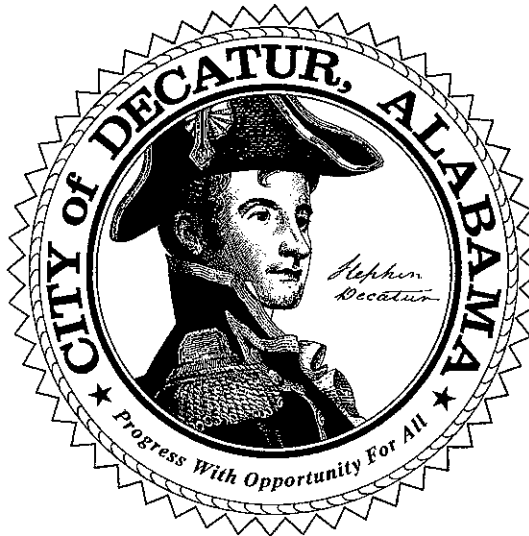


COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF DECATUR, ALABAMA



FOR THE FISCAL YEAR ENDED

SEPTEMBER 30,

2005

ADMINISTRATIVE SERVICES

DEPARTMENT OF FINANCE
Linda McKinney, Finance Supervisor

TECHNICAL ASSISTANCE / COMPUTER GRAPHICS
Allen Stover

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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director



CITY OF Decatur
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2005

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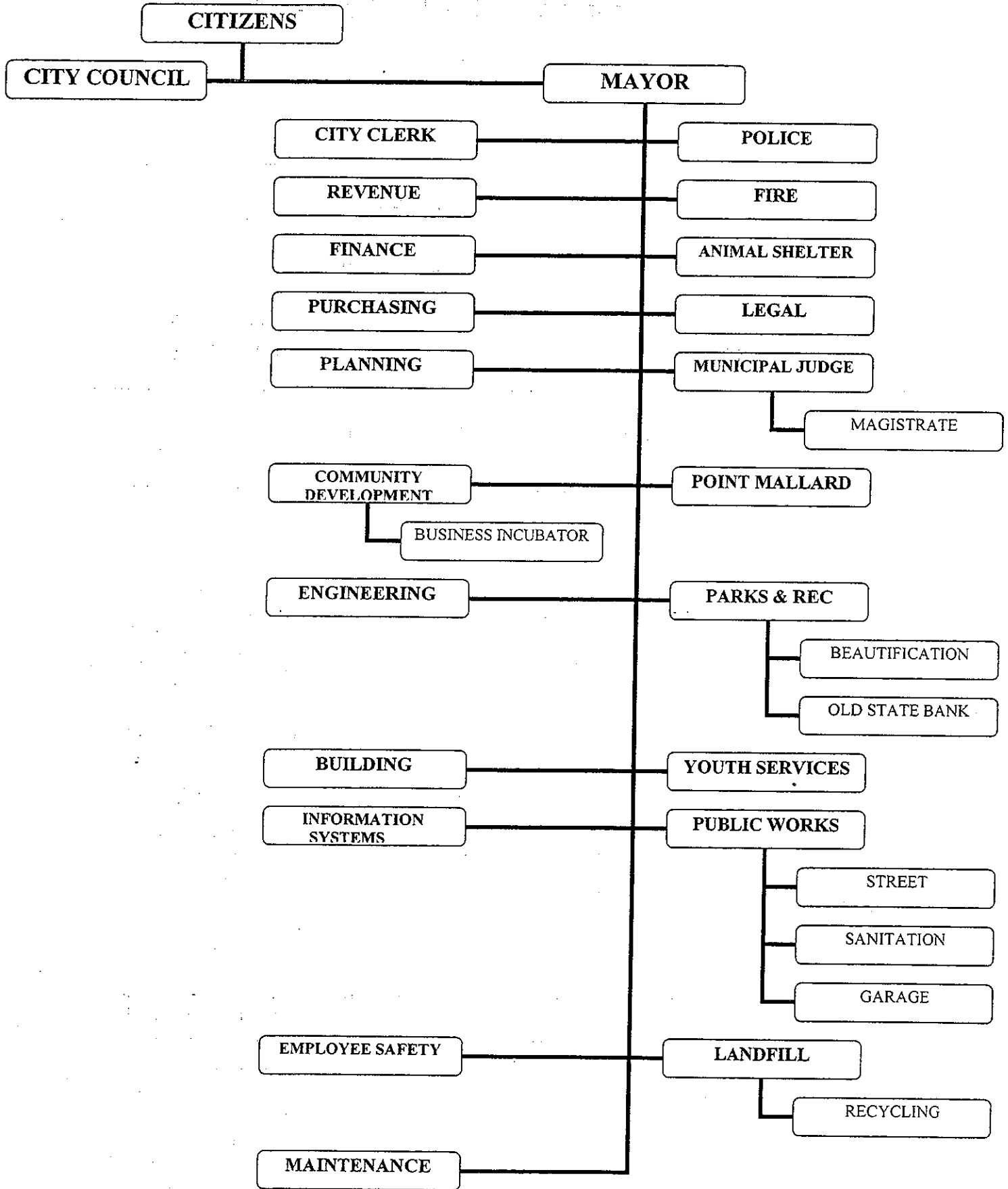
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CITY OF DECATUR 2005 ORGANIZATIONAL CHART



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

City of Decatur

Boards and Commissions

Decatur Historic Preservation Commission

Medical Clinic Board

Industrial Development Board

Public Building Authority

Housing Authority

Board of Examinations and Appeals

Parks & Recreation Board

Old Bank Board

Decatur Beautification Board

Community Preservation
Board

Downtown Redevelopment Authority

Housing Board of Adjustments
& Appeals

Planning Commission

Board of Zoning and Adjustment

Decatur Animal Shelter Board

Decatur Health Care Authority

Small Business Development Board

Personnel Board

Municipal Utilities Board

City Board of Education

Point Mallard Facilities Board

Urban Forestry Board

Educational Building Authority

City / County Boards

North Central Mental
Retardation Authority

State Products Mart Authority

E-911 Board

Civil Defense/Emergency
Management

Decatur/ Morgan County Port Authority

EMS Advisory Committee

Board of Equalization

Wheeler Basin Regional Library

Healthcare Authority of
Morgan County

Airport Authority

Decatur/Morgan County
Farmer's Market Board

Mental Health Center
of North Central Alabama

OFFICIALS OF THE CITY OF DECATUR

MAYOR

Don Kyle

CITY COUNCIL

Billy Jackson – President

Ronny Russell – President Pro Tempore
Gary Hammon

David Bolding
Ray Metzger

DEPARTMENT DIRECTORS

Animal Shelter
Building Department
City Attorney
City Clerk
City Engineer (Acting)
Community Development
Fire Chief
Information Systems
Municipal Judge
Landfill
Parks & Recreation
Personnel
Planning
Point Mallard
Police Chief
Public Works (Acting)
Youth Services

Danny Melson
Jimmy Brothers
Herman Marks
Gail Busbey
Carl Prewitt
Michelle Gilliam-Jordan
Charlie Johnson
Todd Russell
Bill Cook, Jr.
Rickey Terry
Jeff Dunlap
Ken Smith
Jim Fisher
Bob Stewart
Joel Gilliam
Franklin Parham
Bruce Jones

OTHER KEY PERSONNEL

Beautification Coordinator
Business Incubator
Court Magistrate
Employee Safety Coordinator
Finance Supervisor
Maintenance Supervisor
Old State Bank Coordinator
Purchasing Agent
Recycling Coordinator
Revenue Administrator

Linda Eubanks
Jim Gregory
Janice Clemons
Mike Voss
Linda McKinney
Ray Wilkinson
Melinda Dunn
Jeff Fussell
Emily Johnson
Ronne Harvell



Commodore Stephen Decatur
1779 - 1820

CITY of DECATUR

P.O. Box 488 - Decatur, Alabama 35602

March 30, 2006

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

The Comprehensive Annual Financial Report of the City of Decatur, Alabama, for the fiscal year ending September 30, 2005, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. This report, including the exhibits and statistical data contained herein, has been prepared by the Finance Department of the City of Decatur in conformity with the standards established by the Governmental Accounting Standards Board and complies with accounting principles generally accepted in the United States of America (GAAP). We believe the data as presented is accurate in all material aspects, and that it is presented in a manner to fairly set forth the financial position and results of operations of the City.

Alabama state law requires an annual audit to be made, in accordance with generally accepted auditing standards, of all books and accounts of the City by independent certified public accountants. This requirement has been complied with and the report of Beason & Nalley, Inc., Certified Public Accountants, for the fiscal year ended September 30, 2005 is included in this report.

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

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

Profile of the Government

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

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

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

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 (24 parks comprising 1,263 acres, 34 tennis courts, 4 recreation centers, 32 ball fields, 4 pools, 4 golf courses both public & private, 31 soccer fields), cultural events, community services, and general administrative services. The city operates Point Mallard Park, a major 750 acre family recreation park on the Tennessee River, and home of America's first wave pool. At this location, in addition to the wave pool, there is an Olympic diving pool, water slides, 18-hole championship golf course, regulation size ice rink, and a 210 pad campground. The City continues to make major investments in the park. Utility services are provided through a separate Municipal Utilities Board, which functions as a department of the City of Decatur and has been included as an integral part of the City's financial statements.

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

Local economy

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

Decatur and Morgan County have a strong, diversified industrial base built on the area's access to raw materials and their end markets. Looking back on economic activity for the past year, positive trends continue for the area despite layoffs and company downsizings that have occurred over the past couple of years. Our manufacturers are still investing money into their companies and many are expanding operations. In fiscal year 2005, there was one new company, and twenty-seven expansions investing \$183.35 million and creating 374 jobs. The numbers are up from the previous year, and companies continue to invest in their local facilities, expressing a confidence in their outlook of Decatur and Morgan County.

The Decatur MSA unemployment rate improved in 2005 with 3.9% unemployed compared with 6.1% at 9/30/04. This rate is slightly higher than the state's average unemployment rate which was 3.5%.

Long-term financial planning

Envision Decatur is a plan for the renovation of the downtown, uptown, riverfront, and West Moulton Street areas. The consultant contract was completed in the spring of 2004 and estimated time for full implementation of this plan is twenty years. Day Park, an entryway to the City, became part of the North Alabama Birding Trail and was formally dedicated in September 2005. The \$300,000 development was funded by the room occupancy tax imposed by the Hospitality Association. Also funded with the room occupancy tax is the \$1.6 million construction project on the marina and other facilities on the old Ingalls property located adjacent to the Tennessee River. Improvements to Delano Park, funded by grants, include restoration of the Rose Garden, a new \$200,000 water play feature through the Land, Water, and Conservation program, and a \$200,000 walking trail funded through the Alabama Department of Transportation. The Southwest Recreation Center was renamed in honor of Jack Allen, a former Council president. Construction continues on the soccer complex.

The new Turner-Surles Community Resource Center will open March 2006 in Northwest Decatur. The North West Community Development Corporation was formed to provide the organizational framework for community based leadership to plan and implement actions which will lead to the revitalization, development and sustainability of Northwest Decatur using this new Resource Center. The Corporation's mission is to foster economic development programs, opportunities for self-reliance, empowerment and entrepreneurship for residents of Northwest Decatur, expand the availability of and accessibility to decent and affordable housing, enhance employment opportunities of residents through adult training, education, employment programs, and business development opportunities, create programs and opportunities for joint venture projects with successful for-profit business and catalyze and sustain a sense of neighborhood in Northwest Decatur. Approximately one million dollars has been spent on this new resource center funded entirely by community development block grant funds. Future funding to complete the Resource Center and pay costs related to CDC activities will be provided by the Community Development Block Grant program.

The City and the Decatur Board of Education have worked together to insure a safe school environment for the students and faculty. In September 2005, the U.S. Department of Justice awarded a \$372,844 Secure Our Schools grant for the purchase and installation of metal detectors and camera surveillance systems for the two high schools and three middle schools. The City's match was \$111,853. The Cops in Schools grant from the U.S. Department of Justice provides the salaries and benefits for four City of Decatur police officers to be deployed full time in the schools.

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, 2004. This was the thirteenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Gail Busbey
Chief Financial Officer

Linda McKinney
Finance Supervisor



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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Decatur's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Decatur's Board of Education ("Board of Education"), which is a component unit of the City, or the financial statements of the Municipal Utilities Board Enterprise Fund ("Utilities Board"). The Board of Education's financial statements represent 98.5% of the total assets and 99.8% of the revenues of the discretely presented component units. The Utilities Board's financial statements represent 91.2% of the total assets and 94.8% of the operating revenues of the enterprise funds. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Decatur, Alabama, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, and the School Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5G to the basic financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB No. 3*.

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

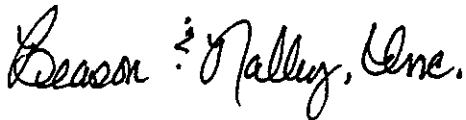
Tel: 256.533.1720
800.416.1946
Fax: 256.534.8558

www.beasonnalley.com

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2006 on our consideration of the City of Decatur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



CERTIFIED PUBLIC ACCOUNTANTS

January 30, 2006



Commodore Stephen Decatur
1779 - 1820

CITY of DECATUR

P.O. Box 488 - Decatur, Alabama 35602

Management's Discussion and Analysis

As management of 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, 2005. 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.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2005 by \$243.2 million. Of this amount, \$23.4 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 \$28.1 million and may be used to meet the ongoing obligations of the business-type activities.
- Total net assets increased \$8.6 million in 2005. Net assets of the governmental activities increased \$2.8 million and net assets of the business-type activities increased \$5.8 million
- Total revenues of the governmental activities increased \$1.5 million or 2.5 percent, and total expenses of governmental activities increased \$1.3 million, or 2 percent.
- As of September 30, 2005, the governmental funds reported a combined ending fund balance of \$25.1 million, a decrease of \$2.6 million from the prior year. Of the ending fund balance, \$22.7 million is unreserved and available to finance the activities of the governmental funds and \$2.4 million is reserved to meet existing obligations.
- The General Fund reported a fund balance of \$19.8 million and \$9.5 million of this amount is available for any purpose. The fund balance decreased \$1.2 million from the prior year.
- The City's total debt decreased by \$10.3 million during 2005. \$10.1 million in principal was paid during the year. Decatur City Schools issued \$26 million in Capital Outlay Warrants, for which the City of Decatur is not responsible.

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).

Management's Discussion and Analysis- Continued

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

The business-type activities of the City include the Municipal Utilities Board, Sanitary Landfill and Point Mallard operations.

All of these activities are collectively referred to in the financial statements as those of the *primary government*.

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

The government-wide financial statements can be found on pages 12 through 13 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 sixteen individual governmental funds:

- General Fund and the School Fund are considered to be *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds.
- The fourteen other governmental funds are considered to be *non-major* 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 14 through 17 of this report.

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

Management's Discussion and Analysis- Continued

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

- The Municipal Utilities Board Fund is considered to be a *major* proprietary fund of the City, and information is presented separately in the *proprietary funds statement of net assets* and in the *proprietary funds statement of revenues, expenses, and changes in fund net assets* for these funds
- The other two enterprise activities are considered to be *non-major* 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 18 through 20 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 23 through 53 of this report.

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

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. Overall, the City's assets exceeded liabilities by \$243.2 million at the close of the most recent fiscal year.

The largest portion of the City's net assets (76.3 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 (2.6 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 \$51.5 million, which consisted of \$23.4 million from governmental activities and \$28.1 million from business-type activities.

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

Management's Discussion and Analysis- Continued

City of Decatur's Net Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 32,580	\$ 36,427	\$ 45,111	\$ 41,025	\$ 77,691	\$ 77,452
Capital assets	80,582	80,632	212,673	212,272	293,255	292,904
Total assets	113,162	117,059	257,784	253,297	370,946	370,356
Long-term liabilities outstanding	61,008	66,656	46,182	50,844	107,190	117,500
Other liabilities	4,916	5,994	15,690	12,290	20,606	18,284
Total liabilities	65,924	72,650	61,872	63,134	127,796	135,784
Net assets:						
Invested in capital assets, net of related debt	22,479	17,001	162,954	158,027	185,433	175,028
Restricted	1,368	3,035	4,825	5,651	6,193	8,686
Unrestricted	23,391	24,373	28,133	26,485	51,524	50,858
Total net assets	\$ 47,238	\$ 44,409	\$195,912	\$190,163	\$243,150	\$234,572

Net assets from governmental activities increased \$2.8 million in fiscal year 2005 and net assets from business-type activities increased \$5.6 million. Net assets also changed due to prior period adjustments of \$175,260, as noted in Note 4A on page 33.

Management's Discussion and Analysis- Continued

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$15,383	\$15,149	\$124,326	\$123,358	\$ 139,709	\$138,507
Operating grants & contributions	474	1,233	-	-	474	1,233
Capital grants & contributions	2,068	1,573	1,675	1,202	3,743	2,775
General revenues:						
Sales taxes	31,823	30,980	-	-	31,823	30,980
Property taxes	8,507	8,129	-	-	8,507	8,129
Other taxes	8,727	8,940	-	-	8,727	8,940
Interest on investments	829	560	1,017	421	1,846	981
Other	1,874	1,588	-	-	1,874	1,588
Total revenues	69,685	68,152	127,018	124,981	196,703	193,133
Expenses:						
General government	4,106	4,130			4,106	4,130
Public safety	18,736	18,394			18,736	18,394
Public works	7,865	8,023			7,865	8,023
Public services	7,497	6,535			7,497	6,535
Intergovernmental assistance	17,335	17,232			17,335	17,232
Community service contracts	2,426	2,359			2,426	2,359
Community development	721	1,139			721	1,139
Personnel board	530	469			530	469
Interest on long-term debt	2,877	2,591			2,877	2,591
Unallocated depreciation	3,457	3,365			3,457	3,365
Municipal Utilities Board:			116,461	116,535	116,461	116,535
Other			6,288	6,577	6,288	6,577
Total expenses	65,550	64,237	122,749	123,112	188,299	187,349
Increase in net assets before Transfers	4,135	3,915	4,269	1,869	8,404	5,784
Transfers	(1,305)	(571)	1,305	571	-	-
Increase in net assets	2,830	3,344	5,574	2,440	8,404	5,784
Net assets - beginning of year	44,409	41,065	190,163	187,723	234,572	228,788
Prior period adjustments			175		175	
Net assets - end of year	\$ 47,239	\$ 44,409	\$ 195,912	\$ 190,163	\$ 243,149	\$ 234,572

Management's Discussion and Analysis- Continued

Governmental Activities. Revenues from governmental activities increased \$1.5 million (2.3 percent) during 2005. The most significant changes were as follows:

- Sales taxes increased \$843 thousand, or 2.7 percent compared to 2004, due to an increase in retail sales
- Property taxes increased 4.7 percent due to annual property value reappraisals.
- Interest on investments increased \$269,000 or 48 percent due to rising interest rates and increased revenues.
- Capital contributions increase by \$495 thousand. This was due to the net of increases in capital contributions and the decrease in capital grant programs during the current year. During 2005, the City received \$1,608,250 in infrastructure assets streets and drainage from the contribution of four new subdivisions. This was a significant increase over the amount of capital contributions received during the prior year. On the other hand, capital grants were below the FY 2004 levels, which included a large drawdown of \$861,543 from older CDBG grants for the renovation of the Turner-Surles Community Resource Center. FY 2005 grants included \$89,357 for a water play feature at Delano Park, an increase of \$37,400 in Summer Food Program grant and an \$11,000 increase in Cops in Schools grant funding.

Expenses of governmental activities increased 1.3 million (2 percent) in 2005. In general, the cost of delivery of services has risen. A large portion of this increase was due to the rise in personnel cost associated with every function of governmental activities. This increase totaled approximately \$663,939 and was attributable to an across-the-board 2% cost of living increase at mid-year with scheduled 5% employee step increase on employee anniversary dates for those employees who have not reached the top of their pay scale (approximately one-half of all full-time employees.) Operating expenses, particularly fuel-related costs and depreciation, also increased.

Business-Type Activities. Revenues from business-type activities increased \$2 million (1.6 percent), the majority of which was due to increases in the Municipal Utilities Board Fund. Water System revenues increased by 5%, mainly due to a water rate increase effective in June, 2004, without a corresponding increase in expense. Wastewater System Revenues increased 9%, due to a combination of rate increases and increase in gallons sold, again without a corresponding increase in expenses. The Wastewater System also benefited from Capital Contributions from contractors for wastewater infrastructure turned over to the system in several new residential subdivisions.

Because of Alabama's territorial law for electric utility systems, the Electric System gained only 32 customers. The Gas System gained 196 customers, both residential and commercial accounts. The Water System added 301 customers, mostly residential. The Wastewater System added 206 customers, also mostly residential. This increase in the overall customer base also contributed slightly to the increase in revenue.

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

Expenses of the business-type activities decreased \$364 thousand, or .3 percent

Financial Analysis of the Governments Funds

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

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

The combined fund balances of the City's governmental funds decreased \$2.6 million for the 2005 fiscal year, and the total balance as of September 30, 2005, was \$25.1 million. Of this amount, \$22.7 million constitutes unreserved fund balance, which is generally available for spending at the City's discretion, although it is subject to certain designation made within each fund by the City Council.

Management's Discussion and Analysis- Continued

The decrease of \$2.6 million in the combined fund balances of the City's governmental funds was mostly attributable to the changes in the individual funds as follows:

- The General Fund decreased \$1.2 million due to the establishment of new revenue funds and the transfer of designated monies to those funds, as noted in Note 1 Don page 32. Revenue increased \$345 thousand, expenses decreased \$3 million and debt service decreased \$3.6 million, with \$2.875 million School Fund debt no longer being paid from the General Fund.
- The Non-major governmental fund balance decreased \$1.4 million as the City financed capital projects at the Marina and Jack Allen Recreation Complex.

The General Fund is the primary operating fund of the City. The unreserved fund balance of the General Fund was \$19.7 million, but \$10.2 million of this amount has been designated, or earmarked by management for special purposes as noted further within Note 4H on pages 45 and 46.

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

The unrestricted net assets of the enterprise funds increased \$1.6 million, which is primarily attributable to the fact that rate changes within the Municipal Utilities Board, as discussed earlier, caused increases in the amount of revenues which were greater than the related expenses for this fund. The remainder of the increase is due to the addition of the new Pro Bowl attraction at Pt. Mallard, the reopening of the golf course for an entire year (had been under renovation for majority of prior year) and a change in rate structures at the Sanitary Landfill; all of which increased revenues without significant increases in related expenses.

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

Governmental Funds Budgetary Highlights

General Fund. A \$1,498,509 positive difference between budgeted and actual revenues is a result of the conservative budgeting approach of the governing body in budgeting FY 2005 revenues based on FY 2004 actual revenues. The increase in revenues is accompanied by a \$398,314 positive difference between budgeted and actual expenditures, again a result of a conservative approach by management. The increase of \$276,945 in revenues for business licenses was a result of aggressive enforcement and the normal economic growth reflected in sales and use tax collections. The \$130,929 difference between budgeted and actual revenues from building permits occurred mainly in those revenues generated in the police jurisdiction, a result of basing FY 2005 projected revenues on FY 2004 actual revenues; FY 2004 saw an increase in industrial expansions located in the police jurisdiction, while FY 2005 returned to a more average number. The \$289,914 reduction in tax equivalent payments by Decatur Utilities' Gas Department was due to a reduction in their net revenues mainly due to a large industrial customer's decision to buy natural gas direct and transport it through DU. Payments in lieu of taxes made by TVA increased \$413,199, based upon TVA's formula of revenues and valuation of assets. The \$841,868 budget amendment consisted of \$572,300 transferred from the Room Occupancy Tax Fund for improvements at the Ingall's Marina site and \$269,568 in prior year revenue adjustments, the great majority of which was a tax payment resulting from an audit of a large business's prior year records. Community Service Contracts budget was exceeded by \$30,237 in the form of payments to the Decatur Convention and Visitors Bureau; this amount was based on 50% of lodging tax collections; collections exceeded projections based on prior year revenues by this amount. Budgeted expenditures were exceeded by the Public Works/Sanitation Department and by the Parks & Recreation Department as a result of extreme fluctuations in fuel prices and overtime necessitated by storm damages.

Management's Discussion and Analysis- Continued

School Fund. Revenues to the School Fund exceeded budgeted amounts by \$592,411. As previously stated, FY 2005 revenues were budgeted based on prior year revenues. The City Council appropriated 25% of Sales and Use Taxes to City Schools; 12.6 mills of the City's total 18.6 mill ad valorem tax levy is earmarked for City Schools. These amounts are transferred to the School Fund and paid to Decatur City Schools based upon actual collections, which exceeded conservative budget projections.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for governmental and business-type activities as of September 30, 2005, totals \$293.3 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 \$352 thousand in 2005. Those used for governmental activities decreased by \$50 thousand (0.06 percent) as total additions (\$10.92 million) were exceeded by depreciation and disposition of those assets (\$10.97 million). Capital assets used for business-type activities increased by \$401 thousand (0.19 percent), as total additions (\$18.032 million) exceeded depreciation and disposition of those assets (\$17.631 million).

Major capital events during the fiscal year included the following:

- \$2.2 million of the proceeds of the 2003-E General Obligation Warrants were expended for the construction of soccer fields at the Jack Allen Recreation Complex, a 27 acre sports facility with lighting and laser-graded fields with irrigation and drainage systems. An additional \$264,000 was spent on a concession/office building with dressing rooms and showers;
- \$950,000 of the proceeds of the 2003-E General Obligation Warrants was expended for improvements at Point Mallard Park, including the completion of the Pro Bowl, a new water attraction at the Park.
- \$64,042 in improvements at Day Park was funded from the Room Occupancy Tax Fund, as the site became part of the North Alabama Birding Trail.
- Construction continued on the marina at the former Ingall's Shipyard site, with \$273,609 of the proceeds of the 2003-E General Obligation Warrants and \$153,665 from the Room Occupancy Tax Fund.

City of Decatur's Capital Assets (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 9,213	\$ 9,112	\$ 3,719	\$ 2,982	\$ 12,932	\$ 12,094
Land improvements	7,235	2,381	-	-	7,235	2,381
Buildings and improvements	12,205	13,113	9,234	8,224	21,439	21,337
Infrastructure	44,735	45,045	-	-	44,735	45,045
Construction in process	3,038	5,530	2,021	4,631	5,059	10,161
Machinery and Equipment	4,156	5,451	933	554	5,090	6,005
Utility plant-in-service	-	-	196,766	195,881	196,766	195,881
Total	\$80,582	\$80,632	\$212,673	\$212,272	\$293,256	\$292,904

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

Management's Discussion and Analysis- Continued

Long-term debt. As of September 30, 2005, the City had \$103.4 million of long-term debt outstanding. Of this amount, \$58.6 million is debt backed by the full faith and credit of the City and \$44.8 million is comprised of revenue bonds and warrants secured solely by specific revenue sources (utility system debt). The School System issued debt of \$26 million, 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	
	2005	2004	2005	2004	2005	2004
General obligation warrants	\$57,935	\$63,005	\$ -	\$ -	\$57,935	\$63,005
Revenue warrants	-	-	44,820	49,830	44,820	49,830
Notes payable	630	680	-	-	630	680
Total	\$58,565	\$63,685	\$44,820	\$49,830	\$103,385	\$113,515

The Decatur Board of Education issued \$26 million of capital outlay warrants May 1, 2005, for the repayment of which was pledged the school's ad valorem tax payments. The City of Decatur is not responsible for this debt. The warrants were issued for the following purposes:

- Construction of the new Banks-Caddell Elementary School
- Renovation of Benjamin Davis Elementary School
- Renovation of Leon Sheffield Elementary School

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

Other than debt paid from proprietary fund revenue sources (e.g. revenue bonds), State of Alabama law limits the amount of general obligation debt cities can issue for purposes other than schools and drainage systems to twenty percent of the assessed value of real and personal property. As of September 30, 2005, the City's allocable debt outstanding was \$73.6 million less than the legal debt limit.

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

2006 Budget

The Mayor and City Council have considered many factors in the development of the fiscal year 2006 budget. The approach to the budget process has been one of conservatism. Revenue projections are based on 2005 actual receipts of \$48.5 million for the General Fund budget, less one-time revenues. Department expenditures are currently held to the 2005 level, with reductions in expenditures for overtime and contract services. 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, AL 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.digitaldecatur.com.

BASIC FINANCIAL STATEMENTS

CITY OF DECATUR
STATEMENT OF NET ASSETS
September 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash & investments, at cost	\$ 24,473,070	\$ 27,463,977	\$ 51,937,047	\$ 41,754,317
Receivables (net of allowances)	6,271,205	11,028,196	17,299,401	-
Due from component units	2,670	-	2,670	-
Due from governmental entities	945,858	-	945,858	14,050,446
Inventories	37,677	1,313,302	1,350,979	140,380
Other	62,005	68,769	130,774	-
Deferred costs	519,271	678,704	1,197,975	210,143
Internal balances	267,821	(267,821)	-	-
Restricted assets				
Cash & investments, at cost	-	4,825,400	4,825,400	-
Capital assets				
Land, collections and construction in process	12,251,416	5,739,539	17,990,955	8,889,459
Other assets, net of accum. depreciation	68,331,477	206,933,789	275,265,266	36,243,104
Total assets	113,162,470	257,783,855	370,946,325	101,287,849
LIABILITIES				
Accounts payable	1,585,690	12,826,944	14,412,634	1,370,961
Accrued liabilities	1,836,722	52,265	1,888,987	5,459,584
Contract retainages	56,747	48,378	105,125	-
Due to component units	1,165,309	-	1,165,309	-
Due to governmental entities	48,326	-	48,326	-
Customer deposits	-	2,762,563	2,762,563	-
Deferred revenue	-	-	-	10,945,944
Other	223,708	-	223,708	-
Liabilities payable from restricted assets:				
Matured warrants payable	-	2,795,000	2,795,000	-
Noncurrent liabilities				
Due within one year	6,269,694	67,401	6,337,095	206,497
Due in more than one year	54,737,834	43,318,970	98,056,804	26,469,266
Total liabilities	65,924,030	61,871,521	127,795,551	44,452,252
NET ASSETS				
Invested in capital assets, net of related debt	22,478,756	162,954,372	185,433,128	17,920,055
Restricted for:				
Capital projects	559,273	-	559,273	-
Debt service	808,884	4,825,400	5,634,284	-
Unrestricted	23,391,527	28,132,562	51,524,089	38,915,542
Total net assets	\$ 47,238,440	\$ 195,912,334	\$ 243,150,774	\$ 56,835,597

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2005

Functions/Programs	Program Revenue			Net Revenue (Expense) & Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Component Units
Primary Government							
Governmental activities							
General government	\$ 4,106,422	\$ 4,682,502	\$ -	\$ -	\$ 576,080	\$ -	\$ 576,080
Public safety	18,735,909	2,482,336	-	-	(16,253,573)	-	(16,253,573)
Public works	7,864,825	1,991,888	-	1,680,560	(4,192,377)	-	(4,192,377)
Public services	7,496,941	570,640	-	-	(6,926,301)	-	(6,926,301)
Intergovernmental assistance	17,335,424	5,655,455	-	-	(11,679,969)	-	(11,679,969)
Community service contracts	2,425,783	-	-	-	(2,425,783)	-	(2,425,783)
Community development	720,867	-	473,856	387,937	140,926	-	140,926
Personnel board	530,389	-	-	-	(530,389)	-	(530,389)
Interest on long-term debt	2,877,155	-	-	-	(2,877,155)	-	(2,877,155)
Unallocated depreciation	3,457,256	-	-	-	(3,457,256)	-	(3,457,256)
Total governmental activities	65,550,971	15,382,821	473,856	2,068,497	(47,625,797)	-	(47,625,797)
Business-type activities							
Municipal Utilities Board	116,460,704	117,869,302	-	1,674,920	-	3,083,518	3,083,518
Point Mallard	3,276,086	2,615,778	-	-	-	(660,308)	(660,308)
Sanitary Landfill	3,011,682	3,840,554	-	-	-	828,872	828,872
Total business-type activities	122,748,472	124,325,634	-	1,674,920	-	3,252,082	3,252,082
Total primary government	\$ 188,299,443	\$ 139,708,455	\$ 473,856	\$ 3,743,417	\$ (47,625,797)	\$ 3,252,082	\$ (44,373,715)
Component Units							
All	74,758,487	5,591,340	41,763,802	1,762,697	-	-	(25,640,648)
Total component units	\$ 74,758,487	\$ 5,591,340	\$ 41,763,802	\$ 1,762,697	\$ -	\$ -	\$ (25,640,648)
General Revenues							
Sales & use taxes					\$ 31,822,887	\$ -	\$ 31,822,887
Property taxes					8,506,525	-	8,506,525
Alcoholic beverage taxes					1,899,066	-	1,899,066
Gasoline taxes					1,324,890	-	1,324,890
Automobile taxes					1,280,830	-	1,280,830
Lodging taxes					1,101,824	-	1,101,824
Rental taxes					1,101,615	-	1,101,615
Other taxes					2,019,036	-	2,019,036
Interest on investments					829,131	1,017,206	2,019,036
Other					1,874,267	-	1,846,337
Transfers					(1,304,539)	1,304,539	1,874,267
Total general revenues & transfers					50,455,532	2,321,745	52,777,277
Change in net assets					2,829,735	5,573,827	8,403,562
Net assets, beginning					44,408,705	190,163,247	234,571,952
Prior period adjustments					0	175,260	175,260
Net assets, ending					\$ 47,238,440	\$ 195,912,334	\$ 243,150,774

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 September 30, 2005

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 9,319,626	\$ 574,373	\$ 4,672,326	\$ 14,566,325
Cash with fiscal agents	45,679	-	-	45,679
Investments, at cost	9,251,066	-	610,000	9,861,066
Receivables (net of allowances)				
Accounts	2,331,207	694,944	47,772	3,073,923
Notes	-	-	511,262	511,262
Taxes	2,636,464	-	-	2,636,464
Accrued interest	16,652	-	32,904	49,556
Due from other funds	261,672	26,432	-	288,104
Due from component units	2,670	-	-	2,670
Due from governmental entities	464,889	111,693	369,276	945,858
Deposits	62,005	-	-	62,005
Inventories	37,677	-	-	37,677
Total assets	24,429,607	1,407,442	6,243,540	32,080,589
LIABILITIES				
Accounts payable	1,072,204	304	513,182	1,585,690
Accrued liabilities	1,107,542	-	25,557	1,133,099
Contract retainages	-	-	56,747	56,747
Due to other funds	-	-	20,283	20,283
Due to component units	-	1,165,309	-	1,165,309
Due to governmental entities	41,171	-	7,155	48,326
Deferred revenue	2,229,963	-	511,262	2,741,225
Other	223,708	-	-	223,708
Total liabilities	4,674,588	1,165,613	1,134,186	6,974,387
FUND BALANCES				
Reserved for:				
Encumbrances	-	-	828,816	828,816
Inventories	37,677	-	-	37,677
Perpetual care	-	-	664,945	664,945
Debt service	-	-	808,884	808,884
Donor restricted	-	-	50,000	50,000
Unreserved & Designated for:				
Special purposes	8,331,935	-	-	8,331,935
Future capital needs	899,636	-	-	899,636
Landfill	977,362	-	-	977,362
Other	1,381	-	-	1,381
Unreserved & undesignated, reported in:				
General fund	9,507,028	-	-	9,507,028
Special revenue funds	-	241,829	2,197,436	2,439,265
Capital projects funds	-	-	559,273	559,273
Total fund balance	19,755,019	241,829	5,109,354	25,106,202
Total liabilities and fund balance	\$ 24,429,607	\$ 1,407,442	\$ 6,243,540	

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 fund	80,582,893
Other long-term receivables which are not available for current-period expenditures and, therefore, are deferred in the funds	2,741,225
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(61,191,880)

Net assets of governmental activities

\$ 47,238,440

**CITY OF DECATUR
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 2005**

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Sales & use taxes	\$ 23,867,120	\$ 7,955,767	\$ -	\$ 31,822,887
Property taxes	2,333,771	6,172,754	-	8,506,525
Other taxes	6,370,349	1,118,181	357,654	7,846,184
Licenses & permits	5,260,874	-	-	5,260,874
Fines & forfeitures	970,310	-	383,568	1,353,878
Revenues from money & property	751,982	1,409	244,343	997,734
Charges for services	2,853,277	-	-	2,853,277
Intergovernmental	5,362,591	545,934	2,640,240	8,548,765
Other revenues	700,353	86,250	141,664	928,267
Total revenues	48,470,627	15,880,295	3,767,469	68,118,391
EXPENDITURES				
Current				
General government	3,085,609	45,432	193,311	3,324,352
Public safety	17,825,151	-	206,043	18,031,194
Public works	7,162,372	-	418,234	7,580,606
Public services	6,763,693	-	405,794	7,169,487
Intergovernmental assistance	4,149,898	12,981,125	-	17,131,023
Community services contracts	2,425,783	-	-	2,425,783
Community development	-	-	1,503,289	1,503,289
Personnel Board	-	-	530,389	530,389
Debt service				
Principal	2,679,464	2,235,000	760,000	5,674,464
Interest and fiscal charges	2,026,363	640,109	173,214	2,839,686
Capital projects construction and outlay	-	-	4,257,550	4,257,550
Total expenditures	46,118,333	15,901,666	8,447,824	70,467,823
Excess (deficiency) of revenues over expenditures	2,352,294	(21,371)	(4,680,355)	(2,349,432)
OTHER FINANCING SOURCES (USES)				
Transfers in	623,657	23,420	2,465,299	3,112,376
Transfers (out)	(2,547,646)	-	(855,860)	(3,403,506)
Total other financing sources (uses)	(1,923,989)	23,420	1,609,439	(291,130)
Net change in fund balance	428,305	2,049	(3,070,916)	(2,640,562)
Fund balance, beginning	19,326,714	239,780	8,180,270	27,746,764
Fund balance, ending	\$ 19,755,019	\$ 241,829	\$ 5,109,354	\$ 25,106,202

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, 2005

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

Net change in fund balances - total governmental funds \$ (2,640,562)

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 exceeded capital outlays in the current period. (53,344)

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, exceeded the proceeds from the sales. This amount is included in the expenses of the general government function in the Statement of Activities. 4,617

Revenues in the statement of activities that do not provide current financial resources (113,704)

For governmental funds, the issuance of long-term debt (e.g. warrants and leases) provide current financial resources and the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 5,526,780

Other expenses reported in the Statement of Activities that do not require current financial resources. 105,948

Change In Net Assets Of Governmental Activities \$ 2,829,735

CITY OF DECATUR
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET & ACTUAL
 For the Year Ended September 30, 2005

	General Fund				School Fund			
	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)	Final Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original Budget	Final Budget		
REVENUES								
Taxes and payments in lieu of taxes	\$ 31,882,792	\$ 31,882,792	\$ 32,571,240	\$ 688,448	\$ 14,717,217	\$ 15,246,702	\$ 529,485	
Licenses and permits	5,104,987	5,104,987	5,260,874	155,887	-	-	-	
Fines and forfeitures	894,350	894,350	970,310	75,960	-	-	-	
Revenues from money and property	362,315	362,315	751,982	389,667	-	1,409	1,409	
Charges for services	2,635,735	2,635,735	2,853,277	217,542	-	-	-	
Intergovernmental	5,279,213	5,279,213	5,362,591	83,378	545,667	570,667	(24,733)	
Other revenues	543,158	812,726	700,553	(112,373)	-	86,250	86,250	
Total revenues	46,702,550	46,972,118	48,470,627	1,498,509	15,262,884	15,287,884	592,411	
EXPENDITURES								
Current								
General government	3,329,068	3,330,271	3,085,609	244,662	23,513	48,513	3,081	
Public safety	17,856,328	17,851,592	17,825,151	26,441	-	-	-	
Public works	6,815,865	7,114,821	7,162,372	(47,551)	-	-	-	
Public services	6,815,660	6,828,130	6,763,693	64,437	-	-	-	
Intergovernmental assistance	4,147,561	4,271,467	4,149,898	121,569	12,362,012	12,362,012	(619,113)	
Community services contracts	2,396,731	2,395,546	2,425,783	(30,237)	-	-	-	
Debt service								
Principal	2,696,989	2,696,989	2,679,464	17,525	2,235,000	2,235,000	-	
Interest	2,134,750	2,027,831	2,026,363	1,468	642,359	640,109	2,250	
Total expenditures	46,192,952	46,516,647	46,118,333	398,314	15,262,884	15,287,884	(613,782)	
Excess of revenues over expenditures	509,598	455,471	2,352,294	1,896,823	-	(21,371)	(21,371)	
OTHER FINANCING SOURCES (USES)								
Operating transfers in	16,669	588,969	623,657	34,688	-	23,420	23,420	
Operating transfers out	(1,098,930)	(2,698,396)	(2,547,646)	150,750	-	-	-	
Total other financing sources (uses)	(1,082,261)	(2,109,427)	(1,923,989)	185,438	-	23,420	23,420	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(572,663)	(1,653,956)	428,305	2,082,261	-	2,049	2,049	
Fund balance, beginning	19,326,714	19,326,714	19,326,714	-	239,780	239,870	-	
Fund balance, ending	\$ 18,754,051	\$ 17,672,758	\$ 19,755,019	\$ 2,082,261	\$ 239,780	\$ 239,870	\$ 2,049	

The accompanying notes are an integral part of this statement.

CITY OF DECATUR
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 September 30, 2005

	Municipal Utilities Board	Other Enterprise Funds	Totals
ASSETS			
Current assets			
Cash & cash equivalents	\$ 17,302,909	\$ 7,026,287	\$ 24,329,196
Investments, at cost	-	3,134,781	3,134,781
Receivables (net of allowance)			
Accounts	10,578,734	442,193	11,020,927
Accrued interest	-	6,645	6,645
Other	624	-	624
Inventories, at cost	1,293,153	20,149	1,313,302
Other	68,769	-	68,769
Total current assets	29,244,189	10,630,055	39,874,244
Noncurrent assets			
Restricted cash, cash equivalents and investments:			
Revenue warrant covenant accounts	4,825,400	-	4,825,400
Deferred costs	678,704	-	678,704
Capital assets:			
Land	2,303,200	1,415,739	3,718,939
Buildings	-	6,908,360	6,908,360
Improvements other than buildings	-	14,543,136	14,543,136
Furniture & equipment	-	3,873,458	3,873,458
Utility plant in service	286,804,467	-	286,804,467
Construction work in progress	1,506,371	514,229	2,020,600
Less accumulated depreciation	(90,038,461)	(15,157,171)	(105,195,632)
Total capital assets (net of accumulated depreciation)	200,575,577	12,097,751	212,673,328
Total noncurrent assets	206,079,681	12,097,751	218,177,432
Total assets	235,323,870	22,727,806	258,051,676
LIABILITIES			
Current liabilities			
Accounts payable	11,717,473	1,109,471	12,826,944
Accrued liabilities	-	52,265	52,265
Contract retainages	-	48,378	48,378
Compensated absences	-	22,401	22,401
Customer deposits	2,762,563	-	2,762,563
Revenue warrants payable - current	2,795,000	-	2,795,000
Capital leases payable - current	-	45,000	45,000
Due to other funds	267,821	-	267,821
Total current liabilities	17,542,857	1,277,515	18,820,372
Noncurrent liabilities			
Landfill closure and post-closure care costs	-	1,682,441	1,682,441
Revenue notes payable	41,434,922	-	41,434,922
Compensated absences	-	201,607	201,607
Total noncurrent liabilities	41,434,922	1,884,048	43,318,970
Total liabilities	58,977,779	3,161,563	62,139,342
NET ASSETS			
Invested in capital assets, net of related debt	150,901,621	12,052,751	162,954,372
Restricted for debt service	4,825,400	-	4,825,400
Unrestricted	20,619,070	7,513,492	28,132,562
Total net assets	\$ 176,346,091	\$ 19,566,243	\$ 195,912,334

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, 2005**

	Municipal Utilities Board	Other Enterprise Funds	Totals
Operating revenue			
Charges for services	\$ 117,869,302	\$ 3,840,554	\$ 121,709,856
Premiums & fees	-	2,615,778	2,615,778
Total operating revenue	<u>117,869,302</u>	<u>6,456,332</u>	<u>124,325,634</u>
Operating expenses			
Personnel, operations & maintenance	107,151,729	5,196,792	112,348,521
Closure and postclosure costs	-	124,067	124,067
Depreciation and amortization	7,043,279	1,067,167	8,110,446
Total operating expenses	<u>114,195,008</u>	<u>6,388,026</u>	<u>120,583,034</u>
Operating income (loss)	<u>3,674,294</u>	<u>68,306</u>	<u>3,742,600</u>
Nonoperating revenue (expenses)			
Interest income	722,107	295,099	1,017,206
Interest expense	(2,268,860)	(6,079)	(2,274,939)
Intergovernmental	-	(33,121)	(33,121)
Gain (loss) on disposition of assets	-	103,284	103,284
Miscellaneous revenue (expense)	3,164	36,174	39,338
Total nonoperating revenue (expenses)	<u>(1,543,589)</u>	<u>395,357</u>	<u>(1,148,232)</u>
Income before contributions, transfers & special items	2,130,705	463,663	2,594,368
Capital contributions	1,674,920	1,013,409	2,688,329
Transfers in	43,269	280,982	324,251
Transfers (out)	-	(33,121)	(33,121)
Change in net assets	<u>3,848,894</u>	<u>1,724,933</u>	<u>5,573,827</u>
Total net assets, beginning	172,321,937	17,841,310	190,163,247
Prior period adjustments	175,260	-	175,260
Total net assets, ending	<u>\$ 176,346,091</u>	<u>\$ 19,566,243</u>	<u>\$ 195,912,334</u>

The accompanying notes are an integral part of this statement.

