased \$2.6 million (or 6.3%) and business-type net assets increased by \$20.4 million (or 9.2%).
- i The governmental activities revenues increased \$4 million (or 5.2%) due in large part to more capital grants and an overall increase in sales tax from the previous year. Total expenses of governmental activities increased \$423 thousand or less than 1%.
- i As of September 30, 2012, the governmental funds reported a combined ending fund balance of \$31.2 million, an increase of \$1.4 million from the prior year. Of the ending fund balance, \$1.7 million is unassigned and available to finance the activities of the governmental funds and \$26.5 million committed or assigned to meet existing obligations.
- i The General Fund reported a fund balance of \$20 million and \$4.9 million of this amount is available for any purpose. The fund balance decreased \$878 thousand from the prior year.
- i The policy of the City is to at all times maintain a reserve of 3 months (90 days) General Fund operating expenses. \$13.6 of the \$14.4 million committed fund balance is related to this reserve. At fiscal year-end, there were sufficient funds to meet the reserve and exceed the requirement by \$4.9 million or a total of 122 operating days of expenses in reserve.
- i The City's total debt decreased by \$10.8 million during 2012. The City borrowed \$23 million for bond refinancing and new assets in governmental activities and paid \$21.5 in principal reduction. Business-type activities recognized \$8.8 million forgiveness in American Recovery and Reinvestment Act warrants.

## Management's Discussion and Analysis- Continued

### City Highlights

- i For the past five years, one half of the sales tax related to The Crossings of Decatur, a major retail development, has been used to pay interest and reduce principal on related debt. In November, Council approved a \$2 million payment from General Fund monies in excess of reserve requirements to be applied to the principal with a resulting savings of over \$379 thousand in interest. Final payment of \$556 thousand on the warrant issue occurred in April 2012. The sales tax revenue from The Crossings is now applied to fund any General Fund reserve shortfall and purchase capital operating equipment for General Fund departments and building maintenance. In 2006, the City borrowed \$4.775 million at 6.55 percent to purchase land for The Crossings development.
- i Thirty-two expansions of existing companies and one new industry within the City and Morgan County were announced during the year for a total investment of \$414 million and 301 new jobs.
- i The Downtown Redevelopment Authority, a public-private partnership was formed to bring growth and businesses to downtown Decatur. Redevelopment achievements for 2012 include the completion of construction on the Second Avenue Streetscape, a plan to bring a park-like atmosphere to the retail district. DRA efforts resulted in legalization of sidewalk cafes and recruitment of a Mellow Mushroom restaurant. Archer Daniels Midland donated 7.6 acres and four warehouses worth \$560 thousand to the City as a catalyst for development of Decatur Commons - part of the Envision Decatur plan.
- i Phase I construction was complete and classes began in August in the \$8.4 million Alabama Center for the Arts building on Second Avenue. The partnership with Athens State University, Calhoun Community College, City of Decatur and Morgan County Commission brought a four year baccalaureate degree program in fine arts to the area. Phase II, a \$10 million, 45,000 square foot drama and music building adjacent to Phase I, was announced in September of 2012.
- i The City of Decatur withdrew from the North Alabama Regional Council of Governments and brought the headquarters for the Metropolitan Planning Organization to City Hall. The regional transportation planning organization handles all of the state and federal funds for road transportation in the area.
- i Construction was completed on the \$3.6 million, 27,000 square foot entertainment pavilion and conference center at Ingalls Harbor. The facility has been rented for many events and generated over \$60,000 in rental income. Ingalls' Harbor is now home to the Pickwick Belle riverboat.
- i Decatur General Hospital and Parkway Medical Center merged and joined the Huntsville Hospital system to increase efficiency and buying power. Decatur Morgan Hospital is now the City's largest employer with over 1400 employees at three campus locations.
- i A new Olive Garden restaurant opened in June at the intersection of Hwy 31 and Hwy 67 and construction began in the fall on a new retail complex with Kohl's department store as its anchor.
- i The City created the DAWN program to eliminate vacant lots that the City owned and maintained, but could not improve. These lots were acquired by the City as a nuisance, health hazard, or an eyesore. Adjoining property owners can purchase the property for a small down payment and maintenance of the lot for five years in compliance with City code. Thereby, property values increase and the community improves. In FY 2012, twelve lots were conveyed in the northwest section of the City.

### USING THIS ANNUAL REPORT

#### Overview of the Financial Statements

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

**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.

## Management's Discussion and Analysis- Continued

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

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

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

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

As described in the letter of transmittal and notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Board of Education is 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.

## Management's Discussion and Analysis- Continued

The City maintains seventeen individual governmental funds:

- i General Fund, the School Fund, and the 2012 Capital Improvements 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.
- i 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.

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 62 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 71 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 \$280.3 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (79 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 (5 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).

## Management's Discussion and Analysis- Continued

The remaining balance of unrestricted net assets is \$43.4 million, which consisted of \$(2.1) million from governmental activities and \$45.5 million from business-type activities.

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

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$39,542	\$36,354	\$ 81,640	\$72,323	\$121,181	\$ 108,677
Capital assets	80,742	80,681	222,783	221,562	303,525	302,243
<b>Total assets</b>	<b>120,284</b>	<b>117,035</b>	<b>304,423</b>	<b>293,885</b>	<b>424,706</b>	<b>410,920</b>
Long-term liabilities outstanding	74,768	70,418	39,949	51,176	114,717	121,594
Other liabilities	6,990	5,509	22,718	21,347	29,707	26,856
<b>Total liabilities</b>	<b>81,758</b>	<b>75,927</b>	<b>62,667</b>	<b>72,523</b>	<b>144,424</b>	<b>148,450</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	35,011	36,363	187,343	174,057	222,353	210,420
Restricted	5,659	2,383	8,839	5,667	14,498	8,050
Unrestricted	(2,144)	2,362	45,574	41,638	43,431	44,000
<b>Total net assets</b>	<b>\$38,526</b>	<b>\$ 41,108</b>	<b>\$ 241,756</b>	<b>221,362</b>	<b>\$280,282</b>	<b>\$ 262,470</b>

Net assets from governmental activities decreased \$2.6 million in fiscal year 2012 which was mainly due to an increase in total liabilities driven by additional debt issuance and increase expenses related to ongoing projects which exceeded the amount of capital asset additions and increases in overall receivables for the year. Transfers to Point Mallard were \$3 million and loss on debt refinance was \$920 thousand and the City had \$12.6 million more in cash and investments. Cash in General Fund increased \$123 thousand in 2012 from the warrant issues. There was a corresponding increase in the accounts payable for the assets purchased. Revenues for the General Fund increased \$1.56 million compared to FY 2011 mainly due to \$840 thousand in additional sales tax and \$522 thousand more in business license and permits. Expenses for the General Fund increased by \$1.2 million compared to FY 2011 and revenues exceeded expense by \$2.6 million. Transfers out to other funds for their expenses further reduced cash in General Fund by an additional \$6.2 million. Intergovernmental expenses in School Fund increased \$929 thousand which reflects a positive revenue increase for the Board of Education from sales tax and property tax. Net assets from business-type activities increased \$20.4 million due in part to the \$8.8 million forgiveness of the SRF/AARA warrants. Decatur Utilities made upgrades and improvements at the wastewater treatment plant along with other system improvements in the collection side.

## Management's Discussion and Analysis- Continued

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	20,978	\$19,736	149,378	\$ 151,419	\$170,356	\$ 171,155
Operating grants & contributions	1,151	1,365	-	-	1,151	1,365
Capital grants & contributions	2,295	418	986	414	3,281	832
General revenues:						
Sales taxes	35,762	34,579	-	-	35,762	34,579
Property taxes	11,426	11,687	-	-	11,426	11,687
Other taxes	8,511	8,180	-	-	8,511	8,180
Interest on investments	125	220	221	230	346	450
Forgiveness of Long-term debt	-	-	8,798	-	8,798	-
Other	906	931	-	-	906	931
Total revenues	81,154	77,116	159,383	152,063	240,537	229,179
Expenses:						
General government	5,006	4,984	-	-	5,006	4,984
Public safety	21,944	21,415	-	-	21,944	21,415
Public works	7,609	8,523	-	-	7,609	8,523
Public services	10,437	9,555	-	-	10,437	9,555
Intergovernmental assistance	25,840	25,314	-	-	25,840	25,314
Community service contracts	2,740	3,084	-	-	2,740	3,084
Community development	1,751	1,734	-	-	1,751	1,734
Personnel Board	595	534	-	-	595	534
Interest on long-term debt	2,147	2,343	-	-	2,147	2,343
Unallocated depreciation	2,575	2,735	-	-	2,575	2,735
Municipal Utilities Board	-	-	131,806	138,399	131,806	138,399
Other	-	-	10,275	9,432	10,275	9,432
Total expenses	80,644	80,221	142,081	147,831	222,725	228,052
Increase in net assets before Transfers	510	(3,105)	17,302	4,232	17,812	1,127
Transfers	(3,091)	(332)	3,091	332	-	-
<b>Increase in net assets</b>	<b>(2,581)</b>	<b>(3,437)</b>	<b>20,393</b>	<b>4,564</b>	<b>17,812</b>	<b>1,127</b>
Net assets - beginning of year	41,107	44,545	221,362	216,120	262,470	260,665
	-	-	-	678	-	678
Prior period adjustments						
Net assets - end of year	<b>\$ 38,636</b>	<b>\$ 41,108</b>	<b>\$241,755</b>	<b>\$ 221,362</b>	<b>\$ 280,282</b>	<b>\$ 262,470</b>

## Management's Discussion and Analysis- Continued

**Governmental Activities.** Revenues from governmental activities increased \$4 million (5.2 percent) during 2012. The changes were significant as the local economy continues to stabilize with expanding industry and new retail; we have noted some of these below:

- i Sales taxes increased \$1.2 million, or 3.4 percent and comparable to 2011. Local industries continued to invest in plant expansions and the overall workforce grew in FY 2012 which created consumer optimism and increased spending that we expect to continue as new retail opens.
- i Property taxes decreased \$261 thousand or 2 percent due to annual property value re-appraisals that reflect prior year values when the economic downturn caused a decrease in values nationally and locally.
- i Lodging taxes increased \$94 thousand or 6% due to increased business travelers and construction workers with plant expansions. In addition, larger tourism events, soccer tournaments, and fishing tournaments filled the hotels.
- i Alcoholic beverage taxes decreased \$74 thousand or 4%. Several municipalities in close proximity to the city have gone "wet". Despite Sunday sales and sidewalk cafes in Decatur, beer revenues are expected to continue to drop due to continued alcohol referendums in surrounding cities.
- i Charges for Services increased \$1.2 million or 6% largely due to increase in business licenses which are based on prior year sales and building permits from industry expansions. Recreational revenue increased with larger tournaments and Ingalls' Harbor Pavilion rentals.
- i Capital grants and contributions increased \$1.9 million in 2012 due to the Second Avenue Streetscape project and the Archer Daniels Midland contribution of land and warehouses. These are two components of the Envision Decatur plan in conjunction with Downtown Redevelopment Association, a public-private partnership with the City.

Expenses of governmental activities increased \$423 thousand which was less than one percent over 2011. A significant portion of this increase in Public Safety was related to the purchase of Police cars and fire trucks to replace aging vehicles. Expenses in Public Services increased in Parks and Recreation with \$882 thousand more in temporary employees for events and new roofs on recreation centers. These increases were offset by a reduction of \$914 thousand in road resurfacing projects compared to FY2011 for Public Works. Interest on long term debt decreased with the refinancing of the 2003E warrant issue and elimination of The Crossings debt. Intergovernmental assistance also increased \$526 thousand with increased payments to the Board of Education from the School Fund for increases in sales tax FY 2011.

**Business-Type Activities.** Revenues from business-type activities increased \$7.3 million (4.8 percent) which is attributable to increases within the Municipal Utilities Board. The majority of the increase was due to the forgiveness of long term debt for the Water and Wastewater systems. The Alabama Drinking Water Finance Authority loaned the Water System \$6.8 million with funds made available by the American Recovery and Reinvestment Act (ARRA). Of this amount, \$3.6 million was forgiven and recorded as forgiveness of long-term debt. The Alabama Water Pollution control Authority loaned the Wastewater System \$15.6 million with funds also made available by the ARRA. \$5.1 million was forgiven when Decatur Utilities issued warrants for both projects when warrants were issued in 2012. Electric System Operating Revenues were down \$1.3 million or 1% from prior year due to a mild winter that also affected the Gas System that was \$3.8 million or 19% below FY 11 with a significant decrease in volume. Total gallons of water sold increased 3% compared to 2011 and revenues increased \$1.3 million or 12% due to the rate adjustment that was implemented in 2009 that had a 3-year series of rate increases. The rate increase also applied to the Wastewater System that had revenue increase of 7% or \$993 thousand on total gallons billed that decreased by 1% compared to 2011.

## Management's Discussion and Analysis- Continued

### Financial Analysis of the Governments Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned, assigned, and committed fund balance categories 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, 2012 were \$31.3 million, which was an increase of \$1.4 million from the 2011 fiscal year. Of this amount, \$28 million constitutes unassigned, assigned, and committed fund balance, which is generally available for spending at the City's discretion, although it is subject to certain commitments made within each fund by the City Council.

Fund balance of General Fund decreased \$878 thousand. The reduction is due primarily to the \$2.5 million use of fund balance money in excess of the reserve to pay off The Crossings debt. Revenue increased by \$1.56 million or 2.9%, and total expenditures increased by \$1.2 million or 2.4%. The 2012 Capital Improvements Fund is the result of the 2033E warrant issue refinance that resulted in additional principal taken at a lower interest rate that provided the same debt service payments. The bonds sold at a premium. The expenses are associated with the issuance of those bonds and the start of the improvements for the Library. The Room Occupancy Fund has a negative fund balance of \$2.8 million which is reflective of the internal loan of \$2 million from General Fund and \$1.6 million from the Landfill Fund to finance the construction of the \$3.6 million Ingalls' Harbor Pavilion. The loan is to be repaid by the Room Occupancy Fund over the course of fifteen years from its \$2 per room night charge through the Hospitality Association.

The General Fund is the primary operating fund of the City. The unassigned, assigned, and committed fund balance of the General Fund was \$20 million, but \$15.1 million of this amount has been 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 \$20.4 million, with \$2.2 million increase in the Electric System cash and cash equivalents, \$3.86 increase in Wastewater System cash and cash equivalents, and \$18.9 million increase in utility plant in service as Municipal Utilities Board continues to upgrade their equipment.

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.** Original FY12 budget was \$840 thousand above FY11, due primarily to the strength of the sales tax trend and the new retail businesses slated to open during the year. Sales tax represented 48.1% of the amended revenue budget and was \$164 thousand or 1% above budget. Other taxes that exceeded budget were the Lodging tax that was increased by \$80 thousand and still exceeded its budget by \$43 thousand due to construction workers for the plant expansions and several new sporting events which included a Nike Open Cup Soccer Tournament. The new 1% Event lodgings tax, put in place to help offset the expense of tourism events, exceeded its budget by \$50 thousand for its first full year of collection that generated \$150 thousand in revenue.

## Management's Discussion and Analysis- Continued

New restaurants, Sunday sales, and sidewalk cafes contributed to the \$56 thousand over projections for alcohol tax. Automobile tax reversed its four year trend of decreasing revenue to finish \$71 thousand above budget. Business licenses fees are based on prior year actual sales and were above original budget by \$171 thousand or 3.3%. This was an increase over FY 2011 of \$180 thousand or 3.5%. Construction activity increased with the industry expansions and was a record year for most revenue generated for building permits. City building permits exceeded budget by \$110 thousand or 17%. Building permits in the police jurisdiction met its budget. Combined revenue was \$271 thousand or 55% over FY11 and 18% over the best prior year of 2007. Additional sporting and tourism events, more programs for the community, and investments in Parks and Recreation facilities increased their charges for services to \$124 thousand over projections. The \$82 thousand budget variance in Fines and Forfeitures is largely a result of the classroom safe driving training alternative offered to traffic violators. In FY11, the Police Department in conjunction with the Municipal Court began the program to improve traffic safety for the community. A mild winter significantly decreased the gas revenues for Decatur Utilities which reduced their tax equivalents transfers to the City. TVA adjustments late in the year helped mitigate the loss in revenue from DU.

Expenditures were below budget by most departments due to good management by the Department Directors. Exceptions were the Public Building Department that exceeded their budget by \$42 thousand due to an electric utility rate increase passed by the Municipal Utilities Board and the City Council that took effect in October 2011. A new energy efficient chiller installed at City Hall and a mild winter helped to mitigate the additional increase but very hot months in July and August increased expense. Parks and Recreation exceeded their budget by \$227 thousand. More events, more programs, and more participation than anticipated increased the cost of labor and supplies, and aging equipment, aging trucks and the cost of fuel increases were over budget by \$90,000. The contract with the Convention and Visitors Bureau is based on 75% of the 6% lodgings tax and exceeded its projected number by \$31 thousand due to sporting events scheduled late in the fiscal year that had exceptional attendance. The \$2.75 million Lazy River financing was recorded in General Fund which will pay the debt service and transferred to Point Mallard fund where the asset will be recorded.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for governmental and business-type activities as of September 30, 2012, totals \$303 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 \$1.2 million in 2012. Those used for governmental activities increased by \$61 thousand. Capital assets used for business-type activities increased by \$1.2 million as total depreciation and disposition of assets (\$10.1 million) were less than the total additions (\$11.5 million).

Major Capital events during the fiscal year included the following:

- i \$1.35 million to complete a new cell development at the Landfill
- i \$1.1 million to complete the Second Avenue Streetscape project and Pocket Park
- i \$368 thousand completed the Ingalls' Harbor Pavilion
- i \$299 thousand on equipment for the leachate building at the Landfill
- i \$217 thousand to complete installation of a new roof for TC Almon Recreation Center
- i \$254 thousand for new roof on the Aqua Dome indoor pool recreation center
- i \$230 thousand for ten new Police Department vehicles
- i \$34 thousand in new architectural plans for the historic Vine Street railroad depot rehab
- i \$40 thousand on the Lower Bank Street streetscape
- i Recreational lighting purchased from Decatur Utilities for ball fields located at Decatur High for \$249 thousand
- i \$360 thousand was spent from the Capital Fund for various street and drainage projects around the city.

## Management's Discussion and Analysis- Continued

- i Four pumper trucks for the Fire Department were purchased for \$843 thousand
- i \$75 thousand was spent on two command vehicles and GPS software for the Fire Department
- i \$89 thousand for a server for a new Jail camera security system
- i Landfill purchased a \$768 thousand grinder to replace an older machine to process green material to sell as mulch.
- i A \$206 thousand GPS system will enable the Landfill to monitor fill heights in accordance with engineered plans and track compaction statistics for the life of the cell.
- i Financing for \$2.7 million Lazy River attraction at Point Mallard and \$1 million for other water park improvements.

### City of Decatur's Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$10,084	\$9,448	\$3,955	\$3,963	\$14,039	\$13,411
Land improvements	13,418	12,187	-	-	13,418	12,187
Buildings and improvements	20,319	16,917	9,799	7,411	30,118	24,328
Infrastructure	29,441	31,948	-	-	29,441	31,948
Construction in process	3,878	6,555	4,268	23,342	8,146	29,897
Machinery and Equipment	3,602	3,626	2,922	2,252	6,524	5,878
Utility plant-in-service	-	-	201,804	184,594	201,804	184,594
<b>Total</b>	<b>\$80,742</b>	<b>\$80,681</b>	<b>\$222,748</b>	<b>\$221,562</b>	<b>\$303,490</b>	<b>\$302,243</b>

Additional information on the City's capital assets can be found in Note 4B on pages 38 through 39 of this report.

**Long-term debt.** As of September 30, 2012, the City had \$95 million of long-term debt outstanding. Of this amount, \$59 million is debt backed by the full faith and credit of the City and \$35.9 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (utility system debt). Long-term debt of the governmental activities increased by \$1.53 million or 2.66%. This was attributable to the refunding of the 2003E issue of \$15.7 million which was replaced with the \$17.6 million 2012 warrant issue. The Crossings debt of \$2.9 million was paid off and principal payments on outstanding debt, primarily the \$2.02 million principal reduction on the 2009 Refunding Warrants which are scheduled to be paid in full by 2014. This debt reduction helped to offset the increase from the 2012 warrant issue, and the \$5.3 million warrant issues for the Lazy River project and vehicles and equipment. Long-term debt of the business-type activities decreased by \$12 million (25 percent). The Alabama Water Pollution Control Authority loaned to the Water and Wastewater Systems funds made available by the American Recovery and Reinvestment Act (ARRA) and required the utility system to issue warrants in the amount of the loan less the ARRA forgiveness portion. The forgiveness was recognized in FY 12 with \$3.6 million for Water System and \$5.1 million for Wastewater System. Additionally, the School System has debt of \$25.7 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. The School System has also issued additional warrants of \$6 million in capital outlay warrants, for which the School System has pledged local taxed and public school funds and which are also not obligations 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	
	2012	2011	2012	2011	2012	2011
General obligation warrants	\$59,028	\$57,498	\$ -	\$ -	\$59,028	\$57,498
Revenue warrants	-	-	35,995	48,154	35,995	48,154
Capital leases	-	191	-	-	-	191
<b>Total</b>	<b>\$59,028</b>	<b>\$57,689</b>	<b>\$35,995</b>	<b>\$48,154</b>	<b>\$95,023</b>	<b>\$105,843</b>

The City's general obligation bond rating by Standard & Poor's Corporation and Moody's Investor Services, Inc. are "AA" and "Aa2", 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, 2012, the City's allocable debt outstanding was \$52.5 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 43 through 49 of this report.

2013 Budget

The Mayor and City Council have considered many factors in the development of the fiscal year 2013 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 with an overall increase of 1.5% for the new retail development projects. Department expenditures were level funded in operations to accommodate salary increases. Management believes revenues and expenditures will meet overall budgetary goals.

Request for Information

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

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF DECATUR**  
**STATEMENT OF NET ASSETS**  
**September 30, 2012**

	<b>Primary Government</b>			<b>Component Units</b>
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash & investments, at cost	\$ 33,880,508	\$ 53,907,460	\$ 87,787,968	\$ 25,985,186
Receivables (net of allowances)	4,279,273	17,706,793	21,986,066	-
Due from governmental entities	1,579,951	-	1,579,951	17,731,476
Inventories	14,697	1,840,026	1,854,723	174,339
Prepaid items	-	-	-	-
Other	78,907	97,354	176,261	-
Deferred costs	788,698	-	788,698	151,303
Internal balances	(1,080,063)	1,080,063	-	-
Restricted assets				
Cash & investments, at cost	-	7,008,082	7,008,082	-
Capital assets				
Land, collections and construction in process	13,962,129	8,223,024	22,185,153	10,355,348
Other assets, net of accum. depreciation	66,779,923	214,560,054	281,339,977	66,624,673
<b>Total assets</b>	<b>120,284,023</b>	<b>304,422,856</b>	<b>424,706,879</b>	<b>121,022,325</b>
<b>LIABILITIES</b>				
Accounts payable	3,030,427	13,673,529	16,703,956	391,526
Accrued liabilities	2,008,053	4,268,615	6,276,668	4,737,089
Contract retainages	78,247	-	78,247	-
Due to component units	1,598,311	-	1,598,311	-
Due to governmental entities	-	-	-	-
Customer deposits	167,546	4,775,492	4,943,038	-
Unearned revenue	16,738	-	16,738	14,267,278
Other	90,490	-	90,490	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	4,330,000	4,330,000	-
Noncurrent liabilities				
Due within one year	4,523,150	92,684	4,615,834	405,073
Net other postemployment benefit obligation	-	-	-	-
Due in more than one year	70,244,763	35,526,716	105,771,479	31,891,737
<b>Total liabilities</b>	<b>81,757,725</b>	<b>62,667,036</b>	<b>144,424,761</b>	<b>51,692,703</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	35,010,784	187,342,637	222,353,421	44,834,513
Restricted for:				
Capital projects	4,230,227	-	4,230,227	2,382,670
Debt service	488,598	8,838,606	9,327,204	4,238,298
Other	-	-	-	3,155,770
Perpetual care:				
Expendable	-	-	-	-
Nonexpendable	940,236	-	940,236	-
Unrestricted	(2,143,547)	45,574,577	43,431,030	14,718,371
<b>Total net assets</b>	<b>\$ 38,526,298</b>	<b>\$ 241,755,820</b>	<b>\$ 280,282,118</b>	<b>\$ 69,329,622</b>

The accompanying notes are an integral part of this statement.

CITY OF DECATUR  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Component Units
<b>Primary Government</b>								
<b>Governmental activities</b>								
General government	\$ 5,006,026	\$ 6,356,657	\$ -	\$ -	\$ 1,350,631	\$ -	\$ 1,350,631	\$ -
Public safety	21,943,955	2,544,045	-	-	(19,399,910)	-	(19,399,910)	-
Public works	7,609,409	3,221,422	-	-	(4,387,987)	-	(4,387,987)	-
Public services	10,437,085	683,828	-	560,000	(9,193,257)	-	(9,193,257)	-
Intergovernmental assistance	25,839,587	8,172,228	-	-	(17,667,359)	-	(17,667,359)	-
Community service contracts	2,739,907	-	-	-	(2,739,907)	-	(2,739,907)	-
Community development	1,750,619	-	1,150,674	1,735,332	1,135,387	-	1,135,387	-
Personnel board	594,999	-	-	-	(594,999)	-	(594,999)	-
Interest on long-term debt	2,147,487	-	-	-	(2,147,487)	-	(2,147,487)	-
Unallocated depreciation	2,575,465	-	-	-	(2,575,465)	-	(2,575,465)	-
<b>Total governmental activities</b>	<b>80,644,539</b>	<b>20,978,180</b>	<b>1,150,674</b>	<b>2,295,332</b>	<b>(56,220,353)</b>	<b>-</b>	<b>(56,220,353)</b>	<b>-</b>
<b>Business-type activities</b>								
Municipal Utilities Board	131,805,985	139,093,646	-	985,813	-	8,273,474	8,273,474	-
Point Mallard	4,674,328	4,106,134	-	-	-	(568,194)	(568,194)	-
Sanitary Landfill	5,600,555	6,178,169	-	-	-	577,614	577,614	-
<b>Total business-type activities</b>	<b>142,080,868</b>	<b>149,377,949</b>	<b>-</b>	<b>985,813</b>	<b>-</b>	<b>8,282,894</b>	<b>8,282,894</b>	<b>-</b>
<b>Total primary government</b>	<b>222,725,407</b>	<b>170,356,129</b>	<b>1,150,674</b>	<b>3,281,145</b>	<b>(56,220,353)</b>	<b>8,282,894</b>	<b>(47,937,459)</b>	<b>-</b>
<b>Component Units</b>								
All	90,639,676	6,614,897	46,490,804	2,247,761	-	-	-	(35,286,214)
<b>Total component units</b>	<b>\$ 90,639,676</b>	<b>\$ 6,614,897</b>	<b>\$ 46,490,804</b>	<b>\$ 2,247,761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(35,286,214)</b>
<b>General Revenues</b>								
Sales & use taxes					35,761,817	-	35,761,817	13,946,755
Property taxes					11,426,462	-	11,426,462	15,823,753
Alcoholic beverage taxes					1,815,900	-	1,815,900	-
Gasoline taxes					849,450	-	849,450	-
Automobile taxes					1,335,785	-	1,335,785	-
Lodging taxes					1,564,045	-	1,564,045	-
Rental taxes					1,121,628	-	1,121,628	-
Other taxes					1,824,251	-	1,824,251	1,015,692
Interest on investments					125,155	221,019	346,174	75,291
Forgiveness of Long-term debt					-	8,797,766	8,797,766	-
Gain on the sale of capital assets					905,614	-	905,614	51,168
Other					(3,091,348)	3,091,348	-	4,795,627
Transfers					-	-	-	-
<b>Total general revenues &amp; transfers</b>					<b>53,638,759</b>	<b>12,110,133</b>	<b>65,748,892</b>	<b>35,708,286</b>
<b>Change in net assets</b>					<b>(2,581,594)</b>	<b>20,399,027</b>	<b>17,811,433</b>	<b>422,072</b>
Net assets, beginning					41,107,892	221,362,793	262,470,685	68,907,550
Prior period adjustments					-	-	-	-
<b>Net assets, ending</b>					<b>\$ 38,526,298</b>	<b>\$ 241,755,820</b>	<b>\$ 280,282,118</b>	<b>\$ 69,329,622</b>

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2012**

	General Fund	School Fund	2012 Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash & cash equivalents	\$ 16,604,573	\$ 815,174	\$ 1,885,794	\$ 13,908,632	\$ 33,214,173
Cash with fiscal agents	666,335	-	-	-	666,335
Investments, at cost	-	-	-	-	-
Receivables (net of allowances)	-	-	-	-	-
Accounts	339,775	714,136	-	78,853	1,132,764
Notes	-	-	-	336,705	336,705
Taxes	2,689,309	-	-	120,479	2,809,788
Accrued interest	16	-	-	-	16
Due from other funds	2,541,648	25,768	-	45,525	2,612,941
Due from governmental entities	562,864	106,496	-	910,591	1,579,951
Deposits	78,907	-	-	-	78,907
Inventories	14,697	-	-	-	14,697
<b>Total assets</b>	<b>23,498,124</b>	<b>1,661,574</b>	<b>1,885,794</b>	<b>15,400,785</b>	<b>42,446,277</b>
<b>LIABILITIES</b>					
Accounts payable	1,575,309	3,650	15,325	1,436,143	3,030,427
Accrued liabilities	1,337,500	-	-	67,099	1,404,599
Contract retainages	-	-	-	78,247	78,247
Due to other funds	-	-	-	3,693,004	3,693,004
Due to component units	-	1,598,311	-	-	1,598,311
Due to governmental entities	-	-	-	-	-
Deferred revenue	267,044	-	-	822,418	1,089,462
Customer deposits	167,546	-	-	-	167,546
Other	90,490	-	-	-	90,490
<b>Total liabilities</b>	<b>3,437,889</b>	<b>1,601,961</b>	<b>15,325</b>	<b>6,096,911</b>	<b>11,152,086</b>
<b>FUND BALANCES</b>					
Nonspendable	33,486	-	-	940,236	973,722
Restricted	-	-	-	2,089,301	2,089,301
Committed	14,444,242	59,613	1,870,469	8,410,131	24,784,455
Assigned	653,402	-	-	1,090,523	1,743,925
Unassigned	4,929,105	-	-	(3,226,317)	1,702,788
<b>Total fund balance</b>	<b>20,060,235</b>	<b>59,613</b>	<b>1,870,469</b>	<b>\$ 9,303,874</b>	<b>31,294,191</b>
<b>Total liabilities and fund balance</b>	<b>\$ 23,498,124</b>	<b>\$ 1,661,574</b>	<b>\$ 1,885,794</b>	<b>\$ 15,400,785</b>	

**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.	\$ 80,742,052
Other long-term receivables are not available for current-period expenditures and, therefore, are deferred in the funds.	1,072,724
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.	(13,760,702)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(60,821,967)</u>

**Net assets of governmental activities** \$ 38,526,298

**CITY OF DECATUR**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Year Ended September 30, 2012**

	General Fund	School Fund	2012 Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUE</b>					
Sales & use taxes	\$ 26,061,734	\$ 8,722,709	\$ -	\$ 977,374	\$ 35,761,817
Property taxes	3,125,444	8,300,074	-	944	11,426,462
Other taxes	6,873,024	1,130,753	-	507,282	8,511,059
Licenses & permits	6,452,426	-	-	-	6,452,426
Fines & forfeitures	749,878	-	-	408,331	1,158,209
Revenues from money & property	244,089	-	1,682	89,944	335,715
Charges for services	4,648,317	-	-	-	4,648,317
Intergovernmental	6,234,017	623,849	-	4,092,934	10,950,800
Gifts & donations	190,764	-	-	-	190,764
Other revenues	163,545	-	-	608,782	772,327
<b>Total revenues</b>	<b>54,743,238</b>	<b>18,777,385</b>	<b>1,682</b>	<b>6,685,591</b>	<b>80,207,896</b>
<b>EXPENDITURES</b>					
Current					
General government	3,934,725	33,786	-	239,087	4,207,598
Public safety	20,784,362	-	-	1,477,731	22,262,093
Public works	7,228,242	-	-	1,073,434	8,301,676
Public services	8,955,987	-	15,325	1,471,725	10,443,037
Intergovernmental assistance	4,250,147	18,025,953	-	22,392	22,298,492
Community services contracts	2,739,907	-	-	-	2,739,907
Community development	-	-	-	3,399,597	3,399,597
Personnel Board	-	-	-	594,999	594,999
Principal	2,413,541	682,091	-	3,402,420	6,498,052
Interest and fiscal charges	1,787,341	35,075	-	371,905	2,194,321
Debt issuance costs	-	-	151,790	6,000	157,790
Capital projects construction and outlay	-	-	-	-	-
<b>Total expenditures</b>	<b>52,094,252</b>	<b>18,776,905</b>	<b>167,115</b>	<b>12,059,290</b>	<b>83,097,562</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,648,986</b>	<b>480</b>	<b>(165,433)</b>	<b>(5,373,699)</b>	<b>(2,889,666)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	2,750,000	-	17,760,000	2,591,500	23,101,500
Premium on debt issue	-	-	261,492	-	261,492
Discount on debt issued	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-
Payment to escrow agent	-	-	(15,941,523)	-	(15,941,523)
Transfers in	10,544	-	-	3,469,806	3,480,350
Transfers (out)	(6,287,551)	-	(44,067)	(240,080)	(6,571,698)
Total other financing (uses) sources	(3,527,007)	-	2,035,902	5,821,226	4,330,121
<b>Net change in fund balance</b>	<b>(878,021)</b>	<b>480</b>	<b>1,870,469</b>	<b>447,527</b>	<b>1,440,455</b>
Fund balance, beginning	20,938,256	59,133	-	8,856,347	29,853,736
<b>Fund balance, ending</b>	<b>\$ 20,060,235</b>	<b>\$ 59,613</b>	<b>\$ 1,870,469</b>	<b>\$ 9,303,874</b>	<b>\$ 31,294,191</b>

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, 2011**

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

Net change in fund balances - total governmental funds	\$ 1,440,455
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 depreciation expense exceeded capital outlays in the current period.	169,163
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.	(107,804)
Revenues in the statement of activities that do not provide current financial resources	373,397
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.	(929,021)
Other expenses reported in the Statement of Activities that do not require current financial resources.	<u>(3,527,784)</u>
<b>Change In Net Assets Of Governmental Activities</b>	<b><u>\$ (2,581,594)</u></b>

**CITY OF DECATUR  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL  
For the Year Ended September 30, 2012**

	General Fund				School Fund			Variance with Final Budget Positive (Negative)
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual Amounts	
	Original	Final						
<b>REVENUES</b>								
Taxes and payments in lieu of taxes	\$ 35,205,333	\$ 35,636,388	\$ 36,060,202	\$ 423,814	\$ 8,528,944	\$ 8,528,944	\$ 8,722,709	193,765
Licenses and permits	5,923,175	6,296,675	6,452,426	155,751	8,300,000	8,300,000	8,300,074	74
Fines and forfeitures	977,100	832,100	749,878	(82,222)	-	-	-	-
Revenues from money and property	347,442	249,127	244,089	(5,038)	-	-	-	-
Charges for services	4,410,381	4,522,009	4,648,317	126,308	-	-	-	-
Intergovernmental	6,151,964	6,217,964	6,234,017	16,053	625,959	625,959	623,849	(2,110)
Gifts and donations	33,500	84,512	190,764	107,262	-	-	-	-
Other revenues	27,250	29,250	163,545	134,295	977,000	977,000	1,130,753	153,753
<b>Total revenues</b>	<b>53,076,145</b>	<b>53,868,025</b>	<b>54,743,238</b>	<b>768,961</b>	<b>18,431,903</b>	<b>18,431,903</b>	<b>18,777,385</b>	<b>345,482</b>
<b>EXPENDITURES</b>								
Current								
General government	3,977,325	4,015,082	3,934,725	80,357	33,500	33,500	33,786	(286)
Public safety	20,936,374	21,187,046	20,784,362	402,684	-	-	-	-
Public works	7,202,272	7,408,989	7,228,242	180,747	-	-	-	-
Public services	8,464,461	8,761,638	8,955,987	(194,349)	-	-	-	-
Intergovernmental assistance	4,809,889	4,613,251	4,250,147	363,104	17,681,237	17,681,237	18,025,953	(344,716)
Community services contracts	2,660,380	2,709,335	2,739,907	(30,572)	-	-	-	-
Debt service								
Principal	2,404,421	2,413,520	2,413,541	(21)	682,091	682,091	682,091	-
Interest	1,782,344	1,787,341	1,787,341	-	35,075	35,075	35,075	-
<b>Total expenditures</b>	<b>52,237,466</b>	<b>52,896,202</b>	<b>52,094,252</b>	<b>801,950</b>	<b>18,431,903</b>	<b>18,431,903</b>	<b>18,776,905</b>	<b>(345,002)</b>
<b>Excess of revenues over expenditures</b>	<b>838,679</b>	<b>971,823</b>	<b>2,648,986</b>	<b>1,677,163</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>(480)</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
Long-term debt issued	-	-	2,750,000	2,750,000	-	-	-	-
Transfers in	16,000	4,000	10,544	6,544	-	-	-	-
Transfers out	(754,679)	(3,497,893)	(6,287,551)	(2,789,658)	-	-	-	-
Total other financing sources (uses)	(738,679)	(3,493,893)	(3,527,007)	(33,114)	-	-	-	-
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<b>100,000</b>	<b>(2,522,070)</b>	<b>(878,021)</b>	<b>1,644,049</b>	<b>-</b>	<b>-</b>	<b>480</b>	<b>(480)</b>
Fund balance, beginning	19,175,380	19,596,976	20,938,256	1,341,280	59,133	59,133	59,133	-
<b>Fund balance, ending</b>	<b>\$ 19,275,380</b>	<b>\$ 17,074,906</b>	<b>\$ 20,060,235</b>	<b>\$ 2,985,329</b>	<b>\$ 59,133</b>	<b>\$ 59,133</b>	<b>\$ 59,613</b>	<b>\$ (480)</b>

The accompanying notes are an integral part of this statement.

**CITY OF DECATUR  
 PROPRIETARY FUNDS  
 STATEMENT OF NET ASSETS  
 September 30, 2012**

	Municipal Utilities Board	Other Enterprise Funds	Totals
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & cash equivalents	\$ 34,294,711	\$ 19,612,749	\$ 53,907,460
Investments, at cost	-	-	-
Receivables (net of allowance)			
Accounts	11,797,058	653,497	12,450,555
Accrued interest	-	-	-
Other	5,256,238	-	5,256,238
Due from other funds	-	1,391,889	1,391,889
Inventories, at cost	1,766,042	73,984	1,840,026
Other	97,354	-	97,354
<b>Total current assets</b>	<b>53,211,403</b>	<b>21,732,119</b>	<b>74,943,522</b>
<b>Noncurrent assets</b>			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	7,008,082	-	7,008,082
Deferred costs	-	-	-
Capital assets:			
Land	2,539,521	1,415,739	3,955,260
Buildings	-	9,051,005	9,051,005
Improvements other than buildings	-	17,155,297	17,155,297
Furniture & equipment	-	8,097,812	8,097,812
Utility plant in service	334,624,531	-	334,624,531
Construction work in progress	3,549,634	718,130	4,267,764
Less accumulated depreciation	(132,820,147)	(21,548,444)	(154,368,591)
Total capital assets (net of accumulated depreciation)	207,893,539	14,889,539	222,783,078
<b>Total noncurrent assets</b>	<b>214,901,621</b>	<b>14,889,539</b>	<b>229,791,160</b>
<b>Total assets</b>	<b>268,113,024</b>	<b>36,621,658</b>	<b>304,734,682</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	12,191,046	1,482,483	13,673,529
Accrued liabilities	4,261,411	7,204	4,268,615
Contract retainages	-	-	-
Compensated absences	75,752	16,932	92,684
Customer deposits	4,775,492	-	4,775,492
Revenue warrants payable - current	4,330,000	-	4,330,000
Due to other funds	221,320	90,506	311,826
<b>Total current liabilities</b>	<b>25,855,021</b>	<b>1,597,125</b>	<b>27,452,146</b>
<b>Noncurrent liabilities</b>			
Landfill closure and post-closure care costs	-	3,582,123	3,582,123
Revenue notes payable	31,110,441	-	31,110,441
Compensated absences	681,767	152,385	834,152
<b>Total noncurrent liabilities</b>	<b>31,792,208</b>	<b>3,734,508</b>	<b>35,526,716</b>
<b>Total liabilities</b>	<b>57,647,229</b>	<b>5,331,633</b>	<b>62,978,862</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	172,453,098	14,889,539	187,342,637
Restricted for debt service	8,838,606	-	8,838,606
Unrestricted	29,174,091	16,400,486	45,574,577
<b>Total net assets</b>	<b>\$ 210,465,795</b>	<b>\$ 31,290,025</b>	<b>\$ 241,755,820</b>

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, 2012**

	Municipal Utilities Board	Other Enterprise Funds	Totals
<b>Operating revenue</b>			
Charges for services	\$ 139,093,646	\$ 6,178,169	\$ 145,271,815
Premiums & fees	-	4,106,134	4,106,134
<b>Total operating revenue</b>	<b>139,093,646</b>	<b>10,284,303</b>	<b>149,377,949</b>
<b>Operating expenses</b>			
Personnel, operations & maintenance	122,587,716	7,364,356	129,952,072
Closure and postclosure costs	-	796,677	796,677
Depreciation and amortization	7,930,414	1,145,821	9,076,235
Administrative costs	-	1,017,856	1,017,856
<b>Total operating expenses</b>	<b>130,518,130</b>	<b>10,324,710</b>	<b>140,842,840</b>
<b>Operating income</b>	<b>8,575,516</b>	<b>(40,407)</b>	<b>8,535,109</b>
<b>Nonoperating revenue (expenses)</b>			
Interest income	160,037	60,982	221,019
Interest expense	(1,287,997)	-	(1,287,997)
Gain (loss) on disposition of assets	-	1,397	1,397
Miscellaneous revenue (expense)	142	48,430	48,572
<b>Total nonoperating revenue (expenses)</b>	<b>(1,127,818)</b>	<b>110,809</b>	<b>(1,017,009)</b>
<b>Income before contributions, transfers &amp; special items</b>	<b>7,447,698</b>	<b>70,402</b>	<b>7,518,100</b>
Capital contributions	985,813	-	985,813
Special item	8,797,766	-	8,797,766
Transfers in	7,000	3,084,348	3,091,348
<b>Change in net assets</b>	<b>17,238,277</b>	<b>3,154,750</b>	<b>20,393,027</b>
Total net assets, beginning	193,227,518	28,135,275	221,362,793
<b>Total net assets, ending</b>	<b>\$ 210,465,795</b>	<b>\$ 31,290,025</b>	<b>\$ 241,755,820</b>

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, 2012**

	Municipal Utilities Board	Other Enterprise Funds	Totals
<b>Operating activities</b>			
Receipts from customers and users	\$140,199,294	\$ 10,626,849	\$ 150,826,143
Other operating cash receipts	-	48,430	48,430
Payments to suppliers	(110,019,699)	(5,034,682)	(115,054,381)
Payments to employees	(11,991,489)	(2,791,148)	(14,782,637)
Payments for interfund services	-	88,298	88,298
Non-operating cash payments	-	-	-
<b>Net cash provided by operating activities</b>	<u>18,188,106</u>	<u>2,937,747</u>	<u>21,125,853</u>
<b>Noncapital financing activities</b>			
Transfers in	-	3,084,348	3,084,348
<b>Net cash provided by noncapital financing activities</b>	<u>7,000</u>	<u>3,084,348</u>	<u>3,091,348</u>
<b>Capital and related financing activities</b>			
Acquisition and construction of capital assets	(8,179,877)	(2,829,472)	(11,009,349)
Proceeds from sale of capital assets	-	1,398	1,398
Proceeds from issuing warrants	828,801	-	828,801
Capital contributions	985,813	-	985,813
Principal payments on capital leases	-	-	-
Principal payments on warrants	(4,190,000)	-	(4,190,000)
Interest paid on warrants	(1,664,606)	-	(1,664,606)
<b>Net cash (used) by capital and related financing activities</b>	<u>(12,219,869)</u>	<u>(2,828,074)</u>	<u>(15,047,943)</u>
<b>Investing activities</b>			
Decrease (increase) in restricted assets	(82,766)	-	(82,766)
Miscellaneous non-operating income	142	-	142
Sale of investments	-	-	-
Interest received	160,037	60,982	221,019
<b>Net cash provided (used) by investing activities</b>	<u>77,413</u>	<u>60,982</u>	<u>138,395</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>6,052,650</u>	<u>3,255,003</u>	<u>9,307,653</u>
Cash and cash equivalents, beginning	<u>28,242,061</u>	<u>16,697,140</u>	<u>44,939,201</u>
<b>Cash and cash equivalents, ending</b>	<u>\$ 34,294,711</u>	<u>\$ 19,952,143</u>	<u>\$ 54,246,854</u>
<b>Operating income (loss)</b>	<u>\$ 8,575,516</u>	<u>\$ (40,407)</u>	<u>\$ 8,535,109</u>
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>			
Depreciation and amortization	7,930,414	1,145,821	9,076,235
Miscellaneous item	341,395	845,107	1,186,502
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	118,704	342,546	461,250
Accounts payable	855,969	633,145	1,489,114
Contract retainages	-	(36,187)	(36,187)
Inventory	(125,526)	4,519	(121,007)
Due to (from) other funds	(97,190)	88,298	(8,892)
Accrued liabilities	191,188	(45,095)	146,093
Customer deposits	384,620	-	384,620
Other items	13,016	-	13,016
<b>Net cash provided by operating activities</b>	<u>\$ 18,188,106</u>	<u>\$ 2,937,747</u>	<u>\$ 21,125,853</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, 2012**

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**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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.

- i Community Preservation Board
- i Board of Examination and Appeals for Construction Industries
- i Board of Sound Control
- i Board of Zoning Adjustment
- i City of Decatur Business Development Board
- i City of Decatur Historic Preservation Commission
- i Landfill
- i Old Bank Board
- i Parks and Recreation Board
- i Planning Commission
- i 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, 2012**

**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.

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 Personnel Board.

**B. Government-wide and Fund Financial Statements**

Financial information of the City, the primary government, and the Board of Education, the City's component unit, is presented as follows:

- i *Management's discussion and analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- i *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.

- i *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, 2012**

**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:

- i 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.
- i 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.
- i The *2012 Capital Improvements Fund* accounts for the in-substance defeasance of 2003E GO Warrant and 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:

- i 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:

- i 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.
- i 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 designated property tax and sales tax collections.
- i 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.
- i 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, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Proprietary Funds:

- i *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, 2012**

**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 amounts due from any single entity as of September 30, 2012, was \$662,259 due from Morgan County for various tax receivables and \$460,486 due from the United States Department of Housing and Urban Development.

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 \$548,532.

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, 2012**

**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.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance- This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance- These amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the City Council for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance- This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council and finance director have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance- This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Encumbrances-The City had outstanding purchase orders related to operating needs and contractual commitments as of September 30, 2012, which represent an encumbrance on resources at year-end, the most significant of which were as follows:

General Fund	\$ 33,735
Other Governmental Funds	1,981,186
Total	\$ 2,014,921

These encumbrances are already included in the classifications of net assets and fund balances in the financial statements as of September 30, 2012.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

The City Council has set a General Fund minimum fund balance target at 25% or 3 months of budgeted expenditures. No other fund balance policies exist.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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 \$60,821,967 difference are as follows:

Warrants Payable	\$ 58,029,073
Less: Deferred charges (to be amortized as interest expense)	(788,698)
Accrued interest payable	603,454
Compensated absences	2,214,774
Claims Payable	<u>763,364</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ 60,821,967</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 \$169,163 difference are as follows:

Capital outlay	\$ 6,078,355
Depreciation expense	<u>(5,909,192)</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 169,163</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 \$929,021 difference are as follows:

Debt issued or incurred:	
General Obligation debt	\$ (23,101,500)
Principal repayments:	
General obligation debt	6,306,519
Capital lease	191,556
Payment to escrow agent for defeasance of refunded debt	15,941,523
Write-off of remaining issuance costs related to early debt repayment	(17,439)
Deferral of premiums	(261,492)
Amortization of premium and refunding loss	47,826
Deferral of issuance costs	157,790
Amortization of issuance costs	<u>(193,804)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (929,021)</u>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

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

Another element of that reconciliation states that “other expenses reported in the statement of activities that do not require current financial resources.” The detail of this \$3,527,784 difference is as follows:

Compensated absences	\$ 36,012
Claims	(184,086)
Accrued interest	111,269
Other postemployment expenses	(3,490,979)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ (3,527,784)

**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>
<b>General Fund</b>	<b>Special Revenue Funds</b>
<b>Special Revenue Funds</b>	Community Development Fund
7 Cent Gas Tax Fund	Municipal Court Fund
4&5 Cent Gas Tax Fund	<b>Debt Service Fund</b>
School Fund	Crossings Warrant Fund
Personnel Board Fund	<b>Capital Projects Funds</b>
Heritage Trust Fund	Capital Projects Fund
Docket Fees Fund	Sewer Fund
Drug Seizure Fund	2012 Capital Improvements Fund
Room Occupancy Fund	<b>Permanent Fund</b>
Corrections 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 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, submit them to the mayor’s office. The mayor and budget staff begins individual department reviews with department heads.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED**

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

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as either committed or assigned in fund balance 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, 2012:

<b><u>General Fund</u></b>	
<i>General Government:</i>	
Municipal Court	\$ 7,195
Public Building	42,207
 <i>Public Services</i>	
Animal Shelter	\$ 1,429
Park and Recreation	226,513
Youth Services	3,591
 <i>Intergovernmental Assistance</i>	
Garage	\$ 4,257
Purchasing	3,713
Safety	201
 <i>Community Service Contracts</i>	
Decatur Convention and Visitors' Bureau	\$ 30,572
 <b><u>School Fund</u></b>	
<i>General Government</i>	\$ 286
<i>Intergovernmental assistance</i>	344,716
 <i>Personnel Board Fund</i>	
Personal services	\$ 11,926

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

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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, and the Board of Education 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	\$ 88,121,533
Carrying amount of deposits	666,335
Carrying amount of investments	<u>6,008,082</u>
 Total	 <u>\$ 94,795,950</u>
 Per Governmental Funds Balance Sheet-total governmental funds	
Cash and investments	\$ 33,880,508
Per Proprietary Funds Statement of Net Assets	
Total enterprise funds	
Cash and investments	53,907,460
Restricted cash for debt service	<u>7,008,082</u>
 Total	 <u>\$ 60,915,542</u>

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

	<u>Board of Education</u>
Cash on hand	\$ 25,950,621
Carrying amount of deposits	<u>34,565</u>
Total Cash and investments	<u>\$ 25,985,186</u>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**B. Capital Assets**

Capital asset activity for the year ended September 30, 2012 was as follows:

	Balance September 30, 2011	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2012
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 9,447,497	\$ 636,277		\$ 10,083,774
Construction in progress	6,554,801	2,092,218	(4,768,664)	3,878,355
Total capital assets, not being depreciated	16,002,298	2,728,495	(4,768,664)	13,962,129
Capital assets, being depreciated:				
Buildings and improvements	36,473,758	4,446,256		40,920,014
Land improvements	21,300,400	2,207,567		23,507,967
Furniture, equipment and other	24,843,147	1,310,869	(68,607)	26,085,409
Infrastructure	95,470,881	68,749		95,539,630
Total capital assets, being depreciated	178,088,186	8,033,441	(68,607)	186,053,020
Less accumulated depreciation for:				
Buildings and improvements	(19,556,951)	(1,044,322)		(20,601,273)
Land improvements	(9,113,071)	(977,238)		(10,090,309)
Furniture, equipment and other	(21,216,798)	(1,312,167)	45,886	(22,483,079)
Infrastructure	(63,522,971)	(2,575,465)		(66,098,436)
Total accumulated depreciation	(113,409,791)	(5,909,192)	45,886	(119,273,097)
Total capital assets, being depreciated, net	64,678,395	2,124,249	(22,721)	66,779,923
Governmental activities capital assets, net	<u>\$ 80,680,693</u>	<u>\$ 4,852,744</u>	<u>\$ (4,791,385)</u>	<u>\$ 80,742,052</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 3,963,256	\$ 11,276	\$ (19,272)	\$ 3,955,260
Construction in progress	23,341,633	15,736,423	(34,810,292)	4,267,764
Total capital assets, not being depreciated	27,304,889	15,747,699	(34,829,564)	8,223,024
Capital assets, being depreciated:				
Buildings and improvements	23,305,196	2,901,107	-	26,206,303
Furniture, equipment and other	6,853,538	1,337,561	(93,286)	8,097,813
Utility plant-in-service	315,698,299	26,402,747	(7,476,515)	334,624,531
Total capital assets, being depreciated	345,857,033	30,641,415	(7,569,801)	368,928,647
Less accumulated depreciation for:				
Buildings and improvements	(15,894,172)	(508,491)	-	(16,402,663)
Furniture, equipment and other	(4,601,737)	(637,328)	93,285	(5,145,780)
Utility plant-in-service	(131,104,192)	(8,857,075)	7,141,120	(132,820,150)
Total accumulated depreciation	(151,600,101)	(10,002,894)	7,234,402	(154,368,593)
Total capital assets, being depreciated, net	194,256,932	20,638,521	(335,399)	214,560,054
Business-type activities capital assets, net	<u>\$ 221,561,821</u>	<u>\$ 36,386,220</u>	<u>\$ (35,164,963)</u>	<u>\$ 222,783,076</u>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Depreciation expense of \$2,575,466 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	\$ 500,520
Public Safety	952,621
Public Works	239,968
Public Services	1,500,541
Intergovernmental	<u>140,076</u>
Total allocated depreciation expense – governmental activities	3,333,726
Total unallocated depreciation expense- governmental activities	<u>2,575,466</u>
Total depreciation expense-governmental activities	<u>\$ 5,909,192</u>
<u>Business-type activities:</u>	
Municipal Utilities Board Fund	\$ 8,857,075
Sanitary Landfill Fund	751,986
Point Mallard Fund	<u>393,835</u>
Total depreciation expense – business-type activities	<u>\$10,002,896</u>

Activity for the discretely presented component unit, Board of Education for the year ended September 30, 2012 was as follows:

	September 30, 2011	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2012
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 6,476,997			\$6,476,997
Construction in progress	1,008,065	5,229,511	2,359,225	3,878,351
Total capital assets, not being depreciated	<u>7,485,062</u>	<u>5,229,511</u>	<u>2,359,225</u>	<u>10,355,348</u>
Capital assets, being depreciated:				
Buildings and improvements	103,944,824	2,408,230	412,153	105,940,901
Furniture, equipment and other	7,836,984	375,619	42,274	8,170,329
Total capital assets, being depreciated	<u>111,781,808</u>	<u>2,783,849</u>	<u>454,427</u>	<u>114,111,230</u>
Less accumulated depreciation	<u>44,302,968</u>	<u>3,418,468</u>	<u>234,879</u>	<u>47,486,557</u>
Total capital assets, being depreciated, net	<u>67,478,840</u>	<u>(634,619)</u>	<u>219,548</u>	<u>66,624,673</u>
Total governmental activities capital assets, net	<u>\$74,963,902</u>	<u>4,594,892</u>	<u>2,578,773</u>	<u>76,980,021</u>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**C. Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2012 is as follows:

**Transfers In/Out:**

Transfers Out:

From General Fund:

To Municipal Utilities Board Enterprise Fund	\$ 7,000	
To non-major governmental funds	3,469,806	
To non-major proprietary funds	2,810,745	
		6,287,551

From 2012 Capital Improvements Fund:

To non-major proprietary funds		44,067
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From Non-major governmental funds:

To General Fund	10,544	
To non-major proprietary funds	229,536	
		240,080

Total		\$ 6,571,698
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Transfers In:

To General Fund:

From non-major governmental funds	\$ 10,544
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To Municipal Utilities Board Enterprise Fund:

From General Fund	7,000
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To Non-major governmental funds:

From General Fund	3,469,806
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To Non-major proprietary funds:

From 2012 Capital Improvements Fund	44,067	
From General Fund	2,810,745	
From non-major governmental funds	229,536	
		3,084,348

Total		\$ 6,571,698
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**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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	\$ 150,027
	Non-major Governmental Funds	2,301,115
	Non-major Proprietary Fund	<u>90,506</u>
		2,541,648
School Fund	Municipal Utilities Board Enterprise Fund	25,768
Sewer Fund	Municipal Utilities Board Enterprise Fund	45,525
Non-major Proprietary Fund	Non-major Governmental Funds	<u>1,391,889</u>
Total due to/from other funds		<u>\$ 4,004,830</u>

**Due To/From Primary Government and Component Units:**

Receivable Fund	Payable Fund	Amount
Component Unit-Board of Education	Primary Government-School Fund	<u>\$ 1,598,311</u>
Total due to/from primary government to component units		<u>\$ 1,598,311</u>

\$2,301,115 of the balance due to the general fund and \$1,391,889 due to non-major proprietary funds from non-major governmental funds resulted from advances made for the construction of Ingalls Harbor Pavilion.

Transfers have been 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 during the current year. 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, 2012. The future minimum lease payments for these leases are as follow:

Year Ending	Business-Type
September 30	Activities
2013	\$ 1,936
Total minimum lease payments	<u>\$ 1,936</u>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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	(635,286)
Total	\$ 556,117

There are no future minimum lease obligations as of September 30, 2012 due to final principal and interest payments being made during the year. Leases are scheduled to expire in July 2013.

The future debt service requirements of the governmental activities leases at September 30, 2012 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.

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2012 are as follows:

Year Ending September 30	Governmental Activities
2013	\$ 154,113
2014	154,112
2015	154,112
2016	154,112
2017	154,111
Total minimum lease payments	770,560
Less amount representing interest	(73,750)
Present value of minimum lease payments	\$ 696,810

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**E. Long-Term Debt**

General Obligation Warrants

The City issues general obligation ("G.O.") warrants, which are 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:

<b>Type of Debt</b>	<b>Paid From</b>	<b>Resources Provided By</b>
<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
G.O. warrants- infrastructure development	General Fund Sewer Fund	General Fund Sewer Fund
<u>Business-Type Activities:</u>		
Revenue warrants	Municipal Utilities Board Fund	Municipal Utilities Board Fund

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**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Outstanding Debt

The amount of debt outstanding at September 30, 2012, 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)
<b>PRIMARY GOVERNMENT</b>							
<u>Governmental Activities</u>							
<i>G.O. Warrants - general purposes</i>							
2003-C	\$ 3,775	2/1/2003	8/1/2013	3.8 - 4.0	205 - 500	\$ 230	\$ 230
2006-Capital Improvement	16,215	10/11/2006	10/1/2026	4.0 - 4.375	175 -2,360	14,875	310
2009-A	13,170	6/1/2009	7/1/2020	2.0 - 4.0	190-2,015	12,020	485
2009-B	8,775	6/1/2009	6/1/2014	1.2 - 2.5	1,080-2,290	2,655	1,575
2011-Sewer	6,500	6/1/2011	6/1/2029	2.0-4.0	295-480	6,205	295
2012 General Obligation	17,760	7/1/2012	7/1/2033	2-3.125	650-1,145	17,760	650
2012-B	1,238	8/7/2012	8/7/2015	1.05	408-413	1,204	408
2012-C	1,354	8/7/2012	8/7/2015	1.45	185-199	1,339	185
2012-D	2,750	8/7/2012	8/7/2015	2.11	112-1,645	2,741	112
	<u>71,537</u>					<u>59,029</u>	<u>4,250</u>
<b>Total Governmental Activities</b>	<b><u>\$ 71,537</u></b>					<b><u>\$ 59,029</u></b>	<b><u>\$ 4,250</u></b>

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**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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
<i>Business-Type Activities</i>							
<i>Water System Revenue Warrants</i>							
2009	\$ 17,915	6/1/2009	6/1/2019	2.0 - 4.0	1,690 - 2,050	\$ 12,980	\$ 1,690
2009 SRF/ARRA	<u>3,215</u>				115-220	<u>3,100</u>	<u>115</u>
	<u>21,130</u>					<u>16,080</u>	<u>1,805</u>
<i>Wastewater System Revenue Warrants</i>							
1997	2,850	11/1/1996	8/15/2017	3.95	135 - 200	935	175
2004	9,645	04/21/2004	8/15/2013	2.85	910 - 1,125	1,125	1,125
2009 SRF/ARRA	10,530				385 - 720	10,160	385
2010	<u>15,590</u>	12/22/1999	8/15/2020	3.85	720 - 1,095	<u>7,695</u>	<u>840</u>
	<u>38,615</u>					<u>19,915</u>	<u>2,525</u>
<b>Total Business-Type Activities</b>	<b><u>59,745</u></b>					<b><u>35,995</u></b>	<b><u>4,330</u></b>
<b>Total Primary Government</b>	<b><u>\$ 131,282</u></b>					<b><u>\$ 95,024</u></b>	<b><u>\$ 8,580</u></b>

**COMPONENT UNITS**

Governmental-Type Activities

*Board of Education*

2005	\$ 26,000	2005	2/1/2030	4.0 - 4.5	270 - 9,625	\$ 25,730	\$ 275
2010	1,050	2010	9/1/2027	5.15	1,050	1,050	-
2011	<u>5,000</u>	2011	5/1/2026	4.60	5,000	<u>5,000</u>	<u>-</u>
<b>Total Component Units</b>	<b><u>\$ 32,050</u></b>					<b><u>\$ 31,780</u></b>	<b><u>\$ 275</u></b>

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, 2012**

**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, 2012 are shown below. There is \$488,598 available in the Crossings Debt Service Fund to service general obligation debt and \$8,838,606 available in the Municipal Utilities Board Enterprise Fund to service the revenue warrants.

The Municipal Utilities Board Fund received multiple loans made available by the American Recovery and Reinvestment Act (the "ARRA") in 2010 and 2011. The Alabama Drinking Water Finance Authority loaned \$6,877,402 to the Municipal Utilities Board Fund of which \$3,662,402 was forgiven in 2012 pursuant to the ARRA and recorded as forgiveness of long-term debt on the statement of activities and a special item on the proprietary statement of revenues, expenses and changes in fund net assets. The fund was required to issue water and sewer warrants, respectively, in the amount of the loans less the ARRA forgiveness portion. The 2009 Series SRF/ARRA Water Warrants were issued in the amount of \$3,215,000. Total bonds outstanding at September 30, 2012 were \$3,100,000 with final maturity in 2031.

The Alabama Water Pollution Control Authority also loaned \$15,665,364 to the Municipal Utilities Board Fund of which \$5,135,364 was forgiven in 2012 pursuant to the ARRA and recorded as forgiveness of long-term debt on the statement of activities and a special item on the proprietary statement of revenues, expenses and changes in fund net assets. The fund was required to issue water and sewer warrants, respectively, in the amount of the loans less the ARRA forgiveness portion. The 2009 Series SRF/ARRA Wastewater Warrants were issued in the amount of \$10,530,000. Total bonds outstanding at September 30, 2012 were \$10,160,000 with final maturity in 2031.

**PRIMARY GOVERNMENT**

	(thousands)	
	G.O. Warrants	
	Principal	Interest
<u>Governmental Activities:</u>		
2013	\$ 4,250	\$ 1,896
2014	3,459	1,797
2015	3,539	1,718
2016	3,242	1,626
2017	3,333	1,533
2018 – 2022	16,861	6,072
2023 – 2027	17,175	2,996
2028 – 2032	6,025	705
2033	1,145	36
Total governmental activities	<u>\$ 59,029</u>	<u>\$ 18,379</u>

	Water System Revenue Warrants		Wastewater System Revenue Warrants	
	Principal	Interest	Principal	Interest
<u>Business-Type Activities</u>				
2013	\$ 1,805	\$ 543	\$ 2,525	\$ 721
2014	1,855	488	1,445	636
2015	1,910	432	1,500	582
2016	1,970	374	1,560	525
2017	2,040	314	1,615	466
2018 – 2022	4,775	625	5,610	1,500
2023 – 2027	890	242	2,925	793
2028 - 2032	835	74	2,735	243
Total business-type activities	<u>\$ 16,080</u>	<u>\$ 3,092</u>	<u>\$ 19,915</u>	<u>\$ 5,466</u>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**COMPONENT UNITS**

	Capital Outlay Warrants	
	Principal	Interest
<u>Governmental Activities: Board of Education</u>		
2013	\$ 275	\$ 1,374
2014	1,040	1,348
2015	1,080	1,306
2016	1,120	1,262
2017	1,170	1,216
2018-2022	6,650	5,310
2023-2027	14,395	3,271
2028-2030	6,050	417
Total Governmental Activities	<u>\$ 31,780</u>	<u>\$ 15,504</u>

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**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2012, was as follows (in thousands):

**PRIMARY GOVERNMENT**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General obligation warrants	\$ 57,498	\$ 23,102	\$ (21,571)	\$ 59,029	\$ 4,250
Less amounts deferred for:					
Issue discounts & premiums	269	263	(65)	467	
Refunding losses	(641)	(920)	94	(1,467)	
Total warrant, bonds, & notes	57,126	22,445	(21,542)	58,029	4,250
Capitalized leases	191	-	(191)	-	-
Compensated absences	2,251	8	(44)	2,215	222
Claims payable	579	250	(66)	763	51
Other post-employment benefits	10,270	4,899	(1,408)	13,761	-
<b>Governmental Activities Long-Term Liabilities</b>	<b>\$ 70,417</b>	<b>\$ 27,602</b>	<b>\$ (23,251)</b>	<b>\$ 74,768</b>	<b>\$ 4,523</b>
<u>Business-Type Activities:</u>					
Revenue warrants	\$ 48,154	\$ 13,745	\$ (25,904)	\$ 35,995	\$ 4,330
Less amounts deferred for:					
Issue discounts & premiums	(649)	-	95	(554)	-
Total warrants	47,505	13,745	(25,809)	35,441	4,330
Landfill closure and postclosure	2,785	797	-	3,582	-
Compensated absences	885	768	(727)	926	93
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 51,175</b>	<b>\$ 15,310</b>	<b>\$ (26,536)</b>	<b>\$ 39,949</b>	<b>\$ 4,423</b>

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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	\$ 32,050	\$ -	270	\$ 31,780	\$ 275
Issue discounts & premiums	(190)		(10)	(180)	-
Capitalized Leases	897	-	200	697	130
Total Board of Education					
Long-Term Liabilities	<u>\$ 32,757</u>	<u>\$ -</u>	<u>\$ 460</u>	<u>\$ 32,297</u>	<u>\$ 405</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, 2012, there were six series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the six outstanding issues was approximately \$383,883,572. The original issue amounts of these series totaled \$48,340,000.

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**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**G. Fund Balance Constraints**

The constraints on fund balance as listed in aggregate in the Governmental Fund Balance Sheet are detailed according to balance classification and fund below:

	General Fund	School Fund	2012 Capital Improvements Fund	Other Governmental Funds	Total
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 33,487	\$ -	\$ -	\$ -	\$ 33,487
Permanent Fund	-	-	-	940,235	940,235
Total Nonspendable	<u>33,487</u>	<u>-</u>	<u>-</u>	<u>940,235</u>	<u>973,722</u>
<b>Restricted:</b>					
Special Revenues	-	-	-	2,016,744	2,016,744
Grant Awards	-	-	-	72,557	72,557
Total Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,089,301</u>	<u>2,089,301</u>
<b>Committed:</b>					
OPEB Reserve	568,000	-	-	-	568,000
Repairs/Maintenance	83,982	-	-	-	83,982
Tri-Centennial	1,312	-	-	-	1,312
General Government	33,735	-	-	-	33,735
Reserve Policy	13,657,213	-	-	-	13,657,213
Debt Service	-	59,613	-	488,598	548,211
Street Maintenance	-	-	-	161,892	161,892
Personnel Board	-	-	-	124,397	124,397
Amphitheater	100,000	-	-	-	100,000
Sewer Extension	-	-	-	6,263,773	6,263,773
Hwy 31 Grant	-	-	-	34,430	34,430
Bike Trail Project	-	-	-	67,807	67,807
Misc Capital Projects	-	-	1,870,469	-	1,870,469
Other	-	-	-	1,269,234	1,269,234
Total Committed	<u>14,444,242</u>	<u>59,613</u>	<u>1,870,469</u>	<u>8,410,131</u>	<u>24,784,455</u>
<b>Assigned:</b>					
Landfill closure and post closure costs	624,601	-	-	-	624,601
Other Purposes	28,801	-	-	1,090,523	1,119,324
Total Assigned	<u>653,402</u>	<u>-</u>	<u>-</u>	<u>1,090,523</u>	<u>1,743,925</u>
<b>Unassigned:</b>					
	<u>4,929,105</u>	<u>-</u>	<u>-</u>	<u>(3,226,317)</u>	<u>1,702,788</u>
<b>Total Fund Balance:</b>	<u>\$ 20,060,238</u>	<u>\$ 59,613</u>	<u>\$ 1,870,469</u>	<u>\$ 9,303,873</u>	<u>\$ 31,294,191</u>

**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 2012 was \$1,659,474 by the Electric System, \$112,666 by the Natural Gas System, \$491,456 by the Water System and \$78,097 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.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**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 \$3,582,122 reported for landfill closure and postclosure care liability at September 30, 2012 within the proprietary statement of net assets, represents the cumulative amount reported to date based on the use of 41.69 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of \$5,010,269 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, 2012. The City expects to close the landfill in the year 2032. Actual costs of closure and postclosure may be higher due to inflation, changes in technology, or changes in laws and regulations.

**NOTE 5 – OTHER INFORMATION**

**A. Contingent Liabilities and Commitments**

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, 2012, 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, 2012. The unfulfilled balance of these contracts that relate to the non-major governmental funds operations are included in the "Unassigned" fund balance classification as described more fully in Note 4G.

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 \$500,000, \$250,000 of which is estimated to be currently payable and has been accrued as a liability in the City's General Fund at September 30, 2012. The remaining portion has been reported in the government-wide statement of net assets as noncurrent liabilities due in more than one year.

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.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 5 – OTHER INFORMATION - CONTINUED**

**B. Jointly Governed Organizations**

Joint Ventures

The City of Decatur is involved in three 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, 2012.

*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 \$23,442 in appropriations during the fiscal year ending September 30, 2012.

*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 were three particular programs controlled by NARCOG, which the City of Decatur supported financially. These were the Aging Program, Regional Planning, and Transportation Planning. The City of Decatur contributed a total of \$24,044 to these programs during the fiscal year. In March, the City Council voted to terminate the City's membership agreement and bring the Metropolitan Planning Organization (MPO) office and employees into city hall effective June 1, 2012.

*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 \$440,045 in appropriations during the fiscal year.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**NOTE 5 – OTHER INFORMATION - CONTINUED**

*North Central Alabama Mental Health Board* provides mental health and general welfare services to the citizens of North Alabama. The Board is comprised of nine members of whom three are appointed by the City Council. The City contributed \$26,676 to the Board during the fiscal year.

*North Central Alabama Mental Retardation Authority* provides services to mentally disabled children. The Board is comprised of five members of whom one is appointed by the City Council. The City contributed \$10,680 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 11.56%, with the exception of the Municipal Utilities Board Fund, for which the rate is 15.79%. 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, 2012**

**NOTE 5 – OTHER INFORMATION - CONTINUED**

For 2012, the City of Decatur's annual pension cost was equal to their actual required contributions. The required contribution was determined as part of the September 30, 2010 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 3.75% to 7.25% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of the system's assets was determined using market values of instruments at September 30, 2010 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, 2010 and September 30, 2009, 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, 2012 was 26 and 30 for the Board and the City, respectively.

	<b>Trend Information for the System (1)</b>		
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Decatur	9/30/11	3,052,681	100%
	9/30/10	2,793,064	100%
	9/30/09	2,770,883	100%
	9/30/08	2,294,853	100%
	9/30/07	2,038,996	100%
Municipal Utilities Board	9/30/11	1,545,500	100%
	9/30/10	1,524,475	100%
	9/30/09	1,473,229	100%
	9/30/08	1,288,608	100%
	9/30/07	1,195,506	100%

(1) Trend information for the year ended September 30, 2012 was not yet available from the System.

Department	<b>Schedule of Funding Progress for the System</b>						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	9/30/11	67,322,510	100,636,767	35,314,257	65.6%	23,674,710	149.2%
	9/30/10	69,102,121	101,789,313	32,687,192	67.9%	23,962,799	136.4%
	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%
Municipal Utilities Board	9/30/11	25,839,783	43,315,003	17,475,220	59.7%	8,897,976	196.4%
	9/30/10	26,546,448	42,658,743	16,112,295	62.2%	8,998,596	179.1%
	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%

(1) Trend information for the year ended September 30, 2012 was not yet available from the System.

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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 7.25% 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,		
	2012	2011	2010
Total percentage of payroll	17.25%	17.51%	17.51%
Contributions:			
Percentage contributed by the Board	10.00%	12.51%	12.51%
Percentage contributed by employees	7.25%	5.00%	5.00%
Amount contributed by the Board	\$ 4,921,183	\$ 6,281,211	\$ 6,282,555
Amount contributed by employees	3,567,858	2,510,476	2,511,013
Total Contributions	\$ 8,489,041	\$ 8,791,687	\$ 8,793,568

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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, 2012**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

For 2012 and 2011, the required contribution was determined as part of the September 30, 2010 actuarial valuations using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.5% inflation rate (b) 4.0% investment rate of return; (c) a 10.5% and 11.0% medical cost trend rate graded to 5.0% over eight years; (d) a 6.0% and 3.5% cost trend for dental and vision care, respectively; (e) 100% participation rate by retirees and 80.0% participation rate by spouses of participating retirees; (f) retirement rates consistent with the City's pension plan actuarial valuation; and (g) 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 21.34%.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	4,352,183
Interest on net OPEB obligation	205,394
Adjustment to annual required contribution	341,046
Annual OPEB cost (expense)	4,898,623
Contributions made	(1,407,644)
Increase in net OPEB obligation	3,490,979
Net OPEB obligation-beginning of year	10,269,723
Net OPEB obligation-end of year	\$13,760,702

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/12	\$4,898,623	28.7%	\$13,760,702
9/30/11	\$4,898,623	25.6%	\$10,269,723
9/30/10	\$4,557,577	27.7%	\$ 6,727,849
9/30/09	\$4,557,577	24.7%	\$ 3,429,850

The funded status of the plan as of September 30, 2012, 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
9/30/10	\$0	\$69,145,336	\$69,145,336	0%	\$22,950,035	301.3%
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.

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, 2012**

**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, 2012 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 2012, the required contribution of the Board was determined as part of the September 30, 2010 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.0% discount rate; (b) 3.5% 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 21.34%.

The Board's annual OPEB cost, the annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2012 are as follows:

*Annual Required Contribution:*

Normal Cost	\$ 479,385
Amortization	694,262
Interest	<u>23,243</u>
Total ARC	\$ 1,196,890

*Net OPEB Obligation:*

Annual Required Contribution	\$ 592,310
Interest	<u>607,796</u>
Net OPEB Obligation	\$ 1,200,106

*Present Value of Future Benefits as of October 1, 2010:*

Active Employees	\$ 14,942,748
Retirees	<u>8,108,260</u>
Total	\$ 23,051,008

**City of Decatur**  
**Notes To The Financial Statements - continued**  
**September 30, 2012**

**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>2012</u>
Individual Coverage – Non-Medicare Eligible	\$ 151.00
Individual Coverage – Medicare Eligible	\$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 391.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 250.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 250.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	\$ 109.00
Tobacco Surcharge	\$ 28.00
Surviving Spouse – Non-Medicare Eligible	\$ 658.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$ 847.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$ 816.00
Surviving Spouse – Medicare Eligible	\$ 328.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$ 517.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$ 486.00

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, 2012**

**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>2012</u>	<u>2011</u>	<u>2010</u>
Active Health Insurance Premiums Paid by the Board	\$714.00	\$752.00	\$752.00
Amount of Premium Attributable to Retirees	\$228.85	\$198,94	\$241.27
Percentage of Active Employee Premiums Attributable to Retirees	32.05%	26.45%	32.08%
Percentage of Required Amount Contributed	100.00%	100.00%	100.00%
Total Amount Paid Attributable to Retirees	\$3,226,460	\$2,895,327	\$3,597,802

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.

**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, 2012 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 claims liability (net of anticipated insurance coverage) for the year ended September 30, 2012 are as follows:

	<u>September 30,</u>	
	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 589,164	\$ 618,450
Incurred claims	250,000	238,355
Less claim payments	<u>(74,293)</u>	<u>(267,641)</u>
Unpaid claims, end of year	<u>\$ 764,871</u>	<u>\$ 589,164</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, 2012**

**NOTE 5 – OTHER INFORMATION – CONTINUED**

**G. GASB Accounting Pronouncements**

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.

The City plans to adopt GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, required for fiscal periods beginning after December 15, 2011, fiscal 2013. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, which were defined in Concepts Statement No. 4, Elements of Financial Statements, as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

The City plans to adopt GASB No. 65, *Items Previously Reported as Assets and Liabilities*, required for fiscal periods beginning after December 15, 2012, fiscal 2014. This statement provides financial reporting guidance that reclassifies items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. It also provides other guidance related to the impact of financial statement elements deferred outflows of resources or deferred inflows of resources, such as major fund calculations and limiting the use of the term deferred in the financial statement presentations.

The City plans to adopt GASB No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, required for fiscal periods beginning after December 15, 2012, fiscal 2014. This statement resolves conflicts between statement No. 62 and No. 54 by removing the limitations for risk financing activities to be recorded in the general fund and internal service fund type only. It also provides guidance on for accounting of operating leases and clarifies application of Statement No.13, *Accounting for Operating Leases with Scheduled Rent Increases*.

The City Plans to adopt GASB No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective for fiscal periods beginning after June 15, 2014, fiscal 2015. This statement provides financial reporting guidance for pensions that are provided to the employees of state and local governmental employers through pension plans that administered through trusts and meet other criteria. It establishes standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expense/expenditures and also covers note disclosure and required supplementary information requirements.

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, 2013, 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, 2012**

**ASSETS**

Cash & cash equivalents	\$ 16,604,573
Cash with fiscal agent	666,335
Receivables (net of allowances):	
Accounts	339,775
Notes	-
Taxes	2,689,309
Accrued interest	16
Due from other funds	2,541,648
Due from other governmental entities	562,864
Deposits	78,907
Inventories	14,697
	<hr/>
<b>Total assets</b>	<b>\$ 23,498,124</b>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts payable	\$ 1,575,309
Accrued liabilities	1,337,500
Due to other governmental entities	-
Deferred revenue	267,044
Customer deposits	167,546
Other	90,490
	<hr/>
<b>Total liabilities</b>	<b>3,437,889</b>

**FUND BALANCE**

Nonspendable	33,486
Restricted	-
Committed	14,444,242
Assigned	653,402
Unassigned	4,929,105
	<hr/>
<b>Total fund balance</b>	<b>20,060,235</b>
	<hr/>
<b>Total liabilities and fund balance</b>	<b>\$ 23,498,124</b>

**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, 2012**

Page 1 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes and payments in lieu of taxes				
Sales and use	\$ 25,586,833	\$ 25,897,888	\$ 26,061,734	\$ 163,846
Ad valorem	3,125,000	3,115,000	3,125,444	10,444
Other	6,493,500	6,623,500	6,873,024	249,524
<b>Total</b>	<b>35,205,333</b>	<b>35,636,388</b>	<b>36,060,202</b>	<b>423,814</b>
Licenses and permits				
Motor Vehicle	175,000	175,000	175,627	627
Business Licenses and Permits	5,228,000	5,351,000	5,396,681	45,681
Building Permits and Inspection Fees	520,175	770,675	880,118	109,443
<b>Total</b>	<b>5,923,175</b>	<b>6,296,675</b>	<b>6,452,426</b>	<b>155,751</b>
Fines and forfeitures	977,100	832,100	749,878	(82,222)
Revenues from money and property				
Interest	192,107	93,107	87,512	(5,595)
Other	155,335	156,020	156,577	557
<b>Total</b>	<b>347,442</b>	<b>249,127</b>	<b>244,089</b>	<b>(5,038)</b>
Charges for current services				
Recreation	402,400	422,400	546,476	124,076
Animal shelter	31,000	31,000	53,202	22,202
General government	462,200	462,200	467,854	5,654
Public safety	206,500	297,128	297,519	391
Public works	3,260,881	3,261,881	3,221,422	(40,459)
Cemetery	45,100	45,100	59,925	14,825
Old bank	1,200	1,200	590	(610)
Youth services	1,100	1,100	1,329	229
Historic Preservation	-	-	-	-
<b>Total</b>	<b>4,410,381</b>	<b>4,522,009</b>	<b>4,648,317</b>	<b>126,308</b>
Intergovernmental				
Tax equivalents	5,928,714	5,993,714	5,918,164	(75,550)
State Grants	-	-	-	-
State Shared Taxes	223,250	224,250	315,853	91,603
State contributions	-	-	-	-
<b>Total</b>	<b>6,151,964</b>	<b>6,217,964</b>	<b>6,234,017</b>	<b>16,053</b>
Gifts & donations	33,500	84,512	190,764	106,252
Other revenues	27,250	29,250	163,545	134,295
<b>TOTAL REVENUES</b>	<b>53,076,145</b>	<b>53,868,025</b>	<b>54,743,238</b>	<b>875,213</b>

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, 2012

Page 2 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
<b>General Government</b>				
Mayor and Council				
Personal services	276,444	277,204	274,866	2,338
Operating expenses	37,021	37,021	34,046	2,975
Total	313,465	314,225	308,912	5,313
Legal Services				
Personal services	359,480	363,526	363,553	(27)
Operating expenses	55,237	55,237	47,050	8,187
Total	414,717	418,763	410,603	8,160
Municipal Court				
Personal services	437,191	441,838	447,530	(5,692)
Operating expenses	38,000	38,000	39,503	(1,503)
Total	475,191	479,838	487,033	(7,195)
City Clerk				
Personal services	400,331	404,624	393,713	10,911
Operating expenses	143,420	153,420	117,397	36,023
Total	543,751	558,044	511,110	46,934
Revenue department				
Personal services	188,445	190,119	190,379	(260)
Operating expenses	62,684	62,684	62,422	262
Total	251,129	252,803	252,801	2
Finance department				
Personal services	593,431	587,659	530,402	57,257
Operating expenses	16,213	16,213	36,107	(19,894)
Total	609,644	603,872	566,509	37,363
Public building				
Personal services	136,622	142,037	137,594	4,443
Operating expenses	465,394	472,083	518,733	(46,650)
Total	602,016	614,120	656,327	(42,207)
Community development				
Personal services	632,612	638,617	616,680	21,937
Operating expenses	134,800	134,800	124,750	10,050
Total	767,412	773,417	741,430	31,987
<b>Total general government</b>	<b>3,977,325</b>	<b>4,015,082</b>	<b>3,934,725</b>	<b>80,357</b>

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, 2012

Page 3 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Safety</b>				
Fire				
Personal services	8,284,914	8,280,186	8,208,293	71,893
Operating expenses	719,459	817,358	829,465	(12,107)
Total	9,004,373	9,097,544	9,037,758	59,786
Inspection				
Personal services	627,985	650,741	654,482	(3,741)
Operating expenses	50,365	62,965	53,450	9,515
Total	678,350	713,706	707,932	5,774
Police				
Personal services	9,904,232	9,792,377	9,492,784	299,593
Operating expenses	1,349,419	1,583,419	1,545,888	37,531
Total	11,253,651	11,375,796	11,038,672	337,124
<b>Total public safety</b>	<b>20,936,374</b>	<b>21,187,046</b>	<b>20,784,362</b>	<b>402,684</b>
<b>Public Works</b>				
Director				
Personal services	442,322	446,893	447,090	(197)
Operating expenses	92,774	92,774	76,609	16,165
Total	535,096	539,667	523,699	15,968
Streets				
Personal services	2,073,552	2,094,359	2,026,573	67,786
Operating expenses	893,311	1,005,811	970,285	35,526
Total	2,966,863	3,100,170	2,996,858	103,312
Engineering				
Personal services	169,973	180,965	172,607	8,358
Operating expenses	25,100	30,100	28,791	1,309
Total	195,073	211,065	201,398	9,667
Sanitation				
Personal services	1,858,740	1,876,587	1,756,301	120,286
Operating expenses	1,646,500	1,681,500	1,749,986	(68,486)
Total	3,505,240	3,558,087	3,506,287	51,800
<b>Total public works</b>	<b>7,202,272</b>	<b>7,408,989</b>	<b>7,228,242</b>	<b>180,747</b>

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, 2012

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	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Public Services</b>				
Animal Shelter				
Personal services	561,751	566,961	560,292	6,669
Operating expenses	120,514	132,681	140,779	(8,098)
Total	682,265	699,642	701,071	(1,429)
Park and recreation				
Personal services	4,090,315	4,276,830	4,483,172	(206,342)
Operating expenses	2,408,100	2,445,662	2,465,839	(20,177)
Total	6,498,415	6,722,492	6,949,011	(226,519)
Landscape and beautification				
Personal services	238,764	240,407	235,061	5,346
Operating expenses	79,800	79,800	72,035	7,765
Total	318,564	320,207	307,096	13,111
Cemetery				
Personal services	101,900	102,608	72,620	29,988
Operating expenses	72,400	72,400	95,011	(22,611)
Total	174,300	175,008	167,631	7,377
Youth services				
Personal services	410,510	420,636	426,569	(5,933)
Operating expenses	144,703	194,159	191,817	2,342
Total	555,213	614,795	618,386	(3,591)
Culture				
Cultural Facilities	120,000	113,000	103,645	9,355
Old Bank	112,904	113,694	108,885	4,809
Historic Preservation Commission	2,800	2,800	262	2,538
Total	235,704	229,494	212,792	16,702
<b>Total public services</b>	<b>8,464,461</b>	<b>8,761,638</b>	<b>8,955,987</b>	<b>(194,349)</b>

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, 2012

Page 5 of 7

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><i>Intergovernmental assistance</i></b>				
Garage				
Personal services	249,895	242,770	239,315	3,455
Operating expenses	54,650	54,650	62,362	(7,712)
Total	304,545	297,420	301,677	(4,257)
Purchasing				
Personal services	131,900	133,435	139,981	(6,546)
Operating expenses	8,062	8,062	5,229	2,833
Total	139,962	141,497	145,210	(3,713)
Information services				
Personal services	635,836	641,899	614,509	27,390
Operating expenses	570,550	570,550	537,799	32,751
Total	1,206,386	1,212,449	1,152,308	60,141
Miscellaneous				
Workman's compensation	550,000	550,000	417,367	132,633
Insurance	230,000	220,132	218,969	1,163
Other	2,082,434	1,900,434	1,743,774	156,660
Total	2,862,434	2,670,566	2,380,110	290,456
Planning department				
Personal services	251,124	253,481	238,691	14,790
Operating expenses	31,438	23,838	17,950	5,888
Total	282,562	277,319	256,641	20,678
Safety				
Personal services	-	-	-	-
Operating expenses	14,000	14,000	14,201	(201)
Total	14,000	14,000	14,201	(201)
<b><i>Total Intergovernmental assistance</i></b>	<b>4,809,889</b>	<b>4,613,251</b>	<b>4,250,147</b>	<b>363,104</b>

**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, 2012**

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	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Community Service Contracts</b>				
Wheeler Basin Regional Library Board	334,873	346,873	346,873	-
Morgan County Emergency Management Dist.	440,045	440,045	440,045	-
Decatur-Morgan County Emergency Mgt. Agency	23,442	23,442	23,442	-
NARCOG:				
Regional Planning	19,489	9,274	9,274	-
Senior Aid Program	1,500	-	-	-
Transport Planning	26,100	14,770	14,770	-
NCA Mental Health Board	14,550	14,550	14,550	-
NCA Mental Health Board - Facets	12,126	12,126	12,126	-
Economic Development Association	64,883	64,883	64,883	-
NCA Mental Retardation Center, Inc.	10,680	10,680	10,680	-
Tennessee Valley Rehabilitation Center, Inc.	-	-	-	-
Morgan County Health Department	118,560	118,560	118,560	-
Morgan County Commission	150,000	150,000	150,000	-
Community Action and Community Development Agency of North Alabama:				
Meals on Wheels	15,808	15,808	15,808	-
Foster Grandparents	10,725	10,725	10,725	-
Decatur-Morgan County Seniors' Council, Inc.	53,200	53,200	53,200	-
Decatur Convention and Visitors' Bureau	587,250	647,250	677,822	(30,572)
Chamber of Commerce:				
BRAC	-	-	-	-
Beautification Board	18,000	18,000	18,000	-
Community Business Development Board	22,882	22,882	22,882	-
Cornerstone	-	-	-	-
Morgan County Rescue Squad	8,342	8,342	8,342	-
Main Street of Decatur	-	-	-	-
Hospice of the Valley	4,075	4,075	4,075	-
American Red Cross	4,075	4,075	4,075	-
Pryor Field Airport Authority	30,000	30,000	30,000	-
ARC of Morgan County	5,659	5,659	5,659	-
Volunteer Center	7,866	7,866	7,866	-
Carnegie Visual Arts	20,000	20,000	20,000	-
PACT	3,575	3,575	3,575	-
System of Services	4,800	4,800	4,800	-
Free Health Clinic	59,280	59,280	59,280	-
Morgan County Child Advocacy Center	20,995	20,995	20,995	-
Junior Achievement	-	-	-	-
Downtown Redevelopment Authority	74,100	74,100	74,100	-
Decatur Youth Symphony	13,500	13,500	13,500	-
Calhoun Robotics Complex	-	-	-	-
Princess Theatre	40,000	40,000	40,000	-
Downtown Arts Center	300,000	300,000	300,000	-
Entrepreneurial Center	100,000	100,000	100,000	-
C/C One Vision, One Voice	40,000	40,000	40,000	-
<b>Total Community Services Contract</b>	<b>2,660,380</b>	<b>2,709,335</b>	<b>2,739,907</b>	<b>(30,572)</b>
<b>Debt Service Expenditures</b>				
Principal	2,404,421	2,413,520	2,413,541	(21)
Interest and fiscal charges	1,782,344	1,787,341	1,787,341	-
<b>Total Debt Service Expenditures</b>	<b>4,186,765</b>	<b>4,200,861</b>	<b>4,200,882</b>	<b>(21)</b>
<b>TOTAL EXPENDITURES</b>	<b>52,237,466</b>	<b>52,896,202</b>	<b>52,094,252</b>	<b>801,950</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>838,679</b>	<b>971,823</b>	<b>2,648,986</b>	<b>1,677,163</b>

**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, 2012**

**Page 7 of 7**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	2,750,000	2,750,000
Operating transfers in	16,000	4,000	10,544	6,544
Operating transfers out	(754,679)	(3,497,893)	(6,287,551)	(2,789,658)
Total other financing sources (uses)	(738,679)	(3,493,893)	(3,527,007)	(33,114)
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	100,000	(2,522,070)	(878,021)	1,644,049
Fund balance, beginning	19,175,380	19,596,976	20,938,256	1,341,280
<b>Fund balance, ending</b>	<b>\$ 19,275,380</b>	<b>\$ 17,074,906</b>	<b>\$ 20,060,235</b>	<b>\$ 2,985,329</b>

CITY OF DECATUR  
 NON-MAJOR GOVERNMENTAL FUNDS (by fund type)  
 COMBINING BALANCE SHEET  
 September 30, 2012

	Special Revenue Funds											Total			
	Nonmajor Governmental Funds														
	7 Cent Gas Tax	4 & 5 Cent Gas Tax	Community Development	Personnel Board	Municipal Court	Heritage Trust	Corrections	Docket Fees	Drug Seizure	Room Occupancy	Perpetual Care		Sewer Fund	Capital Improvements Fund	Debt Service Fund
<b>ASSETS</b>															
Cash & investments, at cost	\$ 609,467	\$ 304,479	\$ -	\$ 159,297	\$ 136,385	\$ 804,172	\$ 128,250	\$ 175,004	\$ 265,962	\$ 256,365	\$ 940,236	\$ 6,407,950	\$ 3,307,171	\$ 413,894	\$ 13,908,632
Investments, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables (net of allowances)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts	-	-	78,723	-	130	-	-	-	-	-	-	-	-	-	78,853
Notes	-	-	336,705	-	-	-	-	-	-	-	-	-	-	-	336,705
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	45,775	-	45,525	-	74,704	120,479
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45,525
Due from governmental entities	12,456	27,743	856,393	-	-	-	-	-	261	-	-	-	13,738	-	910,591
<b>Total assets</b>	\$ 621,923	\$ 332,222	\$ 1,271,821	\$ 159,297	\$ 136,515	\$ 804,172	\$ 128,250	\$ 175,004	\$ 266,223	\$ 302,140	\$ 940,236	\$ 6,453,475	\$ 3,320,909	\$ 488,598	\$ 15,400,785
<b>LIABILITIES</b>															
Accounts payable	-	23,486	123,692	3,200	85,964	62,325	5,911	1,232	483	-	-	182,437	947,413	-	1,436,143
Accrued liabilities	-	-	1,294	15,254	50,551	-	-	-	-	-	-	-	-	-	67,099
Contract retainages	-	-	24,562	-	46,419	-	9,301	-	-	-	-	7,266	-	-	78,247
Due to other funds	-	-	535,506	16,446	-	-	-	-	-	3,131,751	-	-	-	-	3,693,004
Due to other governmental entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	808,680	-	-	-	-	-	-	-	-	-	13,738	-	822,418
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	-	23,486	1,493,734	34,900	136,515	108,744	15,212	1,232	483	3,131,751	-	189,703	961,151	-	6,096,911
<b>FUND BALANCES</b>															
Nonspendable	-	-	-	-	-	-	-	-	-	-	940,236	-	-	-	940,236
Restricted	460,031	306,736	72,556	-	-	695,428	113,038	173,772	265,740	-	-	-	-	-	2,089,301
Committed	161,892	-	102,237	124,397	-	-	-	-	-	-	-	6,263,772	1,269,235	488,598	8,410,131
Unassigned	-	-	(396,706)	-	-	-	-	-	-	(2,829,611)	-	-	-	-	(3,226,317)
<b>Total fund balance (deficit)</b>	621,923	306,736	(221,913)	124,397	-	695,428	113,038	173,772	265,740	(2,829,611)	940,236	6,263,772	2,359,758	488,598	9,303,674
<b>Total liabilities and fund balance</b>	\$ 621,923	\$ 332,222	\$ 1,271,821	\$ 159,297	\$ 136,515	\$ 804,172	\$ 128,250	\$ 175,004	\$ 266,223	\$ 302,140	\$ 940,236	\$ 6,453,475	\$ 3,320,909	\$ 488,598	\$ 15,400,785

CITY OF DECATUR  
 NON-MAJOR GOVERNMENTAL FUNDS (by fund type)  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 For the Year Ended September 30, 2012

	Special Revenue Funds										Capital Projects 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	Sewer Fund	2012 Capital Improvements Fund
<b>REVENUE</b>																
Sales & use taxes																
Property taxes																
Other taxes																
Licenses & permits																
Fines & forfeitures																
Revenues from money & property																
Intergovernmental	2,038	772					70,084									
Gifts & donations	137,737	307,710	2,778,571			468,793				57,477		22,543	5,435			
Other revenues			94,435	51												
<b>Total revenues</b>	139,775	308,482	2,873,006	51		468,793	70,084	87,424	507,282	57,477	22,543	319,068	978,318			6,685,591
<b>EXPENDITURES</b>																
Current																
General government																
Public safety																
Public works																
Public services																
Intergovernmental assistance																
Community development																
Personnel board																
Debt service																
Principal																
Interest and fiscal charges																
Debt issuance costs																
Capital projects construction and outlay																
<b>Total expenditures</b>																
<b>Excess (deficiency) of revenues over expenditures</b>	139,775	236,012	(526,591)	(594,948)		(307,739)	53,068	57,879	(100,302)	57,477	(1,017,056)	(1,636,608)	(2,124,175)			(5,373,699)
<b>OTHER FINANCING SOURCES (USES)</b>																
Long-term debt issued																
Discount on debt issued																
Payment to escrow agent																
Transfers in																
Transfers (out)																
Total other financing sources (uses)																
<b>Net change in fund balance</b>	139,775	236,012	(336,348)	(40,269)		(327,739)	53,068	57,879	(113,094)	54,040	(1,017,056)	994,491	357,259			447,527
Fund balance (deficit), beginning	482,148	72,724	114,435	164,666		1,023,167	120,704	207,861	(2,716,517)	886,196	6,766,532	1,365,267	131,339			8,856,347
<b>Fund balance (deficit), ending</b>	\$ 621,923	\$ 308,736	\$ (221,913)	\$ 124,397	\$ -	\$ 695,428	\$ 173,772	\$ 265,740	#####	\$ 940,236	\$ 6,263,772	\$ 2,359,758	\$ 488,588	\$ -	\$ -	\$ 9,303,874

**CITY OF DECATUR  
7 CENT GAS TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
September 30, 2012**

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 144,000	\$ 144,000	\$ 137,737	\$ (6,263)
Revenues from money and property	1,000	1,000	2,038	1,038
Total revenues	145,000	145,000	139,775	(5,225)
<b>Expenditures</b>				
Operating expenses	582,411	582,411	-	582,411
Capital outlay	44,737	44,737	-	44,737
Total expenditures	627,148	627,148	-	627,148
<b>Excess (deficiency) of revenues over expenditures</b>	(482,148)	(482,148)	139,775	621,923
<b>Net change in fund balance</b>	(482,148)	(482,148)	139,775	621,923
Fund balance, beginning	482,148	482,148	482,148	-
<b>Fund balance, ending</b>	\$ -	\$ -	\$ 621,923	621,923

**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, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 325,000	\$ 325,000	\$ 307,710	\$ (17,290)
Revenues from money and property	1,000	1,000	772	(228)
Other revenue	-	-	-	-
Total revenues	326,000	326,000	308,482	(17,518)
<b>Expenditures</b>				
Operating expenses	398,723	398,723	72,470	326,253
Total expenditures	398,723	398,723	72,470	326,253
<b>Excess (deficiency) of revenues over expenditures</b>	(72,723)	(72,723)	236,012	308,735
<b>Net change in fund balance</b>	(72,723)	(72,723)	236,012	308,735
Fund balance, beginning	72,724	72,724	72,724	-
<b>Fund balance, ending</b>	\$ 1	\$ 1	\$ 308,736	\$ 308,735

**CITY OF DECATUR  
PERSONNEL BOARD FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other	\$ -	\$ -	\$ 51	\$ 51
Total revenues	-	-	51	51
<b>Expenditures</b>				
Personal services	469,079	469,079	481,005	(11,926)
Operating expenses	125,600	125,600	113,994	11,606
Total expenditures	594,679	594,679	594,999	320
<b>Excess (deficiency) of revenues over expenditures</b>	(594,679)	(594,679)	(594,948)	371
<b>Other financing sources</b>				
Operating transfers in	554,679	554,679	554,679	-
Total other financing sources (uses)	554,679	554,679	554,679	-
<b>Net change in fund balance</b>	(40,000)	(40,000)	(40,269)	(269)
Fund balance, beginning	164,666	164,666	164,666	-
<b>Fund balance, ending</b>	<b>\$ 124,666</b>	<b>\$ 124,666</b>	<b>\$ 124,397</b>	<b>\$ (269)</b>

**CITY OF DECATUR  
HERITAGE TRUST FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 325,000	\$ 468,793	\$ 468,793	\$ -
Total revenues	325,000	468,793	468,793	-
<b>Expenditures</b>				
Operating expenses	875,776	24,500	24,422	78
Capital outlay	-	1,117,033	752,110	364,923
Total expenditures	875,776	1,141,533	776,532	365,001
<b>Excess (deficiency) of revenues over expenditures</b>	(550,776)	(672,740)	(307,739)	365,001
Total other financing sources (uses)	-	(20,000)	(20,000)	-
<b>Net change in fund balance</b>	(550,776)	(692,740)	(327,739)	365,001
Fund balance, beginning	1,023,167	1,023,167	1,023,167	-
<b>Fund balance, ending</b>	<b>\$ 472,391</b>	<b>\$ 330,427</b>	<b>\$ 695,428</b>	<b>\$ 365,001</b>

**CITY OF DECATUR  
CORRECTIONS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines and Forfeitures	\$ 402,000	\$ 402,000	\$ 338,247	\$ (63,753)
Revenues from money and property	1,000	1,000	745	(255)
Total revenues	403,000	403,000	338,992	(64,008)
<b>Expenditures</b>				
Personal services	213,766	215,788	214,011	1,777
Operating expenses	156,000	156,000	125,889	30,111
Capital outlay	130,000	157,242	123,879	33,363
Total expenditures	499,766	529,030	463,779	65,251
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(96,766)</b>	<b>(126,030)</b>	<b>(124,787)</b>	<b>1,243</b>
<b>Net change in fund balance</b>	<b>(96,766)</b>	<b>(126,030)</b>	<b>(124,787)</b>	<b>1,243</b>
Fund balance, beginning	237,825	237,825	237,825	-
<b>Fund balance, ending</b>	<b>\$ 141,059</b>	<b>\$ 111,795</b>	<b>\$ 113,038</b>	<b>\$ 1,243</b>

**CITY OF DECATUR  
DOCKET FEE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines and Forfeitures	\$ 45,000	\$ 45,000	\$ 70,084	\$ 25,084
Total revenues	45,000	45,000	70,084	25,084
<b>Expenditures</b>				
Operating expenses	55,000	55,000	17,016	37,984
Total expenditures	55,000	55,000	17,016	37,984
<b>Net change in fund balance</b>	(10,000)	(10,000)	53,068	63,068
Fund balance, beginning	120,704	120,704	120,704	-
<b>Fund balance, ending</b>	<b>\$ 110,704</b>	<b>\$ 110,704</b>	<b>\$ 173,772</b>	<b>\$ 63,068</b>

**CITY OF DECATUR  
DRUG SEIZURE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-  
BUDGET AND ACTUAL  
For the Year Ended September 30, 2012**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 86,490	\$ 36,490
Revenues from money and property	500	500	934	434
Total revenues	50,500	50,500	87,424	36,924
<b>Expenditures</b>				
Operating expenses	120,000	120,000	29,545	90,455
Capital outlay	55,000	55,000	-	55,000
Total expenditures	175,000	175,000	29,545	145,455
<b>Excess (deficiency) of revenues over expenditures</b>	(124,500)	(124,500)	57,879	182,379
<b>Net change in fund balance</b>	(124,500)	(124,500)	57,879	182,379
Fund balance, beginning	207,861	207,861	207,861	-
<b>Fund balance, ending</b>	<b>\$ 83,361</b>	<b>\$ 83,361</b>	<b>\$ 265,740</b>	<b>\$ 182,379</b>

**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, 2012**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes and Payments in lieu of taxes	\$ 450,000	\$ 450,000	\$ 507,282	\$ 57,282
Total revenues	450,000	450,000	507,282	57,282
<b>Expenditures</b>				
Capital outlay	447,465	447,465	447,465	-
Debt service				
Operating expenses	-	-		
Principal	60,000	60,000	60,000	-
Interest	100,119	100,119	100,119	-
Total expenditures	607,584	607,584	607,584	-
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(157,584)</b>	<b>(157,584)</b>	<b>(100,302)</b>	<b>57,282</b>
<b>Other financing sources</b>				
Operating transfers (out)	(12,792)	(12,792)	(12,792)	-
Total other financing sources	(12,792)	(12,792)	(12,792)	-
<b>Net change in fund balance</b>	<b>(170,376)</b>	<b>(170,376)</b>	<b>(113,094)</b>	<b>57,282</b>
Fund balance, beginning	(2,716,517)	(2,716,517)	(2,716,517)	-
<b>Fund balance, ending</b>	<b>\$ (2,886,893)</b>	<b>\$ (2,886,893)</b>	<b>\$(2,829,611)</b>	<b>\$ 57,282</b>

**CITY OF DECATUR  
NON-MAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF NET ASSETS  
September 30, 2012**

	<b>Enterprise Funds</b>		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash & investments, at cost	\$ 2,862,258	\$ 16,750,491	\$19,612,749
Accounts	38,297	615,200	653,497
Due from other funds	-	1,391,889	1,391,889
Inventories, at cost	66,259	7,725	73,984
<b>Total current assets</b>	<b>2,966,814</b>	<b>18,765,305</b>	<b>21,732,119</b>
<b>Noncurrent assets</b>			
Capital assets:			
Land	173,940	1,241,799	1,415,739
Buildings	6,700,494	2,350,511	9,051,005
Improvements other than buildings	6,875,531	10,279,766	17,155,297
Furniture & equipment	1,013,061	7,084,751	8,097,812
Construction work in progress	449,313	268,817	718,130
Less accumulated depreciation	(9,980,999)	(11,567,445)	(21,548,444)
Total capital assets (net of accumulated depreciation)	5,231,340	9,658,199	14,889,539
<b>Total noncurrent assets</b>	<b>5,231,340</b>	<b>9,658,199</b>	<b>14,889,539</b>
<b>Total assets</b>	<b>8,198,154</b>	<b>28,423,504</b>	<b>36,621,658</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	408,744	1,073,739	1,482,483
Accrued liabilities	7,204	-	7,204
Contract retainages	-	-	-
Compensated absences	2,310	14,622	16,932
Due to other funds	40,724	49,782	90,506
<b>Total current liabilities</b>	<b>458,982</b>	<b>1,138,143</b>	<b>1,597,125</b>
<b>Noncurrent liabilities</b>			
Landfill closure and post-closure care costs	-	3,582,123	3,582,123
Compensated absences	20,785	131,600	152,385
<b>Total noncurrent liabilities</b>	<b>20,785</b>	<b>3,713,723</b>	<b>3,734,508</b>
<b>Total liabilities</b>	<b>479,767</b>	<b>4,851,866</b>	<b>5,331,633</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,231,340	9,658,199	14,889,539
Unrestricted	2,487,047	13,913,439	16,400,486
<b>Total net assets</b>	<b>\$ 7,718,387</b>	<b>\$ 23,571,638</b>	<b>\$ 31,290,025</b>

**CITY OF DECATUR  
NON-MAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS  
For the Year Ended September 30, 2012**

	<b>Enterprise Funds</b>		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
<b>Operating revenue</b>			
Charges for services	\$ -	\$ 6,178,169	\$ 6,178,169
Premiums & fees	4,106,134	-	4,106,134
<b>Total operating revenue</b>	<b>4,106,134</b>	<b>6,178,169</b>	<b>10,284,303</b>
<b>Operating expenses</b>			
Personnel, operations & maintenance	3,854,146	3,510,210	7,364,356
Closure and postclosure costs	-	796,677	796,677
Depreciation and amortization	393,835	751,986	1,145,821
Administrative costs	431,957	585,899	1,017,856
<b>Total operating expenses</b>	<b>4,679,938</b>	<b>5,644,772</b>	<b>10,324,710</b>
<b>Operating income (loss)</b>	<b>(573,804)</b>	<b>533,397</b>	<b>(40,407)</b>
<b>Nonoperating revenue (expenses)</b>			
Interest income	-	60,982	60,982
Gain on disposition of assets	-	1,397	1,397
Miscellaneous revenue	5,610	42,820	48,430
Total nonoperating revenue	5,610	105,199	110,809
<b>Income (loss) before contributions, transfers &amp; special items</b>	<b>(568,194)</b>	<b>638,596</b>	<b>70,402</b>
Transfers in	3,078,663	5,685	3,084,348
<b>Change in net assets</b>	<b>2,510,469</b>	<b>644,281</b>	<b>3,154,750</b>
Total net assets, beginning	5,207,918	22,927,357	28,135,275
<b>Total net assets, ending</b>	<b>\$ 7,718,387</b>	<b>\$ 23,571,638</b>	<b>\$ 31,290,025</b>

**CITY OF DECATUR  
NON-MAJOR PROPRIETARY FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2012**

	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
<b>Operating activities</b>			
Receipts from customers and users	\$ 4,121,955	\$ 6,504,894	\$ 10,626,849
Other operating cash receipts	5,610	42,820	48,430
Receipts from interfund services provided	-	-	-
Payments to suppliers	(1,948,627)	(3,086,055)	(5,034,682)
Payments to employees	(2,087,621)	(703,527)	(2,791,148)
Payments for legal settlement	-	-	-
Payments for interfund services	38,516	49,782	88,298
Non-operating cash receipts	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>129,833</b>	<b>2,807,914</b>	<b>2,937,747</b>
<b>Noncapital financing activities</b>			
Operating transfers in	3,078,663	5,685	3,084,348
Operating transfers (out)	-	-	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>3,078,663</b>	<b>5,685</b>	<b>3,084,348</b>
<b>Capital and related financing activities</b>			
Acquisition and construction of capital assets	(510,452)	(2,319,020)	(2,829,472)
Proceeds from sale of capital assets	-	1,398	1,398
Intergovernmental grants	-	-	-
<b>Net cash used by capital and related financing activities</b>	<b>(510,452)</b>	<b>(2,317,622)</b>	<b>(2,828,074)</b>
<b>Investing activities</b>			
Purchase of investments	-	-	-
Interest received	-	60,982	60,982
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>60,982</b>	<b>60,982</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,698,044</b>	<b>556,959</b>	<b>3,255,003</b>
Cash and cash equivalents, beginning	164,214	16,532,926	16,697,140
<b>Cash and cash equivalents, ending</b>	<b>\$ 2,862,258</b>	<b>\$ 17,089,885</b>	<b>\$ 19,952,143</b>
<b>Operating income (loss)</b>	<b>\$ (573,804)</b>	<b>\$ 533,397</b>	<b>\$ (40,407)</b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>			
Depreciation and amortization	393,835	751,986	1,145,821
Miscellaneous items	5,610	839,497	845,107
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	15,821	326,725	342,546
Accounts payable	276,272	356,873	633,145
Contract retainages	-	(36,187)	(36,187)
Inventory	(7,125)	11,644	4,519
Due to (from) other funds	38,516	49,782	88,298
Accrued liabilities	(19,292)	(25,803)	(45,095)
Deferred revenue	-	-	-
Other items	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>\$ 129,833</b>	<b>\$ 2,807,914</b>	<b>\$ 2,937,747</b>

**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>
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the city's most significant local revenue source, the sales tax.	C-1
<b>Debt Capacity</b> 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
<b>Demographic and Economic Information</b> 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
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the city's finance report relates to the services the city provides and the activities it performs.	F-1

#### Source:

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

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 35,010,784	\$ 36,362,570	\$ 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	5,659,061	2,382,802	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	(2,143,547)	2,362,520	9,250,203	11,924,579	18,838,999	24,266,429	24,343,072	23,391,527	24,372,544	18,583,958
<b>Total governmental activities net assets</b>	<b>38,526,298</b>	<b>41,107,892</b>	<b>44,545,612</b>	<b>49,845,230</b>	<b>50,656,198</b>	<b>50,382,733</b>	<b>46,560,335</b>	<b>47,238,440</b>	<b>44,408,705</b>	<b>38,210,393</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	187,342,637	174,056,977	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	8,838,606	5,667,314	16,836,846	5,059,368	5,185,299	5,050,864	4,980,645	4,825,400	5,651,405	6,933,863
Unrestricted	45,574,577	41,638,502	35,277,505	33,731,667	37,692,763	37,098,632	33,733,133	28,132,562	26,485,303	23,821,201
<b>Total business-type activities net assets</b>	<b>241,755,820</b>	<b>221,362,793</b>	<b>216,120,059</b>	<b>212,242,462</b>	<b>210,398,626</b>	<b>207,282,519</b>	<b>201,734,376</b>	<b>195,912,334</b>	<b>190,163,247</b>	<b>187,723,085</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	222,353,421	210,419,547	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	14,497,667	8,050,116	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	43,431,030	44,001,022	44,527,708	45,656,266	56,531,762	61,365,061	58,076,205	51,524,089	50,857,847	42,405,159
<b>Total primary government net assets</b>	<b>\$ 280,282,118</b>	<b>\$ 262,470,685</b>	<b>\$ 260,665,671</b>	<b>\$ 262,087,692</b>	<b>\$ 261,054,824</b>	<b>\$ 257,665,252</b>	<b>\$ 248,294,711</b>	<b>\$ 243,150,774</b>	<b>\$ 234,571,952</b>	<b>\$ 225,933,478</b>

**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 Ten Fiscal Years (Unaudited)  
(accrual basis of accounting)

Expenses	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Governmental activities:</b>										
General Government	\$ 5,006,026	\$ 4,983,534	\$ 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	21,943,955	21,414,691	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	7,609,409	8,522,763	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	10,437,085	9,555,143	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	25,839,587	25,313,985	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	2,739,907	3,083,825	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	1,750,619	1,734,467	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	534,999	534,424	559,696	525,530	537,308	540,514	498,392	530,389	469,260	457,214
Interest on long-term debt	2,147,487	2,342,822	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	2,575,465	2,735,488	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	80,644,539	80,221,142	78,909,276	77,677,067	76,878,041	71,516,372	73,327,621	65,550,971	64,236,890	59,439,336
<b>Business-type activities:</b>										
Municipal Utilities Board (a)	131,805,985	138,399,838	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	4,674,328	4,317,541	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	5,600,555	5,114,326	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	142,080,868	147,831,705	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	222,725,407	228,052,847	221,600,566	228,460,662	231,310,093	212,767,816	214,927,277	188,299,443	187,348,713	209,971,500
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
Charges for services:										
General government	6,356,657	5,713,461	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	2,544,045	2,392,923	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	3,221,422	3,126,217	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	683,828	532,171	569,653	563,471	605,347	509,251	569,054	570,640	594,366	588,478
Intergovernmental assistance	8,172,228	7,971,208	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	1,150,674	1,365,315	625,182	985,777	549,862	785,689	685,272	473,856	1,232,546	856,207
Capital grants and contributions	2,295,332	418,216	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	24,424,186	21,519,511	20,986,477	24,995,881	21,045,667	19,747,356	20,728,065	17,925,174	17,954,278	20,712,724
<b>Business-type activities</b>										
Charges for services:										
Municipal Utilities Board (a)	139,093,646	141,928,757	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	4,106,134	3,632,355	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	6,178,169	5,858,038	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	985,813	414,573	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	150,363,762	151,833,723	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	174,787,948	173,353,234	167,035,070	176,876,898	176,277,099	165,737,849	165,514,061	143,925,728	142,513,928	171,823,466
<b>Net (Expense)/Revenue</b>										
Governmental activities	(56,220,353)	(58,701,631)	(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	8,282,894	4,002,018	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	(47,937,459)	(54,699,613)	(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 Ten Fiscal Years (Unaudited), continued**  
*(accrual basis of accounting)*

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities										
Taxes										
Sales & use taxes	35,761,817	34,578,700	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	11,426,462	11,686,642	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	1,815,900	1,889,725	2,058,897	2,079,989	2,178,344	2,096,980	1,959,620	1,899,066	-	-
Gasoline taxes	849,450	826,571	817,274	854,729	866,383	908,017	881,061	1,324,890	-	-
Automobile taxes	1,335,785	1,258,968	1,256,066	1,316,502	1,386,524	1,422,446	1,345,890	1,280,830	-	-
Lodging taxes	1,564,045	1,469,788	1,210,713	1,219,763	1,480,525	1,270,831	1,139,526	1,101,824	-	-
Rental taxes	1,121,628	1,085,585	1,062,431	1,433,785	1,393,968	1,237,542	1,099,616	1,101,615	-	-
Other taxes	1,824,251	1,648,995	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	125,155	220,673	272,408	382,714	1,035,330	1,930,389	1,416,270	829,131	560,181	475,938
Other	959,472	930,989	42,752	270,146	375,869	618,759	278,875	1,874,267	1,587,883	1,358,172
Transfers	(3,091,348)	(332,725)	(261,089)	(355,561)	(521,279)	(424,573)	(640,061)	(1,304,539)	(571,380)	(2,665,404)
Total governmental activities	53,692,617	55,263,911	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	221,019	229,545	259,204	390,853	1,795,448	2,579,834	1,995,733	1,017,206	420,955	571,861
Forgiveness of Long-term debt	8,797,766	-	-	-	-	-	-	-	-	-
Transfers	3,091,348	332,725	261,089	355,561	521,279	493,633	640,061	1,304,539	571,380	2,665,404
Total business-type activities	12,110,133	562,270	520,293	746,414	2,316,727	3,073,467	2,635,794	2,321,745	992,335	3,237,265
Total primary government	65,802,750	55,826,181	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	(2,471,469)	(3,437,720)	(5,299,618)	(810,968)	273,465	3,822,398	(466,027)	2,829,735	3,343,382	6,193,734
Business-type activities	20,393,027	4,564,288	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	\$ 17,921,558	\$ 1,126,568	\$ (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)**

	<u>2012</u>	<u>2011</u>		<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund			General Fund								
Nonspendable	\$ 33,486	\$ 24,092	Reserved	\$ 589,640	\$ 623,643	\$ 620,606	\$ 56,368	\$ 20,298	\$ 37,677	\$ 42,261	\$ 305,034
Restricted	0	0	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
Committed	14,444,242	16,427,815									
Assigned	653,402	778,556									
Unassigned	4,929,105	3,707,793									
Total general fund	<u>20,060,235</u>	<u>20,938,256</u>	Total general fund	<u>20,181,106</u>	<u>21,131,486</u>	<u>23,756,890</u>	<u>23,275,726</u>	<u>20,893,563</u>	<u>19,755,019</u>	<u>20,977,453</u>	<u>21,169,548</u>
All Other Governmental Funds			All Other Governmental Funds								
Nonspendable	940,236	886,196	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
Restricted	2,089,301	66,004	Unreserved, reported in:								
Committed	10,340,213	2,368,053	Special purposes	-	-	-	4,187,649	-	-	2,040,204	-
Assigned	1,090,523	6,186,691	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
Unassigned	(3,226,317)	(591,464)	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)
Total all other governmental funds	<u>\$ 11,233,956</u>	<u>\$ 8,915,480</u>	Total all other governmental funds	<u>\$ 6,414,938</u>	<u>\$ 7,662,987</u>	<u>\$ 8,361,810</u>	<u>\$ 14,241,493</u>	<u>\$ 1,442,489</u>	<u>\$ 5,351,183</u>	<u>\$ 6,769,311</u>	<u>\$ (574,401)</u>

**Notes:**

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

Retroactive application of Statement 54 was not implented for Fund Balances shown prior to 2011.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Revenues</b>										
Sales & use taxes	\$ 35,761,817	\$ 34,578,700	\$ 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	11,426,462	11,686,642	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	8,511,059	8,179,629	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	6,452,426	5,930,213	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	1,158,209	1,397,745	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	335,715	437,777	461,205	547,055	1,224,431	2,047,717	1,638,407	997,734	709,263	497,656
Charges for services	4,648,317	4,378,276	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	10,950,800	9,751,238	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	190,764	7,600	50,500	81,383	171,487	250,030	10,000	928,267	-	-
Other revenues	772,327	940,355	44,972	155,030	219,020	466,313	489,283	-	946,523	937,826
<b>Total revenues</b>	<b>80,207,896</b>	<b>77,288,175</b>	<b>73,572,756</b>	<b>74,098,851</b>	<b>77,656,136</b>	<b>78,270,550</b>	<b>71,795,242</b>	<b>68,118,391</b>	<b>67,130,537</b>	<b>62,838,727</b>
<b>Expenditures</b>										
General Government	4,207,598	4,032,711	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	22,262,093	20,700,647	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	8,301,676	9,143,890	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	10,443,037	12,280,657	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	22,298,492	21,608,450	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	2,739,907	3,083,825	3,062,672	2,631,805	2,973,892	2,780,387	2,555,873	2,425,763	2,358,965	2,191,438
Community development	3,399,597	1,734,467	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	594,999	534,424	559,696	525,530	537,308	540,514	498,392	530,389	469,260	457,214
Principal	6,498,052	4,741,306	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	2,194,321	2,259,325	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	157,790	124,206	-	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
<b>Total expenditures</b>	<b>83,097,562</b>	<b>80,243,908</b>	<b>76,085,013</b>	<b>78,367,541</b>	<b>82,533,376</b>	<b>78,810,751</b>	<b>79,205,331</b>	<b>70,467,823</b>	<b>75,805,152</b>	<b>66,740,294</b>
Excess (deficiency) of revenues over expenditures	(2,889,666)	(2,955,733)	(2,512,257)	(4,268,690)	(4,877,240)	(540,201)	(7,410,089)	(2,349,432)	(8,674,615)	(3,901,567)
<b>Other Financing Sources (Uses)</b>										
Long-term debt issued	23,101,500	6,500,000	-	21,945,000	-	16,215,000	5,280,000	-	19,900,000	18,600,000
Premium on debt issue	261,492	46,149	-	325,960	-	-	-	-	21,888	-
Discount on debt issue	-	-	-	-	-	-	-	-	-	-
Capital lease proceeds	-	-	574,929	614,474	-	-	-	-	39,351	1,305,963
Payment to escrow agent	(15,941,523)	-	-	(21,585,422)	-	-	-	-	(3,600,000)	(16,304,212)
Transfers in	3,480,350	1,332,003	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)	(6,571,698)	(1,664,728)	(1,366,423)	(3,649,205)	(1,921,144)	(5,039,225)	(3,617,109)	(3,403,506)	(8,380,610)	(21,383,775)
<b>Total other financing sources (uses)</b>	<b>4,330,121</b>	<b>6,213,424</b>	<b>313,840</b>	<b>944,451</b>	<b>(521,279)</b>	<b>15,721,368</b>	<b>4,639,939</b>	<b>(291,130)</b>	<b>15,826,232</b>	<b>2,902,079</b>
<b>Net change in fund balance</b>	<b>\$ 1,440,455</b>	<b>\$ 3,257,691</b>	<b>\$ (2,198,417)</b>	<b>\$ (3,324,239)</b>	<b>\$ (5,398,519)</b>	<b>\$ 15,181,167</b>	<b>\$ (2,770,150)</b>	<b>\$ (2,640,562)</b>	<b>\$ 7,151,617</b>	<b>\$ (999,488)</b>
Debt service as a percentage of noncapital expenditures	11.5%	9.6%	9.6%	12.2%	11.4%	13.7%	11.4%	13.9%	17.1%	16.5%

\*\* Capital outlay and construction are included in the expenditure function categories

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

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

Fiscal Year	Residential Property	Commercial and Industrial Property	Public Utility Property	Less: Tax-Exempt Property	Net Assessed Value	Total Direct Tax Rate	**Estimated Actual Taxable Value	Net Assessed Value as a Percentage of Actual Taxable Value
2003	149,888,620	382,311,100	12,879,520	153,344,140	391,735,100	18.6 Mills	3,451,700,346	11.35%
2004	157,351,760	400,216,780	13,313,320	165,924,460	404,957,400	18.6 Mills	3,617,188,351	11.20%
2005	163,761,540	418,926,480	12,852,320	172,319,760	423,220,580	18.6 Mills	3,773,231,885	11.22%
2006	174,696,180	444,945,640	11,698,340	184,234,600	447,105,560	18.6 Mills	4,008,747,002	11.15%
2007	183,386,980	466,603,380	11,658,060	187,962,620	473,685,800	18.6 Mills	4,103,768,107	11.54%
2008	195,464,700	491,616,620	11,213,700	173,096,040	525,198,980	18.6 Mills	3,488,043,600	15.06%
2009	200,069,940	534,383,300	8,777,200	207,876,920	535,353,520	18.6 Mills	3,563,382,733	15.02%
2010	201,477,560	561,757,560	9,239,000	209,795,900	562,678,220	18.6 Mills	3,695,450,367	15.23%
2011	203,965,920	548,823,220	9,374,540	220,558,700	541,604,980	18.6 Mills	3,586,655,267	15.10%
2012	201,541,160	555,002,400	9,316,980	204,461,620	561,398,920	18.6 Mills	3,676,450,300	15.27%

**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)*

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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
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
2011	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2012	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	2003			2004			2005			2006			2007			
	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	
Worthington Steel	\$ 24,274,260	2	6.20%	\$ 23,074,080	2	5.70%	\$ 10,699,380	2	2.53%	\$ 10,525,220	2	2.35%	\$ 83,485,960	1	17.62%	
Bunge Corporation	11,502,820	3	2.94%	11,072,020	3	2.73%	8,883,200	4	2.10%	8,633,700	4	1.93%	11,061,040	2	2.34%	
BellSouth	9,056,200	4	2.31%	9,258,400	4	2.29%	3,794,280	9	0.90%	4,350,360	9	0.97%	8,642,900	5	1.82%	
Hexel Corporation	3,991,440	9	1.02%	*	5,945,900	6	1.47%	4,348,720	8	1.03%	4,632,580	8	1.04%	9,923,320	3	2.09%
Goodyear Tire & Rubber	6,228,220	5	1.59%	5,081,660	8	1.25%	4,483,180	7	1.06%	4,864,380	7	1.09%	*	*	*	
General Electric Appliances	5,509,140	6	1.41%	5,114,540	7	1.26%	5,014,740	6	1.18%	5,281,800	6	1.18%	4,603,620	8	0.97%	
Colonial Realty Limited	*	*	*	*	*	*	5,014,740	6	1.18%	3,893,460	10	0.87%	5,304,720	7	1.12%	
National Healthcare	*	*	*	*	*	*	5,014,740	6	1.18%	3,893,460	10	0.87%	3,878,740	9	0.82%	
Nucor Steel	30,079,240	1	7.68%	41,185,540	1	10.17%	67,380,360	1	15.92%	76,363,820	1	17.06%	*	*	*	
O.C.I. Chemical Corp	5,357,300	7	1.37%	5,319,340	9	1.31%	5,182,780	5	1.22%	6,282,120	5	1.41%	6,074,000	6	1.28%	
Meow Mix	5,081,960	8	1.30%	7,731,400	5	1.91%	9,214,840	3	2.18%	9,300,180	3	2.08%	8,949,320	4	1.89%	
Charter Communications	3,907,060	10	1.00%	3,472,920	10	0.86%	3,090,380	10	0.73%	*	*	*	*	*	*	
Hyosung USA, Inc.	*	*	*	*	*	*	*	*	*	*	*	*	3,238,860	10	0.68%	
First Republic Group Realty	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Maine Terminals of Ala	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
ITW Saxon	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
ITC-AL LLC	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Coragra Inc	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Coyote Garrison Decatur LLC	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	
Total	\$ 104,987,660		26.80%	\$ 117,255,800		28.96%	\$ 122,091,860		28.85%	\$ 134,133,620		30.00%	\$ 145,162,480		30.65%	
Net City Taxable Assessed Value	391,735,100			404,957,400			423,220,580			447,105,560			473,685,800			

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	2008			2009			2010			2011			2012		
	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
Worthington Steel	\$ 8,702,100	3	1.66%	\$ 10,263,540	3	1.92%	\$ 10,593,820	3	1.88%	\$ -	-	-	\$ 11,674,840	3	2.08%
Bunge Corporation	8,499,400	4	1.62%	9,442,740	4	1.76%	7,337,600	4	1.30%	10,593,820	3	1.95%	6,949,400	4	1.24%
BellSouth	13,997,040	2	2.67%	22,905,500	2	4.28%	35,580,040	2	6.32%	35,580,040	2	6.57%	39,485,680	2	7.03%
Hexel Corporation															
Goodyear Tire & Rubber															
General Electric Appliances	4,242,200	7	0.81%	4,543,620	7	0.85%	6,044,220	5	1.07%	6,044,220	5	1.12%	6,468,900	5	1.15%
Colonial Realty Limited															
National Healthcare	2,674,800	9	0.51%				2,761,420	10	0.49%	3,830,960	9	0.71%			
Nucor Steel	95,310,360	1	18.15%	128,517,280	1	24.01%	135,048,680	1	24.00%	135,048,680	1	24.93%	125,141,860	1	22.29%
O.C.I. Chemical Corp				5,299,680	9	0.99%							4,872,960	8	0.87%
Meow Mix				8,644,500	6	1.61%							8,356,000	6	1.49%
Charter Communications							8,784,220	6	1.56%				2,949,640	10	0.53%
Hyosung USA, Inc.	5,232,860	5	1.00%				3,430,800	9	0.61%	3,430,800	10	0.63%			
First Republic Group Realty	2,500,980	8	0.48%				4,780,840	7	0.85%	4,780,840	7	0.88%			
Maine Terminals of Ala	2,777,740	10	0.53%												
ITW Saxon															
ITC-AL LLC				7,188,780	8	1.34%	7,321,540	8	1.30%	7,321,540	8	1.35%			
Coragra Inc				4,550,000	10	0.85%									
Coyote Garrison Decatur LLC															
Total	\$ 152,595,420		29.05%	\$ 206,544,940		38.58%	\$ 221,673,180		39.40%	\$ 222,742,720		41.13%	\$ 214,646,600		38.23%

Net City Taxable Assessed Value 525,198,980 535,353,520 562,678,220 541,604,980 561,398,920

**City of Decatur  
Property Tax Levies and Collections,  
Last Nine 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%	55	15,839,494	99%
2008	17,059,718	16,850,721	98.77%	32,161	16,882,882	99%
2009	17,845,697	17,842,973	99.98%	9,698	17,852,671	100%
2010	18,613,467	18,346,672	98.57%	777	18,347,449	99%
2011	18,214,808	18,047,311	99.08%			
2012**	18,382,932					

**Source:**  
Morgan County Revenue Commissioner

\*\* FY 12 revenue collected amounts will not be available until mid-July 2013.  
FY 11 collections in subsequent years will not be available until mid-July 2013.

**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 Seven Prior Calendar Years (Unaudited)**  
*(In thousands)*

Category Description	Calendar Year							
	2012	2011	2010	2009	2008	2007	2006	2005
Apparel	\$ 57,589	\$ 52,534	\$ 54,923	\$ 63,494	\$ 66,241	\$ 67,976	\$ 60,049	\$ 59,159
Multi-Line Retail	173,354	150,440	167,912	135,093	194,174	184,170	140,837	136,207
Restaurants	128,813	95,124	84,534	88,955	95,996	90,931	86,759	77,867
Grocery Stores	78,959	67,321	66,760	77,044	80,101	74,071	56,265	52,101
Building Materials	59,790	46,877	48,784	74,413	115,558	113,975	79,993	73,812
Automobile Dealers	189,072	115,422	57,844	150,216	280,506	393,859	227,712	214,032
Household Furnishings	16,654	14,205	14,908	12,277	16,557	17,912	16,706	15,979
Convenience Stores	31,453	29,235	32,519	65,220	107,623	102,031	33,581	31,523
All other outlets	447,227	381,307	334,197	211,402	169,134	138,176	319,057	297,844
<b>Total</b>	<b>\$ 1,182,911</b>	<b>\$ 952,465</b>	<b>\$ 862,381</b>	<b>\$ 878,114</b>	<b>\$ 1,125,890</b>	<b>\$ 1,183,101</b>	<b>\$ 1,020,959</b>	<b>\$ 958,524</b>

**Source:**  
City Revenue Department

**Notes:**  
City direct sales tax rate is 4%  
Information prior to the current year and prior 6 calendar years is not available.  
Information prior to 2010 did not include refunds

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

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<b>Fiscal Year</b>	<b>City Direct Rate</b>	<b>Morgan County</b>	<b>State of Alabama</b>
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%
2011	4.00%	1.00%	4.00%
2012	4.00%	1.00%	4.00%

**Source:**  
City revenue department

**Notes:**  
Tax rates indicated are the general rate.

City of Decatur  
Principal Sales Tax Remitters,  
Current Year and 7 Prior Years (Unaudited)

Tax Remitter Description	Calendar Year 2012			Calendar Year 2011			Calendar Year 2010			Calendar Year 2009		
	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	\$ 3,143,958	1	8.76%	\$ 3,155,015	1	9.01%	\$ 3,267,680	1	10.17%	\$ 3,332,677	1	10.31%
Manufacturer	1,657,104	2	4.62%	1,593,663	2	4.55%	1,486,051	2	4.63%	1,215,992	2	3.76%
Grocery store	1,113,659	3	3.10%	1,087,599	3	3.11%	943,588	4	2.94%	881,470	4	2.73%
Multi-line retailer	960,704	4	2.68%	963,404	4	2.75%	960,368	3	2.99%	929,286	3	2.87%
Building materials /hard line	946,466	5	2.64%	892,307	5	2.55%	902,975	5	2.81%	876,426	5	2.71%
Multi-line retailer	800,484	6	2.23%	740,366	6	2.11%	677,686	6	2.11%	*	*	*
Grocery store	727,061	7	2.03%	686,460	7	1.96%	655,050	7	2.04%	630,738	7	1.95%
Apparel Store	664,751	8	1.85%	598,786	9	1.71%	525,665	10	1.64%	496,031	8	1.53%
Building materials /hard line	600,205	9	1.67%	610,317	8	1.74%	587,857	8	1.83%	664,293	6	2.05%
Automobile dealer	532,527	10	1.48%	560,643	10	1.60%	554,647	9	1.73%	*	9	1.01%
Apparel Store	*	*	*	*	*	*	*	*	*	327,451	10	1.00%
Multi-line retailer	*	*	*	*	*	*	*	*	*	324,700	*	1.00%
Manufacturer	*	*	*	*	*	*	*	*	*	*	*	*
Grocery store	*	*	*	*	*	*	*	*	*	*	*	*
<b>Total</b>	<b>\$ 11,146,919</b>		<b>31.06%</b>	<b>\$ 10,888,581</b>		<b>31.09%</b>	<b>\$ 10,563,557</b>		<b>32.89%</b>	<b>\$ 9,679,064</b>		<b>29.93%</b>

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 7 calendar years is not available.  
\* Denotes company was not a principal sales tax remitter for year reported.

City of Decatur  
Principal Sales Tax Remitters,  
Current Year and 7 Prior Years (Unaudited), continued

Tax Remitter Description	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
Multi-line retailer	\$ 3,432,359	1	9.64%	\$ 3,398,590	1	9.62%	\$ 3,467,513	1	10.20%	\$ 3,538,724	1	11.09%
Manufacturer	2,164,933	2	6.06%	2,093,335	2	5.94%	2,410,858	2	7.09%	2,122,806	2	6.65%
Grocery store	908,885	4	2.55%	895,524	4	2.53%	719,608	4	2.12%	497,428	7	1.56%
Multi-line retailer	885,335	5	2.49%	407,697	10	1.15%	*	*	*	*	*	*
Building materials /hard line	1,152,320	3	3.24%	1,055,579	3	2.89%	1,085,172	3	3.19%	994,399	3	3.12%
Multi-line retailer	*	*	*	*	*	*	*	*	*	*	*	*
Grocery store	590,565	7	1.66%	563,720	7	1.60%	510,791	8	1.50%	459,897	9	1.44%
Apparel Store	458,425	9	1.29%	492,186	8	1.39%	433,099	10	1.27%	509,379	6	1.60%
Building materials /hard line	680,106	6	1.91%	689,525	5	1.95%	684,218	5	2.01%	713,414	4	2.24%
Automobile dealer	503,718	8	1.41%	622,068	6	1.76%	570,183	7	1.68%	586,306	5	1.84%
Apparel Store	354,459	10	1.00%	445,465	9	1.26%	496,211	9	1.34%	471,869	8	1.46%
Multi-line retailer	*	*	*	*	*	*	*	*	*	*	*	*
Manufacturer	*	*	*	*	*	*	609,641	6	1.79%	*	10	1.28%
Grocery store	*	*	*	*	*	*	*	*	*	407,787	*	*
<b>Total</b>	<b>\$ 11,131,105</b>		<b>31.26%</b>	<b>\$ 10,669,709</b>		<b>30.19%</b>	<b>\$ 10,947,294</b>		<b>32.19%</b>	<b>\$ 10,302,009</b>		<b>32.27%</b>

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 7 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)**

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<u>Fiscal Year</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
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
2011	97,869,957	19,456,250	10,260,760	14,341,790	141,928,757
2012	96,544,683	15,701,341	11,512,382	15,335,240	139,093,646

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

Financial statements 2004 through 2011 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	Total Debt per Capita
	General		Capital Leases		Water		Wastewater				
	Obligation Warrants	Notes Payable	Revenue	Notes Payable	Revenue Warrants	Notes Payable	Revenue Warrants	Notes Payable			
2003	50,615	2,330	1,575	24,825	28,525	77	107,947	10.12%	1,934		
2004	63,005	680	854	23,240	26,590	29	114,398	10.72%	2,038		
2005	57,935	630	299	22,140	22,680	45	103,729	9.72%	1,824		
2006	57,970	630	154	20,995	21,030	-	100,779	8.40%	1,886		
2007	68,575	-	29	19,795	19,320	-	107,719	9.20%	2,010		
2008	63,273	-	-	18,545	17,545	-	99,363	6.78%	1,799		
2009	59,542	-	401	17,915	15,700	-	93,558	7.71%	1,750		
2010	55,352	-	579	16,245	13,790	-	85,966	6.44%	1,546		
2011	57,498	-	191	14,630	11,810	6,877	106,671	8.24%	1,881		
2012	59,028	-	-	16,080	19,915	-	95,023	6.82%	1,693		

**Sources:**

2006 through 2012 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 2002 through 2005.

\*\* Notes Payable for 2011 related to the Business-Type Activities relate to loans from the Alabama Drinking Water Finance Authority and the Alabama Water Pollution Control Authority to the Municipal Utilities Board Fund in the amounts noted above. In 2012, portions of these loans were forgiven with the remainder being paid in full with the issuance of warrants in the amount of \$3,215,000 for the Water Authority and \$10,530 for the Wastewater System. Therefore, there were no outstanding loans as of September 30, 2012.

**Notes:**

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

Business type activities:

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)**

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<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2003	49,782,718	1.44%	892
2004	62,207,577	1.72%	1,108
2005	57,126,116	1.51%	1,005
2006	57,144,903	1.43%	1,069
2007	67,729,563	1.65%	1,264
2008	62,855,830	1.80%	1,138
2009	59,542,038	1.67%	1,114
2010	55,351,670	1.50%	996
2011	57,366,976	1.60%	1,012
2012	59,028,296	1.61%	1,052

**Sources:**

Morgan County Economic Development Association for 2006 through 2011 population estimates

**Notes:**

FY 2003 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, 2012 (Unaudited)**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Percent Applicable to City</b>	<b>City's Share of Direct and Overlapping Debt</b>
<b>Debt repaid with property taxes</b>			
City of Decatur general obligation bonds & warrants	\$ 59,028,311	100.00%	\$ 59,028,311
<b>Total Direct Debt</b>			
* City of Decatur Board of Education	25,730,000	100.00%	25,730,000
Morgan County	23,635,000	47.27%	11,172,265
Morgan County Board of Education	49,996,390	47.27%	23,633,294
<b>Total Overlapping Debt</b>			<u>60,535,559</u>
<b>Total direct and overlapping debt</b>			119,563,870

The percentage of overlapping debt applicable to the City is calculated on the basis of the ratio of the estimated 2012 net assessed valuation of all taxable property in the City (\$561,398,920) - exclusive of taxable property outside the boundaries of Morgan County - to that of all net taxable property in Morgan County (\$1,187,559,220).

\*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)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 78,347,020	\$ 80,991,480	\$ 84,644,116	\$ 89,421,112	\$ 94,737,160	\$ 105,039,796	\$ 107,070,704	\$ 112,535,644	\$ 108,320,996	\$ 112,279,784
Total net debt applicable to limit	35,465,000	48,370,000	45,485,000	47,485,000	60,240,000	56,997,969	55,330,038	52,555,819	58,877,645	59,725,534
Legal debt margin	42,882,020	32,621,480	39,159,116	41,936,112	34,497,160	48,041,827	51,740,666	59,979,825	49,443,351	52,554,250
Total net debt applicable to the limit as a percentage of debt limit	45.27%	59.72%	53.74%	53.10%	63.59%	54.26%	51.68%	46.70%	54.35%	53.19%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed value	\$ 765,860,540
Less tax exempt property	(204,461,620)
Net Assessed Value	561,398,920
Debt limit (20% of net assessed value)	112,279,784
Debt applicable to limit:	
General obligation bonds	59,028,296
Less: School	697,238
Total net debt applicable to limit	59,725,534
Legal debt margin	\$ 52,554,250

**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)**

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<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service</b>	<b>Coverage</b>
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%
2011	142,061,998	128,939,530	13,122,468	4,579,979	2.87%
2012	139,253,683	122,587,716	16,665,967	5,523,435	3.02%

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
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			38.3	483	8,831	3.1%
2007	53,581	1,192,879	22,321	38.8	437	8,812	3.3%
2008	55,233	1,170,477	21,845	38.4	521	8,873	4.9%
2009	53,465	1,465,608	26,535	38.9	536	8,812	10.6%
2010	55,588	1,213,549	22,698	39.4	498	8,723	9.0%
2011	56,696	1,335,335	24,022	40.4	500	8,545	9.9%
2012	56,114	1,293,803	22,820	37.0	605	8,516	6.8%

**Sources:**  
Morgan County Economic Development Association for 2006 through 2012 population and personal income, and for all median age and unemployment rate.  
City Planning department for population estimate prior to 2006

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 Six Years (Unaudited)**

Employer	2012			2011			2010			2009		
	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
Decatur Morgan Hospital	1,449	1	4.30%	*	1	4.07%	*	1	3.98%	*	1	3.65%
General Electric	1,250	2	3.71%	1,250	2	3.92%	1,250	2	3.84%	1,250	2	3.52%
Decatur City Schools	1,200	3	3.56%	1,205	3	3.25%	1,000	3	3.19%	1,000	3	2.92%
Decatur General Hospital	*			1,000	3	2.47%	654	7	2.08%	654	6	1.91%
United Launch Alliance	854	4	2.53%	760	6	2.86%	760	5	2.42%	760	4	2.22%
3M Company	815	5	2.42%	880	4	2.69%	858	4	2.73%	858	5	2.51%
Wayne Farms Fresh	800	6	2.37%	826	5	2.34%	713	6	2.27%	700	8	2.05%
Nucor Steel	710	7	2.11%	719	7	2.21%	675	8	2.15%	675	7	1.97%
City of Decatur	693	8	2.06%	680	8	1.85%	444	9	1.41%	444	10	1.30%
Wayne Farms East/West	568	9	1.68%	568	9	1.35%	414	10	1.32%			
Parkway Medical Center	*			414	10							
BP America	457	10	1.36%							446	9	1.30%
Wolverine Tube												
Goodyear Tire & Rubber												
<b>Total</b>	<b>8,796</b>		<b>26.09%</b>	<b>8,302</b>		<b>27.00%</b>	<b>7,973</b>		<b>25.39%</b>	<b>7,992</b>		<b>23.36%</b>

**Source:**  
Morgan County Economic Development Association

Prior years' comparative information was not available.

\* Decatur General Hospital and Parkway Medical Center merged with Huntsville Hospital and became Decatur Morgan Hospital in September 2012.

City of Decatur  
Principal Employers  
Current Year and Prior Six Years (Unaudited), continued

Employer	2008			2007			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Decatur Morgan Hospital	*			*			*		
General Electric	1,390	1	3.86%	1,390	1	4.10%	1,390	1	3.68%
Decatur City Schools	1,205	2	3.35%	1,205	2	3.55%	1,205	2	3.19%
Decatur General Hospital	1,200	3	3.33%	1,200	3	3.54%	1,200	3	3.18%
United Launch Alliance	684	6	1.90%	638	6	1.88%	650	6	1.72%
3M Company	830	4	2.31%	895	4	2.64%	828	4	2.19%
Wayne Farms Fresh	799	5	2.22%	813	5	2.39%	813	5	2.15%
Nucor Steel	710	8	1.97%	630	8	1.85%	630	8	1.67%
City of Decatur	673	7	1.87%	671	7	1.97%	681	7	1.80%
Wayne Farms East/West	418	10	1.16%	418	10	1.23%	-	-	-
Parkway Medical Center									
BP America	446	9	1.24%	453	9	1.33%	-	-	-
Wolverine Tube							525	9	1.39%
Goodyear Tire & Rubber							408	10	1.08%
<b>Total</b>	<b>8,355</b>		<b>23.22%</b>	<b>8,313</b>		<b>24.48%</b>	<b>8,330</b>		<b>22.05%</b>

Source:  
Morgan County Economic Development Association

Prior years' comparative information was not available.

\* Decatur General Hospital and Parkway Medical Center merged with Huntsville Hospital and became Decatur Morgan Hospital in September 2012.

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government	44	42	43	41	44	44	43	44	43	42
Public safety	288	284	275	272	263	276	283	266	275	268
Public works	79	76	76	81	81	82	77	74 *	94	94
Public services	71	71	77	72	78	71	73 *	73 *	59	57
Intergovernmental assistance	18 **	16	18	19	19	20	20	23	23	22
Municipal Utilities Board	163	164	163	165	163	157	160	170	178	177
Point Mallard	10	9	9	11	10	8	12	25	25	23
Sanitary Landfill	20	18	14	14	13	13	13	13	12	12
<b>Total</b>	<b>693</b>	<b>680</b>	<b>675</b>	<b>675</b>	<b>671</b>	<b>671</b>	<b>681</b>	<b>688</b>	<b>709</b>	<b>695</b>

**Source:**

City of Decatur Personnel Board  
 Decatur Utilities Personnel Department

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

\*\* Includes MPO employee that moved to City of Decatur payroll in FY 12

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

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Building permits issued	3,225	3,132	2,910	3,703	3,133	4,778	5,449	3,969	3,999	4,004
Building inspections conducted	4,026	6,096	6,751	5,487	8,004	9,955	8,365	9,155	7,327	**
Police										
Adult arrests	5,264	5,594	5,428	6,291	6,500	6,141	10,808	11,386	10,431	9,574
Traffic citations	11,490	15,204	15,948	16,022	16,695	13,946	12,154	12,662	15,963	10,919
Fire										
Inspections	168	93	182	154	91	69	52	37	31	130
Emergency medical responses	3800	3872	5281	3917	3885	2900	3059	3461	3556	3484
Fire and/or Hazmat responses	857	930	1467	1291	1004	888	906	889	1014	1094
Refuse collections										
Recyclables collected in tons	2,052	1,301	1,416	1,381	1,488	1,532	1,509	1,447	1,369	1,408
Garbage and trash collected	34,108	37,287	38,164	39,608	36,384	34,536	43,252	41,990	41,659	49,552
Municipal Utilities Board										
Electrical connections	26,618	26,513	26,453	26,403	26,595	26,439	26,105	26,348	26,316	26,034
Water connections	25,194	25,244	25,144	25,155	25,154	24,990	24,532	24,495	24,268	23,820
Wastewater connections	20,245	20,327	20,293	20,308	20,338	20,233	19,895	19,900	19,694	19,372
Gas connections	13,640	13,691	13,793	13,785	13,861	13,824	13,835	13,925	14,578	14,267

**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	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Police</b>										
Stations	3	3	3	3	3	4	4	3	3	4
Vehicles	161	153	135	135	137	142	122	102	102	82
<b>Fire</b>										
Stations	8	8	8	8	8	8	8	8	8	8
Pumper Fire trucks	12	10	10	13	13	14	12	11	11	10
Special Response Vehicle	3	3	3	4	4	4	4	2	2	2
<b>Sanitation</b>										
Garbage collection trucks	17	17	17	17	17	17	19	19	21	22
<b>Other public works</b>										
Paved streets (miles)	335	335	335	334	333	333	333	333	331	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	143	143	142	141
<b>Parks and Recreation</b>										
Number of parks*	26	26	26	26	26	26	26	24	24	32
Acres of Parks	1,278	1,278	1,278	1,278	1,278	1,278	1,278	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	46	46	34	34	34
Recreations centers	5	4	4	4	4	4	4	4	4	4
Senior citizen centers	2	2	2	2	2	2	2	2	1	1
Ball fields in use	35	35	35	35	35	35	34	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	2	2	3	3	3
Soccer facilities (acres)	62	62	62	62	62	62	62	62	62	35
Ice rinks	1	1	1	1	1	1	1	1	1	1
Marina/boat launch	2	2	2	2	2	2	2	2	1	1
Campgrounds	1	1	1	1	1	1	1	1	1	1
<b>Municiple Utilities Board</b>										
Water mains (miles)	484	481	480	480	478	476	474	472	405	464
Gas mains (miles)	415	414	414	413	412	411	409	407	405	401
Electric lines (miles)	593	592	592	592	592	588	586	585	581	577
Sanitary sewers (miles)	341	340	340	340	337	337	334	331	327	325
Fire hydrants in service	2,019	2,011	2,009	2,019	2,003	1,985	1,958	1,939	1,901	1,883

**Sources:**  
Various city departments and capital assets records

**Notes:**  
\*City parks were listed with duplicate names. The list was purged in FY 2004.