COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF
DECATUR
Alabama™

A Grand City on a CHARMING SCALE

FOR THE FISCAL YEAR ENDED SEPTEMBER 30,

2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

CITY OF DECATUR Alabama™

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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, 2010

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

President

Executive Director

CITY OF Decatur
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2011

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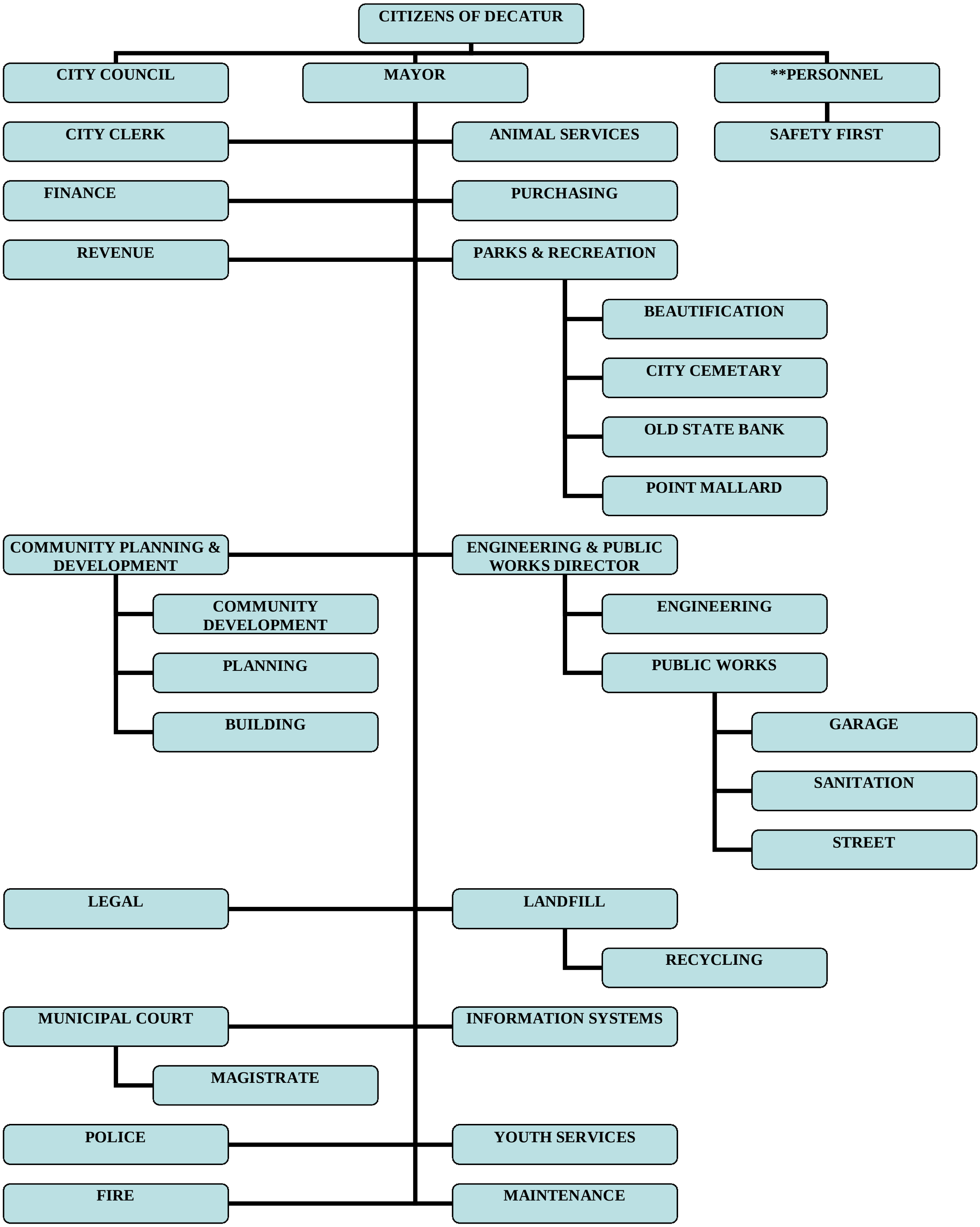

** **Personnel Department works independently and answers to the Personnel Board whose members are appointed by the City Council.**

City of Decatur

Boards and Commissions

Historic Preservation Commission
Industrial Development Board
Public Building Authority
Housing Authority
Board of Examinations and Appeals
Parks & Recreation Board
Old Bank Building Board
Decatur Beautification Board
Community Preservation Board
Downtown Redevelopment Authority
Medical Clinic Board

Decatur Library Board
Planning Commission
Board of Zoning and Adjustment
Decatur Animal Services Board
Small Business Development Board
Personnel Board
Municipal Utilities Board
City Board of Education
Educational Building Authority
Bingo Review Committee

City / County Boards

North Central Mental Retardation Authority
State Products Mart Authority
E-911 Board
Decatur/Morgan County Port Authority
EMS Advisory Committee

Mental Health Center of North Central Alabama
Board of Equalization
Healthcare Authority of Morgan County
Airport Authority
Decatur/Morgan County Farmer's Market

Morgan County Industrial Park & Economic Development Cooperative District

OFFICIALS OF THE CITY OF DECATUR

MAYOR

Don Stanford

CITY COUNCIL

Gary Hammon – President

Roger Anders – President Pro Tempore	Billy Jackson
Ronny Russell	Greg Reeves

DEPARTMENT DIRECTORS

Animal Shelter	Carol Wicks
City Attorney	Herman Marks
City Clerk	Betty Marshall
City Engineer/Public Works Director	Mark Petersohn
Community Planning & Development	Wally Terry
Fire Chief	Charlie Johnson
Information Systems	Todd Russell
Municipal Judge	Bill Cook, Jr.
Landfill	Rickey Terry
Parks & Recreation	Jeff Dunlap
Personnel	Ken Smith
Police Chief	Ed Taylor
Youth Services	Bruce Jones

OTHER KEY PERSONNEL

Beautification Coordinator	Linda Eubanks
Court Magistrate	Jessica Hayes
Finance Supervisor	Linda McKinney
Maintenance Supervisor	Ray Wilkinson
Old State Bank Coordinator	Melinda Dunn
Purchasing Agent	Jeff Fussell
Recycling Coordinator	Emily Johnson
Revenue Administrator	Tina Boyles

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March 29, 2012

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, 2011, 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 no absolute assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition, and (2) reliability of financial records for preparing financial statements and maintain accountability for assets. The concept of reasonable assurance recognizes: (1) the cost of internal controls should not exceed the benefits likely to be derived, 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, 2011 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, 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 Kiddie water feature, 18-hole championship golf course, regulation size ice rink, and a 223 sites campground. The City continues to make investments in the park to attract visitors to the area as well as serve the citizens of Decatur.

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.

The National Weather Service tracked 62 tornadoes across the state of Alabama on April 27, 2011. There were no fatalities in Morgan County, but electricity was lost for up to three days in the City of Decatur. Transmission towers and power lines were destroyed in the tornadoes that came through Morgan and Limestone counties near the Brown's Ferry nuclear plant. Independence Tube was in the path of one tornado that demolished its new expansion facility, a $35 million metal service center.

Decatur was recently recognized in the March 2012 edition of *Site Selection Magazine* as the number one metropolitan area nationally with a population below 200,000 for its ability to attract business. Of particular interest in the selection process was the rebuilding of Independence Tube after its destruction in the tornado outbreak on April 27, 2011, the new $187 million Polyplex Corporation facility, and the continued growth of United Launch Alliance.

Polyplex Corporation, an India-based company, announced on July 20, 2011 that it would build its new polyester film plant in the Mallard-Fox Creek Industrial Park, which will employ 150. The 160,000 square foot facility should be operational by the fall of 2012.

United Launch Alliance (ULA), builder of expandable launch vehicles, added 150 new jobs over the last year. A Delta II rocket assembled by the 760 workers at Decatur's United Launch Alliance plant sent a climate-monitoring satellite into orbit in 2011. NASA expects the satellite to orbit the Earth for five years. Many satellites currently in orbit are aging and will need to be replaced, possibly increasing the future demand for United Launch Alliance products. ULA paid $2.2 million in property taxes in 2010, ranking fourth in Morgan County behind Nucor, BP, and 3M.

Decatur & Morgan County's new and expanding industry investment numbers for fiscal year 2011 reflect a rebound from the troubled economy. There were two new industries and twenty-four expanding companies which will create 402 jobs and investments of $560,308,094. Surveys conducted by EDA of local businesses indicate that two thirds of the companies surveyed plan to expand during the next three years, up from less than half in 2010. Company sales have increased overall and almost none reported decreased sales. Of particular note is, Bunge as the company expands its existing refinery and builds a state-of-the-art packaging plant adjacent to the current facility. Its $85 million investment will create 45 jobs. Hexcel Corporation will invest $100 million and create 25 jobs. General Electric invested $59 million in its Decatur site and was selected along with only four other sites to invest in Green Technology. The plant with its 1,271 work force will create a center of excellence for top freezers and green manufacturing.

The Career Pathway, a joint project of the Decatur-Morgan County Chamber of Commerce Workforce Development coalition and Morgan County Economic Development Association was created during the year to help our citizens and companies find the right path for their career choice. It is an online tool used to assist in job creation and to attack the unemployment situation that most all cities are facing.

The Entrepreneurial Center opened November 2010 with five new businesses as tenants. The business incubator assists start-up businesses with support, training, and mentoring to ensure success and continued growth. The City of Decatur provides the building and a five-year financial commitment of $100,000 per year. Other partners include the Morgan County Commission, the Chamber of Commerce, the Decatur Downtown Redevelopment Authority, SBA, NARCOG, and local banks. The 40,000 square foot building has 34 office units, 5 light industry spaces and 9,800 square feet of common area. The E-Center provides training classes, lunch-time seminars, business coaching, and business plan review. Available technology includes broadband and wireless and has dedicated fiber optic cable.

Groundbreaking for the Decatur Fine Arts Center took place in December 2010 at the location of the former Robinson Furniture building in downtown Decatur. The site will soon be the location for a collaborative academic effort between Calhoun Community College and Athens State University in the discipline of Fine Arts. The partnership is enhanced by support from the City of Decatur, the Morgan County Commission and the Decatur Downtown Redevelopment Authority. This site will act as the major touchstone for the arts in our area according to Athens State University President, Bob Glenn. PH & J Architects were selected to design the 43,572 square foot center, which has an estimated cost of $8 million.

The Decatur-Morgan County Regional Landfill was the 2011 Environmental Protection Agency's Community Partner of the Year. A green power public-private partnership with Granger Energy uses methane gas from the landfill to operate two electric generation stations to produce electricity which is sold to Joe Wheeler EMC. Energy Partner, Tennessee Valley Authority, pays a premium for green power through its Generation Partners program. The annual reduction of greenhouse gases is equal to gas emission from more than 12,974 passenger vehicles, or carbon sequestered by more than 14,468 acres of pine or fir forests, and the annual energy savings is equal to the power used in 945 average homes. Waste heat from one of the generators will provide winter heat for the new recycling center.

The new 10,800 square foot recycling building at the Landfill is complete and the in-house collection program began operation in February 2011. Four new recycling trucks serve the citizens of Decatur with collection of unsorted recyclable materials which are sorted and shipped at the recycling center. Paper, cardboard, plastics, aluminum, and metal cans are the major components of the center. By fiscal year-end, more than 1,300 tons of materials had been recycled.

The unemployment rate in Decatur rose by .9% from September 2010 to September 2011, as it rose statewide. However, the rate has seen a steady decrease each month through the end of the calendar year. The rate was 7.4% in December 2011

Long-term financial planning

Decatur's long range plan calls for the annexation of property in the area around the intersection of Hwy 67 (Beltline Road) and Gordon Terry Parkway and going west to Hwy 20 following Hwy 67. This area was identified by the City's Planning Department as the highest priority area due to the potential for production of future revenues. To facilitate the growth in this area, sanitary sewer expansion is needed. Water and wastewater rates were increased $.1555 (cents) per 1,000 gallons by ordinance in November 2010, and $6.5 million in general obligation warrants were issued in June 2011 for the engineering plans and construction of a sanitary sewer extension. The special assessment will pay the debt service on the sewer expansion. Property owners must annex into the city in order to connect to the sanitary sewer system. Hwy 67 is in the process of being converted from a four lane road to a six lane road from Hwy 31 to Hwy 20 with this section being currently constructed.

The Downtown Redevelopment Authority has redevelopment efforts in full swing in downtown Decatur. Accomplishments noted for 2011: construction underway on the Fine Arts School, Streetscapes and other grants have been awarded for downtown, one pocket park has been completed with others being developed, committees are researching requirements for the development of loft properties and a matching funds grant has been awarded to start a retail analysis of the downtown area.

Construction on the $3.6 million Ingalls Harbor Pavilion was almost complete at fiscal year-end. The 27,000 square foot meeting and event center situated on Wheeler Lake will seat 1,200 people and includes a catering kitchen, two massive stone fireplaces, and a porch-wrapped timber and stone exterior. The council voted to fund the project through an internal loan. The Hospitality Association has agreed to reimburse the City over time with funds from its $2.00 per night surcharge on local hotel stays. Ingalls Harbor has attracted nationally acclaimed sport fishing tournaments including the Bassmaster Elite Series, Wal-Mart FLW Series, American Bass Anglers, and Bassmaster Weekend Series. The harbor currently has the capacity to simultaneously launch 10 boats, has a 1,088 linear foot floating dock, 158 paved truck/trailer parking spaces, 107 car parking spaces and overflow parking that can accommodate another 100 vehicles. The grand opening for the Pavilion will be December 2011.

U.S. Highway 31 and Beltline Road is the city's most frequented intersection and is anticipated to become even more traveled. This location is emerging as Decatur's hot spot for retail development with a multimillion dollar shopping center anchored by Kohl's department store, Olive Garden restaurant, Bender's Gym, a state of the art $3.5 million facility, gas station, cell phone provider, and car dealership expected to open within a few blocks of each other. The growth has been spurred by the success of The Crossings of Decatur, which anchored Target and continues to add new tenants. Four new businesses are expected at The Crossings: Moe's Southwest Grill, Gigi's Cupcakes, The Children's Place, and Shoe Dept.

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, 2010. This was the nineteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Linda McKinney
Finance Supervisor

FINANCIAL SECTION

beason & nalley

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Decatur's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Decatur's Board of Education ("Board of Education"), which is a component unit of the City, or the financial statements of the Municipal Utilities Board Enterprise Fund ("Utilities Board"). The Board of Education's financial statements represent 100 percent, of the assets, net assets, and revenues of the discretely presented component units. The Utilities Board's financial statements represent 89.1 percent, 87.3 percent, and 93.7 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, 2011, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the City of Decatur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Beason & Nalley, Inc.

Huntsville, Alabama
March 29, 2012

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, 2011. 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.

2011 Highlights

Financial Highlights

- The total net assets of the City are $262 million. Of this amount, $2.4 million from governmental activities is considered unrestricted, which means the City may use this amount, plus future revenues, to meet its ongoing obligations to citizens and creditors.
- The unrestricted net assets of the business-type activities are $41.6 million and may be used to meet the ongoing obligations of the business-type activities.
- The City's net assets increased by $1.8 million (or 0.7%). The governmental net assets decreased $3.5 million (or 7.9 %) and business-type net assets increased by $5.2 million (or 2.4%).
- The governmental activities revenues increased $3.2 million (or 4.4%) due in large part to more operating grants and an overall increase in sales tax from the previous year. Total expenses of governmental activities increased $1.3 million (or 1.7%).
- As of September 30, 2011, the governmental funds reported a combined ending fund balance of $29.9 million, an increase of $3.3 million from the prior year. Of the ending fund balance, $3.1 million is unassigned and available to finance the activities of the governmental funds and $25.8 committed or assigned to meet existing obligations.
- The General Fund reported a fund balance of $20.9 million and $3.7 million of this amount is available for any purpose. The fund balance increased $757 thousand from the prior year.
- The policy of the City is to at all times maintain a reserve of 3 months (90 days) General Fund operating expenses. $13.3 of the $16.4 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 $3.7 million or a total of 115 operating days of expenses in reserve.
- The City's total debt decreased by $1.8 million during 2011. The City borrowed $6.5 million for sewer infrastructure expansion in governmental activities and paid $4.3 in principal reduction. Business-type activities incurred no new debt, but made principal payments of $3.6 million

City Highlights

- The Crossings of Decatur, a major retail development, continued to be a top performer throughout the year. The success of the Crossings has attracted two additional businesses into the development in 2011. The sales tax related to the Crossings has been used in the current year to reduce principal on related debt by an additional $688 thousand for a total of $1.8 million paid in principal reduction prior to the regularly scheduled payments which are to begin in fiscal year 2012.
- Twenty-four expansions of existing companies and two new companies within the City and Morgan County were announced during the year for a total investment of $560 million and 402 new jobs.
- The Downtown Redevelopment Authority, a public-private partnership was formed to bring growth and businesses to downtown Decatur. Redevelopment achievements for 2011 include the start of construction on the Second Avenue Streetscape, a plan to bring a park-like atmosphere to the retail district, committees working on loft apartment development, and a retail analysis of downtown.
- Construction began on the $8 million construction project for the North Alabama Fine Arts Center on Second Avenue which is a partnership with Athens State University, Calhoun Community College, City of Decatur and Morgan County Commission whose intent is to bring a four year baccalaureate degree program in fine arts to the area.
- The new $1.5 million Landfill Recycling facility opened in February 2011 and has sorted, baled, and sold over 1300 tons of paper, plastic, cardboard, aluminum and metal cans to processors.
- Construction began on a $3.6 million entertainment pavilion and conference center at Ingalls Harbor financed with an internal loan. The 27,000 sq. ft. facility will provide enhanced opportunities to attract national fishing tournaments and other large civic and business events.
- Technology and new processes took on a new focus when the City contracted with the Public Affairs Research Council of Alabama (PARCA) to work on performance measurements and strategic plans with the City departments.
- The Decatur-Morgan County Entrepreneurial Center opened in November 2010. The business incubator has a new board of directors, new procedures to assist start-up businesses, and a new marketing approach which includes state-of-the-art technology outreach.
- New retail development has begun at the intersection of Hwy 31 and Hwy 67 with the construction of an Olive Garden restaurant and the announcement of a new retail complex with Kohl’s department store as an anchor.
- The Decatur-Morgan County Landfill was named the 2011 Community Partner of the year by the U.S. Environmental Protection Agency’s Landfill Methane Outreach Program for the partnership with Granger Energy in the generation of electricity from methane gas produced by the decomposition of garbage in the landfill.

USING THIS ANNUAL REPORT

Overview of the Financial Statements

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

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

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

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

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

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

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

The City maintains seventeen individual governmental funds:

- General Fund, the School Fund, the Capital Projects Fund, and the Sewer Fund are considered to be *major* funds, and information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for these funds.

- The thirteen 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 64 of this report.

<u>Government-wide Financial Analysis</u>

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 $262.5 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (80 percent) reflects its investment in capital assets (e.g. Land, buildings, improvements other than buildings, infrastructure, and other), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (3 percent) represents resources that are subject to restrictions as to how they may be used, such restrictions being imposed by legal requirements other than those imposed by the City Council (e.g. state or federal law).

The remaining balance of unrestricted net assets is $44 million, which consisted of $2.4 million from governmental activities and $41.6 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	
	2011	2010	2011	2010	2011	2010
Current and other assets	$36,354	$32,448	$ 72,323	$79,290	$108,677	$ 111,738
Capital assets	80,681	81,927	221,562	215,011	302,243	296,938
Total assets	117,035	114,375	293,885	294,301	410,920	408,676
Long-term liabilities outstanding	70,418	65,130	51,176	54,416	121,594	119,546
Other liabilities	5,509	4,700	21,347	23,765	26,856	28,465
Total liabilities	75,927	69,830	72,523	78,181	148,450	148,011
Net assets:						
Invested in capital assets, net of related debt	36,363	32,970	174,057	164,006	210,420	196,976
Restricted	2,383	2,325	5,667	16,837	8,050	19,162
Unrestricted	2,362	9,250	41,638	35,277	44,000	44,527
Total net assets	$41,108	$44,545	$ 221,362	$ 216,120	$262,470	$ 260,665

Net assets from governmental activities decreased $3.4 million in fiscal year 2011 which was mainly due to an increase in total liabilities driven by an 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. Depreciation exceeded asset additions by $682 thousand and the City had $4.8 million more in cash and investments. Cash in General Fund increased $8.8 million in 2011 with a corresponding decrease in investments of $9.8 million. Because of extremely low interest rates on investments those certificates of deposit were converted to cash improving the liquidity of the City's assets. Revenues for the General Fund increased $1.7 million compared to FY 2010 due to $863 thousand in additional sales tax and $679 thousand more in business license and permits. Expenses for the General Fund were reduced by $1.1 million compared to FY 2010 as revenues exceeded expense by $2.3 million. Transfers out to other funds for their expenses further reduced cash in General Fund by an additional $1.6 million. Intergovernmental expenses in School Fund increased $684 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 $5.2 million due primarily to CIP in Water and Wastewater increases with the SRF/ARRA projects, Decatur Utilities made upgrades and improvements at the wastewater treatment plant along with other system improvements in the collection side.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 19,736	$19,521	$ 151,419	$144,990	$171,155	$ 164,511
Operating grants & contributions	1,365	625	-	-	1,365	625
Capital grants & contributions	418	840	414	1,058	832	1,898
General revenues:						
Sales taxes	34,579	33,346	-	-	34,579	33,346
Property taxes	11,687	11,218	-	-	11,687	11,218
Other taxes	8,180	8,005	-	-	8,180	8,005
Interest on investments	220	272	230	259	450	532
Other	931	43	-	-	931	43
Total revenues	77,116	73,870	152,063	146,308	229,179	220,178
Expenses:						
General government	4,984	5,100	-	-	4,984	5,100
Public safety	21,415	21,236	-	-	21,415	21,236
Public works	8,523	7,620	-	-	8,523	7,620
Public services	9,555	10,198	-	-	9,555	10,198
Intergovernmental assistance	25,314	24,545	-	-	25,314	24,545
Community service contracts	3,084	3,063	-	-	3,084	3,063
Community development	1,734	1,099	-	-	1,734	1,099
Personnel Board	534	560	-	-	534	560
Interest on long-term debt	2,343	2,582	-	-	2,343	2,582
Unallocated depreciation	2,735	2,906	-	-	2,735	2,906
Municipal Utilities Board	-	-	138,399	134,498	138,399	134,498
Other	-	-	9,432	8,193	9,432	8,193
Total expenses	80,221	78,909	147,831	142,691	228,052	221,600
Increase in net assets before Transfers	(3,105)	(5,039)	4,232	3,617	1,127	(1,423)
Transfers	(332)	(261)	332	261		-
Increase in net assets	**(3,437)**	**(5,300)**	**4,564**	**3,878**	**1,127**	**(1,423)**
Net assets - beginning of year	44,545	49,845	216,120	212,242	260,665	262,087
Prior period adjustments	-	-	678	-	678	-
Net assets - end of year	$ 41,108	$ 44,545	$221,362	$ 216,120	$ 262,470	$ 260,665

Governmental Activities. Revenues from governmental activities increased $3.2 million (4.3 percent) during 2011. The changes were significant compared to the previous year's decrease; we have noted some of these below:

- Sales taxes increased $1.2 million, or 3.7 percent compared to 2010, due to an overall improvement in the local economy as well as the national economy. Local industries continued to invest in plant expansions and the overall workforce began to stabilize in FY 2011 which created consumer optimism and increased spending that we expect to continue into the subsequent year.
- Property taxes increased $469 thousand or 4.2 percent due to annual property value re-appraisals and continued appreciation in home prices within the City and City limits despite the economic downturn which has caused a decrease in values nationally.
- Lodging taxes increased $259 thousand or 21% due to increased business travelers and construction workers with plant expansions. In addition, tornado damage in neighboring cities caused hotels to fill with families who were temporarily displaced from their homes while repairs were done.
- Alcoholic beverage taxes decreased $169 thousand or 8.2%. Several municipalities in close proximity to the city went "wet". Despite Sunday sales in Decatur, beer revenues are expected to continue to drop due to continued alcohol referendums in surrounding cities.
- Other revenues increased $888 thousand due in large part a one-time $297 thousand collection of revenue due to General Fund from a prior year. The special assessment for the Beltline sewer project began in November 2010 and produced $479 thousand in revenues to cover the debt service of the warrant issue which further increased other revenues in 2011
- Operating grants increased $740 thousand in 2011 due to the SAFER grant which pays the salaries and benefits for fifteen (15) new firefighters for two years and hire date was November 2010. There was a corresponding reduction in overtime in the fire department of over $40 thousand and that trend will continue.

Expenses of governmental activities increased $1.3 million (1.7 percent) in 2011. A significant portion of this increase was related to an increase in road resurfacing projects of $1 million within Public Works in FY2011. Intergovernmental assistance also increased $769 thousand with $684 thousand in increased payments to the Board of Education from the School Fund for increases in sales tax and property tax over FY 2010. Expenses of Community Development increased due to the SAFER grant as explained above. These increases were offset by a reduction of $643 thousand in Public Services related in large part to mandatory reduction of expenses by Parks and Recreation as part of the balanced budget agreement with Council.

Business-Type Activities. Revenues from business-type activities increased $5.8 million (3.9 percent) which is attributable to increases within the Municipal Utilities Board. The majority of the increase was due to the Electric System whose revenue was up $4.3 million or 4.6% from 2010 with the majority of the increase coming from the industrial section. The Gas System showed a drop of $2 million or 9.5% in revenues with a 3% decrease in quantities sold and transported. This was related to a decrease of 16.2% in the average cost of natural gas, including demand charges. Total gallons of water sold increased 1% compared to 2010. This along with a rate increase which became effective in October 2009 resulted in an overall increase in Water System revenues of $994 thousand or 11%. Wastewater System revenues increased $2.9 million or 26% although gallons billed increased by only 1% compared to 2010. This was related to an overall rate increase which took effect in November 2009. The rate increase for both the Water and Wastewater Systems are part of a 3-year series of rate increases that the Municipal Utilities Board implemented to overcome the lack of adjustments since 2004. Additionally, the ordinance provides for annual indexed increases after the third year. Subsequent year increases will become effective if projected debt service coverage is not at least 1.50 and cash reserves would not cover at least 3 months' expenses. The rate increases, if needed, would be the greater of 3% or the change in the July 1 to July 1 consumer price index.

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

Financial Analysis of the Governments Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the 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, 2011 were $29.8 million, which was an increase of $3.2 million from the 2010 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 increased $757 thousand. Revenue increased by $1.69 million or 3.3%, and total expenditures decreased by $1 million or 2%. The Capital Projects Fund's fund balance decreased $727 thousand due to capital purchases in 2011 of vehicles and construction on projects. The Sewer Fund's fund balance is the result of the $6.5 million warrant issue for the Beltline Sewer project. The bonds sold at a premium. The expenses are associated with the issuance of those bonds and the start of the engineering plans for the project. The Room Occupancy Fund has as negative fund balance of $2.7 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 $20.9 million, but $17.2 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 $5.2 million, with $488 thousand attributable to the continued profitability of the Sanitary Landfill, a non-major proprietary fund, and $4.75 million attributable to the Municipal Utilities Board, and the offset related to smaller losses from the other non-major proprietary fund.

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

Governmental Funds Budgetary Highlights

General Fund. Council approved the FY 11 budget with a $1,005,725 deficit and the mandate to bring it to a balanced budget by year end. Economic signs indicated that revenues would pick up during the year, but expenses also had to be reduced. Police, Fire, Public Works, and Park and Recreation were reduced by mid-year without any significant disruption of services to citizens. Revenues increased by $1.69 million or 3.3% over FY 2010. Sales tax represented 47.5% of the revenue budget and was $272 thousand or 1.1% above budget. Other taxes that exceeded budget were the rental tax that was $86 thousand or 1.9% above budget and the Lodging tax that was increased by $90 thousand and still met budget. It was $105 thousand over prior year. Business licenses fees are based on prior year actual sales and were above budget by $231 thousand or 4.7%. This was an increase over FY 2010 of $650 thousand. Construction activity increased with the industry expansions and City building permits exceeded budget by $89 thousand. Building permits in the police jurisdiction continued to lag below its budget. Interest rates remained low causing interest revenue to be $72 thousand below budget and $242 thousand below prior year. TVA in-lieu-of-tax was $449 thousand below prior year, but budget adjustments were done early in the fiscal year. $297 thousand of prior year revenues received in FY 11 were the result of license compliance violations discovered by the City's Revenue Department. Two new revenue sources were identified for FY 11. 1% was added to the lodging tax and budgeted separately from existing lodging tax collections to help offset the expenses to General Fund of events that bring tourism to the City. The Police Department in conjunction with the Municipal Court has developed a Driving School that provides classroom safe driving training to traffic violators. The City as a whole has continued the trend in reduction of the number of insurance claim payments and damage claims paid with associated legal and professional fees likewise being reduced by $126 thousand in current year expenses reflecting a return on the investment made by the City in safety training and claims administration.

Expenditures were below budget by most departments due to voluntary reductions. Exceptions were the Sanitation Department that exceeded their budget by $168 thousand. Included in the mandatory reductions, the department reduced its budget by $156 thousand, but experienced increases in sublet repairs due to aging vehicles and outsourcing of the repair work because the Garage had a reduced workforce. Gas and oil prices rose steeply from September 2010 through April 2011 and more fuel was used in the debris removal from the April tornados and windstorms later in the year. Dump fees also exceeded their reduced budget due to the increased tonnage from the storm damage removal.

Point Mallard did not require a transfer from General Fund in FY 10 and none was budgeted in FY 11. However, a $280 thousand transfer was needed to cover their expenses in FY 11 and was comparable to the prior 5-year trend. The weather and the economy affected park revenue. The Aquatic Center, open from Memorial Day to Labor Day provides the largest portion of the park's sales and is strongly affected by weather. Extremely hot days of the past summer reduced park attendance and its concession sales. Fewer transfers for grants were needed in FY 11 and that helped to offset the deficit in Other Financing Uses,

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2011, totals $302 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, utility plant-in-service, park facilities, roads, curbs and gutters, streets and sidewalks, greenways, drainage and sewer systems. Total capital assets increased $5.3 million in 2011. Those used for governmental activities decreased by $1.2 million as total additions ($5.9 million) was exceeded by depreciation and disposition of those assets ($7.1 million). Capital assets used for business-type activities increased by $6.5 million as total depreciation and disposition of assets ($10.3 million) were less than the total additions ($16.8 million).

Major Capital events during the fiscal year included the following:

- $485 thousand for new cell development at the Landfill
- $767 thousand for the Recycling Center facility plus $784 thousand for the sorting equipment
- $819 thousand on the leachate collection and treatment system at the Landfill
- $56 thousand to complete installation of a new energy efficient chiller with back-up system for City Hall.
- $134 thousand for new stainless steel security showers for the Jail
- $388 thousand for two new garbage trucks for Sanitation
- $50 thousand in new technology upgrades which included a camera systems for Municipal Court
- $243 thousand on the Carnegie Library roof repair
- $86 thousand for the firing range tower for the Police Department, $76 thousand for the pavilion and restrooms at the new firing range, and $40,000 for fencing of the facilities
- Recreational lighting purchased from Decatur Utilities for ball fields located in various parks for $680 thousand
- $438 thousand was spent from the Capital Fund for various street and drainage projects around the city.
- Four new tennis courts and resurfacing of existing tennis courts cost $102 thousand
- Construction progress on the new Ingalls' Harbor Pavilion was $2.9 million
- A new bronze turtle sculpture for $16 thousand was added to the Delano Park Children's Garden

City of Decatur's Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$9,448	$9,858	$3,963	$3,963	$13,411	$13,821
Land improvements	12,187	12,236	-	-	12,187	12,236
Buildings and improvements	16,917	17,890	7,411	7,015	24,328	24,905
Infrastructure	31,948	34,531	-	-	31,948	34,531
Construction in process	6,555	2,555	23,342	13,647	29,897	16,202
Machinery and Equipment	3,626	4,857	2,252	2,105	5,878	6,962
Utility plant-in-service	-	-	184,594	188,281	184,594	188,281
Total	$80,681	$81,927	$221,562	$215,011	$302,243	$296,938

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

Long-term debt. As of September 30, 2011, the City had $106 million of long-term debt outstanding. Of this amount, $57.7 million is debt backed by the full faith and credit of the City and $48.2 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 $1.8 million (3.1%). This was attributable to principal payments on outstanding debt, primarily the $2.3 million principal reduction on the 2009 Refunding Warrants which are scheduled to be paid in full by 2014. Additionally, advance principal payments of $688 thousand were paid on The Crossings debt as noted previously. This debt reduction helped to offset the increase from the $6.5 million warrant issue for the Beltline Sewer. Long-term debt of the business-type activities decreased by $3.6 million (7 percent) due to continued scheduled principal payments. Additionally, the School System has debt of $26 million in capital outlay warrants, for which the School System's ad valorem tax payments are pledged and which is not an obligation of the City of Decatur.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation warrants	$57,498	$55,352	$ -	$ -	$57,498	$55,352
Revenue warrants	-	-	48,154	51,749	48,154	51,749
Capital leases	191	579	-	-	191	579
Total	$57,689	$55,931	$48,154	$51,749	$105,843	$107,680

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, 2011, the City's allocable debt outstanding was $49.4 million less than the legal debt limit.

Additional information regarding the City's long-term debt can be found in Note 4E on pages 44 through 50 of this report.

2012 Budget

The Mayor and City Council have considered many factors in the development of the fiscal year 2012 budget. The approach to the budget process has been one of conservatism. Revenue projections are based on estimates from the source of the revenue as well as trend analysis, historical data, and the current economic conditions. Department expenditures were reduced in salaries and wages for unfilled positions, contract services, and overtime. Management believes revenues and expenditures will meet overall budgetary goals.

Request for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF DECATUR
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	**Component Units**
ASSETS				
Cash & investments, at cost	$ 30,225,363	$ 44,939,201	$ 75,164,564	$ 27,337,931
Receivables (net of allowances)	4,408,032	17,897,860	22,305,892	-
Due from governmental entities	1,352,755	-	1,352,755	18,665,435
Inventories	24,092	1,719,020	1,743,112	147,309
Prepaid items	-	-	-	-
Other	69,314	110,370	179,684	-
Deferred costs	1,006,445	-	1,006,445	159,708
Internal balances	(731,777)	731,777	-	-
Restricted assets				
Cash & investments, at cost	-	6,925,316	6,925,316	-
Capital assets				
Land, collections and construction in process	16,002,298	27,304,889	43,307,187	7,485,062
Other assets, net of accum. depreciation	64,678,395	194,256,932	258,935,327	67,478,840
Total assets	117,034,917	293,885,365	410,920,282	121,274,285
LIABILITIES				
Accounts payable	1,633,838	12,755,865	14,389,703	423,034
Accrued liabilities	1,994,964	4,163,994	6,158,958	4,560,686
Contract retainages	27,446	36,187	63,633	-
Due to component units	1,471,007	-	1,471,007	-
Due to governmental entities	56,300	-	56,300	-
Customer deposits	187,311	4,390,872	4,578,183	-
Unearned revenue	31,386	-	31,386	14,625,935
Other	107,187	-	107,187	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	3,705,000	3,705,000	-
Noncurrent liabilities				
Due within one year	4,071,988	88,537	4,160,525	470,270
Net other postemployment benefit obligation	-	-	-	
Due in more than one year	66,345,598	47,382,117	113,727,715	32,286,810
Total liabilities	75,927,025	72,522,572	148,449,597	52,366,735
NET ASSETS				
Invested in capital assets, net of related debt	36,362,570	174,056,977	210,419,547	42,171,734
Restricted for:				
Capital projects	1,365,267	-	1,365,267	7,033,166
Debt service	131,339	5,667,314	5,798,653	3,951,717
Other	-	-	-	3,233,752
Perpetual care:				
Expendable	-	-	-	-
Nonexpendable	886,196	-	886,196	-
Unrestricted	2,362,520	41,638,502	44,001,022	12,517,181
Total net assets	$ 41,107,892	$ 221,362,793	$ 262,470,685	$ 68,907,550

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

		Program Revenue			Net Revenue (Expense) & Changes in Net Assets			
Functions/Programs	**Expenses**	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	**Component Units**
Primary Government								
Governmental activities								
General government	$ 4,983,534	$ 5,713,461	$ -	$ -	$ 729,927	$ -	$ 729,927	$ -
Public safety	21,414,691	2,392,923	-	-	(19,021,768)	-	(19,021,768)	-
Public works	8,522,763	3,126,217	-	3,500	(5,393,046)	-	(5,393,046)	-
Public services	9,555,143	532,171	-	-	(9,022,972)	-	(9,022,972)	-
Intergovernmental assistance	25,313,985	7,971,208	-	-	(17,342,777)	-	(17,342,777)	-
Community service contracts	3,083,825		-	-	(3,083,825)	-	(3,083,825)	-
Community development	1,734,467		1,365,315	414,716	45,564	-	45,564	-
Personnel board	534,424	-	-	-	(534,424)	-	(534,424)	-
Interest on long-term debt	2,342,822	-	-	-	(2,342,822)	-	(2,342,822)	-
Unallocated depreciation	2,735,488	-	-	-	(2,735,488)	-	(2,735,488)	-
Total governmental activities	80,221,142	19,735,980	1,365,315	418,216	(58,701,631)	-	(58,701,631)	-
Business-type activities								
Municipal Utilities Board	138,399,838	141,928,757	-	414,573	-	3,943,492	3,943,492	-
Point Mallard	4,317,541	3,632,355	-	-	-	(685,186)	(685,186)	-
Sanitary Landfill	5,114,326	5,858,038	-	-	-	743,712	743,712	-
Total business-type activities	147,831,705	151,419,150	-	414,573	-	4,002,018	4,002,018	-
Total primary government	228,052,847	171,155,130	1,365,315	832,789	(58,701,631)	4,002,018	(54,699,613)	-
Component Units								
All	91,471,167	6,175,107	51,288,332	2,394,877	-	-	-	(31,612,851)
Total component units	$ 91,471,167	$ 6,175,107	$ 51,288,332	$ 2,394,877	-	-	-	(31,612,851)
General Revenues								
Sales & use taxes					34,578,700	-	34,578,700	12,624,601
Property taxes					11,686,642	-	11,686,642	15,885,422
Alcoholic beverage taxes					1,889,725	-	1,889,725	-
Gasoline taxes					826,571	-	826,571	-
Automobile taxes					1,258,968	-	1,258,968	-
Lodging taxes					1,469,788	-	1,469,788	-
Rental taxes					1,085,585	-	1,085,585	-
Other taxes					1,648,995	-	1,648,995	988,873
Interest on investments					220,673	229,545	450,218	84,269
Gain on the sale of capital assets					-	-	-	-
Other					930,989	-	930,989	4,831,173
Transfers					(332,725)	332,725	-	-
Total general revenues & transfers					55,263,911	562,270	55,826,181	34,414,338
Change in net assets					(3,437,720)	4,564,288	1,126,568	2,801,487
Net assets, beginning					44,545,612	216,120,059	260,665,671	66,106,063
Prior period adjustments					-	678,446	678,446	-
Net assets, ending					$ 41,107,892	$ 221,362,793	$ 262,470,685	$ 68,907,550

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2011

	General Fund	School Fund	Capital Projects Fund	Sewer Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash & cash equivalents	$ 16,481,058	$ 702,913	$ 1,409,165	$ 6,802,632	$ 4,168,880	$ 29,564,648
Cash with fiscal agents	647,423	-	-	12,040	-	659,463
Investments, at cost	1,252	-	-	-	-	1,252
Receivables (net of allowances)			-	-		
Accounts	403,461	710,977	-	-	78,852	1,193,290
Notes	-	-	-	-	368,438	368,438
Taxes	2,742,011	-	-	-	104,276	2,846,287
Accrued interest	17	-	-	-	-	17
Due from other funds	2,144,407	25,111	-	42,478	-	2,211,996
Due from governmental entities	894,724	107,334	13,441	-	337,256	1,352,755
Deposits	69,314	-	-	-	-	69,314
Inventories	24,092	-	-	-	-	24,092
Total assets	23,407,759	1,546,335	1,422,606	6,857,150	5,057,702	38,291,552
LIABILITIES						
Accounts payable	735,132	16,195	44,203	90,618	747,690	1,633,838
Accrued liabilities	1,148,308	-	-	-	131,933	1,280,241
Contract retainages	-	-	13,136	-	14,310	27,446
Due to other funds	-	-	-	-	2,943,773	2,943,773
Due to component units	-	1,471,007	-	-	-	1,471,007
Due to governmental entities	39,400	-	-	-	16,900	56,300
Deferred revenue	252,165	-	-	-	478,548	730,713
Customer deposits	187,311	-	-	-	-	187,311
Other	107,187	-	-	-	-	107,187
Total liabilities	2,469,503	1,487,202	57,339	90,618	4,333,154	8,437,816
FUND BALANCES						
Nonspendable	24,092	-	-	-	886,196	910,288
Restricted	-	-	-	-	66,004	66,004
Committed	16,427,815	59,133	712,521	1,232,587	363,812	18,795,868
Assigned	778,556	-	652,746	5,533,945	-	6,965,247
Unassigned	3,707,793	-	-	-	(591,464)	3,116,329
Total fund balance	20,938,256	59,133	1,365,267	6,766,532	$ 724,548	29,853,736
Total liabilities and fund balance	$ 23,407,759	$ 1,546,335	$ 1,422,606	$ 6,857,150	$ 5,057,702	

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.	$ 80,680,693
Other long-term receivables are not available for current-period expenditures and, therefore, are deferred in the funds.	699,327
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.	(10,269,723)
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(59,856,141)
Net assets of governmental activities	$ 41,107,892

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2011

	General Fund	School Fund	Capital Projects Fund	Sewer Fund	Other Governmental Funds	Total Governmental Funds
REVENUE						
Sales & use taxes	$ 25,221,686	$ 8,449,458	$ -	$ -	$ 907,556	$ 34,578,700
Property taxes	3,240,207	8,445,491	-	-	944	11,686,642
Other taxes	6,644,040	1,063,296	-	-	472,293	8,179,629
Licenses & permits	5,930,213	-	-	-	-	5,930,213
Fines & forfeitures	925,783	-	-	-	471,962	1,397,745
Revenues from money & property	349,675	-	5,432	18,049	64,621	437,777
Charges for services	4,378,276	-	-	-	-	4,378,276
Intergovernmental	6,076,378	612,110	432,219	-	2,630,531	9,751,238
Gifts & donations	-	-	-	-	7,600	7,600
Other revenues	415,270	-	-	478,597	46,488	940,355
Total revenues	53,181,528	18,570,355	437,651	496,646	4,601,995	77,288,175
EXPENDITURES						
Current						
General government	3,711,938	26,195	-	-	294,578	4,032,711
Public safety	20,098,799	-	222,305	-	379,543	20,700,647
Public works	7,061,530	-	913,117	152,057	1,017,186	9,143,890
Public services	8,247,622	-	658,750	-	3,374,285	12,280,657
Intergovernmental assistance	4,241,734	17,097,083	34,633	-	235,000	21,608,450
Community services contracts	3,083,825	-	-	-	-	3,083,825
Community development		-	-	-	1,734,467	1,734,467
Personnel Board		-	-	-	534,424	534,424
Principal	2,548,040	1,444,911	-	-	748,355	4,741,306
Interest and fiscal charges	1,864,245	69,702	-	-	325,378	2,259,325
Debt issuance costs	-	-	-	124,206	-	124,206
Capital projects construction and outlay	-	-	-	-	-	-
Total expenditures	50,857,733	18,637,891	1,828,805	276,263	8,643,216	80,243,908
Excess (deficiency) of revenues over expenditures	2,323,795	(67,536)	(1,391,154)	220,383	(4,041,221)	(2,955,733)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	-	6,500,000	-	6,500,000
Premium on debt issue	-	-	-	46,149	-	46,149
Discount on debt issued	-	-	-	-	-	-
Capital lease proceeds	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-
Transfers in	22,767	-	710,138	-	599,098	1,332,003
Transfers (out)	(1,589,413)	-	(46,468)	-	(28,847)	(1,664,728)
Total other financing (uses) sources	(1,566,646)	-	663,670	6,546,149	570,251	6,213,424
Net change in fund balance	757,149	(67,536)	(727,484)	6,766,532	(3,470,970)	3,257,691
Fund balance, beginning	20,181,107	126,669	2,092,751	-	4,195,518	26,596,045
Fund balance, ending	$ 20,938,256	$ 59,133	$ 1,365,267	$ 6,766,532	$ 724,548	$ 29,853,736

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	$ 3,257,691
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.	(681,740)
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.	(564,227)
Revenues in the statement of activities that do not provide current financial resources	(149,622)
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.	(1,823,350)
Other expenses reported in the Statement of Activities that do not require current financial resources.	(3,476,472)
Change In Net Assets Of Governmental Activities	$ (3,437,720)

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL
For the Year Ended September 30, 2011

	General Fund				School Fund			
	Budget			Variance with Final Budget Positive				Variance with Final Budget Positive
	Original	Final	Actual Amounts	(Negative)	Original Budget	Final Budget	Actual Amounts	(Negative)
REVENUES								
Taxes and payments in lieu of taxes	$ 33,667,500	$ 34,807,002	$ 35,105,933	$ 298,931	$ 17,425,000	$ 17,758,333	$ 17,958,245	199,912
Licenses and permits	5,703,175	5,703,175	5,930,213	227,038	-	-	-	-
Fines and forfeitures	1,102,100	1,102,100	925,783	(176,317)	-	-	-	-
Revenues from money and property	397,835	397,835	349,675	(48,160)	-	-	-	-
Charges for services	4,275,695	4,291,143	4,378,276	87,133	-	-	-	-
Intergovernmental	7,033,250	6,054,748	6,076,378	21,630	600,400	600,400	612,110	11,710
Other revenues	56,750	106,057	415,270	309,213	-	-	-	-
Total revenues	52,236,305	52,462,060	53,181,528	719,468	18,025,400	18,358,733	18,570,355	211,622
EXPENDITURES								
Current								
General government	3,768,878	3,809,578	3,711,938	97,640	42,240	42,240	26,195	16,045
Public safety	20,510,185	20,349,430	20,098,799	250,631	-	-	-	-
Public works	7,137,858	6,907,913	7,061,530	(153,617)	-	-	-	-
Public services	8,677,739	8,422,538	8,247,622	174,916	-	-	-	-
Intergovernmental assistance	4,962,523	4,672,195	4,241,734	430,461	16,468,546	16,801,879	17,097,083	(295,204)
Community services contracts	3,019,722	3,087,222	3,083,825	3,397	-	-	-	-
Debt service								
Principal	2,548,041	2,548,041	2,548,040	1	1,444,911	1,444,911	1,444,911	-
Interest	1,864,245	1,864,245	1,864,245	-	69,703	69,703	69,702	1
Total expenditures	52,489,191	51,661,162	50,857,733	803,429	18,025,400	18,358,733	18,637,891	(279,158)
Excess of revenues over expenditures	(252,886)	800,898	2,323,795	1,522,897	-	-	(67,536)	67,536
OTHER FINANCING SOURCES (USES)								
Capital lease proceeds	-	-	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-	-	-
Operating transfers in	20,000	27,600	22,767	(4,833)	-	-	-	-
Operating transfers out	(772,840)	(1,412,628)	(1,589,413)	(176,785)	-	-	-	-
Total other financing sources (uses)	(752,840)	(1,385,028)	(1,566,646)	(181,618)	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,005,726)	(584,130)	757,149	1,341,279	-	-	(67,536)	67,536
Fund balance, beginning	20,181,106	20,181,106	20,181,107	1	126,669	126,669	126,669	-
Fund balance, ending	$ 19,175,380	$ 19,596,976	$ 20,938,256	$ 1,341,280	$ 126,669	$ 126,669	$ 59,133	$ 67,536

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2011

	Municipal Utilities Board	Other Enterprise Funds	Totals
ASSETS			
Current assets			
Cash & cash equivalents	$ 28,242,061	$ 16,697,140	$ 44,939,201
Investments, at cost	-	-	-
Receivables (net of allowance)			
Accounts	11,989,570	996,043	12,985,613
Accrued interest	-	-	-
Other	4,912,247	-	4,912,247
Due from other funds	-	1,052,495	1,052,495
Inventories, at cost	1,640,516	78,504	1,719,020
Other	110,370	-	110,370
Total current assets	46,894,764	18,824,182	65,718,946
Noncurrent assets			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	6,925,316	-	6,925,316
Deferred costs	-	-	-
Capital assets:			
Land	2,547,517	1,415,739	3,963,256
Buildings	-	8,052,747	8,052,747
Improvements other than buildings	-	15,252,449	15,252,449
Furniture & equipment	-	6,853,538	6,853,538
Utility plant in service	315,698,299	-	315,698,299
Construction work in progress	21,214,308	2,127,325	23,341,633
Less accumulated depreciation	(131,104,192)	(20,495,909)	(151,600,101)
Total capital assets (net of accumulated depreciation)	208,355,932	13,205,889	221,561,821
Total noncurrent assets	215,281,248	13,205,889	228,487,137
Total assets	262,176,012	32,030,071	294,206,083
LIABILITIES			
Current liabilities			
Accounts payable	11,906,526	849,339	12,755,865
Accrued liabilities	4,097,143	66,851	4,163,994
Contract retainages	-	36,187	36,187
Compensated absences	73,060	15,477	88,537
Customer deposits	4,390,872	-	4,390,872
Revenue warrants payable - current	3,705,000	-	3,705,000
Due to other funds	318,510	2,208	320,718
Total current liabilities	24,491,111	970,062	25,461,173
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,785,446	2,785,446
Revenue notes payable	43,799,844	-	43,799,844
Compensated absences	657,539	139,288	796,827
Total noncurrent liabilities	44,457,383	2,924,734	47,382,117
Total liabilities	68,948,494	3,894,796	72,843,290
NET ASSETS			
Invested in capital assets, net of related debt	160,851,088	13,205,889	174,056,977
Restricted for debt service	5,667,314	-	5,667,314
Unrestricted	26,709,116	14,929,386	41,638,502
Total net assets	$ 193,227,518	$ 28,135,275	$ 221,362,793

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, 2011

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating revenue			
Charges for services	$ 141,928,757	$ 5,858,038	$ 147,786,795
Premiums & fees	-	3,632,355	3,632,355
Total operating revenue	141,928,757	9,490,393	151,419,150
Operating expenses			
Personnel, operations & maintenance	128,939,530	6,956,101	135,895,631
Closure and postclosure costs	-	247,737	247,737
Depreciation and amortization	8,662,619	1,163,202	9,825,821
Administrative costs	-	1,121,212	1,121,212
Total operating expenses	137,602,149	9,488,252	147,090,401
Operating income	4,326,608	2,141	4,328,749
Nonoperating revenue (expenses)			
Interest income	133,241	96,304	229,545
Interest expense	(969,541)	-	(969,541)
Gain (loss) on disposition of assets	-	13,051	13,051
Miscellaneous revenue (expense)	171,852	43,334	215,186
Total nonoperating revenue (expenses)	(664,448)	152,689	(511,759)
Income before contributions, transfers & special items	3,662,160	154,830	3,816,990
Capital contributions	414,573	-	414,573
Transfers in	-	332,725	332,725
Change in net assets	4,076,733	487,555	4,564,288
Total net assets, beginning	188,472,339	27,647,720	216,120,059
Prior period adjustments	678,446	-	678,446
Total net assets, ending	$ 193,227,518	$ 28,135,275	$ 221,362,793

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, 2011

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating activities			
Receipts from customers and users	$144,782,242	$ 9,076,420	$ 153,858,662
Other operating cash receipts	-	43,337	43,337
Payments to suppliers	(122,287,393)	(5,103,954)	(127,391,347)
Payments to employees	(10,895,492)	(2,667,944)	(13,563,436)
Payments for interfund services	-	2,208	2,208
Non-operating cash payments	171,852	-	171,852
Net cash provided by operating activities	11,771,209	1,350,067	13,121,276
Noncapital financing activities			
Transfers in	-	332,725	332,725
Net cash provided by noncapital financing activities	-	332,725	332,725
Capital and related financing activities			
Acquisition and construction of capital assets	(13,964,630)	(2,070,569)	(16,035,199)
Proceeds from sale of capital assets	-	13,051	13,051
Capital contributions	414,573	-	414,573
Principal payments on warrants	(3,595,000)	-	(3,595,000)
Interest paid on warrants	(634,247)	-	(634,247)
Net cash (used) by capital and related financing activities	(17,779,304)	(2,057,518)	(19,836,822)
Investing activities			
Decrease (increase) in restricted assets	10,590,464	-	10,590,464
Sale of investments	-	4,000,000	4,000,000
Interest received	133,241	100,878	234,119
Net cash provided (used) by investing activites	10,723,705	4,100,878	14,824,583
Net increase (decrease) in cash and cash equivalents	4,715,610	3,726,152	8,441,762
Cash and cash equivalents, beginning	23,526,451	14,023,483	37,549,934
Cash and cash equivalents, ending	$ 28,242,061	$ 17,749,635	$ 45,991,696
Operating income (loss)	$ 4,326,608	$ 2,141	$ 4,328,749
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	8,662,619	1,163,202	9,825,821
Miscellaneous item	205,179	291,074	496,253
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(1,191,383)	(413,973)	(1,605,356)
Accounts payable	(1,641,683)	309,951	(1,331,732)
Contract retainages	(44,662)	(8,475)	(53,137)
Inventory	21,998	16,452	38,450
Due to (from) other funds	(27,020)	2,208	(24,812)
Accrued liabilities	1,016,548	(12,513)	1,004,035
Customer deposits	407,977	-	407,977
Other items	35,028	-	35,028
Net cash provided by operating activities	$ 11,771,209	$ 1,350,067	$ 13,121,276

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
DISCRETELY PRESENTED COMPONENT UNIT
COMBINING STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities	
	Board of Education	Total
ASSETS		
Cash & cash equivalents	$ 27,303,443	$ 27,303,443
Investments, at cost	34,488	34,488
Due from primary government	1,471,007	1,471,007
Due from governmental entities	17,194,428	17,194,428
Inventories	147,309	147,309
Deferred Charges	159,708	159,708
Capital assets		
Land and construction in process	7,485,062	7,485,062
Other assets, net of accum. depreciation	67,478,840	67,478,840
Total assets	121,274,285	121,274,285
LIABILITIES		
Accounts payable	423,034	423,034
Accrued liabilities	4,560,686	4,560,686
Deferred revenue	14,625,935	14,625,935
Noncurrent liabilities		
Due within one year	470,270	470,270
Due in more than one year	32,286,810	32,286,810
Total liabilities	52,366,735	52,366,735
NET ASSETS		
Invested in capital assets, net of related debt	42,171,734	42,171,734
Restricted for:		
Capital projects	7,033,166	7,033,166
Debt service	3,951,717	3,951,717
Other	3,233,752	3,233,752
Unrestricted	12,517,181	12,517,181
Total net assets	$ 68,907,550	$ 68,907,550

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
DISCRETELY PRESENTED COMPONENT UNIT
COMBINING STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

		Program Revenue			Net Revenue (Expense) & Changes in Net Assets	
					Governmental Activities	
Functions/Programs	**Expenses**	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Board of Education	Total
Component Units						
Decatur City Board of Education	$ 91,471,167	$ 6,175,107	$ 51,288,332	$ 2,394,877	$ (31,612,851)	$ (31,612,851)
Total component units	$ 91,471,167	$ 6,175,107	$ 51,288,332	$ 2,394,877	(31,612,851)	(31,612,851)
		General Revenues				
		Sales & use taxes			12,624,601	12,624,601
		Property taxes			15,885,422	15,885,422
		Other taxes			988,873	988,873
		Interest on investments			84,269	84,269
		Other			4,831,173	4,831,173
		Change in net assets			2,801,487	2,801,487
		Net assets, beginning			66,106,063	66,106,063
		Net assets, ending			$ 68,907,550	$ 68,907,550

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, 2011

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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.

<u>Primary Government</u>

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

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

<u>Blended Component Unit</u>

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.

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 and Public Building Authority, the City's component units, is presented as follows:

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

- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net assets and a statement of activities.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

The following are the City's major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the government, except those accounted for in another fund.
- The *School Fund* accounts for the specific revenues that are for specific expenditures – which include sales and use tax, and the designated portion of the tobacco tax, general property tax, automotive tax, and tax-equivalent – Electric and Water departments.
- The *Capital Projects Fund* accounts for the acquisition of capital assets or construction of major capital facilities and projects not financed by Proprietary or Fiduciary Funds.
- The *Sewer Fund* accounts for the development of sewer infrastructure through the 2011 bond issue which is repaid with related special assessed revenue.

The following are the City's major enterprise funds:

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

Additionally, the City reports the following fund types:

Governmental Funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Funds:

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

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

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

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

Receivables and Payables

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Amounts receivable and payable from federal, state, county, and local governments are classified as "due from/to other governmental entities." The only individually significant amount due from any single entity as of September 30, 2011, was $960,934 due from Morgan County for various tax receivables.

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

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

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

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

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The City uses the purchases method to account for monthly medical insurance payments. The average monthly payment is $436,241.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Compensated Absences

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

Long-term Obligations

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

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

Fund Equity

In the fund financial statements, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 resolutions or ordinances 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.

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.

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 $59,856,141 difference are as follows:

Warrants Payable	$ 57,126,243
Less: Deferred charges (to be amortized as interest expense)	(1,006,445)
Capital leases payable	191,556
Accrued interest payable	714,723
Compensated absences	2,250,786
Claims Payable	579,278
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	$ 59,856,141

City of Decatur
Notes To The Financial Statements - continued
September 30, 2011

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

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 $681,740 difference are as follows:

Capital outlay	$ 5,865,148
Depreciation expense	(6,546,888)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	$ (681,740)

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 $1,823,350 difference are as follows:

Debt issued or incurred:	
General Obligation debt	$ (6,500,000)
Principal repayments:	
General obligation debt	4,353,355
Capital lease	387,951
Deferral of premiums	(46,149)
Amortization of premium and refunding loss	(45,561)
Deferral of issuance costs	124,206
Amortization of issuance costs	(97,152)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	$ (1,823,350)

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 $3,476,472 difference is as follows:

Compensated absences	$ 66,157
Claims	37,181
Accrued interest	(37,936)
Other postemployment expenses	(3,541,874)
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	$ (3,476,472)

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

Annually-Budgeted Governmental Funds

General Fund

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

Governmental Funds Not Annually-Budgeted

Special Revenue Funds
- Community Development Fund
- Municipal Court Fund

Debt Service Fund
- Crossings Warrant Fund

Capital Projects Funds
- Capital Projects Fund
- 2009 A & B Warrants Fund
- Sewer Fund

Permanent Fund
- Perpetual Care Fund

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

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

The 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.

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.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY-CONTINUED

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, 2011:

General Fund		
General Government:		
Municipal Court	$	1,938
Public Building		4,371
Public Works		
Engineering	$	1,364
Sanitation		167,551
Public Services		
Youth Services	$	2,166
School Fund		
Intergovernmental assistance	$	307,031
Special Revenue Funds		
Corrections Fund		
Operating expenses	$	7,128
Personnel Board Fund		
Personal services	$	4,149

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

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS - Continued

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

Cash on hand	$ 75,015,889
Carrying amount of deposits	647,423
Carrying amount of investments	6,426,568
Total	$ 82,089,880
Per Governmental Funds Balance Sheet-total governmental funds	
Cash and investments	$ 30,225,363
Per Proprietary Funds Statement of Net Assets	
Total enterprise funds	
Cash and investments	44,939,201
Restricted cash for debt service	6,925,316
Total	$ 82,089,880

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

	Board of Education
Cash on hand	$ 27,303,443
Carrying amount of deposits	34,488
Total Cash and investments	$ 27,337,931

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City of Decatur
Notes To The Financial Statements - continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions/ Transfers-in	Deletions/ Transfers-out	Balance September 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 9,857,813	$ -	$ (410,316)	$ 9,447,497
Construction in progress	2,555,305	4,322,831	(323,335)	6,554,801
Total capital assets, not being depreciated	12,413,118	4,332 831	(733,651)	16,002,298
Capital assets, being depreciated:				
Buildings and improvements	36,551,155	285,400	(362,797)	36,473,758
Land improvements	20,392,301	908,099	-	21,300,400
Furniture, equipment and other	25,319,113	519,615	(995,581)	24,843,147
Infrastructure	95,318,340	152,541	-	95,470,881
Total capital assets, being depreciated	177,580,909	1,865,655	(1,358,378)	178,088,186
Less accumulated depreciation for:				
Buildings and improvements	(18,661,178)	(1,104,901)	209,128	(19,556,951)
Land improvements	(8,156,632)	(956,439)	-	(9,113,071)
Furniture, equipment and other	(20,462,075)	(1,750,060)	995,337	(21,216,798)
Infrastructure	(60,787,483)	(2,735,488)	-	(63,522,971)
Total accumulated depreciation	(108,067,368)	(6,546,888)	1,204,465	(113,409,791)
Total capital assets, being depreciated, net	69,513,541	(4,681,233)	(153,913)	64,678,395
Governmental activities capital assets, net	$ 81,926,659	$ (358,402)	$ (887,564)	$ 80,680,693
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 3,963,256	$ -	$ -	$3,963,256
Construction in progress	13,646,673	32,202,410	(22,507,450)	23,341,633
Total capital assets, not being depreciated	17,609,929	32,202,410	(22,507,450)	27,304,889
Capital assets, being depreciated:				
Buildings and improvements	22,451,722	853,474	-	23,305,196
Furniture, equipment and other	6,465,492	852,149	(464,103)	6,853,538
Utility plant-in-service	313,287,835	5,392,117	(2,981,653)	315,698,299
Total capital assets, being depreciated	342,205,049	7,097,740	(3,445,756)	345,857,033
Less accumulated depreciation for:				
Buildings and improvements	(15,436,206)	(512,601)	54,635	(15,894,172)
Furniture, equipment and other	(4,360,603)	(647,916)	406,782	(4,601,737)
Utility plant-in-service	(125,007,179)	(8,662,622)	2,565,609	(131,104,192)
Total accumulated depreciation	(144,803,988)	(9,823,139)	3,027,026	(151,600,101)
Total capital assets, being depreciated, net	197,401,061	(2,725,399)	(418,730)	194,256,932
Business-type activities capital assets, net	$ 215,010,990	$29,477,011	$(22,926,180)	$221,561,821

City of Decatur
Notes To The Financial Statements - continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Depreciation expense of $2,735,488 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:

Governmental activities:	
General government	$ 616,213
Public Safety	1,086,068
Public Works	399,959
Public Services	1,481,141
Intergovernmental	228,019
Total allocated depreciation expense – governmental activities	3,811,400
Total unallocated depreciation expense- governmental activities	2,735,488
Total depreciation expense-governmental activities	$ 6,546,888
Business-type activities:	
Municipal Utilities Board Fund	$ 8,662,619
Sanitary Landfill Fund	717,996
Point Mallard Fund	442,520
Total depreciation expense – business-type activities	$ 9,823,135

Activity for the discretely presented component unit, Board of Education for the year ended September 30, 2011 was as follows:

	September 30, 2010	Additions/ Reclassifications	Deletions/ Reclassifications	September 30, 2011
Governmental Activities:				
Capital assets, not being depreciated:				
Land	$ 6,476,997	-	-	$ 6,476,997
Construction in progress	343,456	1,569,049	904,440	1,008,065
Total capital assets, not being depreciated	6,820,453	1,569,049	904,440	7,485,062
Capital assets, being depreciated:				
Buildings and improvements	103,040,385	904,440		103,944,824
Furniture, equipment and other	7,693,327	320,301	176,644	7,836,984
Total capital assets, being depreciated	110,733,712	1,224,741	176,644	111,781,808
Less accumulated depreciation	(41,057,269)	(3,396,723)	(151,023)	44,302,968
Total capital assets, being depreciated, net	69,676,443	(2,171,982)	25,621	67,478,840
Total governmental activities capital assets, net	$76,496,896	$(602,933)	$930,061	$74,963,902

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

C. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2011 is as follows:

Transfers In/Out:

Transfers Out:		
From General Fund:		
To Capital Projects Fund	$ 710,138	
To non-major governmental funds	599,098	
To non-major proprietary funds	280,177	
		1,589,413
From Capital Projects Fund:		
To non-major proprietary funds		
		46,468
From Non-major governmental funds:		
To General Fund	22,767	
To non-major proprietary funds	6,080	
		28,847
Total		$ 1,664,728
Transfers In:		
To General Fund:		
From non-major governmental funds		$ 22,767
To Capital Projects Fund		
From General Fund		710,138
To Non-major governmental funds:		
From General Fund		599,098
To Non-major proprietary funds:		
From Capital Project Fund	46,468	
From General Fund	280,177	
From non-major governmental funds	6,080	
		332,725
Total		$ 1,664,728

City of Decatur
Notes To The Financial Statements - continued
September 30, 2011

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	$ 250,921
	Non-major Governmental Funds	21,101
	Non-major Proprietary Fund	2,208
		274,230
School Fund	Municipal Utilities Board Enterprise Fund	25,111
Sewer Fund	Municipal Utilities Board Enterprise Fund	42,478
Total due to/from other funds		$ 341,819

Due To/From Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Component Unit-Board of Education	Primary Government-School Fund	$ 1,471,007
Total due to/from primary government to component units		$ 1,471,007

The balance of $1,870,177 due to the general fund and $1,052,495 due to non-major proprietary funds from non-major governmental funds resulted from loans 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, 2011. The future minimum lease payments for these leases are as follow:

Year Ending	Business-Type Activities
September 30	Point Mallard
2012	$ 70,717
2014	1,936
Total minimum lease payments	$ 72,653

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	(397,405)
Total	$ 793,998

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2011 are as follows:

Year Ending September 30	Governmental Activities
2012	$ 200,131
Total minimum lease payments	200,131
Less amount representing interest	(8,619)
Present value of minimum lease payments	$ 191,512

The future debt service requirements of the governmental activities leases at September 30, 2011 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2011 are as follows:

Year Ending September 30	Governmental Activities
2012	$ 232,161
2013	154,112
2014	154,112
2015	154,112
2016	308,251
Total minimum lease payments	1,002,748
Less amount representing interest	(105,668)
Present value of minimum lease payments	$ 897,080

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:

Type of Debt	Paid From	Resources Provided By
Governmental Activities:		
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
Business-Type Activities:		
Revenue warrants	Municipal Utilities Board Fund	Municipal Utilities Board Fund

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Outstanding Debt

The amount of debt outstanding at September 30, 2011, and information related to it was as follows:

Series	Face Amount (thousands)	Dated	Final Maturity	Interest Rates (%)	Principal Maturities (thousands)	Ending Balance (thousands)	Amount Due Within One Year (thousands)
PRIMARY GOVERNMENT							
Governmental Activities							
G.O. Warrants - general purposes							
2003-C	$ 3,775	2/1/2003	8/1/2013	3.8 - 4.0	205 – 500	$ 450	$ 220
2003-E	19,900	11/1/2003	7/1/2026	4.0 - 4.75	380 – 1,140	15,690	425
2006-Crossings	4,775	9/20/2006	9/20/2021	6.55	28 – 54	2,998	347
2006-Capital Improvement	16,215	10/11/2006	10/1/2026	4.0 - 4.375	175 -2,360	15,165	290
2009-A	13,170	6/1/2009	7/1/2020	2.0 - 4.0	190-2,015	12,540	520
2009-B	8,775	6/1/2009	6/1/2014	1.2 - 2.5	1,080-2,290	4,155	1,500
2011-Sewer	6,500	6/1/2011	6/1/2029	2.0-4.0	295-480	6,500	295
	73,110					57,498	3,597
Total Governmental Activities	**$ 73,110**					**$ 57,498**	**$ 3,597**

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

City of Decatur
Notes To The Financial Statements - continued
September 30, 2011

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
Business-Type Activities							
Water System Revenue Warrants							
2009	$ 17,915	6/1/2009	6/1/2019	2.0 - 4.0	1,670 - 2,050	$ 14,630	$ 1,650
	17,915					14,630	1,650
Wastewater System Revenue Warrants							
1997	2,850	11/1/1996	8/15/2017	3.95	135 - 200	1,100	165
2004	9,645	04/21/2004	8/15/2013	2.85	910 - 1,125	2,210	1,085
2010	15,590	12/22/1999	8/15/2020	3.85	720 - 1,095	8,500	805
	28,085					11,810	2,055
Total Business-Type Activities	**46,000**					**26,440**	**3,705**
Total Primary Government	**$ 119,110**					**$ 83,938**	**$ 7,202**
COMPONENT UNITS							
Governmental-Type Activities							
Board of Education							
2005	$ 26,000	2005	2/1/2030	4.0 - 4.5	270 – 9,625	$ 26,000	$ 270
2010	1,050	2010	9/1/2027	5.15	1,050	1,050	-
2011	5,000	2011	5/1/2026	4.60	5,000	5,000	-
Total Component Units	**$ 32,050**					**$ 32,050**	**$ 270**

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

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, 2011 are shown below. There is $131,339 available in the Crossings Debt Service Fund to service general obligation debt and $6,925,316 available in the Municipal Utilities Board Enterprise Fund to service the revenue warrants.

PRIMARY GOVERNMENT	**(thousands)**	
	G.O. Warrants	
Governmental Activities:	Principal	Interest
2012	$ 3,597	$ 2,314
2013	3,707	2,197
2014	2,934	2,076
2015	3,070	1,976
2016	3,188	1,857
2017 – 2021	15,108	7,372
2022 – 2026	15,265	4,348
2027 – 2031	8,405	1,379
2032 – 2034	2,225	160
Total governmental activities	$ 57,499	$ 23,679

	Water System Revenue Warrants		Wastewater System Revenue Warrants	
Business-Type Activities	Principal	Interest	Principal	Interest
2012	$ 1,650	$ 476	$ 2,055	$ 433
2013	1,690	434	2,140	365
2014	1,735	384	1,050	294
2015	1,785	332	1,090	253
2016	1,840	278	1,135	212
2017 – 2021	5,930	466	4,340	414
Total business-type activities	$ 14,630	$ 2,370	$ 11,810	$ 1,971

During 2010, the Municipal Utilities Board Fund received multiple loans made available by the American Recovery and Reinvestment Act (the "ARRA"). The Alabama Drinking Water Finance Authority loaned $6,265,416 to the Municipal Utilities Board Fund of which $3,050,416 will be forgiven pursuant to the ARRA. The Alabama Water Pollution Control Authority also loaned $15,665,364 to the Municipal Utilities Board Fund of which $5,135,364 will be forgiven pursuant to the ARRA. The fund is required to issue water and sewer warrants, respectively, in the amount of the loans less the ARRA forgiveness portion. Principal payments on both loans are scheduled to begin on February 15, 2012 with final maturity in March 2032. Capitalized interest on both loans totaled $828,800 at year-end.

The Alabama Drinking Water Finance Authority made an additional loan to the Municipal Utilities Board Fund in 2011 of $611,986, which will be forgiven in full pursuant to ARRA.

City of Decatur
Notes To The Financial Statements - continued
September 30, 2011

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

COMPONENT UNITS

Governmental Activities: Board of Education	Capital Outlay Warrants Principal	Capital Outlay Warrants Interest
2012	$ 270	$ 1,385
2013	275	1,374
2014	1,040	1,348
2015	1,080	1,306
2016	1,120	1,262
2017-2021	6,370	5,575
2021-2026	12,965	3,855
2027-2030	8,930	784
Total Governmental Activities	$ 32,050	$ 16,889

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows (in thousands):

PRIMARY GOVERNMENT

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General obligation warrants	$ 55,352	$ 6,500	$ (4,354)	$ 57,498	$ 3,597
Less amounts deferred for:					
Issue discounts & premiums	266	46	(43)	269	
Refunding losses	(730)	-	89	(641)	
Total warrant, bonds, & notes	54,888	6,546	(4,308)	57,126	3,597
Capitalized leases	579	-	(388)	191	191
Compensated absences	2,316	2	(67)	2,251	225
Claims payable	618	228	(267)	579	59
Other post-employment benefits	6,728	4,899	(1,357)	10,270	-
Governmental Activities Long-Term Liabilities	$ 65,129	$ 11,685	$ (6,387)	$ 70,417	$ 4,072
Business-Type Activities:					
Revenue warrants	$ 51,749	$ -	$ (3,595)	$ 48,154	$ 3,705
Less amounts deferred for:					
Issue discounts & premiums	(744)	-	95	(649)	-
Total warrants	51,005	-	(3,500)	47,505	3,705
Landfill closure and postclosure	2,538	247	-	2,785	-
Compensated absences	873	753	(741)	885	89
Business-Type Activities Long-Term Liabilities	$ 54,416	$ 1,000	$ (4,241)	$ 51,175	$ 3,794

NOTE 4 – DETAILED NOTES ON ALL FUNDS – CONTINUED

COMPONENT UNITS- BOARD OF EDUCATION

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities – Board of Education					
Revenue warrants	$ 26,000	$ 6,050	$ -	$ 32,050	$ 270
Issue discounts & premiums	(200)		(10)	(190)	-
Capitalized Leases	1,183	-	286	897	200
Total Board of Education Long-Term Liabilities	$ 26,983	$ 6,050	$ 276	$ 32,757	$ 470

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, 2011, there were nine series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the nine outstanding issues was approximately $404,138,572. The original issue amounts of these series totaled $530,240,000.

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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	Capital Projects Fund	Sewer Fund	Other Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Inventory	$ 24,092	$ -	$ -	$ -	$ -	$ 24,092
Permanent Fund	-	-	-	-	886,196	886,196
Total Nonspendable	24,092	-	-	-	886,196	910,288
Restricted:						
Special Revenues	-	-	-	-	(572,086)	(572,086)
Grant Awards	-	-	-	-	638,092	638,092
Total Restricted	-	-	-	-	66,004	66,004
Committed:						
General Government	7,775,880	-	-	-	164,666	7,940,546
Reserve Policy	8,651,935	-	-	-	-	8,651,935
Debt Service	-	59,133	-	490,637	131,339	681,109
Capital Projects	-	-	712,521	741,950	-	1,454,471
Parks & Recreation	-	-	-	-	67,807	67,807
Total Committed	16,427,815	59,133	712,521	1,232,587	363,812	18,795,868
Assigned:						
Landfill closure and post closure costs	765,675	-	-	-	-	765,675
Capital Projects	-	-	652,746	5,533,945	-	6,186,691
Other Purposes	12,882	-	-	-	-	12,882
Total Assigned	778,557	-	652,746	5,533,945	-	6,965,248
Unassigned:	3,707,792	-	-	-	(591,464)	3,116,328
Total Fund Balance:	$ 20,938,256	$ 59,133	$ 1,365,267	$ 6,766,532	$ 724,548	$ 29,853,736

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 2011 was $1,642,292 by the Electric System, $338,705 by the Natural Gas System, $477,479 by the Water System and $78,753 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.

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 $2,785,446 reported for landfill closure and postclosure care liability at September 30, 2011 within the proprietary statement of net assets, represents the cumulative amount reported to date based on the use of 45.96 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure of $3,274,946 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, 2011. The City expects to close the landfill in the year 2043. Actual costs of closure and postclosure may be higher due to inflation, changes in technology, or changes in laws and regulations.

NOTE 5 – OTHER INFORMATION

A. Contingent Liabilities and Commitments

Litigation

The City is a defendant in a number of claims and lawsuits. The outcome of these matters is uncertain as of the date of this report. The City Attorney estimates the total liability with respect to these claims and lawsuits that are not covered by insurance will not exceed $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, 2011.

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

Grants

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other government units. As of September 30, 2011, 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, 2011. 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.

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, 2011.

NOTE 5 – OTHER INFORMATION - CONTINUED

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.

<u>Jointly Governed</u>

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, 2011.

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

NARCOG – The North Alabama Regional Council of Governments provide regional planning for the physical, economic and human resources development within North Alabama. There are three particular programs controlled by NARCOG, which the City of Decatur supports financially. These are the Aging Program, Regional Planning, and Transportation Planning. The City of Decatur contributed a total of $46,446 to these programs during the fiscal year.

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

Morgan County Emergency Management Commission District is commonly known as 911. This seven-member board, of which the City Council appoints three members, manages the emergency phone service 911 along with other duties. The City of Decatur provided $550,000 in appropriations during the fiscal year.

North Central Alabama Mental Health Board provides mental health and general welfare services to the citizens of North Alabama. The Board is comprised of nine members of whom three are appointed by the City Council. The City contributed $26,706 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.

NOTE 5 – OTHER INFORMATION - CONTINUED

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 12.71%, with the exception of the Municipal Utilities Board Fund, for which the rate is 17.23%. The contribution requirements of plan members are established and may be amended by the Employee's Retirement System of Alabama.

For 2011, the City of Decatur's annual pension cost was equal to their required and actual contributions. The required contribution was determined as part of the September 30, 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 4.61% to 7.75% per year, and (c) 0% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of the system's assets was determined using market values of instruments at September 30, 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.

NOTE 5 – OTHER INFORMATION - CONTINUED

The remaining amortization period at September 30, 2011 was 22 and 30 for the Board and the City, respectively.

Trend Information for the System (1)

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
City of Decatur	9/30/10	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%
	9/30/06	1,926,493	100%
Municipal Utilities Board	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%
	9/30/06	1,177,637	100%

(1) Trend information for the year ended September 30, 2011 was not yet available from the System.

Schedule of Funding Progress for the System

Department	Actuarial Valuation Date(1)	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
City of Decatur	9/30/10	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%
	9/30/06	66,564,613	86,885,998	20,321,385	76.6%	22,206,051	91.5%
Municipal Utilities Board	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%
	9/30/06	21,223,330	34,761,112	13,537,782	61.1%	7,176,924	188.6%

(1) Trend information for the year ended September 30, 2011 was not yet available from the System.

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.

NOTE 5 – OTHER INFORMATION - CONTINUED

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

The Teachers' Retirement System was established October 1, 1941, under the provisions of Act Number 419, of the Legislature of 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers' Retirement System is vested in the Board of Control (currently fourteen members). Benefit provisions are established by the Code of Alabama 1975, Section 16-25-1 through Section 16-25-170, as amended, and Section 36-27B-1 through Section 36-27B-5, as amended.

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

	Fiscal Year Ended September 30,		
	2011	2010	2009
Total percentage of payroll	17.51%	17.51%	17.07%
Contributions:			
Percentage contributed by the Board	12.51%	12.51%	12.07%
Percentage contributed by employees	5.00%	5.00%	5.00%
Amount contributed by the Board	$ 6,281,211	$ 6,282,555	$ 6,061,304
Amount contributed by employees	2,510,476	2,511,013	2,510,896
Total Contributions	$ 8,791,687	$ 8,793,568	$ 8,572,200

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.

NOTE 5 – OTHER INFORMATION - CONTINUED

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.

For 2011 and 2010, the required contribution was determined as part of the September 30, 2010 and September 30, 2008 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; (e) retirement rates consistent with the City's pension plan actuarial valuation; and (f) a thirty-year amortization period of the actuarial liability as a level percentage of projected payroll on an open basis. The actuarially determined rate as a percentage of annual covered payroll was 21.34%.

NOTE 5 – OTHER INFORMATION – CONTINUED

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	$4,382,286
Interest on net OPEB obligation	175,291
Adjustment to annual required contribution	341,046
Annual OPEB cost (expense)	4,898,623
Contributions made	(1,356,749)
Increase in net OPEB obligation	3,541,874
Net OPEB obligation-beginning of year	6,727,849
Net OPEB obligation-end of year	$10,269,723

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for September 30, 2011 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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, 2011, 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.

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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, 2011 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 2011, 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, 2011 are as follows:

Annual Required Contribution:

Normal Cost	$	474,012
Amortization		652,324
Interest		22,306
Total ARC	$	1,148,642

Net OPEB Obligation:

Annual Required Contribution	$	586,675
Interest		563,982
Net OPEB Obligation	$	1,150,657

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

Active Employees	$	14,695,177
Retirees		8,081,167
Total	$	22,776,344

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 Educations 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:

	2011
Individual Coverage – Non-Medicare Eligible	$ 146.00
Individual Coverage – Medicare Eligible	$ 10.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$ 381.00
Family Coverage – Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	$ 245.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	$ 245.00
Family Coverage – Medicare Eligible Retired Member and Dependent Medicare Eligible	$ 109.00
Surviving Spouse – Non-Medicare Eligible	$ 701.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	$ 890.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	$ 859.00
Surviving Spouse – Medicare Eligible	$ 369.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	$ 558.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	$ 527.00

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.

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,	2011	2010	2009
Active Health Insurance Premiums Paid by the Board	$752.00	$752.00	$752.00
Amount of Premium Attributable to Retirees	$198,94	$241.27	$205.45
Percentage of Active Employee Premiums Attributable to Retirees	26.45%	32.08%	27.32%
Percentage of Required Amount Contributed	100.00%	100.00%	100.00%
Total Amount Paid Attributable to Retirees	$2,895,327	$3,597,802	$3,098,897

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

The Public Building Authority does not provide post-employment benefits.

F. Risk Financing Programs

The City elected to retain risk related to the employees' health and dental insurance for the first time beginning December 1, 1999. Then, on January 1, 2002 the City elected to no longer retain the health insurance risk and purchased health insurance. The City currently pays premiums to the State Employee Insurance Board. However, the City still retains the risk for the period under the health self-insurance. The amount of outstanding claims liability remaining as of September 30, 2011 is insignificant and immaterial to the City's statements as a whole.

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

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

	September 30,	
	2011	2010
Unpaid claims, beginning of year	$ 618,450	$ 489,802
Incurred claims	238,355	510,303
Less claim payments	(267,641)	(381,655)
Unpaid claims, end of year	$ 589,164	$ 618,450

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.

NOTE 5 – OTHER INFORMATION – CONTINUED

G. GASB Accounting Pronouncements

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental fund. The adoption of this standard did not have a material impact on the City's financial statements

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.64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53*, required for fiscal periods beginning after June 15, 2011, in fiscal 2012. The statement clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Statement also sets criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

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, 2012, 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, 2011

ASSETS	
Cash & cash equivalents	$ 16,481,058
Cash with fiscal agent	647,423
Investments, at cost	1,252
Receivables (net of allowances):	
Accounts	403,461
Notes	-
Taxes	2,742,011
Accrued interest	17
Due from other funds	2,144,407
Due from other governmental entities	894,724
Deposits	69,314
Inventories	24,092
Total assets	$ 23,407,759
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	$ 735,132
Accrued liabilities	1,148,308
Due to other governmental entities	39,400
Deferred revenue	252,165
Customer deposits	187,311
Other	107,187
Total liabilities	2,469,503
FUND BALANCE	
Nonspendable	24,092
Restricted	-
Committed	16,427,815
Assigned	778,556
Unassigned	3,707,793
Total fund balance	20,938,256
Total liabilities and fund balance	$ 23,407,759

CITY OF DECATUR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET & ACTUAL
September 30, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes and payments in lieu of taxes	$ 33,667,500	$ 34,807,002	$ 35,105,933	$ 298,931
Licenses and permits	5,703,175	5,703,175	5,930,213	227,038
Fines and forfeitures	1,102,100	1,102,100	925,783	(176,317)
Revenues from money and property	397,835	397,835	349,675	(48,160)
Charges for services	4,275,695	4,291,143	4,378,276	87,133
Intergovernmental	7,033,250	6,054,748	6,076,378	21,630
Other revenues	56,750	106,057	415,270	309,213
Total revenues	52,236,305	52,462,060	53,181,528	719,468
EXPENDITURES				
Current				
General government	3,768,878	3,809,578	3,711,938	97,640
Public safety	20,510,185	20,349,430	20,098,799	250,631
Public works	7,137,858	6,907,913	7,061,530	(153,617)
Public services	8,677,739	8,422,538	8,247,622	174,916
Intergovernmental assistance	4,962,523	4,672,195	4,241,734	430,461
Community services contracts	3,019,722	3,087,222	3,083,825	3,397
Debt service:				
Principal	2,548,041	2,548,041	2,548,040	1
Interest and fiscal charges	1,864,245	1,864,245	1,864,245	-
Total expenditures	52,489,191	51,661,162	50,857,733	803,429
Excess of revenues over expenditures	(252,886)	800,898	2,323,795	1,522,897
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds	-	-	-	-
Operating transfers in	20,000	27,600	22,767	(4,833)
Operating transfers out	(772,840)	(1,412,628)	(1,589,413)	(176,785)
Operating transfers out-component units	-	-		-
Total other financing sources (uses)	(752,840)	(1,385,028)	(1,566,646)	(181,618)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,005,726)	(584,130)	757,149	1,341,279
Fund balance, beginning	20,181,106	20,181,106	20,181,107	1
Fund balance, ending	**$ 19,175,380**	**$ 19,596,976**	**$ 20,938,256**	**$ 1,341,280**

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, 2011

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes and payments in lieu of taxes				
Sales and use	$ 24,000,000	$ 24,949,502	$ 25,221,686	$ 272,184
Ad valorem	3,150,000	3,250,000	3,240,207	(9,793)
Other	6,517,500	6,607,500	6,644,040	36,540
Total	33,667,500	34,807,002	35,105,933	298,931
Licenses and permits				
Motor Vehicle	175,000	175,000	177,461	2,461
Business Licenses and Permits	4,988,000	4,988,000	5,214,830	226,830
Building Permits and Inspection Fees	540,175	540,175	537,922	(2,253)
Total	5,703,175	5,703,175	5,930,213	227,038
Fines and forfeitures	1,102,100	1,102,100	925,783	(176,317)
Revenues from money and property				
Interest	250,000	250,000	177,608	(72,392)
Other	147,835	147,835	172,067	24,232
Total	397,835	397,835	349,675	(48,160)
Charges for current services				
Recreation	404,900	405,290	420,122	14,832
Animal shelter	31,000	36,500	38,828	2,328
General government	472,300	472,300	481,091	8,791
Public safety	176,000	185,558	257,554	71,996
Public works	3,139,195	3,139,195	3,126,217	(12,978)
Cemetery	50,100	50,100	52,373	2,273
Old bank	1,100	1,100	905	(195)
Youth services	1,100	1,100	1,186	86
Historic Preservation	-	-	-	-
Total	4,275,695	4,291,143	4,378,276	87,133
Intergovernmental				
Tax equivalents	6,810,000	5,831,498	5,814,906	(16,592)
State Grants	-	-	5,000	5,000
State Shared Taxes	223,250	223,250	256,472	33,222
State contributions	-	-	-	-
Total	7,033,250	6,054,748	6,076,378	21,630
Other revenues	56,750	106,057	415,270	309,213
TOTAL REVENUES	52,236,305	52,462,060	53,181,528	719,468

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, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
Current Expenditures				
General Government				
Mayor and Council				
Personal services	397,683	346,431	346,676	(245)
Operating expenses	37,021	37,021	32,585	4,436
Total	434,704	383,452	379,261	4,191
Legal Services				
Personal services	347,817	347,817	351,826	(4,009)
Operating expenses	55,237	55,237	41,594	13,643
Total	403,054	403,054	393,420	9,634
Municipal Court				
Personal services	420,044	420,044	423,935	(3,891)
Operating expenses	38,000	38,000	36,047	1,953
Total	458,044	458,044	459,982	(1,938)
City Clerk				
Personal services	418,220	438,170	434,268	3,902
Operating expenses	42,420	42,420	34,398	8,022
Total	460,640	480,590	468,666	11,924
Revenue department				
Personal services	191,752	187,652	182,877	4,775
Operating expenses	61,464	65,564	39,829	25,735
Total	253,216	253,216	222,706	30,510
Finance department				
Personal services	508,996	515,776	506,259	9,517
Operating expenses	12,213	20,558	14,348	6,210
Total	521,209	536,334	520,607	15,727
Public building				
Personal services	135,817	135,817	133,996	1,821
Operating expenses	479,228	484,853	491,045	(6,192)
Total	615,045	620,670	625,041	(4,371)
Community development				
Personal services	488,166	539,418	516,451	22,967
Operating expenses	134,800	134,800	125,804	8,996
Total	622,966	674,218	642,255	31,963
Total general government	3,768,878	3,809,578	3,711,938	97,640

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, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public Safety				
Fire				
Personal services	8,022,393	8,049,893	7,944,327	105,566
Operating expenses	752,800	660,923	743,239	(82,316)
Total	8,775,193	8,710,816	8,687,566	23,250
Inspection				
Personal services	726,603	690,750	690,897	(147)
Operating expenses	50,365	53,993	46,278	7,715
Total	776,968	744,743	737,175	7,568
Police				
Personal services	9,585,465	9,601,465	9,316,574	284,891
Operating expenses	1,372,559	1,292,406	1,357,484	(65,078)
Total	10,958,024	10,893,871	10,674,058	219,813
Total public safety	20,510,185	20,349,430	20,098,799	250,631
Public Works				
Director				
Personal services	429,920	440,520	440,731	(211)
Operating expenses	103,530	92,930	84,139	8,791
Total	533,450	533,450	524,870	8,580
Streets				
Personal services	2,051,940	2,032,797	1,984,733	48,064
Operating expenses	953,311	893,311	934,657	(41,346)
Total	3,005,251	2,926,108	2,919,390	6,718
Engineering				
Personal services	133,388	168,388	173,200	(4,812)
Operating expenses	53,500	23,500	20,052	3,448
Total	186,888	191,888	193,252	(1,364)
Sanitation				
Personal services	1,794,127	1,688,325	1,681,712	6,613
Operating expenses	1,618,142	1,568,142	1,742,306	(174,164)
Total	3,412,269	3,256,467	3,424,018	(167,551)
Total public works	7,137,858	6,907,913	7,061,530	(153,617)

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public Services				
Animal Shelter				
Personal services	499,065	543,004	544,807	(1,803)
Operating expenses	164,514	126,075	119,291	6,784
Total	663,579	669,079	664,098	4,981
Park and recreation				
Personal services	3,892,740	4,057,740	4,181,525	(123,785)
Operating expenses	2,815,450	2,351,450	2,175,723	175,727
Total	6,708,190	6,409,190	6,357,248	51,942
Landscape and beautification				
Personal services	179,254	230,254	216,957	13,297
Operating expenses	149,700	99,090	60,632	38,458
Total	328,954	329,344	277,589	51,755
Cemetery				
Personal services	98,602	106,722	103,077	3,645
Operating expenses	92,649	96,529	89,742	6,787
Total	191,251	203,251	192,819	10,432
Youth services				
Personal services	248,718	411,602	401,130	10,472
Operating expenses	303,870	166,895	179,533	(12,638)
Total	552,588	578,497	580,663	(2,166)
Culture				
Cultural Facilities	120,000	120,000	72,644	47,356
Old Bank	109,897	109,897	102,396	7,501
Historic Preservation Commission	3,280	3,280	165	3,115
Total	233,177	233,177	175,205	57,972
Total public services	8,677,739	8,422,538	8,247,622	174,916

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental assistance				
Garage				
Personal services	412,555	257,702	221,718	35,984
Operating expenses	52,490	52,490	49,190	3,300
Total	465,045	310,192	270,908	39,284
Purchasing				
Personal services	130,935	130,935	131,045	(110)
Operating expenses	8,450	8,450	6,655	1,795
Total	139,385	139,385	137,700	1,685
Information services				
Personal services	623,082	620,607	615,169	5,438
Operating expenses	646,350	595,350	530,777	64,573
Total	1,269,432	1,215,957	1,145,946	70,011
Miscellaneous				
Workman's compensation	600,000	550,000	484,095	65,905
Insurance	250,000	238,000	214,824	23,176
Other	1,929,000	1,914,000	1,698,468	215,532
Total	2,779,000	2,702,000	2,397,387	304,613
Planning department				
Personal services	262,328	256,360	254,332	2,028
Operating expenses	17,000	22,968	17,137	5,831
Total	279,328	279,328	271,469	7,859
Safety				
Personal services	1,288	1,288	70	1,218
Operating expenses	29,045	24,045	18,254	5,791
Total	30,333	25,333	18,324	7,009
Total Intergovernmental assistance	4,962,523	4,672,195	4,241,734	430,461

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Community Service Contracts				
Wheeler Basin Regional Library Board	334,873	334,873	334,873	-
Morgan County Emergency Management Dist.	550,000	550,000	550,000	-
Decatur-Morgan County Emergency Mgt. Agency	23,442	23,442	23,442	-
NARCOG:				
Regional Planning	18,846	18,846	18,846	-
Senior Aid Program	1,500	1,500	1,500	-
Transport Planning	26,100	26,100	26,100	-
NCA Mental Health Board	14,550	14,550	14,550	-
NCA Mental Health Board - Facets	12,156	12,156	12,156	-
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	659,550	656,153	3,397
Chamber of Commerce:				
BRAC	-	-	-	-
Beautification Board	18,000	18,000	18,000	-
Community Business Development Board	22,882	22,882	22,882	-
Cornerstone	40,000	40,000	40,000	-
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	-	-	-
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	250,000	250,000	250,000	-
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	-
Total Community Services Contract	3,019,722	3,087,222	3,083,825	3,397
Debt Service Expenditures	4,412,286	4,412,286	4,412,285	1
TOTAL EXPENDITURES	52,489,191	51,661,162	50,857,733	803,429
Excess (deficiency) of revenues over expenditures	(252,886)	800,898	2,323,795	1,522,897

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	20,000	27,600	22,767	(4,833)
Operating transfers out	(772,840)	(1,412,628)	(1,589,413)	(176,785)
Total other financing sources (uses)	(752,840)	(1,385,028)	(1,566,646)	(181,618)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,005,726)	(584,130)	757,149	1,341,279
Fund balance, beginning	20,181,106	20,181,106	20,181,107	1
Fund balance, ending	**$ 19,175,380**	**$ 19,596,976**	**$ 20,938,256**	**$ 1,341,280**

CITY OF DECATUR
NON-MAJOR GOVERNMENTAL FUNDS (by fund type)
COMBINING BALANCE SHEET
September 30, 2011

	Special Revenue Funds										Permanent Fund		Debt Service Fund		
	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	2009 A&B Warrants Fund	Crossings Warrant Fund	Public Port & Infrastructure Warrants Fund	**Total Nonmajor Governmental Funds**
ASSETS															
Cash & investments, at cost	$ 469,598	$ 43,625	$ -	$ 202,054	$ 169,878	$ 1,111,059	$ 254,088	$ 125,617	$ 202,846	$ 640,520	$ 886,196	$ -	$ 63,399		$ 4,168,880
Investments, at cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables (net of allowances)															
Accounts	-	-	78,722	-	130	-	-	-	-	-	-	-	-	-	78,852
Notes	-	-	368,438	-	-	-	-	-	-	-	-	-	-	-	368,438
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	36,336	-	-	67,940	-	104,276
Due from governmental entities	12,550	29,099	290,513	-	79	-	-	-	5,015	-	-	-	-	-	337,256
Total assets	$ 482,148	$ 72,724	$ 737,673	$ 202,054	$ 170,087	$ 1,111,059	$ 254,088	$ 125,617	$ 207,861	$ 676,856	$ 886,196	$ -	$ 131,339	$ -	$ 5,057,702
LIABILITIES															
Accounts payable	-	-	98,250	3,158	75,291	87,892	7,486	4,913	-	470,700	-	-	-	-	747,690
Accrued liabilities	-	-	27,775	17,485	77,896	-	8,777	-	-	-	-	-	-	-	131,933
Contract retainages	-	-	14,310	-	-	-	-	-	-	-	-	-	-	-	14,310
Due to other funds	-	-	4,355	16,745	-	-	-	-	-	2,922,673	-	-	-	-	2,943,773
Due to other governmental entities	-	-	-	-	16,900	-	-	-	-	-	-	-	-	-	16,900
Deferred revenue	-	-	478,548	-	-	-	-	-	-	-	-	-	-	-	478,548
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	623,238	37,388	170,087	87,892	16,263	4,913	-	3,393,373	-	-	-	-	4,333,154
FUND BALANCES															
Nonspendable	-	-	-	-	-	-	-	-	-	-	886,196	-	-	-	886,196
Restricted	482,148	72,724	638,092	-	-	1,023,167	237,825	120,704	207,861	(2,716,517)	-	-	-		66,004
Committed	-	-	67,807	164,666	-	-	-	-	-	-	-	-	131,339	-	363,812
Unassigned	-	-	(591,464)	-	-	-	-	-	-	-	-	-	-	-	(591,464)
	-										-	-	-		-
Total fund balance (deficit)	482,148	72,724	114,435	164,666	-	1,023,167	237,825	120,704	207,861	(2,716,517)	886,196	-	131,339		724,548
Total liabilities and fund balance	$ 482,148	$ 72,724	$ 737,673	$ 202,054	$ 170,087	$ 1,111,059	$ 254,088	$ 125,617	$ 207,861	$ 676,856	$ 886,196	$ -	$ 131,339	$ -	$ 5,057,702

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, 2011

	Special Revenue Funds										Permanent Fund	Funds	Debt Service Fund	
	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	2009 A&B Warrants Fund	Crossings Warrant Fund	**Total Nonmajor Governmental Funds**
REVENUE														
Sales & use taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 907,556	$ 907,556
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	944	944
Other taxes	-	-	-	-	-	-	-	-	-	472,293	-	-	-	472,293
Licenses & permits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines & forfeitures	-	-	-	-	-	-	417,117	54,845	-	-	-	-	-	471,962
Revenues from money & property	1,153	1,399	-	-	-	-	1,207	-	545	-	60,317	-	-	64,621
Intergovernmental	144,829	324,930	1,780,031	-	-	336,994	-	-	43,747	-	-	-	-	2,630,531
Gifts & donations	-	-	7,600	-	-	-	-	-	-	-	-	-	-	7,600
Other revenues	-	-	46,042	446	-	-	-	-	-	-	-	-	-	46,488
Total revenues	145,982	326,329	1,833,673	446	-	336,994	418,324	54,845	44,292	472,293	60,317	-	908,500	4,601,995
EXPENDITURES														
Current														
General government	-	-	-	-	-	56,439	192,308	45,831	-	-	-	-	-	294,578
Public safety	-	-	-	-	-	-	353,984	-	25,559	-	-	-	-	379,543
Public works	-	1,017,186	-	-	-	-	-	-	-	-	-	-	-	1,017,186
Public services	-	-	-	-	-	305,866	-	-	-	2,947,318	-	121,101	-	3,374,285
Intergovernmental assistance	-	-	-	-	-	-	235,000	-	-	-	-	-	-	235,000
Community development	-	-	1,734,467	-	-	-	-	-	-	-	-	-	-	1,734,467
Personnel board	-	-	-	534,424	-	-	-	-	-	-	-	-	-	534,424
Debt service														
Principal	-	-	-	-	-	-	-	-	-	60,000	-	-	688,355	748,355
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	102,519	-	-	222,859	325,378
Debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects construction and outlay	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	1,017,186	1,734,467	534,424	-	362,305	781,292	45,831	25,559	3,109,837	-	121,101	911,214	8,643,216
Excess (deficiency) of revenues over expenditures	145,982	(690,857)	99,206	(533,978)	-	(25,311)	(362,968)	9,014	18,733	(2,637,544)	60,317	(121,101)	(2,714)	(4,041,221)
OTHER FINANCING SOURCES (USES)														
Long-term debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discount on debt issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	14,169	584,929	-	-	-	-	-	-	-	-	-	599,098
Transfers (out)	-	-	-	-	-	-	-	-	-	(13,680)	(15,167)	-	-	(28,847)
Total other financing sources (uses)	-	-	14,169	584,929	-	-	-	-	-	(13,680)	(15,167)	-	-	570,251
Net change in fund balance	145,982	(690,857)	113,375	50,951	-	(25,311)	(362,968)	9,014	18,733	(2,651,224)	45,150	(121,101)	(2,714)	(3,470,970)
Fund balance (deficit), beginning	336,166	763,581	1,060	113,715	-	1,048,478	600,793	111,690	189,128	(65,293)	841,046	121,101	134,053	4,195,518
Fund balance (deficit), ending	$ 482,148	$ 72,724	$ 114,435	$ 164,666	$ -	$ 1,023,167	$ 237,825	$ 120,704	$ 207,861	$ (2,716,517)	$ 886,196	$ -	$ 131,339	$ 724,548

CITY OF DECATUR
7 CENT GAS TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
September 30, 2011

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	$ 146,000	$ 146,000	$ 144,829	$ (1,171)
Revenues from money and property	300	300	1,153	853
Total revenues	146,300	146,300	145,982	(318)
Expenditures				
Operating expenses	437,729	437,729	-	(437,729)
Capital outlay	44,737	44,737	-	(44,737)
Total expenditures	482,466	482,466	-	(482,466)
Excess (deficiency) of revenues over expenditures	(336,166)	(336,166)	145,982	(482,784)
Net change in fund balance	(336,166)	(336,166)	145,982	482,148
Fund balance, beginning	336,166	336,166	336,166	-
Fund balance, ending	$ -	$ -	$ 482,148	482,148

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, 2011

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	$ 325,000	$ 325,000	$ 324,930	$ (70)
Revenues from money and property	1,000	1,000	1,399	399
Other revenue	-	-	-	-
Total revenues	326,000	326,000	326,329	329
Expenditures				
Operating expenses	1,089,580	1,089,580	1,017,186	72,394
Total expenditures	1,089,580	1,089,580	1,017,186	72,394
Excess (deficiency) of revenues over expenditures	(763,580)	(763,580)	(690,857)	72,723
Net change in fund balance	(763,580)	(763,580)	(690,857)	72,723
Fund balance, beginning	763,581	763,581	763,581	-
Fund balance, ending	$ 1	$ 1	$ 72,724	$ 72,723

CITY OF DECATUR
PERSONNEL BOARD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Other	$ -	$ -	$ 446	$ 446
Total revenues	-	-	446	446
Expenditures				
Personal services	459,329	459,329	463,478	4,149
Operating expenses	125,600	125,600	70,946	(54,654)
Total expenditures	584,929	584,929	534,424	(50,505)
Excess (deficiency) of revenues over expenditures	(584,929)	(584,929)	(533,978)	(50,059)
Other financing sources				
Operating transfers in	584,929	584,929	584,929	-
Total other financing sources (uses)	584,929	584,929	584,929	-
Net change in fund balance	-	-	50,951	50,951
Fund balance, beginning	113,715	113,715	113,715	-
Fund balance, ending	$ 113,715	$ 113,715	$ 164,666	$ 50,951

CITY OF DECATUR
HERITAGE TRUST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Intergovernmental	$ 350,000	$ 336,994	$ 336,994	$ -
Total revenues	350,000	336,994	336,994	-
Expenditures				
Operating expenses	76,439	56,439	(56,439)	112,878
Capital outlay	605,083	1,188,231	418,744	769,487
Total expenditures	681,522	1,244,670	362,305	882,365
Excess (deficiency) of revenues over expenditures	(331,522)	(907,676)	(25,311)	882,365
Net change in fund balance	(331,522)	(907,676)	(25,311)	882,365
Fund balance, beginning	1,048,478	1,048,478	1,048,478	-
Fund balance, ending	$ 716,956	$ 140,802	$ 1,023,167	$ 882,365

CITY OF DECATUR
CORRECTIONS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Fines and Forfeitures	$ 385,000	$ 385,000	$ 417,117	$ 32,117
Revenues from money and property	2,000	2,000	1,207	(793)
Total revenues	387,000	387,000	418,324	31,324
Expenditures				
Personal services	362,458	362,458	328,664	33,794
Operating expenses	76,500	311,500	318,628	(7,128)
Capital outlay	-	134,000	134,000	-
Total expenditures	438,958	807,958	781,292	26,666
Excess (deficiency) of revenues over expenditures	(51,958)	(420,958)	(362,968)	57,990
Net change in fund balance	(51,958)	(420,958)	(362,968)	57,990
Fund balance, beginning	600,793	600,793	600,793	-
Fund balance, ending	$ 548,835	$ 179,835	$ 237,825	$ 57,990

CITY OF DECATUR
DOCKET FEE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Fines and Forfeitures	$ 43,000	$ 43,000	$ 54,845	$ 11,845
Total revenues	43,000	43,000	54,845	11,845
Expenditures				
Operating expenses	90,000	90,000	25,068	64,932
Capital outlay	-	-	20,763	20,763
Total expenditures	90,000	90,000	45,831	44,169
Net change in fund balance	(47,000)	(47,000)	9,014	56,014
Fund balance, beginning	111,690	111,690	111,690	-
Fund balance, ending	$ 64,690	$ 64,690	$ 120,704	$ 56,014

CITY OF DECATUR
DRUG SEIZURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
For the Year Ended September 30, 2011

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Intergovernmental	$ 50,000	$ 50,000	$ 43,747	$ (6,253)
Revenues from money and property	500	500	545	45
Total revenues	50,500	50,500	44,292	(6,208)
Expenditures				
Operating expenses	120,000	120,000	18,384	101,616
Capital outlay	55,000	55,000	7,175	47,825
Total expenditures	175,000	175,000	25,559	149,441
Excess (deficiency) of revenues over expenditures	(124,500)	(124,500)	18,733	143,233
Net change in fund balance	(124,500)	(124,500)	18,733	143,233
Fund balance, beginning	189,128	189,128	189,128	-
Fund balance, ending	$ 64,628	$ 64,628	$ 207,861	$ 143,233

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, 2011

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Taxes and Payments in lieu of taxes	$ 445,000	$ 445,000	$ 472,293	$ 27,293
Total revenues	445,000	445,000	472,293	27,293
Expenditures				
Capital outlay	2,594,783	3,394,783	2,947,318	447,465
Debt service				
Operating expenses				
Principal	60,000	60,000	60,000	-
Interest	102,519	102,519	102,519	-
Total expenditures	2,757,302	3,557,302	3,109,837	447,465
Excess (deficiency) of revenues over expenditures	(2,312,302)	(3,112,302)	(2,637,544)	474,758
Other financing sources				
Operating transfers in	2,734,708	2,734,708	-	(2,734,708)
Operating transfers (out)	-	(13,680)	(13,680)	-
Total other financing sources	2,734,708	2,721,028	(13,680)	(2,734,708)
Net change in fund balance	422,406	(391,274)	(2,651,224)	(2,259,950)
Fund balance, beginning	(65,293)	(65,293)	(65,293)	-
Fund balance, ending	$ 357,113	$ (456,567)	$(2,716,517)	$ (2,259,950)

CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
September 30, 2011

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
ASSETS			
Current assets			
Cash & investments, at cost	$ 164,214	$ 16,532,926	$16,697,140
Accounts	54,118	941,925	996,043
Due from other funds	-	1,052,495	1,052,495
Inventories, at cost	59,135	19,369	78,504
Total current assets	277,467	18,546,715	18,824,182
Noncurrent assets			
Capital assets:			
Land	173,940	1,241,799	1,415,739
Buildings	6,700,494	1,352,253	8,052,747
Improvements other than buildings	6,847,421	8,405,028	15,252,449
Furniture & equipment	1,062,418	5,791,120	6,853,538
Construction work in progress	-	2,127,325	2,127,325
Less accumulated depreciation	(9,669,550)	(10,826,359)	(20,495,909)
Total capital assets (net of accumlated depreciation)	5,114,723	8,091,166	13,205,889
Total noncurrent assets	5,114,723	8,091,166	13,205,889
Total assets	5,392,190	26,637,881	32,030,071
LIABILITIES			
Current liabilities			
Accounts payable	132,473	716,866	849,339
Accrued liabilities	30,776	36,075	66,851
Contract retainages	-	36,187	36,187
Compensated absences	1,882	13,595	15,477
Due to other funds	2,208	-	2,208
Total current liabilities	167,339	802,723	970,062
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	2,785,446	2,785,446
Compensated absences	16,933	122,355	139,288
Total noncurrent liabilities	16,933	2,907,801	2,924,734
Total liabilities	184,272	3,710,524	3,894,796
NET ASSETS			
Invested in capital assets, net of related debt	5,114,723	8,091,166	13,205,889
Unrestricted	93,195	14,836,191	14,929,386
Total net assets	$ 5,207,918	$ 22,927,357	$ 28,135,275

CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS
For the Year Ended September 30, 2011

	Enterprise Funds		
	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating revenue			
Charges for services	$ -	$ 5,858,038	$ 5,858,038
Premiums & fees	3,632,355	-	3,632,355
Total operating revenue	3,632,355	5,858,038	9,490,393
Operating expenses			
Personnel, operations & maintenance	3,345,935	3,610,166	6,956,101
Closure and postclosure costs	-	247,737	247,737
Depreciation and amortization	442,520	720,682	1,163,202
Administrative costs	533,978	587,234	1,121,212
Total operating expenses	4,322,433	5,165,819	9,488,252
Operating income (loss)	(690,078)	692,219	2,141
Nonoperating revenue (expenses)			
Interest income	-	96,304	96,304
Gain on disposition of assets	-	13,051	13,051
Miscellaneous revenue	4,892	38,442	43,334
Total nonoperating revenue	4,892	147,797	152,689
Income (loss) before contributions, transfers & special items	(685,186)	840,016	154,830
Transfers in	326,645	6,080	332,725
Change in net assets	(358,541)	846,096	487,555
Total net assets, beginning	5,566,459	22,081,261	27,647,720
Total net assets, ending	$ 5,207,918	$ 22,927,357	$ 28,135,275

CITY OF DECATUR
NON-MAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2011

	Point Mallard	Sanitary Landfill	Total Nonmajor Enterprise Funds
Operating activities			
Receipts from customers and users	$ 3,602,422	$ 5,473,998	$ 9,076,420
Other operating cash receipts	4,892	38,445	43,337
Receipts from interfund services provided	-	-	-
Payments to suppliers	(1,943,610)	(3,160,344)	(5,103,954)
Payments to employees	(1,981,622)	(686,322)	(2,667,944)
Payments for legal settlement	-	-	-
Payments for interfund services	2,208	-	2,208
Non-operating cash receipts	-	-	-
Net cash provided (used) by operating activities	(315,710)	1,665,777	1,350,067
Noncapital financing activities			
Operating transfers in	326,645	6,080	332,725
Operating transfers (out)	-	-	-
Net cash provided (used) by noncapital financing activities	326,645	6,080	332,725
Capital and related financing activities			
Acquisition and construction of capital assets	(46,468)	(2,024,101)	(2,070,569)
Proceeds from sale of capital assets	-	13,051	13,051
Intergovernmental grants	-	-	-
Net cash used by capital and related financing activities	(46,468)	(2,011,050)	(2,057,518)
Investing activities			
Purchase of investments	-	4,000,000	4,000,000
Interest received	-	100,878	100,878
Net cash provided by investing activities	-	4,100,878	4,100,878
Net increase in cash and cash equivalents	(35,533)	3,761,685	3,726,152
Cash and cash equivalents, beginning	199,747	13,823,736	14,023,483
Cash and cash equivalents, ending	$ 164,214	$ 17,585,421	$ 17,749,635
Operating income (loss)	$ (690,078)	$ 692,219	$ 2,141
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	442,520	720,682	1,163,202
Miscellaneous items	4,892	286,182	291,074
Decrease (increase) in operating assets and increase (decrease) in operating liabilities:			
Change in assets and liabilities:			
Receivables	(29,933)	(384,040)	(413,973)
Accounts payable	(14,736)	324,687	309,951
Contract retainages	-	(8,475)	(8,475)
Inventory	9,171	7,281	16,452
Due to (from) other funds	2,208	-	2,208
Accrued liabilities	(39,754)	27,241	(12,513)
Deferred revenue	-	-	-
Other items	-	-	-
Net cash provided (used) by operating activities	$ (315,710)	$ 1,665,777	$ 1,350,067

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

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

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Governmental activities									
Invested in capital assets, net of related debt	$ 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	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	2,362,520	9,250,203	11,924,579	18,838,999	24,266,429	24,343,072	23,391,527	24,372,544	18,583,958
Total governmental activities net assets	41,107,892	44,545,612	49,845,230	50,656,198	50,382,733	46,560,335	47,238,440	44,408,705	38,210,393
Business-type activities									
Invested in capital assets, net of related debt	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	5,667,314	16,836,846	5,059,388	5,185,299	5,050,864	4,980,645	4,825,400	5,651,405	6,933,863
Unrestricted	41,638,502	35,277,505	33,731,687	37,692,763	37,098,632	33,733,133	28,132,562	26,485,303	23,821,201
Total business-type activities net assets	221,362,793	216,120,059	212,242,462	210,398,626	207,282,519	201,734,376	195,912,334	190,163,247	187,723,085
Primary government									
Invested in capital assets, net of related debt	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	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	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
Total primary government net assets	$ 262,470,685	$ 260,665,671	$ 262,087,692	$ 261,054,824	$ 257,665,252	$ 248,294,711	$ 243,150,774	$ 234,571,952	$ 225,933,478

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

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

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

	Fiscal Year								
Expenses	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Governmental activities:									
General Government	$ 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	21,414,691	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	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	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	25,313,985	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	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	1,734,467	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	534,424	559,696	525,530	537,308	540,514	498,392	530,389	469,260	457,214
Interest on long-term debt	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	2,735,488	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	80,221,142	78,909,276	77,677,067	76,878,041	71,516,372	73,327,621	65,550,971	64,236,890	59,439,336
Business-type activities:									
Municipal Utilities Board (a)	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	4,317,541	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	5,114,326	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	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	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
Program Revenues									
Governmental activities:									
Charges for services:									
General government	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	2,392,923	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	3,126,217	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	532,171	569,653	563,471	605,347	509,251	569,054	570,640	594,366	588,478
Intergovernmental assistance	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	1,365,315	625,182	985,777	549,862	785,689	685,272	473,856	1,232,546	856,207
Capital grants and contributions	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	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
Business-type activities									
Charges for services:									
Municipal Utilities Board (a)	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	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	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	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	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	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
Net (Expense)/Revenue									
Governmental activities	(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	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	(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 Nine Fiscal Years (Unaudited), continued
(accrual basis of accounting)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
General Revenues and Other Changes in Net Assets									
Governmental activities									
Taxes									
Sales & use taxes	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	11,686,642	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	1,889,725	2,058,897	2,079,989	2,178,344	2,096,980	1,959,620	1,899,066	-	-
Gasoline taxes	826,571	817,274	854,729	866,383	908,017	881,061	1,324,890	-	-
Automobile taxes	1,258,968	1,256,066	1,316,502	1,386,524	1,422,446	1,345,890	1,280,830	-	-
Lodging taxes	1,469,788	1,210,713	1,219,763	1,480,525	1,270,831	1,139,526	1,101,824	-	-
Rental taxes	1,085,585	1,062,431	1,433,785	1,393,968	1,237,542	1,099,616	1,101,615	-	-
Other taxes	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	220,673	272,408	382,714	1,035,330	1,930,389	1,416,270	829,131	560,181	475,938
Other	930,989	42,752	270,146	375,869	618,759	278,875	1,874,267	1,587,883	1,358,172
Transfers	(332,725)	(261,089)	(355,561)	(521,279)	(424,573)	(640,061)	(1,304,539)	(571,380)	(2,665,404)
Total governmental activities	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	229,545	259,204	390,853	1,795,448	2,579,834	1,995,733	1,017,206	420,955	571,861
Transfers	332,725	261,089	355,561	521,279	493,633	640,061	1,304,539	571,380	2,665,404
Total business-type activities	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	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									
Govermental activities	(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	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	$ 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)

	2011
General Fund	
Nonspendable	$ 24,092
Restricted	0
Committed	16,427,815
Assigned	778,556
Unassigned	3,707,793
Total general fund	20,938,256
All Other Governmental Funds	
Nonspendable	886,196
Restricted	66,004
Committed	2,368,053
Assigned	6,186,691
Unassigned	(591,464)
Total all other governmental funds	$ 8,915,480

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	$ 589,640	$ 623,643	$ 620,606	$ 56,368	$ 20,298	$ 37,677	$ 42,261	$ 305,034	$ 739,759
Unreserved	19,591,466	20,507,843	23,136,284	23,219,358	20,873,265	19,717,342	20,935,192	20,864,514	19,302,994
Total general fund	20,181,106	21,131,486	23,756,890	23,275,726	20,893,563	19,755,019	20,977,453	21,169,548	20,042,753
All Other Governmental Funds									
Reserved	2,025,447	1,451,421	2,493,068	2,474,867	3,222,378	2,352,645	1,453,824	1,588,403	556,344
Unreserved, reported in:									
Special purposes	-	-	-	4,187,649	-	-	2,040,204	-	-
Special revenue funds	2,905,305	3,610,185	2,590,092	3,006,657	1,430,568	2,439,265	1,037,247	218,490	995,538
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	$ 6,414,938	$ 7,662,987	$ 8,361,810	$ 14,241,493	$ 1,442,489	$ 5,351,183	$ 6,769,311	$ (574,401)	$ 1,551,882

Notes:

Funds expended in advance of November 2003 bond issue resulted in a negative fund alance 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 Nine Fiscal Years (Unaudited)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Revenues									
Sales & use taxes	$ 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	11,686,642	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	8,179,629	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	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	1,397,745	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	437,777	461,205	547,055	1,224,431	2,047,717	1,638,407	997,734	709,263	497,656
Charges for services	4,378,276	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	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	7,600	50,500	81,383	171,487	250,030	10,000	928,267	-	-
Other revenues	940,355	44,972	155,030	219,020	466,313	489,283	-	946,523	937,826
Total revenues	77,288,175	73,572,756	74,098,851	77,656,136	78,270,550	71,795,242	68,118,391	67,130,537	62,838,727
Expenditures									
General Government	4,032,711	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	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	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	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	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	3,083,825	3,062,672	2,831,805	2,973,892	2,780,387	2,555,873	2,425,783	2,358,965	2,191,438
Community development	1,734,467	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	534,424	559,696	525,530	537,308	540,514	498,392	530,389	469,260	457,214
Principal	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	2,259,325	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	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
Total expenditures	80,243,908	76,085,013	78,367,541	82,533,376	78,810,751	79,205,331	70,467,823	75,805,152	66,740,294
Excess (deficiency) of revenues over expenditures	(2,955,733)	(2,512,257)	(4,268,690)	(4,877,240)	(540,201)	(7,410,089)	(2,349,432)	(8,674,615)	(3,901,567)
Other Financing Sources (Uses)									
Long-term debt issued	6,500,000	-	21,945,000	-	16,215,000	5,280,000	-	19,900,000	18,600,000
Premium on debt issue	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		-	(21,585,422)	-	-	-	-	(3,600,000)	(16,304,212)
Transfers in	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)	(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)
Total other financing sources (uses)	6,213,424	313,840	944,451	(521,279)	15,721,368	4,639,939	(291,130)	15,826,232	2,902,079
Net change in fund balance	$ 3,257,691	$ (2,198,417)	$ (3,324,239)	$ (5,398,519)	$ 15,181,167	$ (2,770,150)	$ (2,640,562)	$ 7,151,617	$ (999,488)
Debt service as a percentage of noncapital expenditures	8.9%	9.2%	11.0%	11.4%	13.7%	11.4%	13.9%	17.1%	16.5%

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

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
2002	133,679,440	352,089,620	17,932,860	130,013,760	373,688,160	18.6 Mills	3,155,551,610	11.84%
2003	149,888,620	382,311,100	12,879,520	153,344,140	391,735,100	18.6 Mills	3,451,700,346	11.35%
2004	157,351,760	400,216,780	13,313,320	165,924,460	404,957,400	18.6 Mills	3,617,188,351	11.20%
2005	163,761,540	418,926,480	12,852,320	172,319,760	423,220,580	18.6 Mills	3,773,231,885	11.22%
2006	174,696,180	444,945,640	11,698,340	184,234,600	447,105,560	18.6 Mills	4,008,747,002	11.15%
2007	183,386,980	466,603,380	11,658,060	187,962,620	473,685,800	18.6 Mills	4,103,768,107	11.54%
2008	195,464,700	491,616,620	11,213,700	173,096,040	525,198,980	18.6 Mills	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%

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 assesed value.

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

	City Direct Rates			Overlapping Rates			
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	City Schools	County Schools	Morgan County	State of Alabama
2002	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2003	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2004	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2005	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2006	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2007	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2008	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2009	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2010	6.0 Mills	12.6 Mills	18.6 Mills	3.6 Mills	5.8 Mills	10.8 Mills	6.5 Mills
2011	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)

	2002			2003			2004			2005			2006		
Taxpayer	**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**	
Trico Steel	$ 24,837,540	2	6.65%	$ -			$ -			$ -			$ -		
Worthington Steel	25,094,180	1	6.72%	24,274,260	2	6.20%	23,074,080	2	5.70%						
Bunge Corporation	9,883,220	3	2.64%	11,502,820	3	2.94%	11,072,020	3	2.73%	10,699,380	2	2.53%	10,525,220	2	2.35%
BellSouth	8,842,960	4	2.37%	9,056,200	4	2.31%	9,258,400	4	2.29%	8,883,200	4	2.10%	8,633,700	4	1.93%
Hexel Corporation	4,355,140	9	1.17%	3,991,440	9	1.02%	*			3,794,280	9	0.90%	4,350,360	9	0.97%
Goodyear Tire & Rubber	6,108,200	6	1.63%	6,228,220	5	1.59%	5,945,900	6	1.47%	4,348,720	8	1.03%	4,632,580	8	1.04%
General Electric Appliance	6,898,420	5	1.85%	5,509,140	6	1.41%	5,081,660	8	1.25%	4,483,180	7	1.06%	4,864,380	7	1.09%
Colonial Realty Limited	5,425,800	7	1.45%	*			5,114,540	7	1.26%	5,014,740	6	1.18%	5,281,800	6	1.18%
National Healthcare	3,949,340	10	1.06%	*			*			*			3,899,460	10	0.87%
Trigen-Alabama Energy	5,296,000	8	1.42%	*			*			*			*		
Nucor Steel	*			30,079,240	1	7.68%	41,185,540	1	10.17%	67,380,360	1	15.92%	76,363,820	1	17.08%
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%
Meow Mix	*			5,081,980	8	1.30%	7,731,400	5	1.91%	9,214,840	3	2.18%	9,300,180	3	2.08%
Charter Communciations	*			3,907,080	10	1.00%	3,472,920	10	0.86%	3,090,380	10	0.73%	*		
Hyosung USA, Inc.	*			*			*			*			*		
First Republic Group Realty	*			*			*			*			*		
Marine Terminals of Ala	*			*			*			*			*		
ITW Sexton	*			*			*			*			*		
ITC-AL LLC	*			*			*			*			*		
Conagra Inc	*			*			*			*			*		
Total	$ 100,690,800		26.95%	$ 104,987,680		26.80%	$ 117,255,800		28.96%	$ 122,091,860		28.85%	$ 134,133,620		30.00%
Net City Taxable Assessed Value			373,688,160			391,735,100			404,957,400			423,220,580			447,105,560

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

Percentage of Net City Taxable Assessed Value	2007			2008			2009			2010			2011		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Net City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Net City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Net City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Net City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Net City Taxable Assessed Value**
Trico Steel	$ -			$ -			$ -			$ -			$ -		
Worthington Steel	83,485,960	1	17.62%	*			*			*			*		
Bunge Corporation	11,061,040	2	2.34%	8,702,100	3	1.66%	10,263,540	3	1.92%	10,583,820	3	1.88%	10,583,820	3	1.95%
BellSouth	8,642,900	5	1.82%	8,499,400	4	1.62%	9,442,740	4	1.76%	7,337,600	4	1.30%	7,337,600	4	1.35%
Hexel Corporation	9,923,320	3	2.09%	13,997,040	2	2.67%	22,905,500	2	4.28%	35,580,040	2	6.32%	35,580,040	2	6.57%
Goodyear Tire & Rubber	*			*			*			*			*		
General Electric Appliance	4,603,620	8	0.97%	4,242,200	7	0.81%	4,543,620	7	0.85%	6,044,220	5	1.07%	6,044,220	5	1.12%
Colonial Realty Limited	5,304,720	7	1.12%	*			*			*			*		
National Healthcare	3,878,740	9	0.82%	2,674,800	9	0.51%	*			2,761,420	10	0.49%	3,830,960	9	0.71%
Trigen-Alabama Energy	*			*			*			*			*		
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%
O.C.I. Chemical Corp	6,074,000	6	1.28%	*			5,299,680	9	0.99%						
Meow Mix	8,949,320	4	1.89%	8,657,940	6	1.65%	8,644,500	6	1.61%	8,784,220	6	1.56%	8,784,220	6	1.62%
Charter Communciations	*			*			*			*			*		
Hyosung USA, Inc.	3,238,860	10	0.68%	*			*			3,430,800	9	0.61%	3,430,800	10	0.63%
First Republic Group Realty	*			5,232,860	5	1.00%	5,189,300	5	0.97%	4,780,840	7	0.85%	4,780,840	7	0.88%
Marine Terminals of Ala	*			2,500,980	8	0.48%	*			*			*		
ITW Sexton	*			2,777,740	10	0.53%	*			*			*		
ITC-AL LLC	*			*			7,188,780	8	1.34%	7,321,540	8	1.30%	7,321,540	8	1.35%
Conagra Inc	*			*			4,550,000	10	0.85%	*			*		
Total	$ 145,162,480		30.65%	$ 152,595,420		29.05%	$ 206,544,940		38.58%	$ 221,673,180		39.40%	$ 222,742,720		41.11%
Net City Taxable Assessed Value			473,685,800			525,198,980			535,353,520			562,678,220			541,604,980

City of Decatur
Property Tax Levies and Collections,
Last Eight 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%	31,733	16,882,454	99%
2009	17,845,697	17,842,973	99.98%	1,723	17,844,696	100%
2010	18,613,467	18,346,672	98.57%			
2011**	18,214,808					

Source:
Morgan County Revenue Commissioner

** FY 11 revenue collected amounts will not be available until mid-July 2012.
FY 10 collections in subsequent years will not be available until mid-July 2012.

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 Six Prior Calendar Years (Unaudited)
(In thousands)

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

Source:
City Revenue Department

Notes:
City direct sales tax rate is 4%
Information prior to the current year and prior 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)

Fiscal Year	City Direct Rate	Morgan County	State of Alabama
2002*	4.00%	1.00%	4.00%
2003	4.00%	1.00%	4.00%
2004	4.00%	1.00%	4.00%
2005	4.00%	1.00%	4.00%
2006	4.00%	1.00%	4.00%
2007	4.00%	1.00%	4.00%
2008	4.00%	1.00%	4.00%
2009	4.00%	1.00%	4.00%
2010	4.00%	1.00%	4.00%
2011	4.00%	1.00%	4.00%

Source:
City revenue department

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

City of Decatur
Principal Sales Tax Remitters,
Current Year and 6 Prior Years (Unaudited)

Tax Remitter Description	Calendar Year 2011 Tax Liability	Rank	Percentage of Total	Calendar Year 2010 Tax Liability	Rank	Percentage of Total	Calendar Year 2009 Tax Liability	Rank	Percentage of Total	Calendar Year 2008 Tax Liability	Rank	Percentage of Total
Multi-line retailer	$ 3,155,015	1	9.01%	$ 3,267,680	1	10.17%	$ 3,332,677	1	10.31%	$ 3,432,359	1	9.64%
Manufacturer	1,593,683	2	4.55%	1,488,051	2	4.63%	1,215,992	2	3.76%	2,164,933	2	6.08%
Grocery store	1,087,599	3	3.11%	943,588	4	2.94%	881,470	4	2.73%	908,885	4	2.55%
Multi-line retailer	963,404	4	2.75%	960,358	3	2.99%	929,286	3	2.87%	885,335	5	2.49%
Building materials /hard line	892,307	5	2.55%	902,975	5	2.81%	876,426	5	2.71%	1,152,320	3	3.24%
Multi-line retailer	740,366	6	2.11%	677,686	6	2.11%	*			*		
Grocery store	686,460	7	1.96%	655,050	7	2.04%	630,738	7	1.95%	590,565	7	1.66%
Building materials /hard line	610,317	8	1.74%	587,857	8	1.83%	664,293	6	2.05%	680,106	6	1.91%
Apparel Store	598,786	9	1.71%	525,665	10	1.64%	496,031	8	1.53%	458,425	9	1.29%
Automobile dealer	560,643	10	1.60%	554,647	9	1.73%	*			503,718	8	1.41%
Apparel Store	*			*			327,451	9	1.01%	354,459	10	1.00%
Multi-line retailer	*			*			324,700	10	1.00%			
Manufacturer	*			*			*			*		
Grocery store	*			*			*			*		
Total	$ 10,888,581		31.09%	$ 10,563,557		32.89%	$ 9,679,064		29.93%	$ 11,131,105		31.26%

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

Source:
City Revenue Department

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

Information prior to the current year and prior 6 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)

Fiscal Year	Electric	Gas	Water	Wastewater	Total
2002	68,738,298	23,152,126	9,516,536	7,601,848	109,008,808
2003	91,075,855	34,896,833	9,360,996	9,181,385	144,515,069
2004	72,558,786	29,355,332	7,495,436	8,035,539	117,445,093
2005	74,388,148	26,684,990	7,901,111	8,895,053	117,869,302
2006	83,688,511	34,999,393	8,490,576	8,939,135	136,117,615
2007	86,367,173	30,715,823	9,063,331	10,114,298	136,260,625
2008	92,242,668	34,360,009	8,604,599	10,235,723	145,442,999
2009	98,913,684	24,628,903	8,084,517	9,639,016	141,266,120
2010	93,571,114	21,495,060	9,266,433	11,419,349	135,751,956
2011	97,869,957	19,456,250	10,260,760	14,341,790	141,928,757

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

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

Financial statements 2004 through 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)

	Governmental Activities			Business-type Activities				
Fiscal Year	**General Obligation Warrants**	**Notes Payable**	**Capital Leases**	**Water Revenue Warrants**	**Wastewater Revenue Warrants**	**Capital Leases**	**Total Primary Government**	***Percentage of Personal Income**
2002	52,360	2,380	1,036	26,325	32,190	-	114,291	10.71%
2003	50,615	2,330	1,575	24,825	28,525	77	107,947	10.12%
2004	63,005	680	854	23,240	26,590	29	114,398	10.72%
2005	57,935	630	299	22,140	22,680	45	103,729	9.72%
2006	57,970	630	154	20,995	21,030	-	100,779	8.40%
2007	68,575	-	29	19,795	19,320	-	107,719	9.20%
2008	63,273	-	-	18,545	17,545	-	99,363	6.78%
2009	59,542	-	401	17,915	15,700	-	93,558	7.71%
2010	55,352	-	579	16,245	13,790	-	85,966	6.44%
2011	57,498	-	191	14,630	11,810	-	84,129	6.50%

Sources:
2006 through 2011 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:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Business type activities:
2002 is reported on 12-month reporting period with June 30 year end date
2003 is a 15-month reporting period with year end of September 30
2004 forward report on 12-month reporting periond with fiscal year end of September 30

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2002	52,360,000	1.66%	957
2003	50,615,000	1.47%	907
2004	63,005,000	1.74%	1,122
2005	57,935,000	1.54%	1,019
2006	57,970,000	1.45%	1,085
2007	68,575,000	1.67%	1,280
2008	63,272,969	1.81%	1,146
2009	59,542,038	1.67%	1,114
2010	55,351,670	1.50%	996
2011	57,498,315	1.60%	1,014

Sources:
Morgan County Economic Development Association for 2006 through 2011 population estimates

Notes:
FY 2002 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, 2011 (Unaudited)

Governmental Unit	Debt Outstanding	Percent Applicable to City	City's Share of Direct and Overlapping Debt
Debt repaid with property taxes			
City of Decatur general obligation bonds & warrants	$ 57,689,870	100.00%	$ 57,689,870
* City of Decatur Board of Education	32,050,000	100.00%	32,050,000
Total Direct Debt			89,739,870
Morgan County	24,050,000	48.04%	11,797,253
Morgan County Board of Education	26,796,568	48.04%	10,706,641
Total Overlapping Debt			22,503,894
Total direct and overlapping debt			112,243,764

The percentage of overlapping debt applicable to the City is calculated on the basis of the ratio of the estimated 2011 net assessed valuation of all taxable property in the City ($541,604,980) - exclusive of taxable property outside the boundaries of Morgan County - to that of all net taxable property in Morgan County ($1,171,174,040).

*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)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt limit	$ 74,737,632	$ 78,347,020	$ 80,991,480	$ 84,644,116	$ 89,421,112	$ 94,737,160	$ 105,039,796	$ 107,070,704	$ 112,535,644	$ 108,320,996
Total net debt applicable to limit	35,420,000	35,465,000	48,370,000	45,485,000	47,485,000	60,240,000	56,997,969	55,330,038	52,555,819	58,877,645
Legal debt margin	39,317,632	42,882,020	32,621,480	39,159,116	41,936,112	34,497,160	48,041,827	51,740,666	59,979,825	49,443,351
Total net debt applicable to the limit as a percentage of debt limit	47.39%	45.27%	59.72%	53.74%	53.10%	63.59%	54.26%	51.68%	46.70%	54.35%

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	$ 762,163,680
Less tax exempt property	(220,558,700)
Net Assessed Value	541,604,980
Debt limit (20% of net assessed value)	108,320,996
Debt applicable to limit:	
General obligation bonds	57,498,315
Less:School	1,379,330
Total net debt applicable to limit	58,877,645
Legal debt margin	$ 49,443,351

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

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

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service	Coverage
2002	109,592,516	96,482,022	13,110,494	5,127,707	2.56%
2003	144,971,255	132,736,841	12,234,414	5,789,000	2.11%
2004	117,727,587	107,176,453	10,551,134	5,788,552	1.82%
2005	118,591,409	107,151,729	11,439,680	5,159,606	2.22%
2006	137,591,436	125,146,933	12,444,503	4,774,913	2.61%
2007	138,236,912	125,022,901	13,214,011	4,875,660	2.71%
2008	146,806,157	136,753,211	10,052,946	4,823,628	2.08%
2009	141,472,819	133,607,497	7,865,322	5,064,336	1.55%
2010	135,864,145	124,879,664	10,984,481	4,657,987	2.36%
2011	142,061,998	128,939,530	13,122,468	4,579,979	2.87%

Financial statements 2001 through 2002 were presented on 12-month period ending June 30.

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

Financial statements 2004 through 2010 were presented on 12-month period ending September 30.

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

Calendar Year	Population	Personal Income *Thousands of dollars*	Per Capita Personal Income	Median Age	Graduated	School Enrollment	Unemployment Rate
2002	54,723			36.3	406	8,839	6.4%
2003	55,809			36.3	451	8,840	6.0%
2004	56,136			37.5	449	8,806	6.1%
2005	56,866			38.1	442	8,815	3.9%
2006	53,442	1,192,879	22,321	38.3	483	8,831	3.1%
2007	53,581	1,170,477	21,845	38.8	437	8,812	3.3%
2008	55,233	1,465,608	26,535	38.4	521	8,873	4.9%
2009	53,465	1,213,549	22,698	38.9	536	8,812	10.6%
2010	55,588	1,335,335	24,022	39.4	498	8,723	9.0%
2011	56,696	1,293,803	22,820	40.4	500	8,545	9.9%

Sources:
Morgan County Economic Development Association for 2006 through 2011 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 Five Years (Unaudited)

	2011			2010			2009			2008			2007			2006		
Employer	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**	**Employees**	**Rank**	**Percentage of Total City Employment**
General Electric	1,250	1	4.07%	1,250	1	3.98%	1,250	1	3.65%	1,390	1	3.86%	1,390	1	4.10%	1,390	1	3.68%
Decatur City Schools	1,205	2	3.92%	1,205	2	3.84%	1,205	2	3.52%	1,205	2	3.35%	1,205	2	3.55%	1,205	2	3.19%
Decatur General Hospital	1,000	3	3.25%	1,000	3	3.19%	1,000	3	2.92%	1,200	3	3.33%	1,200	3	3.54%	1,200	3	3.18%
3M Company	880	4	2.86%	760	5	2.42%	760	4	2.22%	830	4	2.31%	895	4	2.64%	828	4	2.19%
Wayne Farms Fresh	826	5	2.69%	858	4	2.73%	858	5	2.51%	799	5	2.22%	813	5	2.39%	813	5	2.15%
United Launch Alliance	760	6	2.47%	654	7	2.08%	654	6	1.91%	684	6	1.90%	638	6	1.88%	650	6	1.72%
Nucor Steel	719	7	2.34%	713	6	2.27%	700	8	2.05%	710	8	1.97%	630	8	1.85%	630	8	1.67%
City of Decatur	680	8	2.21%	675	8	2.15%	675	7	1.97%	673	7	1.87%	671	7	1.97%	681	7	1.80%
Wayne Farms East/West	568	9	1.85%	444	9	1.41%	444	10	1.30%	418	10	1.16%	418	10	1.23%	-		-
Parkway Medical Center	414	10	1.35%	414	10	1.32%												
BP America							446	9	1.30%	446	9	1.24%	453	9	1.33%	-		-
Wolverine Tube																525	9	1.39%
Goodyear Tire & Rubber																408	10	1.08%
Total	8,302		27.00%	7,973		25.39%	7,992		23.36%	8,355		23.22%	8,313		24.48%	8,330		22.05%

Source:
Morgan County Economic Development Association

Prior years' comparative information was not available.

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

Function/Program	Full-Time-Equivalent Employees as of September 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government	42	43	41	44	44	43	44	43	42	40
Public safety	284	275	272	263	276	283	266	275	268	274
Public works	76	76	81	81	82	77	74 *	94	94	92
Public services	71	77	72	78	71	73	73 *	59	57	57
Intergovernmental assistance	16	18	19	19	20	20	23	23	22	20
Municipal Utilities Board	164	163	165	163	157	160	170	178	177	170
Point Mallard	9	9	11	10	8	12	25	25	23	26
Sanitary Landfill	18	14	14	13	13	13	13	12	12	13
Total	680	675	675	671	671	681	688	709	695	692

Source:
City of Decatur Personnel Board
Decatur Utilities Personnel Department

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

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

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government										
Building permits issued	3,132	2,910	3,703	3,133	4,778	5,449	3,969	3,999	4,004	2,815
Building inspections conducted	6,096	6,751	5,487	8,004	9,955	8,365	9,155	7,327	**	**
Police										
Adult arrests	5,594	5,428	6,291	6,500	6,141	10,808	11,386	10,431	9,574	9,937
Traffic citations	15,204	15,948	16,022	16,695	13,946	12,154	12,662	15,963	10,919	13,891
Fire										
Inspections	93	182	154	91	69	52	37	31	130	112
Emergency medical responses	3872	5281	3917	3885	2900	3059	3461	3556	3484	3580
Fire and/or Hazmat responses	930	1467	1291	1004	888	906	889	1014	1094	921
Refuse collections										
Recyclables collected in tons	1,301	1,416	1,381	1,488	1,532	1,509	1,447	1,369	1,408	1,509
Garbage and trash collected	37,287	38,164	39,608	36,384	34,536	43,252	41,990	41,659	49,552 *	**
Municipal Utilities Board										
Electrical connections	26,513	26,453	26,403	26,595	26,439	26,105	26,348	26,316	26,034	26,036
Water connections	25,244	25,144	25,155	25,154	24,990	24,532	24,495	24,268	23,820	23,660
Wastewater connections	20,327	20,293	20,308	20,338	20,233	19,895	19,900	19,694	19,372	19,317
Gas connections	13,691	13,793	13,785	13,861	13,824	13,835	13,925	14,578	14,267	13,965

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	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Police										
Stations	3	3	3	3	4	4	3	3	4	6
Vehicles	153	135	135	137	142	122	102	102	82	74
Fire										
Stations	8	8	8	8	8	8	8	8	8	8
Pumper Fire trucks	10	10	13	13	14	12	11	11	10	10
Special Response Vehicle	3	3	4	4	4	4	2	2	2	2
Sanitation										
Garbage collection trucks	17	17	17	17	17	19	19	21	22	16
Other public works										
Paved streets (miles)	335	335	334	333	333	333	333	331	329	329
Unpaved streets (miles)	7	7	7	7	7	7	7	7	7	7
Paved invert drainage channels (miles)	48	48	48	48	48	48	48	48	48	48
Storm drainage conduits (miles)	143	143	143	143	143	143	143	142	141	141
Parks and Recreation										
Number of parks*	26	26	26	26	26	26	24	24	32	32
Acres of Parks	1,278	1,278	1,278	1,278	1,278	1,278	1,263	1,263	1,263	1,263
Golf courses (public & private)	4	4	4	4	4	4	4	4	4	4
Tennis courts	46	46	46	46	46	46	34	34	34	34
Recreations centers	4	4	4	4	4	4	4	4	4	4
Senior citizen centers	2	2	2	2	2	2	2	1	1	1
Ball fields in use	35	35	35	35	35	34	32	32	32	32
Enclosed swimming pool	1	1	1	1	1	1	1	1	1	1
Open air swimming pools	2	2	2	2	2	2	3	3	3	3
Soccer facilities (acres)	62	62	62	62	62	62	62	62	35	35
Ice rinks	1	1	1	1	1	1	1	1	1	1
Marina/boat launch	2	2	2	2	2	2	2	1	1	1
Campgrounds	1	1	1	1	1	1	1	1	1	1
Municiple Utilities Board										
Water mains (miles)	481	480	480	478	476	474	472	405	464	461
Gas mains (miles)	414	414	413	412	411	409	407	405	401	400
Electric lines (miles)	592	592	592	592	588	586	585	581	577	577
Sanitary sewers (miles)	340	340	340	337	337	334	331	327	325	320
Fire hydrants in service	2,011	2,009	2,019	2,003	1,985	1,958	1,939	1,901	1,883	1,871

Sources:
Various city departments and capital assets records

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