

# City of Decatur, IL

Mayor Michael T. McElroy



## Comprehensive Annual Financial Report

Eight Month Period May 1 to December 31, 2013

*Prepared by:*  
Department of Financial Management  
Gregg D. Zientara, City Treasurer & Director of Finance

# *Imagine the Possibilities...*

## **LIVING IN DECATUR**

*Choosing to live in Decatur is an easy choice both because of its impressive quality of life and local housing value. Decatur is an attractive choice for long term residents and those looking to call Central Illinois home for the first time.*

## **WORKING IN DECATUR**

*Decatur, a leader in American manufacturing and technological breakthroughs, from providing the crops that feed our families to serving as a world leader in creating the fuel of the future. Today's Decatur offers a mixture of work opportunities, from traditional manufacturing to cutting edge technology development to customer service support.*

## **PLAYING IN DECATUR**

*Whether you're looking to spend some time relaxing outdoors, want to shop 'till you drop or prefer your entertainment on the stage or big screen, Decatur's got something just for you. Today we offer more than 2,000 acres of parks and recreational areas and host more than 130 festivals and other entertainment events including the Decatur Celebration, Illinois' largest free family street festival. Free downtown events include the annual Cruisin' Car Show, Arts in Central Park and the summer Blues in Central Park series.*

## **LEARNING IN DECATUR**

*They are local and state government officials, award winning musicians, Broadway performers and leaders of private enterprise. And they're all products of Decatur area schools. Area schools provide world-class educational opportunities, mixing fundamentals with exposure to innovative educational disciplines. Millikin University and Richland Community College combine first-rate education at a value unseen in other areas of the country.*



Lake Decatur



Caterpillar Employment



Richland Community College Biology Lab

**Visit the City of Decatur web site at [www.decaturl.gov](http://www.decaturl.gov)**



# Comprehensive Annual Finance Report

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*Cover Photo: A view of downtown Central Park highlighting the historic Transfer House and Fountain. Standing as a symbol of fond memories of a time gone by, the Transfer House holds a great deal of sentimental value to the people of Decatur Illinois. Built in 1895 on Lincoln Square, the Transfer House sat in the center of the original town. It served as a shelter for those waiting to board street cars and later buses. Over the years, the Transfer House has been much more to the citizens of Decatur than just protection from the cold. This symbol of Decatur reminds us of a time when those crazy trolley parties were the rage and young people lined up to ride the new electric street cars. It was an era of good old fashion fun, as friends met on the Square for those weekly band concerts by the Goodman Band and later the WPA Orchestra. During a period of time marked by victory celebrations and political speeches, the Transfer House served as a centerpiece for social gatherings. The Transfer House remains as a symbol of Decatur, and will continue its role as a historic landmark in the central city footprint.*

*Inside Back Page Photo(s):*

*Upper left – Decatur Area Arts Council located in downtown Decatur. DAAC introduces and promotes the arts and enhances arts educational opportunities.*

*Lower left – Children's Museum of Illinois is an interactive museum for children age's three to twelve located on Country Club Road.*

*Middle right – Sampling of vehicles on display at the Chevrolet Hall of Fame Museum on East Route 36. The museum has an extensive collection of Chevrolet's hottest cars and memorabilia from the 1920's through today.*

*All photographs contained herein are courtesy of the City of Decatur archives and the Decatur Area Convention & Visitors Bureau.*

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## I Introductory Section



**City of Decatur  
City Officials**

<b>Office</b>	<b>Official</b>	<b>Term of Office</b>	
Mayor	Michael T. McElroy	05-01-2011 to 04-30-2015	elected
Council Members			
at large	Larry Foster	05-01-2011 to 04-30-2015	elected
at large	Patrick Laegeler	05-01-2011 to 04-30-2015	elected
at large	Dr. Dana Ray	05-01-2011 to 04-30-2015	elected
at large	Jerry Dawson	05-01-2013 to 04-30-2017	elected
at large	Patrick McDaniel	05-01-2013 to 04-30-2017	elected
at large	Julie Moore-Wolfe	05-01-2013 to 04-30-2017	elected
City Manager	Ryan P. McCrady	per contract	contractual
City Treasurer	Gregg D. Zientara	06-01-2012 to 04-30-2015	appointed
City Clerk	Linda Swartz	05-07-2012 to 04-30-2015	appointed



# CITY OF DECATUR ILLINOIS

1 GARY K. ANDERSON PLAZA

DECATUR, ILLINOIS 62523

June 20, 2014

Honorable Mayor Michael T. McElroy,  
Members of the City of Decatur City Council,  
Residents of the City of Decatur,  
Stakeholders of the City of Decatur, and  
Interested Parties:

This Comprehensive Annual Financial Report (“CAFR”), for the City of Decatur, Illinois (“City”) for the Eight (8) month fiscal period ended December 31, 2013 is hereby submitted.

By Ordinance 2013-26 of the City Council, presented and adopted on April 15, 2013, the City elected to change the fiscal year end from April 30 to December 31 to coincide with a calendar year basis, effective January 1, 2014, whereby the fiscal year of the City shall be January 1 to December 31. This CAFR presents the financial position of the City for the eight (8) month transitional fiscal period commencing May 1, 2013 and ending December 31, 2013, and is hereby referenced in this report as the “eight (8) month fiscal period ending December 31 2013”.

The City decision to change the fiscal year was based on the following:

- City Administration and City Council desire to align the preparation and adoption of the annual city budget to the annual property tax levy adoption, which by Illinois State Statute is set for Council adoption before December 31 of each year,
- City Administration and City Council desire to create efficiencies within both the City Administration and City Council in the work performed to prepare the annual city budget and the annual property tax levy,

The City is responsible for the accuracy of the information contained herewith, and the completeness and fairness of the presentation, including all disclosures.

To the best knowledge and belief of the City, the information contained in this report is accurate in all material respects, and is reported in a manner designed to fairly present the financial position and results of operations of all funds of the City of Decatur. All notes and disclosures necessary to enable the reader to gain an understanding of the financial activities have been included in this report.

Generally Accepted Accounting Principles (“GAAP”) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management Discussion & Analysis (“MD&A”).

This letter of transmittal is intended to complement the MD&A and should be read in conjunction with the MD&A. The MD&A can be found in Section II of this CAFR, immediately following the independent auditors’ report, as performed by CliftonLarsonAllen, LLP, which renders opinion on the financial statements of the City.

The City is required to undergo an annual single audit in conformity with the provisions of the United States Office of Management and Budget Control, A-133, Audit of States, Local Governments and Non-Profit Organizations.

The independent auditors' single audit report, as performed by CliftonLarsonAllen, LLP, including the schedule of expenditures of federal awards, findings and recommendations, report on internal control structure, and report on compliance with applicable laws and regulations, is included in Section IX of this CAFR.

**General Information**

The City of Decatur is the county seat of Macon County, Illinois, and is the thirteenth (13) largest Municipal City within the State of Illinois, according to the 2010 U.S. Government Census. Macon County is the nineteenth (19) largest county within the State of Illinois, according to the 2010 U.S. Government Census. The County has a total land mass area of 581 square miles and contains seventeen (17) townships and twelve (12) municipalities.

The City of Decatur is located within the central heartland of the agricultural region of the State of Illinois and is in the geographic center of the state. The City of Decatur is located approximately sixty (60) miles west of the Illinois and Indiana State boundary line, one-hundred and seventy-five (175) miles south of Chicago, one-hundred and twenty (120) miles northeast of St. Louis, Missouri, and within a region of fifty (50) mile proximity to the communities of Champaign/Urbana, Bloomington/Normal, and Springfield, Illinois.

The year 2010 U.S. Bureau of the Census population for the City of Decatur was reported as 76,122, whereas the year 2010 Census population for Macon County was reported as 110,768.

Macon County is the epitome of America's agricultural heartland. Vast expanses of corn and soybean cropland cover eighty-four percent (84%) of the County landmass. Macon County continues as a major center for agribusiness with many local and global businesses participating in a thriving manufacturing economy based in large part on the agricultural resources in the County.

Decatur and Macon County is a vibrant and diverse area with a strong local economy based on a mix of manufacturing and service, agricultural, higher education and other commercial based industries. The diverse economic mix creates varied employment opportunities for residents while providing some level of diversification from economic downturns.

The City of Decatur provides a full range of governmental services to citizens. Services include general government, public safety police and fire protection, public works street construction and maintenance, public works infrastructure construction and maintenance, water utility services to commercial, industrial and residential properties within the city, mass transit operations, community and economic development services, and parking operations within the central city footprint.

The City of Decatur was incorporated in 1836, and since 1971 has operated as a Home Rule unit of local government pursuant to the State of Illinois Constitution. The City operates under a managerial form of government, under which the elected Mayor and City Council discharge the legislative function and establish municipal policy, with an appointed City Manager responsible for all city administrative and operational functions.

The City of Decatur governmental structure includes elected officials and appointed officials as follows with defined management and legislative authority in compliance with State of Illinois Statutes.

Mayor	Chief Legislative Officer Chair of City Council Non partisan elected official	4 year term of office
Council Members	Six (6) member legislative body All members non partisan elected official	4 year term in office
City Manager	Appointed by Mayor	Contractual term
City Clerk	Recording Secretary of City Council Appointed by Mayor	4 year term in office
City Treasurer	Appointed by Mayor	4 year term in office

Mayor and three (3) Council seat member terms are elected every four (4) years with the remaining three (3) Council seat member terms elected every two (2) years hence. Mayoral and Council elections are held in April of election years, in accordance with State of Illinois statutes governing municipal elections.

The Mayor and three (3) Council Members terms in office expire April 30, 2015. Three (3) Council members term in office expire April 30, 2017. The City Treasurer and City Clerk terms in office expire April 30, 2015.

**Economic Demographics, Economic Condition, Position & Outlook**

The City of Decatur and Macon County, historically and at present, has experienced a strong and vibrant economic profile based on a mix of employment including agriculture, manufacturing and service, higher education, and other commercial based industries.

**Population**

The current population for the City of Decatur is reported at 76,122 inhabitants according to the 2010 U.S. Bureau of Census, thus representing a decline in population level in comparison to the year 2000 U.S Bureau of Census population of 81,860.

The population demographics of the City of Decatur closely resembles the state and national profiles, albeit, with certain divergences. Versus the state and national profiles, current demographics indicate higher female population, an older age disbursement, a lower demographic in the primary wage earner ages of 25-64 years of age, a higher post 65 years of age demographic, a demographic skewed towards unmarried residents, and a less diverse race demographic given the lower level of Asian and Hispanic population, with home ownership percentage below both the state demographic and the national demographic levels.

The following provides a current demographic profile of the residents of Decatur as compared to the state and national profiles.

		City of Decatur	State	National
Gender	Male	47.0%	49.1%	49.2%
	Female	53.0%	50.9%	50.8%
Age	0 – 24 years of age	32.5%	33.5%	33.3%
	25 – 44	23.7%	26.9%	26.3%
	45 – 64	26.2%	26.2%	26.5%
	65 +	17.6%	13.4%	13.9%
	Median age (in years)	39.2	37.0	37.6
Race	White alone	71.2%	70.8%	71.6%
	Black alone	23.3%	14.5%	12.7%
	American Indian alone	0.3%	0.4%	1.0%
	Asian alone	1.1%	4.7%	4.9%
	Pacific Islander alone	0.0%	0.0%	0.2%
	Other (multiracial)	4.1%	9.6%	9.6%
	Hispanic origin	2.5%	16.7%	17.4%
Marital status	Never married	32%	33%	31%
	Married	46%	51%	52%
	Widowed	8%	6%	6%
	Divorced	14%	10%	11%

*Data source: Esri 2013 demographic and income profile report*

The following provides a current demographic profile of the residential housing component of Decatur as compared to the state and national profiles.

		City of Decatur	State	National
Households	Total number	32,267	4,885,508	118,979,182
Families	Total number	18,872	3,189,734	78,699,566
	Avg. household	2.23	2.59	2.58
Home ownership	Owner occupied	19,909	3,223,902	75,657,200
	Renter occupied	12,358	1,661,606	43,321,982

Data source: Esri 2013 demographic and income profile report

### Education

The educational profile of the City of Decatur residents age 25 and older diverges from both the state and national profile, whereby, the percentage of population earning educational degree completion beyond high school graduation lags both the state and national levels. Population with high school graduation and some college experience is higher than both the state and national profiles.

The following provides a current demographic profile of the residents of Decatur as compared to the state and national profile for population age 25 and older.

	City of Decatur	State	National
Less than Grade 9	4.2%	5.8%	6.1%
Grade 9 – 12, no diploma	10.8%	7.5%	8.4%
High school graduate	35.1%	27.5%	28.5%
Some college, no degree	23.9%	21.1%	21.0%
Associates degree	6.7%	7.3%	7.6%
Bachelors degree	12.6%	19.2%	17.9%
Graduate degree	6.7%	11.6%	10.5%

Data source: Esri 2013 demographic and income profile report

The City of Decatur Community School Corporation, District 61, is the primary responsible authority for the elementary and secondary school structure within the City of Decatur. In addition, school corporation authorities of Argenta/Oreana, CerroGordo, Maroa/Forsyth, Meridian, Mt. Zion, and Warrensburg/Latham have jurisdiction for elementary and secondary school structure within certain township locales within the City of Decatur Corporation limits. In addition, Roman Catholic parochial schools at both the elementary and secondary level, as well as other religious affiliated schools at both the elementary and secondary level, remain a vibrant part of the primary and secondary educational structure within the City of Decatur.

The City of Decatur includes two institutions of higher education including Millikin University and Richland Community College.

Millikin University is a private American co-educational, comprehensive four-year university with traditional undergraduate programs in arts and sciences, business, fine arts, and professional studies, as well as non-traditional, adult degree-completion programs (PACE) and graduate programs in business administration and nursing, founded in 1901 with a student enrollment of approximately 2,400 students.

Richland Community College District No. 537 (“Richland Community College”) was founded in 1972 and offers course study in baccalaureate, occupational, development and public service programs to an enrollment of approximately 3,500 students.

**Employment**

The total resident labor force in the City of Decatur according to the 2010 U.S Bureau of Census and Esri 2013 analysis was reported as 29,170 resident workers for employed population 16 years and older.

The employment profile for the City of Decatur is comprised of 56.3% service industries, 22.0% other industries and 21.7% manufacturing and construction industries. Service sector is the largest employment category with 13,303 workers or 45.6% of the workforce population. Other significant employment sectors include manufacturing with 5,047 workers or 17.3% of the workforce, followed by retail trade at 3,500 workers or 12.0%, transportation / utilities at 1,837 workers or 6.3%, finance / insurance / real estate at 1,371 or 4.7% and construction at 1,283 or 4.4%. The remaining categories employ 2,829 workers or 9.7% of the workforce.

Employment statistics for the City of Decatur’s major economic sectors are as follows for employed population 16 years and older:

Economic Sector	Employment	% of Total
Agriculture/mining	408	1.4%
Construction	1,283	4.4%
Manufacturing	5,047	17.3%
Wholesale trade	671	2.3%
Retail trade	3,500	12.0%
Transportation/utilities	1,837	6.3%
Information	496	1.7%
Finance/insurance/real estate	1,371	4.7%
Services	13,303	45.6%
Public administration	1,254	4.3%
Total	29,170	100.0%

*Data source: Esri 2013 demographic and income profile report*

Employment statistics for the City of Decatur by occupation type is as follows for employed population 16 years and older:

Occupation	Employment	% of Total
White collar	15,606	53.5%
Services	6,272	21.5%
Blue Collar	7,292	25.0%
Total	29,170	100.0%

*Data source: Esri 2013 demographic and income profile report*

The ten (10) largest employers in the City of Decatur are represented in the following chart. Three (3) of the top ten employers are classified in the manufacturing sector, four (4) are classified in the service sector, two (2) in the education sector and one (1) in the government sectors. The top ten employers account for 13,463 workers representing approximately 46% of the labor workforce.

Employer	Employees
Archer Daniels Midland	4,202
Decatur Memorial Hospital	2,077
Caterpillar, Inc.	1,864
Decatur Public School Corporation	1,300
St. Mary's Hospital	1,200
Millikin University	616
Tate & Lyle (fka AE Staley Co.)	597
Ameren (aka Illinois Power Company)	575
Macon County	532
Norfolk Southern Railroad Corp.	500
<b>Total</b>	<b>13,463</b>

*Data source: Decatur Economic Development Foundation, Illinois Department of Employment Security, Specific Employer*

The City of Decatur continues to place high emphasis on a growing and diversified local economy. The City has been historically active in supporting manufacturing operations, offering a strong residential labor force, with low-cost alternatives to other cities in Illinois and in the Midwest region. In addition, the City offers a strong infrastructure backbone for establishment of manufacturing, transportation, and distribution industry operations in the City footprint.

The City is the North American Headquarters of Archer Daniels Midland Company ("ADM"), a leading multi-national agricultural product processor; the headquarters of Tate & Lyle Ingredients Americas, Inc. ("Tate & Lyle") a multi-national leader in the agricultural food additives industry; the global manufacturing center for the mining heavy-equipment business unit of Caterpillar, Inc. ("CAT"), a world leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel electric locomotives, and is home to the Mueller Company, the largest supplier of innovative potable water distribution products in North America.

## Unemployment

Unemployment statistics as of December, 2013, as reported by the U.S. Bureau of Labor Statistics, reflects an unemployment rate of 12.4% in the City of Decatur. The reported unemployment rate is above the State of Illinois and National levels.

Unemployment levels at the end of the fiscal periods and as of April, 2014 are reported as follows:

Locale	Unemployment % December, 2013	Unemployment % April, 2013	Unemployment % April, 2014
City of Decatur	12.4%	10.3%	9.1%
Bloomington / Normal	7.2%	5.8%	5.5%
Champaign / Urbana	8.0%	6.6%	5.8%
Peoria	9.4%	7.9%	7.0%
Springfield	7.7%	6.4%	5.7%
State of Illinois	8.9%	9.3%	7.9%
National	6.7%	7.5%	6.3%

*Data source: United States Bureau of Labor Statistics in percent not seasonally adjusted*

Unemployment levels have declined in 2014 in the City of Decatur as well as in comparable cities in Central Illinois, the State of Illinois and at the United States national level, thus, signaling improvement in the overall economy and in economic conditions specific to the City of Decatur.

**Personal Income**

The City of Decatur presently has an estimated 32,267 households with an average per capita personal income of \$22,756, according to the 2010 U.S. Census and Esri 2013 analysis, which compares to the State of Illinois average per capita income of \$28,611 and the United States per capita income of \$27,567. Median household and average household income levels for the City of Decatur are below both the state and national levels.

\$ whole	Decatur	State	National
Per capita income	22,756	28,611	27,567
Median household income	37,072	54,107	51,314
Average household income	51,272	74,708	71,842

*Data source: 2010 US Census, Esri 2013 demographic and income profile report*

**Cost of Living**

The City of Decatur maintains an affordable cost of living currently ranked 11% below the national average and continues to be one of the greatest advantages of living in the community. Decatur ranks favorably when compared to similar locations within the state and the region.

The following chart depicts the cost of living ranking of the City of Decatur in comparison to other locales within the State of Illinois, closely located major centers, and national epicenters.

	Ranking
National average	100%
Decatur	89%
Bloomington / Normal, IL	96%
Champaign / Urbana, IL	96%
Danville, IL	93%
Peoria, IL	100%
Rockford, IL	93%
Springfield, IL	93%
Indianapolis, IN	87%
St. Louis, MO	90%
Chicago, IL	117%
New York, NY	217%

*Data source: Kiplinger Letter 2013 City cost of living report*

The housing costs in Decatur are below the state and national averages. Per a report compiled by Esri for median home values in year 2013, the median home value for a single family home in the City of Decatur statistical area was \$95,317 as compared to a median home value in the State of Illinois of \$185,183. The national median home value is \$177,257.

## **Economic Condition and Position**

Located in the heart of Illinois, in the great Midwest, within 200 miles of the metropolitan areas of Chicago, Indianapolis and St. Louis, with more than 95 million population located within a 500-mile radius, Decatur is well positioned geographically as a manufacturing, distribution and logistics center.

The City has a robust infrastructure of roads, utility service structure, quick and easy access to Interstate highways (I-72, I-55, I-57, and I-74) and the convergence of three (3) Class I railroads (Norfolk Southern, Canadian Northern, CSX) directly connected by a privately owned intermodal ramp as a part of the Midwest Inland Port.

This unique, intermodal facility provides direct access to ports on both coasts, domestically and through Canada, as well as access to the Gulf of Mexico and Mexico. The Norfolk Southern Decatur rail yard is one of the nation's largest. The Decatur Airport, with runways of 8,500 feet in length and 150 feet wide is capable of handling large freight carrying aircraft.

The Midwest Inland Port is served by a Foreign Trade Zone and provides local Customs Clearing.

Together, this transportation infrastructure, consisting of highway, rail and air, and customs clearing, provides access to suppliers and customers, both domestically and worldwide.

The City of Decatur economy is largely a manufacturing driven economy with service industry economic drivers supporting the main employment thrust in the City, as evidenced by the supporting statistics previously reported in this document.

The educational element of the economy, with the presence of Millikin University and Richland Community College, continues to be an important contributor to the economic profile of the City of Decatur.

In addition, the cultural and recreational offerings of Millikin University and Richland Community College, coupled with the Decatur Parks District, provide an array of events and activities that generate economic activity within the City of Decatur, contributing to the local economy.

The City has long maintained and continues to maintain a healthy city economic philosophy, whereby, it is incumbent upon the City to possess the essential financial resources to provide essential services to taxpayers and stakeholders, at all times, regardless of the economic climate existing in the community.

The City is financially stable, with short-term adequate reserves that have assisted the City to weather the economic recession that has affected the local and national economy in the last fiscal years. However, the City is not immune to any lack of economic development in all economic sectors driving the local and national economies.

## **Financial Affairs**

The City of Decatur financial structure contains forty-five (45) funds including the General Fund, twenty-four (24) Special Revenue Funds, five (5) Debt Service and Capital Funds, seven (7) Enterprise Funds, five (5) Internal Service Funds, two (2) Trust and Agency Funds, and one (1) Blended Component Unit Fund.

The 2014 Budget approved by the City Council on December 16, 2013, and appropriated with Council Ordinance 2014-10 on March 17, 2014 provided budgetary approval in the amount of \$196 Million for all operating funds of City operations.

Key elements of the 2014 budget include:

- A balanced General Fund budget at \$60.4 million

- \$26 million General Obligation Bond Issue with proceeds to finance Phase I of the Dredging of Lake Decatur
- Final spend down of the proceeds of the 2010 Construction Bond (\$3.7 million – Downtown streetscape)
- Spend down of the loan proceeds for the Automated Water Meter and Energy Savings project (\$5.4 million)
- Spend down of certain accumulated Motor Fuel Tax Revenues on certain IDOT approved projects

<b>2014 Council Approved Budget</b>	<b>\$ (000)</b>
General Fund	60,400
Special Revenue Funds	15,890
Debt Service and Capital Project Funds	12,477
Enterprise Funds	76,434
Internal Service Funds	17,328
Trust and Agency Funds	13,683
<b>Total Budget</b>	<b>196,212</b>
Less: Interfund Transfers	(36,044)
<b>Net City Budget</b>	<b>160,168</b>

The City of Decatur will continue its budgetary philosophy to “live within its means”.

#### **Financial Affairs for the Fiscal Period Ending December 31, 2013**

With the change in the City fiscal year, from April 30 year end to December 31 year end, the financial results for the City as of December 31, 2013 include a “transition or stub” fiscal year consisting of eight (8) months, May 1, 2013 to December 31, 2013.

Commentary presented in this Letter of Transmittal will focus on the City General Fund. The financial affairs and condition of the City’s other funds is presented in the financial statements and MD&A, found elsewhere in the CAFR report.

General Fund financial results for the eight (8) month fiscal period ending December 31, 2013 are as follows:

<b>\$ (whole)</b>	<b>Original Budget 8 Months Ending Dec 31, 2013</b>	<b>Final Budget 8 Months Ending Dec 31, 2013</b>	<b>Actual Budgetary Basis 8 Months Ending Dec 31, 2013</b>	<b>Variance Pos (Neg)</b>
Revenue	42,300,000	42,720,232	40,613,257	(2,106,975)
Expenditures	42,800,000	43,576,812	41,966,807	(1,610,005)
Surplus (deficit)	(500,000)	(856,580)	(1,353,550)	

*Source: City of Decatur cash basis accounting information for the General Fund*

The City General Fund actual performance for the eight (8) month fiscal period ending December 31, 2013, resulted in a deficit spending position of \$1.4 million. The result was negatively influenced by an under-performing revenue stream versus budget expectation, of which, despite curtailment of expense levels, could not offset the revenue deficiency. The revenue deficiency was attributed to certain “economically sensitive” revenues, i.e., state and local sales tax (\$1.4 million) and utility tax(s) (\$0.7 million). Both revenue streams were impacted by the soft economic conditions that continued to exist in the local economy.

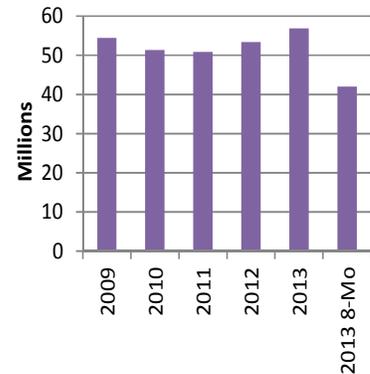
## General Fund Expense

Commencing in fiscal 2008, the City anticipated the negative impact of stagnated economic drivers that would impact the local economy, and initiated actions that would secure and protect the City financial affairs. These actions included, rationalization of required services as provided by the City, reduction in City employment force through an early retirement offering for eligible employees, and continued review of operational costs of City operations and required services to taxpayers.

These efforts were successful in placing the City in an improved financial position, versus the position had these actions not been taken and implemented. As a result, the City has been able to continue all required services to taxpayers and stakeholders, without disruption, and within the constructs of a balanced General Fund budget.

The following chart identifies the expense control exhibited by City Administration in management of General Fund expenditures over the five (5) year period from fiscal 2009 to fiscal 2013 and includes the eight (8) month transition fiscal period of May 1, 2013 to December 31, 2013.

Year \$	General Fund Expenditure	Change from Prior Year	% Change
2009 fiscal year actual	54,406,697		
2010 fiscal year actual	51,348,950	(3,057,747)	(5.6)%
2011 fiscal year actual	50,889,268	(459,682)	(0.9)%
2012 fiscal year actual	53,364,592	2,475,324	4.9%
2013 fiscal year actual	56,816,566	3,451,974	6.5%
2013 vs. 2009	2,409,869		4.4%
% change	4.4%		
2013 8-month actual	41,966,807		



Data source: City of Decatur cash basis accounting records. 2013 actual 8 month transition period - bridging fiscal year change.

The City's General Fund provides the financial resources to pay for public safety protection including police and fire operations; public works operations, including City engineering services, street and municipal operations; community development activities of the planning and neighborhood development operations; and general government operations including, legislative, city management, legal, finance and administration, and certain other general service functions of City operations.

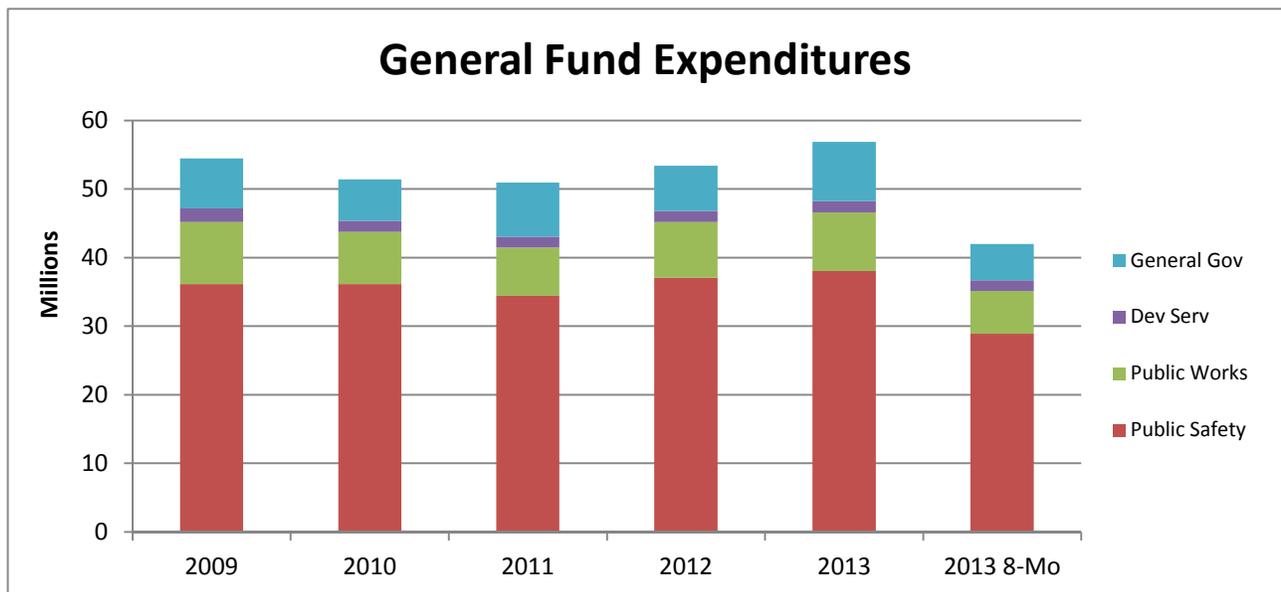
General Fund expenses over the period from fiscal year 2009 have increased 4.4%, a level below the U.S. Government Bureau of Labor Statistics reported inflationary increase of 9.9% over the five year period. In addition, despite contractual wage obligations over the period of 2-4% annually, the City has been able to control spending in non contractual labor areas to limit overall cost increases impacting overall expense levels. The City has accomplished this through cost controls and expenditure rationalization in all areas of City operations. The City has successfully met the challenge of cost control without disruption or reduction of essential City services.

The following chart presents General Fund expense by organizational category over the period from 2009 to the present.

Fiscal Year \$	Public Safety	Public Works	Development Services	General Government	Total Expense
2009 actual	36,149,964	9,007,188	1,992,498	7,257,047	54,406,697
% of Total 2009 actual	66%	17%	4%	13%	100%
2010 actual	36,144,026	7,574,225	1,643,090	5,987,609	51,348,950
2011 actual	34,422,066	7,044,028	1,573,282	7,849,892	50,889,268
2012 actual	37,069,095	8,091,150	1,633,284	6,571,063	53,364,592
2013 actual	38,044,018	8,524,530	1,650,995	8,597,023	56,816,566
2013 vs. 2009	1,894,054	(482,658)	(341,503)	1,339,976	2,409,869
% change	5.2%	(5.4)%	(17.1)%	18.5%	4.4%
% of Total 2013 actual	67%	15%	3%	15%	100%
2013 actual 8-month transition	28,915,170	6,189,016	1,563,424	5,299,197	41,966,807
% of Total	69%	15%	4%	12%	100.0%

Data source: City of Decatur cash basis accounting records. 2013 actual 8 month transition period - bridging fiscal year change.

Public Safety expense continues to grow as a percentage of overall General Fund expense, due primarily to the continued increase in pension obligations for public safety employees. The public safety pension contribution increased from \$5.9 million in fiscal year 2009 to \$7.6 million in fiscal 2013, with a \$7.4 million pension contribution in the 2013 eight month fiscal period ending December 31, 2013. Public safety pension contribution as a percentage of total public safety expense has increased from 16% in 2009 to 20% in 2013 and further to 25% in the 2013 eight month fiscal period ending December 31, 2013.



Public Safety continues as the principal component of the General Fund expense with 69% of total spending, followed by Public Works 15%, General Government 12% and Development Services 4%, as reported in the eight (8) month fiscal period ending December 31, 2013.

Contractually negotiated wage increases with the three (3) labor unions, i.e., Police, Fire and AFSCME, and continued increases in pension contributions to police, fire and the Illinois Municipal Retirement Fund (“IMRF”) over the period have been the primary drivers of cost increase beyond the normal inflationary pressures.

Despite these increases, the City has been able to control total General Fund expense increase over the period at levels that are below the compounded inflation increase. This has been accomplished by City Administration continued efforts to rationalize required services, continued implementation of operational efficiencies throughout City operations, and continued rationalization of staffing levels.

In 2009, the City implemented a Voluntary Separation Program (“VSP”) targeted to reduce staff levels of the City in response to the continued pressures on General Fund resources. The VSP program resulted in the reduction of seventeen (17) employees, fourteen (14) in the General Fund with a total annual cost savings of \$1.4 million, including General Fund cost savings of \$1.1 million. Position eliminations included seven (7) public safety staff, two (2) public works staff, four (4) development service staff, one (1) general government staff, and three (3) water management staff. An additional seventeen (17) positions were eliminated through attrition including seven (7) in public works, three (3) each in public safety and water management, two (2) in general government and one (1) each in internal service and development services. Positions eliminated through attrition resulted in annual cost savings of \$1.4 million, including \$1.2 in the General Fund.

In 2013, in response to continued pressures on General Fund resources, the City implemented a further staff reduction, eliminating 16 General Fund positions, resulting in an annual General Fund cost savings of \$1.2 million. Position eliminations included seven (7) public safety staff, one (1) public works staff, two (2) development service staff and six (6) general government staff. Certain positions were unfilled and open as of December 31, 2013.

The City continues to demonstrate the ability to manage staffing levels and expenses within the constraints of available financial resources.

**Staffing Levels**

The following chart presents the fiscal year end staffing levels for the City over the period from fiscal year 2009 to the present, as of December 31, 2013.

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	2013 8-month Transition
General Government	39	36	35	37	39	37
Public Safety	318	308	303	305	313	297
Public Works	72	63	62	65	63	60
Development Service	33	28	28	29	24	21
General Fund Staffing	462	435	428	436	439	415
Internal Service	20	19	19	19	19	19
Water Management	52	46	47	43	42	38
Total Staffing	534	500	494	498	500	472

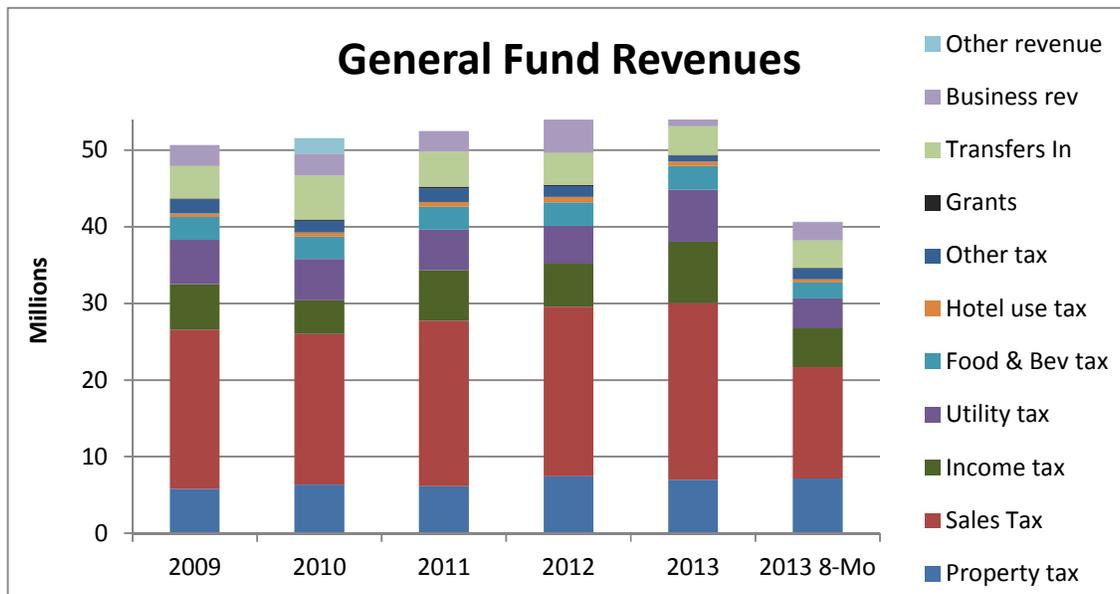
*City actual staffing headcount as of the end of the relevant fiscal period*

## General Fund Revenue

The following chart identifies the revenue sources funding the City General Fund over the five (5) year period from fiscal 2009 to fiscal 2013 and includes the eight (8) month transition fiscal period of May 1, 2013 to December 31, 2013.

Fiscal Period \$	2013 Transition	2013 Fiscal Year	2012 Fiscal Year	2011 Fiscal Year	2010 Fiscal Year	2009 Fiscal Year
Property tax	7,149,597	6,973,393	7,432,691	6,175,061	6,345,009	5,786,997
Sales tax	14,540,813	23,065,733	22,120,709	21,551,003	19,662,961	20,797,320
Income tax	5,068,148	8,022,579	5,621,265	6,621,569	4,392,623	5,938,961
Utility tax	3,905,094	6,790,093	4,938,899	5,281,231	5,399,837	5,786,774
Food & beverage tax	2,050,618	3,060,400	3,085,818	2,987,815	2,893,444	2,963,871
Hotel use tax	444,313	599,436	716,136	601,716	555,277	451,141
Other tax	1,391,136	725,695	1,378,015	1,795,123	1,541,442	1,891,432
Grants	77,108	126,189	174,378	203,671	163,968	59,166
Transfers In	3,585,299	3,748,337	4,171,814	4,564,180	5,705,265	4,252,959
Business revenue	2,386,343	3,025,692	4,363,522	2,704,738	2,899,275	2,726,124
Other revenue	14,788	257,322	-	-	2,000,000	-
<b>Total</b>	<b>40,613,257</b>	<b>56,394,869</b>	<b>54,003,247</b>	<b>52,486,107</b>	<b>51,559,101</b>	<b>50,654,745</b>

Data source: City of Decatur cash basis accounting records. 2013 actual 8 month transition period - bridging fiscal year change.



The primary revenue source for the City General Fund remains tax based revenues.

Of note, the property tax revenues received by the City according to the Tax Levy in effect, provide the cash resources to fund City contributions to the Police and Firemen's Pension Fund, fund City contributions to the operation of the Decatur Public Library, provide City funding for a portion of the General Obligation Bond debt payments, provide City funding for a minor portion of the City contribution to the IMRF (Illinois Municipal Retirement Fund) covering City Management and AFSCME employees, and provides funding for the City contribution to the Decatur Municipal Band.

The cost of day to day City government operations as well as capital spending requirements of City operations, including general government, public safety police and fire protection, public works streets & municipal services and infrastructure operations, are not funded by property tax revenues, but rather are funded by other taxes including locally imposed or state distributed sales & use tax, income tax, food & beverage tax, hotel/motel tax, utility tax, and other minor tax, as well as by business revenues generated by city operations.

As such, the City is heavily dependent upon certain economically sensitive tax revenues to fund the General Fund expenses of the City. This includes state distributed and locally imposed sales tax, state distributed income tax, state and locally imposed utility tax, and locally imposed food and beverage and hotel use tax.

The tax revenue from these sources is reliant upon the economic conditions impacting the State as well as with the local economy.

The City continues to seek new revenue sources and continues to investigate the potential of expansion of locally imposed tax streams, including a local motor fuel tax, storm water utility tax, and increase in the utility tax.

In 2014, the City Council approved the implementation of a storm water utility tax effective October 1, 2014, targeted to provide additional funding for the capital improvement and maintenance to the City sewer system. A portion of this new tax will benefit the General Fund by providing a revenue stream to offset certain General Fund Public Works expenses.

In addition, the City continues to review and increase business revenues through the increase in the fee structure for permits and licenses required by City Code.

### **Other Financial Management Matters**

The City remains confident in its ability to continue to manage expense requirements for delivery of required services within the constraints of the revenue stream to the General Fund.

The City bond rating is A1, upper medium quality rating, as rated by Moody's Investor Services, and A, upper medium quality rating, as rated by Standard & Poor's, for all general obligation debt currently outstanding.

The Management Discussion & Analysis and accompanying financial statements, and notes to the financial statements, contained later in this CAFR, presents in full the financial activities and condition of the City of Decatur.

### **Recent Awards and Recognitions**

**Decatur Recently Ranked in Top 25 of American Cities for Global Trade by Global Trade Magazine** – According to the story, *“Equidistant from Chicago, Indianapolis and St. Louis, Decatur is poised to warehouse and export goods, bypassing its larger Midwest neighbors.”*

**Decatur, IL Rules the Heartland by Business Facilities Magazine (May 14, 2014).** According to the story, *“Decatur is becoming a leading transportation and logistics hub.....Its centralized location connected by a robust network of Interstate highways.....providing uncongested toll-free access to locations and markets to the north, east, south and west.....Three Class I railroads (Norfolk Southern, Canadian Northern, and CSX) serve Decatur and are directly interconnected through a privately owned intermodal ramp as part of the Midwest Inland Port.....The Midwest Inland Port is served by a Foreign Trade Zone and provides local Customs Clearing.....”*  
<http://businessfacilities.com/logistics-and-infrastructure-in-transition/>

## **Economic Development and Infrastructure Development**

Executive Management of the City of Decatur continues to pursue economic development and public works opportunities that will have long term favorable impact on the economic prospects for the community as a whole. These projects include:

### **Economic Development and Quality of Life initiatives**

**Police Department Law Enforcement Center** – Decatur Police moved into a new facility at 707 Southside Drive on June 1, 2014. The City had been searching for more than a decade for adequate space to house the Police Headquarters. The state-of-art, 46,000 square foot renovated facility will provide the Police Department and staff the space and tools needed to effectively and efficiently manage the police protection affairs of the City of Decatur. Working with a local developer, who purchased and renovated the building, this project returns a vacated industrial site to productive community use, and is believed to offer further commercial and economic development opportunities in the adjacent area.

**Downtown Revitalization** – The City's Downtown Streetscape project represents a \$14 million public development imagined as the next step in efforts to bring a new look, feel and energy to the City's Central Business District. The three-phased plan has brought new sidewalks, landscaping, lighting, recreational opportunities and other amenities to Downtown Decatur. Improvements to Central Park, Merchant Street and Lincoln Square were completed in 2013 with 150 new downtown parking spaces added to facilitate the expected increase in activity. The project has already spurred a return to prominence of the City's downtown district in the form of new businesses and jobs, entertainment options and the creation of a "new" downtown that is now a destination for local residents and visitors alike. The final phase of work is now underway with project completion scheduled in 2014. The project was funded with \$10 million from the 2010 General Obligation Bond Issue, \$2 million in motor fuel tax from the State of Illinois, and \$2 million in transportation grants from the Illinois Department of Transportation.

**Downtown Parking** - The City has implemented sweeping changes to its downtown parking system over the last two (2) years designed to make the local shopping experience more convenient for shoppers while providing a range of options for downtown employees. The program included, among other upgrades, a transition from parking meters to free parking for most of the downtown area and the addition of 150 new spaces as part of the overall downtown streetscape project.

**Lakeshore Landing Lakefront Development Project** – The Decatur Park District and the City continue to work together to bring a new face and amenities to the Nelson Park lakefront. The project will create a destination for both local residents and people who come to Decatur to live, work and play. The installation of new boat docks and piers, and lake front promenade improvements were completed in 2013. The project continues with further development initiatives including a water park, additional boat docks, new restaurant and recreation amenities, planned for completion in 2014.

**Ashley Furniture / Mound Center Development** – Plans have been finalized for the next stage of development in Mound Center at the intersection of U.S. 51 and Mound Road for a 35,000 square foot commercial building to include Ashley Furniture and space for two additional retail / restaurant establishments. Ashley Furniture stores consistently rank among the largest home furnishing retailers in the country.

**New County Market Store** – Construction is now underway on a new \$15 million County Market grocery store in Decatur at the intersection of IL 48 and Grand Avenue. A redevelopment agreement with Niemann Holdings, LLC will allow for construction of the 38,000 square foot store on the near north side of the City. This investment will provide further strength and stability to the redevelopment of this core City area.

**Jackson Ford Development Agreement** – The Decatur City Council approved a redevelopment agreement with Jackson Ford and Jackson Family Limited Partnership to allow for the construction of a new dealership on the site previously occupied by its Ford dealership on East Pershing Road. This \$4.1 million project continues recent development of the Pershing Road corridor and is expected to result in added value to the site in the form of an increased Equalized Assessed Valuation (EAV). This project was completed in early 2014.

**St. Mary's / Decatur Memorial Hospital Expansion** – St. Mary's recently completed the first phase of a \$31 million facility expansion including new lobby, emergency care department, laboratory rooms and hospital façade. Decatur Memorial Hospital continues its \$39 million facility expansion adding hospital rooms, a new tower, cafeteria and other amenities, and recently opened a new, state-of-art Cancer Care Center.

**Administrative Court** – The City commenced operation of a new City Administrative Court, a new tool in efforts to facilitate clean up and maintain the City. City ordinance violations were previously prosecuted in Macon County Circuit Court with the exception of violations of the City's noise ordinance and unlawful use of a motor vehicle charges. The types of cases that can be heard in administrative court now include, among other types, those related to property maintenance, garbage and littering complaints, certain building code and overweight vehicle cases. The new Administrative Court system commenced operation in the summer of 2012 and has ramped up operations throughout the period to the present. Results to date include increased violation revenue to the City, but more importantly, the desired change in inhabitant behavior has begun to show results.

**New Single Stream Recycling** – City residents responded in record numbers to the City single-stream recycling program launched in 2012. More than 50 percent of City households have signed up to participate in the program and the amount of recycled material continues to increase as residents become accustomed to the program. The City's Sustainability Plan had hoped to reach 30% participation by the year 2020 and some residents say that they actually no longer need twice per week garbage service as the amount of garbage generated has been reduced dramatically with the new recycling system. The participation rate prior to the new program being implemented was about 15 percent. This program continues to gain further acceptance in the community and further contributes to the "greening" of the City of Decatur.

#### **Archer Daniels Midland ("ADM") Local Investment and Expansion**

**ADM Downtown Site Investment** – The City of Decatur's multi-national giant, Archer Daniels Midland, acquired office space facility in the central downtown footprint in late 2010, and has since relocated some 600 employees to the central downtown Decatur facility. The City continues to work together with ADM in several matters concerning office space for the ADM workforce as well as co-operation to secure and improve the water supply available to industrial customers.

**ADM Carbon Sequestration Project** – Landmark project initiative to reduce greenhouse gas by capturing and storing carbon dioxide emissions from the ethanol plant in the underground rock structure below the earth's surface. This project is 75% complete and is being recognized nationally for its innovation and success.

**ADM Local Expansion** – Construction of a new manufacturing plant on the Decatur site for processing and refining of crude vegetable oil.

**Midwest Inland Port / Intermodal Ramp** – Transportation hub connecting rail and road with ability to service 95 million customers within a one day drive from Decatur, Illinois. This shipping and receiving complex will offer direct access to 3 Class I railroads and four interstate highways. This project has the potential to be a "game changer" for the City of Decatur and Central Illinois as it positions Decatur as the premier transportation hub in the Midwest.

#### **Infrastructure Improvement Projects**

**Water System Improvement Initiative** – In the spring of 2013, the Decatur City Council took bold legislative action approving a series of rate increases in the municipal water supply effective May 1, 2013. The approved rate increases, 35% effective May 1, 2013, 30% effective May 1, 2014, 25% effective May 1, 2015, will provide the capital resources for a \$90 million investment, the largest investment in the City water system since Lake Decatur was created in 1922. The rate increases will fund a series of lake dredging initiatives over the next 4-5 years that will increase the capacity of the lake, thereby increasing the retained water levels of the lake by 30%. The rate increases will also fund further investment to secure secondary water supply, as a safeguard in times of drought, as well as begin to fund a series of investments in future years replacing aging above and below ground water infrastructure.

**Identification of Additional Water Supply** – Council members voted unanimously in 2012 to fund additional work to confirm that shallow groundwater wells near the City’s South Water Treatment Plant could help secure needed additional water supply. The community requires an estimated 10,000 acre-feet of water to be able to supply the community during drought conditions that have impacted the region in the last two years. Engineering evaluation has determined that the wells will provide a significant portion of that total to be used in emergency situations at a cost that is considerably less than options considered previously. This work commenced in 2013 and continues towards completion expected in 2014/2015.

**Lake Decatur Dam Repair Phase I** – This \$3.4 million investment is critical to protecting our ability to control lake levels and protect the Lake Decatur/Sangamon River shoreline. The project rehabilitated mechanical systems, replaced seals and cylinders and repaired the upstream face of the dam. The project was funded by user fees paid by City utility water customers.

**Lake Decatur Dam Repairs Phase II** – This \$4.1 million project includes structural repairs to the dam face and scour holes, removal of the old down-stream dam constructed in the late 1800’s, and the installation of a protection barrier to breach Asian Carp fish entry into Lake Decatur. The project commenced in the fall 2013 with completion expected in 2014. The project is funded by user fees paid by City utility water customers.

**Lakeshore Drive Sewer Improvement** – In late summer 2013, the Decatur City Council approved the project to refurbish and replace certain components of the Lakeshore Drive sewer line. This \$8.6 million project is funded by a loan from the State of Illinois EPA (“IEPA”). This project will replace aging sewer infrastructure in an important residential and medical service corridor of the City. The project is scheduled for completion in 2014.

**Storm Water Utility** – In the 2<sup>nd</sup> quarter of 2014, the City Council approved the creation of a new Storm Water Utility in the City of Decatur to operate as the city utility responsible for the maintenance and operation of the storm water sewer system within the City of Decatur. This project includes an initial investment of \$60 million, to be expended over the next 5 years addressing the most critical storm water system issues facing the City.

**Franklin Street Water Tower** – The City held a ribbon cutting for the newly constructed, 1-million gallon capacity tank at 3635 S. Franklin Street Road in November, 2012. Both the tower and South Pressure Zone Booster Pump Station were constructed to ensure consistent and reliable water pressure for Decatur water customers south of Lake Decatur and the Sangamon River. The total project cost was approximately \$2.6 million, with 75 percent of the total funded through the Illinois Environmental Protection Agency’s Public Water Supply Loan Program at zero interest. The rest of the project was funded with American Recovery and Reinvestment Act (Stimulus) funds the City received at no cost and will not have to repay.

**Downtown Streetscape / Truck Rerouting** – The City received \$1.9 million in federal funds to assist improvement of the streetscape along the heavily traveled Franklin and Main Street corridors. Additionally, the City negotiated to receive control of the Main St. U.S. Route 51 corridor from the State of Illinois, allowing for the rerouting of truck traffic outside of the core downtown area, benefiting downtown foot traffic for shoppers and businesses alike.

**Eldorado Streetscape Improvements** – This project, completed in 2012, brought a new roadway, sidewalks, curbs and other aesthetic improvements to the section of Eldorado Street between Church Street and the railroad tracks just east of Martin Luther King Jr. Drive. Additionally, the State of Illinois completed work to resurface the section of Eldorado between the railroad and 19<sup>th</sup> Street east of the City’s work, meaning that Eldorado Street has been completely resurfaced from Church Street to 19<sup>th</sup> Street. The \$2.6 million project was funded by a \$1.2 million federal transportation grant, \$1.1 million from the Illinois Department of Transportation and \$0.3 million in Motor Fuel Tax funding allocated by the City of Decatur.

**Brush College Road** – The Decatur City Council approved the selection of resources to identify the best methods for eliminating bottlenecks and other traffic problems at the Brush College underpass just south of Faries Parkway. This project is important to address traffic flow in this important city corridor. This project continues with planned investment scheduled for 2015 and beyond.

**Corridors Project** – The City will receive a grant of more than \$1 million to improve the appearance of corridors within the City’s corporate limits, work that is expected to include addressing the appearance of railroad overpasses. The City is in the process of plan definition and preparation for submission to the Illinois Department of Transportation, with work planned to commence once the work scope plan is approved by IDOT.

**Johnson Controls Energy Initiative** – In late summer 2013, the Decatur City Council approved a \$17.2 million project initiative to provide investment funding to finance a project to install automated water meter reading equipment (“AMR”) throughout the city residential, commercial and industrial footprint. In addition, this project includes energy savings equipment and infrastructure upgrades that will reduce annual energy and operational costs to the city. The AMR initiative is the primary investment with approximately \$14.5 million devoted to the installation of state of art electronically read water meters. The remaining investment of \$2.7 million is earmarked for facility envelope energy upgrades as well as state of art technology improvements to the City Water Utility SCADA system. The project is debt issue financed with 15 year term with debt payment stream fully funded by expected annual cost savings and cost avoidance under a 50% guaranteed contract with Johnson Controls, Inc. The project investment commenced in the fall 2013 with scheduled completion in early 2015.

## **Education Investments**

**Decatur Public School Corporation** – \$76 million, 3 year project, for renovation and expansion of Eisenhower and MacArthur High School buildings, the two public high schools in the City of Decatur. The Eisenhower renovation was completed and commissioned in early 2014, where the MacArthur facility is now under renovation with completion expected in 2015. This project demonstrates the School Corporation and community commitment to a strong educational system in the City.

**St. Teresa Catholic High School** - \$4.8 million project to include state-of-art athletic facilities, building upgrades and expansion and improvements to the public facilities, with money raised through a school capital campaign. The successful campaign further demonstrates the community commitment to a strong educational component in the community.

**Richland Community College** - \$16 million investment for the Workforce Development Institute, a new 45,000 square foot facility to be used for specific local employer workforce training to ensure the trained labor candidate pipeline is available to meet the employment demand anticipated in the future. Campus expansion will also include a new culinary arts dining facility and other facility renovations.

**Millikin University** – This \$1.7 million renovation project is targeted to the athletic complex and includes artificial turf, lighting, running track and a new scoreboard in the stadium complex. Millikin University continues to place among the top universities for student academic success, return on education investment and student satisfaction, as rated by U.S. News & World Report, Forbes and the Princeton Review, among other notable publications.

## **Financial / Single Audit / Budgetary Controls**

The City Management Team, under the direction of the City Manager, is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### **Single Audit**

As a recipient of federal and state financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to these programs.

The internal control structure is subject to periodic evaluation by management of the City. As part of the City's single audit, tests are performed to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

The results of the City's single audit for the eight month period ended December 31, 2013 disclosed two findings related to the internal control structure and no significant violations of applicable laws and regulations.

### **Budgetary Controls**

In accordance with State of Illinois Statutes and Home Rule Authority adopted by the City of Decatur, the City maintains budgetary controls integrated within the accounting system to ensure compliance with legal provisions embodied in the annual appropriated budget (prepared on a cash basis) which is adopted and approved by the City of Decatur City Council.

Activities of all funds of City operations, including the general fund, special revenue funds, capital project funds, internal service funds, enterprise funds and agency funds have been included in the annual appropriated budget.

By Ordinance of the City Council, the organizational level for which expenditures cannot exceed the appropriated amount is at fund level for both the General Fund and all other funds of City operations.

Expenditures contemplated in excess of appropriated amounts require City of Decatur Council approval prior to expenditure commitment.

The City maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at fiscal year end and are required to be appropriated in the subsequent year.

### **City Vision, Goals, and Objectives**

In 2009, the City of Decatur and Macon County developed a comprehensive joint land use and development plan to guide the vision for the community's future growth and development.

### **Current and Future Vision for the City of Decatur**

The City of Decatur and Macon County are blessed with fertile farmland and the varied topography of the Sangamon River valley that has shaped region history, identity and economy over the past 200 years. We honor this rich natural history as we shape a sustainable future by:

**Capitalizing** on our unique environmental resources to create regionally attractive recreational opportunities,

**Building** on our agricultural history by using the resources of the land to create quality jobs for our residents through new technologies and an economy that is competitive in the world market,

**Meeting** the needs of our citizens through the coordinated use of our resources to provide a high quality of education, housing, community services and employment,

**Resulting** in a sense of pride in place and fostering opportunities for public involvement that are responsive to the needs of our citizens.

The Comprehensive Plan set forth a vision which looks back to the land which brought us here today and looks forward to the opportunities this same environment can offer future generations as a place to live, work, and play. This vision will be realized by addressing five key themes.

- Balanced Land Conservation and Development,
- An Accessible and Connected County,
- A Quality of Life Community,
- A Diversified Economy,
- A Sense of Pride in Place

**Balanced Land Conservation and Development.** Community residents value both the vista and open spaces created by our agricultural landscape and the opportunities created by new housing choices. We commit to a plan which conserves the unique and significant natural features of our Region while compactly creating opportunities for the future.

**An Accessible and Connected Community.** Providing quality transportation service has been a major strength of our region. We move into the future with a well developed system of rail, road, and mass transit. We commit to a plan which reinforces these connections through the completion of the South East Beltway while increasing the capacity of the transportation system to support a full range of travel choices for residents and visitors.

**A Quality of Life Community.** Our villages and neighborhoods are the life blood of the larger City and Macon County community and at the heart is the urban core of the City of Decatur. The strength of each is dependent on many factors working together – safety, educational opportunities, access to services, and housing choices. We commit to a plan which puts the health of our existing municipalities and neighborhoods first.

**A Diversified Economy.** Quality of life is tied to the strength of the local economy. A more diversified economy is more stable and creates a wider range of employment choices. As the City of Decatur and Macon County enters the 21<sup>st</sup> Century, it is the midst of a fundamental transition from an industrial economy. The regional role as a provider of retail and healthcare services continues to grow. It is, however, the image and identity of our leading agricultural industry that positions us to become the center of technological innovation and research in agri-business, healthcare and other regionally significant industries. We commit to a plan which prioritizes the land use, transportation and infrastructure changes that are necessary to ensure that this transition is successful.

**A Sense of Pride in Place.** The City of Decatur and Macon County has a rich tradition embedded in the lives of its founding families and the working men and women whose legacy is found in the culture and institutions. We commit to a plan which reinforces the values we have to celebrate and the ways we can make them more a part of our daily lives.

The City of Decatur is committed to realization of the vision, goals and objectives as defined within the Comprehensive Plan and will continue to employ all efforts within the constructs of the City available financial resources to accomplish such realization.

## **Key Goals and Objectives for 2014 and Near Term Beyond**

The City goal and objective document is a living, breathing document, with ongoing discussion, progress review and update between the Mayor, City Council and City Administration. As goals and objectives are achieved, they are removed with new priorities added upon goal identification and legislative commitment.

The current City goals and objectives are as follows:

### **Goal 1 – Strengthen and Improve the Quality of Life for Our Residents**

- Improve existing housing stock through consistent code enforcement and prosecution via the City Administrative Court
- Provide financial incentives for rehabilitation of older housing stock
- Encourage adaptive reuse of open space in the city central core
- Continue collaboration efforts with neighbor organizations
- Provide a safe community for residents
- Expand housing choices available to meet needs of changing population and varying income levels
- Provide high quality resource conservation programs to secure a sustainable and attractive community
- Strengthen the network of centers of activity and corridors linking the centers throughout the community
- Implement community design for safe, walkable, diverse and attractive neighborhoods

### **Goal 2 – Advance a Diversified Economy**

- Continued support of global economic development strategy to cultivate new industries and entrepreneurship in emerging technologies and support industries
- Continue next steps in the revitalization of Downtown Decatur with increase in residential choice in the downtown core are in order to expand the local customer base and vitality to visitors
- Continue the expansion of retail services available by recruiting new retailers into the Decatur market
- Continue expansion efforts of existing and potential new business park environments in co-operation with the Decatur Economic Development Corporation (“EDC”)
- Assist the marketing effort of the Decatur Airport Business Park and expansion of the existing U.S. Customs and Foreign Trade Zone currently in operation
- Continue the expansion of the City fiber optic network providing high-speed communications to additional private and public users

### **Goal 3 – Foster a Sense of Pride in Place**

- In conjunction with the EDC, facilitate and co-ordinate a community branding initiative
- Establish streetscape guidelines and beautification programs in conjunction with Beautify Decatur

### **Goal 4 – Sustainable and Balanced Land Development**

- Commence five year Lake Decatur Dredging project in 2014
- Acquire Lake Tokorozawa water rights
- Provide adequate public utilities to residential, commercial and industrial users
- Shift new housing development from scattered and isolated development to managed annexation
- Seek new revenue streams for street pavement and capital equipment replacement programs
- Develop a long range financial plan to enhance long-term City planning

### **Goal 5 – Provide an Accessible and Connected City**

- Achieve the next steps in the Brush College Road industrial corridor traffic improvement project
- Support the Southeast Beltway roadway plan
- Encourage the expansion of U.S. Route 51 to the south of Decatur
- Support the Midwest Inland Port initiative and the development of surrounding areas

## **Recent Goal and Objective Accomplishments**

- Creation and implementation of the City Administrative Court
- New Decatur Police Department Headquarter facility commissioned May 30, 2014
- New garbage and recycling collection programs targeted for green environment solutions
- Reroute truck traffic off of Business U.S. 51 in the central downtown corridor
- Create and implement the Master Development Plan for the central downtown business district
- Demolish the Barnes Garage structure in downtown Decatur improving aesthetics and safety
- Complete the development of the Mound Center commercial property through an agreement with Ashley Furniture to construct and occupy the remaining parcel
- Secure new water utility rate pricing structure that will provide the financial resources to fund the lake Decatur Dredging project and enable water system infrastructure capital maintenance
- Establish Storm and Sanitary Sewer master plans
- Secure storm and sanitary user fee pricing rate structure that will provide the financial resources to fund the master plan capital maintenance

## **Other Information**

### **Independent Audit**

In accordance with State of Illinois Statutes, the City is required to be annually audited by independent certified public accountants.

The audit was performed by CliftonLarsonAllen, LLP.

In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the Single Audit Act Amendments of 1996 and related OMB Circular A-133.

The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section (section II) of this report.

For each of the past twenty-two (22) years consecutively, including the eight-month period ended December 31, 2013, the City has received an unmodified audit opinion from the independent auditors.

The auditors' reports, related specifically to the single audit required by the Single Audit Act Amendments of 1996 are included in section IX of this CAFR report.

### **Awards**

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 April 30, 2013.

This represents the forty-first (41st) consecutive fiscal year in which the City of Decatur has received this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and legal requirements.

A Certificate of Achievement is valid for a period of one year. The City of Decatur believes that the current comprehensive annual financial report, contained herewith, continues to meet the GFOA Certificate of Achievement Program requirements, and thus, the City of Decatur will submit this CAFR report to the GFOA for consideration.

**Acknowledgments**

The preparation of this comprehensive annual financial report, for the City of Decatur, was made possible by the dedicated service of the staff of the City Department of Financial Management.

All contributing members of the City of Decatur receive our sincere appreciation for their contribution in the preparation of this report. In addition, we thank the work performed by the independent audit firm of CliftonLarsonAllen, LLP, for their timely work and dedication in this effort.

Finally, without the leadership and support of Mayor Michael McElroy, members of the City Council, and City Department Heads, preparation of this report would not have been possible.

**Closing**

This letter of transmittal and Comprehensive Annual Financial Report for the City of Decatur is respectfully submitted for the fiscal period ended December 31, 2013.



Ryan P. McCrady  
City Manager



Gregg D. Zientara  
City Treasurer & Director of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

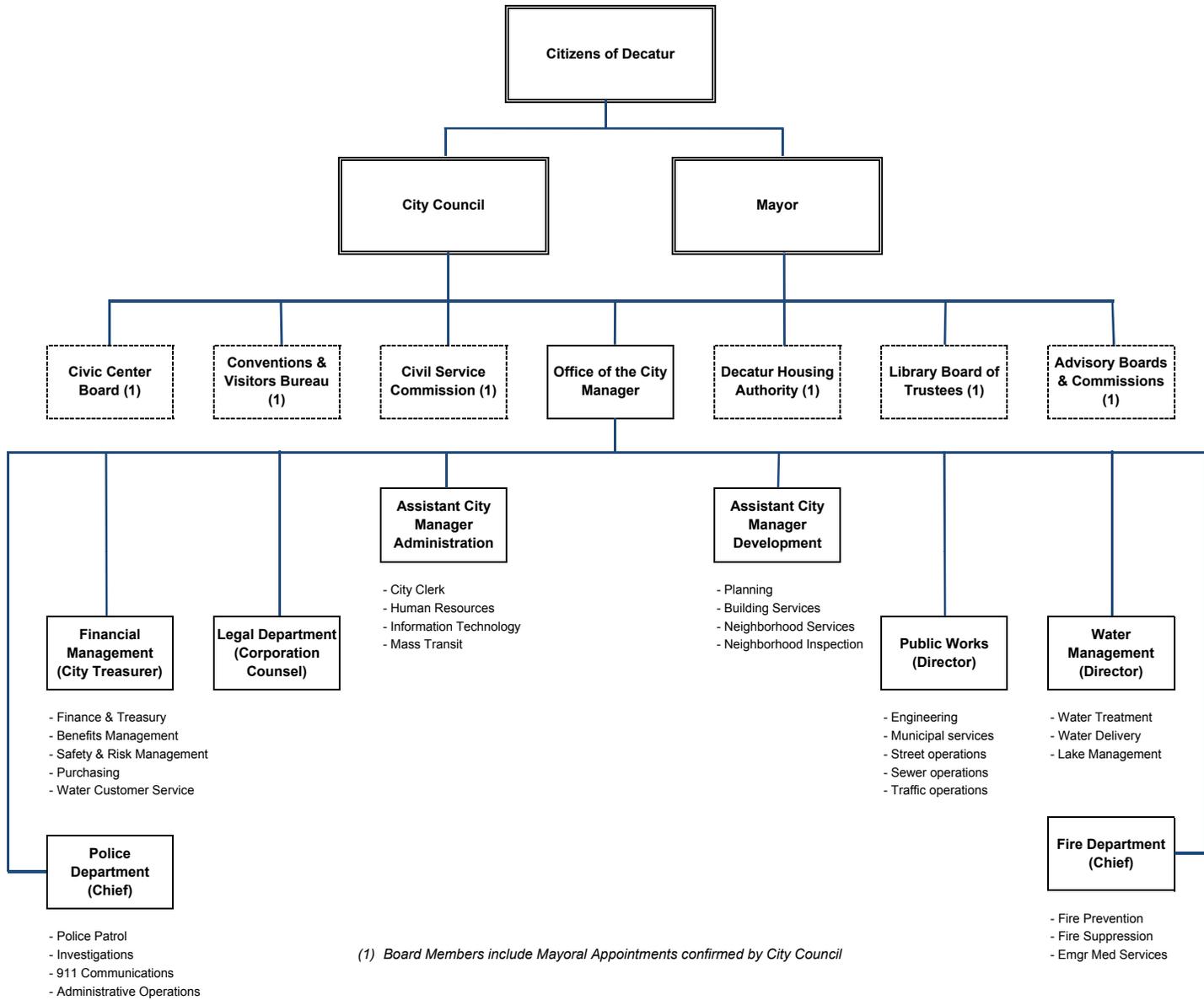
**City of Decatur  
Illinois**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**April 30, 2013**

Executive Director/CEO

# City of Decatur, Illinois Organizational Chart



Effective as of May 1, 2013 through and including December 31, 2013



## **II Financial Section**

## Independent Auditors' Report

The Mayor and City Council  
City of Decatur, Illinois

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Decatur, Illinois (City), as of and for the eight month period ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Civic Center Authority discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Civic Center Authority discretely presented component unit, is based solely 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 from material misstatement. The financial statements of the Civic Center Authority were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Decatur, Illinois as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the eight months then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedules of funding progress, as listed in the table of contents, 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 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 about 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Decatur, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2014 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 result 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* in considering City of Decatur's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Danville, Illinois  
June 20, 2014

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

The Management of the City of Decatur, Illinois (“City”) provides herewith, this Management Discussion & Analysis (“MD&A”) of the financial activities and financial condition of the City of Decatur for the fiscal year ended December 31, 2013.

By Ordinance 2013-26 of the City Council, presented and adopted on April 15, 2013, the City elected to change the fiscal year end from April 30 to December 31 to coincide with a calendar year basis, effective January 1, 2014, whereby the fiscal year of the City shall be January 1 to December 31. This MD&A presents the financial position of the City for the eight (8) month transitional fiscal period commencing May 1, 2013 and ending December 31, 2013, and is hereby referenced in this report as the “eight (8) month fiscal period ending December 31 2013”.

The City decision to change the fiscal year was based on the following:

- City Administration and City Council desire to align the preparation and adoption of the annual city budget to the annual property tax levy adoption, which by Illinois State Statute is set for Council adoption before December 31 of each year,
- City Administration and City Council desire to create efficiencies within both the City Administration and City Council in the work performed to prepare the annual city budget and the annual property tax levy,

Readers of the information contained within this Management Discussion & Analysis, and any opinion derived therein, should be considered as a part of the greater whole of the basic financial statements, notes to the financial statements, supplementary information and letter of transmittal, as contained within this Comprehensive Annual Financial Report (“CAFR”).

The City is responsible for the accuracy of the information contained herewith, and the completeness and fairness of the presentation, including all disclosures.

To the best knowledge and belief of the City, the information contained in this report is accurate in all material respects, and is reported in a manner designed to fairly present the financial position and results of operations of all funds of the City of Decatur. All notes and disclosures necessary to enable the reader to gain an understanding of the financial activities have been included in this report.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**City of Decatur, Illinois**

The City of Decatur is the county seat of Macon County, Illinois, and is the thirteenth (13) largest Municipal City within the State of Illinois, according to the 2010 U.S. Government Census. Macon County is the nineteenth (19) largest county within the State of Illinois, according to the 2010 U.S. Government Census. The County has a total land mass area of 581 square miles and contains seventeen (17) townships and twelve (12) municipalities.

The City of Decatur is located within the central heartland of the agricultural region of the State of Illinois and is in the geographic center of the state. The City of Decatur is located sixty (60) miles west of the Illinois / Indiana State boundary line, one-hundred and seventy-five (175) miles south of Chicago, one-hundred and twenty (120) miles northeast of St. Louis, Missouri, and within a region of fifty (50) mile proximity to the communities of Champaign/Urbana, Bloomington/Normal, and Springfield, Illinois.

The year 2010 U.S. Bureau of the Census population for the City of Decatur was reported as 76,122, whereas the year 2010 Census population for Macon County was reported as 110,768.

Macon County is the epitome of America's agricultural heartland. Vast expanses of corn and soybean cropland cover eighty-four percent (84%) of the County landmass. Macon County continues as a major center for agribusiness with many local and global businesses participating in a thriving manufacturing economy based in large part on the agricultural resources in the County.

Decatur and Macon County is a vibrant and diverse area with a strong local economy based on a mix of manufacturing and service, agricultural, higher education and other commercial based industries. The diverse economic mix creates varied employment opportunities for residents while providing some level of diversification from economic downturns.

The City of Decatur provides a full range of governmental services to citizens. Services include:

- general government,
- public safety police and fire protection,
- public works street construction and maintenance,
- public works infrastructure construction and maintenance,
- water utility services to commercial, industrial and residential properties within the city,
- mass transit operations,
- community and economic development services,
- and parking operations within the central city footprint

The City of Decatur was incorporated in 1836, and since 1971 has operated as a Home Rule unit of local government pursuant to the State of Illinois Constitution.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Governmental Structure**

The City of Decatur operates under a managerial form of government, under which the elected Mayor and City Council discharge the legislative function and establish municipal policy, with an appointed City Manager responsible for all city administrative and operational functions.

The City of Decatur governmental structure includes elected officials and appointed officials as follows with defined management and legislative authority in compliance with State of Illinois Statutes.

Mayor	Chief Legislative Officer Chair of City Council Non partisan elected official	4 year term of office
Council Members	Six (6) member legislative body All members non partisan elected official	4 year term in office
City Manager	Appointed by Mayor	Contractual term
City Clerk	Recording Secretary of City Council Appointed by Mayor	4 year term in office
City Treasurer	Appointed by Mayor	4 year term in office

The Decatur City Council, legislative body of the municipal city government, includes seven (7) voting members, including, the Mayor as the Chair of the Council, and six (6) Council Members. All elected officials are non partisan positions.

The City of Decatur municipal year, as defined by Council Ordinance and City Code, commences on the 1<sup>st</sup> of May each year and ends the following April 30<sup>th</sup>.

All elected officials serve four (4) year terms. The Mayor and three (3) Council seats are elected every four (4) years, with the three (3) remaining Council seats elected two (2) years hence. Mayoral and Council elections are held in the general election process in April of Municipal election years, following primary elections held in February preceding the general election process.

The City operates with a number of Boards and Commissions, serving as community oversight and recommendation authority to the legislative body of the City Council, including the Civic Center Board, Conventions and Visitors Bureau Board, Civil Service Commission, Decatur Housing Authority, Library Board of Trustees, and a number of Advisory Board and Commissions.

These Boards and Commissions include Mayoral appointments confirmed by the City Council, report to the City Council, and make recommendation to the City Council concerning matters of legislative nature. The City Council considers such recommendations of the Boards and Commissions in its determination of acceptance or rejection of those resolutions and ordinances resulting from Board or Commission actions. The City Council maintains legislative oversight authority over the various Boards and Commissions.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Financial Highlights**

	Governmental Activities		Business type Activities		Government wide Activities	
\$(whole)	8 months Ending Dec 31, 2013	12 months Ending April 30, 2013	8 months Ending Dec 31, 2013	12 months Ending April 30, 2013	8 months Ending Dec 31, 2013	12 months Ending April 30, 2013
Total Assets	139,971,947	145,592,376	88,347,593	63,760,329	228,319,540	209,352,705
Total Liabilities	96,307,952	114,867,215	37,373,084	12,346,066	133,681,036	127,213,281
Deferred Inflows	11,591,009	-	-	-	11,591,009	-
Net Position						
Capital net of debt	17,734,425	21,768,332	35,140,888	43,816,191	52,875,313	65,584,523
Restricted	12,177,075	5,631,695	-	-	12,177,075	5,631,695
Unrestricted	2,161,486	3,325,134	15,833,621	7,598,072	17,995,107	10,923,206
Total net position (1)	32,072,986	30,725,161	50,974,509	51,414,263	83,047,495	82,139,424
Change vs. pr year	2,454,929	(1,518,019)	(439,754)	(7,545,280)	2,015,175	(9,063,299)
Expenses	53,401,732	78,463,740	15,816,714	23,219,636	69,218,446	101,683,376
Revenues	55,856,661	76,945,721	15,376,960	15,674,356	71,233,621	92,620,077

<sup>1</sup> Total net position at April 30, 2013 includes a restatement of \$1,107,104 related to the implementation of GASB 65 for the expensing of prior period unamortized bond issuance costs.

- Government wide net position (total assets less total liabilities and deferred inflows) as of December 31, 2013 is \$83,047,495.
- Government wide net position increased by \$2,015,175 or 2.5% during the fiscal year ending December 31, 2013. Governmental activity net position increased by \$2,454,929 or 8% whereas business activity net position decreased by \$439,754 or 0.9% during the fiscal year.
- Total assets as of December 31, 2013 of \$228,319,540 increased \$18,966,835 or 9.1% as compared to total assets as of April 30, 2013.
- Total liabilities as of December 31, 2013 of \$133,681,036 increased \$6,467,755 or 5.1% as compared to total liabilities as of April 30, 2013.
- Government wide net position of \$52,875,313 are invested in capital assets net of debt and are therefore, not available for spending. \$17,995,107 is classified as unrestricted net position and may be used to meet ongoing obligations to creditors. \$12,177,075 is classified as restricted primarily for debt service and capital outlay.
- Government wide revenue achieved in the 8-month fiscal year ending December 31, 2013 amounted to \$71,233,621, versus government wide revenue of \$92,620,077 achieved in the 12-month fiscal year ending April 30, 2013. Governmental activity revenue achieved in the 8-month fiscal year ending December 31, 2013 amounted to \$55,856,661, versus governmental activity revenue of \$76,945,721 achieved in the 12-month fiscal year ending April 30, 2013. Business activity revenue achieved in the 8-month fiscal year ending December 31, 2013 amounted to \$15,376,960, versus business activity revenue of \$15,674,356 achieved in the 12-month fiscal year ending April 30, 2013.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

- Government wide program expense in the 8-month fiscal year ending December 31, 2013 amounted to \$69,218,446, versus government wide program expense of \$101,683,376 in the 12-month fiscal year ending April 30, 2013. Governmental activity program expense in the 8-month fiscal year ending December 31, 2013 amounted to \$53,401,732, versus governmental activity program expense of \$78,463,740 in the 12-month fiscal year ending April 30, 2013. Business activity program expense in the 8-month fiscal year ending December 31, 2013 amounted to \$15,816,714, versus business activity program expense of \$23,219,636 in the 12-month fiscal year ending April 30, 2013.
- Explanatory commentary concerning the changes in assets, liabilities, deferred inflows, revenue and expenditures can be found in later sections of this MD&A.

### **Overview of the Financial Statements**

The City of Decatur's financial statements are comprised of three (3) components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes 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 of Decatur's finances using "accrual based accounting", a method of accounting used by private-sector business concerns.

- **Statement of net position**

This statement reports all assets, liabilities, and deferred inflows of the City of Decatur as of December 31, 2013. The difference between total assets, total liabilities, and deferred inflows is reported as "net position", and can generally be thought of as the net worth of the City. Increase in net position generally indicates an improvement in financial position, while a decrease in net position may indicate a deterioration of financial position.

- **Statement of activities**

This statement serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the City of Decatur for the eight months ended December 31, 2013. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The statement of activities displays the expense of the City's various programs net of related revenues, as well as a separate presentation of revenue available for general purposes including property tax, sales & use tax, other tax, fees for services and other revenue sources.

The government wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities). The major governmental activities of the City of Decatur include general government, public safety, street construction and maintenance, infrastructure construction and maintenance, and arts & culture through the public library. The major business-type activities of the City include the water utility, sewer utility and mass transit operations.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Fund Financial Statements**

A fund is a group 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 of Decatur can be divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds**

Governmental funds are used to account for the same functions reported as governmental activities in the government wide financial statements. However, unlike government wide financial statements, governmental fund financial statements focus on short-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 short-term financing requirements. Governmental funds use modified accrual accounting method. The City maintains three (3) major governmental funds (General, Library, and Debt Service) and twenty-seven (27) non-major governmental funds.

**Proprietary Funds**

The City of Decatur maintains two (2) types of proprietary funds: 1) enterprise and 2) internal service.

**Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains seven (7) enterprise funds. Information is presented separately in the proprietary statement of revenues, expenses and changes in fund net position for the Water Utility (2 funds), Sewer (1 fund), and Mass Transit (1 fund) which are considered major enterprise funds. Data from the other three (3) non-major enterprise funds (DCDF, Recycling, and Water Bond Construction) are combined into a single, aggregate presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

**Internal service funds** are used to accumulate and allocate costs internally among the City's various functions and funds. The City maintains five (5) internal service funds. The City of Decatur uses internal service funds to account for its self-insured liability insurance, self-funded employee health benefits programs, information technology operations program, fleet maintenance and equipment replacement programs. Because these services predominantly benefit governmental activities rather than business type functions, they have been included within governmental activities in the government wide financial statements but are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the City government. Fiduciary funds are not reflected in the government wide financial statement because the resources of those funds are not available to support City programs. The City maintains two (2) fiduciary funds, which consist of the two (2) pension trust funds (Police Pension and Firefighters Pension). These two (2) funds are administered by the City.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Notes to the financial statements**

The notes to the financial statements provide additional information that is essential in order to have a full understanding of the data provided in the government wide and fund financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes and disclosures, this CAFR report presents supplementary information. The combining statements referred to earlier in connection with non-major governmental, enterprise, internal and fiduciary funds are presented immediately after the basic financial statements within the financial statement section of the CAFR report.

**Government wide financial statements**

The following financial analysis will focus on the statement of net position and statement of changes in net position of the City's governmental and business type activities.

**Statement of Net Position**

	Governmental Activities		Business type Activities		Government wide Activities	
\$(whole)	Dec 31, 2013	April 30, 2013	Dec 31, 2013	April 30, 2013	Dec 31, 2013	April 30, 2013
<b>Assets</b>						
Current & other	41,961,807	49,055,566	21,671,063	9,456,925	63,632,870	58,512,491
Capital assets (net)	98,010,140	96,536,810	66,676,530	54,303,404	164,686,670	150,840,214
<b>Total Assets</b>	<b>139,971,947</b>	<b>145,592,376</b>	<b>88,347,593</b>	<b>63,760,329</b>	<b>228,319,540</b>	<b>209,352,705</b>
<b>Liabilities</b>						
Current	16,894,827	32,763,157	6,529,144	2,565,575	23,423,971	35,328,732
Long term	79,413,125	82,104,058	30,843,940	9,780,491	110,257,065	91,884,549
<b>Total Liabilities</b>	<b>96,307,952</b>	<b>114,867,215</b>	<b>37,373,084</b>	<b>12,346,066</b>	<b>133,681,036</b>	<b>127,213,281</b>
<b>Deferred Inflows (1)</b>						
Future property tax	11,591,009	-	-	-	11,591,009	-
<b>Net position</b>						
Net investment in capital assets	17,734,425	21,768,332	35,140,888	43,816,191	52,875,313	65,584,523
Restricted	12,177,075	5,631,695	-	-	12,177,075	5,631,695
Unrestricted	2,161,486	3,325,134	15,833,621	7,598,072	17,995,107	10,923,206
<b>Total net position</b>	<b>32,072,986</b>	<b>30,725,161</b>	<b>50,974,509</b>	<b>51,414,263</b>	<b>83,047,495</b>	<b>82,139,424</b>

1 – implementation of GASB 65, comparative number for 12 month period ending April 30, 2013 is \$11,681,912

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

As of December 31, 2013, City assets exceeded liabilities and deferred inflows by \$83,047,495, an increase of \$2,015,175 from the net position level as of April 30, 2013.

Governmental net position of \$32,072,986 increased by \$1,347,825 versus the level at April 30, 2013, an increase of 4.4%. Business net position of \$50,974,509 decreased by \$439,754 versus the level at April 30, 2013, a decrease of 0.9%.

The increase in the net position of the City results from an increase in asset position of \$18,966,835 coupled with an increase in liability position of \$6,467,755 and deferred inflows of resources \$11,591,009.

Total assets increased \$18,966,835 or 9.1% as compared to the asset level of April 30, 2013. The increase in assets is attributed to an increase in cash and equivalents of \$3,148,256, receivable increase of \$3,304,420, and an increase in net fixed assets and other assets of \$12,514,159.

The increase in cash and equivalents can be attributed to a \$8,178,633 cash increase in business activities offset by a \$5,030,377 cash decrease in governmental activities. The business activity cash increase is the result of unspent loan proceeds of \$6,568,697 related to the automated water meter and energy savings project and the \$1,609,936 cash increase in the water, sewer and mass transit operations the result of improved cash flow from operations. The governmental activity cash decrease is principally due to the in period General Fund deficit and the construction spend down of 2010 Bond financing certain downtown streetscape projects.

Total liabilities increased \$6,467,755 or 5.1% as compared to the liability level as of April 30, 2013, with a \$25,027,018 increase in business activity liabilities offset by a \$18,559,263 decrease in governmental activity liabilities.

Business activity liability increase results from the incurrence of new note payable debt for the water utility automated water meter and energy savings project, and certain sewer rehabilitation projects initiated in the fiscal period. Government activity liabilities decreased due to planned pay down of GO and other debt, reduction in accounts and self insurance claims payable, and the GASB 65 reclassification of certain deferred revenue to Deferred Inflows of Resources, namely the subsequent year property tax receivable.

Deferred inflows of resources amounted to \$11,591,009; and represents, the 2013 property tax levy receivable, billed and collectible in 2014.

Government wide net position of \$52,875,313 is invested in capital assets net of debt and is therefore, not available for spending. \$17,995,107 is classified as unrestricted net position and may be used to meet ongoing obligations to creditors. \$12,177,075 is classified as restricted primarily for debt service and capital outlay.

Capital assets, net of debt of \$52,875,313 represents a decrease of \$12,709,210 from the level as of April 30, 2013. Restricted net position increased \$6,545,380 as compared to the level as of April 30, 2013. Unrestricted net position increased \$7,071,901 as compared to the level as of April 30, 2013.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Statement of Changes in Net Position**

	Governmental Activities		Business type Activities		Government wide Activities	
\$(whole)	8 months Ending Dec 31, 2013	12 months Ending April 30, 2013	8 months Ending Dec 31, 2013	12 months Ending April 30, 2013	8 months Ending Dec 31, 2013	12 months Ending April 30, 2013
<b>Revenue</b>						
Program Revenue						
Charge for services	4,746,651	3,189,911	18,143,915	19,350,262	22,890,566	22,540,173
Operating grants	2,652,299	4,425,861	3,170,028	5,025,518	5,822,327	9,451,379
General Revenue						
Property tax	13,394,261	13,493,391	-	-	13,394,261	13,493,391
Sales & use tax	14,924,647	22,917,247	-	-	14,924,647	22,917,247
Other tax	11,967,928	17,837,914	-	-	11,967,928	17,837,914
Investment earnings	7,644	237,961	1,581	28,037	9,225	265,998
Other revenue	2,224,667	6,113,975	-	-	2,224,667	6,113,975
Transfers	5,938,564	8,729,461	(5,938,564)	(8,729,461)	-	-
<b>Total Revenue</b>	55,856,661	76,945,721	15,376,960	15,674,356	71,233,621	92,620,077
<b>Expenses</b>						
General government	8,318,867	14,693,051	-	-	8,318,867	14,693,051
Public safety	29,422,201	38,834,959	-	-	29,422,201	38,834,959
Public works	10,877,524	17,199,373	-	-	10,877,524	17,199,373
Culture & recreation	2,518,155	3,622,804	-	-	2,518,155	3,622,804
Interest on LT debt	2,264,985	4,113,553	-	-	2,264,985	4,113,553
Water utility	-	-	9,663,567	14,576,678	9,663,567	14,576,678
Mass transit	-	-	4,230,742	6,151,784	4,230,742	6,151,784
Housing programs	-	-	9,979	6,770	9,979	6,770
Waste removal	-	-	405,409	584,028	405,409	584,028
Sewer	-	-	1,507,017	1,900,376	1,507,017	1,900,376
<b>Total Expense</b>	53,401,732	78,463,740	15,816,714	23,219,636	69,218,446	101,683,376
<b>Change in net position</b>						
Excess (deficiency)	2,454,929	(1,518,019)	(439,754)	(7,545,280)	2,015,175	(9,063,299)
<b>Change in net position</b>	2,454,929	(1,518,019)	(439,754)	(7,545,280)	2,015,175	(9,063,299)
Beginning net position	30,725,161	32,243,180	51,414,263	58,959,543	82,139,424	91,202,723
Restatement						
Prior bond issue cost	(1,107,104)	-	-	-	(1,107,104)	-
<b>Ending net position</b>	32,072,986	30,725,161	50,974,509	51,414,263	83,047,495	82,139,424

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Governmental Activities**

Net position increased \$2,454,929 during the 8-month fiscal period ending December 31, 2013. Revenue achieved in the 8-month fiscal year ending December 31, 2013 amounted to \$55,856,661, versus revenue of \$76,945,721 achieved in the 12-month fiscal year ending April 30, 2013. Expenditures during the 8-month fiscal year ending December 31, 2013 amounted to \$53,401,732, versus expenditures of \$78,463,740 during the 12-month fiscal year ending April 30, 2013.

Revenue and expense comparisons between the periods are not possible due to the change in fiscal year, whereas, the current period ending December 31, 2013 represents an eight (8) month fiscal year versus the prior period ending April 30, 2013, which is a twelve (12) month fiscal year.

In the period, Governmental Activity revenue exceeded expense by \$2,454,929. A restatement related to GASB 65 for the expensing of prior period unamortized bond issuance cost of \$1,107,104 reduced beginning net position.

**Business Activities**

Net position decreased \$439,754 during the eight month period ending December 31, 2013. Revenue achieved in the 8-month fiscal year ending December 31, 2013 amounted to \$15,376,960, versus revenue of \$15,674,356 in the 12-month fiscal year ending April 30, 2013. Expenditures during the 8-month fiscal year ending December 31, 2013 amounted to \$15,816,714, versus expenditures of \$23,219,636 during the 12-month fiscal year ending April 30, 2013.

Revenue and expense comparisons between the periods are not possible due to the change in fiscal year, whereas, the current period ending December 31, 2013 represents an eight (8) month fiscal year versus the prior period ending April 30, 2013, which is a twelve (12) month fiscal year.

In the period, Business Activity expenses exceeded revenue by \$439,754.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Financial Analysis of Government Funds**

The City of Decatur uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of the City are divided into three (3) categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds**

**Condensed Balance Sheet  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the Eight Months ending December 31, 2013**

\$ (whole)	General	Library	Debt Service	Non-Major	Total
Total assets	20,388,039	3,807,271	3,674,361	8,228,758	36,098,429
Total liabilities	5,514,897	130,078	350	1,513,628	7,158,953
Deferred Inflows	7,535,555	2,722,275	1,274,319	58,860	11,591,009
Fund Balance					
Non spendable	26,416	34,192	-	-	60,608
Restricted	-	920,726	2,399,692	6,656,270	9,976,688
Assigned	-	-	-	-	-
Unassigned	7,311,171	-	-	-	7,311,171
Total Fund Balance	7,337,587	954,918	2,399,692	6,656,270	17,348,467
Liability , deferred inflows & fund balance	20,388,039	3,807,271	3,674,361	8,228,758	36,098,429
Revenues	40,145,238	3,099,486	1,738,909	5,165,726	50,149,359
Expenditures	43,133,051	2,404,887	6,745,101	8,907,938	61,190,977
In year surplus (deficit)	(2,987,813)	694,599	(5,006,192)	(3,742,212)	(11,041,618)
Other sources (uses)	391,392	175,608	7,246,484	(1,814,697)	5,998,787
Change in fund balance	(2,596,421)	870,207	2,240,292	(5,556,909)	(5,042,831)
Beginning fund balance	9,934,008	84,711	159,400	12,213,179	22,391,298
Ending fund balance	7,337,587	954,918	2,399,692	6,656,270	17,348,467

As of December 31, 2013, the City governmental funds reported a combined ending fund balance of \$17,348,467.

Non spendable fund balance of \$60,608 is sequestered for prepaid items and inventory and is therefore not available for spending.

Restricted fund balance of \$9,976,688 is sequestered for spending on specific projects or specific types of expenditures whereby constraints have been placed on the use of these resources, including Transportation & Highway Motor Vehicle Tax Fund (\$2,727,791), economic development projects (\$671,116), Decatur Public Library (\$920,726), court service & public safety Drug Enforcement Fund (\$627,711), debt service (\$2,399,692), capital projects (\$2,362,478) and other minor amounts (\$267,174).

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

Unassigned fund balance of \$7,311,171 (42% of the total fund balance) is available for spending at the City's discretion, all in the General Fund.

The General Fund is the primary operating fund for City operations including general government, public safety police and fire protection, public works operations, certain highways & streets expenses, certain culture & recreation expenses, and certain debt service obligations.

As of December 31, 2013, the General Fund balance of \$7,337,587 represents a decrease of \$2,596,421 or 26% from the General Fund balance as of April 30, 2013.

The decrease in General Fund balance is attributed to an in-period deficit spending result of \$2,596,421 for the period of from May 1, 2013 to December 31, 2013. The result was negatively influenced by an under-performing revenue stream versus expectation, of which, despite curtailment of expense levels, could not offset the revenue deficiency. The revenue deficiency was attributed to certain "economically sensitive" revenue items, i.e., state and local sales tax (\$1.4 million), utility tax(s) (\$0.7 million), state distributed income tax (\$0.4 million), where these revenue streams were impacted by the soft economic conditions that continued to exist during the period.

A primary tax funding City operations is the State of Illinois distribution of Income Tax, which as of December 31, 2013, is two (2) months in arrears for distribution to the City of Decatur. The amount of income tax receivable as of December 31, 2013 is approximately \$850k, which was subsequently distributed to the City in 2014.

Although the City of Decatur has no control over the timing of State distribution of the income tax due to the local municipality, the City anticipates that the distributions will remain in the 2 month arrearage position for the foreseeable future. Any slippage from this arrearage position would place a further funding strain on the General Fund operations.

As of December 31, 2013, the General Fund unassigned balance of \$7,311,171 is 18% of in-period fiscal year General Fund Revenue of \$40,145,238, and represents a position consistent with the prior fiscal year (19% in the prior fiscal period).

The General Fund unassigned fund balance has been traditionally used by the City to fund certain capital projects and emergency contingencies. In addition, the City will use the unassigned fund balance in future fiscal periods as a cash flow bridge to the receipt of tax revenues from County or State tax distribution authorities. The General Fund unassigned balance will provide sufficient cash and resources to cover City General Fund operating obligations without incurring tax anticipation notes and other potential borrowing costs during future fiscal periods.

As discussed in Governmental Accounting, Auditing, and Financial Reporting ("GAAFR"), a general fund unassigned balance should be either 1) no less than 5 to 15 percent of regular general fund operating revenues, or 2) no less than 1 to 2 months of regular general fund operating expenditures. An unassigned fund balance may be higher if varying circumstance require such as a delay in collection of a major revenue source.

The City's unassigned general fund balance of \$7,311,171 as of December 31, 2013 represents 12% of expected 2014 General Fund Revenue (\$60.4 million) and 1.5 months coverage of expected 2014 General Fund Expense (\$60.4 million).

The Decatur Public Library Fund experienced an increase in fund balance of \$870,207 during the fiscal year ending December 31, 2013. The increase in fund balance is the result of in-period revenues in excess of in-period expenses. The fund balance improvement result is tempered by the fiscal year transition, whereas, a full year of property tax revenue was received in the period versus the incurrence of eight months of expenses.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

As of December 31, 2013, the Library Fund balance of \$954,918 is 28% of expected 2014 Library Fund Revenue (\$3.4 million) and 3.5 months coverage of expected 2014 Library Fund Expense.

During the fiscal period ending December 31, 2013, the City and Library Board of Trustees reached agreement on action plans, since implemented, to reduce Library expense levels by \$750k annually, in order to restore Library financial operations to a balanced budget and to build cash resources for future capital maintenance and adequate fund balance reserves.

As of December 31, 2013, the Non-Major Governmental Fund balance of \$6,656,270 represents a decrease of \$5,556,909 or 46% from the Non-Major Governmental Fund balance as of April 30, 2013.

The reduction can be principally attributed to the spend-down of capital project funds in the 2010 Bond Construction Fund and the Motor Fuel Tax Fund as capital projects move forward to completion.

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the Supplementary Information section of this CAFR report.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Government Fund Revenue**

The following schedule presents a summary of governmental fund revenue for the 8-month fiscal year ended December 31, 2013, versus the 12-month fiscal year ending April 30, 2013.

Revenue comparisons between the periods are not possible due to the change in fiscal year, whereas, the current period ending December 31, 2013 represents an eight (8) month fiscal year versus the prior period ending April 30, 2013, which is a twelve (12) month fiscal year.

**Governmental Fund Revenue**

\$ (whole)	8 months Ending Dec 31, 2013	% of Total	12 months Ending April 30, 2013	% of Total
<b>Tax Based</b>				
Property tax	13,394,261	26.7%	13,493,391	20.6%
Sales tax – local (1)	6,739,481	13.4%		
Utility	3,301,575	6.6%	5,289,523	8.1%
Food & beverage	2,098,028	4.2%	3,049,941	4.7%
Hotel/motel	421,053	0.8%	590,985	0.9%
Other	235,321	0.5%	60,736	0.1%
<b>Total Tax</b>	<b>26,189,719</b>	<b>52.2%</b>	<b>22,484,576</b>	<b>34.4%</b>
<b>Intergovernmental</b>				
<b>Operating Grants</b>				
General government	1,099,085	2.2%	2,401,632	3.7%
Public safety	-	-	-	-
Public works	1,456,587	2.9%	1,938,575	3.0%
Culture and recreation	96,627	0.2%	85,654	0.1%
<b>Total Operating Grants</b>	<b>2,652,299</b>	<b>5.3%</b>	<b>4,425,861</b>	<b>6.8%</b>
<b>Tax Based</b>				
Income tax	4,810,891	9.6%	7,518,907	11.5%
Sales tax – state (1)	8,185,166	16.3%	22,917,247	35.0%
Replacement tax	783,993	1.6%	820,840	1.2%
Other tax	627,517	1.2%	627,517	1.0%
<b>Total Tax Based</b>	<b>14,407,567</b>	<b>28.7%</b>	<b>31,884,511</b>	<b>48.7%</b>
<b>Total Intergovernmental</b>	<b>17,059,866</b>	<b>34.0%</b>	<b>36,310,372</b>	<b>55.5%</b>
<b>Non Tax Based</b>				
Charge for services	2,998,948	6.0%	727,376	1.1%
Fines & fees	1,140,677	2.2%	1,727,788	2.6%
Interest income	6,676	0.1%	230,394	0.4%
Licenses and permits	607,026	1.2%	734,747	1.1%
Other revenue	2,146,447	4.3%	3,175,013	4.9%
<b>Total non Tax Based</b>	<b>6,899,774</b>	<b>13.8%</b>	<b>6,595,318</b>	<b>10.1%</b>
<b>Total Revenue</b>	<b>50,149,359</b>	<b>100.0%</b>	<b>65,390,266</b>	<b>100.0%</b>

1 – State and Local sales tax revenue of \$22,917,247 was reported in the 12 month period ending April 30, 2013 as a combined number in tax based intergovernmental revenue including \$10,472,019 local sales tax and \$12,445,228 state sales tax.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

Tax revenue continues to represent the most significant source of revenue required to support and to defray the expenses of the governmental services provided by the City.

In the 8-month fiscal period ending December 31, 2013, tax revenues accounted for 80.9% of the total revenue stream funding governmental operations, versus 83.1% for the prior 12-month fiscal period. Intergovernmental operating grant funding revenue contribution accounted for 5.3% in the current 8-month fiscal period, versus 6.8% in the prior 12-month fiscal period. The non tax based revenue stream in the 8-month fiscal period accounted for 13.8% of the total revenue, versus 10.1% in the prior 12-month fiscal period.

Sales tax continues to be the primary revenue source funding city operations, followed by property tax, income tax, utility and other taxes, charge for services, fines and fees, licenses and permits, and intergovernmental operating grants.

The City recognizes the need to further diversify the revenue stream, and to reduce the dependency on the primary tax sources funding city operations. A potential viable source of revenue is from user fees and/or charges for services currently being performed, which would ensure pricing levels at price points representing the full cost of service, taking into consideration fees charged by private sector providers of similar services.

**Government Fund Expenditures**

The City accounts for government fund expenditures in five categories as follows: 1) general government, 2) public safety, 3) highway and streets, 4) culture and recreation, and 5) debt service.

The following schedule presents a summary of governmental fund expenditures for the 8-month fiscal year ended December 31, 2013, versus the 12-month fiscal year ended April 30, 2013.

**Government Fund Expenditures**

\$ (whole)	8 months Ending Dec 31, 2013	% of Total	12 months Ending April 30, 2013	% of Total
General government	7,454,390	12.2%	13,003,747	11.4%
Public safety	29,766,067	48.6%	39,136,143	34.2%
Highways and streets	14,787,744	24.2%	21,049,550	18.4%
Culture and recreation	2,486,678	4.1%	3,866,845	3.4%
Debt service	6,696,098	10.9%	37,248,320	32.6%
<b>Total Expenditures</b>	<b>61,190,977</b>	<b>100.0%</b>	<b>114,304,605</b>	<b>100.0%</b>

Government fund expenditures in the 8-month fiscal year ending December 31, 2013, amounted to \$61,190,977, versus government fund expenditures of \$114,304,605 in the 12-month fiscal year ending April 30, 2013.

Expense comparisons between the periods are not possible due to the change in fiscal year, whereas, the current period ending December 31, 2013 represents an eight (8) month fiscal year versus the prior period ending April 30, 2013, which is a twelve (12) month fiscal year.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Proprietary Funds**

**Condensed Balance Sheet  
Statement of Revenues, Expenditures, and Changes in Net Position  
For the Eight Months ending December 31, 2013**

\$ (whole)	Water Utility	Mass Transit	Sewer	Non-Major	Total Enterprise	Internal Service
Total assets	67,003,962	5,386,793	15,850,521	641,818	88,883,094	8,400,008
Total liabilities	28,302,466	550,430	8,477,132	376,098	37,706,126	3,837,147
Net position						
Capital net of debt	27,155,750	3,708,231	4,276,907	-	35,140,888	2,739,089
Unrestricted	11,545,746	1,128,132	3,096,482	265,720	16,036,080	1,823,772
<b>Total net position</b>	<b>38,701,496</b>	<b>4,836,363</b>	<b>7,373,389</b>	<b>265,720</b>	<b>51,176,968</b>	<b>4,562,861</b>
Operating revenues	14,848,584	399,520	2,422,106	473,705	18,143,915	10,729,894
Operating expenses	9,804,663	4,591,130	1,507,191	415,388	16,318,372	8,816,209
Operating income (loss)	5,043,921	(4,191,610)	914,915	58,317	1,825,543	1,913,685
Non operating rev (exp)	(21,039)	3,170,369	475	74	3,149,879	25,311
Income (loss) before transfers	5,022,882	(1,021,241)	915,390	58,391	4,975,422	1,938,996
Transfers						
Transfers in	759,616	22,855	-	-	782,471	64,000
Transfers out	(6,568,256)	(1,284)	(151,495)	-	(6,721,035)	(70,346)
Change in net position	(785,758)	(999,670)	763,895	58,391	(963,142)	1,932,650
Net position beginning	39,487,254	5,836,033	6,609,494	207,329	52,140,110	2,630,211
Net position ending	38,701,496	4,836,363	7,373,389	265,720	51,176,968	4,562,861

The City of Decatur maintains two types of proprietary funds; enterprise and internal service funds.

The City maintains seven (7) enterprise funds. Information is presented separately in the proprietary statement of revenues, expenses and changes in fund net assets for the Water Utility (2 funds), Mass Transit (1 fund), and Sewer (1 fund), which are considered major enterprise funds. Data from the other three (3) non-major enterprise funds (DCDF, Recycling, and Water Bond Construction) are combined into a single, aggregate presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report.

The City maintains five (5) internal service funds. The City of Decatur uses internal service funds to account for its self-insured liability insurance program, self-funded employee health benefit programs, information technology operations program, fleet maintenance and equipment replacement programs. Because these services predominantly benefit governmental activities rather than business type functions, they have been included within governmental activities in the government wide financial statements but are combined into a single, aggregate presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

As of December 31, 2013, City enterprise funds reported a net position of \$51,176,968, a decrease of \$963,142 or 2% versus the level as of April 30, 2013.

The net position as of December 31, 2013 includes capital assets, net of related debt, of \$35,140,888, a decrease of \$8,675,303 when compared to April 30, 2013.

Unrestricted net position as of December 31, 2013 amounting to \$16,036,080 represents an increase of \$7,712,161 when compared to April 30, 2013.

Water Utility, with net position of \$38,701,496 experienced a decrease in net position of \$785,758 or 2% versus the net position as of April 30, 2013. Utility operating revenues achieved during the 8-month fiscal year ending December 31, 2013 amounted to \$14,848,584, versus utility operating revenues of \$15,102,613 in the 12-month fiscal year ending April 30, 2013.

Water Utility charge for service revenue amounted to \$14,672,185 in the current 8-month fiscal year versus \$14,812,931 in the prior 12-month fiscal year.

Water Utility rates were increased 35% effective May 1, 2013 per Council Ordinance 2013-20 enacted on April 2, 2013, as the first step in securing the revenue stream to fund the five-year Lake Decatur Dredging project and capital infrastructure investment to secure the water system. The same Council Ordinance approved Water Utility rate increases of 30% effective May 1, 2014, 25% effective May 1, 2016 and 2.5% effective May 1, 2017 and each year thereafter.

Water Utility operating expense amounted to \$9,804,663 in the current 8-month fiscal year versus \$14,392,629 in the prior 12-month fiscal year.

During the current 8-month fiscal year, the Water Utility reported income before transfer expense of \$5,022,882, versus the income level before transfers of \$557,361 reported in the prior 12-month fiscal year. Transfer expense (net) amounted to \$5,808,640, principally Water Utility debt service payment transfers to the Governmental Debt Service Fund for GO debt service obligations, abated in the property tax levy as payable from the Water Utility. The debt service funding transfers was in accordance with GO debt payment obligations with principal and interest payments due during the eight-month fiscal period.

Despite an in-period loss of \$785,758 for the Water Utility during the eight-month fiscal period, the Water Utility is well positioned with the approved rate increases to generate positive cash flow and resultant fund balance increases in the near term future periods to fund the capital investments and provide adequate fund balance reserves.

Mass Transit net position of \$4,836,363 decreased \$999,670 or 17% versus the net position as of April 30, 2013. Operating revenue representing passenger fares amounted to \$399,520 in the current 8-month fiscal year versus \$564,098 in the prior 12-month fiscal year, Current 8-month fiscal period operating expense amounted to \$4,591,130, versus \$6,251,157 in the prior 12-month fiscal period. Mass Transit operations are funded primarily by operating and capital grants from the federal and state governmental units. Intergovernmental revenue of \$3,170,028 received in the 8-month fiscal year ending December 31, 2013, represented a grant funding level approximating 69% of in-period operating expense, a decrease compared to the 80% grant funding level occurring in the prior 12-month fiscal year. Mass Transit operations recorded a loss of \$1,021,241 during the 8-month fiscal period versus a loss of \$661,070 in the prior 12-month fiscal period, primarily the result of the timing of the receipt of federal and state grants.

**Management Discussion & Analysis  
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Sewer Utility, with net position of \$7,373,389 experienced an increase in net position of \$763,895 or 12% versus the net position as of April 30, 2013. Sewer operating revenues achieved during the 8-month fiscal year amounted to \$2,422,106, versus \$2,936,632 in the prior 12-month fiscal year. Sewer operating expense amounted to \$1,507,191 in the current 8-month fiscal year, versus \$1,900,575 in the prior 12-month fiscal year. During the current 8-month fiscal year, the Sewer Utility reported income of \$763,895, versus operating income of \$395,749 in the prior 12-month fiscal year. The primary driver of the Sewer Utility profit improvement continues from the rate increase structure approved by the City Council in 2011. The effective 2013 sewer rate increase in the fiscal period amounted to 12% effective May 1, 2013. The Sewer Utility will continue with an additional 12% rate increase effective May 1, 2014.

As of December 31, 2013, City internal service funds reported a net position of \$4,562,861, an increase of \$1,932,650 or 74% versus the level as of April 30, 2013. The current period net position includes capital assets, net of related debt, of \$2,739,089, a decrease of \$442,970 as compared to April 30, 2013. Unrestricted net position as of December 31, 2013 is \$1,823,772, an improvement over the unrestricted net position deficit of \$551,848 as of April 30, 2013.

Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements in the Supplementary Information section of this CAFR report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources received and held for the benefit of parties outside of the government. The City maintains two (2) fiduciary funds, which consist of two (2) private pension trust funds, the Police Pension Fund, and the Firefighter's Pension Fund.

\$ (whole)	Pension Trust Dec 31, 2013	Pension Trust April 30, 2013
Total assets	156,634,836	145,783,615
Total liabilities	-	-
Net position held in trust	156,634,836	145,783,615

As of December 31, 2013, the net position in the pension trust funds increased \$10,851,221 or 7% versus the level of net position as of April 30, 2013.

The Pension Trust fund asset increase is attributed to investment returns recognized in the period.

The Pension Trust Funds are managed by separate pension boards, the Police Pension Board and the Firefighter's Pension Board. The City functions as administrator for the pension trust funds.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**General Fund Budgetary Highlights**

The City prepares an annual budget for general fund expenditures, which is presented to the City Council for adoption by Council Resolution before December 31<sup>st</sup> of each year, preceding the budget period. Prior to the end of the 1<sup>st</sup> quarter of the fiscal year, the City submits an appropriation ordinance to the City Council, which upon passage and adoption, provides the City with the legal authority to encumber and spend monies defraying the expenses of the city government operation.

The general fund budget applicable for the fiscal year ending December 31, 2013 is reported as follows:

\$ (whole)	Original Budget 8 months Ending Dec 31, 2013	Final Budget 8 months Ending Dec 31, 2013	Actual Budgetary Basis 8 months Ending Dec 31, 2013	Variance Pos (Neg)
Revenue	42,300,000	42,720,232	40,613,257	(2,106,975)
Expenditures	42,800,000	43,576,812	41,966,807	(1,610,005)
Surplus (deficit)	(500,000)	(856,580)	(1,353,550)	

*Source: City of Decatur cash basis accounting information for the General Fund*

The 2013 budget for the 8-month fiscal year was presented to the Decatur City Council in April, 2013. The Decatur City Council approved the budget in resolution form.

The City of Decatur, operating in an appropriation form of statutory spending approval, submitted the 8-month fiscal year (ending December 31, 2013) annual appropriation ordinance to the Decatur City Council in July, 2013, in accordance with State of Illinois statutes.

The City General Fund revenue was originally appropriated at \$42,300,000 for the current 8-month fiscal period with Council adoption of the current fiscal period annual appropriation in July, 2013. A revision was made to the 8-month fiscal period General Fund budget, increasing revenue to \$42,720,232.

General Fund expenditures were originally appropriated at \$42,800,000 for the current 8-month fiscal period with Council adoption of the current fiscal period annual appropriation in July, 2013. A revision was made to the 8-month fiscal period General Fund budget, increasing expenditures to \$43,576,812.

Fiscal period General Fund revenues achieved of \$40,613,257 was below the approved budget by \$2,106,975, primarily due to lower tax revenues received in the period.

Fiscal period General Fund expenses of \$41,966,807 were below the appropriated budget by \$1,610,005.

General Fund spending is reviewed on a monthly basis under the direction of the City Treasurer and Director of Finance to ensure spending remains within budgetary constraints. Quarterly reviews are conducted as required, with general fund department management to review spending projections to ensure that annual expenses remain within budgetary levels. New appropriations, as necessary, are submitted to the council for consideration and approval. Budget amendments for cost neutral redistribution between departments and divisions are submitted to council at year-end, as required to adjust the budget as necessary to prevent any budget overruns in any departments and divisions.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Capital Assets and Debt Administration**

**Capital assets**

**Statement of Capital Assets**

	Governmental Activities		Business type Activities		Government wide Activities	
\$(whole)	Dec 31, 2013	April 30, 2013	Dec 31, 2013	April 30, 2013	Dec 31, 2013	April 30, 2013
<b>Assets not depreciated</b>						
Land	8,440,772	8,440,772	4,218,177	4,218,177	12,658,949	12,658,949
Construction in progress	6,224,584	3,154,737	21,706,563	7,262,893	27,931,147	10,417,630
<b>Total</b>	<b>14,665,356</b>	<b>11,595,509</b>	<b>25,924,740</b>	<b>11,481,070</b>	<b>40,590,096</b>	<b>23,076,579</b>
<b>Assets depreciated</b>						
Infrastructure	110,048,875	108,476,782	21,334,372	21,334,372	131,383,247	129,811,154
Building & improvement	46,105,640	44,530,416	96,941,011	96,945,405	143,046,651	141,475,821
Vehicles	13,799,197	14,880,984	8,083,474	7,693,434	21,882,671	22,574,418
Office equipment	3,473,556	3,456,140	96,336	96,336	3,569,892	3,552,476
Other equipment	11,394,334	11,083,906	1,579,217	1,569,301	12,973,551	12,653,207
<b>Total Cost</b>	<b>184,821,602</b>	<b>182,428,228</b>	<b>128,034,410</b>	<b>127,638,848</b>	<b>312,856,012</b>	<b>310,067,076</b>
<b>Accumulated depreciation</b>						
Infrastructure	56,395,065	54,215,593	14,098,524	13,680,227	70,493,589	67,895,820
Building & improvement	21,442,802	20,522,142	65,850,040	64,045,905	87,292,842	84,568,047
Vehicles	10,886,343	10,468,595	5,844,138	5,636,166	16,730,481	16,104,761
Office equipment	2,287,956	2,128,819	60,907	53,822	2,348,863	2,182,641
Other equipment	10,464,652	10,151,778	1,429,011	1,400,394	11,893,663	11,552,172
<b>Total Depreciation</b>	<b>101,476,818</b>	<b>97,486,927</b>	<b>87,282,620</b>	<b>84,816,514</b>	<b>188,759,438</b>	<b>182,303,441</b>
<b>Net Depreciated Assets</b>	<b>83,344,784</b>	<b>84,941,301</b>	<b>40,751,790</b>	<b>42,822,334</b>	<b>124,096,574</b>	<b>127,763,635</b>
<b>Net Assets</b>	<b>98,010,140</b>	<b>96,536,810</b>	<b>66,676,530</b>	<b>54,303,404</b>	<b>164,686,670</b>	<b>150,840,214</b>

City investment in capital assets for governmental and business type activities was \$164,686,670, net of depreciation, as of December 31, 2013, and represents an increase in net capital assets of \$13,846,456.

The investment in capital assets includes land and land improvements, infrastructure and improvements, buildings and building improvements, vehicles, office equipment, and other equipment including machinery and equipment and information technology hardware and equipment. Asset categories, capitalization thresholds and depreciable life can be found in the Notes to the Financial Statements, Note 6 Capital Assets.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Major Capital Asset Construction in Progress at December 31, 2013**

<b>Primary Government</b>		<b>\$</b>	
	Brush College Subway	145,514	Continued project
	Decatur Corridor	2,500	Continued project
	Downtown Streetscape Franklin Street	146,497	Continued project
	Emergency Shallow Wells	15,581	Continued project
	NE Drainage Ditch	2,566	Continued project
	Nelson Park Storm Sewer	-	Continued project
	Dam Repairs Phase II	3,202,686	Continued project
	New Police Facility	126,490	Continued project
	New Police Facility cable trays	35,975	New project
	South Shores Sand Creek Bridge	721,538	New project
Total		4,399,047	
<b>Business Activities</b>			
	SWTP Water Main Extension	-	Continued project
	Critical Sewer Facility Plan		Continued project
	Asian Carp Protection		Continued project
	Lake Shore Drive Sewer	4,089,481	New project
	Union Street Sewer	117,797	New project
	Lake Decatur Dredging	71,775	New project
	Auto Water Meter & energy improvements	10,568,697	New project
	Dam Repairs Phase II	72,934	Continued project
Total		14,920,684	

**Capital Assets Analysis**

Government wide capital assets, net of accumulated depreciation as of December 31, 2013 of \$164,686,670 increased by \$13,846,456 or 9% when compared to the level as of April 30, 2013. Construction in progress capital assets and land increased \$17,513,517, whereas capitalized assets in infrastructure, buildings & improvements, vehicles, office & other equipment, net of depreciation, decreased by \$3,667,061, when compared to April 30, 2013.

The cost of capital assets not being depreciated increased from \$23,076,579 at April 30, 2013 to \$40,590,096 at December 31, 2013, an increase of \$17,513,517, entirely due to the increase in construction in progress as new projects were added during the 8-month fiscal year.

Several major capital projects continued or were commenced in the current fiscal period, as identified in the chart above, and included capital investments in infrastructure, building & building improvements, vehicles, office and other equipment.

Total depreciation expense for the current fiscal period was \$6,739,479.

Additional information on capital assets can be found in the notes to the financial statements in statement note 1.H. - Summary of significant accounting policies, Capital assets, and statement note 6. - Capital assets.

**Management Discussion & Analysis  
City of Decatur, Illinois  
For the Eight Months Ending December 31, 2013**

**Debt Administration**

Outstanding long-term debt as of December 31, 2013 is \$118,609,783, an increase of \$17,381,393 or 17% as compared to the outstanding debt issue as of April 30, 2013. City outstanding debt includes bond issues, notes & loans payable, compensated absences, pension obligation, and other post employment benefits ("OPEB").

\$ (whole)	Debt as of April 30, 2013	Debt Additions	Debt Retirements	Debt as of Dec 31, 2013	Due within One Year
GO bonds	79,221,881		3,655,125	75,566,756	4,260,000
Notes & loans	12,512,213	21,505,558	855,171	33,162,600	1,047,090
Total interest bearing debt	91,734,094	21,505,558	4,510,296	108,729,356	5,307,090
Compensated absences	4,660,253	1,868,717	1,932,336	4,596,634	3,953,105
Pension obligation	3,529,940	638,985	-	4,168,925	-
OPEB	1,304,103	-	189,235	1,114,868	-
Total Debt	101,228,390	24,013,260	6,631,867	118,609,783	9,260,195

Source: Notes to Financial Statements, Note 8 Long-Term Debt

New interest bearing debt instruments issued in the fiscal period include as follows:

*Regions Capital Advantage Promissory Note Series 2013* – The City authorized the issuance of a loan with Regions Capital Advantage, Inc., a subsidiary of Regions Bank, dated August 15, 2013, to finance the investment in certain energy and cost saving initiatives under a Johnson Controls, Inc., guaranteed energy savings contract. The investment includes the replacement of old technology water meters with new technology automatically read water meters, and certain energy saving investments including facility lighting retrofits, building envelope improvements and the replacement of high energy consumption equipment with new technology lower energy consumption equipment. The term of the loan is 15 years with a fixed interest rate of 3.47% and includes a final principal balloon payment of \$2,468,710. The first year of the loan repayment schedule includes interest only payments. The first principal payment date is November 15, 2014. Quarterly repayment dates for principal and interest are February 15, May 15, August 15, and November 15. The loan is repaid with cost and energy savings envisioned over the period with a 50% contractual guarantee.

*Illinois Environmental Protection Agency Sewer Loan 2013* - The City authorized the issuance of a loan with the Illinois Environmental Protection Agency (IEPA) for a maximum of \$8,588,793 to finance the costs related to the rehabilitation of certain main line sewer infrastructure within the City on August 15, 2013. The project commenced on August 26, 2013. The City has incurred expense in the project of \$4,293,164 as of December 31, 2013, but has not draw down any monies on the loan as of December 31, 2013, according to loan draw down arrangements with the project. The project construction is expected to be completed during 2014. The term of the loan is for 20 years with a fixed interest rate of 1.93%. The semi-annual repayment dates are June 15 and December 15. The first principal and interest repayment date is December 15, 2014. Loan repayment principal and interest amounts are subject to final determination of investment amounts determined at project completion.

Debt retirements include principle payments on general obligation bonds and principle payments on outstanding notes and loans payable in accordance with debt repayment schedules.

**Management Discussion & Analysis  
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It is the City's policy to permit employees to accumulate a limited amount of earned compensated absences for unused vacation time, sick time and holiday time which will be paid to employees upon separation of employment from the City. A liability representing the City's commitment to fund such costs from future operations has been recorded in the Statement of Net Position in the amount of \$4,596,634, as of December 31, 2013.

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund ("IMRF"), a defined benefit agent multiple-employer public employee retirement system; the Police Pension Fund, which is a single-employer pension plan; and the Firefighter's Pension Plan, which is a single-employer pension plan. None of the pension plans issue a separate annual report except for IMRF. As of December 31, 2013, the net pension obligation of the City to the three pension plans is \$4,168,925.

The City provides OPEB post-employment healthcare benefits for retired employees through a single-employer defined benefit plan (Retiree Healthcare Program). The benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel policy and labor union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate annual report. As of December 31, 2013, the net OPEB obligation of the City to the Retiree Healthcare program is \$1,114,868.

Additional information on debt can be found in the notes to the financial statements in statement note 8 Long-Term Debt; statement note 9.D. Employee Retirement Systems – Defined benefit Plans, Trend Information; and statement note 16.A, and E. Other Post-Employment Benefits.

The City has no statutory legal debt limitation, according to current State of Illinois Statutes and City Code of the City of Decatur.

The City bond rating is A1, upper medium quality rating, as rated by Moody's Investor Services (rating date February 7, 2014), and A, upper medium quality rating, as rated by Standard & Poor's (rating date February 27, 2014), for all general obligation debt currently outstanding.

**Outstanding Lease Debt**

The City has entered into various lease arrangements as lessee for financing of vehicles which include an aerial platform fire truck, police patrol vehicle(s), a police SUV, a sewer vector vehicle and a water service truck. All five leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their minimum future lease payments as of the date of acquisition.

Outstanding capital lease debt as of December 31, 2013 is \$1,196,324, an increase of \$144,831 or 14% as compared to the outstanding lease debt as of April 30, 2013.

\$ (whole)	Debt as of April 30, 2013	Debt Additions	Debt Retirements	Debt as of Dec 31, 2013	Due within One Year
Capital lease debt					
Primary Government	1,051,721	-	192,541	859,180	220,133
Business Activities	-	355,986	18,842	337,144	68,714
<b>Total Lease Debt</b>	<b>1,051,721</b>	<b>355,986</b>	<b>211,383</b>	<b>1,196,324</b>	<b>288,847</b>

*Source: Notes to Financial Statements, Note 17 Leases*

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
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New capital lease debt obligations in the period include a Sewer Utility vactor vehicle and a Water Utility service truck.

**Economic Factors and Future Fiscal Period Budgets**

**Economic Factors**

Tax revenue, historically and at present, is the principal source of revenue for funding of the governmental activities within the City of Decatur.

Tax revenue is generated from a variety of sources, including property tax, sales & use tax, income tax, replacement property tax, utility tax, food & beverage tax, hotel/motel tax and other minor taxes.

Property tax revenues received by the City according to the Tax Levy in effect, provide the cash resources to fund City contributions to the Police and Firefighters Pension Funds, fund City contributions to the operation of the Decatur Public Library, provide City funding for a portion of General Obligation Bond debt payments, provide City funding for a portion of the City contribution to the IMRF (Illinois Municipal Retirement Fund) covering City Management and AFSCME employees, and provides funding for the City contribution to the City of Decatur Municipal Band.

Under current legislation, all Illinois localities assess properties based on market values. Each year properties are trended, whereby this process involves comparing property values to sales activity in the neighborhoods and adjusting the current assessed values up or down according to trended market data. Assessed values, according to state legislation, are capped at 33% of market value.

The cost of day to day City government as well as the capital spending requirements of City operations, including general government, public safety police and fire protection, public works engineering, streets, municipal services and infrastructure operations, are not funded by property tax revenues, but rather are funded by other taxes including locally imposed or state distributed sales & use tax, income tax, food & beverage tax, hotel/motel tax, utility tax, and other minor taxes.

The ability of the City to fund basic required services, such as general government, public safety, and public works operations is dependent upon community economic drivers that contribute to tax revenues generated by those tax elements that fund these basic services, namely sales & use tax, income tax, food & beverage tax, hotel/motel tax, utility tax, and other minor taxes.

Financial stability in the City of Decatur is also dependent upon the ability of the State of Illinois to affect timely tax distributions for sales & use tax, and income taxes, due to the City, in order to secure cash flow and expense coverage normality without additional burden to the City.

Management of the City of Decatur will continue to manage the financial affairs of the City from a posture of fiscal conservatism similar to the management practices that have been engaged in recent and past fiscal periods.

City Management believes that the national and local economy will continue to recover, albeit, at a slow pace in accordance to the predictions of national and state governmental economists, with low inflation over the near term future fiscal periods. In addition, job creation in the local economic sector is the primary engine that will drive local economic development and stability.

**Future Fiscal Year Budget**

The City will engage to ensure effective delivery of required services to taxpayers and citizens within the constraints of available financial resources. The City will continue to provide required services within the constraints of a balanced general fund budget.

**Management Discussion & Analysis**  
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The City has engaged in certain reengineering projects targeted to create efficiency and cost improvements within City operations. These reengineering efforts include simplification of the banking relationship landscape, back office process improvements for customer service operations in the water utility and transaction functionality improvements in bill payment operations, as well as state of art customer service functionality.

The City is committed to creating a budget for the next fiscal period that will remain fiscally responsible to the effective delivery of required services to citizens and stakeholders within the revenue constraints available.

**Economic Development & Infrastructure Development**

Executive Management of the City of Decatur continues to pursue economic development and public works opportunities that will have long term favorable impact on the economic prospects for the community as a whole. These projects include:

**Economic Development and Quality of Life initiatives**

**Police Department Law Enforcement Center** – Decatur Police moved into a new facility at 707 Southside Drive on June 1, 2014. The City had been searching for more than a decade for adequate space to house the Police Headquarters. The state-of-art, 46,000 square foot renovated facility will provide the Police Department and staff the space and tools needed to effectively and efficiently manage the police protection affairs of the City of Decatur. Working with a local developer, who purchased and renovated the building, this project returns a vacated industrial site to productive community use, and is believed to offer further commercial and economic development opportunities in the adjacent area.

**Downtown Revitalization** – The City's Downtown Streetscape project represents a \$14 million public development imagined as the next step in efforts to bring a new look, feel and energy to the City's Central Business District. The three-phased plan has brought new sidewalks, landscaping, lighting, recreational opportunities and other amenities to Downtown Decatur. Improvements to Central Park, Merchant Street and Lincoln Square were completed in 2013 with 150 new downtown parking spaces added to facilitate the expected increase in activity. The project has already spurred a return to prominence of the City's downtown district in the form of new businesses and jobs, entertainment options and the creation of a "new" downtown that is now a destination for local residents and visitors alike. The final phase of work is now underway with project completion scheduled in 2014. The project was funded with \$10 million from the 2010 General Obligation Bond Issue, \$2 million in motor fuel tax from the State of Illinois, and \$2 million in transportation grants from the Illinois Department of Transportation.

**Downtown Parking** - The City has implemented sweeping changes to its downtown parking system over the last two (2) years designed to make the local shopping experience more convenient for shoppers while providing a range of options for downtown employees. The program included, among other upgrades, a transition from parking meters to free parking for most of the downtown area and the addition of 150 new spaces as part of the overall downtown streetscape project.

**Lakeshore Landing Lakefront Development Project** – The Decatur Park District and the City continue to work together to bring a new face and amenities to the Nelson Park lakefront. The project will create a destination for both local residents and people who come to Decatur to live, work and play. The installation of new boat docks and piers, and lake front promenade improvements were completed in 2013. The project continues with further development initiatives including a water park, additional boat docks, new restaurant and recreation amenities, planned for completion in 2014.

**Management Discussion & Analysis**  
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**Ashley Furniture / Mound Center Development** – Plans have been finalized for the next stage of development in Mound Center at the intersection of U.S. 51 and Mound Road for a 35,000 square foot commercial building to include Ashley Furniture and space for two additional retail / restaurant establishments. Ashley Furniture stores consistently rank among the largest home furnishing retailers in the country.

**New County Market Store** – Construction is now underway on a new \$15 million County Market grocery store in Decatur at the intersection of IL 48 and Grand Avenue. A redevelopment agreement with Niemann Holdings, LLC will allow for construction of the 38,000 square foot store on the near north side of the City. This investment will provide further strength and stability to the redevelopment of this core City area.

**Jackson Ford Development Agreement** – The Decatur City Council approved a redevelopment agreement with Jackson Ford and Jackson Family Limited Partnership to allow for the construction of a new dealership on the site previously occupied by its Ford dealership on East Pershing Road. This \$4.1 million project continues recent development of the Pershing Road corridor and is expected to result in added value to the site in the form of an increased Equalized Assessed Valuation (EAV). This project was completed in early 2014.

**St. Mary's / Decatur Memorial Hospital Expansion** – St. Mary's recently completed the first phase of a \$31 million facility expansion including new lobby, emergency care department, laboratory rooms and hospital façade. Decatur Memorial Hospital continues its \$39 million facility expansion adding hospital rooms, a new tower, cafeteria and other amenities, and recently opened a new, state-of-art Cancer Care Center.

**Administrative Court** – The City commenced operation of a new City Administrative Court, a new tool in efforts to facilitate clean up and maintain the City. City ordinance violations were previously prosecuted in Macon County Circuit Court with the exception of violations of the City's noise ordinance and unlawful use of a motor vehicle charges. The types of cases that can be heard in administrative court now include, among other types, those related to property maintenance, garbage and littering complaints, certain building code and overweight vehicle cases. The new Administrative Court system commenced operation in the summer of 2012 and has ramped up operations throughout the period to the present. Results to date include increased violation revenue to the City, but more importantly, the desired change in inhabitant behavior has begun to show results.

**New Single Stream Recycling** – City residents responded in record numbers to the City single-stream recycling program launched in 2012. More than 50 percent of City households have signed up to participate in the program and the amount of recycled material continues to increase as residents become accustomed to the program. The City's Sustainability Plan had hoped to reach 30% participation by the year 2020 and some residents say that they actually no longer need twice per week garbage service as the amount of garbage generated has been reduced dramatically with the new recycling system. The participation rate prior to the new program being implemented was about 15 percent. This program continues to gain further acceptance in the community and further contributes to the "greening" of the City of Decatur.

**Archer Daniels Midland ("ADM") Local Investment and Expansion**

**ADM Downtown Site Investment** – The City of Decatur's multi-national giant, Archer Daniels Midland, acquired office space facility in the central downtown footprint in late 2010, and has since relocated some 600 employees to the central downtown Decatur facility. The City continues to work together with ADM in several matters concerning office space for the ADM workforce as well as co-operation to secure and improve the water supply available to industrial customers.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**ADM Carbon Sequestration Project** – Landmark project initiative to reduce greenhouse gas by capturing and storing carbon dioxide emissions from the ethanol plant in the underground rock structure below the earth's surface. This project is 75% complete and is being recognized nationally for its innovation and success.

**ADM Local Expansion** – Construction of a new manufacturing plant on the Decatur site for processing and refining of crude vegetable oil.

**Midwest Inland Port / Intermodal Ramp** – Transportation hub connecting rail and road with ability to service 95 million customers within a one day drive from Decatur, Illinois. This shipping and receiving complex will offer direct access to 3 Class I railroads and four interstate highways. This project has the potential to be a “game changer” for the City of Decatur and Central Illinois as it positions Decatur as the premier transportation hub in the Midwest.

**Infrastructure Improvement Projects**

**Water System Improvement Initiative** – In the spring of 2013, the Decatur City Council took bold legislative action approving a series of rate increases in the municipal water supply effective May 1, 2013. The approved rate increases, 35% effective May 1, 2013, 30% effective May 1, 2014, 25% effective May 1, 2015, will provide the capital resources for a \$90 million investment, the largest investment in the City water system since Lake Decatur was created in 1922. The rate increases will fund a series of lake dredging initiatives over the next 4-5 years that will increase the capacity of the lake, thereby increasing the retained water levels of the lake by 30%. The rate increases will also fund further investment to secure secondary water supply, as a safeguard in times of drought, as well as begin to fund a series of investments in future years replacing aging above and below ground water infrastructure.

**Identification of Additional Water Supply** – Council members voted unanimously in 2012 to fund additional work to confirm that shallow groundwater wells near the City's South Water Treatment Plant could help secure needed additional water supply. The community requires an estimated 10,000 acre-feet of water to be able to supply the community during drought conditions that have impacted the region in the last two years. Engineering evaluation has determined that the wells will provide a significant portion of that total to be used in emergency situations at a cost that is considerably less than options considered previously. This work commenced in 2013 and continues towards completion expected in 2014/2015.

**Lake Decatur Dam Repair Phase I** – This \$3.4 million investment is critical to protecting our ability to control lake levels and protect the Lake Decatur/Sangamon River shoreline. The project rehabilitated mechanical systems, replaced seals and cylinders and repaired the upstream face of the dam. The project was funded by user fees paid by City utility water customers.

**Lake Decatur Dam Repairs Phase II** – This \$4.1 million project includes structural repairs to the dam face and scour holes, removal of the old down-stream dam constructed in the late 1800's, and the installation of a protection barrier to breach Asian Carp fish entry into Lake Decatur. The project commenced in the fall 2013 with completion expected in 2014. The project is funded by user fees paid by City utility water customers.

**Lakeshore Drive Sewer Improvement** – In late summer 2013, the Decatur City Council approved the project to refurbish and replace certain components of the Lakeshore Drive sewer line. This \$8.6 million project is funded by a loan from the State of Illinois EPA (“IEPA”). This project will replace aging sewer infrastructure in an important residential and medical service corridor of the City. The project is scheduled for completion in 2014.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Storm Water Utility** – In the 2<sup>nd</sup> quarter of 2014, the City Council approved the creation of a new Storm Water Utility in the City of Decatur to operate as the city utility responsible for the maintenance and operation of the storm water sewer system within the City of Decatur. This project includes an initial investment of \$60 million, to be expended over the next 5 years addressing the most critical storm water system issues facing the City.

**Franklin Street Water Tower** – The City held a ribbon cutting for the newly constructed, 1-million gallon capacity tank at 3635 S. Franklin Street Road in November, 2012. Both the tower and South Pressure Zone Booster Pump Station were constructed to ensure consistent and reliable water pressure for Decatur water customers south of Lake Decatur and the Sangamon River. The total project cost was approximately \$2.6 million, with 75 percent of the total funded through the Illinois Environmental Protection Agency's Public Water Supply Loan Program at zero interest. The rest of the project was funded with American Recovery and Reinvestment Act (Stimulus) funds the City received at no cost and will not have to repay.

**Downtown Streetscape / Truck Rerouting** – The City received \$1.9 million in federal funds to assist improvement of the streetscape along the heavily traveled Franklin and Main Street corridors. Additionally, the City negotiated to receive control of the Main St. U.S. Route 51 corridor from the State of Illinois, allowing for the rerouting of truck traffic outside of the core downtown area, benefiting downtown foot traffic for shoppers and businesses alike.

**Eldorado Streetscape Improvements** – This project, completed in 2012, brought a new roadway, sidewalks, curbs and other aesthetic improvements to the section of Eldorado Street between Church Street and the railroad tracks just east of Martin Luther King Jr. Drive. Additionally, the State of Illinois completed work to resurface the section of Eldorado between the railroad and 19<sup>th</sup> Street east of the City's work, meaning that Eldorado Street has been completely resurfaced from Church Street to 19<sup>th</sup> Street. The \$2.6 million project was funded by a \$1.2 million federal transportation grant, \$1.1 million from the Illinois Department of Transportation and \$0.3 million in Motor Fuel Tax funding allocated by the City of Decatur.

**Brush College Road** – The Decatur City Council approved the selection of resources to identify the best methods for eliminating bottlenecks and other traffic problems at the Brush College underpass just south of Faries Parkway. This project is important to address traffic flow in this important city corridor. This project continues with planned investment scheduled for 2015 and beyond.

**Corridors Project** – The City will receive a grant of more than \$1 million to improve the appearance of corridors within the City's corporate limits, work that is expected to include addressing the appearance of railroad overpasses. The City is in the process of plan definition and preparation for submission to the Illinois Department of Transportation, with work planned to commence once the work scope plan is approved by IDOT.

**Johnson Controls Energy Initiative** – In late summer 2013, the Decatur City Council approved a \$17.2 million project initiative to provide investment funding to finance a project to install automated water meter reading equipment ("AMR") throughout the city residential, commercial and industrial footprint. In addition, this project includes energy savings equipment and infrastructure upgrades that will reduce annual energy and operational costs to the city. The AMR initiative is the primary investment with approximately \$14.5 million devoted to the installation of state of art electronically read water meters. The remaining investment of \$2.7 million is earmarked for facility envelope energy upgrades as well as state of art technology improvements to the City Water Utility SCADA system. The project is debt issue financed with 15 year term with debt payment stream fully funded by expected annual cost savings and cost avoidance under a 50% guaranteed contract with Johnson Controls, Inc. The project investment commenced in the fall 2013 with scheduled completion in early 2015.

**Management Discussion & Analysis**  
**City of Decatur, Illinois**  
**For the Eight Months Ending December 31, 2013**

**Education Investments**

**Decatur Public School Corporation** – \$76 million, 3 year project, for renovation and expansion of Eisenhower and MacArthur High School buildings, the two public high schools in the City of Decatur. The Eisenhower renovation was completed and commissioned in early 2014, where the MacArthur facility is now under renovation with completion expected in 2015. This project demonstrates the School Corporation and community commitment to a strong educational system in the City.

**St. Teresa Catholic High School** - \$4.8 million project to include state-of-art athletic facilities, building upgrades and expansion and improvements to the public facilities, with money raised through a school capital campaign. The successful campaign further demonstrates the community commitment to a strong educational component in the community.

**Richland Community College** - \$16 million investment for the Workforce Development Institute, a new 45,000 square foot facility to be used for specific local employer workforce training to ensure the trained labor candidate pipeline is available to meet the employment demand anticipated in the future. Campus expansion will also include a new culinary arts dining facility and other facility renovations.

**Millikin University** – This \$1.7 million renovation project is targeted to the athletic complex and includes artificial turf, lighting, running track and a new scoreboard in the stadium complex. Millikin University continues to place among the top universities for student academic success, return on education investment and student satisfaction, as rated by U.S. News & World Report, Forbes and the Princeton Review, among other notable publications.

**Requests for Information**

This Management Discussion & Analysis as contained within the City of Decatur Comprehensive Annual Financial Report is intended to provide readers with a general overview of the financial affairs of the City as of December 31, 2013 and for the eight-month period then ended. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

Gregg D. Zientara  
City Treasurer & Director of Finance  
City of Decatur

**Mailing address and Contact Information:**

City of Decatur  
One Gary Anderson Plaza  
Office of the City Treasurer  
Decatur, Illinois 62523-1196  
Telephone: 217 424 2702  
Facsimile: 217 424 2717  
Email [gzientara@decaturil.gov](mailto:gzientara@decaturil.gov)

City of Decatur, Illinois  
June 20, 2014

**CITY OF DECATUR, ILLINOIS**  
**STATEMENT OF NET POSITION**  
**December 31, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 18,901,400	\$ 14,266,896	\$ 33,168,296	\$ 174,109
Receivables:				
Property taxes, net	11,591,009	-	11,591,009	-
Illinois municipal sales tax	6,043,492	-	6,043,492	-
Other taxes	3,256,259	-	3,256,259	-
Due from other governments	669,958	-	669,958	-
Accounts receivable	346,783	7,016,388	7,363,171	26,232
Notes receivable	351,407	259,470	610,877	-
Other	78,244	77,714	155,958	-
Internal balances	452,459	(452,459)	-	-
Prepaid items	43,827	103,600	147,427	-
Inventories	226,969	376,514	603,483	7,867
Assets held for resale	-	22,940	22,940	-
Capital assets not being depreciated	14,665,356	25,924,742	40,590,098	3,130,762
Capital assets being depreciated, net	<u>83,344,784</u>	<u>40,751,788</u>	<u>124,096,572</u>	<u>2,759,336</u>
<b>TOTAL ASSETS</b>	<u>139,971,947</u>	<u>88,347,593</u>	<u>228,319,540</u>	<u>6,098,306</u>
<b>LIABILITIES</b>				
Accounts payable	1,357,970	4,791,907	6,149,877	23,835
Contracts payable	327,450	93,949	421,399	-
Interest payable	410,545	9,018	419,563	-
Claims payable	3,733,815	-	3,733,815	-
Other accrued liabilities	2,427,322	688,466	3,115,788	25,176
Unearned revenue	34,487	-	34,487	12,102
Long-term obligations, due within one year:				
Bonds payable	4,260,000	-	4,260,000	-
Capital lease	220,133	68,714	288,847	-
Notes payable	170,000	877,090	1,047,090	-
Compensated absences	3,953,105	-	3,953,105	7,980
Long-term obligations, due in more than one year:				
Bonds payable	71,306,756	-	71,306,756	-
Capital lease	639,047	268,430	907,477	-
Notes payable	1,540,000	30,575,510	32,115,510	-
Pension obligation	4,168,925	-	4,168,925	-
Other post-employment benefits	1,114,868	-	1,114,868	-
Compensated absences	<u>643,529</u>	<u>-</u>	<u>643,529</u>	<u>-</u>
<b>Total liabilities</b>	<u>96,307,952</u>	<u>37,373,084</u>	<u>133,681,036</u>	<u>69,093</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Subsequent year's property taxes	11,591,009	-	11,591,009	-
Deferred operating contribution receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,386</u>
<b>Total deferred inflows of resources</b>	<u>11,591,009</u>	<u>-</u>	<u>11,591,009</u>	<u>131,386</u>
<b>NET POSITION</b>				
Net investment in capital assets	17,734,425	35,140,888	52,875,313	5,890,098
Restricted for capital projects	4,502,257	-	4,502,257	-
Restricted for transportation and highway	2,727,791	-	2,727,791	-
Restricted for economic development	671,116	-	671,116	-
Restricted for culture and recreation	1,248,508	-	1,248,508	-
Restricted for court services and public safety	627,711	-	627,711	-
Restricted for debt service	2,399,692	-	2,399,692	-
Unrestricted net position	<u>2,161,486</u>	<u>15,833,621</u>	<u>17,995,107</u>	<u>7,729</u>
<b>TOTAL NET POSITION</b>	<u>\$ 32,072,986</u>	<u>\$ 50,974,509</u>	<u>\$ 83,047,495</u>	<u>\$ 5,897,827</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS**  
**STATEMENT OF ACTIVITIES**  
**Eight Months Ended December 31, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 8,318,866	\$ 4,339,647	\$ 1,099,085	\$ -	\$ (2,880,134)	\$ -	\$ (2,880,134)	\$ -
Public safety	29,422,201	367,370	-	-	(29,054,831)	-	(29,054,831)	-
Public works	10,877,524	432	1,456,587	-	(9,420,505)	-	(9,420,505)	-
Culture and recreation	2,518,155	39,202	96,627	-	(2,382,326)	-	(2,382,326)	-
Interest and other charges	<u>2,264,985</u>	-	-	-	<u>(2,264,985)</u>	-	<u>(2,264,985)</u>	-
Total governmental activities	<u>53,401,732</u>	<u>4,746,651</u>	<u>2,652,299</u>	<u>-</u>	<u>(46,002,782)</u>	<u>-</u>	<u>(46,002,782)</u>	<u>-</u>
Business-type activities:								
Water	9,663,567	14,848,584	-	-	-	5,185,017	5,185,017	-
Mass Transit	4,230,742	399,520	3,170,028	-	-	(661,194)	(661,194)	-
Housing programs	9,979	8,035	-	-	-	(1,944)	(1,944)	-
Waste removal	405,409	465,670	-	-	-	60,261	60,261	-
Sewer	<u>1,507,017</u>	<u>2,422,106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>915,089</u>	<u>915,089</u>	<u>-</u>
Total business-type activities	<u>15,816,714</u>	<u>18,143,915</u>	<u>3,170,028</u>	<u>-</u>	<u>-</u>	<u>5,497,229</u>	<u>5,497,229</u>	<u>-</u>
<b>Total primary government</b>	<b>\$ 69,218,446</b>	<b>\$ 22,890,566</b>	<b>\$ 5,822,327</b>	<b>\$ -</b>	<b>(46,002,782)</b>	<b>5,497,229</b>	<b>(40,505,553)</b>	<b>-</b>
<b>Component unit</b>								
Civic Center Authority	<u>\$ 766,262</u>	<u>\$ 280,167</u>	<u>\$ -</u>	<u>\$ 566,619</u>				<u>80,524</u>
General revenues:								
Taxes:								
Property taxes					13,394,261	-	13,394,261	-
Utility taxes					3,301,575	-	3,301,575	-
Food and beverage taxes					2,098,028	-	2,098,028	-
Hotel and motel taxes					421,053	-	421,053	-
Local sales tax					6,739,481	-	6,739,481	-
Sales and use taxes					8,185,166	-	8,185,166	-
Income taxes					4,500,441	-	4,500,441	-
Other taxes					1,646,831	-	1,646,831	-
Investment earnings					7,644	1,581	9,225	-
Gain on sale of capital assets					78,216	-	78,216	-
Other general revenues					2,146,451	-	2,146,451	-
Transfers					<u>5,938,564</u>	<u>(5,938,564)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>48,457,711</u>	<u>(5,936,983)</u>	<u>42,520,728</u>	<u>-</u>
<b>NET POSITION, MAY 1, 2013, AS PREVIOUSLY REPORTED</b>					30,725,161	51,414,263	82,139,424	5,817,303
<b>RESTATEMENT -</b>								
to expense previous bond issuance costs					<u>(1,107,104)</u>	<u>-</u>	<u>(1,107,104)</u>	<u>-</u>
<b>NET POSITION, MAY 1, 2013, AS RESTATED</b>					29,618,057	51,414,263	81,032,320	5,817,303
Change in net position					<u>2,454,929</u>	<u>(439,754)</u>	<u>2,015,175</u>	<u>80,524</u>
<b>NET POSITION, DECEMBER 31, 2013</b>					<u>\$ 32,072,986</u>	<u>\$ 50,974,509</u>	<u>\$ 83,047,495</u>	<u>\$ 5,897,827</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**December 31, 2013**

	<u>Major Governmental Funds</u>				<u>Total</u>
	<u>General Fund</u>	<u>Library Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	
<b>ASSETS</b>					
Cash and investments	\$ 3,008,688	\$ 997,933	\$ 2,399,608	\$ 7,049,035	\$ 13,455,264
Receivables:					
Property taxes, net	7,535,555	2,722,275	1,274,319	58,860	11,591,009
Illinois municipal sales tax	6,043,492	-	-	-	6,043,492
Other taxes	3,113,864	52,871	-	89,524	3,256,259
Due from other governments	145,086	-	-	524,872	669,958
Due from other funds	250,000	-	-	-	250,000
Accounts receivable	204,232	-	-	139,671	343,903
Notes receivable	-	-	-	351,407	351,407
Other	60,706	-	434	15,389	76,529
Prepaid items	9,635	34,192	-	-	43,827
Inventories	16,781	-	-	-	16,781
<b>TOTAL ASSETS</b>	<u>\$ 20,388,039</u>	<u>\$ 3,807,271</u>	<u>\$ 3,674,361</u>	<u>\$ 8,228,758</u>	<u>\$ 36,098,429</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 642,335	\$ 24,800	\$ 350	\$ 642,366	\$ 1,309,851
Contracts payable	-	-	-	327,450	327,450
Other accrued liabilities	1,764,552	98,416	-	509,539	2,372,507
Unearned revenue	3,108,010	6,862	-	34,273	3,149,145
Total liabilities	<u>5,514,897</u>	<u>130,078</u>	<u>350</u>	<u>1,513,628</u>	<u>7,158,953</u>
<b>Deferred Inflows of Resources:</b>					
Subsequent year's property taxes	7,535,555	2,722,275	1,274,319	58,860	11,591,009
<b>Fund Balances:</b>					
Nonspendable:					
Prepaid items	9,635	34,192	-	-	43,827
Inventories	16,781	-	-	-	16,781
Restricted:					
Capital projects	-	-	-	2,362,478	2,362,478
Transportation and highway	-	-	-	2,727,791	2,727,791
Culture and recreation	-	920,726	-	267,174	1,187,900
Court services and public safety	-	-	-	627,711	627,711
Economic development	-	-	-	671,116	671,116
Debt service	-	-	2,399,692	-	2,399,692
Unassigned	7,311,171	-	-	-	7,311,171
Total fund balances	<u>7,337,587</u>	<u>954,918</u>	<u>2,399,692</u>	<u>6,656,270</u>	<u>17,348,467</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 20,388,039</u>	<u>\$ 3,807,271</u>	<u>\$ 3,674,361</u>	<u>\$ 8,228,758</u>	<u>\$ 36,098,429</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO STATEMENT OF NET POSITION**  
**December 31, 2013**

Total fund balances – governmental funds		\$ 17,348,467
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital assets	\$ 199,486,958	
Accumulated depreciation	<u>(101,476,818)</u>	
Net capital assets		98,010,140
Other long-term assets are not available to pay for current period expenditures and therefore are unearned in the funds:		
Taxes receivable		3,115,056
Internal service funds are used by the City to charge the costs of certain activities to individual funds. Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		
		2,026,231
Interest on long-term debt is not accrued in governmental funds, but rather is recognized when due		
		(410,545)
Some liabilities reported in the statement of activities do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds. These liabilities consist of:		
Compensated absences payable	(4,596,634)	
Pension obligation	(4,168,925)	
Post-employment benefits	(1,114,868)	
Capital lease	(859,180)	
Bonds payable	(75,566,756)	
Notes payable	<u>(1,710,000)</u>	
Total long-term liabilities		<u>(88,016,363)</u>
<b>Net position of governmental activities</b>		<b><u>\$ 32,072,986</u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Eight Months Ended December 31, 2013**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>					
Taxes	\$ 20,205,970	\$ 2,903,736	\$ 1,263,366	\$ 1,816,647	\$ 26,189,719
Charges for service	2,998,948	-	-	-	2,998,948
Investment income and net increase in fair value of investments	659	183	597	5,237	6,676
Intergovernmental	14,496,052	149,498	-	2,414,316	17,059,866
Licenses and permits	607,026	-	-	-	607,026
Fines and fees	802,359	39,202	-	299,116	1,140,677
Other revenue	<u>1,034,224</u>	<u>6,867</u>	<u>474,946</u>	<u>630,410</u>	<u>2,146,447</u>
Total revenues	<u>40,145,238</u>	<u>3,099,486</u>	<u>1,738,909</u>	<u>5,165,726</u>	<u>50,149,359</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	7,052,773	-	50,526	351,091	7,454,390
Public safety	29,611,707	-	-	154,360	29,766,067
Culture and recreation	-	2,404,887	-	81,791	2,486,678
Highways and streets	6,468,571	-	-	8,319,173	14,787,744
<b>Debt service:</b>					
Principal retirement	-	-	3,725,000	-	3,725,000
Interest and other charges	<u>-</u>	<u>-</u>	<u>2,969,575</u>	<u>1,523</u>	<u>2,971,098</u>
Total expenditures	<u>43,133,051</u>	<u>2,404,887</u>	<u>6,745,101</u>	<u>8,907,938</u>	<u>61,190,977</u>
Excess (deficiency) of revenues over expenditures	<u>(2,987,813)</u>	<u>694,599</u>	<u>(5,006,192)</u>	<u>(3,742,212)</u>	<u>(11,041,618)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of capital assets	53,877	-	-	-	53,877
Transfers in	1,159,055	175,608	7,246,484	778,512	9,359,659
Transfers out	<u>(821,540)</u>	<u>-</u>	<u>-</u>	<u>(2,593,209)</u>	<u>(3,414,749)</u>
Total other financing sources (uses)	<u>391,392</u>	<u>175,608</u>	<u>7,246,484</u>	<u>(1,814,697)</u>	<u>5,998,787</u>
Net change in fund balances	(2,596,421)	870,207	2,240,292	(5,556,909)	(5,042,831)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>9,934,008</u>	<u>84,711</u>	<u>159,400</u>	<u>12,213,179</u>	<u>22,391,298</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 7,337,587</u>	<u>\$ 954,918</u>	<u>\$ 2,399,692</u>	<u>\$ 6,656,270</u>	<u>\$ 17,348,467</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO STATEMENT OF ACTIVITIES  
Eight Months Ended December 31, 2013**

Net change in total fund balances \$ (5,042,831)

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

Some revenues were not collected for several months  
after the close of the fiscal year and therefore were not  
considered to be "available" and are not reported as  
revenue in the governmental funds. The change from the  
prior period to the eight month period ended December 31, 2013 consists of:

Taxes received from the State of Illinois (310,450)

Some expenses reported in the Statement of Activities do  
not require the use of current financial resources and  
therefore are not reported in the governmental funds.

Decrease in long-term compensated absences	\$ 63,619	
Decrease in capital lease liability	192,541	
Decrease in accrued interest on debt	<u>706,113</u>	
Total expenses of non-current resources		962,273

Governmental funds report purchases of capital assets as  
expenditures while governmental activities report  
depreciation expense to allocate those expenditures  
over the life of the assets.

Capital expenditures	7,001,582	
Depreciation	<u>(4,234,304)</u>	
Capital expenditures in excess of depreciation		2,767,278

Internal service funds are used by the City to charge the  
costs of certain activities to individual funds. A portion of  
the net income of the internal service funds is reported with  
governmental activities on the Statement of Activities 558,284

Repayment of principal on long-term debt is an expenditure  
in the governmental funds, but the repayment reduces  
long-term liabilities in the Statement of Net Position 3,725,000

Government Accounting Standards Board requires  
accrual of post-employment benefits other than  
pensions in the Statement of Activities 189,235

Government Accounting Standards Board requires accrual of pension obligations in the Statement of Activities	\$ (638,985)
Bond discounts on issuance were reported in the governmental funds. However, these amounts have been deferred and amortized in the Statement of Net Position:	
Amortization on bond discount and loss on refunding	<u>245,125</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,454,929</u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
December 31, 2013**

	Business-type Activities					Governmental Activities- Internal Service Funds
	Major Enterprise Funds			Nonmajor Enterprise Funds	Total Enterprise Funds	
	Water Fund	Sewer Fund	Mass Transit Fund			
<b>ASSETS</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 10,054,708	\$ 2,753,668	\$ 1,273,089	\$ 185,431	\$ 14,266,896	\$ 5,446,136
Receivables:						
Accounts receivable	2,135,663	4,526,782	263,008	90,935	7,016,388	2,880
Other	77,714	-	-	-	77,714	1,715
Due from other funds	83,042	-	-	-	83,042	-
Inventories	234,049	-	142,465	-	376,514	210,188
Assets held for sale	-	-	-	22,940	22,940	-
Prepaid expenses, current	25,900	-	-	-	25,900	-
Total current assets	<u>12,611,076</u>	<u>7,280,450</u>	<u>1,678,562</u>	<u>299,306</u>	<u>21,869,394</u>	<u>5,660,919</u>
<b>Noncurrent Assets:</b>						
Prepaid expense, net of current	77,700	-	-	-	77,700	-
Notes receivable	-	-	-	259,470	259,470	-
Property, plant, and equipment:						
Land	3,318,778	-	899,399	-	4,218,177	-
Construction in progress	17,124,300	4,499,221	-	83,042	21,706,563	-
Buildings	47,567,474	-	4,097,160	-	51,664,634	-
Improvements other than buildings	55,727,734	10,766,615	116,399	-	66,610,748	-
Machinery and equipment	2,149,512	385,767	7,223,749	-	9,759,028	10,144,764
	125,887,798	15,651,603	12,336,707	83,042	153,959,150	10,144,764
Less accumulated depreciation	71,572,612	7,081,532	8,628,476	-	87,282,620	7,405,675
Total property, plant, and equipment	<u>54,315,186</u>	<u>8,570,071</u>	<u>3,708,231</u>	<u>83,042</u>	<u>66,676,530</u>	<u>2,739,089</u>
Total noncurrent assets	<u>54,392,886</u>	<u>8,570,071</u>	<u>3,708,231</u>	<u>342,512</u>	<u>67,013,700</u>	<u>2,739,089</u>
<b>TOTAL ASSETS</b>	<u>67,003,962</u>	<u>15,850,521</u>	<u>5,386,793</u>	<u>641,818</u>	<u>88,883,094</u>	<u>8,400,008</u>
<b>LIABILITIES</b>						
<b>Current liabilities:</b>						
Accounts payable	723,326	3,868,956	156,569	43,056	4,791,907	48,119
Contracts payable	85,789	8,160	-	-	93,949	-
Claims payable	-	-	-	-	-	3,733,815
Interest payable	8,579	439	-	-	9,018	-
Other accrued liabilities	294,605	-	393,861	-	688,466	54,815
Unearned revenue	-	-	-	-	-	398
Capital lease payable	6,603	62,111	-	-	68,714	-
Note payable	877,090	-	-	-	877,090	-
Due to other funds	-	-	-	333,042	333,042	-
Total current liabilities	<u>1,995,992</u>	<u>3,939,666</u>	<u>550,430</u>	<u>376,098</u>	<u>6,862,186</u>	<u>3,837,147</u>
<b>Noncurrent liabilities:</b>						
Capital lease payable	24,128	244,302	-	-	268,430	-
Note payable	26,282,346	4,293,164	-	-	30,575,510	-
Total noncurrent liabilities	<u>26,306,474</u>	<u>4,537,466</u>	<u>-</u>	<u>-</u>	<u>30,843,940</u>	<u>-</u>
Total liabilities	<u>28,302,466</u>	<u>8,477,132</u>	<u>550,430</u>	<u>376,098</u>	<u>37,706,126</u>	<u>3,837,147</u>
<b>NET POSITION</b>						
Net investment in capital assets	27,155,750	4,276,907	3,708,231	-	35,140,888	2,739,089
Unrestricted	11,545,746	3,096,482	1,128,132	265,720	16,036,080	1,823,772
Total net position	<u>\$ 38,701,496</u>	<u>\$ 7,373,389</u>	<u>\$ 4,836,363</u>	<u>\$ 265,720</u>	<u>51,176,968</u>	<u>\$ 4,562,861</u>

Some amounts reported for business-type activities in the statements of net position are different because certain Internal Service Funds net position is included with business-type activities

(202,459)

**NET POSITION OF BUSINESS-TYPE ACTIVITIES**

\$ 50,974,509

The accompanying notes are an integral part of the financial statements.



**CITY OF DECATUR, ILLINOIS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
Eight Months Ended December 31, 2013**

	<b>Business-type Activities</b>					<b>Governmental Activities- Internal Service Funds</b>
	<b>Major Enterprise Funds</b>					
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Mass Transit Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total Enterprise Funds</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from charges for services	\$ 14,564,264	\$ 2,495,322	\$ 1,442,133	\$ 373,310	\$ 18,875,029	\$ 10,873,727
Cash paid to suppliers for goods and services	(5,941,340)	(1,492,156)	(1,301,174)	(402,078)	(9,136,748)	(9,305,084)
Cash paid to employees	(1,989,451)	-	(2,737,910)	-	(4,727,361)	(1,050,291)
Net cash provided by (used in) operating activities	<u>6,633,473</u>	<u>1,003,166</u>	<u>(2,596,951)</u>	<u>(28,768)</u>	<u>5,010,920</u>	<u>518,352</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Intergovernmental revenue	-	-	3,170,028	-	3,170,028	-
Cash transfers from other funds	759,616	-	22,855	-	782,471	64,000
Cash transfers to other funds	(6,568,256)	(151,495)	(1,284)	-	(6,721,035)	(70,346)
Net cash provided by (used in) noncapital financing activities	<u>(5,808,640)</u>	<u>(151,495)</u>	<u>3,191,599</u>	<u>-</u>	<u>(2,768,536)</u>	<u>(6,346)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of property, plant, and equipment	(10,280,295)	(620,907)	(68,725)	(83,042)	(11,052,969)	(181,508)
Proceeds on sale of City property	-	-	-	-	-	24,339
Proceeds from the acquisition of debt	17,246,384	321,768	-	-	17,568,152	-
Principal payments - debt	(543,430)	(15,355)	-	-	(558,785)	-
Interest payments	(21,730)	-	-	-	(21,730)	-
Net cash provided by (used in) capital and related financing activities	<u>6,400,929</u>	<u>(314,494)</u>	<u>(68,725)</u>	<u>(83,042)</u>	<u>5,934,668</u>	<u>(157,169)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment income	691	475	341	74	1,581	972
Proceeds from sales and maturities of investments	-	-	-	-	-	-
Net cash provided by investing activities	<u>691</u>	<u>475</u>	<u>341</u>	<u>74</u>	<u>1,581</u>	<u>972</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	7,226,453	537,652	526,264	(111,736)	8,178,633	355,809
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>2,828,255</u>	<u>2,216,016</u>	<u>746,825</u>	<u>297,167</u>	<u>6,088,263</u>	<u>5,090,327</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 10,054,708</u>	<u>\$ 2,753,668</u>	<u>\$ 1,273,089</u>	<u>\$ 185,431</u>	<u>\$ 14,266,896</u>	<u>\$ 5,446,136</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 5,043,921	\$ 914,915	\$ (4,191,610)	\$ 58,317	\$ 1,825,543	\$ 1,913,685
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	1,972,655	179,160	353,359	-	2,505,174	624,479
Effects of changes in operating assets and liabilities:						
Receivables	(201,278)	73,216	1,042,613	66,563	981,114	2,040
Inventories	29,772	-	(5,739)	-	24,033	(14,353)
Prepaid items	25,900	-	-	-	25,900	-
Due from other funds	(83,042)	-	-	-	(83,042.00)	150,000
Accounts payable	(178,064)	(172,724)	97,117	13,310	(240,361)	(2,142,529)
Contracts payable	8,175	8,160	-	-	16,335	-
Interest payable	(32,261)	439	-	-	(31,822)	-
Other liabilities	47,695	-	107,309	-	155,004	(6,763)
Due to other funds	-	-	-	(166,958)	(166,958)	(8,207)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 6,633,473</u>	<u>\$ 1,003,166</u>	<u>\$ (2,596,951)</u>	<u>\$ (28,768)</u>	<u>\$ 5,010,920</u>	<u>\$ 518,352</u>

**Noncash transactions:** Property and equipment purchases in the Sewer Fund for which the cash has not been disbursed but rather is in accounts payable amounted to \$3,825,331. Additionally, the Sewer Fund has a receivable from IEPA of \$4,293,164 at year end, which is also includes in notes payable, but is a noncash transaction.

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS  
PENSION TRUST FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
December 31, 2013**

	<b>Pension Trust Funds</b>
<b>ASSETS</b>	
Cash and short-term investments	\$ 10,899,561
Accrued interest	432,847
Investments, at fair value:	
U.S. Government obligations	32,342,603
Mutual funds	49,288,707
Common stock	39,536,397
Certificate of deposits	445,642
Annuities	124,446
International bonds	217,259
Municipal bonds	3,614,815
Corporate bonds	19,732,559
Total investments	145,302,428
<b>TOTAL ASSETS</b>	<b>156,634,836</b>
<b>NET POSITION</b>	
Held in trust for pension benefits	<b>\$ 156,634,836</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS  
PENSION TRUST FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
Eight Months Ended December 31, 2013**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 7,473,543
Plan member	<u>1,291,165</u>
Total contributions	<u>8,764,708</u>
Investment earnings:	
Interest and dividends	1,480,320
Net increase in the fair value of investments	<u>9,187,116</u>
Total investment income	10,667,436
Less investment expense	<u>209,744</u>
Net investment income	<u>10,457,692</u>
Total additions	<u>19,222,400</u>
<b>DEDUCTIONS</b>	
Benefits and refunds	8,274,482
Administrative expense	<u>96,697</u>
Total deductions	<u>8,371,179</u>
Change in net position	10,851,221
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>145,783,615</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 156,634,836</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

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

The financial statements of the City of Decatur have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). The more significant of these accounting policies are as follows:

**A. THE FINANCIAL REPORTING ENTITY**

The City of Decatur is a municipal corporation with a council/manager form of government. Revenues are substantially generated as a result of taxes assessed and allocated to the City (examples would be property, sales, income, and motor fuel taxes), charges for services performed and governmental grants. Revenues are therefore dependent on the economy within the territorial boundaries of the City and nearby surrounding area and the appropriations of entitlements at the State and Federal Government level. Taxable industry within the area is primarily manufacturing and retail. The surrounding area has a substantial agricultural base.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The City's reporting entity includes the City's governing board and all related organizations for which the City is financially accountable.

**Blended Component Unit:**

DCDF, Inc. is a not-for-profit corporation which finances and subsidizes housing rehabilitation activities within the City. DCDF, Inc. members are comprised entirely of the City Council and the Mayor. The members, who are the governing body of DCDF, Inc., appoint a six member advisory board. The members retain ultimate control over DCDF, Inc. Therefore, DCDF, Inc. is reported as if it were part of the primary government. DCDF, Inc. is the vehicle through which a portion of the City's redevelopment efforts are conducted. All of DCDF, Inc.'s activities are directed entirely by the City. In addition, the City's employees are responsible for the day-to-day administrative and financial management of DCDF, Inc., and grant funds used by DCDF, Inc. are in the City's name. DCDF, Inc. is included as an enterprise fund in the City's financial statements. Separate financial statements are not issued for this component unit.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. THE FINANCIAL REPORTING ENTITY (CONTINUED)

Discretely Presented Component Unit:

The Decatur Metropolitan Exposition, Auditorium and Office Building Authority (Civic Center Authority) was made possible by Act 265 of the Illinois Compiled Statutes (70ILCS265/1 et seq). Its primary purpose is to provide office space and administrative services for various meeting and entertainment functions. The Mayor of the City appoints the board of directors. The Civic Center Authority imposes a financial burden upon the City due to an intergovernmental cooperation agreement in which the City agreed to pay all cash operating deficits of the Civic Center Authority. The Civic Center Authority does not have a legally adopted budget.

Complete financial statements for the Civic Center Authority may be obtained at Civic Center Authority, #1 Gary K. Anderson Plaza, Decatur, Illinois 62523.

Related Organizations:

The City's officials are also responsible for appointing the members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments.

Joint Venture:

The City is a participant with Macon County, Illinois (the County) in a non-equity joint venture to provide financial support for the Decatur Macon County Law Enforcement Center. The Decatur Public Building Commission (DPBC), a separate legal entity, owns and operates the Law Enforcement Center. The DPBC is governed by a five member board composed of three appointees from the City and two from the County. See Note 12 for information about the City's transactions with the DPBC during the year. Complete financial statements for the DPBC can be obtained from the DPBC's administrative office at 333 South Franklin, Decatur, Illinois 62523.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. BASIS OF PRESENTATION**

The City's basic financial statements consist of City-wide statements, including a statement of net position and a statement of activities, and fund-financial statements, which provide a more detailed level of financial information. The City-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

***City-wide Financial Statements*** – The statement of net position and the statement of activities display information about the City as a whole. In the City-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column. These statements include the financial activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the consolidated financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City-wide statement of activities reflects both the direct expenses and net cost of each function of the City's governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the City.

***Fund Financial Statements*** – The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and presented as nonmajor funds. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

**City-wide Financial Statements** – The City-wide financial statements and fund financial statements for proprietary and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, if measurable, and expenses are recognized as incurred, regardless of the timing of related cash flows.

The City has reported three categories of program revenues in the statement of activities (1) fees, fines and charges for services, (2) program-specific operating grants and contributions, and (3) program-specific capital grants and contributions. Program revenues are derived directly from the program itself or from external sources; they reduce the net cost of each function to be financed from the City's general revenues. For identifying the function to which a program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is the function to which the revenues are restricted.

Eliminations have been made in the statement of net position to remove the "grossing-up" effect on assets and liabilities within the governmental and business-type activities columns for amounts reported in the individual funds as interfund receivables and payables. Similarly, transfers between funds have been eliminated in the statement of activities. Amounts reported in the governmental or proprietary funds as receivable from or payable to fiduciary funds have been reclassified in the statement of net position as accounts receivable or payable to external parties.

**Fund Financial Statements** – 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 City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Revenues accrued at the end of the year include charges for services, licenses and permits, fines and forfeitures, intergovernmental revenues, investment earnings, property taxes, sales taxes and income taxes. All other revenue items are considered to be measurable and available only when cash is received by the government. Nonexchange transactions, in which the City receives value without directly giving equal value in return, include taxes, grants, and donations. 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.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

Unearned revenue is reported on the governmental fund balance sheet. Unearned revenues arise when potential revenue does not meet both the measurable and available criteria. Unearned revenues also arise when resources are received prior to the government having a legal claim to them. In a subsequent period, when both recognition criteria are met, or when the government has a legal claim to the resources, the liability is removed and the revenue is recognized.

Proprietary funds separate all activity into two categories: operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services and producing and delivering goods. Non-operating revenues and expenses entail all other activity not included in operating revenues and expenses. Non-operating revenues and expenses include capital and noncapital financing activities and investing activities.

Differences occur from the manner in which the governmental activities and the City-wide financial statements are prepared due to the inclusion of capital asset and long-term debt activity, as an example. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the City-wide statements and the statements for governmental funds.

The City reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the City. It is used to account for all of the general revenues of the City which are not specifically levied or collected for other City funds, and for expenditures related to public works, public safety, and other general governmental activities of the City.

Decatur Public Library Fund – This special revenue fund accounts for revenues designated to finance the City's Public Library and expenditures of such fund. The Library's primary source of revenue is property taxes.

Debt Service Fund – This debt service fund accounts for revenues, including transfers from other funds, and expenditures for the purpose of serving general obligation debt issued to finance City infrastructure improvements including facilities, streets, sewers, water management, lake dredging, and the acquisition of equipment used to deliver services to city stakeholders.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Proprietary Funds

Proprietary funds are used to account for those City activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

The City reports the following major proprietary funds:

Water Fund – This fund accounts for the construction, operation, and maintenance of the City-owned water treatment and distribution system. Revenues are generated through charges to users based upon water consumption.

Sewer Fund – This fund accounts for the construction, operation, and maintenance of the City-owned sanitary sewer collection system.

Mass Transit Fund – This fund accounts for the operation and maintenance of the City-owned public transit system.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, or other funds. These include Pension Trust Funds. The Pension Trusts include the Fire Pension Fund and Police Pension Fund which account for activities as prescribed by the statutes of the State of Illinois.

In addition to the major funds mentioned above, the City uses the following fund types:

Governmental Fund Types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds – Debt Service Funds are used to account for the City's accumulation of resources for, and the payment of, long-term debt, principal, interest and related costs.

Capital Projects Funds – The Capital Projects Funds are used to account for the City's purchase or construction of major capital facilities, which are not financed by other funds.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

Proprietary Fund Types:

Enterprise Funds – The Enterprise Funds operations are financed similar to a private business enterprise; the intent is that the cost of the service is financed by user charges, and the activities be measured on a net income basis.

Internal Service Funds – The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government, on a cost-reimbursement basis. Such goods and services include maintenance of City vehicles, management information services, and administration of the City's self insurance policies.

**D. POOLED CASH AND INVESTMENTS**

The City maintains pooled cash accounts for different fund groups which are used to account for all cash and investment transactions of that group. Monthly interest income of each pool is distributed to the individual funds based on their average cash balance in the pool during that period.

Investments are stated at fair value. Fair value for the investment in Illinois Funds is the same as the value of the pool shares. State statute requires the State Treasurer's Illinois Funds to comply with the Illinois Public Funds Investment Act.

**E. CASH EQUIVALENTS**

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**F. INVENTORIES**

The only material inventories are those of supplies and parts in the Water Fund, Mass Transit Fund, and Fleet Maintenance Fund which are valued at the lower of cost or market, with cost determined on a first-in first-out basis. A perpetual inventory system is used which is adjusted annually based on a physical count. Cost is recorded at the time of purchase and is charged to the appropriate activity when consumed.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. LONG-TERM DEBT**

In the City-wide financial statements and in the proprietary fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 are reported as debt service expenditures.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, alleys and similar items), are reported in the applicable governmental or business-type activities columns in the City-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost meeting certain capitalization thresholds and a useful life of more than two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements to land and buildings are capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

H. CAPITAL ASSETS (CONTINUED)

<u>Category of Assets</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Building and other improvements	\$50,000 (improvements) \$100,000 (new)	20 – 50 years
Infrastructure – roads	\$50,000 (improvements) \$100,000 (new)	
Office furniture	\$5,000	50 years
Office equipment	\$5,000	5 years
Water treatment equipment	\$5,000	5 years
Automobiles	\$5,000	10 years
Trucks	\$5,000	2 – 7 years
Buses	\$5,000	8 years
Other vehicles	\$5,000	10 years
Other machinery and equipment	\$5,000	10 years
		5 years

I. EQUITY CLASSIFICATIONS

Fund equity, representing the difference between assets and deferred outflows of resources less liabilities, and deferred inflows of resources is classified as follows in the City's financial statements:

**Government-Wide Statements** – Fund equity is classified as net position in the government-wide financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted.

**Fund Financial Statements** – The following classifications describe the categories of fund balance on the fund financial statements based on the relative strength of the spending constraints:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. FUND BALANCE (CONTINUED)

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) of the City Council. A commitment may only be rescinded by the same formal action of the City Council. There were no committed fund balances as of December 31, 2013.

**Assigned** – This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council, or through the City Council delegating this responsibility to the Finance Director or other official, in accordance with Council budget policies. There were no assigned fund balances as of December 31, 2013.

**Unassigned** – This classification includes the residual fund balance for the General Fund and includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

**Use of Restricted Resources**

The City would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

J. PROPERTY TAXES

The City's property tax is levied each year by the second Tuesday of December on all taxable real property located in the City. A lien on all taxable real property is effective on January 1 of the tax year.

The City is a home rule community under the 1970 Illinois Constitution and, accordingly, does not have a statutory tax rate limit.

Property in Macon County, the county in which the City resides, is assessed by the Macon County Assessor. The values are adjusted by various percentages depending upon the type of property (residential, commercial, etc.). The assessed values are equalized by the Illinois Department of Revenue to ensure uniformity of property assessments throughout the state. The Macon County Clerk computes the annual tax rate by dividing the levy into the equalized value of each taxing unit. The Clerk then computes the tax for each parcel by multiplying the aggregate rates of all the taxing units having jurisdiction over the parcel by the equalized value. The tax amounts by parcel are forwarded to the Macon County Collector.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. PROPERTY TAXES (CONTINUED)**

Property taxes are collected by the Macon County Treasurer who affects the tax distribution to the taxing units based on the taxing unit respective share of the tax collection. Taxes levied in one year become due and payable by property owners in two equal installments during the following year. The first installment is due no later than June 1st and the second installment is due no later than September 1st. The Macon County Treasurer distributes the tax collection to the taxing units within 45 days of collection due date.

Based on collection histories, the City has provided at December 31, 2013 an allowance for uncollectible real property taxes equivalent to 1 percent of the current year's levy.

Property tax revenues are recognized when earned in proprietary funds and pension funds. Since property taxes are measurable but not available to finance current period obligations, the receivable and deferred inflow of resources is recorded in the governmental funds.

**K. COMPENSATED ABSENCES**

City employees receive vacation and sick pay in varying amounts based upon their employment anniversary dates. The City reimburses employees for accumulated vacation days upon their termination or retirement. Employees must take vacation accrued during the year of the accrual. Management and general service employees, fire, and police, may accumulate up to 240, 200, and 200 days of sick leave, respectively, to be paid upon death or retirement. The City pays no accumulated sick leave upon termination.

City employees required to work on any of the City's authorized holidays are given equivalent time off. This holiday time is reimbursable to employees upon termination or retirement.

The liability for compensated absences (unused vacation, sick, and holiday time) of the City relating to employees of the governmental activities is recorded in the City-wide financial statements. The long-term portion of compensated absences will be paid from the fund from which the employee is paid. For governmental funds this includes the General Fund, HOME Fund, Community Development Block Grant Fund, and Library Fund.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. COMPENSATED ABSENCES (CONTINUED)**

The accumulated vacation, sick, and holiday time liability of employees charged to the Proprietary Fund Types is reported as an expense and as a liability of those funds as the benefits accrue to the employees.

**L. INTERFUND TRANSACTIONS/TRANSFERS**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other 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 City-wide financial statements as "internal balances". All receivables are shown net of an allowance for uncollectibles.

**M. CLAIMS AND JUDGMENTS**

When a probable claim liability has been incurred at year end and the amount of the loss can be reasonably estimated, the City records the estimated loss under its self-insurance program. The claim liability includes claims incurred but not reported (IBNR), based on historical data pursuant to the self-funded workmen's compensation, comprehensive general liability, employee dishonesty, property damage, medical, dental, and unemployment compensation programs.

**N. USE OF ESTIMATES**

The preparation of the basic financial statements in conformity with GAAP requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and/or the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Deferred Outflows of Resources

The City reports decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statements of net position or governmental fund balance sheet. No deferred outflows of resources are reported in these financial statements in the current year.

P. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has recorded deferred inflows related to property taxes that will be recorded as revenue in a future period. The City does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

Q. Fiscal Year Change

Effective for the calendar year beginning January 1, 2014, the City will change from a fiscal year end of April 30 to December 31. An eight-month fiscal transition period from May 1, 2013, through December 31, 2013, precedes the start of the new calendar-year cycle.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. APPROPRIATED BUDGET AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is legally adopted by Council Resolution through the budgetary process on an annual fiscal year basis for the general fund, special revenue funds, TIF redevelopment funds, debt service funds, capital project funds, enterprise funds, internal service funds, and trust and agency funds.
2. The process is initiated in September of each year, with departmental requests presented in October to the Budget Review Committee comprised of the City Manager, City Treasurer and Director of Finance.
3. The City Manager's proposed and balanced executive budget is presented to the City Council during November with a public hearing and final adoption taking place prior to December 31<sup>st</sup> of each year.
4. The appropriated budget is legally enacted through the passage of an Appropriation Ordinance before the end of March of each year, in accordance with State of Illinois statutory requirements. The Appropriation Ordinance may include changes from the approved budget and is adopted upon City Council passage after an additional public hearing.
5. Both the appropriated budget and Appropriation Ordinance are prepared on a cash basis which is not in accordance with Generally Accepted Accounting Principles (GAAP). The Budget to Actual schedules included in Required Supplementary Information include the amounts of timing differences necessary to reconcile the non-GAAP actual to GAAP actual fund balances for the General Fund and major Special Revenue Fund.
6. The level of budgetary control is by Fund. Therefore, expenditures cannot legally exceed appropriations beyond this level.
7. Supplemental appropriation ordinances may be passed by the City Council, as required to appropriate new spending for expenditure not contemplated in the fiscal year appropriation ordinance, with funding provided by a new revenue source or expended from fund balance reserves.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

There were no governmental funds that had actual expenditures/expenses in excess of the appropriated amount for the eight months ended December 31, 2013.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

The City has adopted formal investment policies and procedures as recommended by a citizens' investment advisory committee and approved by the City Manager, all within the guidelines established for the investment of public funds in accordance with the Illinois Compiled Statutes. The City is authorized by statute and policy to make deposits or investments in obligations of the United States Government; obligations of states or their political subdivisions; savings accounts, time deposits, certificates of deposit, or other investments which are direct obligations of banks as defined by the Illinois Banking Act; credit union shares; repurchase agreements; commercial paper rated within the three highest classifications by at least two standard rating services; the Illinois Public Treasurer's Investment Pool; and funds managed, operated, and administered by a bank, subsidiary of a bank, or subsidiary of a bank holding company. Pension funds may also invest in certain non-U.S. obligations, Illinois municipal corporations' tax anticipation warrants, veteran's loans, obligations of the State of Illinois and its political subdivision, stocks, mutual funds, and Illinois insurance companies' general and separate accounts. The City's investment policy also has established maximum limits for investments in uncollateralized certificates of deposit, money market accounts, and banker's acceptances for specific financial institutions as approved by the City Council, and has limited the City's investment in commercial paper to only the top rated.

The City's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at December 31, 2013. At year end the carrying value of the City's deposits, including certificates of deposit, was \$31,930,855 and the respective bank balances totaled \$32,788,396, not including cash on hand of \$6,855.

**Interest Rate Risk** – the risk that changes in interest rates will adversely affect the fair value of an investment. The City's formal investment policy states the portfolio shall remain sufficiently liquid to meet all operating costs which may be reasonably anticipated. In addition, the City shall maintain a diversity of investments to avoid unreasonable risks. The portfolio should obtain a comparable rate of return during a market/economic environment of stable interest rates.

**Credit Risk** – the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the City shall be the "prudent person" standard which states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the City's overall portfolio.

55% of the Government's investments in U.S. Government agencies were rated Aaa by Moody's Investors Service and ratings were not available for the remaining 45%. 27% of the government's investments in municipal bonds were rated Aaa by Moody's, 28% were rated Aa1, 7% were rated Aa2, 5% were rated Aa3, 1% were rated A1, 3% were rated A3, 1% were rated Baa1, and 28% were not rated. 6% of the government's investments in corporate bonds were rated Aaa by Moody's, 4% were rated Aa1, 1% were rated Aa2, 8% were rated Aa3, 16% were rated A1, 19% were rated A2, 19% were rated A3, 13% were rated Baa1, 12% were rated Baa2, 1% were rated Baa3, and 1% were not rated.

**Custodial Credit Risk** – the risk that a government will not be able to cover deposits if the depository financial institution fails or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposit policy allows that funds on deposit in excess of FDIC limits must be secured by some form of collateral, witnessed by a written agreement and held at an independent, third-party institution in the name of the City. As of December 31, 2013, the City's bank deposits were fully collateralized.

As of December 31, 2013, the City had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities (in years)</b>			
		<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>
Cash and money market	\$ 8,956,201	\$ 8,956,201	\$ -	\$ -	\$ -
Certificates of deposit	445,642	298,642	-	147,000	-
U.S. Government Agencies	28,148,307	3,312,220	4,744,349	3,378,672	16,713,066
Corporate bonds	19,732,558	1,494,249	9,944,040	6,828,125	1,466,144
Municipal bonds	3,614,815	579,832	674,133	1,288,965	1,071,885
U.S. Treasury bonds	688,204	-	64,837	-	623,367
U.S. Treasury notes	5,390,956	-	1,917,433	3,296,854	176,669
U.S. Treasury Inflation	1,187,991	-	549,352	337,222	301,417
Annuities	124,446	124,446	-	-	-
Mutual funds	49,389,799	49,389,799	-	-	-
Common stock	39,536,397	39,536,397	-	-	-
Foreign bonds	217,259	-	217,259	-	-
<b>Total</b>	<b>\$ 157,432,575</b>	<b>\$ 103,691,786</b>	<b>\$ 18,111,403</b>	<b>\$ 15,276,838</b>	<b>\$ 20,352,548</b>

The City invests in various investment securities. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the Statement of Net Position.

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)**

*Investments in The Illinois Funds*

The State Treasurer maintains the Illinois Treasurer's Investment Pool (Pool) at cost and fair value through daily adjustment in the interest earnings. The State Treasurer also maintains the average duration of the Pool at less than 25 days. The Pool is audited annually by an outside independent auditor and copies of the report are distributed to participants. The Pool maintains a Standard and Poor's AAA rating. The City's investments in the Illinois Funds are not required to be categorized because these are not securities. The relationship between the City and the investment agent is a direct contractual relationship and the investments are not supported by a transferable instrument that evidences ownership or creditorship. At December 31, 2013, the City had \$121,611 in the Pool, which approximates fair value.

All funds deposited in the Pool are classified as investments even though some could be withdrawn on a day's notice. Although not subject to direct regulatory oversight, the fund is administered in accordance with the provisions of the Illinois Public Funds Investment Act, 30 ILCS 235.

At December 31, 2013, cash and cash equivalents for the Civic Center Authority are comprised of cash on hand of \$2,402, bank deposits of \$9,626, and deposits with the Illinois Funds of \$162,081. The Civic Center Authority's restricted investments are comprised of the following:

	<b><u>Carrying Amount</u></b>
Mutual funds	\$ <u>131,386</u>
Reconciliation of notes to financial statements:	
	<b><u>Primary Government</u></b>
Carrying amount of bank deposits – per note above	\$ 31,930,855
Cash on hand – per note above	6,855
Investments – per note above (including Illinois Funds)	<u>157,432,575</u>
<b>Total</b>	<b><u>\$ 189,370,285</u></b>
<b>Statement 1</b>	
Cash and equivalents	\$ 33,168,296
<b>Statement 10</b>	
Cash and short-term investments	10,899,561
Long-term investments	<u>145,302,428</u>
<b>Total</b>	<b><u>\$ 189,370,285</u></b>

The Water Fund cash includes \$6,568,697 proceeds from a debt issuance that is held in escrow. This cash is restricted for an energy and cost savings project.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables as of December 31, 2013 are summarized below:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds	\$ 250,000	\$ -
Major Enterprise Funds	83,042	-
Nonmajor Enterprise Funds	<u>-</u>	<u>333,042</u>
<b>Total interfunds</b>	<u>\$ 333,042</u>	<u>\$ 333,042</u>

Interfund receivables and payables are primarily used to record:

- Interfund loans to cover short-term cash flow needs.
- Interfund loans between funds for various programs.

**NOTE 5 - TRANSFERS**

The following transfers were made during the eight month period between funds within the primary government:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General	\$ 1,159,055	\$ 821,540
Library	175,608	-
Debt	7,246,484	-
Nonmajor Governmental Funds	778,512	2,593,209
Major Enterprise Funds:		
Water	759,616	6,568,256
Mass Transit	22,855	1,284
Sewer	-	151,495
Internal Service Funds	<u>64,000</u>	<u>70,346</u>
<b>Total interfunds</b>	<u>\$ 10,206,130</u>	<u>\$ 10,206,130</u>

The transfers represent both routine and non-routine items. Generally, routine transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to 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 the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the eight months ended December 31, 2013 was as follows:

**Primary government**

	<u>Balance</u> <u>April 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,440,772	\$ -	\$ -	\$ 8,440,772
Construction in progress	<u>3,154,737</u>	<u>4,399,047</u>	<u>1,329,200</u>	<u>6,224,584</u>
Subtotal	<u>11,595,509</u>	<u>4,399,047</u>	<u>1,329,200</u>	<u>14,665,356</u>
Capital assets being depreciated:				
Infrastructure	108,476,782	1,948,813	376,720	110,048,875
Buildings and improvements	44,530,416	1,584,667	9,443	46,105,640
Vehicles	14,880,984	57,750	1,139,537	13,799,197
Office equipment	3,456,140	23,852	6,436	3,473,556
Other equipment	<u>11,083,906</u>	<u>316,653</u>	<u>6,225</u>	<u>11,394,334</u>
Subtotal	<u>182,428,228</u>	<u>3,931,735</u>	<u>1,538,361</u>	<u>184,821,602</u>
Less accumulated depreciation for:				
Infrastructure	(54,215,593)	(2,188,890)	(9,418)	(56,395,065)
Buildings and improvements	(20,522,142)	(930,103)	(9,443)	(21,442,802)
Vehicles	(10,468,595)	(630,639)	(212,891)	(10,886,343)
Office equipment	(2,128,819)	(165,573)	(6,436)	(2,287,956)
Other equipment	<u>(10,151,778)</u>	<u>(319,099)</u>	<u>(6,225)</u>	<u>(10,464,652)</u>
Total accumulated depreciation	<u>(97,486,927)</u>	<u>(4,234,304)</u>	<u>(244,413)</u>	<u>(101,476,818)</u>
Total capital assets being depreciated, net	<u>84,941,301</u>	<u>(302,569)</u>	<u>1,293,948</u>	<u>83,344,784</u>
<b>Total governmental activities capital assets, net</b>	<u>\$ 96,536,810</u>	<u>\$ 4,096,478</u>	<u>\$ 2,623,148</u>	<u>\$ 98,010,140</u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**Primary government (Continued)**

	<u>Balance</u> <u>April 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31,</u> <u>2013</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 4,218,177	\$ -	\$ -	\$ 4,218,177
Construction in progress	<u>7,262,893</u>	<u>14,920,684</u>	<u>477,014</u>	<u>21,706,563</u>
Subtotal	<u>11,481,070</u>	<u>14,920,684</u>	<u>477,014</u>	<u>25,924,740</u>
Capital assets being depreciated:				
Infrastructure	21,334,372	-	-	21,334,372
Buildings and improvements	96,945,405		4,394	96,941,011
Vehicles	7,693,434	424,715	34,675	8,083,474
Office equipment	96,336	-	-	96,336
Other equipment	<u>1,569,301</u>	<u>9,916</u>	<u>-</u>	<u>1,579,217</u>
Subtotal	<u>127,638,848</u>	<u>434,631</u>	<u>39,069</u>	<u>128,034,410</u>
Less accumulated depreciation for:				
Infrastructure	(13,680,227)	(418,297)	-	(14,098,524)
Buildings and improvements	(64,045,905)	(1,808,529)	(4,394)	(65,850,040)
Vehicles	(5,636,166)	(242,647)	(34,675)	(5,844,138)
Office equipment	(53,822)	(7,085)	-	(60,907)
Other equipment	<u>(1,400,394)</u>	<u>(28,617)</u>	<u>-</u>	<u>(1,429,011)</u>
Total accumulated depreciation	<u>(84,816,514)</u>	<u>(2,505,175)</u>	<u>(39,069)</u>	<u>(87,282,620)</u>
Total capital assets being depreciated, net	<u>42,822,334</u>	<u>(2,070,544)</u>	<u>-</u>	<u>40,751,790</u>
<b>Total business-type activities capital assets, net</b>	<u>\$ 54,303,404</u>	<u>\$ 12,850,140</u>	<u>\$ 477,014</u>	<u>\$ 66,676,530</u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 6 - CAPITAL ASSETS (CONTINUED)**

**Primary government (Continued)**

Depreciation expense of \$4,234,304 and \$2,505,174 was charged to the governmental and business-type activities functional expense categories, respectively, as follows:

<u>Governmental Activities</u>	<u>Depreciation</u>	<u>Business-Type Activities</u>	<u>Depreciation</u>
General government	\$ 1,186,421	Water	\$ 1,972,655
Public safety	436,276	Mass Transit	353,359
Public works	2,272,529	Sewer	<u>179,160</u>
Culture and recreation	<u>339,078</u>		
<b>Total</b>	<b><u>\$ 4,234,304</u></b>	<b>Total</b>	<b><u>\$ 2,505,174</u></b>

**Discretely Presented Component Unit**

Activity for the Civic Center Authority for the eight months ended December 31, 2013, was as follows:

	<u>Balance April 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2013</u>
Capital assets not being depreciated:				
Land	\$ 3,130,762	\$ -	\$ -	\$ 3,130,762
Capital assets being depreciated:				
Buildings and equipment	13,210,064	4,476	-	13,214,540
Less accumulated depreciation for:				
Buildings and equipment	<u>(10,263,837)</u>	<u>(191,367)</u>	<u>-</u>	<u>(10,455,204)</u>
Total capital assets being depreciated, net	<u>2,946,227</u>	<u>(186,891)</u>	<u>-</u>	<u>2,759,336</u>
<b>Civic Center capital assets, net</b>	<b><u>\$ 6,076,989</u></b>	<b><u>\$ (186,891)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,890,098</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 7 - RECEIVABLES**

The following is a summary of other taxes, due from other governments, accounts, notes, and other receivables by fund type at December 31, 2013, less the allowance for uncollectible accounts. Any other uncollectible amounts are not believed to be material.

**Governmental Activities:**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Services</u>	<u>Total Statement of Net Position</u>
Other taxes:						
Hotel and motel tax	\$ 45,202	\$ -	\$ -	\$ -	\$ -	\$ 45,202
Food and beverage tax	328,057	-	-	-	-	328,057
Cable TV tax	268,088	-	-	-	-	268,088
Utility tax	743,258	-	-	-	-	743,258
State income tax	1,550,240	-	-	-	-	1,550,240
State replacement tax	<u>179,019</u>	<u>52,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,890</u>
<b>Total other taxes</b>	<u>\$ 3,113,864</u>	<u>\$ 52,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,166,735</u>
Due from other governments:						
Grants	\$ 26,647	\$ 166,534	\$ -	\$ -	\$ -	\$ 193,181
Allotments	<u>118,439</u>	<u>358,338</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476,777</u>
<b>Total due from other governments</b>	<u>\$ 145,086</u>	<u>\$ 524,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,958</u>
Accounts receivable:						
General billings	\$ 65,442	\$ 4,431	\$ -	\$ 135,240	\$ 2,880	\$ 207,993
Boat licenses	44,897	-	-	-	-	44,897
Outstanding parking tickets	213,870	-	-	-	-	213,870
Allowance for uncollectible portion	<u>(119,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(119,977)</u>
<b>Total accounts receivable</b>	<u>\$ 204,232</u>	<u>\$ 4,431</u>	<u>\$ -</u>	<u>\$ 135,240</u>	<u>\$ 2,880</u>	<u>\$ 346,783</u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 7 - RECEIVABLES (CONTINUED)**

**Governmental Activities:** (Continued)

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Services</u>	<u>Total Statement of Net Position</u>
Notes receivable:						
Installment notes	\$ -	\$ 14,026	\$ -	\$ -	\$ -	\$ 14,026
Deferred notes	-	2,750	-	-	-	2,750
Home program loans	-	350,893	-	-	-	350,893
Gateway to Sertoma Club loan	-	144,259	-	-	-	144,259
Allowance for uncollectible notes	<u>-</u>	<u>(160,521)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,521)</u>
<b>Total notes receivable</b>	<u>\$ -</u>	<u>\$ 351,407</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 351,407</u>
Other:						
Investment income	<u>\$ 60,706</u>	<u>\$ -</u>	<u>\$ 434</u>	<u>\$ 15,389</u>	<u>\$ 1,715</u>	<u>\$ 78,244</u>

**Business-Type Activities:**

	<u>Enterprise</u>
Accounts receivable:	
Water billings	\$ 1,690,460
Watermain tapping	13,651
Sanitary District billings	431,552
Grants	4,556,172
Recycling fees	90,682
Sewer billings	233,618
DCDF loans	<u>253</u>
<b>Total accounts receivable</b>	<u>\$ 7,016,388</u>
Notes receivable:	
Installment notes	\$ 309,788
Deferred notes	8,085
Allowance for uncollectible portion	<u>(58,403)</u>
<b>Total notes receivable</b>	<u>\$ 259,470</u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 7 - RECEIVABLES (CONTINUED)**

**Business-Type Activities:** (Continued)

Notes receivable are loans made through the DCDF, Inc. housing rehabilitation program under the terms of mortgage-secured installment notes with interest rates ranging from zero to six percent. The term of the notes is not to exceed twenty years. Notes are classified as either installment or deferred. Deferred notes have repayment terms beginning sometime in the future.

In accordance with the statutes of the State of Illinois, the revenue derived from water main tapping approximates the City's cost of providing the service.

**NOTE 8 - LONG-TERM DEBT**

The following is a summary of changes to the City's long-term debt for the eight month period:

	<u>Obligations Outstanding April 30, 2013</u>	<u>Debt Additions</u>	<u>Debt Retirement</u>	<u>Obligations Outstanding December 31, 2013</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General Obligation Bonds:					
Series of 2005	\$ 2,415,000	\$ -	\$ 1,740,000	\$ 675,000	\$ 675,000
Series of 2008	9,520,000	-	250,000	9,270,000	360,000
Series of 2010A	8,510,000	-	130,000	8,380,000	140,000
Series of 2010B	26,885,000	-	840,000	26,045,000	890,000
Series of 2010C	2,615,000	-	185,000	2,430,000	190,000
Series of 2010D	1,265,000	-	265,000	1,000,000	265,000
Series of 2012	7,900,000	-	-	7,900,000	590,000
Series of 2013	16,905,000	-	-	16,905,000	1,150,000
(Less) plus deferred amounts:					
For issuance premiums	<u>3,206,881</u>	<u>-</u>	<u>245,125</u>	<u>2,961,756</u>	<u>-</u>
Total general obligation bonds	<u>79,221,881</u>	<u>-</u>	<u>3,655,125</u>	<u>75,566,756</u>	<u>4,260,000</u>
Notes payable:					
General Obligation Notes:					
HUD Section 108, 1999-A	150,000	-	150,000	-	-
HUD Section 108, 2002-A	<u>1,875,000</u>	<u>-</u>	<u>165,000</u>	<u>1,710,000</u>	<u>170,000</u>
Total notes payable	<u>2,025,000</u>	<u>-</u>	<u>315,000</u>	<u>1,710,000</u>	<u>170,000</u>
Compensated absences	4,660,253	1,868,717	1,932,336	4,596,634	3,953,105
Pension obligation	3,529,940	638,985	-	4,168,925	-
Other post-employment benefits	<u>1,304,103</u>	<u>-</u>	<u>189,235</u>	<u>1,114,868</u>	<u>-</u>
<b>Total governmental activities</b>	<u>\$ 90,741,177</u>	<u>\$ 2,507,702</u>	<u>\$ 6,091,696</u>	<u>\$ 87,157,183</u>	<u>\$ 8,383,105</u>

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

	<u>Obligations Outstanding April 30, 2013</u>	<u>Debt Additions</u>	<u>Debt Retirement</u>	<u>Obligations Outstanding December 31, 2013</u>	<u>Due Within One Year</u>
<b>Business-Type activities:</b>					
Notes payable:					
2001 IEPA loan	\$ 3,904,700	\$ -	\$ 373,620	\$ 3,531,080	\$ 384,553
IEPA Water Loan	6,582,513	-	166,551	6,415,962	345,105
2013 IEPA Sewer Loan	-	4,293,164	-	4,293,164	-
2013 Promissory Note	<u>-</u>	<u>17,212,394</u>	<u>-</u>	<u>17,212,394</u>	<u>147,432</u>
<b>Total business-type activities</b>	<u>\$ 10,487,213</u>	<u>\$ 21,505,558</u>	<u>\$ 540,171</u>	<u>\$ 31,452,600</u>	<u>\$ 877,090</u>

For governmental activities, pension obligations and other post-employment benefits obligations are liquidated primarily by the General Fund.

Long-term obligations outstanding at December 31, 2013 are comprised of the following:

A. General Obligation Bonds

*General Obligation Bonds, Series 2005*

\$4,705,000 2005 General Obligation Bonds dated November 1, 2005 due December 15, 2014; interest of 3.00 to 3.60 percent (principal and interest to be serviced by annual tax levy) to refund Series 1995 bonds which partially refunded Series 1991 bonds which were used for lake management dredging and other capital projects.

Remaining principal and interest payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 675,000	\$ 24,300	\$ 699,300

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

A. General Obligation Bonds (Continued)

*General Obligation Bonds, Series 2008*

\$10,000,000 2008 General Obligation Bonds dated December 15, 2008 due December 15, 2024; interest of 2.75 to 5.0 percent to refinance certain outstanding indebtedness of the City and to finance capital improvements in the City.

Remaining principal and interest payments to maturity are as follows:

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 360,000	\$ 394,212	\$ 754,212
2015	790,000	380,713	1,170,713
2016	825,000	349,133	1,174,133
2017	860,000	315,081	1,175,081
2018	895,000	278,531	1,173,531
2019-2023	5,135,000	782,925	5,917,925
2024	<u>405,000</u>	<u>18,225</u>	<u>423,225</u>
<b>Total</b>	<b><u>\$ 9,270,000</u></b>	<b><u>\$ 2,518,820</u></b>	<b><u>\$ 11,788,820</u></b>

*General Obligation Bonds, Series 2010A*

\$8,715,000 2010 General Obligation Bonds dated November 3, 2010 due December 15, 2030; interest of 3.50 to 6.30 percent (principal and interest to be serviced by annual tax levy) to refund Series 2005, 2005A, and 2008A general obligation notes which were used for various capital projects. Remaining funds were used to finance capital improvements in the City.

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 140,000	\$ 450,858	\$ 590,858
2015	150,000	445,783	595,783
2016	180,000	440,158	620,158
2017	205,000	432,958	637,958
2018	470,000	424,245	894,245
2019-2023	2,955,000	1,763,825	4,718,825
2024-2028	3,335,000	859,740	4,194,740
2029-2030	<u>945,000</u>	<u>92,625</u>	<u>1,037,625</u>
<b>Total</b>	<b><u>\$ 8,380,000</u></b>	<b><u>\$ 4,910,192</u></b>	<b><u>\$ 13,290,192</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

A. General Obligation Bonds (Continued)

*General Obligation Bonds, Series 2010B*

\$28,270,000 2010 General Obligation Bonds dated November 3, 2010 due December 15, 2030; interest of 1.50 to 7.00 percent (principal and interest to be serviced by annual tax levy) to finance capital improvements in the City. As of December 31, 2013, approximately \$2,500,000 of the proceeds remained unexpended.

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Treasury Rebate</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 890,000	\$ 1,391,317	\$ (510,085)	\$ 1,771,232
2015	955,000	1,369,068	(502,298)	1,821,770
2016	1,120,000	1,340,417	(492,271)	1,968,146
2017	1,185,000	1,301,218	(478,551)	2,007,667
2018	1,250,000	1,256,780	(462,997)	2,043,783
2019-2023	7,480,000	5,373,736	(1,996,428)	10,857,308
2024-2028	9,080,000	3,138,802	(1,214,202)	11,004,600
2029-2030	<u>4,085,000</u>	<u>426,537</u>	<u>(173,814)</u>	<u>4,337,723</u>
<b>Total</b>	<b><u>\$26,045,000</u></b>	<b><u>\$15,597,875</u></b>	<b><u>\$ (5,830,646)</u></b>	<b><u>\$ 35,812,229</u></b>

*General Obligation Bonds, Series 2010C*

\$2,800,000 2010 General Obligation Bonds dated November 3, 2010 due December 15, 2024; interest of 2.00 to 4.00 percent (principal and interest to be serviced by annual tax levy) to finance capital improvements in the City. As of December 31, 2013, approximately \$80,000 of the proceeds remained unexpended.

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 190,000	\$ 87,400	\$ 277,400
2015	195,000	83,600	278,600
2016	200,000	77,750	277,750
2017	205,000	71,750	276,750
2018	210,000	65,600	275,600
2019-2023	1,165,000	196,200	1,361,200
2024	<u>265,000</u>	<u>10,600</u>	<u>275,600</u>
<b>Total</b>	<b><u>\$ 2,430,000</u></b>	<b><u>\$ 592,900</u></b>	<b><u>\$ 3,022,900</u></b>

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

A. General Obligation Bonds (Continued)

*General Obligation Bonds, Series 2010D*

\$1,805,000 2010 General Obligation Bonds dated November 3, 2010 due December 15, 2017; interest of 2.00 to 4.00 percent (principal and interest to be serviced by annual tax levy) to refund Series 1998 general obligation bonds which were used for the construction of the City's Library.

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 265,000	\$ 27,150	\$ 292,150
2015	255,000	21,850	276,850
2016	245,000	16,750	261,750
2017	<u>235,000</u>	<u>9,400</u>	<u>244,400</u>
<b>Total</b>	<b><u>\$ 1,000,000</u></b>	<b><u>\$ 75,150</u></b>	<b><u>\$ 1,075,150</u></b>

*General Obligation Bonds, Series 2012*

\$8,030,000 Series 2012 General Obligation Bonds dated December 20, 2012 due March 1, 2025; interest of 1.00 to 2.50 percent (principal and interest to be serviced by annual tax levy) to refund Series 2004A general obligation bonds which were used for various capital projects.

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 590,000	\$ 159,656	\$ 749,656
2015	595,000	152,244	747,244
2016	605,000	141,731	746,731
2017	620,000	129,481	749,481
2018	630,000	116,981	746,981
2019-2023	3,375,000	379,159	3,754,159
2024-2025	<u>1,485,000</u>	<u>37,438</u>	<u>1,522,438</u>
<b>Total</b>	<b><u>\$ 7,900,000</u></b>	<b><u>\$ 1,116,690</u></b>	<b><u>\$ 9,016,690</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

A. General Obligation Bonds (Continued)

*General Obligation Bonds, Series 2013*

\$17,220,000 Series 2013 General Obligation Bonds dated January 24, 2013 due March 1, 2025; interest of 2.00 to 5.00 percent (principal and interest to be serviced by annual tax levy) to refund Series 2004B general obligation bonds which were used to refund the 2000 and 1985 general obligation bonds used in the construction of the water treatment facility.

<b><u>Fiscal</u> <u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u> <u>Debt Service</u></b>
2014	\$ 1,150,000	\$ 691,050	\$ 1,841,050
2015	1,175,000	661,925	1,836,925
2016	1,205,000	626,225	1,831,225
2017	1,250,000	589,400	1,839,400
2018	1,285,000	551,375	1,836,375
2019-2023	7,345,000	1,793,375	9,138,375
2024-2025	<u>3,495,000</u>	<u>174,625</u>	<u>3,669,625</u>
<b>Total</b>	<b><u>\$ 16,905,000</u></b>	<b><u>\$ 5,087,975</u></b>	<b><u>\$ 21,992,975</u></b>

B. Notes Payable

*U.S. Department of Housing and Urban Development Series 2002-A Certificates*

\$3,000,000 Contract for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974 (Note B-95-MC-17-0008-A) due August 1, 2022; interest of 2.99 to 6.12 percent.

<b><u>Fiscal</u> <u>Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u> <u>Debt Service</u></b>
2014	\$ 170,000	\$ 99,815	\$ 269,815
2015	175,000	90,585	265,585
2016	180,000	80,854	260,854
2017	185,000	70,649	255,649
2018	190,000	59,974	249,974
2019-2022	<u>810,000</u>	<u>124,302</u>	<u>934,302</u>
<b>Total</b>	<b><u>\$ 1,710,000</u></b>	<b><u>\$ 526,179</u></b>	<b><u>\$ 2,236,179</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

B. Notes Payable (Continued)

*Illinois Environmental Protection Agency 2001 Loan*

\$7,172,169 loan with the Illinois Environmental Protection Agency (IEPA) to finance the costs relating to the construction of the Nitrate Removal facility. The term of the loan is for 20 years with an annual fixed loan rate of 2.905%. The semi-annual repayment dates for both principal and interest are June 1 and December 1.

Remaining principal and interest payments to maturity are as follows:

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 384,553	\$ 99,805	\$ 484,358
2015	395,805	88,553	484,358
2016	407,387	76,971	484,358
2017	419,307	65,051	484,358
2018	431,576	52,782	484,358
2019-2023	<u>1,492,452</u>	<u>82,835</u>	<u>1,575,287</u>
<b>Total</b>	<b><u>\$ 3,531,080</u></b>	<b><u>\$ 465,997</u></b>	<b><u>\$ 3,997,077</u></b>

*Illinois Environmental Protection Agency Water Loan*

The City has authorized the issuance of a loan with the Illinois Environmental Protection Agency (IEPA) for \$9,805,524, of which \$2,451,381 is immediately forgivable, to finance the costs relating to the construction of a new water main, water tower, and booster pump station. The City has drawn down \$6,993,328 on this loan as of December 31, 2013. The term of the loan is for 20 years with a fixed rate of 0.00%. The semi-annual repayment dates are July 10 and January 10. Repayment is subject to change upon additional draw downs.

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Debt Service</u></b>
2014	\$ 345,105	\$ -	\$ 345,105
2015	357,109	-	357,109
2016	357,109	-	357,109
2017	357,109	-	357,109
2018	357,109	-	357,109
2019-2023	1,785,546	-	1,785,546
2024-2028	1,785,546	-	1,785,546
2029-2031	<u>1,071,329</u>	<u>-</u>	<u>1,071,329</u>
<b>Total</b>	<b><u>\$ 6,415,962</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,415,962</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

B. Notes Payable (Continued)

*Regions Capital Advantage Promissory Note Series 2013*

The City has authorized the issuance of a loan with Regions Capital Advantage, Inc., a subsidiary of Regions Bank, dated August 15, 2013, to finance the investment in certain energy and cost saving initiatives under a Johnson Controls, Inc., guaranteed energy savings contract. The investment includes the replacement of old technology water meters with new technology automatically read water meters, and certain energy saving investments including facility lighting retrofits, building envelope improvements and the replacement of high energy consumption equipment with new technology lower energy consumption equipment. The term of the loan is 15 years with a fixed annual interest rate of 3.47% and includes a final principal balloon payment of \$2,468,710. The first year of the loan repayment schedule includes interest only payments. The first principal payment date is November 15, 2014. Quarterly repayment dates for principal and interest are February 15, May 15, August 15, and November 15. The loan is repaid with cost and energy savings envisioned over the period with a 50% contractual guarantee.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2014	\$ 147,432	\$ 597,271	\$ 744,703
2015	610,881	584,369	1,195,250
2016	642,538	562,462	1,205,000
2017	664,591	540,659	1,205,250
2018	835,573	514,927	1,350,500
2019-2023	5,265,102	2,076,898	7,342,000
2024-2028	<u>9,046,277</u>	<u>974,349</u>	<u>10,020,626</u>
<b>Total</b>	<b><u>\$17,212,394</u></b>	<b><u>\$ 5,850,935</u></b>	<b><u>\$23,063,329</u></b>

*Illinois Environmental Protection Agency Sewer Loan - 2013*

The City has authorized the issuance of a loan with the Illinois Environmental Protection Agency (IEPA) for a maximum of \$8,588,793 to finance the costs related to the rehabilitation of certain main line sewer infrastructure within the City on August 15, 2013. The project commenced on August 26, 2013. The City has incurred expense in the project of \$4,293,164 as of December 31, 2013, but has not drawn down any monies on the loan as of December 31, 2013, according to loan draw down arrangements with the project. This was recorded as a receivable and payable at December 31, and a noncash transaction. The project construction is expected to be completed during 2014. The term of the loan is for 20 years with a fixed annual interest rate of 1.93%. The semi-annual repayment dates are June 15 and December 15. The first principal and interest repayment date is December 15, 2014. Loan repayment principal and interest amounts are subject to final determination of investment amounts determined at project completion.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

C. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned compensated absences for unused vacation time, sick time and holiday time which will be paid to employees upon separation from City service. In Governmental Fund Types, the cost of these benefits is recognized when payments are made to employees. Enterprise Fund Types accrue vacation time benefits in the period in which they are earned. A liability representing the City's commitment to fund such costs from future operations has been recorded in the Statement of Net Position in the amount of \$4,596,634.

D. Conduit Debt

The City, through its participation in an intergovernmental agreement with several Illinois municipalities, has issued Collateralized Single Family Mortgage Revenue Bonds to provide financial assistance to low and moderate income residents for the purchase of single family residences. The bonds are secured by property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired property transfers to the resident. Therefore, none of the participating municipalities are obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. The original amount of the issuance was \$250,000,000.

In 1996, the City issued City of Decatur, Macon County, Illinois Hospital Facility Revenue Bonds, Series 2010A, B, C and D on behalf of Decatur Memorial Hospital. The proceeds were used by Decatur Memorial Hospital to finance certain facility improvements. Subsequent refunding of the original debt issue occurred in both in 2010 and 2012. The original amount of the debt issue was \$30,500,000. The maturity date of the Bonds is December 22, 2020. The Bonds are limited obligations of the City, payable solely from payments made by Decatur Memorial Hospital under its Direct Note Obligations, payments from the Decatur Memorial Hospital under a Loan Agreement and certain other monies held by a trustee under a trust indenture for holders of the Bonds. The Bonds do not pledge the full faith and credit of the City and the issuance of the Bonds does not directly, indirectly, or contingently obligate the City to levy any form of taxation for the payment of the Bonds or to make any appropriation for their payment. Outstanding principal on the Bonds as of December 31, 2013 is \$12,852,000. The Bonds will be refunded in May, 2014, whereby the refunding will lower the interest financing rate of the debt issue. The outstanding principal on the date of the refunding will be \$12,393,000.

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS**

A. Plan Descriptions, Provisions and Funding Policies

The City contributes to three defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), a defined benefit agent multiple-employer public employee retirement system; the Police Pension Plan which is a single-employer pension plan; and the Firefighter’s Pension Plan which is also a single-employer pension plan. None of the pension plans issue a separate report, except for IMRF.

IMRF

*Plan Description.* The City of Decatur’s defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City of Decatur’s plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at [www.imrf.org](http://www.imrf.org).

*Funding Policy.* As set by statute, the City of Decatur’s Regular plan members are required to contribute 4.5 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The City of Decatur’s contribution rate for calendar year 2013 was 11.35 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2013 was 13.48 percent.

The City of Decatur also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

*Annual Pension Cost.* For December 31, 2013, the City of Decatur’s actual contributions for pension cost for the Regular Plan members were \$1,626,760. Its required contribution for calendar year 2013 was \$1,932,046.

**Three-Year Trend Information for the Regular Plan**

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2013	\$ 1,932,046	84%	\$1,710,903
2012	1,845,583	79%	1,405,617
2011	1,749,155	73%	1,010,840

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

A. Plan Descriptions, Provisions and Funding Policies (Continued)

IMRF (Continued)

The required contribution for 2013 was determined as part of the December 31, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 7.50% investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4% to 10.0% per year depending on age and service, attributable to seniority/merit, and (d) post-retirement benefit increases of 3% annually. The actuarial value of the City of Decatur's Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. The City of Decatur's Regular plan's unfunded actuarial accrued liability at December 31, 2011 is being amortized as a level percentage of projected payroll on an open 30 year basis.

*Funded Status and Funding Progress.* As of December 31, 2013, the most recent actuarial valuation date, the Regular plan was 75.82 percent funded. The actuarial accrued liability for benefits was \$41,991,704 and the actuarial value of assets was \$31,837,916, resulting in an underfunded actuarial accrued liability (UAAL) of \$10,153,788. The covered payroll for calendar year 2013 (annual payroll of active employees covered by the plan) was \$14,332,687 and the ratio of UAAL to the covered payroll was 71%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police Pension Plan

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At May 1, 2013 the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to but not yet receiving benefits	150
Current employees:	
Vested and nonvested	<u>162</u>
<b>Total</b>	<b><u><u>312</u></u></b>

**CITY OF DECATUR, ILLINOIS  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

A. Plan Descriptions, Provisions and Funding Policies (Continued)

Police Pension Plan (Continued)

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The pension shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years. Employees with at least 8 years but less than 20 years of credited service may retire at or after the age of 60 and receive a reduced benefit.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Administrative costs are financed through investment earnings.

Under Public Act 96-1495, the annual requirements of the pension fund are to be determined as a level percent of payroll sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities determined under the projected unit credit actuarial cost method by the year 2040.

Firefighters' Pension Plan

The Firefighters' Pension Plan is a single-employer defined benefit pension plan that covers all sworn fire personnel. Although this is a single-employer pension plan, the defined benefits and employee and employer contribution levels are governed by Illinois State Statutes and may be amended only by the Illinois legislature. The City accounts for the plan as a pension trust fund.

At May 1, 2013 the Firefighters' Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to but not yet receiving benefits	127
Current employees:	
Vested and nonvested	<u>116</u>
<b>Total</b>	<u><u>243</u></u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

A. Plan Descriptions, Provisions and Funding Policies (Continued)

Firefighters' Pension Plan (Continued)

The following is a summary of the Firefighters' Pension Plan as provided for in Illinois State Statutes.

The Firefighters' Pension Plan provides retirement benefits as well as death and disability benefits. Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held on the date of retirement. The pension shall be increased by 1/12 of 2.5 percent of such monthly salary for each additional month over 20 years of service through 30 years of service. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit.

Covered employees are required to contribute 9.45% of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. Administrative costs are financed through investment earnings.

Under Public Act 96-1495, the annual requirements of the pension fund are to be determined as a level percent of payroll sufficient to bring the total assets of the pension fund up to 90% of the total actuarial liabilities determined under the projected unit credit actuarial cost method by the year 2040.

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statement disclosures are prepared using the accrual basis of accounting. Employee and employer contributions are generally recognized when due. If contributions are not made when due, they are only recognized as contributions (and a related receivable) if they are due pursuant to formal commitments, or because of statutory or contractual requirements. Separate plan financial statements are not prepared for the police and fire pension plans. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

B. Summary of Significant Accounting Policies and Plan Asset Matters (Continued)

Method Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have any established market, if any, are reported at estimated fair value.

Significant Investments

There were no investments (other than U.S. government and U.S. government guaranteed obligations, and mutual funds) in any one organization that represents 5 percent or more of net assets available for benefits.

Related Party Transactions

There are no securities of the City of Decatur or any other related parties included in plan assets.

C. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost for the current year and related information for each plan is as follows:

	<b>Illinois Municipal Retirement</b>	<b>Police Pension</b>	<b>Firefighters' Pension</b>
Contribution Rates:			
Employer	13.48%	35.18%	49.24%
Employee	4.5%	9.91%	9.45%
Annual pension cost	\$ 1,932,046	\$ 3,767,058	\$ 4,073,462
Contributions made	\$ 1,626,760	\$ 3,763,076	\$ 3,743,745
Actuarial valuation date	12/31/13	05/01/13	05/01/13
Actuarial cost method	Entry Age Normal	Projected Unit Credit Cost	Projected Unit Credit Cost
Amortization method	Level % of Projected Payroll Open Basis	Level % of Projected Payroll Closed Basis	Level % of Projected Payroll Closed Basis
Amortization period	30 years	27 years	27 years
Asset valuation method	5-year Smoothed Market	3-year Smoothed Market	3-year Smoothed Market

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

C. Annual Pension Cost and Net Pension Obligation (Continued)

	<b><u>Illinois Municipal Retirement</u></b>	<b><u>Police Pension</u></b>	<b><u>Firefighters' Pension</u></b>
Actuarial assumptions:			
Investment rate of return	7.5% Compounded Annually	7.5% Compounded Annually	7.5% Compounded Annually
Projected salary increases	0.4 to 10.0%	3.50%	3.50%
Inflation rate included	4.00%	2.50%	2.50%
Cost of living adjustments	3.00%	3.00%	3.00%
	<b><u>Illinois Municipal Retirement</u></b>	<b><u>Police Pension</u></b>	<b><u>Firefighters' Pension</u></b>
Annual required contribution	\$ 1,932,046	\$ 3,767,058	\$ 4,073,462
Interest on net prior year pension obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual pension cost	<u>1,932,046</u>	<u>3,767,058</u>	<u>4,073,462</u>
Contributions made	<u>1,626,760</u>	<u>3,763,076</u>	<u>3,743,745</u>
Increase (decrease) in net pension obligation	305,286	3,982	329,717
Net pension obligation, beginning of year	<u>1,405,617</u>	<u>1,280,909</u>	<u>843,414</u>
Net pension obligation, end of year	<u>\$ 1,710,903</u>	<u>\$ 1,284,891</u>	<u>\$ 1,173,131</u>

D. Trend Information

Employer annual pension cost (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the APC and the contributions actually made.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

D. Trend Information (Continued)

	<u>Year</u>	<u>Illinois Municipal Retirement</u>	<u>Police Pension</u>	<u>Fire Pension</u>
Annual pension cost (APC)	2011	\$ 1,749,155	\$ 3,982,535	\$ 3,951,668
	2012	1,845,583	3,845,178	3,826,058
	2013	1,932,046	3,767,058	4,073,462
Percentage of APC contributed	2011	73%	76%	82%
	2012	79%	102%	102%
	2013	84%	100%	92%
Net pension obligation	2011	\$ 1,010,840	\$ 1,374,248	\$ 921,757
	2012	1,405,617	1,280,909	843,414
	2013	1,710,903	1,284,891	1,173,131

E. Funded Status and Funding Progress

The funded status of the plans as of May 1, 2013 was as follows:

	<u>Police Pension</u>	<u>Fire Pension</u>
Actuarial accrued liability (AAL)	\$ 122,268,612	\$ 108,864,374
Actuarial value of plan assets	84,736,571	67,666,146
Unfunded actuarial accrued liability (UAAL)	37,532,041	41,198,228
Funded ratio (actuarial value of plan assets/AAL)	69.3%	62.2%
Covered payroll (active plan members)	11,664,390	8,451,621
UAAL as a percentage of covered payroll	321.75%	487.46%

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

F. Financial Statements

Multi-year trend information for the Schedule of Funding Progress can be found in the required supplemental information section.

The following information represents the financial position and activity of the pension trust funds at December 31, 2013:

	<b>Police Pension Fund</b>	<b>Fire Pension Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and short-term investments	\$ 3,045,118	\$ 7,854,443	\$ 10,899,561
Accrued interest	300,161	132,686	432,847
Long-term investments, at fair value:			
U.S. Government obligations	20,674,113	11,668,490	32,342,603
Mutual funds	40,724,597	8,564,110	49,288,707
Common stock	7,759,293	31,777,104	39,536,397
Certificate of deposits	-	445,642	445,642
Annuities	-	124,446	124,446
International bonds	217,259	-	217,259
Municipal bonds	2,479,161	1,135,654	3,614,815
Corporate bonds	<u>13,309,544</u>	<u>6,423,015</u>	<u>19,732,559</u>
Total long-term investments	<u>85,163,967</u>	<u>60,138,461</u>	<u>145,302,428</u>
<b>TOTAL ASSETS</b>	<b><u>\$88,509,246</u></b>	<b><u>\$68,125,590</u></b>	<b><u>\$ 156,634,836</u></b>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$88,509,246</u>	<u>\$68,125,590</u>	<u>\$ 156,634,836</u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 9 - EMPLOYEE RETIREMENT SYSTEMS – DEFINED BENEFIT PLANS (CONTINUED)**

F. Financial Statements (Continued)

	<b>Police Pension <u>Fund</u></b>	<b>Fire Pension <u>Fund</u></b>	<b><u>Total</u></b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,666,781	\$ 3,806,762	\$ 7,473,543
Plan member	<u>767,235</u>	<u>523,930</u>	<u>1,291,165</u>
Total contributions	<u>4,434,016</u>	<u>4,330,692</u>	<u>8,764,708</u>
Investment earnings:			
Interest and dividends	951,670	528,650	1,480,320
Net increase in the fair value of investments	<u>5,643,616</u>	<u>3,543,500</u>	<u>9,187,116</u>
Total investment income	6,595,286	4,072,150	10,667,436
Less investment expense	<u>130,576</u>	<u>79,168</u>	<u>209,744</u>
Net investment income	<u>6,464,710</u>	<u>3,992,982</u>	<u>10,457,692</u>
Total additions	<u>10,898,726</u>	<u>8,323,674</u>	<u>19,222,400</u>
<b>DEDUCTIONS</b>			
Benefits and refunds	4,081,000	4,193,482	8,274,482
Administrative expense	<u>50,037</u>	<u>46,660</u>	<u>96,697</u>
Total deductions	<u>4,131,037</u>	<u>4,240,142</u>	<u>8,371,179</u>
Change in net position	6,767,689	4,083,532	10,851,221
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>81,741,557</u>	<u>64,042,058</u>	<u>145,783,615</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$88,509,246</u></u>	<u><u>\$68,125,590</u></u>	<u><u>\$ 156,634,836</u></u>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 10 - CONTINGENT LIABILITIES**

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME, and Federal Transit Administration programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs for and including the year ended December 31, 2013, have not yet been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be insignificant.

The City, as landowner of an industrial center, has a potential environmental liability arising from the activities of various tenants at the site. The City has entered into a cost sharing agreement with three other parties to fund an investigation to determine the degree of each party's responsibility. While there is no current claim by any State, Federal, or local agency against the City, any such agency could take action to accelerate a clean up of the property. The City and its legal counsel believe that primary liability will rest with the prior owners. No estimate of the liability can be made at this time.

**NOTE 11 - LITIGATION**

There are several lawsuits pending against the City for various reasons. The outcome and eventual liability of the City, if any, in these cases are not known at this time and, accordingly, no specific provisions for these lawsuits are included in the financial statements. However, based upon past experience, management believes that the self-insurance funds and other insurance coverage maintained by the City are sufficient to cover any potential claims.

**NOTE 12 - COMMITMENTS**

The City has the following commitments:

- A. As a result of the City's involvement in the construction of the Civic Center building, the City and the Civic Center Authority entered into an intergovernmental cooperation agreement which included a negotiated 99 year rent-free lease for office space. The lease terms require the City to pay only utility and maintenance costs based on square footage occupied, which is approximately 40 percent of the space.

In applying the accounting standards related to accounting for leases, this lease should be capitalized due to its term and included in long-term debt. However, since these costs represent executory costs and are not quantifiable, the lease has not been capitalized and is classified as an operating lease. Also, since the costs are not quantifiable, the future minimum lease payments are not determinable.

The City pays an operating subsidy to the Civic Center Authority at the beginning of each fiscal year, in such amount to fund operations anticipated in the fiscal year. The operating subsidy is adjusted each year by the change in the consumer price index.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 12 - COMMITMENTS (CONTINUED)**

- B. On January 12, 2012, the City entered into a 3 year lease space agreement, retroactive to December 1, 2011, with the Decatur Public Building Commission (DPBC), with expiration on November 30, 2014, with annual lease periods from December 1 to the following November 30 of each year. No payments were made for the lease space agreement in the eight month period ending December 31, 2013.

In applying generally accepted accounting principles, the lease has been determined to be an operating lease and should not be capitalized. The lease has been classified as an operating lease since the fair value of the center cannot be objectively allocated (the City has an approximate 14 percent interest) and the estimated economic life of the center is estimated to be greater than 27 years.

In 2014, the City and the Decatur Public Building Commission reached agreement to amend the existing lease to allow for City exit from the agreement for the purpose of relocation to a new facility. The lease agreement will end upon City exit from the facility which is expected on or before June 15, 2014. The City will in the future continue to occupy certain space within the facility and as such has entered into a new one year term lease agreement commencing upon City exit from the current lease agreement.

Future minimum rental payments as of December 31, 2013, will be determined on a daily rate of occupancy for the period of occupancy up to the date of exit from the facility, and include the continued occupancy of certain space not vacated with the relocation. Future minimum rental payments are estimated as follows:

<b><u>Year Ending</u></b> <b><u>December 31</u></b>	<b><u>Amount</u></b>
2014	\$ 187,800

- C. In 1990, the City and the Sanitary District of Decatur (District) entered into intergovernmental agreements to rehabilitate South Broadway-Cantrell Streets sewer, Staley sewer, Spring Creek sewer, and West Mound sewer. The State of Illinois EPA issued a 20-year loan to the District. The City is contributing funds to the District to cover a portion of the District's loan payments. The last principal and interest payments will be made April 5, 2015. The City's share of the remaining payments at December 31, 2013 is as follows:

<b><u>Year Ending</u></b> <b><u>December 31</u></b>	<b><u>Amount</u></b>
2014	\$ 95,541
2015	<u>23,941</u>
<b>Total</b>	<b><u>\$ 119,482</u></b>

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 12 - COMMITMENTS (CONTINUED)**

D. Other Commitments:

At December 31, 2013, the City had contractual commitments of approximately \$3 million for capital improvement programs.

E. Future Commitments:

On March 4, 2014, the City has entered into a promissory note payable in an amount not to exceed \$1,500,000 for the financing of certain capital improvements to a leased facility to house the City Police Headquarters. The loan is a five year term with quarterly payments at an interest rate not to exceed 2.0%, with loan principal and interest payments commencing September, 2014. The loan will be draw-down based during the acquisition and installation of the financed equipment with final loan principal and repayment schedule determined at project completion, which is expected to occur in June, 2014.

On September 11, 2013, the City entered into a long term lease arrangement for space to house the City of Decatur Police Headquarters. Lease payments will begin upon occupancy of the building following construction and outfitting completion which is expected to occur on or before June 15, 2014. The lease is for 20 years with option to extend the lease for four (4) five (5) year terms, or an additional twenty 20 years. The initial annual lease payment will be \$505,841. Future minimum rental payments are estimated as follows.

<b><u>Year Ending December 31</u></b>	<b><u>Amount</u></b>
2014	\$ 295,074
2015	505,841
2016	505,841
2017	505,841
2018	505,841
2019-2023	2,645,127
2024-2028	2,777,383
2029-2034	<u>3,160,242</u>
<b>Total</b>	<b><u>\$ 10,901,190</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 13 - RISK MANAGEMENT**

The City is self-insured for worker's compensation, comprehensive general liability, employee dishonesty, property damage, medical, and unemployment compensation claims. The unemployment compensation is funded totally by the City. The medical program is insured for amounts above the self-insurance retention limits of \$200,000 per individual and approximately \$9,419,237 in the aggregate by an insurance carrier. The other programs are insured for amounts above the self-insurance retention limits of \$25,000 - \$500,000 by an insurance carrier. There have been no significant reductions in insurance coverage from the prior year. During the past three fiscal years, there have been no settlements that exceeded insurance coverage

Rates are developed annually to fund the self-insurance programs, both claims and administrative costs, in the self-insurance internal service fund. All funds and departments of the City are charged monthly thereafter based on their loss history and exposure.

The claims liability of \$3,733,815 at December 31, 2013 is based on the requirements of accounting standards related to Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability account for eight months ended December 31, 2013 and year ended April 30, 2013 were:

	<b>May 1, 2013 to December 31, 2013</b>	<b>May 1, 2012 to April 30, 2013</b>
Beginning of fiscal year liability	\$ 5,872,892	\$ 5,867,081
Current year claims and changes in estimates	1,560,667	7,700,017
Claims payments	<u>(3,699,744)</u>	<u>(7,694,206)</u>
<b>Total</b>	<b><u>\$ 3,733,815</u></b>	<b><u>\$ 5,872,892</u></b>

**NOTE 14 - RELATED PARTY TRANSACTIONS**

The City has an agreement with the Civic Center Authority whereby the City occupies a portion of the Civic Center Building as municipal offices and reimburses the Authority for its portion of occupancy related expenses.

The City is required to maintain the Authority's operating reserve fund at \$100,000. The City is required to replenish this fund whenever it falls below \$100,000. The Authority has not required this fund to be maintained at \$100,000, but reimbursement has been made as cash flow dictates. During 2013, the City contributed \$394,157 to the Authority.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 14 - RELATED PARTY TRANSACTIONS (CONTINUED)**

During 1999, the City entered into an agreement with the Authority to finance the replacement of the heating, ventilating and air conditioning system controls in the Civic Center Building. The agreement provided that the City pay the entire cost of the replacement contract of \$189,112, and that the Authority will pay the City \$112,000 in annual installments of \$16,000, no interest, over seven years beginning January 2, 1999. The receivable from the Authority was recorded at present value using a 7% discount factor. In 2013, the receivable balance of \$54,195, was forgiven by the City and converted it to a contribution. This was a noncash transaction.

During 2000, the City entered into an agreement with the Authority to finance any repairs necessary to upkeep the facility as determined by the architects. Roof replacement and tuckpointing repairs were completed in 2000. The City has an agreement that the City pay the entire cost of \$451,961, and the Authority will pay the City \$264,899 in annual installments of \$25,000, no interest, until paid off beginning January 2, 2001. The receivable from the Authority was recorded at present value using a 7% discount factor. In 2013, the receivable balance of \$170,429, was forgiven by the City and converted to a contribution. This was a noncash transaction.

**NOTE 15 - FUND EQUITY**

The following funds had a deficit net position at December 31, 2013:

Self-Insurance Fund	\$ 241,814
Recycling Fund	\$ 133,873

The above deficits are expected to be eliminated from future revenues and/or transfers.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS**

**A. Plan Description**

In addition to providing the pension benefits described in Note 9, the City provides postemployment health care benefits (OPEB) for retired employees through a single-employer defined benefit plan (Retiree Healthcare Program). The benefits, benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is reported in the City's governmental and business-type activities.

**B. Benefits Provided**

The City provides continued health insurance coverage at the active employee rate to all eligible employees in accordance with Illinois statutes, which creates an implicit subsidy of retiree health insurance. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans. Upon a retiree reaching age 65 years of age, Medicare becomes the primary insurer and the retiree can choose to not participate in the plan or continue under the City's plan at a Medicare Supplement rate.

**C. Membership**

The City's Retiree Healthcare Program includes three employee groups: Fire, Police and all other City, which are the same as those used for the pension plan.

At May 1, 2013, membership consisted of:

Retirees and beneficiaries currently receiving benefits	115
Active employees	<u>517</u>
<b>Total</b>	<b><u>632</u></b>
<b>Participating employers</b>	<b><u>1</u></b>

**D. Funding Policy**

The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

Premium cost sharing arrangements vary depending on the bargaining unit and date of retirement. Qualified retirees pay 100 percent of the premium cost for single and dependent coverage.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**E. Annual OPEB Costs and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of generally accepted accounting principles. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City had an actuarial valuation performed for the plan as of May 1, 2013 to determine the funded status of the plan as of that date as well as the City's annual required contribution (ARC) for the fiscal year ended December 31, 2013. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 was as follows:

	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 426,279	\$ 615,514	144.39%	\$1,114,868
April 30, 2013	\$ 650,755	\$ 447,574	68.8%	\$1,304,103
April 30, 2012	\$ 736,645	\$ 632,427	85.9%	\$1,100,922

The net OPEB obligation as of May 1, 2013 (most recent information available), was calculated as follows:

Annual required contribution	\$ 459,867
Interest on net prior year OPEB obligation	39,123
Adjustment to annual required contribution	<u>(72,711)</u>
Annual OPEB cost	426,279
Contributions made	<u>615,514</u>
Increase in net OPEB obligation	(189,235)
Net OPEB obligation, beginning of year	<u>1,304,103</u>
<b>Net OPEB obligation, end of year</b>	<b><u>\$ 1,114,868</u></b>

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**E. Annual OPEB Costs and Net OPEB Obligation (Continued)**

Funded Status and Funding Progress. The funded status of the plan as of May 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 7,947,700
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	7,947,700
Funded ratio (actuarial value of plan assets/AAL)	0.00%
Covered payroll (active plan members)	34,448,698
UAAL as a percentage of covered payroll	23.1%

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. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions. 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. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Information related to OPEB is as follows:

Employer cost or contribution is determined by the difference between the health care cost assumption and the amount of the retiree contribution. Employees contribute 100% toward cost plan.

Annual contribution	\$ 459,867
Contribution made	\$ 615,514
Actuarial valuation date	5/1/2013
Actuarial cost method	Projected unit credit cost method
Amortization method	Level % of pay method
Amortization period	25 years
Asset valuation method	N/A

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 16 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

Actuarial Assumptions:

Discount rate	3%
Projected salary increase	N/A
Healthcare trend rate	6.50% in 2013; 4.50% ultimate
Cost of living adjustment	N/A

The actuarial value of assets was not determined as the City has not advance funded its obligation.

**NOTE 17 - LEASES**

The City has entered into various lease agreements as lessee for financing of vehicles which included a fire truck, police patrol vehicles, a police SUV, a sewer truck, and a water truck. All five leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception.

**Assets**

Fire truck	\$ 947,850
Patrol vehicles	203,411
Police SUV	23,911
Water truck	33,988
Sewer truck	321,998
Less accumulated depreciation	<u>(189,522)</u>
<b>Total</b>	<b><u>\$ 1,344,636</u></b>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2013 were as follows:

	<b>Future Minimum Lease Payments</b>					<b>Total</b>
	<b><u>Fire Truck</u></b>	<b><u>Patrol Vehicles</u></b>	<b><u>Police SUV</u></b>	<b><u>Sewer Truck</u></b>	<b><u>Water Truck</u></b>	
2014	\$ 148,544	\$ 83,174	\$ 6,980	\$ 67,795	\$ 7,144	\$ 313,637
2015	148,544	62,382	6,980	67,795	7,144	292,845
2016	148,544	-	6,980	67,795	7,145	230,464
2017	148,544	-	3,469	67,795	7,145	226,953
2018	<u>148,104</u>	<u>-</u>	<u>-</u>	<u>50,868</u>	<u>3,548</u>	<u>202,520</u>
Minimum lease payments	742,280	145,556	24,409	322,048	32,126	1,266,419
Less amount of interest	<u>(49,970)</u>	<u>(2,326)</u>	<u>(769)</u>	<u>(15,633)</u>	<u>(1,397)</u>	<u>(70,095)</u>
<b>Total</b>	<b><u>\$ 692,310</u></b>	<b><u>\$ 143,230</u></b>	<b><u>\$ 23,640</u></b>	<b><u>\$ 306,415</u></b>	<b><u>\$ 30,729</u></b>	<b><u>\$ 1,196,324</u></b>

**CITY OF DECATUR, ILLINOIS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013**

**NOTE 18 - RESTATEMENT OF NET POSITION**

The City adopted a new accounting standard to conform with generally accepted accounting principles. The statement adopted requiring restatement of net position was Governmental Accounting Standards Board (GASB) Statement 65, *Items Previously Reported as Assets and Liabilities*. With the implementation of the new GASB pronouncement, assets related to bond issuance costs that were previously being amortized are now being expensed.

Accordingly, the City's net position as of May 1, 2013 has been restated as follows:

	<b><u>Governmental Activities</u></b>
Net position, May 1, 2013, as previously reported	\$ 30,725,161
Adjustment to reflect implementation of GASB Pronouncement	<u>(1,107,104)</u>
<b>Net position, May 1, 2013, as restated</b>	<b><u>\$ 29,618,057</u></b>

**NOTE 19 - SUBSEQUENT EVENTS**

On April 8, 2014, the City sold General Obligation Bonds Series 2014 with par value amount of \$24,055,000 for the purpose to finance the capital cost of the 1st phase of the dredging of Lake Decatur. The Bonds are twenty (20) year issue with maturity date of March 1, 2034, with coupon rates of 3-5% over the period. Annual principal payments are due March 1 of each year, commencing on March 1, 2015, with interest payments due on September 1 of each year.

This information is an integral part of the accompanying financial statements.



### **III Required Supplementary Information**

**CITY OF DECATUR, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS  
Year Ended December 31, 2013**

	Actuarial Value of Assets <u>(a)</u>	Actuarial Liability (AAL) Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
<b><u>IMRF</u></b>						
2013	\$ 31,837,916	\$ 41,991,704	\$ 10,153,788	75.8%	\$ 14,332,687	70.8%
2012	29,496,482	41,931,058	12,434,576	70.3%	14,099,181	88.2%
2011	28,262,038	40,581,866	12,319,828	69.6%	13,665,271	90.2%
2010	27,195,156	38,997,358	11,802,202	69.7%	14,010,076	84.2%
2009	26,009,239	37,331,787	11,322,548	69.7%	15,469,723	73.2%
2008	32,983,627	42,879,285	9,895,658	76.9%	15,636,313	63.3%
2007	40,110,028	36,941,811	(3,168,217)	108.6%	13,301,974	0.0%
<b><u>*Police Pension</u></b>						
2013	\$ 84,736,571	\$ 122,268,612	\$ 37,532,041	69.3%	\$ 11,664,930	321.8%
2012	80,384,994	114,870,605	34,485,611	70.0%	11,400,232	302.5%
2011	74,407,671	112,627,195	38,219,524	66.1%	10,626,984	359.6%
2010	70,348,106	110,125,805	39,777,699	63.9%	11,040,825	360.3%
2009	68,889,401	102,697,489	33,808,088	67.1%	11,214,984	301.5%
2008	66,058,169	98,045,970	31,987,801	67.4%	9,872,894	324.0%
2007	64,965,624	88,733,350	23,767,726	73.2%	9,474,589	250.9%
<b><u>*Firefighter's Pension</u></b>						
2013	\$ 67,666,146	\$ 108,864,374	\$ 41,198,228	62.2%	\$ 8,451,621	487.4%
2012	64,880,063	105,304,548	40,424,485	61.6%	8,178,211	494.3%
2011	60,477,614	102,073,330	41,595,716	59.2%	7,942,070	523.7%
2010	58,035,930	96,531,895	38,495,965	60.1%	8,148,301	472.4%
2009	57,852,069	91,703,077	33,851,008	63.1%	8,119,535	416.9%
2008	57,057,466	83,723,383	26,665,917	68.2%	6,639,308	401.6%
2007	56,101,465	78,757,103	22,655,638	71.2%	6,464,348	350.5%
<b><u>OPEB</u></b>						
2013	\$ -	\$ 7,948,000	\$ 7,948,000	0.0%	\$ 34,448,698	23.1%
2012	-	8,068,000	8,068,000	0.0%	33,677,624	24.0%
2011	-	8,475,000	8,475,000	0.0%	32,234,325	26.3%
2010	-	8,528,800	8,528,800	0.0%	33,199,202	25.7%
2009	-	10,119,000	10,119,000	0.0%	34,804,242	29.1%
2008	-	8,760,000	8,760,000	0.0%	32,148,515	27.3%

\*Effective with the actuarial valuation for the fiscal year beginning May 1, 2009, the actuarial value of asset method was changed from the adjusted market value of asset method to an asset method with 3-year recognition of investment gains/losses different than expected.

**CITY OF DECATUR, ILLINOIS  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF EMPLOYER CONTRIBUTIONS  
Eight Months Ended December 31, 2013**

	<b><u>Annual Required Contribution</u></b>	<b><u>Percentage Contributed</u></b>
<b>POLICE PENSION FUND</b>		
2013	\$ 3,767,058	99.89%
2012	3,845,178	102.40%
2011	3,982,535	76.60%
2010	3,080,287	103.00%
2009	3,777,600	85.80%
2008	2,968,274	100.00%
2007	2,890,037	100.00%
<b>FIREFIGHTERS' PENSION FUND</b>		
2013	\$ 4,073,462	91.91%
2012	3,826,058	102.10%
2011	3,951,668	82.50%
2010	3,277,075	98.00%
2009	3,434,550	95.30%
2008	2,992,651	100.00%
2007	3,069,618	100.00%
<b>IMRF</b>		
2013	\$ 1,932,046	84.00%
2012	1,845,583	79.00%
2011	1,749,155	73.00%
2010	1,730,244	69.00%
2009	143,868	100.00%
2008	1,246,214	100.00%
2007	1,324,877	100.00%
<b>OPEB</b>		
12/31/13	\$ 460,000	133.90%
4/30/13	678,000	66.10%
2012	758,500	83.40%
2011	741,700	68.70%
2010	834,400	42.89%
2009	744,600	58.22%

**CITY OF DECATUR, ILLINOIS**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**GENERAL ACCOUNT**  
**Eight Months Ended December 31, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 14,099,521	\$ 14,099,521	\$ 13,369,835	\$ (729,686)
Charges for service	3,196,229	3,196,229	2,999,899	(196,330)
Investment income and net increase in fair value of investments	15,914	16,114	659	(15,455)
Intergovernmental	22,649,689	22,880,359	21,312,668	(1,567,691)
Licenses and permits	718,812	718,812	607,026	(111,786)
Fines and fees	993,160	935,160	844,352	(90,808)
Other revenue	<u>1,068,976</u>	<u>1,106,076</u>	<u>976,863</u>	<u>(129,213)</u>
Total revenues	<u>42,742,301</u>	<u>42,952,271</u>	<u>40,111,302</u>	<u>(2,840,969)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Legislative	42,617	54,203	44,588	9,615
Executive	365,720	371,890	363,904	7,986
Management services	563,473	585,824	557,048	28,776
Legal	634,133	637,893	561,556	76,337
Financial management	1,431,365	1,597,259	1,393,132	204,127
Police	17,120,186	18,139,334	17,239,652	899,682
Fire	12,036,465	12,695,381	11,832,593	862,788
Planning and neighborhood services	3,281,282	3,515,417	2,238,896	1,276,521
Public works	6,754,349	7,641,716	6,189,404	1,452,312
Other non-departmental charges	<u>1,570,900</u>	<u>2,369,275</u>	<u>1,611,885</u>	<u>757,390</u>
Total expenditures	<u>43,800,490</u>	<u>47,608,192</u>	<u>42,032,658</u>	<u>5,575,534</u>
Deficiency of revenues over expenditures	<u>(1,058,189)</u>	<u>(4,655,921)</u>	<u>(1,921,356)</u>	<u>2,734,565</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	-	-	53,948	53,948
Transfers in	821,473	2,977,388	1,159,055	(1,818,333)
Transfers out	<u>(881,864)</u>	<u>(881,864)</u>	<u>(821,540)</u>	<u>60,324</u>
Total other financing sources (uses)	<u>(60,391)</u>	<u>2,095,524</u>	<u>391,463</u>	<u>(1,704,061)</u>
Deficiency of revenues over expenditures and other financing sources (uses)	<u>\$ (1,118,580)</u>	<u>\$ (2,560,397)</u>	<u>(1,529,893)</u>	<u>\$ 1,030,504</u>
<b>NET CHANGES IN BUDGETARY BASIS TO GAAP BASIS</b>			<u>(1,064,681)</u>	
Deficiency of revenues over expenditures and other financing sources - GAAP basis			(2,594,574)	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			<u>9,932,161</u>	
<b>FUND BALANCE, END OF YEAR</b>			<u>\$ 7,337,587</u>	

**CITY OF DECATUR, ILLINOIS**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**LIBRARY FUND**  
**Eight Months Ended December 31, 2013**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance from Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Taxes	\$ 2,940,000	\$ 2,940,000	\$ 2,903,736	\$ (36,264)
Investment income and net increase in fair value of investments	-	-	183	183
Intergovernmental	125,000	125,000	96,627	(28,373)
Fines and fees	61,100	61,100	39,202	(21,898)
Other revenue	17,000	17,000	6,867	(10,133)
Total revenues	3,143,100	3,143,100	3,046,615	(96,485)
<b>EXPENDITURES</b>				
<b>Current:</b>				
Culture and recreation	2,944,589	2,944,589	2,390,981	553,608
Excess of revenues over expenditures	198,511	198,511	655,634	457,123
<b>OTHER FINANCING SOURCES</b>				
Transfers in	175,608	175,608	175,608	-
Excess of revenues over expenditures and other financing sources	\$ 374,119	\$ 374,119	831,242	\$ 457,123
<b>NET CHANGES IN BUDGETARY BASIS TO GAAP</b>			38,965	
Excess of revenues over expenditures and other financing sources - GAAP basis			870,207	
<b>FUND BALANCE, BEGINNING OF YEAR</b>			84,711	
<b>FUND BALANCE, END OF YEAR</b>			\$ 954,918	

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2013**

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

**BASIS OF ACCOUNTING**

The accompanying budgetary schedules are prepared on the cash basis of accounting.

**APPROPRIATED BUDGET AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The annual budget is legally adopted by Council Resolution through the budgetary process on an annual fiscal year basis for the general fund, special revenue funds, TIF redevelopment funds, debt service funds, capital project funds, enterprise funds, internal service funds, and trust and agency funds.
2. The process is initiated in September of each year, with departmental requests presented in October to the Budget Review Committee comprised of the City Manager, City Treasurer and Director of Finance.
3. The City Manager's proposed and balanced executive budget is presented to the City Council during November with a public hearing and final adoption taking place prior to December 31<sup>st</sup> of each year.
4. The appropriated budget is legally enacted through the passage of an Appropriation Ordinance before the end of March of each year, in accordance with State of Illinois statutory requirements. The Appropriation Ordinance may include changes from the approved budget and is adopted upon City Council passage after an additional public hearing.
5. Both the appropriated budget and Appropriation Ordinance are prepared on a cash basis which is not in accordance with Generally Accepted Accounting Principles (GAAP). The Budget to Actual schedules included in Required Supplementary Information include the amounts of timing differences necessary to reconcile the non-GAAP actual to GAAP actual fund balances for the General Fund and major Special Revenue Fund.
6. The level of budgetary control is by Fund. Therefore, expenditures cannot legally exceed appropriations beyond this level.
7. Supplemental appropriation ordinances may be passed by the City Council, as required to appropriate new spending for expenditure not contemplated in the fiscal year appropriation ordinance, with funding provided by a new revenue source or expended from fund balance reserves.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF ACCOUNTING** (Continued)

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no governmental funds that had actual expenditures/expenses in excess of the appropriated amount for the eight months ended December 31, 2013.



## **IV    Supplementary Information**

### **Governmental Funds**

## NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds** are used to account for revenues from specific taxes or other earmarked revenue sources which, by statute, charter provision, or local ordinance, are designated to finance particular functions or activities of the government as follows:

The HOME Fund accounts for federal funds used in a revolving loan program for subsidizing the purchase by first time buyers of homes within designated areas of the City.

Community Development Block Grant (CDBG) Fund accounts for entitlement revenues from the U.S. Department of Housing and Urban Development (HUD) and designated expenditures in the areas of housing and neighborhood revitalization, public facilities improvement, and economic development.

The TIF Fund accounts for the tax increment financing for capital improvements in declining areas.

The Drug Enforcement Fund accounts for revenues received through drug seizure forfeitures and expenditures to enhance law enforcement efforts.

The Municipal Band Fund accounts for revenues, including property taxes levied for this activity, and expenditures for the City's Municipal Band.

The PEG Fund accounts for revenues received for franchise rights granted allowing the installation and operation of cable communication networks and expenditures for the operation of the Public Education and Governmental television station.

The Motor Fuel Tax Fund accounts for revenues, including the City's motor fuel tax allotment from the State, and expenditures for street improvements and traffic light maintenance.

**Capital Projects Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

The Capital Projects Fund accounts for continuous capital projects, which are financed primarily from intergovernmental revenues, charges for service, and investment income. This fund accounts for revenues and expenditures for numerous related capital projects.

The 2008 Project Fund is used to account for capital improvements that are financed by the proceeds from the 2008A General Obligation Bonds.

The 2010 Project Fund is used to account for capital improvements that are financed by the proceeds from the 2010 General Obligations Bonds.

**CITY OF DECATUR, ILLINOIS**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 1,279,084	\$ 1,263,366	\$ (15,718)
Investment income	-	597	597
Other revenue	<u>515,965</u>	<u>474,946</u>	<u>(41,019)</u>
Total revenues	<u>1,795,049</u>	<u>1,738,909</u>	<u>(56,140)</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	72,787	72,787	-
<b>Debt Service:</b>			
Principal retirement	3,725,000	3,725,000	-
Interest and fiscal charges	<u>2,969,577</u>	<u>2,969,225</u>	<u>352</u>
Total expenditures	<u>6,767,364</u>	<u>6,767,012</u>	<u>352</u>
Deficiency of revenues over expenditures	(4,972,315)	(5,028,103)	(55,788)
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>7,098,121</u>	<u>7,246,484</u>	<u>148,363</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>	<u>\$ 2,125,806</u>	<u>\$ 2,218,381</u>	<u>\$ 92,575</u>

**CITY OF DECATUR, ILLINOIS  
GENERAL FUND  
COMBINING BALANCE SHEET  
December 31, 2013**

	<u>General Account</u>	<u>IMRF</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,008,688	\$ -	\$ 3,008,688
Receivables:			
Property taxes, net	7,535,555	-	7,535,555
Illinois municipal sales tax	6,043,492	-	6,043,492
Other taxes	3,113,864	-	3,113,864
Due from other funds	250,000	-	250,000
Due from other governments	145,086	-	145,086
Due from component unit	0	-	0
Accounts receivable	204,232	-	204,232
Other	60,706	-	60,706
Prepaid items	9,635	-	9,635
Inventories	16,781	-	16,781
<b>TOTAL ASSETS</b>	<u>\$ 20,388,039</u>	<u>\$ -</u>	<u>\$ 20,388,039</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 642,335	\$ -	\$ 642,335
Other accrued liabilities	1,764,552	-	1,764,552
Unearned revenue	3,108,010	-	3,108,010
<b>Total liabilities</b>	<u>5,514,897</u>	<u>-</u>	<u>5,514,897</u>
<b>Deferred Inflows of Resources:</b>			
Subsequent year's property taxes	7,535,555	-	7,535,555
<b>Fund Balances:</b>			
Nonspendable:			
Prepaid items	9,635	-	9,635
Inventories	16,781	-	16,781
Unassigned	7,311,171	-	7,311,171
<b>Total fund balances</b>	<u>7,337,587</u>	<u>-</u>	<u>7,337,587</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 20,388,039</u>	<u>\$ -</u>	<u>\$ 20,388,039</u>

**CITY OF DECATUR, ILLINOIS**  
**GENERAL FUND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Eight Months Ended December 31, 2013**

	<u>General Account</u>	<u>IMRF</u>	<u>Total</u>
<b>REVENUES</b>			
Taxes	\$ 20,205,970	\$ -	\$ 20,205,970
Charges for service	2,998,948	-	2,998,948
Investment income and net increase in fair value of investments	659	-	659
Intergovernmental	14,496,052	-	14,496,052
Licenses and permits	607,026	-	607,026
Fines and fees	802,359	-	802,359
Other revenue	<u>1,034,224</u>	<u>-</u>	<u>1,034,224</u>
Total revenues	<u>40,145,238</u>	<u>-</u>	<u>40,145,238</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	7,050,926	1,847	7,052,773
Public safety	29,611,707	-	29,611,707
Highways and streets	<u>6,468,571</u>	<u>-</u>	<u>6,468,571</u>
Total expenditures	<u>43,131,204</u>	<u>1,847</u>	<u>43,133,051</u>
Deficiency of revenues over expenditures	<u>(2,985,966)</u>	<u>(1,847)</u>	<u>(2,987,813)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	53,877	-	53,877
Transfers in	1,159,055	-	1,159,055
Transfers out	<u>(821,540)</u>	<u>-</u>	<u>(821,540)</u>
Total other financing sources (uses)	<u>391,392</u>	<u>-</u>	<u>391,392</u>
Net change in fund balances	(2,594,574)	(1,847)	(2,596,421)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>9,932,161</u>	<u>1,847</u>	<u>9,934,008</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 7,337,587</u>	<u>\$ -</u>	<u>\$ 7,337,587</u>

**CITY OF DECATUR, ILLINOIS  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
December 31, 2013**

	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 4,296,590	\$ 2,752,445	\$ 7,049,035
Receivables:			
Property taxes, net	58,860	-	58,860
Other taxes	89,524	-	89,524
Due from other governments	524,872	-	524,872
Accounts receivable	4,431	135,240	139,671
Other receivable	-	15,389	15,389
Notes receivable	351,407	-	351,407
<b>TOTAL ASSETS</b>	<u>\$ 5,325,684</u>	<u>\$ 2,903,074</u>	<u>\$ 8,228,758</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 429,220	\$ 213,146	\$ 642,366
Contracts payable	-	327,450	327,450
Other accrued liabilities	509,539	-	509,539
Unearned revenue	34,273	-	34,273
<b>Total liabilities</b>	<u>973,032</u>	<u>540,596</u>	<u>1,513,628</u>
<b>Deferred Inflows of Resources:</b>			
Subsequent year's property taxes	58,860	-	58,860
<b>Fund Balances:</b>			
Restricted:			
Transportation and highway	2,727,791	-	2,727,791
Culture and recreation	267,174	-	267,174
Court services and public safety	627,711	-	627,711
Economic development	671,116	-	671,116
Capital projects	-	2,362,478	2,362,478
<b>Total fund balances</b>	<u>4,293,792</u>	<u>2,362,478</u>	<u>6,656,270</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 5,325,684</u>	<u>\$ 2,903,074</u>	<u>\$ 8,228,758</u>

**CITY OF DECATUR, ILLINOIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Eight Months Ended December 31, 2013**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<b>REVENUES</b>			
Taxes	\$ 1,816,647	\$ -	\$ 1,816,647
Investment income and net increase in fair value of investments	1,026	4,211	5,237
Intergovernmental	2,268,803	145,513	2,414,316
Fines and fees	298,684	432	299,116
Other revenue	482,763	147,647	630,410
Total revenues	4,867,923	297,803	5,165,726
<b>EXPENDITURES</b>			
<b>Current:</b>			
General government	351,091	-	351,091
Public safety	154,360	-	154,360
Culture and recreation	81,791	-	81,791
Highways and streets	2,986,257	5,332,916	8,319,173
<b>Debt Service:</b>			
Interest and other charges	-	1,523	1,523
Total expenditures	3,573,499	5,334,439	8,907,938
Excess (deficiency) of revenues over expenditures	1,294,424	(5,036,636)	(3,742,212)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	278,512	500,000	778,512
Transfers out	(2,170,816)	(422,393)	(2,593,209)
Total other financing sources (uses)	(1,892,304)	77,607	(1,814,697)
Net change in fund balances	(597,880)	(4,959,029)	(5,556,909)
<b>FUND BALANCES, BEGINNING OF YEAR</b>	4,891,672	7,321,507	12,213,179
<b>FUND BALANCES, END OF YEAR</b>	\$ 4,293,792	\$ 2,362,478	\$ 6,656,270

**CITY OF DECATUR, ILLINOIS  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
December 31, 2013**

	<u>HOME Fund</u>	<u>CDBG Fund</u>	<u>TIF Fund</u>	<u>Drug Enforcement Fund</u>	<u>Municipal Band Fund</u>	<u>PEG Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Total</u>
<b>ASSETS</b>								
Cash and investments	\$ 223,094	\$ 1,985	\$ 377,824	\$ 1,142,156	\$ 6,288	\$ 262,936	\$ 2,282,307	\$ 4,296,590
Receivables:								
Account receivable, net	-	-	-	-	-	-	4,431	4,431
Property taxes, net	-	-	-	-	58,860	-	-	58,860
Other taxes	-	-	89,524	-	-	-	-	89,524
Due from other governments	-	1,008	-	-	-	-	523,864	524,872
Notes receivable	<u>343,528</u>	<u>7,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,407</u>
<b>TOTAL ASSETS</b>	<u>\$ 566,622</u>	<u>\$ 10,872</u>	<u>\$ 467,348</u>	<u>\$ 1,142,156</u>	<u>\$ 65,148</u>	<u>\$ 262,936</u>	<u>\$ 2,810,602</u>	<u>\$ 5,325,684</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 37	\$ 1,009	\$ 342,839	\$ 4,906	\$ 1,511	\$ 539	\$ 78,379	\$ 429,220
Other accrued liabilities	-	-	-	509,539	-	-	-	509,539
Unearned revenue	<u>-</u>	<u>-</u>	<u>29,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,432</u>	<u>34,273</u>
Total liabilities	<u>37</u>	<u>1,009</u>	<u>372,680</u>	<u>514,445</u>	<u>1,511</u>	<u>539</u>	<u>82,811</u>	<u>973,032</u>
<b>Deferred Inflows of Resources:</b>								
Subsequent year's property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,860</u>	<u>-</u>	<u>-</u>	<u>58,860</u>
<b>Fund Balances:</b>								
Restricted:								
Transportation and highway	-	-	-	-	-	-	2,727,791	2,727,791
Culture and recreation	-	-	-	-	4,777	262,397	-	267,174
Court services and public safety	-	-	-	627,711	-	-	-	627,711
Economic development	<u>566,585</u>	<u>9,863</u>	<u>94,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,116</u>
Total fund balance	<u>566,585</u>	<u>9,863</u>	<u>94,668</u>	<u>627,711</u>	<u>4,777</u>	<u>262,397</u>	<u>2,727,791</u>	<u>4,293,792</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 566,622</u>	<u>\$ 10,872</u>	<u>\$ 467,348</u>	<u>\$ 1,142,156</u>	<u>\$ 65,148</u>	<u>\$ 262,936</u>	<u>\$ 2,810,602</u>	<u>\$ 5,325,684</u>

**CITY OF DECATUR, ILLINOIS**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Eight Months Ended December 31, 2013**

	<u>HOME Fund</u>	<u>CDBG Fund</u>	<u>TIF Fund</u>	<u>Drug Enforcement Fund</u>	<u>Municipal Band Fund</u>	<u>PEG Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Total</u>
<b>REVENUES</b>								
Taxes	\$ -	\$ -	1,758,537	\$ -	\$ 58,110	\$ -	\$ -	\$ 1,816,647
Investment income and net increase in fair value of investments	-	-	91	193	1	-	741	1,026
Intergovernmental	53,739	664,039	94,438	-	-	-	1,456,587	2,268,803
Fines and fees	-	-	-	298,684	-	-	-	298,684
Other revenue	25,672	-	-	23,176	6,313	52,628	374,974	482,763
Total revenues	<u>79,411</u>	<u>664,039</u>	<u>1,853,066</u>	<u>322,053</u>	<u>64,424</u>	<u>52,628</u>	<u>1,832,302</u>	<u>4,867,923</u>
<b>EXPENDITURES</b>								
<b>Current:</b>								
General government	1,364	161,795	187,932	-	-	-	-	351,091
Public safety	-	-	-	154,360	-	-	-	154,360
Culture and recreation	-	-	-	-	66,529	15,262	-	81,791
Highways and streets	-	-	-	-	-	-	2,986,257	2,986,257
Total expenditures	<u>1,364</u>	<u>161,795</u>	<u>187,932</u>	<u>154,360</u>	<u>66,529</u>	<u>15,262</u>	<u>2,986,257</u>	<u>3,573,499</u>
Excess (deficiency) of revenues over expenditures	<u>78,047</u>	<u>502,244</u>	<u>1,665,134</u>	<u>167,693</u>	<u>(2,105)</u>	<u>37,366</u>	<u>(1,153,955)</u>	<u>1,294,424</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	-	-	275,000	-	3,512	-	-	278,512
Transfers out	(51,896)	(479,854)	(1,366,376)	-	-	-	(272,690)	(2,170,816)
Total other financing sources (uses)	<u>(51,896)</u>	<u>(479,854)</u>	<u>(1,091,376)</u>	<u>-</u>	<u>3,512</u>	<u>-</u>	<u>(272,690)</u>	<u>(1,892,304)</u>
Net change in fund balances	26,151	22,390	573,758	167,693	1,407	37,366	(1,426,645)	(597,880)
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>								
	<u>540,434</u>	<u>(12,527)</u>	<u>(479,090)</u>	<u>460,018</u>	<u>3,370</u>	<u>225,031</u>	<u>4,154,436</u>	<u>4,891,672</u>
<b>FUND BALANCES, END OF YEAR</b>								
	<u>\$ 566,585</u>	<u>\$ 9,863</u>	<u>\$ 94,668</u>	<u>\$ 627,711</u>	<u>\$ 4,777</u>	<u>\$ 262,397</u>	<u>\$ 2,727,791</u>	<u>\$ 4,293,792</u>

**CITY OF DECATUR, ILLINOIS**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Federal grant	\$ 1,341,838	\$ 702,306	\$ (639,532)
<b>EXPENDITURES</b>			
<b>General Government:</b>			
Public services	732,850	200,080	532,770
Contractual services	42,930	6,804	36,126
Commodities	1,400	973	427
Other charges	<u>5,000</u>	<u>1,118</u>	<u>3,882</u>
Total expenditures	<u>782,180</u>	<u>208,975</u>	<u>573,205</u>
Excess of revenues over expenditures	<u>559,658</u>	<u>493,331</u>	<u>(66,327)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	4,200	606	(3,594)
Transfers out	<u>(563,858)</u>	<u>(479,854)</u>	<u>84,004</u>
Total other financing sources (uses)	<u>(559,658)</u>	<u>(479,248)</u>	<u>80,410</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES )</b>	<u>\$ -</u>	<u>\$ 14,083</u>	<u>\$ 14,083</u>

**CITY OF DECATUR, ILLINOIS**  
**HOME FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Federal grants	\$ 849,266	\$ 53,739	\$ (795,527)
Loan repayment	<u>50,000</u>	<u>51,751</u>	<u>1,751</u>
Total revenues	<u>899,266</u>	<u>105,490</u>	<u>(793,776)</u>
<b>EXPENDITURES</b>			
<b>General Government:</b>			
Economic and urban development	<u>872,129</u>	<u>1,620</u>	<u>870,509</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(27,137)</u>	<u>(51,896)</u>	<u>(24,759)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ -</u>	<u>\$ 51,974</u>	<u>\$ 51,974</u>

**CITY OF DECATUR, ILLINOIS**  
**TIF DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 1,807,000	\$ 1,638,351	\$ (168,649)
Sales tax	201,398	183,641	(17,757)
Investment income	<u>437</u>	<u>91</u>	<u>(346)</u>
Total revenues	2,008,835	1,822,083	(186,752)
<b>EXPENDITURES</b>			
<b>General Government:</b>			
Economic and urban development	<u>594,841</u>	<u>187,932</u>	<u>406,909</u>
Excess of revenues over expenditures	<u>1,413,994</u>	<u>1,634,151</u>	<u>220,157</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	309,954	275,000	(34,954)
Transfers out	<u>(1,633,100)</u>	<u>(1,366,376)</u>	<u>266,724</u>
Total other financing sources (uses)	<u>(1,323,146)</u>	<u>(1,091,376)</u>	<u>231,770</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ 90,848</u>	<u>\$ 542,775</u>	<u>\$ 451,927</u>

**CITY OF DECATUR, ILLINOIS  
DRUG ENFORCEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
CASH BASIS (NON-GAAP) BUDGET AND ACTUAL  
Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Investment income	\$ 800	\$ 193	\$ (607)
Fines and fees	202,000	298,684	96,684
Other revenue	<u>-</u>	<u>23,176</u>	<u>23,176</u>
Total revenues	202,800	322,053	119,253
<b>EXPENDITURES</b>			
Public safety	<u>370,644</u>	<u>154,360</u>	<u>216,284</u>
<b>EXCESS (DEFICIENCY) OF REVENUES EXPENDITURES</b>	<u>\$ (167,844)</u>	<u>\$ 167,693</u>	<u>\$ 335,537</u>

**CITY OF DECATUR, ILLINOIS**  
**MUNICIPAL BAND FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 58,800	\$ 58,110	\$ (690)
Investment income	-	1	1
Other revenue	<u>1,280</u>	<u>6,313</u>	<u>5,033</u>
Total revenues	60,080	64,424	4,344
<b>EXPENDITURES</b>			
Culture and recreation	<u>65,068</u>	<u>66,529</u>	<u>(1,461)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfer in	<u>3,512</u>	<u>3,512</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>\$ (1,476)</u>	<u>\$ 1,407</u>	<u>\$ 2,883</u>

**CITY OF DECATUR, ILLINOIS**  
**PEG FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Investment income	\$ -	\$ 47	\$ 47
Other revenue	<u>50,000</u>	<u>52,581</u>	<u>2,581</u>
Total revenues	50,000	52,628	2,628
<b>EXPENDITURES</b>			
Culture and recreation	<u>65,000</u>	<u>15,262</u>	<u>49,738</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (15,000)</u>	<u>\$ 37,366</u>	<u>\$ 52,366</u>

**CITY OF DECATUR, ILLINOIS**  
**MOTOR FUEL TAX FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance from Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Investment income	\$ -	\$ 741	\$ 741
Intergovernmental:			
Motor fuel tax	1,200,000	1,235,376	35,376
Other	700,543	43,604	(656,939)
Other revenue	16,000	374,974	358,974
 Total revenues	 1,916,543	 1,654,695	 (261,848)
<b>EXPENDITURES</b>			
<b>Highways and streets:</b>			
Maintenance of traffic lights and streets	4,711,096	3,675,327	1,035,769
 Deficiency of revenues over expenditures	 (2,794,553)	 (2,020,632)	 773,921
<b>OTHER FINANCING USES</b>			
Transfers out	(268,868)	(272,690)	(3,822)
 <b>DEFICIENCY OF REVENUE OVER EXPENDITURES AND OTHER FINANCING USES</b>	 <b>\$ (3,063,421)</b>	 <b>\$ (2,293,322)</b>	 <b>\$ 770,099</b>

**CITY OF DECATUR, ILLINOIS  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
December 31, 2013**

	<u>Capital Projects Fund</u>	<u>2008 Project Fund</u>	<u>2010 Project Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 227,579	\$ -	\$ 2,524,866	\$ 2,752,445
Receivables:				
Accounts receivable	132,810	2,430	-	135,240
Other	<u>-</u>	<u>-</u>	<u>15,389</u>	<u>15,389</u>
Total assets	<u>\$ 360,389</u>	<u>\$ 2,430</u>	<u>\$ 2,540,255</u>	<u>\$ 2,903,074</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 7,188	\$ -	\$ 205,958	\$ 213,146
Contracts payable	<u>133,424</u>	<u>-</u>	<u>194,026</u>	<u>327,450</u>
Total liabilities	<u>140,612</u>	<u>-</u>	<u>399,984</u>	<u>540,596</u>
<b>Fund Balances:</b>				
Restricted:				
Capital projects	<u>219,777</u>	<u>2,430</u>	<u>2,140,271</u>	<u>2,362,478</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 360,389</u>	<u>\$ 2,430</u>	<u>\$ 2,540,255</u>	<u>\$ 2,903,074</u>

**CITY OF DECATUR, ILLINOIS**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Eight Months Ended December 31, 2013**

	<u>Capital Projects Fund</u>	<u>2008 Project Fund</u>	<u>2010 Project Fund</u>	<u>Total</u>
<b>REVENUES</b>				
Intergovernmental	\$ 145,513	\$ -	\$ -	\$ 145,513
Investment income and net increase in fair value of investments	50	-	4,161	4,211
Fines and fees	432	-	-	432
Other revenues	<u>147,647</u>	<u>-</u>	<u>-</u>	<u>147,647</u>
Total revenues	<u>293,642</u>	<u>-</u>	<u>4,161</u>	<u>297,803</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Highways and streets	362,800	-	4,970,116	5,332,916
<b>Debt service:</b>				
Interest and other charges	<u>-</u>	<u>-</u>	<u>1,523</u>	<u>1,523</u>
Total revenues	<u>362,800</u>	<u>-</u>	<u>4,971,639</u>	<u>5,334,439</u>
Deficiency of revenues over expenditures	<u>(69,158)</u>	<u>-</u>	<u>(4,967,478)</u>	<u>(5,036,636)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	500,000	-	-	500,000
Transfers out	<u>-</u>	<u>-</u>	<u>(422,393)</u>	<u>(422,393)</u>
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>(422,393)</u>	<u>77,607</u>
Excess of revenues over expenditures and other financing sources (uses)	430,842	-	(5,389,871)	(4,959,029)
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<u>(211,065)</u>	<u>2,430</u>	<u>7,530,142</u>	<u>7,321,507</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ 219,777</u>	<u>\$ 2,430</u>	<u>\$ 2,140,271</u>	<u>\$ 2,362,478</u>

**CITY OF DECATUR, ILLINOIS**  
**GENERAL CAPITAL PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<b>Variance from Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Investment income	\$ -	\$ 51	\$ 51
Intergovernmental	1,317,000	-	(1,317,000)
Fines and fees	-	432	432
Other revenues	<u>-</u>	<u>111,658</u>	<u>111,658</u>
 Total revenues	 1,317,000	 112,141	 (1,204,859)
<b>EXPENDITURES</b>			
Capital projects	<u>1,817,000</u>	<u>456,540</u>	<u>1,360,460</u>
 Deficiency of revenues over expenditures	 <u>(500,000)</u>	 <u>(344,399)</u>	 <u>155,601</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES</b>			
	<u>\$ -</u>	<u>\$ 155,601</u>	<u>\$ 155,601</u>

**CITY OF DECATUR, ILLINOIS**  
**2010 PROJECT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CASH BASIS (NON-GAAP) BUDGET AND ACTUAL**  
**Eight Months Ended December 31, 2013**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Investment income and net increase in fair value of investments	\$ -	\$ 23,449	\$ 23,449
Intergovernmental	-	-	-
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	-	23,449	23,449
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
<b>Capital Projects</b>	7,916,475	4,991,142	2,925,333
<b>Debt Service:</b>			
Interest and fiscal charges	-	1,523	(1,523)
	<hr/>	<hr/>	<hr/>
Total expenditures	7,916,475	4,992,665	2,923,810
	<hr/>	<hr/>	<hr/>
Deficiency of revenues over expenditures	(7,916,475)	(4,969,216)	2,947,259
<b>OTHER FINANCING USES</b>			
Transfer out	-	(422,393)	(422,393)
	<hr/>	<hr/>	<hr/>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ (7,916,475)</u>	<u>\$ (5,391,609)</u>	<u>\$ 2,524,866</u>



**V Supplementary Information**

**Non Major Enterprise Funds**

## NONMAJOR ENTERPRISE FUNDS

**Enterprise Funds** are established to account for operations: A) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or B) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control accountability, or other purposes.

DCDF Fund accounts for the not-for-profit corporation which finances and subsidizes housing rehabilitation activities in the City.

The Recycling Fund accounts for the operation of the City-wide residential recycling program.

The Water Bond Construction Fund accounts for the capital improvements that are financed by the proceeds from the issuance of bonds.

**CITY OF DECATUR, ILLINOIS  
NONMAJOR ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2013**

	<u>DCDF Fund</u>	<u>Recycling Fund</u>	<u>Water Bond Construction Fund</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 117,185	\$ 68,246	\$ -	\$ 185,431
Receivables:				
Accounts receivable	253	90,682	-	90,935
Assets held for sale	22,940	-	-	22,940
Total current assets	<u>140,378</u>	<u>158,928</u>	<u>-</u>	<u>299,306</u>
<b>Noncurrent assets:</b>				
Notes receivable	<u>259,470</u>	<u>-</u>	<u>-</u>	<u>259,470</u>
Property, plant and equipment:				
Construction in progress	<u>-</u>	<u>-</u>	<u>83,042</u>	<u>83,042</u>
Total noncurrent assets	<u>259,470</u>	<u>-</u>	<u>83,042</u>	<u>342,512</u>
<b>TOTAL ASSETS</b>	<u>\$ 399,848</u>	<u>\$ 158,928</u>	<u>\$ 83,042</u>	<u>\$ 641,818</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 255	\$ 42,801	\$ -	\$ 43,056
Due to other funds	<u>-</u>	<u>250,000</u>	<u>83,042</u>	<u>333,042</u>
Total current liabilities	<u>255</u>	<u>292,801</u>	<u>83,042</u>	<u>376,098</u>
<b>Net position:</b>				
Unrestricted	<u>399,593</u>	<u>(133,873)</u>	<u>-</u>	<u>265,720</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 399,848</u>	<u>\$ 158,928</u>	<u>\$ 83,042</u>	<u>\$ 641,818</u>

**CITY OF DECATUR, ILLINOIS**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Eight Months Ended December 31, 2013**

	<u>DCDF Fund</u>	<u>Recycling Fund</u>	<u>Water Bond Construction Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 465,670	\$ -	\$ 465,670
Other revenue	<u>8,035</u>	<u>-</u>	<u>-</u>	<u>8,035</u>
Total operating revenues	<u>8,035</u>	<u>465,670</u>	<u>-</u>	<u>473,705</u>
<b>OPERATING EXPENSES</b>				
Contractual services	1,842	405,409	-	407,251
Other charges	<u>8,137</u>	<u>-</u>	<u>-</u>	<u>8,137</u>
Total operating expenses	<u>9,979</u>	<u>405,409</u>	<u>-</u>	<u>415,388</u>
Operating income (loss)	<u>(1,944)</u>	<u>60,261</u>	<u>-</u>	<u>58,317</u>
<b>NONOPERATING REVENUES</b>				
Investment income and net increase in fair value of investments	<u>37</u>	<u>37</u>	<u>-</u>	<u>74</u>
Change in net position	(1,907)	60,298	-	58,391
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>401,500</u>	<u>(194,171)</u>	<u>-</u>	<u>207,329</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 399,593</u>	<u>\$ (133,873)</u>	<u>\$ -</u>	<u>\$ 265,720</u>

**CITY OF DECATUR, ILLINOIS**  
**NONMAJOR ENTERPRISE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Eight Months Ended December 31, 2013**

	<u>DCDF Fund</u>	<u>Recycling Fund</u>	<u>Water Bond Construction Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 23,982	\$ 266,286	\$ 83,042	\$ 373,310
Cash paid to suppliers for goods and services	(9,808)	(392,270)	-	(402,078)
Net cash provided by (used in) operating activities	<u>14,174</u>	<u>(125,984)</u>	<u>83,042</u>	<u>(28,768)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of property, plant, and equipment	-	-	(83,042)	(83,042)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	<u>37</u>	<u>37</u>	<u>-</u>	<u>74</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	14,211	(125,947)	-	(111,736)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>102,974</u>	<u>194,193</u>	<u>-</u>	<u>297,167</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 117,185</u>	<u>\$ 68,246</u>	<u>\$ -</u>	<u>\$ 185,431</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (1,944)	\$ 60,261	\$ -	\$ 58,317
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Effects of changes in operating assets and liabilities:				
Receivables	15,947	50,616	-	66,563
Accounts payable	171	13,139	-	13,310
Due to other funds	-	(250,000)	83,042	(166,958)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 14,174</u>	<u>\$ (125,984)</u>	<u>\$ 83,042</u>	<u>\$ (28,768)</u>



## **VI Supplementary Information**

### **Internal Service Funds**

## INTERNAL SERVICE FUNDS

**Internal Service Funds** are established to finance and account for services and commodities furnished by a designated department or agency to other departments and agencies within a single governmental unit on a cost reimbursement basis. Amounts expended by the fund are restored thereto, either from operating earnings or by transfers from other funds, so that the original fund capital is left intact.

The Fleet Maintenance/ERF Fund accounts for services provided by the City's garage for repair and maintenance of motorized vehicles and equipment and for funds transferred from operating departments for the expenses of operating and replacement of City equipment. Capital outlay for automotive and other machinery and equipment is from this fund.

The Self Insurance Fund accounts for financial resources, including payroll deductions and the City's contribution, and expenditures made for payment of medical, non-medical, unemployment claims, flexible spending program, and the related costs for the programs.

The Management Information Services Fund accounts for services provided by the City's Management Information Services Division.

**CITY OF DECATUR, ILLINOIS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**December 31, 2013**

	<u>Fleet Maintenance/ERF</u>	<u>Self Insurance</u>	<u>Management Information Services</u>	<u>Total</u>
<b>ASSETS</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 968,055	3,489,775	\$ 988,306	\$ 5,446,136
Receivables:				
Accounts receivable	2,190	690	-	2,880
Other	179	1,536	-	1,715
Due from other funds	-	-	-	-
Inventories	<u>210,188</u>	<u>-</u>	<u>-</u>	<u>210,188</u>
Total current assets	<u>1,180,612</u>	<u>3,492,001</u>	<u>988,306</u>	<u>5,660,919</u>
<b>Property, plant and equipment</b>				
Machinery and equipment	8,851,631	-	1,293,133	10,144,764
Less accumulated depreciation	<u>6,330,541</u>	<u>-</u>	<u>1,075,134</u>	<u>7,405,675</u>
Total property, plant and equipment	<u>2,521,090</u>	<u>-</u>	<u>217,999</u>	<u>2,739,089</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,701,702</u>	<u>\$ 3,492,001</u>	<u>\$ 1,206,305</u>	<u>\$ 8,400,008</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>Liabilities:</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 41,448	\$ -	\$ 6,671	\$ 48,119
Other accrued liabilities	29,225	-	25,590	54,815
Claims payable	-	3,733,815	-	3,733,815
Unearned revenue	<u>-</u>	<u>-</u>	<u>398</u>	<u>398</u>
Total current liabilities	<u>70,673</u>	<u>3,733,815</u>	<u>32,659</u>	<u>3,837,147</u>
<b>Net position:</b>				
Net investment in capital assets	2,521,090	-	217,999	2,739,089
Unrestricted	<u>1,109,939</u>	<u>(241,814)</u>	<u>955,647</u>	<u>1,823,772</u>
Total net position	<u>3,631,029</u>	<u>(241,814)</u>	<u>1,173,646</u>	<u>4,562,861</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,701,702</u>	<u>\$ 3,492,001</u>	<u>\$ 1,206,305</u>	<u>\$ 8,400,008</u>

**CITY OF DECATUR, ILLINOIS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Eight Months Ended December 31, 2013**

	<u>Fleet Maintenance/ERF</u>	<u>Self Insurance</u>	<u>Management Information Services</u>	<u>Total</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,683,847	4,328,347	\$ 1,017,466	\$ 7,029,660
Payroll deductions/retiree contributions	-	1,480,507	-	1,480,507
Other revenue	17,312	2,202,398	17	2,219,727
Total operating revenues	<u>1,701,159</u>	<u>8,011,252</u>	<u>1,017,483</u>	<u>10,729,894</u>
<b>OPERATING EXPENSES</b>				
Personnel services	412,367	-	631,161	1,043,528
Contractual services	126,796	672,386	102,156	901,338
Supplies and materials	789,664	3,782	694	794,140
Insurance and other charges	341,217	4,957,613	153,894	5,452,724
Depreciation	543,981	-	80,498	624,479
Total operating expenses	<u>2,214,025</u>	<u>5,633,781</u>	<u>968,403</u>	<u>8,816,209</u>
Operating income (loss)	<u>(512,866)</u>	<u>2,377,471</u>	<u>49,080</u>	<u>1,913,685</u>
<b>NONOPERATING REVENUES</b>				
Investment income	203	606	163	972
Gain on disposal of City property	24,339	-	-	24,339
Total nonoperating revenues	<u>24,542</u>	<u>606</u>	<u>163</u>	<u>25,311</u>
Income (loss) before transfers	<u>(488,324)</u>	<u>2,378,077</u>	<u>49,243</u>	<u>1,938,996</u>
<b>TRANSFERS</b>				
Transfers in	-	64,000	-	64,000
Transfers out	(6,346)	(64,000)	-	(70,346)
Net transfers	<u>(6,346)</u>	<u>-</u>	<u>-</u>	<u>(6,346)</u>
Net income (loss)	(494,670)	2,378,077	49,243	1,932,650
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>4,125,699</u>	<u>(2,619,891)</u>	<u>1,124,403</u>	<u>2,630,211</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 3,631,029</u>	<u>\$ (241,814)</u>	<u>\$ 1,173,646</u>	<u>\$ 4,562,861</u>

**CITY OF DECATUR, ILLINOIS**  
**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Eight Months Ended December 31, 2013**

	<u>Fleet Maintenance/ERF</u>	<u>Self Insurance</u>	<u>Management Information Systems</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from charges for services	\$ 1,701,159	\$ 8,011,252	\$ 1,161,316	\$ 10,873,727
Cash paid to suppliers for goods and services	(1,282,153)	(7,772,858)	(250,073)	(9,305,084)
Cash paid to employees	(419,130)	-	(631,161)	(1,050,291)
	<u>(124)</u>	<u>238,394</u>	<u>280,082</u>	<u>518,352</u>
Net cash provided by (used in) operating activities				
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash transfers from other funds	-	64,000	-	64,000
Cash transfers to other funds	(6,346)	(64,000)	-	(70,346)
	<u>(6,346)</u>	<u>-</u>	<u>-</u>	<u>(6,346)</u>
Net cash used in noncapital financing activities				
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of property, plant, and equipment	(126,822)	-	(54,686)	(181,508)
Proceeds on sale of City property	24,339	-	-	24,339
	<u>(102,483)</u>	<u>-</u>	<u>(54,686)</u>	<u>(157,169)</u>
Net cash used in capital and related financing activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	203	606	163	972
	<u>203</u>	<u>606</u>	<u>163</u>	<u>972</u>
NET INCREASE (DECREASE) IN CASH	(108,750)	239,000	225,559	355,809
CASH, BEGINNING OF YEAR	1,076,805	3,250,775	762,747	5,090,327
CASH, END OF YEAR	\$ 968,055	\$ 3,489,775	\$ 988,306	\$ 5,446,136
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (512,866)	\$ 2,377,471	\$ 49,080	\$ 1,913,685
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	543,981	-	80,498	624,479
Effects of changes in operating assets and liabilities:				
Receivables	1,349	-	691	2,040
Due from other funds	-	-	150,000	150,000
Inventories	(14,353)	-	-	(14,353)
Accounts payable	(10,123)	(2,139,077)	6,671	(2,142,529)
Other current liabilities	(6,763)	-	-	(6,763)
Unearned revenue	(1,349)	-	(6,858)	(8,207)
	<u>(124)</u>	<u>238,394</u>	<u>280,082</u>	<u>518,352</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (124)	\$ 238,394	\$ 280,082	\$ 518,352



## **VII Supplementary Information**

### **Fiduciary Funds**

## **FIDUCIARY FUNDS**

**Fiduciary Funds** are used to account for resources received and held by a governmental unit as agent or trustee for individuals, private organizations or other governments.

The City has one type of Fiduciary Fund: Pension Trust Fund.

The Fire Pension Fund and the Police Pension Fund account for activities as prescribed by the statutes of the State of Illinois.

**CITY OF DECATUR, ILLINOIS**  
**PENSION TRUST FUNDS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2013**

	<b>Police Pension Fund</b>	<b>Fire Pension Fund</b>	<b>Total</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 3,045,118	\$ 7,854,443	\$ 10,899,561
Accrued interest	300,161	132,686	432,847
Long-term investments, at fair value:			
U.S. Government obligations	20,674,113	11,668,490	32,342,603
Mutual funds	40,724,597	8,564,110	49,288,707
Common stock	7,759,293	31,777,104	39,536,397
Certificate of deposits	-	445,642	445,642
Annuities	-	124,446	124,446
International bonds	217,259	-	217,259
Municipal bonds	2,479,161	1,135,654	3,614,815
Corporate bonds	<u>13,309,544</u>	<u>6,423,015</u>	<u>19,732,559</u>
Total long-term investments	<u>85,163,967</u>	<u>60,138,461</u>	<u>145,302,428</u>
<b>TOTAL ASSETS</b>	<u>88,509,246</u>	<u>68,125,590</u>	<u>156,634,836</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 88,509,246</u>	<u>\$ 68,125,590</u>	<u>\$ 156,634,836</u>

**CITY OF DECATUR, ILLINOIS  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
Eight Months Ended December 31, 2013**

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 3,666,781	\$ 3,806,762	\$ 7,473,543
Plan member	<u>767,235</u>	<u>523,930</u>	<u>1,291,165</u>
Total contributions	<u>4,434,016</u>	<u>4,330,692</u>	<u>8,764,708</u>
Investment earnings:			
Interest and dividends	951,670	528,650	1,480,320
Net increase in the fair value of investments	<u>5,643,616</u>	<u>3,543,500</u>	<u>9,187,116</u>
Total investment income	6,595,286	4,072,150	10,667,436
Less investment expense	<u>130,576</u>	<u>79,168</u>	<u>209,744</u>
Net investment income	<u>6,464,710</u>	<u>3,992,982</u>	<u>10,457,692</u>
Total additions	<u>10,898,726</u>	<u>8,323,674</u>	<u>19,222,400</u>
<b>DEDUCTIONS</b>			
Benefits and refunds	4,081,000	4,193,482	8,274,482
Administrative expense	<u>50,037</u>	<u>46,660</u>	<u>96,697</u>
Total deductions	<u>4,131,037</u>	<u>4,240,142</u>	<u>8,371,179</u>
Change in net position	6,767,689	4,083,532	10,851,221
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>81,741,557</u>	<u>64,042,058</u>	<u>145,783,615</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 88,509,246</u>	<u>\$ 68,125,590</u>	<u>\$ 156,634,836</u>



## **VIII Statistical Section**

## **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**

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue source.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

## **Financial Trends**

These schedules contain information to assist the reader to understand how the City of Decatur's financial position and performance have changed over time.

City of Decatur, Illinois  
Net Position by Component  
Most Recent Fiscal Years (\$'s whole)

	<b>Fiscal Year</b>										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013 Stub</u>
<b>Governmental Activities</b>											
Net investment in capital assets	19,313,839	20,694,671	20,186,970	21,827,108	59,290,174	17,251,831	14,982,634	15,721,174	19,474,067	21,768,332	17,734,425
Restricted	16,605,645	9,486,926	3,979,821	2,407,527			4,751,759	27,950,290	7,846,041	5,631,695	12,177,075
Unrestricted	<u>(30,561,374)</u>	<u>(26,992,521)</u>	<u>(22,243,869)</u>	<u>(17,699,526)</u>	<u>(15,918,386)</u>	<u>23,755,421</u>	<u>15,153,850</u>	<u>(9,682,408)</u>	<u>4,923,072</u>	<u>3,325,134</u>	<u>2,161,486</u>
Total governmental activities net position	<u>5,358,110</u>	<u>3,189,076</u>	<u>1,922,922</u>	<u>6,535,109</u>	<u>43,371,788</u>	<u>41,007,252</u>	<u>34,888,243</u>	<u>33,989,056</u>	<u>32,243,180</u>	<u>30,725,161</u>	<u>32,072,986</u>
<b>Business-type activities</b>											
Net investment in capital assets	62,562,784	63,584,906	60,305,067	57,930,995	59,440,235	56,724,998	56,063,710	52,810,641	46,571,347	43,816,191	35,140,888
Restricted				28,846,361	25,198,923						
Unrestricted	<u>37,228,430</u>	<u>36,781,035</u>	<u>31,253,474</u>			<u>20,270,332</u>	<u>16,129,718</u>	<u>15,538,406</u>	<u>12,388,196</u>	<u>7,598,072</u>	<u>15,833,621</u>
Total business-type activities net position	<u>99,791,214</u>	<u>100,365,941</u>	<u>91,558,541</u>	<u>86,777,356</u>	<u>84,639,158</u>	<u>76,995,330</u>	<u>72,193,428</u>	<u>68,349,047</u>	<u>58,959,543</u>	<u>51,414,263</u>	<u>50,974,509</u>
<b>Primary government</b>											
Net investment in capital assets	81,876,623	84,279,577	80,492,037	79,758,103	118,730,409	73,976,829	71,046,344	68,531,815	66,045,414	65,584,523	52,875,313
Restricted	16,605,645	9,486,926	3,979,821	31,253,888	25,198,923		4,751,759	27,950,290	7,846,041	5,631,695	12,177,075
Unrestricted	<u>6,667,056</u>	<u>9,788,514</u>	<u>9,009,605</u>	<u>(17,699,526)</u>	<u>(15,918,386)</u>	<u>44,025,753</u>	<u>31,283,568</u>	<u>5,855,998</u>	<u>17,311,268</u>	<u>10,923,206</u>	<u>17,995,107</u>
<b>TOTAL PRIMARY GOVERNMENT ACTIVITIES NET POSITION</b>	<u>105,149,324</u>	<u>103,555,017</u>	<u>93,481,463</u>	<u>93,312,465</u>	<u>128,010,946</u>	<u>118,002,582</u>	<u>107,081,671</u>	<u>102,338,103</u>	<u>91,202,723</u>	<u>82,139,424</u>	<u>83,047,495</u>

Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.  
Source: Comprehensive Annual Financial Report for relevant fiscal year.

City of Decatur, Illinois  
Statement of Activities and Change in Net Position  
Most Recent Fiscal Years (\$'s whole)

	Fiscal Year										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013 Stub</u>
<b>EXPENSES</b>											
<b>Governmental Activities</b>											
General government	14,751,089	11,231,794	12,355,329	12,752,403	12,899,611	11,667,513	10,469,200	11,735,004	13,692,390	14,693,051	8,318,866
Public safety	28,332,963	29,959,590	30,901,106	31,958,049	33,878,086	37,007,402	38,406,935	35,477,795	41,416,933	38,834,959	29,422,201
Public works	9,229,510	14,764,122	17,390,666	10,562,237	15,604,712	16,395,618	17,190,569	19,443,483	13,846,451	17,199,373	10,877,524
Culture and recreation	3,468,287	3,609,189	3,749,474	3,916,250	4,441,150	4,443,700	4,359,055	4,514,057	3,770,113	3,622,804	2,518,155
Interest on debt	3,029,752	3,039,104	3,078,850	2,952,352	3,076,008	3,568,996	3,434,867	3,332,503	4,508,919	4,113,553	2,264,985
Total governmental activities expenses	<u>58,811,601</u>	<u>62,603,799</u>	<u>67,475,425</u>	<u>62,141,291</u>	<u>69,899,567</u>	<u>73,083,229</u>	<u>73,860,626</u>	<u>74,502,842</u>	<u>77,234,806</u>	<u>78,463,740</u>	<u>53,401,731</u>
<b>Business-type activities</b>											
Water	12,729,900	11,387,369	12,977,816	12,547,968	13,161,424	13,807,253	15,017,552	13,631,171	13,312,583	14,576,678	9,663,567
Parking	679,620	682,392	746,042	748,568	757,198	721,662	745,510	509,932			
Mass Transit	4,698,845	4,722,404	4,947,093	4,936,203	5,788,725	5,661,346	5,994,281	6,626,503	6,542,694	6,151,784	4,230,742
Housing programs	38,512	278,361	42,466	11,322	72,653	39,512	10,986	6,633	96,422	6,770	9,979
Waste removal	505,584	481,492	496,095	518,561	536,549	554,083	545,302	556,721	1,238,284	584,028	405,409
Hotel					320,859	43,020	46,531				
Sewer	1,729,595	932,591	780,498	755,444	1,279,797	1,487,939	1,890,168	1,317,412	1,872,785	1,900,376	1,507,017
Total business-type activities expenses	<u>20,382,056</u>	<u>18,484,609</u>	<u>19,990,010</u>	<u>19,518,066</u>	<u>21,917,205</u>	<u>22,314,815</u>	<u>24,250,330</u>	<u>22,648,372</u>	<u>23,062,768</u>	<u>23,219,636</u>	<u>15,816,714</u>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES</b>	<u>79,193,657</u>	<u>81,088,408</u>	<u>87,465,435</u>	<u>81,659,357</u>	<u>91,816,772</u>	<u>95,398,044</u>	<u>98,110,956</u>	<u>97,151,214</u>	<u>100,297,574</u>	<u>101,683,376</u>	<u>69,218,445</u>
<b>PROGRAM REVENUES</b>											
<b>Governmental activities</b>											
Charges for services											
General government	1,134,218	1,034,913	1,626,091	1,509,879	1,593,067	1,543,847	1,907,784	1,693,970	2,398,906	2,541,123	4,339,647
Public safety	717,390	770,040	219,965	230,736	426,660	427,804	471,925	420,751	433,184	577,676	367,370
Other activities	271,850	292,338	130,483	129,989	105,538	183,892	194,837	178,940	132,433	71,112	39,634
Operating grants and contributions	5,358,138	3,533,131	4,760,023	6,321,264	6,462,730	6,010,850	6,030,644	10,093,544	6,815,292	4,425,861	2,652,299
Capital grants and contributions	17,554							33,120			
Total governmental activities program revenues	<u>7,499,150</u>	<u>5,630,422</u>	<u>6,736,562</u>	<u>8,191,868</u>	<u>8,587,995</u>	<u>8,166,393</u>	<u>8,605,190</u>	<u>12,420,325</u>	<u>9,779,815</u>	<u>7,615,772</u>	<u>7,398,950</u>
<b>Business-type activities</b>											
Charges for services											
Water	12,618,005	14,209,199	12,252,193	11,509,404	12,620,045	12,368,956	13,690,334	17,008,482	15,284,540	15,102,613	14,848,584
Other activities	3,478,711	3,343,276	3,640,434	3,332,874	3,964,874	3,762,684	3,518,967	3,753,099	3,651,584	4,247,649	3,295,331
Operating grants and contributions	3,140,921	3,285,819	2,423,190	5,239,319	4,095,141	4,372,081	9,433,023	4,290,027	5,722,143	5,025,518	3,170,028
Capital grants and contributions	122,467							1,605,270			
Total business-type activities program revenues	<u>19,360,104</u>	<u>20,838,294</u>	<u>18,315,817</u>	<u>20,081,597</u>	<u>20,680,060</u>	<u>20,503,721</u>	<u>26,642,324</u>	<u>26,656,878</u>	<u>24,658,267</u>	<u>24,375,780</u>	<u>21,313,943</u>
<b>TOTAL PRIMARY GOVERNMENT REVENUES</b>	<u>26,859,254</u>	<u>26,468,716</u>	<u>25,052,379</u>	<u>28,273,465</u>	<u>29,268,055</u>	<u>28,670,114</u>	<u>35,247,514</u>	<u>39,077,203</u>	<u>34,438,082</u>	<u>31,991,552</u>	<u>28,712,893</u>

City of Decatur, Illinois  
Statement of Activities and Change in Net Position  
Most Recent Fiscal Years (\$'s whole)

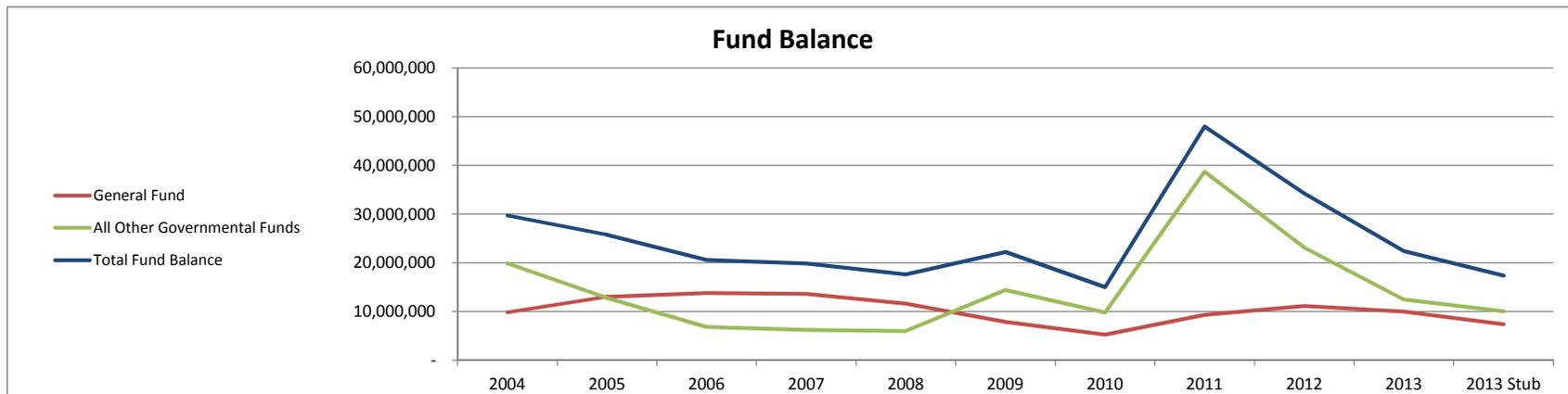
	Fiscal Year										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013 Stub</u>
<b>NET (EXPENSE) REVENUE</b>											
Governmental activities	(51,312,451)	(56,973,377)	(60,738,863)	(53,949,423)	(61,311,572)	(64,916,836)	(65,255,436)	(62,082,517)	(67,454,991)	(70,847,968)	(46,002,782)
Business-type activities	(1,021,952)	2,353,685	(1,674,193)	563,531	(1,237,145)	(1,811,094)	2,391,994	4,008,506	1,595,499	1,156,144	5,497,229
<b>TOTAL PRIMARY GOVERNMENT NET EXPENSE</b>	<b>(52,334,403)</b>	<b>(54,619,692)</b>	<b>(62,413,056)</b>	<b>(53,385,892)</b>	<b>(62,548,717)</b>	<b>(66,727,930)</b>	<b>(62,863,442)</b>	<b>(58,074,011)</b>	<b>(65,859,492)</b>	<b>(69,691,824)</b>	<b>(40,505,553)</b>
<b>General Revenues and Other Changes in Net Position</b>											
<b>Governmental activities</b>											
Taxes											
Property taxes	9,952,854	10,581,082	11,258,757	11,703,520	12,063,453	12,446,870	12,582,958	13,337,710	13,513,648	13,493,391	13,394,261
Sales and use taxes	19,486,593	21,855,409	21,814,347	22,041,088	23,160,806	23,133,533	21,585,950	22,975,574	23,919,621	22,917,247	14,924,647
Income taxes	4,938,597	6,221,442	6,465,031	6,410,060	7,712,550	7,209,039	6,028,973	6,797,068	6,192,641	7,398,372	4,500,441
Utility taxes		5,760,454	5,924,807	5,341,719	5,316,258	5,575,225	5,366,459	5,268,016	5,310,600	5,289,523	3,301,575
Food and beverage taxes		2,611,781	2,665,731	2,714,786	2,877,615	2,951,196	3,081,976	2,806,014	3,093,186	3,049,941	2,098,028
Hotel and motel taxes		620,000	661,629	652,839	681,483	649,612	677,313	498,812	711,053	590,985	421,053
Other taxes	10,060,189	938,657	1,444,728	991,002	1,643,308	1,584,417	1,435,493	1,596,000	1,141,429	1,509,093	1,646,831
Investment earnings	309,847	425,431	713,716	1,023,446	786,557	327,253	136,092	164,803	239,646	237,961	7,644
Miscellaneous	1,424,398	844,783	1,386,026	909,144	649,408	1,212,713	529,756	605,759	2,051,932	6,113,975	2,224,667
Transfers	4,468,419	4,935,470	7,349,755	6,774,006	6,612,277	7,073,376	7,711,457	7,133,574	11,093,160	8,729,461	5,938,564
Total governmental activities	50,640,897	54,794,509	59,684,527	58,561,610	61,503,715	62,163,234	59,136,427	61,183,330	67,266,916	69,329,949	48,457,711
<b>Business-type activities</b>											
Property taxes	151,519	151,654	217,322	217,091	218,254	216,872					
Investment earnings	319,320	549,191	1,023,657	1,212,199	1,017,691	621,036	415,711	97,133	91,842	28,037	1,581
Miscellaneous		20,964	(1,024,431)		(119,958)	402,734	101,850	(816,446)	16,315		
Transfers	(4,468,419)	(4,935,470)	(7,349,755)	(6,774,006)	(6,612,277)	(7,073,376)	(7,711,457)	(7,133,574)	(11,093,160)	(8,729,461)	(5,938,564)
Total business-type activities	(3,997,580)	(4,213,661)	(7,133,207)	(5,344,716)	(5,496,290)	(5,832,734)	(7,193,896)	(7,852,887)	(10,985,003)	(8,701,424)	(5,936,983)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>46,643,317</b>	<b>50,580,848</b>	<b>52,551,320</b>	<b>53,216,894</b>	<b>56,007,425</b>	<b>56,330,500</b>	<b>51,942,531</b>	<b>53,330,443</b>	<b>56,281,913</b>	<b>60,628,525</b>	<b>42,520,728</b>
<b>CHANGE IN NET POSITION</b>											
Governmental activities	(671,554)	(2,178,868)	(1,054,336)	4,612,187	192,143	(2,753,602)	(6,119,009)	(899,187)	(188,075)	(1,518,019)	2,454,929
Business-type activities	(5,019,532)	(1,859,976)	(8,807,400)	(4,781,185)	(6,733,435)	(7,643,828)	(4,801,902)	(3,844,381)	(9,389,504)	(7,545,280)	(439,754)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>(5,691,086)</b>	<b>(4,038,844)</b>	<b>(9,861,736)</b>	<b>(168,998)</b>	<b>(6,541,292)</b>	<b>(10,397,430)</b>	<b>(10,920,911)</b>	<b>(4,743,568)</b>	<b>(9,577,579)</b>	<b>(9,063,299)</b>	<b>2,015,175</b>

Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: Comprehensive Annual Financial Report for relevant fiscal year.

City of Decatur, Illinois  
Fund Balances of Governmental Funds  
Most Recent Fiscal Years (\$'s whole)

	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012 Note 1	2013	2013 Stub
<b>General Fund</b>											
Nonspendable									23,407	25,596	26,416
Restricted									89,754	1,847	
Unassigned									10,996,973	9,906,565	7,311,171
Reserved	254,788	1,508,645	465,499	1,244,305	1,136,354	666,740	301,594	845,847			
Unreserved	9,571,619	11,479,722	13,326,187	12,373,608	10,484,848	7,174,809	4,953,635	8,429,614			
<b>Total general fund</b>	<b>9,826,407</b>	<b>12,988,367</b>	<b>13,791,686</b>	<b>13,617,913</b>	<b>11,621,202</b>	<b>7,841,549</b>	<b>5,255,229</b>	<b>9,275,461</b>	<b>11,110,134</b>	<b>9,934,008</b>	<b>7,337,587</b>
<b>All other governmental funds</b>											
Nonspendable											34,192
Restricted									22,533,206	13,159,972	9,976,688
Assigned									754,957		
Unassigned									(183,387)	(702,682)	
Reserved	14,272,610	7,319,800	1,333,910	3,047,814	1,770,534	3,258,830	5,297,531	12,800,837			
Unreserved reported in:											
Special revenue funds	3,762,315	3,241,868	3,570,733	3,415,306	3,846,689	4,704,765	3,344,042	7,355,646			
Capital projects funds	1,833,611	2,195,084	1,893,486	(264,923)	341,085	6,399,703	1,107,713	18,537,635			
<b>Total all other governmental funds</b>	<b>19,868,536</b>	<b>12,756,752</b>	<b>6,798,129</b>	<b>6,198,197</b>	<b>5,958,308</b>	<b>14,363,298</b>	<b>9,749,286</b>	<b>38,694,118</b>	<b>23,104,776</b>	<b>12,457,290</b>	<b>10,010,880</b>
<b>TOTAL FUND BALANCE</b>	<b>29,694,943</b>	<b>25,745,119</b>	<b>20,589,815</b>	<b>19,816,110</b>	<b>17,579,510</b>	<b>22,204,847</b>	<b>15,004,515</b>	<b>47,969,579</b>	<b>34,214,910</b>	<b>22,391,298</b>	<b>17,348,467</b>



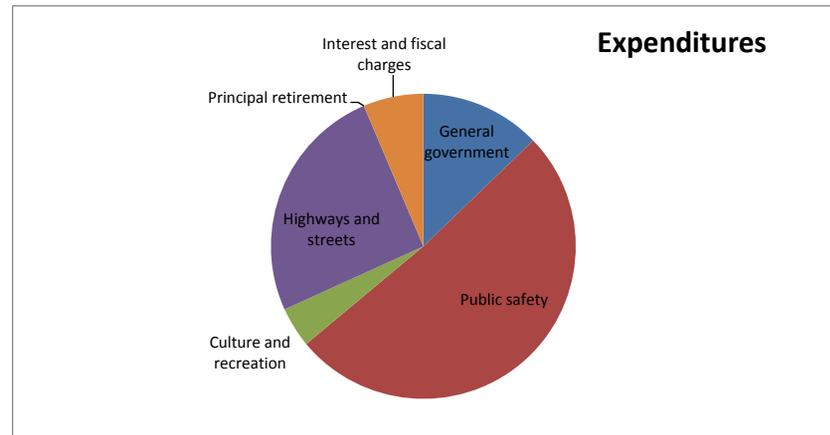
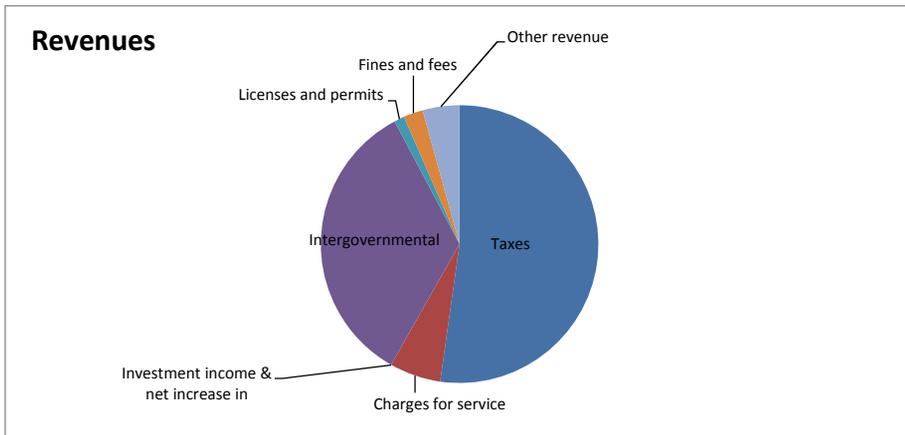
Note 1: Reporting change the result of Implementation of GASB 54 with the fiscal year ending April 30, 2012

Note 2: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: Comprehensive Annual Financial Report for relevant fiscal year.

City of Decatur, Illinois  
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds  
Most Recent Fiscal Years (\$'s whole)

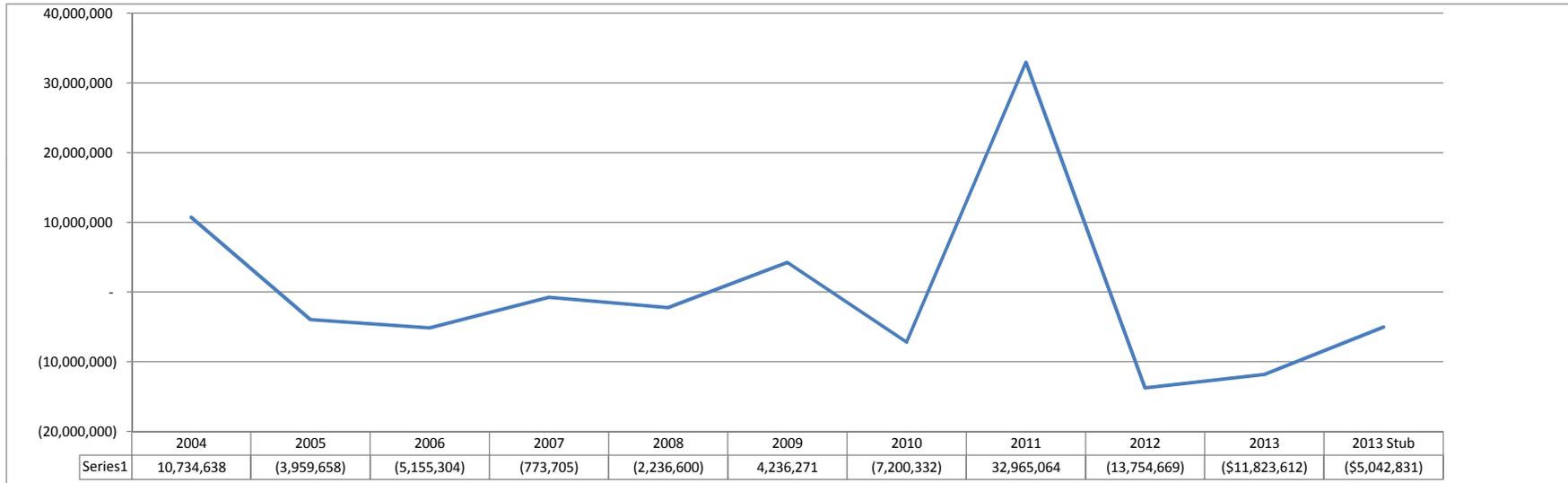
	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013 Stub
<b>Revenues</b>											
Taxes	18,667,393	15,869,064	20,510,924	20,412,864	20,938,809	21,622,903	21,708,706	21,910,552	22,628,487	22,484,576	26,189,719
Charges for service	147,086	157,203	163,721	140,221	98,878	61,208	94,978	83,722	622,614	727,376	2,998,948
Investment income & net increase in fair value of investments	255,580	334,709	514,380	680,310	526,969	234,071	81,064	36,891	217,062	230,394	6,676
Intergovernmental	30,940,013	37,652,299	34,520,731	35,755,784	38,890,223	37,944,081	32,901,498	41,808,973	37,879,127	36,310,372	17,059,866
Licenses and permits	893,767	775,198	786,276	824,540	790,214	734,515	743,221	659,054	752,854	734,747	607,026
Fines and fees	979,705	1,106,679	1,026,542	905,843	1,236,173	1,359,823	1,736,347	1,550,885	1,589,055	1,727,788	1,140,677
Other revenue	594,540	538,209	914,670	430,613	387,717	1,168,836	429,582	819,179	2,470,315	3,175,013	2,146,447
<b>Total revenues</b>	<b>52,478,084</b>	<b>56,433,361</b>	<b>58,437,244</b>	<b>59,150,175</b>	<b>62,868,983</b>	<b>63,125,437</b>	<b>57,695,396</b>	<b>66,869,256</b>	<b>66,159,514</b>	<b>65,390,266</b>	<b>50,149,359</b>
<b>Expenditures</b>											
General government	12,526,719	11,083,220	12,348,085	12,861,179	14,222,410	13,714,869	13,007,676	13,573,156	12,369,181	13,003,747	7,454,390
Public safety	27,323,352	28,681,398	30,999,294	32,484,928	34,627,287	37,043,722	36,451,503	34,845,020	38,113,003	39,136,143	29,766,067
Culture and recreation	3,226,952	3,377,323	3,620,570	3,910,134	4,030,476	3,961,788	3,950,374	3,468,406	3,742,754	3,866,845	2,486,678
Highways and streets	11,597,896	17,118,331	17,437,894	17,398,138	16,409,318	13,619,381	14,173,622	16,730,343	25,874,325	21,049,550	14,787,744
Debt service											
Principal retirement	2,404,032	2,468,228	2,570,078	2,515,152	2,518,462	5,803,265	2,700,995	10,723,029	3,683,643	32,965,000	3,725,000
Interest and other charges	3,388,433	3,000,675	2,864,065	2,940,944	3,050,429	3,391,628	3,404,887	3,410,443	5,112,958	4,283,320	2,971,098
<b>Total expenditures</b>	<b>60,467,384</b>	<b>65,729,175</b>	<b>69,839,986</b>	<b>72,110,475</b>	<b>74,858,382</b>	<b>77,534,653</b>	<b>73,689,057</b>	<b>82,750,397</b>	<b>88,895,864</b>	<b>114,304,605</b>	<b>61,190,977</b>
Deficiency of revenues over expenditures	(7,989,300)	(9,295,814)	(11,402,742)	(12,960,300)	(11,989,399)	(14,409,216)	(15,993,661)	(15,881,141)	(22,736,350)	(48,914,339)	(11,041,618)



City of Decatur, Illinois  
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds  
Most Recent Fiscal Years (\$'s whole)

	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013 Stub
<b>Other Financing Sources</b>											
Bond proceeds	13,914,162	62,653	100,000	5,021,960	2,925,000	11,322,400	250,000	41,381,208	-	28,080,658	-
Sale of assets	37,076	10,021	331,480	243,886	7,750	36,107	78,694	83,217	71,239	15,172	53,877
Transfers in	7,597,108	8,030,834	9,161,249	9,810,513	10,630,370	10,559,161	12,242,983	11,252,494	13,318,967	13,558,587	9,359,659
Transfers out	(2,824,408)	(2,767,352)	(3,345,291)	(2,889,764)	(3,810,321)	(3,272,181)	(3,778,348)	(3,870,714)	(4,408,525)	(4,563,690)	(3,414,749)
Total other financing sources	18,723,938	5,336,156	6,247,438	12,186,595	9,752,799	18,645,487	8,793,329	48,846,205	8,981,681	\$37,090,727	\$5,998,787
<b>NET CHANGE IN FUND BALANCES</b>	10,734,638	(3,959,658)	(5,155,304)	(773,705)	(2,236,600)	4,236,271	(7,200,332)	32,965,064	(13,754,669)	(\$11,823,612)	(\$5,042,831)
Capital Outlay	3,489,897	2,934,322	1,033,801	6,643,530	6,531,587	4,567,696	6,357,189	4,937,640	17,452,588	12,912,591	7,001,582
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	10.17%	8.71%	7.90%	8.33%	8.15%	12.60%	9.07%	18.16%	12.31%	36.74%	12.36%

**Net Change in Fund Balances**



Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: Comprehensive Annual Financial Report for relevant fiscal year.

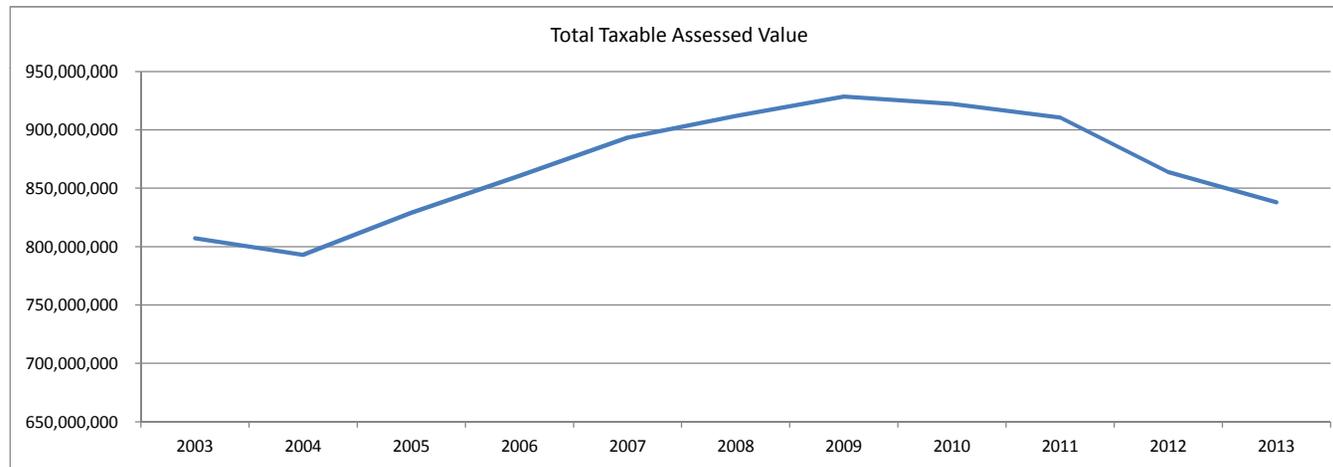
## **Revenue Capacity**

These schedules contain information to assist the reader in assessing the factors affecting the City of Decatur's ability to generate and maintain city revenue streams.

City of Decatur, Illinois  
Taxable Assessed Value, Taxable Value and Tax Collections  
Most Recent Fiscal Years (\$'s whole)

**Property Assessment and Tax Information**

Property Tax Levy Year	Fiscal Year Ended	Residential Property	Farm Property	Commercial Property	Industrial Property	Railway Property	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Actual Tax Collections
2003	4/30/2005	493,889,337	1,285,044	235,916,714	68,776,940	7,397,351	807,265,386	1.19250	9,626,640	9,880,591
2004	4/30/2006	475,558,981	1,803,573	241,451,022	66,838,936	7,386,224	793,038,736	1.27170	10,085,074	10,305,508
2005	4/30/2007	496,338,195	1,881,258	253,877,341	69,231,386	7,769,509	829,097,689	1.27000	10,529,541	10,744,806
2006	4/30/2008	517,434,461	1,878,674	260,821,905	70,998,967	9,370,115	860,504,122	1.24180	10,685,740	10,938,772
2007	4/30/2009	540,861,975	2,298,573	268,880,438	70,557,378	10,788,003	893,386,367	1.23237	11,009,826	11,234,839
2008	4/30/2010	548,398,322	2,871,111	273,386,858	74,870,604	12,487,285	912,014,180	1.20637	11,002,265	10,886,987
2009	4/30/2011	551,989,415	4,138,561	281,419,404	75,337,243	15,659,186	928,543,809	1.21669	11,297,500	11,171,844
2010	4/30/2012	548,353,414	4,164,049	276,665,805	76,914,168	16,057,363	922,154,799	1.24353	11,467,272	11,314,203
2011	4/30/2013	529,131,249	4,139,930	287,334,321	72,810,525	17,217,745	910,633,770	1.29049	11,751,638	11,414,665
2012	12/31/2013	514,265,875	3,847,673	260,266,346	68,222,744	17,230,871	863,833,509	1.36044	11,751,936	10,779,659
2013	12/31/2014	498,132,967	3,874,516	255,201,842	64,833,161	16,055,123	838,097,609	1.40607	11,784,238	not yet available



Note 1: Actual tax collections reported is the civil city only and excludes tax receipts from Tax Increment Financing Districts or Special Assessments.

Note 2: Tax levy adopted by Council before December 31 of year, with tax billed and collected in subsequent calendar year.

Source: Office of the Macon County Clerk/Office of the Macon County Supervisor of Assessments

City of Decatur, Illinois  
Property Tax Rates - Direct and Overlapping  
Governmental Units  
Most Recent Fiscal Years

Tax Levy Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fiscal Year Ended	4/30/2004	4/30/2005	4/30/2006	4/30/2007	4/30/2008	4/30/2009	4/30/2010	4/30/2011	4/30/2012	4/30/2013	12/31/2013	12/31/2014
City of Decatur	1.27960	1.19250	1.27170	1.27000	1.24170	1.23237	1.20637	1.21669	1.24353	1.29049	1.36044	1.40607
County of Macon	1.13370	1.09870	0.98760	1.02445	0.94028	0.94681	0.93697	0.95288	0.95958	0.95558	0.91349	0.94732
Sanitary District	0.28730	0.26169	0.29640	0.28280	0.26442	0.27266	0.26401	0.26010	0.26097	0.27517	0.31420	0.33123
Decatur School District	4.10530	4.07340	4.16700	4.32007	4.31073	4.36148	4.33613	4.34873	4.28718	4.31545	4.39115	4.33259
Decatur Park District	0.97210	0.99880	0.99880	1.01405	1.02881	1.02801	1.03816	1.03785	1.03791	1.03991	1.09716	1.11716
Decatur Township	0.26470	0.24940	0.26640	0.26778	0.26908	0.27450	0.27393	0.28186	0.29648	0.31319	0.34025	0.35229
Mosquito Abatement	0.03270	0.03110	0.03343	0.03343	0.03360	0.03378	0.03488	0.03581	0.03662	0.03555	0.03318	0.03544
Conservation District	0.10610	0.10820	0.11460	0.10883	0.10561	0.10349	0.10264	0.10019	0.10150	0.10127	0.10713	0.11025
Mental Health	0.15000	0.15000	0.15000	0.15000	0.15000	0.13973	0.14161	0.14253	0.14224	0.14192	0.15000	0.15000
Richland Community College	0.38400	0.38390	0.38950	0.38896	0.38678	0.39411	0.39429	0.39467	0.43246	0.47799	0.48286	0.49082
Macon County Health	0.10700	0.10700	0.10700	0.10538	0.08207	0.09206	0.10418	0.10235	0.10225	0.09981	0.10260	0.10348
Cooperative Extension	0.02283	0.02720	0.02740	0.02708	0.02589	0.02459	0.02394	0.02317	0.02382	0.02376	0.02446	0.02467
<b>Total Tax Rate per \$100 AV</b>	8.84533	8.68189	8.80983	8.99283	8.83897	8.90359	8.85711	8.89683	8.92454	9.07009	9.31692	9.40132
Share of Total Tax Rate Levied by City of Decatur	14.5%	13.7%	14.4%	14.1%	14.0%	13.8%	13.6%	13.7%	13.9%	14.2%	14.6%	15.0%

Note: The tax rate reported is the most prevalent tax district, Decatur Township.  
Source: Office of the Macon County Clerk

City of Decatur, Illinois  
Major Property Taxpayers  
as of December 31, 2013 (\$'s whole)

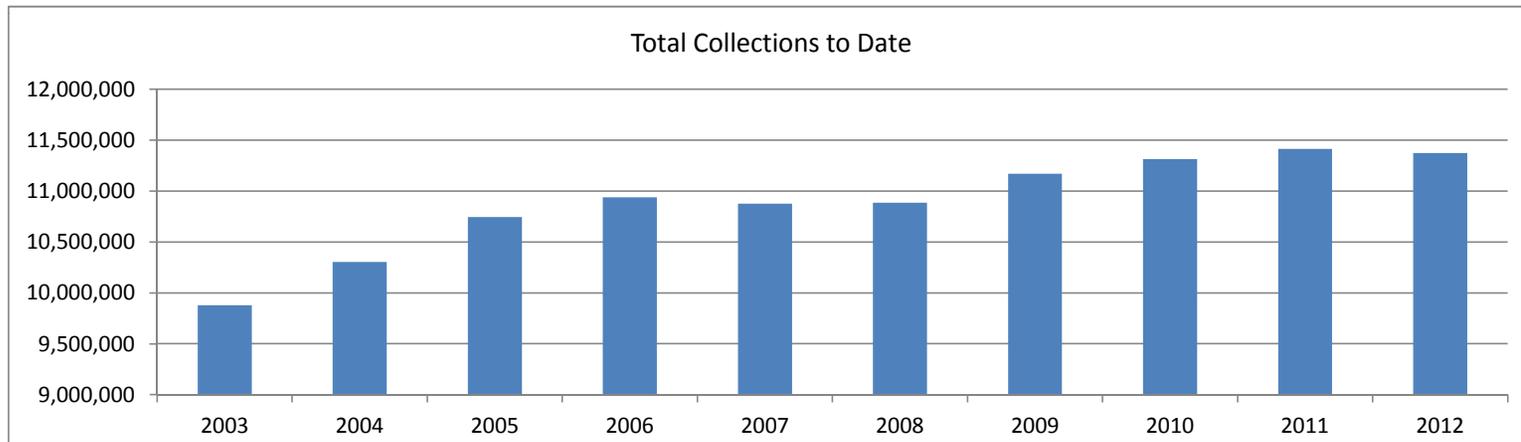
<u>Name of Company</u>	<u>Current Year</u>			<u>Nine Years Ago</u>		
	<u>2012</u> <u>Assessed</u> <u>Valuation</u>	<u>Rank</u>	<u>Percent</u> <u>to</u> <u>Total</u>	<u>2003</u> <u>Assessed</u> <u>Valuation</u>	<u>Rank</u>	<u>Percent</u> <u>to</u> <u>Total</u>
Archer Daniels Midland Co.	27,911,921	1	3.0%	26,350,493	1	3.6%
Wal-Mart Stores, Inc.	7,622,724	2	0.8%	8,513,509	3	1.2%
Caterpillar Tractor Co.	7,161,805	3	0.8%	7,316,611	4	1.0%
Ameren fka Illinois Power Co	6,766,655	4	0.7%	3,445,630	8	0.5%
Ventas Inc fka LHPT Decatur/DMH Fund	6,411,181	5	0.7%	**	**	**
Tate & Lyle fka AE Staley Mfg. Co.	4,214,196	6	0.5%	2,837,452	10	0.4%
Millikin University (The Woods Apts.)	4,048,177	7	0.4%	4,266,799	5	0.6%
William Downing	3,045,581	8	0.3%	**	**	**
Brettwood Village Assoc	3,038,000	9	0.3%	3,357,532	9	0.5%
St Mary's Hospital	2,841,014	10	0.3%	**	**	**
CWB Investments	**	**	**	11,165,019	2	1.5%
PPG Industries	**	**	**	3,921,468	6	0.5%
Northgate Lmted Partnership	**	**	**	3,659,585	7	0.5%
	<u>73,061,254</u>		<u>7.9%</u>	<u>74,834,098</u>		<u>10.3%</u>
	<u>922,154,799</u>		<u>100.0%</u>	<u>723,424,819</u>		<u>100.0%</u>

Note: Assessed valuation year is same as tax levy year with tax billed and collected in the subsequent calendar year.

Source: Office of the Macon County Supervisor of Assessments

City of Decatur, Illinois  
Property Tax Levy and Tax Collections  
Most Recent Fiscal Years (\$'s whole)

Property Tax Levy Year	Fiscal Year Ended	Taxes Levied for the Fiscal Year	Total Taxes Extended by County Collector	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2003	4/30/2005	9,624,048	9,626,639	9,877,672	103%	2,919	9,880,591	103%
2004	4/30/2006	10,093,476	10,097,408	10,279,384	102%	(26,125)	10,305,508	102%
2005	4/30/2007	10,529,076	10,529,462	10,702,883	102%	(41,922)	10,744,806	102%
2006	4/30/2008	10,685,006	10,685,396	10,918,703	102%	(20,069)	10,938,772	102%
2007	4/30/2009	11,009,404	11,009,825	10,876,870	99%	n/a	10,876,870	99%
2008	4/30/2010	11,001,990	11,002,265	10,886,987	99%	n/a	10,886,987	99%
2009	4/30/2011	11,297,338	11,297,500	11,171,844	99%	n/a	11,171,844	99%
2010	4/30/2012	11,467,074	11,467,272	11,314,203	99%	n/a	11,314,203	99%
2011	4/30/2013	11,751,429	11,751,637	11,414,665	97%	n/a	11,414,665	97%
2012	12/31/2013	11,751,637	11,751,936	11,374,809	97%	n/a	11,374,809	97%
2013	12/31/2014	11,784,000	11,784,238	not yet available		n/a	not yet available	



Note: Tax levy adopted by Council before December 31 of year, with tax billed and collected in subsequent calendar year.

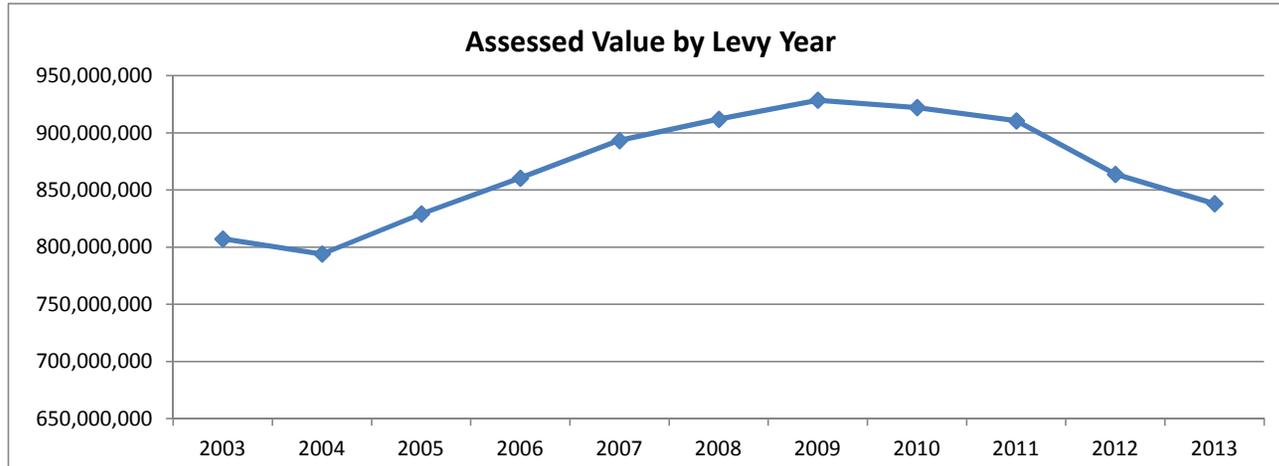
Source: Office of the Macon County Treasurer

n/a - Information not available according to competent authority within the Macon County Treasurers Office.

City of Decatur, Illinois  
 Assessed Value and Estimated Actual Value  
 of Taxable Property  
 Most Recent Fiscal Years (\$'s whole)

**REAL PROPERTY**

<b>LEVY YEAR</b>	<b>FISCAL YEAR ENDED</b>	<b>ASSESSED VALUE</b>	<b>ESTIMATED ACTUAL VALUE</b>	<b>RATIO OF ASSESSED VALUE TO TOTAL ACTUAL VALUE (1)</b>	<b>DIRECT RATE PER \$100 ASSESSED VALUATION</b>
2003	4/30/2005	807,265,386	2,421,796,158	33.33%	1.19250
2004	4/30/2006	794,049,821	2,382,149,463	33.33%	1.27170
2005	4/30/2007	829,097,689	2,487,293,067	33.33%	1.26999
2006	4/30/2008	860,504,122	2,581,512,366	33.33%	1.24176
2007	4/30/2009	893,386,367	2,680,159,101	33.33%	1.23237
2008	4/30/2010	912,014,180	2,736,042,540	33.33%	1.20637
2009	4/30/2011	928,543,809	2,785,631,427	33.33%	1.21669
2010	4/30/2012	922,154,799	2,766,464,397	33.33%	1.24353
2011	4/30/2013	910,633,770	2,731,901,310	33.33%	1.29049
2012	12/31/2013	863,833,509	2,591,500,527	33.33%	1.36044
2013	12/31/2014	838,097,609	2,514,292,827	33.33%	1.40607



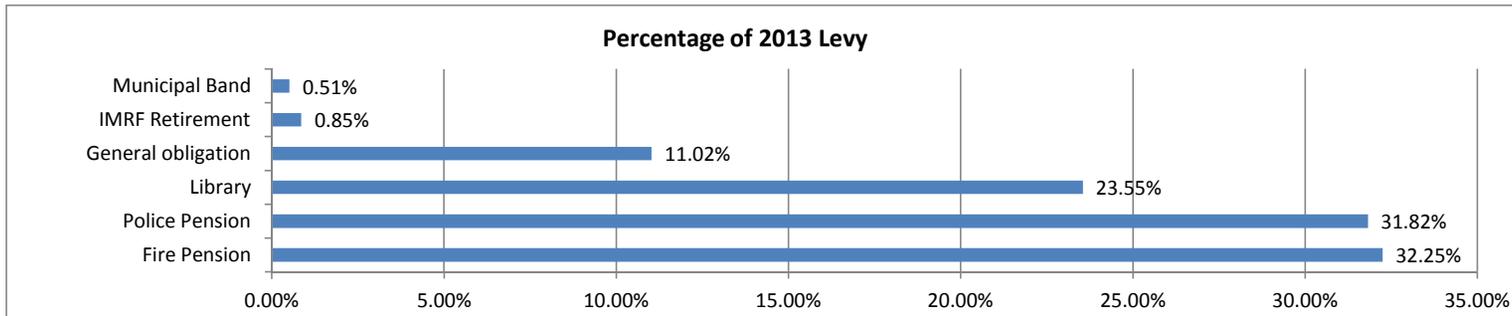
Note 1: State of Illinois law prescribes an assessed value ratio to be no more than 33.33% of actual value

Note 2: Assessed valuation year is same as tax levy year with tax billed and collected in the subsequent calendar year.

Source: Office of the Macon County Clerk/Office of the Macon County Supervisor of Assessments.

City of Decatur, Illinois  
City Government Property Tax Rates  
Most Recent Fiscal Years  
Rate per \$100 Assessed Valuation

Tax Levy Year Fiscal Year Ended	2003 4/30/2005	2004 4/30/2006	2005 4/30/2007	2006 4/30/2008	2007 4/30/2009	2008 4/30/2010	2009 4/30/2011	2010 4/30/2012	2011 4/30/2013	2012 12/31/2013	2013 12/31/2014
<b><u>PURPOSE OF FUND</u></b>											
Library	0.36380	0.38100	0.37592	0.38031	0.39196	0.37138	0.32309	0.32533	0.32945	0.34729	0.33111
Police Pension	0.23730	0.26030	0.30416	0.30739	0.30483	0.32846	0.30420	0.38792	0.39226	0.41352	0.44745
Fire Pension	0.22190	0.24840	0.31144	0.33349	0.31260	0.33683	0.33104	0.38973	0.39612	0.43004	0.45341
Municipal Band	0.00810	0.00820	0.00845	0.00814	0.00840	0.00823		0.00651	0.00659	0.00695	0.00716
IMRF Retirement	0.03660	0.06510	0.09229	0.07590	0.08392	0.11544	0.12415		0.00979	0.01154	0.01194
Mass Transit System	0.01880	0.01910	0.02637	0.02541	0.02448	0.02398					
Law Enforcement Facility Lease	0.07980	0.05170	0.03384								
Insurance		0.05040									
Police Protection	0.10390	0.02480									
<b><u>BOND AND INTEREST</u></b>											
General obligation	0.12230	0.16270	0.11752	0.11112	0.10618	0.02205	0.13421	0.13404	0.15628	0.15110	0.15500
<b>ALL PURPOSE - TOTAL</b>	<b>1.19250</b>	<b>1.27170</b>	<b>1.26999</b>	<b>1.24176</b>	<b>1.23237</b>	<b>1.20637</b>	<b>1.21669</b>	<b>1.24353</b>	<b>1.29049</b>	<b>1.36044</b>	<b>1.40607</b>
<b>Actual Rate Extended</b>	<b>1.19250</b>	<b>1.27170</b>	<b>1.26999</b>	<b>1.24176</b>	<b>1.23237</b>	<b>1.20637</b>	<b>1.21669</b>	<b>1.24353</b>	<b>1.29049</b>	<b>1.36044</b>	<b>1.40607</b>



Source: "Certificate of Tax Extension", Office of the Macon County Clerk

City of Decatur, Illinois  
City Government Tax Levy  
Most Recent Fiscal Years (\$'s whole)

Tax Levy Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fiscal Year Ended	4/30/2005	4/30/2006	4/30/2007	4/30/2008	4/30/2009	4/30/2010	4/30/2011	4/30/2012	4/30/2013	12/31/2013	12/31/2014
<b><u>PURPOSE OF FUND</u></b>											
Library	2,936,831	3,025,330	3,116,776	3,272,583	3,501,717	3,387,038	3,000,032	3,000,046	3,000,083	3,000,007	2,775,025
Police Pension	1,915,640	2,066,912	2,521,810	2,645,104	2,723,310	2,995,602	2,824,630	3,577,223	3,572,053	3,572,124	3,750,067
Fire Pension	1,791,321	1,972,420	2,582,169	2,869,695	2,792,726	3,071,937	3,073,852	3,593,914	3,607,202	3,714,829	3,800,018
Municipal Band	65,388	65,112	70,059	70,045	75,044	75,059		60,032	60,011	60,036	60,008
Mass Transit System	151,765	151,664	218,635	218,654	218,701	218,701					
IMRF Retirement	295,458	516,926	765,182	653,123	749,730	1,052,829	1,152,787		89,151	99,686	100,069
Law Enforcement Facility Lease	644,203	410,524	280,570								
Insurance		400,201									
Police Protection	838,748	196,924									
<b><u>BOND AND INTEREST</u></b>											
General obligation	987,285	1,291,919	974,366	956,192	948,598	201,099	1,246,199	1,236,056	1,423,138	1,305,252	1,299,051
<b>ALL PURPOSE - TOTAL</b>	<b><u>9,626,639</u></b>	<b><u>10,097,932</u></b>	<b><u>10,529,567</u></b>	<b><u>10,685,396</u></b>	<b><u>11,009,825</u></b>	<b><u>11,002,265</u></b>	<b><u>11,297,500</u></b>	<b><u>11,467,272</u></b>	<b><u>11,751,638</u></b>	<b><u>11,751,936</u></b>	<b><u>11,784,238</u></b>

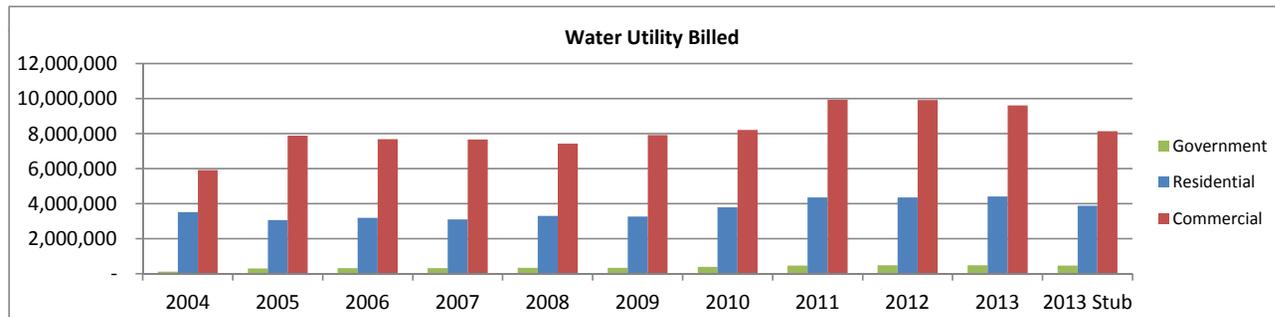
Source: "Certificate of Tax Extension", Office of the Macon County Clerk

City of Decatur, Illinois  
Property Tax Information  
as of December 31, 2013

- Taxes Assessed:** The owner of property on January 1, in any year, is liable for taxes for that calendar year.
- Taxes Due:** Current taxes on real property may be paid in two equal installments. The first installment is due not later than June 1st, and bears interest at the rate of 1 1/2% per month after June 1st, until paid or forfeited. The second installment is payable not later than September 1st, and bears interest at the rate of 1 1/2% per month after September 1st until paid or forfeited.
- Payable:** The current City property taxes are payable at the Office of the County Treasurer, who is also the County Collector.
- Tax Sale:** Application for judgment and sale in cases where taxes are not paid is made during the month of October. A Monday in October is fixed for the date of the sale by the County Treasurer. Tax bills are sold to the bidder who offers to pay the accumulated amount of the tax and to charge thereon the lowest rate of interest. The maximum interest provided by law is 18% every six months for a period of two years. The purchaser of the tax bill is given a certificate of purchase for each piece of real estate.
- Redemption:** Redemption may be made by the owner by payment of the tax bill in full to the County Clerk including 18% penalties, plus \$4.00 service charge at any time before issuance of tax deed.
- Tax Deed:** Two years and six months from the day of the annual tax sale, the holder of a certificate of purchase which has not been redeemed may, by fulfilling the statutory procedures and paying all subsequent tax bills, obtain a tax deed. This deed must be issued before the expiration of seven years after the annual tax sale or the certificate becomes void.

City of Decatur, Illinois  
Water Utility Revenue  
Most Recent Fiscal Years (\$'s whole)

<u>Fiscal Year</u>	<u>Water Utility Billed</u>				<u>Direct rate per 700 gallons</u>		<u>Actual Receipts</u>
	<u>Residential</u>	<u>Commercial</u>	<u>Government</u>	<u>Total</u>	<u>Domestic and Non-Domestic</u>	<u>Large Users</u>	
2004	3,533,694	5,925,509	119,801	9,579,004	1.37	2.10	10,981,658
2005	3,078,785	7,882,285	310,688	11,271,758	1.37	2.10	11,344,858
2006	3,201,423	7,681,239	324,152	11,206,814	1.37	2.10	11,079,028
2007	3,102,937	7,665,383	322,649	11,090,969	1.37	2.10	11,194,002
2008	3,306,843	7,442,905	349,014	11,098,762	1.37	2.10	11,405,485
2009	3,266,713	7,932,315	348,853	11,547,880	1.58	2.42	11,731,801
2010	3,792,121	8,213,894	399,863	12,405,878	1.81	2.78	12,275,664
2011	4,356,560	9,941,636	476,239	14,774,435	2.08	3.19	14,589,805
2012	4,355,566	9,924,667	483,055	14,763,289	2.08	3.19	14,898,121
2013	4,422,817	9,618,089	482,404	14,523,310	2.08	3.19	14,865,522
2013 Stub	3,889,119	8,138,292	463,137	12,490,549	2.81	4.31	11,901,327



Note 1: Government accounts were not coded separately prior to the accounting system conversion in FY04.

The first six months of 2004 are included in the Residential and Commercial totals.

Note 2: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: City water utility records.

City of Decatur, Illinois  
Water Utility Service Usage Rates  
Most Recent Fiscal Years (\$'s whole)

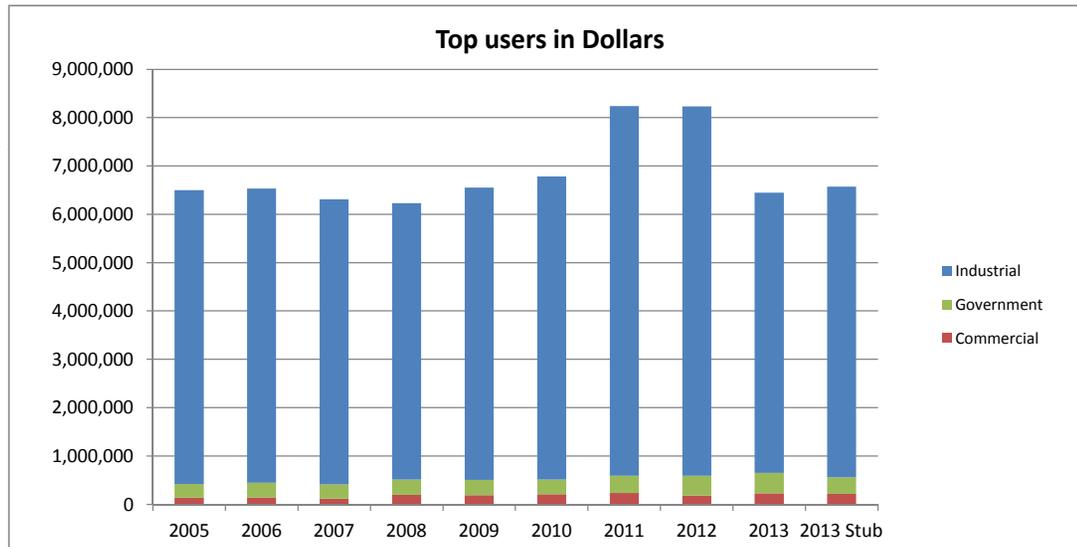
	Fiscal Year										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013 Stub</u>
<b>Service Charge Per Meter</b>											
Domestic-all meters (quarterly)	\$ 3.32	\$ 3.32	\$ 3.32	\$ 3.32	\$ 3.32	\$ 3.82	\$ 4.39	\$ 5.05	\$ 5.05	\$ 5.05	\$ 5.05
Non-Domestic (quarterly)											
Meter size 5/8"-3/4"	8.97	8.97	8.97	8.97	8.97	10.32	11.86	13.64	13.64	13.64	13.64
Meter size 1"-1 1/2"	33.15	33.15	33.15	33.15	33.15	38.12	43.84	50.42	50.42	50.42	50.42
Meter size 2"-4"	117.00	117.00	117.00	117.00	117.00	134.55	154.73	177.94	177.94	177.94	177.94
Meter size 7"-12"	546.00	546.00	546.00	546.00	546.00	627.90	722.09	830.40	830.40	830.40	830.40
Meter size 14"-18"	2,242.50	2,242.50	2,242.50	2,242.50	2,242.50	2,578.88	2,965.71	3,410.56	3,410.56	3,410.56	3,410.56
Non-Domestic & large Users (monthly)											
Meter size 5/8"-3/4"	2.99	2.99	2.99	2.99	2.99	3.44	3.95	4.55	4.55	4.55	6.14
Meter size 1"-1 1/2"	11.05	11.05	11.05	11.05	11.05	12.71	14.61	16.81	16.81	16.81	22.69
Meter size 2"-4"	39.00	39.00	39.00	39.00	39.00	44.85	51.58	59.31	59.31	59.31	80.07
Meter size 7"-12"	182.00	182.00	182.00	182.00	182.00	209.30	240.70	276.80	276.80	276.80	373.68
Meter size 14"-18"	747.50	747.50	747.50	747.50	747.50	859.63	988.57	1,136.85	1,136.85	1,136.85	1,534.75
<b>Usage Charge-cu ft (monthly equiv)</b>											
Domestic and Non-Domestic											
1st 700	1.37	1.37	1.37	1.37	1.37	1.58	1.81	2.08	2.08	2.08	2.81
Next 1,500	1.24	1.24	1.24	1.24	1.24	1.43	1.64	1.89	1.89	1.89	2.55
Next 12,900	1.11	1.11	1.11	1.11	1.11	1.28	1.47	1.69	1.69	1.69	2.28
Next 18,300	0.89	0.89	0.89	0.89	0.89	1.02	1.18	1.35	1.35	1.35	1.82
Next 133,300	0.70	0.70	0.70	0.70	0.70	0.81	0.93	1.06	1.06	1.06	1.43
Next 833,300	0.66	0.66	0.66	0.66	0.66	0.76	0.87	1.00	1.00	1.00	1.35
Next 1,000,000	0.55	0.55	0.55	0.55	0.55	0.63	0.73	0.84	0.84	0.84	1.13
All Over 2,000,000	0.39	0.39	0.39	0.39	0.39	0.45	0.52	0.59	0.59	0.59	0.80
Large User											
1st 700	2.10	2.10	2.10	2.10	2.10	2.42	2.78	3.19	3.19	3.19	4.31
Next 1,500	1.90	1.90	1.90	1.90	1.90	2.19	2.51	2.89	2.89	2.89	3.90
Next 12,900	1.69	1.69	1.69	1.69	1.69	1.94	2.24	2.57	2.57	2.57	3.47
Next 18,300	1.36	1.36	1.36	1.36	1.36	1.56	1.80	2.07	2.07	2.07	2.79
Next 133,300	1.08	1.08	1.08	1.08	1.08	1.24	1.43	1.64	1.64	1.64	2.21
Next 833,300	1.00	1.00	1.00	1.00	1.00	1.15	1.32	1.52	1.52	1.52	2.05
Next 1,000,000	0.84	0.84	0.84	0.84	0.84	0.97	1.11	1.28	1.28	1.28	1.73
All Over 2,000,000	0.60	0.60	0.60	0.60	0.60	0.69	0.79	0.91	0.91	0.91	1.23

Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: City water utility records.

City of Decatur, Illinois  
 Water Utility Revenue by Consumer Segment  
 Most Recent Fiscal Years (\$'s whole)

<u>Fiscal Year</u>	<u>Total Water Billed</u>	<u>Revenue of Top 10 Customers in Category</u>			<u>Percentage of Total</u>
		<u>Industrial</u>	<u>Commercial</u>	<u>Government</u>	
2004	9,579,004	na	na	na	na
2005	11,271,758	6,082,481	138,366	280,029	57.7%
2006	11,206,814	6,083,537	140,089	306,877	58.3%
2007	11,090,969	5,899,731	117,977	291,625	56.9%
2008	11,098,762	5,714,968	197,870	315,586	56.1%
2009	11,547,880	6,052,058	186,708	316,887	56.8%
2010	12,405,878	6,267,839	207,533	306,451	54.7%
2011	14,774,435	7,648,174	231,140	359,514	55.8%
2012	14,763,289	7,643,251	179,996	411,138	55.8%
2013	14,523,310	5,793,605	227,653	423,603	44.4%
2013 Stub	12,490,549	6,014,319	216,327	343,393	52.6%



Note 1: Due to accounting system conversion in FY 2004, data is not available until FY 2005

Note 2: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: City water utility records.

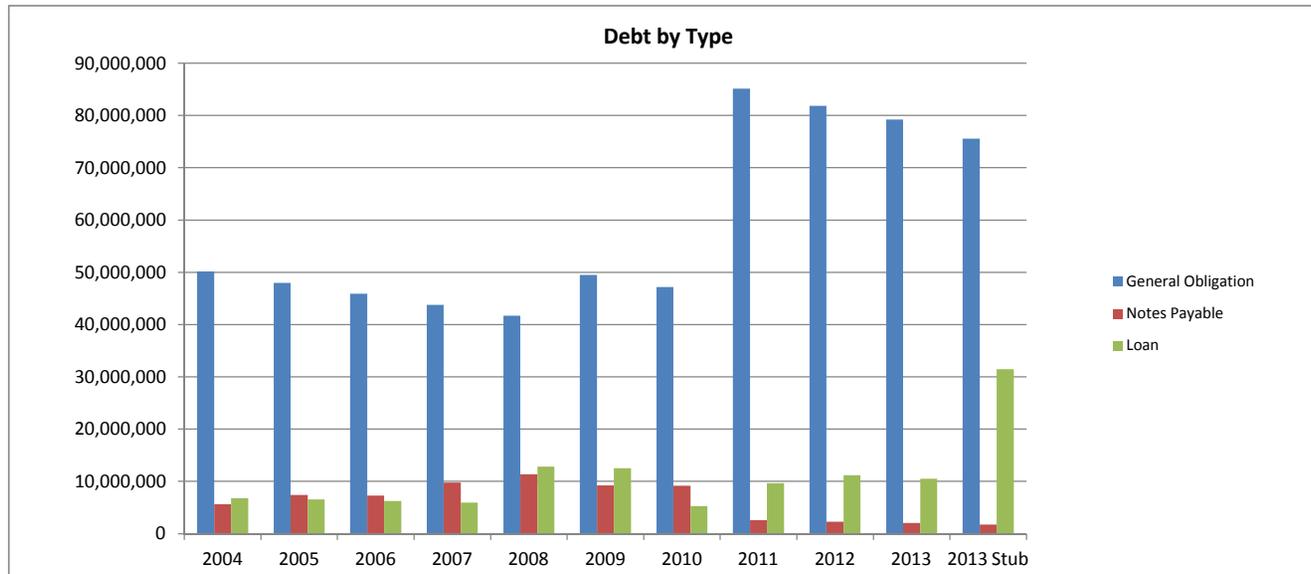
## **Debt Capacity**

These schedules contain information to assist the reader in assessing the affordability of the City of Decatur's current level of outstanding debt and the City's ability to issue additional debt in the future.

City of Decatur, Illinois  
Ratios of Outstanding Debt by Type  
Most Recent Fiscal Years (\$'s whole)

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Assessed Value	Percentage of Assessed Valuation	Per Capita
	General Obligation	Notes Payable	Loan				
2004	50,168,424	5,655,134	6,823,796	62,647,354	723,424,819	8.66%	765
2005	47,946,433	7,399,809	6,535,592	61,881,834	807,265,386	7.67%	756
2006	45,882,592	7,289,809	6,238,954	59,411,355	794,049,821	7.48%	726
2007	43,774,249	9,791,388	5,933,637	59,499,274	829,097,689	7.18%	727
2008	41,678,968	11,349,444	12,844,386	65,872,798	860,504,122	7.66%	805
2009	49,474,407	9,232,376	12,520,940	71,227,723	893,386,367	7.97%	870
2010	47,194,649	9,171,000	5,288,262	61,653,911	912,014,180	6.76%	753
2011	85,102,316	2,580,000	9,659,529	97,341,845	928,543,809	10.48%	1279
2012	81,822,528	2,305,000	11,167,345	95,294,873	922,154,799	10.33%	1252
2013	79,221,881	2,025,000	10,487,213	91,734,094	910,633,770	10.07%	1205
2013 Stub	75,566,756	1,710,000	31,452,600	108,729,356	863,833,509	12.59%	1428

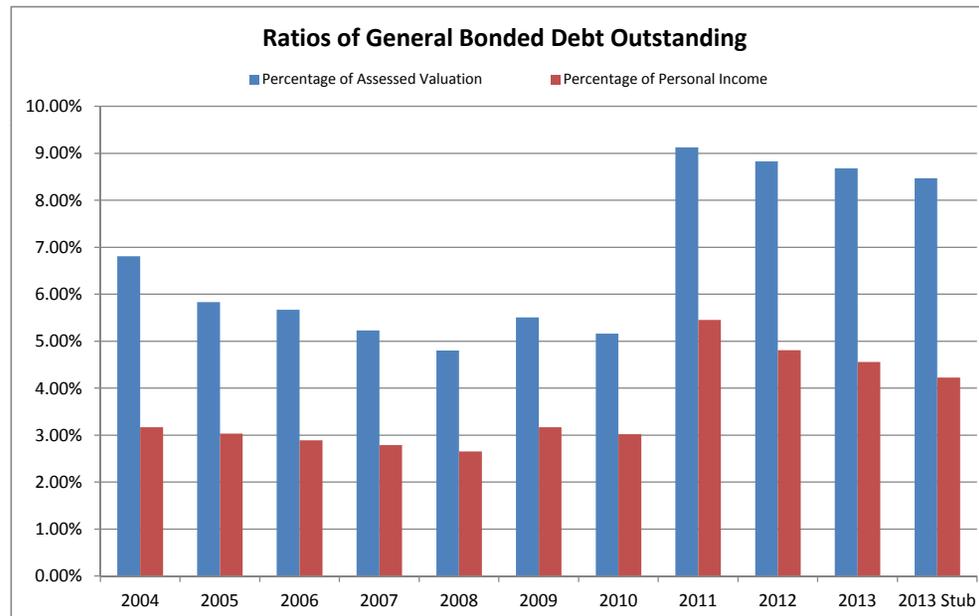
Percent of total debt      69.50%      1.57%      28.93%      100.00%



Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.  
Source: Comprehensive Annual Financial Report for relevant fiscal year, US Census Bureau

City of Decatur, Illinois  
Ratios of Outstanding General Bonded Debt  
Most Recent Fiscal Years (\$'s whole)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Assessed Valuation	Percentage of Personal Income	Per Capita
2004	50,168,424	884,830	49,283,594	6.81%	3.17%	602
2005	47,946,433	853,134	47,093,299	5.83%	3.03%	575
2006	45,882,592	868,037	45,014,555	5.67%	2.89%	550
2007	43,774,249	380,993	43,393,256	5.23%	2.79%	530
2008	41,678,968	372,473	41,306,495	4.80%	2.65%	505
2009	49,474,407	205,337	49,269,070	5.51%	3.17%	602
2010	47,194,649	145,925	47,048,724	5.16%	3.02%	575
2011	85,102,316	316,303	84,786,013	9.13%	5.45%	1,114
2012	81,822,528	409,119	81,413,409	8.83%	4.81%	1,070
2013	79,221,881	159,400	79,062,481	8.68%	4.56%	1,039
2013 Stub	75,566,756	2,399,692	73,167,064	8.47%	4.22%	961



Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: Comprehensive Annual Financial Report for relevant fiscal year.

City of Decatur, Illinois  
 Governmental Direct and Overlapping Debt  
 as of December 31, 2013 (\$'s whole)

	Debt Outstanding	Percentage of Debt Applicable to the City of Decatur	City of Decatur's Share of Debt
<b>DIRECT DEBT</b>			
City of Decatur	\$ 77,276,756	100.00%	\$ 77,276,756
<b>OVERLAPPING DEBT</b>			
Decatur Park District	565,000	96.88%	547,372
Decatur School District #61	14,760,000	95.13%	14,041,188
Argenta School District #1	7,925,000	35.76%	2,833,980
Cerro Gordo School District #100	2,485,000	0.06%	1,491
Macon County	1,037,425	53.76%	557,720
Maroa/Forsyth School District #2	8,190,000	12.05%	986,895
Meridian School District #15	7,935,000	16.02%	1,271,187
Mt. Zion School District #3	6,755,000	9.76%	659,288
Richland Community College	19,740,000	38.12%	7,524,888
Warrensburg School District #11	11,175,000	38.08%	4,255,440
<b>TOTAL OVERLAPPING DEBT</b>	80,567,425	40.56%	32,679,449
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	157,844,181	69.66%	109,956,205
Per Capita Direct and Overlapping Debt	\$ 2,074		

Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: City of Decatur Official Statement, GO Bonds, Series 2014

## **Demographic and Economic Information**

These schedules present various demographic and economic indicators to assist reader understanding of the financial and economic environment within the City of Decatur as it relates to the financial activities of the City.

City of Decatur, Illinois  
Demographics and Economic Statistics  
Most Recent Fiscal Years

<b><u>Fiscal Year</u></b>	<b><u>Population</u></b>	<b><u>Per Capita Personal Income</u></b>	<b><u>Personal Income (thousands of dollars)</u></b>	<b><u>Median Age</u></b>	<b><u>School Enrollment</u></b>	<b><u>Unemployment Rate</u></b>
2004	81,860	19,009	1,556,007	37.2	18,290	6.1%
2005	81,860	19,009	1,556,007	37.2	18,047	5.8%
2006	81,860	19,009	1,556,007	37.2	17,201	7.2%
2007	81,860	19,009	1,556,007	37.2	16,820	5.8%
2008	81,860	19,009	1,556,007	37.2	17,410	5.7%
2009	81,860	19,009	1,556,007	37.2	16,113	9.8%
2010	81,860	19,009	1,556,007	37.2	16,877	12.8%
2011	76,122	19,009	1,556,007	37.2	16,896	9.7%
2012	76,122	22,229	1,692,116	39.1	16,350	9.4%
2013	76,122	22,756	1,732,232	39.2	17,240	10.3%
2013 Stub	76,122	22,756	1,732,232	39.0	16,280	12.4%

Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: Population, Per Capita Personal Income and Median Age information obtained from U.S. Census Bureau/Capital ESRI 2013 Demographic and Income Profile Report. School Enrollment obtained from Macon-Piatt Regional Office of Education, Millikin University, and Richland Community College. Unemployment rate obtained from U.S. Bureau of Labor Statistics.

City of Decatur, Illinois  
Principal Employers  
Current and Nine Years Ago

<b>Employer</b>	<b>December 31, 2014</b>			<b>April 30, 2005</b>		
	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment</u></b>	<b><u>Employees</u></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment</u></b>
Archer Daniels Midland Co.	4202	1	9.16%	3400	1	10.18%
Decatur Memorial Hospital	2077	2	4.53%	2266	3	6.79%
Caterpillar, Inc.	1864	3	4.06%	2500	2	7.49%
Decatur Public Schools	1300	4	2.83%	1500	4	4.49%
St. Mary's Hospital	1200	5	2.62%	1100	6	3.29%
Millikin University	616	6	1.34%	600	10	1.80%
Tate & Lyle fka AE Staley Mfg. Co.	597	7	1.30%	700	8	2.10%
Ameren aka Illinois Power Company	575	8	1.25%	1250	5	3.74%
Macon County	532	9	1.16%	**	**	**
Norfolk Southern Corp. Railroad	500	10	1.09%	600	9	1.80%
Mueller Co., Inc.				737	7	2.21%

Source: Economic Development Foundation and Illinois Department of Employment Security

City of Decatur, Illinois  
Operating Indicators by Function / Program  
Last Ten Fiscal Years

Function	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013 Stub
<b>Public safety</b>											
Police											
Calls for Service	66,648	68,834	66,571	66,732	65,439	63,776	58,443	59,766	58,800	60,729	42,430
Traffic Citations	14,078	11,031	12,201	6,804	14,188	15,689	16,650	13,072	10,530	11,591	8,567
Parking Tickets	2,720	2,357	2,083	1,688	1,225	1,153	1,124	1,015	1,504	1,866	1,306
Fire											
Call Outs	7,297	7,681	8,035	8,623	8,931	8,790	8,659	9,030	9,320	8,711	5,795
Inspections	347	335	487	616	834	1,658	206	1,450	265	789	1,142
<b>Public works</b>											
Street Surface Improv (LA MI)	22.3	31.6	18.6	20.5	22.5	15.4	37.4	4.6	5.2	16.7	4.1
Potholes Repaired	18,266	10,985	10,619	10,200	16,722	16,589	31,670	22,059	13,579	21,063	12,158
Pavement markings-paint (LF)	164,149	390,934	362,500	448,412	275,461	71,690	53,739	300	652,808	235,822	322,774
<b>Culture and recreation</b>											
Library Items Loaned	601,929	546,550	533,276	635,162	596,504	611,071	638,186	593,111	501,740	487,803	303,323
Extension (bookmobiles)	92,207	92,608	92,295	89,925	57,550	56,269	61,840	0	0	0	0
<b>Water</b>											
Water Consumption (CU FT)	929,736,391	887,679,789	892,237,277	859,211,576	868,545,609	851,382,595	785,159,158	842,550,729	835,345,398	835,989,759	558,175,057
Metered Services	31,488	31,462	31,555	31,489	31,557	31,489	31,466	31,459	31,433	31,410	31,393
Sediment Dredged (Dry TON)	0	57,182	162,388	201,227	180,435	302,145	154,713	104,224	412,170	0	0
<b>Parking</b>											
Tickets Issued <b>Note 2</b>	11,404	13,929	16,335	15,543	15,091	15,709	15,310	15,617	15,524	6,984	4,045
Parking Lot Maintenance (Hours)	1,618	1,477	1,466	1,498	1,582	1,538	1,120	1,703	1,210	940	688
<b>Mass Transit</b>											
Buses & Trolleys (Ridership)	980,796	1,039,354	1,121,789	1,173,301	1,257,931	1,242,425	1,265,966	1,314,337	1,407,156	1,438,437	961,426
Paratransit Vans/Taxis	49,289	39,113	34,872	34,050	34,068	34,142	32,270	27,496	27,432	35,234	24,398
<b>Housing programs</b>											
Amount of Loans	\$0	\$14,613	\$16,900	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Waste removal</b>											
Recycling (Pounds)	2,814,479	2,815,784	2,799,502	2,785,959	2,690,720	2,861,919	2,865,162	3,036,830	6,388,000	7,296,000	5,287,458
<b>Sewer</b>											
Sanitary Sewer Televised (LF)	273,624	224,024	205,737	208,991	250,000	469,923	150,000	225,000	330,000	211,266	176,783

Note 1: Zero reported indicates year in which no dredging was performed.

Note 2: Parking meters were removed from the central parking zone in the Spring of 2012 reducing the number of parking meter related tickets issued in fiscal year 2013.

Note 3: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

Source: City of Decatur Records

City of Decatur, Illinois  
Capital Asset and Infrastructure Statistics by Function / Program  
Most Recent Fiscal Years

Function	Fiscal Year										
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2013 Stub</u>
Public safety											
Police											
Patrol Units	54	40	39	32	38	37	41	54	45	53	45
Fire Stations	7	7	7	7	7	7	7	7	7	7	7
Public works											
Bridges	17	17	17	17	17	17	18	18	18	19	19
Sidewalks (ft)	506,088	519,088	528,150	536,944	536,944	536,944	536,944	536,944	536,944	544,144	548,044
Streets (sq yd)	1,213,915	1,242,341	1,282,051	1,301,406	1,301,406	1,423,166	1,473,854	1,477,259	1,477,259	1,496,995	1,496,995
Storm Sewers (ft)	277,684	282,431	284,038	284,203	284,203	288,204	288,204	288,204	288,204	288,204	288,204
Culture and recreation											
Library Bookmobiles	2	2	2	2	2	2	2	2	2	2	2
Water											
Water Mains (miles)	516	520	524	527	527	527	527	527	527	527	527
Maximum Daily Capacity (million of gallons)	36	36	36	36	36	36	36	36	36	36	36
Parking											
Garages	2	2	2	2	2	2	2	2	2	2	2
Lots	6	6	6	5	5	5	5	5	5	5	5
Mass Transit											
Buses	25	25	25	25	25	25	32	23	23	23	22
Trolleys	2	2	2	2	2	2	2	2	2	2	2
Sewer											
Sanitary Sewers (ft)	368,209	368,573	369,494	370,179	370,179	370,179	370,179	370,179	370,179	370,179	370,179

Note: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.  
Source: City of Decatur Records

City of Decatur, Illinois  
Full-Time Equivalent City Government Employees by Function  
Most Recent Fiscal Years

Function	Fiscal Year										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013 Stub
General government	80	78	83	81	87	51	47	46	48	50	48
Public safety											
Police											
Officers	169	172	167	165	160	175	165	161	169	170	165
Civilians	22	23	24	21	23	24	25	25	23	25	21
Fire											
Firefighters and officers	108	114	113	110	114	117	116	115	111	116	110
Civilians	2	2	2	2	2	2	2	2	2	2	1
Public works	79	81	84	82	83	80	71	70	73	71	68
Development Service						33	28	28	29	24	21
Culture and recreation	0	0	0	0	0	0	0	0	0	0	0
Water	54	53	55	47	51	52	46	47	43	42	38
Civil City full time head count	<u>520</u>	<u>529</u>	<u>528</u>	<u>508</u>	<u>520</u>	<u>534</u>	<u>500</u>	<u>494</u>	<u>498</u>	<u>500</u>	<u>472</u>
<b>Additional Full Time Staff</b>											
Culture and recreation (Library)	43	46	47	46	46	48	39	34	36	36	29
<b>Full Time Equivalent of Temporary Staff</b>											
General government		2	2	2	2	1	1				
Culture and recreation		15	15	15	14	14	13	13	13	14	13
Water		4	3	4	4	4	3	4	4	3	5
Total full time equivalent employees		<u>21</u>	<u>20</u>	<u>21</u>	<u>20</u>	<u>19</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>18</u>
<b>Total Full-time Equivalent</b>	<u>563</u>	<u>596</u>	<u>595</u>	<u>575</u>	<u>586</u>	<u>601</u>	<u>556</u>	<u>545</u>	<u>551</u>	<u>553</u>	<u>519</u>

Source: City of Decatur Records.

Note 1: Part time employee data is unavailable prior to FY05 due to mid year accounting system conversion in FY04.

Note 2: Fiscal years include the months of May 1 to April 30 for the years 2004 to 2013. 2013 "stub" is a transition fiscal period consisting of months May 1, 2013 to December 31, 2013.

City of Decatur, Illinois  
Insurance Coverage

Coverage Type	Coverage Effective Date	Limit of Liability	Annual Premium	Self-Insured Retention
Commercial Package Liability and Property	10/1/2013	\$ 1,000,000	\$ 208,479	\$ 150,000
<u>Excess Liability</u>				
Police Professional	10/1/2013	\$ 9,000,000	\$ 107,554	
Premises Liability			Included	
Liquor Liability			Included	
Public Officials Liability			Included	
<u>Excess Property</u>				
Building and Contents	10/1/2013	\$ 161,494,999	\$ 65,402	
Business Income		\$ 4,600,000	Included	
Valuable Papers		\$ 1,208,900	Included	
Flood and Earthquake		\$ 10,000,000	Included	
Vehicles & Contractors Equipment		\$ 16,636,400	Included	
<u>CRIME</u>				
Public Employee Dishonesty	10/1/2013	\$ 500,000	\$ 3,308	\$ 5,000
<u>Machinery Breakdown</u>				
Boiler and Machinery	10/1/2013	\$ 100,000,000	\$ 6,179	\$ 5,000
<u>Other</u>				
Workers Compensation	10/1/2013	Statutory	\$ 620,291	\$ 500,000
Broker	10/1/2013		\$ 70,930	

Data source: City of Decatur Office of Risk Management



## **IX Single Audit Section**

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Eight-Month Period Ended December 31, 2013**

<u>FEDERAL GRANTOR / PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Housing and Urban Development</b>				
Direct Programs:				
Community Development Block Grants/Entitlement Grants *	14.218	B-12-MC-17-0008	\$ 664,039	\$ 38,274
HOME Investment Partnerships Program in Affordable Grants/Entitlement Grants	14.239	M-12-MC-17-0203	<u>53,739</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>717,778</u>	<u>38,274</u>
<b>U.S. Department of Justice</b>				
Direct Programs:				
JAG Grant	16.738	2011-DJ-BX-2540	<u>40,000</u>	<u>-</u>
<b>Total U.S. Department of Justice</b>			<u>40,000</u>	<u>-</u>
<b>U. S. Department of Transportation</b>				
Passed-through Illinois Department of Transportation:				
IL Highway Planning	20.205	SPR-PL-3000(48)	23,946	-
IL Highway Planning	20.205	SPR-PL-3000(51)	75,099	-
Decatur Corridor Monument Installation Project	20.205	702202	500	-
IL Transportation Enhancement Program	20.205	729012	<u>158,619</u>	<u>-</u>
<b>Subtotal Highway Planning and Construction Cluster</b>			<u>258,164</u>	<u>-</u>
Local Alcohol Program Grant	20.601	AL-13-241	<u>8,111</u>	<u>-</u>
STEP Grant	20.600	AL-13-240	18,862	-
STEP Grant	20.600	OP-14-0226	<u>12,224</u>	<u>-</u>
<b>Subtotal</b>			<u>31,086</u>	<u>-</u>
<b>Subtotal Highway Safety Cluster</b>			<u>39,197</u>	<u>-</u>
Technical Studies Guide	20.505	IL-80-0009	8,546	-
Technical Studies Guide	20.505	IL-80-0010	<u>21,588</u>	<u>-</u>
<b>Subtotal</b>			<u>30,134</u>	<u>-</u>
<b>Subtotal Passed-through Illinois Department of Transportation</b>			<u>327,495</u>	<u>-</u>

<u>FEDERAL GRANTOR / PROGRAM TITLE</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Direct Programs:				
Federal Transit Formula Grants	20.507	IL-90-X710-01	\$ 527,500	\$ -
Federal Transit Formula Grants	20.507	IL-90-X700-02	<u>68,541</u>	<u>-</u>
<b>Subtotal Federal Transit Cluster *</b>			<u>596,041</u>	<u>-</u>
<b>Total U.S. Department of Transportation</b>			<u>923,536</u>	<u>-</u>
<b>Environmental Protection Agency</b>				
Passed-through the Illinois Environmental Protection Agency:				
Clean Water State Revolving Funds *	66.458	L17-4873	4,293,164	-
Drinking Water State Revolving Funds	66.468	L17-2552	<u>77,714</u>	<u>-</u>
<b>Subtotal</b>			<u>4,370,878</u>	<u>-</u>
Direct Programs:				
Brownfield Grant	66.818	BF-00E00879	<u>79,884</u>	<u>-</u>
<b>Total Environmental Protection Agency</b>			<u>4,450,762</u>	<u>-</u>
<b>National Endowment for the Humanities</b>				
Project Next Generation	45.310	14SLL488029	<u>18,400</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 6,150,476</u>	<u>\$ 38,274</u>

\* Denotes a major program

This schedule should be read only in connection with the accompanying notes to the schedule.

**CITY OF DECATUR, ILLINOIS**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2013**

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

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

**NOTE 2 - OTHER ASSISTANCE**

The City did not receive any federal awards in the form of non-cash assistance for insurance in effect during the year, loans, or loan guarantees during the fiscal year ended December 31, 2013.

**NOTE 3 - LOAN BALANCES**

The projects on the Schedule of Expenditures of Federal Awards under CFDA #66.468 and CFDA #66.458 resulted in additional loan balances of \$77,714 and \$4,293,164, respectively, as of December 31, 2013.

This information is an integral part of the accompanying schedule.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Mayor and City Council  
City of Decatur, Illinois

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Decatur, Illinois, as of and for the eight month period ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City of Decatur, Illinois' basic financial statements, and have issued our report thereon dated June 20, 2014. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Decatur, Illinois' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Decatur, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Decatur, Illinois' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Findings 2013-001, 2013-002, 2013-003, and 2013-004).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Decatur, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Decatur Illinois' Responses to Findings**

The City of Decatur, Illinois' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Decatur, Illinois' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Danville, Illinois  
June 20, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and City Council  
City of Decatur, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited the City of Decatur, Illinois' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Decatur, Illinois' major federal programs for the eight month period ended December 31, 2013. The City of Decatur, Illinois' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Decatur, Illinois' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Decatur, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Decatur, Illinois' compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City of Decatur, Illinois complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the eight month period ended December 31, 2013.

## **Report on Internal Control Over Compliance**

Management of the City of Decatur, Illinois is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Decatur, Illinois' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Decatur, Illinois' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2013-005 and 2013-006, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Danville, Illinois  
June 20, 2014

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified?  Yes  No
- Significant deficiency identified that is not considered to be material weakness?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness identified?  Yes  No
- Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants Cluster
20.507	Federal Transit Formula Grants
66.458	Capitalization Grants from Clear Water State Revolving Funds.

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section II – Financial Statement Findings**

**FINDING NO. 2013-001 - FINANCIAL STATEMENT PREPARATION**

*Criteria or Specific Requirement:* Proper internal control systems include financial statement preparation and review.

*Condition:* The City engages CliftonLarsonAllen LLP to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CliftonLarsonAllen LLP cannot be considered part of the City's internal control system.

*Effect:* While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

*Cause:* Currently, the City's personnel do not have sufficient capacity and financial statement reporting and accounting knowledge to perform a review of the City's financial statements and related disclosures to provide a high level of assurance that any potential material omissions or other errors would be identified and corrected.

*Recommendation:* The City should continue to analyze the cost versus benefit of enhancing the internal control system.

*Views of Responsible Officials and Planned Corrective Action:* The City of Decatur recognizes and accepts the audit finding as presented.

City financial management has commenced actions in 2014 to eliminate this matter as a finding in future audits. Financial management has attended and will continue to attend professional continuing education courses, GFOA meetings and other educational courses, and has secured subscription membership to the Government Accounting Standards Board (GASB) to receive technical publications, bulletins, updates and pronouncements.

City Official Responsible:           City Treasurer and Director of Finance  
Expected Completion:            December 31, 2014

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section II – Financial Statement Findings (Continued)**

**FINDING NO. 2013-002 - FAREBOX REVENUE**

*Criteria or Specific Requirement:* Proper internal controls over cash include analytical reviews over expected cash deposits and revenues and safeguarding of assets in fareboxes.

*Condition:* During analytical analysis of the Transit Fund's farebox revenues, it was noted that revenues recorded were less than estimated revenue based on ridership information obtained from Transit employees. Upon further investigation by Transit employees and City personnel during the eight month period ended December 31, 2013, it was determined that funds were being stolen by a Transit employee.

*Context:* The variance between the anticipated and actual revenue for fiscal year ended April 30, 2013 was approximately \$90,000 and for eight month period ended December 31, 2013 was approximately \$26,000.

*Effect:* Inadequate controls over the handling of cash collections and cash deposits can lead to loss of assets, and errors and irregularities going undetected on a timely basis.

*Cause:* An employee with access to the premises entered the premises at unauthorized times and stole farebox cash prior to it being removed from the busses for counting and deposit.

*Recommendation:* Upon identification of the condition, the City established new control and security procedures over farebox revenue in the Transit Fund. We recommend continued monitoring of these procedures to ensure they are adhered to and effective.

*Views of Responsible Officials and Planned Corrective Action:* The City of Decatur recognizes and accepts the audit finding as presented.

City of Decatur financial management has discussed this matter with CliftonLarsonAllen, LLP within the context of the audit of the financial statements of the prior fiscal year. From this discussion, the City commenced an inquiry and investigation that has lead to the apprehension of the perpetrator by law enforcement authorities while in the act of criminal activity. The City has completed measures to improve the security system and operation thereof at the transit site. In addition, the City implemented new reporting and monitoring measures that include Transit and City Financial Management review of the farebox collections and resultant farebox counts on a weekly basis. Monitoring of the reporting measures since implementation effective November 1, 2013, indicate the fraudulent activity has ended.

City Official Responsible: City Treasurer and Director of Finance  
Expected Completion: December 31, 2014

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section II – Financial Statement Findings (Continued)**

**FINDING NO. 2013-003 - BANK RECONCILIATIONS NOT COMPLETED OR REVIEWED ON TIMELY BASIS**

*Criteria or Specific Requirement:* Proper internal controls include monthly bank reconciliations be completed and properly reviewed by management on a timely basis.

*Condition:* During the course of our procedures, we noted that the bank reconciliation for the operating account was not always completed in a timely manner and there was no indication of review on a reconciliation we tested.

*Effect:* Lack of timely reconciliation and review of bank accounts can lead to errors and irregularities going undetected.

*Cause:* Financial management decision to re-engineer and simplify the City bank account landscape coupled with a change in financial management staff, provided the opportunity to review existing bank reconciliation processes and procedures, leading to certain short-term delays in completion of bank reconciliations on a timely basis.

*Recommendation:* The City should prepare bank reconciliations subsequent to the end of the month and submit for review to the City Treasurer on a timely basis.

*Views of Responsible Officials and Planned Corrective Action:* The City of Decatur recognizes and accepts the audit finding as presented.

City of Decatur financial management has discussed this issue with CliftonLarsonAllen, LLP within the context of the audit of the financial statements for the eight-month period ended December 31, 2013. The City has re-engineered the bank account reconciliation process to create efficiencies within the process, including intended deployment of enterprise software which will enable correction of the finding.

It is the expectation of City financial management that the City will fully implement the corrective actions prior to the next audit of the financial statements.

City Official Responsible:           City Treasurer and Director of Finance  
Expected Completion:            July 31, 2014

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section II – Financial Statement Findings (Continued)**

**FINDING NO. 2013-004 - CORRECTIONS TO ACCOUNTS PAYABLE**

*Criteria or Specific Requirement:* Generally accepted accounting principles require recording expenditures as incurred.

*Condition:* In our testing we noted an additional \$566,000 in payables that were unrecorded at December 31.

*Effect:* Liabilities were understated at December 31.

*Cause:* Oversight by City personnel.

*Recommendation:* The City should review all payments after year end and amounts due to vendors to consider whether a liability needs recorded.

*Views of Responsible Officials and Planned Corrective Action:* The City of Decatur recognizes and accepts the audit finding as presented.

City financial management will define and implement a new end of fiscal period accounts payable identification methodology to insure liabilities are correctly stated.

It is the expectation of City financial management that the City will fully implement the corrective actions prior to the next audit of the financial statements.

City Official Responsible:                      City Treasurer and Director of Finance  
Expected Completion:                          December 31, 2014

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section III – Federal Award Findings and Questioned Costs**

**Finding No. 2013-005 - CONTROLS OVER PROCUREMENT, SUSPENSION AND DEBARMENT AND SPECIAL TEST REQUIREMENTS**

Federal Agency/Program: Department of Housing and Urban Development - 14.218 -  
Community Development Block Grant

Questioned Costs: None

*Criteria or Specific Requirement:* Federal guidelines require controls to be in place to ensure compliance with procurement, suspension and debarment and special tests (environmental reviews and inspections).

*Condition:* During the course of the audit, an instance was noted in which there was no documentation of proper file checklist completion before the project began. This checklist serves as an internal control procedure over procurement, suspension and debarment, and special test compliance requirements.

*Context:* A sample of three projects were selected for testing. Of those selected, one file did not have the appropriate file checklist.

*Effect:* Projects could begin or vendors used that are not eligible.

*Cause:* City staff did not include and maintain the required checklist in the project file at point of project initiation.

*Recommendation:* We recommend strengthening controls to ensure all required checklists are completed prior to commencement of a project.

*Views of Responsible Officials and Planned Corrective Action:* The City of Decatur recognizes and accepts the audit finding as presented.

City staff will ensure project checklist will be included and maintained as a permanent document in the project file.

City Official Responsible: Director Neighborhood Services  
Expected Completion: December 31, 2014

**CITY OF DECATUR, ILLINOIS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Eight Months Ended December 31, 2013**

**Section III – Federal Award Findings and Questioned Costs (Continued)**

**Finding No. 2013-006 - CONTROLS OVER ALLOWABLE COSTS/ACTIVITIES**

Federal Agency/Program: Department of Housing and Urban Development - 14.218 -  
Community Development Block Grant

Questioned Costs: None

*Criteria or Specific Requirement:* Federal guidelines require controls to be in place to ensure compliance with activities allowed and allowable costs.

*Condition:* During the course of the audit, an instance was noted in which an invoice was not documented as approved by the Finance Department.

*Context:* Issue was noted in one of eight general disbursements tested.

*Effect:* Lack of proper review of invoices prior to payment can lead to ineligible expenses being requested for reimbursement.

*Cause:* Oversight by Finance Department in breach of disbursement approval procedures in place.

*Recommendation:* We recommend controls be reviewed to ensure all invoices have the required approval prior to payment.

*Views of Responsible Officials and Planned Corrective Action:* The City of Decatur recognizes and accepts the audit finding as presented.

City financial management has defined disbursement procedures in place that prohibit disbursement to occur prior to the approval of City financial management. City financial management will review the disbursement procedures in place with accounts payable staff to ensure complete understanding of City disbursement approval requirements prior to the next audit of the financial statements.

City Official Responsible: City Treasurer and Director of Finance  
Expected Completion: June 30, 2014

**CITY OF DECATUR, ILLINOIS**  
**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS**  
**Eight Months Ended December 31, 2013**

**Finding No. April 30, 2013-001**

**FINANCIAL STATEMENT PREPARATION AND ADJUSTMENTS**

Condition: The City engages CliftonLarsonAllen LLP to assist in preparing the necessary cash to accrual basis adjustments and its financial statements and accompanying disclosures. However, as independent auditors, CliftonLarsonAllen LLP cannot be considered part of the City's internal control system.

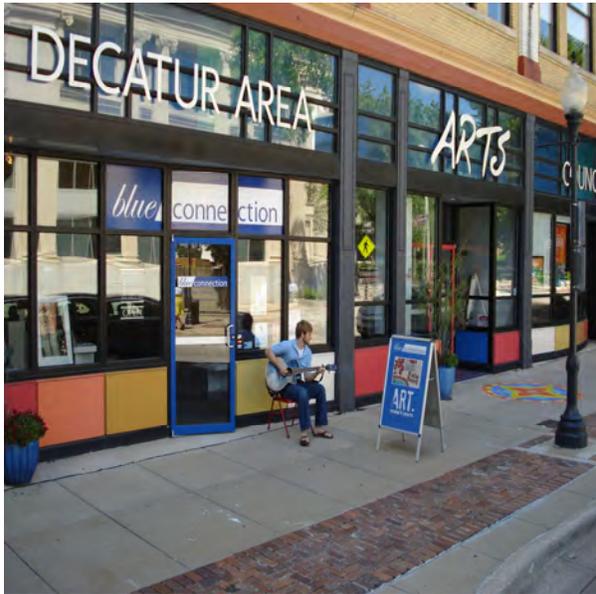
Condition has been partially corrected. The City took on the responsibility for preparing the adjustments to the modified accrual basis in the eight month period ended December 31, 2013. CliftonLarsonAllen, LLP still prepared the financial statements. This part of the finding is repeated as 2013-001.

**Finding No. April 30, 2013-002**

**FAREBOX REVENUE**

Condition: During analytical analysis of the Transit Fund's farebox revenues, it was noted that revenues recorded were less than estimated revenue based on ridership information obtained from Transit employees. Upon further investigation by Transit employees and City personnel, it was determined that funds were being stolen by a Transit employee.

This finding continued to exist in the eight month period ended December 31, 2013, until October 2013. This finding is repeated as 2013-002.



**Decatur, Illinois  
Home to:**

- *Decatur Celebration*
- *Scovill Zoo*
- *Rock Springs Nature Center*



- *Millikin University*
- *Richland Community College*
- *Kirkland Fine Arts Center at Millikin University*
- *Birks Museum at Millikin University*



- *Macon County History Museum*
- *Children's Museum of Illinois*
- *Hieronymus Mueller Museum*
- *Chevrolet Hall of Fame Museum*
- *African American Cultural Museum*
- *David Erlanson Gallery at Richland CC*
- *Anne Lloyd Gallery & Madden Arts Center*
- *Oglesby Mansion*
- *James Millikin Homestead*
- *Friends Creek Conservation District*
- *Decatur Parks System & Trails*



*City of Decatur, Illinois*

*Contact Information:*

*Office of the City Manager*

*217-424-2801*

*One Gary K Anderson Plaza*

*Decatur, IL 62523*

[www.decaturl.gov](http://www.decaturl.gov)