

City of Daphne, Alabama

Comprehensive Annual Financial Report



**For the Year Ending
September 30, 2012**

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City of Daphne, Alabama



Comprehensive Annual Financial Report

**For The Year Ending
September 30, 2012**

Kimberly M. Briley, Finance Director / Treasurer

CITY OF DAPHNE, ALABAMA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30,

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Part I
Introductory
Section



March 29, 2013

TO: The Mayor, Members of the City Council, and the Citizens of the City of Daphne, Alabama

The Comprehensive Annual Report (CAFR) of the City of Daphne, Alabama (the City) for the fiscal year ended September 30, 2012 is hereby presented. The CAFR is presented to give detailed information about the financial position and activities of the City to its citizens, City Council, City Staff, and Readers.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City of Daphne management. To the best of our knowledge and belief, the enclosed financial statements, notes, and other data are accurate in all material respects and are reported in a manner designed to fairly present the financial position and results of operations of the City as a whole, as well as the various funds of the City and its component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The City has an audit of its financial reports annually by independent certified public accountants who must conduct the audit in accordance with generally accepted auditing standards. The accounting firm of Smith, Dukes, and Buckalew, LLP, CPA's, conducted the audit and their report on the City's financial statements is included herein.

The Report

The CAFR is presented in three sections: Introductory, Financial, and Statistical.

The *Introductory Section* includes this transmittal letter and the primary government's organization chart.

The *Financial Section* includes the Management's Discussion and Analysis (MD&A), the basic financial statements for the primary government and its separately presented component unit, and the primary government's combining and individual financial statements and schedules. Also included is the independent auditor's report on the financial statements and schedules. The MD&A provides a narrative introduction, overview, and analysis to accompany the basic financial statements. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it.

The *Statistical Section* includes selected financial and demographic information, generally presented on a multi-year basis. In contrast to the Financial Section information, the Statistical Section has not been audited.

The Reporting Entity

The report includes all funds of the primary government and its component unit. The primary government provides a full range of services. These services include public safety, public works, environmental services, culture and recreation, economic and community development and planning, and general administrative services.

The Utilities Board of the City of Daphne is a related entity, but it does not meet the established criteria for inclusion in the reporting entity, and accordingly is excluded from this report. Additional information on the Utility Board is available at the Board's business office at 900 Daphne Avenue, PO Box 2550, Daphne, Alabama 36526.

The City has implemented the Governmental Accounting Standard Board's (GASB) statement on defining the reporting entity. As a result, the Renaissance Cooperative/Improvement District is included as a separately presented component unit of the reporting entity in the CAFR. See Note 19 for additional information.

GASB Requirements

Each year, management evaluates new GASB reporting requirements to determine applicability to the City. GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" became effective for the Fiscal 2011 period. This statement establishes new categories for the reporting of fund balance and revises definitions for governmental fund types. The City implemented this statement in Fiscal 2011 and new fund balance classifications are presented in the Statistical Section beginning in Fiscal 2011.

City Profile

The City of Daphne was founded in 1927. The City is located on the eastern shore of Mobile Bay and is adjacent to Interstate 10- a major east/west thoroughfare. The City is

45 miles to the west of Pensacola, Florida and 15 miles east of Mobile, Alabama. Located just across Mobile Bay, many residents commute daily to Mobile; Daphne has developed as a bedroom community to the City of Mobile. The City's location along the Interstate, along with the availability of land, has driven retail and light industrial growth. Daphne is the most populous city in Baldwin County and comprises 14.1 square miles.

Wealth and income levels within the City are strong. The median income as of 2009 is \$ 60,541 and the median housing valuation is \$ 183,063. According to the 2000 census, the City's population was 16,581; the 2010 census increased the population to 21,570. Daphne's population is well-educated; according to 2010 data, approximately 30% of the population has a bachelor's degree- the US average is 18%. As the population has grown, the City of Daphne has responded in the quantity and quality of services it provides to meet the needs and expectations of its citizenry. Approximately 273 regular, full-time employees work to provide these services.

The City was recently ranked 96th in the "Top 100 Best Places to Live" as presented on the CNN/Moneywise website. Also, Baldwin County, where Daphne is located, recently ranked as the 11th strongest metropolitan economy in the US and 4th in the Southern United States.

The City of Daphne has a Mayor-Council form of government. The City Council consists of seven members elected from seven single member districts; the Mayor is elected at large. The current Mayor was appointed by the City Council due to the untimely death of the Mayor elected at large in 2012. The Mayor and City Council are elected to serve four year terms. Policy making and legislative authority are vested in the City Council, who is, among other things, responsible for passing local ordinances, adopting budgets, appointing committees, and appointing board members of related organizations. The Mayor is responsible for carrying out the policies and ordinances of the City Council and supervising the day-to-day operations of the City.

The annual budget serves as the foundation for the City's financial planning and control. The Mayor submits the budget proposal of the various City departments to the City Council for their consideration annually. The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Budgetary control is on the departmental level.

Economic Condition

The recent economic down-turn impacted the City beginning in Fiscal Year 2008, with **General Fund Sales and Use Tax Revenues** being the leading indicator. In 2008, these revenues were down \$ 600,000 from the prior year. The height of the City's economic down-turn was experienced during Fiscal Years 2009 and 2010, when Sales and Use Taxes were \$ 1.8 million and \$ 2 million, respectively, under pre-recession

2007 revenues. The rebound began in Fiscal 2011 and continues in Fiscal 2012 and 2013. Revenues in Fiscal 2012 are within \$ 300,000 of meeting the pre-recession 2007 revenues. Fiscal 2013 budgets \$ 12.3 million for Sales and Use Taxes; this is approximately \$ 400,000 over the referenced 2007 revenue collections.

This recovery in the City has occurred sooner and stronger than other areas and is partially due to the thriving of the Eastern Shore Park retail development which includes Sam's and Lowes. Additionally, in Fiscal 2012 revenues begin to reflect the impact of new major retail businesses located to Daphne which includes Publix Supermarket and Dick's Sporting Goods. Both are located in shopping areas that were struggling and have spurred on retail activity in the neighboring businesses.

While Sales and Use Tax revenues were down in Fiscal 2008-2010, Ad Valorem Taxes continued to increase peaking at \$ 5.6 million in Fiscal 2010. As Ad Valorem revenues are collected one year in arrears, the revenue recognized in the governmental statements did not "level out" until Fiscal 2011 and 2012 when the effects of re-valuation began; 2012 Ad Valorem revenues total \$ 4.9 million. Net Assessed Property Values are \$ 367,780,000 in Fiscal 2008 and \$ 335,467,000 at September 30, 2012.

During the peak of the economic downturn in Fiscal 2008 through 2010, departmental operating budgets were closely scrutinized and remained relatively unchanged ranging from \$ 17.7 to \$ 18.1 million. This is reflective of the City's efforts to operate within its currently available resources.

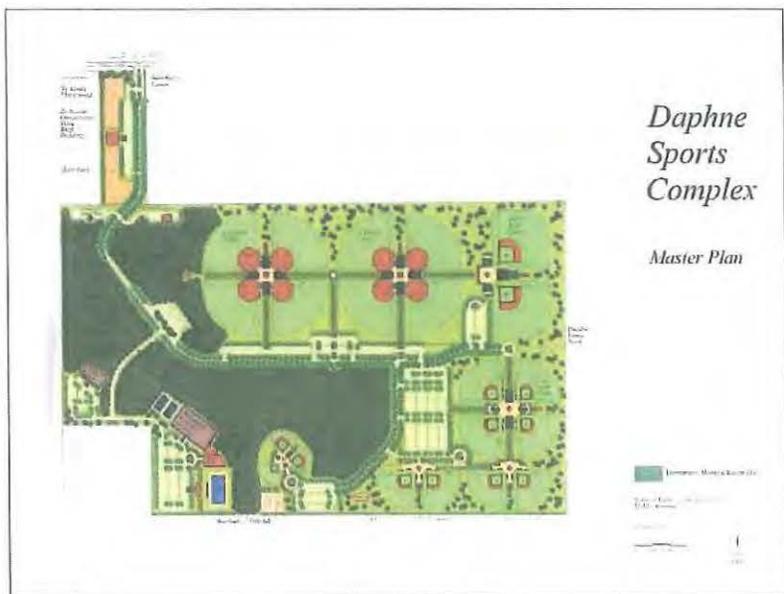
Despite the economic downturn, the General Fund continued to operate with revenues in excess of expenditures for the Fiscal 2008-2010 reporting period. The Unreserved Fund Balance increased from \$ 10.05 million in Fiscal 2007 to \$ 12.08 million in Fiscal 2010.

Major Initiatives

In Fiscal Year 2011, the City set its priority of resurfacing City streets on a largely pay-as-you-go basis. With the Fiscal 2010 Unreserved Fund Balance of the General Fund being equal to approximately 55% of revenues, the City determined it prudent to use the accumulated funds to finance a city-wide project. Major road resurfacing projects had not been undertaken in the past two decades and this was determined to be the most critical infrastructure need. The City responded with a major resurfacing plan. Funds totaling \$ 3.5 million were spent between Fiscal 2011 and 2012. The Unassigned Fund Balance of the General Fund continues to remain strong at \$ \$ 9.9 million at the end of Fiscal 2012 (approximately 43% of revenues).

The City also recognizes the need for recreation facilities. Recreation facilities have not been expanded to reach the City's increasing population. Therefore, this is another

project the City Council has identified to be funded on a pay-as-you-go basis. This is reported in the Lodging Tax Fund, a Special Revenues Fund. Sports Complex Location II appropriations total \$ 1,377,200 which is to be paid by present and future Lodging Tax collections. The General Fund is advancing the Lodging Tax Fund as needed and at the end of Fiscal 2012 \$ 1,077,596 is due to the General Fund and is estimated to be paid by Fiscal 2017.



Financial Policy

Fund Balance. The City has an informal policy of maintaining the Unassigned Fund Balance of the General Fund equal to 3 to 4 months of operating revenues. Furthermore, this Unassigned Fund Balance may only be used for capital projects and equipment.

Cash Management. Cash temporarily not required for operating requirements is invested in government securities and securities backed by the full faith and credit of the US government. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, operating fund deposits are insured under the Security for State of Alabama Enhancement (SAFE) program. In the SAFE program, all public funds are protected through a collateral pool administered by the State of Alabama Treasury.

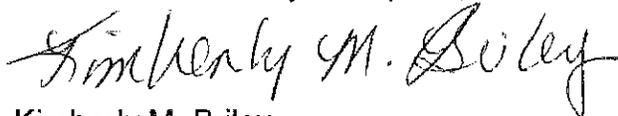
Operation Efficiency. The Mayor's office continually challenges all City departments to improve their operations and the quality of services provided to citizens. These efforts are effective as personnel and operating costs are consistently less than budgeted.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedicated services of a committed, proficient Finance Department staff. I express appreciation to each member of the Department and to those members of other City departments for their contributions made in the preparation of this report.

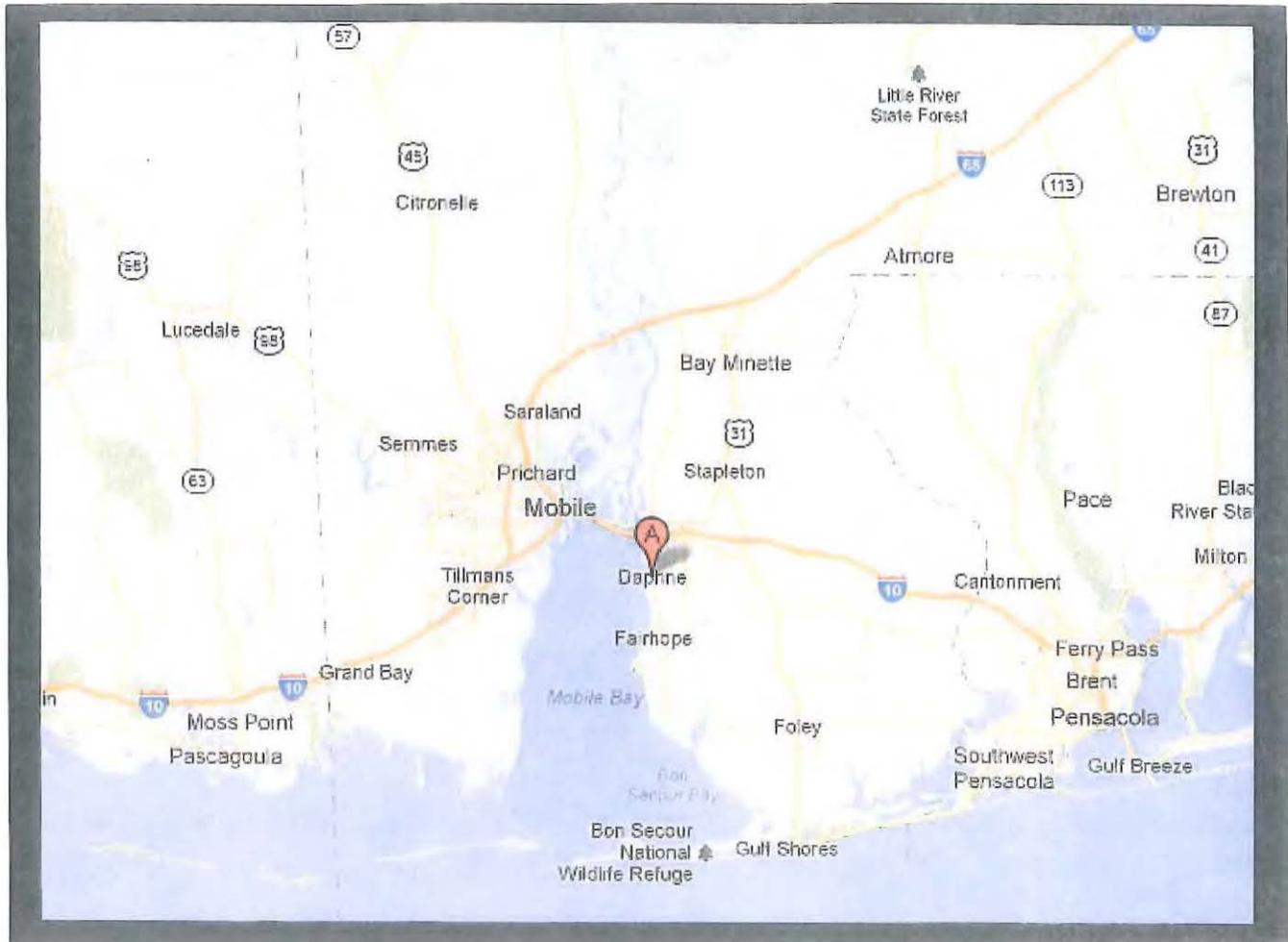
In closing, the leadership and support of the Mayor and City Council of the City in their commitment to maintain the financial integrity of the City is recognized.

On behalf of the City of Daphne,

A handwritten signature in black ink that reads "Kimberly M. Briley". The signature is written in a cursive style with a large, stylized initial 'K'.

Kimberly M. Briley,
Finance Director/Treasurer

City of Daphne, Alabama



**Micropolitan Statistical Area (MSA) population
for Daphne, Fairhope and Foley: 186,717**

Source: US Census Bureau & the South Alabama Regional Planning Commission

CITY OF DAPHNE ORGANIZATIONAL CHART

CITY OF DAPHNE CITIZENS

**MAYOR
DANE HAYGOOD**

CITY COUNCIL

**CITY CLERK
REBECCA A. HAYES**

- Boards & Committees Appointed by Council**
- Finance Committee
 - Buildings & Property Committee
 - Ordinance Committee
 - Public Safety Committee
 - Recreation Board
 - Public Works Committee
 - Beautification Committee
 - Library Board
 - Planning Commission
 - Board of Zoning Adjustments
 - Downtown Redevelopment Authority
 - Board of Adj / Housing Abatement
 - Museum Board
 - Industrial Development Board
 - Utility Board

- LIBRARY, PARKS & RECREATION**
Purpose: To provide activities, inform, educate, and culturally enrich the lives of Daphne's Citizens.
- PUBLIC LIBRARY**
 - Book Circulation
 - Summer Children Programs
 - Community Activities
 - RECREATION**
 - Recreation & Fitness Center
 - Senior Center
 - Athletics
 - Special Activities
 - Community Activities
 - PARKS**
 - Public Parks & Piers
 - Public Ball Parks
 - Dog Park
 - Museum

- PUBLIC SAFETY DIVISION**
Purpose: To Maintain a quality of life and safe environment through proactive police work.
- POLICE**
 - E911 Operations
 - Police Department
 - Patrol
 - Detectives
 - Corrections/Jail
 - Animal Shelter/Control
 - Support Services/Admin

- FIRE**
- Fire Prevention
 - Emergency Medical Services

- COURT**
- Criminal
 - Domestic
 - Traffic

- BUILDING INSPECTION**
- Building Code Inspections

- PUBLIC WORKS DIVISION**
Purpose: To plan, design, and maintain infrastructure for the Citizens of Daphne and visitors.
- Street/Road Maintenance
 - Grounds
 - Mowing
 - Solid Waste Collections
 - Mechanical Maintenance
 - Support Services/Admin
 - Storm Water Management

- COMMUNITY DEVELOPMENT**
- Planning & Zoning
 - GIS

- FINANCE DIRECTOR/TREASURER
KIMBERLY BRILEY, CPA**
Purpose: To provide high quality financial information to all users, both external and internal by providing accurate, complete and timely information regarding the City's financial condition.
- Treasury
 - Accounting
 - Revenue
 - Budget
 - Purchasing
 - Inventory Control/Fixed Assets

- HUMAN RESOURCES**
- Employee Benefits
 - Payroll
 - Safety Management

- INFORMATION TECHNOLOGY**
- IS Project Management
 - Network & Technical Services
 - Telecommunications

CITY OF DAPHNE
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2012

TITLE

NAME

Mayor

Dane Haygood

City Council

District 1

Tommie B. Conaway

District 2

Pat Rudicell

District 3

John Lake

District 4

Randy Fry

District 5

Ron Scott

District 6

Robin LeJeune

District 7

Joe Davis III

Finance Director/Treasurer

Kimberly Briley, CPA

City Clerk

Rebecca A. Hayes



Part II
Financial
Section



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Dane Haygood
and the City Council,
City of Daphne, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Daphne, Alabama as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Renaissance Improvement District City of Daphne, Alabama, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Renaissance Improvement District City of Daphne, Alabama, is based on the report of the other auditors.

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

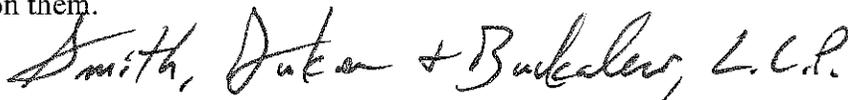
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Daphne, Alabama as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor Dane Haygood and the City Council
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 on our consideration of the City of Daphne's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

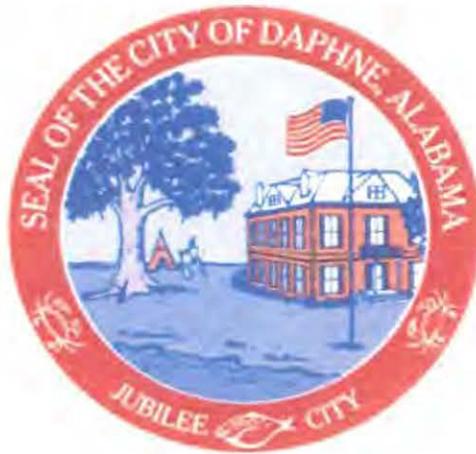
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 19 and 74 through 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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.

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



Mobile, Alabama
March 27, 2013

Management's Discussion & Analysis



MANAGEMENT'S DISCUSSION AND ANALYSIS

The "Management's Discussion and Analysis" (hereinafter MD&A) provides an overview of the City of Daphne's (hereinafter City's) financial performance for the fiscal year ended September 30, 2012. It should be read in conjunction with the City's financial statements which begin immediately following this MD&A.

I. In Brief

As of September 30, 2012 (Fiscal Year 2012):

- The City's assets exceed its liabilities by \$82,646,141. Of this amount, \$15,567,188 (unrestricted net assets) may be used to meet the ongoing obligations of the City of Daphne's citizens and creditors.
- The City's Net Assets total \$82,646,141 - an increase of \$1,584,713 from Fiscal 2011. The Fiscal 2012 Statement of Activities Change in Net Assets increases \$1,584,713 when compared to the Fiscal 2011 change in Net Assets of (\$12,131). This is largely due to the decrease of expenses related to governmental activities from Fiscal 2011 to Fiscal 2012: final sewer contributions in the amount of \$1,676,000 to the Utility Board's sewer projects were made in Fiscal 2011, and there were no such expenses in Fiscal 2012.
- The City's Unrestricted Net Assets total \$15,567,188; this is an increase of \$818,902 from September 30, 2011. This is comprised primarily of a reduction in payables in the amount of \$525,993 due to the settlement of a subsequent event liability recognized in Fiscal 2011 and paid in Fiscal 2012. Additionally, the netting of debt transactions which include the issuance of new debt, the refunding of "old" debt, and the payment of debt result in a net decrease in Restrictions for Debt Service of approximately \$900,000. This was a scheduled draw of available debt service funds on hand.
- The City's governmental funds report combined ending fund balances of \$19,224,171; an increase of \$519,265 from the Fiscal Year 2011 ending balance. This slight increase is the net result of funds in the amount of \$2,958,842 remaining from the 2012 Warrant issue and the spending down of other funds on the pay-as-you-go capital financing plan.
- At the end of Fiscal Year 2012 the Unassigned Fund Balance for the General Fund is \$9,946,859 or forty-three percent of total General Fund revenues.

II. Using This Annual Report

This annual report consists of a discussion and analysis intended to serve as an introduction to the City of Daphne's basic financial statements. The City of Daphne's basic financial statements consist of the following:

- 1) The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of the City as a whole and present a longer-term view of the City's finances. These statements are referred to as the "Government-Wide Financial Statements" and are designed to provide readers with a broad overview of the City of Daphne's finances, in a manner similar to a private-sector business.
- 2) The *Fund Financial Statements* report governmental and proprietary activities. These statements explain how programs and services are financed in the short-term (the most recently completed fiscal year), as well as the amounts available for future spending. The Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- 3) The *Notes to the Financial Statements* provide additional information that is essential to the comprehensive understanding of the data provided in the Government-Wide and Fund Financial Statements.
- 4) *Required Supplementary Information* is presented in addition to the basic financial statements.

III. Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions often asked about the City's finances is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the City's *Net Assets* and changes in them. The difference between assets (what the City owns) and liabilities (what the City owes) is referred to as the 'Net Assets'. This is one method used to evaluate the City's financial health or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. However, other non-financial matters must also be considered. These considerations include: changes in the tax base; economic vitality of businesses; adequacy of response to emergencies; and condition of roads, buildings, drainage systems, and other infrastructure.

The Statements of Net Assets and the Statement of Activities divide the City into two kinds of activities:

- 1) **Governmental Activities** - Most of the City's basic services are reported in this classification. Included are police, fire, public works, parks, recreation, and general administration. Sales and Use Taxes and Property Taxes finance most of these activities.
- 2) **Business-Type Activities** - The City charges fees to customers to cover most, or part, of the cost of certain services and programs it provides. These services and programs are: Garbage/Recycling, Civic Center, and Bay Front Park.

IV. Reporting the City's Most Significant Funds

The Fund Financial Statements provide detailed information about the most significant funds—**not** the City as a whole. Some funds are required to be established by State Law (Gas Taxes, Law Enforcement Forfeitures, etc.) and by bond covenants (Construction Funds). However, the City also establishes many other funds to facilitate the control and management of resources for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other funds (Federal Emergency Management Agency Funds, Lodging Taxes, Natural Resources and Conservation Services Grants, and Library Donations).

Two types of funds are included in the Fund Financial Statements: *Governmental* and *Proprietary*. Each of these fund types uses different accounting approaches.

Governmental Funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the year-end balances that may be available for future spending/projects. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information assists in the determination of whether there are more or fewer resources available to be spent in the near future to finance the City's programs.

The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is presented in a separate reconciliation following each fund financial statement.

- ***Proprietary Funds***—When the City charges customers for the services it provides, these services are generally reported in Proprietary Funds. Such funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City's Enterprise Funds (a component of Proprietary Funds) are the same as the business-type activities reported in the government-wide statements; however, they provide more detail and additional information, such as cash flows.

V. Condensed Financial Information: The City as a Whole

Following is a condensed version of the City's government-wide Statement of Net Assets as of September 30, 2012:

Net Assets						
September 30, 2012						
	Governmental Activities		Business-Type Activities		TOTAL	
	2012	2011	2012	2011	2012	2011
Current & Other Assets	26,873,762	26,943,934	469,335	351,415	27,343,097	27,295,349
Capital Assets	100,349,767	99,380,122	773,633	941,004	101,123,400	100,321,126
Total Assets	127,223,529	126,324,056	1,242,968	1,292,419	128,466,497	127,616,475
Current Liabilities	3,359,142	3,749,305	229,547	112,505	3,588,689	3,861,810
Long-Term Debt Outstanding	41,751,690	42,013,767	479,977	679,472	42,231,667	42,693,239
Total Liabilities	45,110,832	45,763,072	709,524	791,977	45,820,356	46,555,049
Net Assets:						
Invested in Capital Assets, Net of Debt	61,029,696	62,202,611	326,659	311,903	61,356,355	62,514,514
Restricted	5,722,598	3,798,626	-	-	5,722,598	3,798,626
Unrestricted	15,360,403	14,559,748	206,785	188,538	15,567,188	14,748,286
Total Net Assets	82,112,697	80,560,985	533,444	500,441	82,646,140	81,061,426

The City's *combined* Net Assets increased \$1,584,713 from Fiscal 2011 to Fiscal 2012. This is reflective of the \$3,008,000 received from the 2012 Warrant Issue that is restricted for capital road projects. This increase is netted to the approximately \$1,000,000 scheduled decrease in restrictions of debt service for the 2012 payment of debt.

Net Assets may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$82,646,141 at September 30, 2012. The combined Net Assets reflect total unrestricted net assets of \$15,567,188.

The largest component of the City of Daphne's net assets (74%) is the investment in capital assets (ie: infrastructure, land, buildings, equipment, etc.) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources required to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

Seven percent of the City of Daphne's net assets represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$15,567,188, may be used to meet the City's ongoing obligations to citizens and creditors.

Total net assets report an increase of \$1,584,713 from Fiscal 2011. This increase is primarily the effect of increases/decreases of balances within the Statement of Activities. Total General Revenues report an increase in the amount of \$505,734. This is largely in the Sales, Use, and Luxury Tax classification and the result of increased retail activity as the recession in the City leveled out. Another change from Fiscal 2011 is the reduction of Governmental Activities Expenses in the amount of \$1,676,000 for sewer Contributions to the Utilities Board, which were substantially completed in Fiscal 2011. This decrease in Contributions to the Utilities Board is offset by an increase in Public Works expenses of approximately \$500,000. This classification had an actual increase in the time worked by funded positions: less vacancies and less time out on disability. Additionally, the cost of street supplies, such as asphalt, increased proportionately with the cost of fuel.

The following is a summary of the government-wide Statement of Activities for the year ended September 30, 2012:

CITY OF DAPHNE, ALABAMA CHANGES IN NET ASSETS September 30, 2012						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	1,265,621	1,430,636	1,567,772	1,620,956	2,833,393	3,051,592
Operating Grants & Contributions	266,074	492,707	-	-	266,074	492,707
Capital Grants & Contributions	2,465,034	2,295,405	-	-	2,465,034	2,295,405
General Revenues:						
Taxes	19,284,066	18,933,885	-	-	19,284,066	18,933,885
Licenses	1,569,235	1,460,700	-	-	1,569,235	1,460,700
PiLOT & Franchise Fees	2,234,494	2,269,687	-	-	2,234,494	2,269,687
Other	692,065	609,854	-	-	692,065	609,854
Total Revenues	27,776,589	27,492,874	1,567,772	1,620,956	29,344,361	29,113,830
Expenses:						
General Government	3,741,854	4,003,928	-	-	3,741,854	4,003,928
Public Safety	9,258,853	9,173,085	-	-	9,258,853	9,173,085
Public Works	7,850,939	7,368,818	-	-	7,850,939	7,368,818
Sewer Contributions to Utility Bd	49,700	1,676,000	-	-	49,700	1,676,000
Parks & Recreation	2,690,448	2,768,462	-	-	2,690,448	2,768,462
Interest on Long-Term Debt	2,149,919	2,051,932	(3,498)	8,769	2,146,421	2,060,701
Garbage/Recycling	-	-	1,349,454	1,155,243	1,349,454	1,155,243
Civic Center & Bay Front Park	-	-	704,981	757,381	704,981	757,381
Total Expenses	25,741,713	27,042,225	2,050,937	1,921,393	27,792,650	28,963,618
Change in Net Assets, before Transfers	2,034,876	450,649	(483,165)	(300,437)	1,551,711	150,212
Special Items	-	-	-	-	-	-
Transfers	(483,165)	(462,780)	483,165	462,780	-	-
Change in Net Assets	1,551,711	(12,131)	0	162,343	1,551,711	150,212
Net Assets, 10-1	80,560,986	80,573,117	500,443	336,500	81,061,429	80,909,617
Prior Period Adj: Property Taxes	-	-	33,001	1,600	33,001	1,600
Net Assets, 9-30	82,112,697	80,560,986	533,444	500,443	82,646,141	81,061,429

Governmental Activities

The comprehensive Statement of Net Assets is presented in a format that is significantly different from the traditional Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column by function with revenues generated from the function reported to the right. This provides a total cost for each function. Next, revenues generated by each function are reported and deducted from the expenses. The result is the Net Revenue (Expense) of the function, or the *Net Cost* for the activity. The Net Cost is the part of operations required to be funded by the taxpayers.

Included in Governmental Activities are the following functions: General Government, Public Safety, Public Works, Parks & Recreation, and Interest on Long-Term Debt.

Business-type Activities

Revenues of the City's Business-type activities do not always cover the costs of doing business and such activities require funding from the general revenues (taxes, licenses, etc.).

The Civic Center and Bay Front Park are funds that generally require such transfers; \$427,112 is transferred to these activities in Fiscal Year 2012. This is a decrease of \$35,669 from Fiscal 2011. This change is due predominantly to successful actions by the department to reduce the cost of operations and no Fiscal 2012 expenses for the Zydeco Festival, as Fiscal 2011 was the last year for this event.

Bookings for events not sponsored by the City increased from 222 in Fiscal 2011 to 277 in Fiscal 2012. Although the number of bookings increased, revenues decreased approximately \$50,000. This decrease is due to more, smaller scale bookings and is considered to be a slow recovery from the economic slump in recent years.

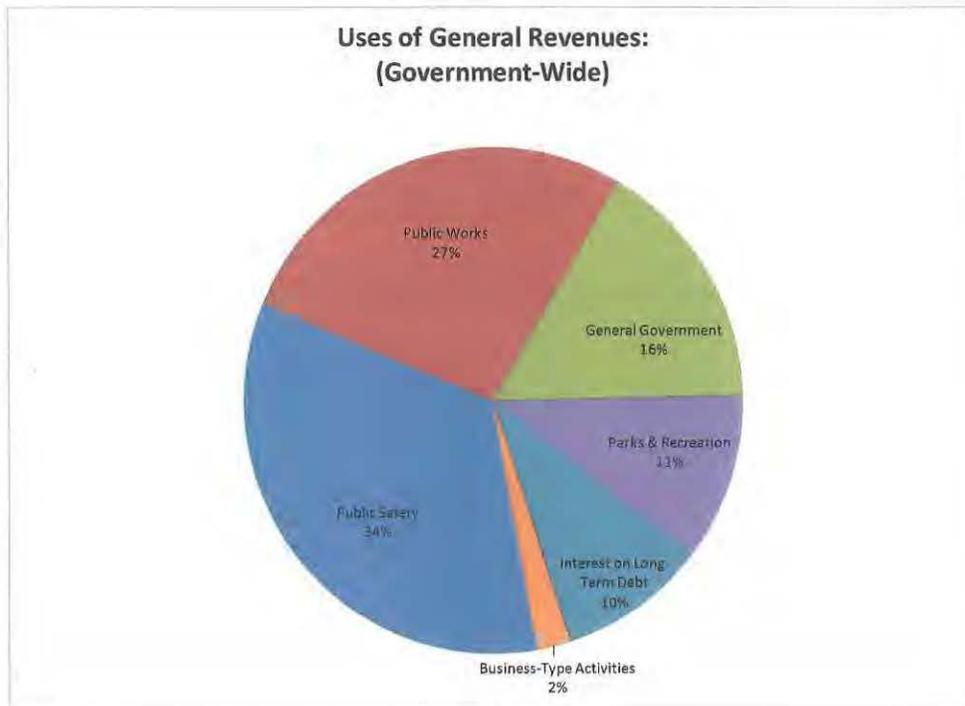
The Garbage/Recycling Fund required transfers in the amount of \$56,053 in Fiscal 2012. Garbage fees collected decreased \$20,000, largely due to continuing adjustments made by the Utility Board in the method of remitting garbage fees to the City. Recycling revenue decreased from Fiscal 2011 as a result of market conditions. When separating the garbage and recycling components, the garbage function has a positive change in net assets of \$342,579 while recycling had a negative change in net assets of (\$398,632). In order to fund recycling, the \$342,579 is transferred from garbage to recycling, and a transfer from the General Fund of \$56,053 is required; therefore, net assets for this fund are unchanged from Fiscal 2012. Although the recycling program continues to operate at a loss, the City is committed to recycling and to public awareness of the need to recycle.

Total transfers to Business-type activities in Fiscal 2012 total \$483,165.

The amount of funding required from general revenue sources (i.e. revenues other than fees, charges, grants, and other contributions, such as street, drainage, and other infrastructure acceptances) is presented below by function.

Uses of General Revenues

Public Safety	7,576,629
Public Works	6,017,868
General Government	3,618,523
Parks & Recreation	2,382,049
Interest on Long-Term Debt	2,149,919
Business-Type Activities	483,165
	<hr/>
	22,228,153



THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. Specifically, the unreserved fund balance may serve as a useful tool for the measurement of resources available for future needs; including a provision for emergencies or an accumulation of funds for the purchase of capital assets.

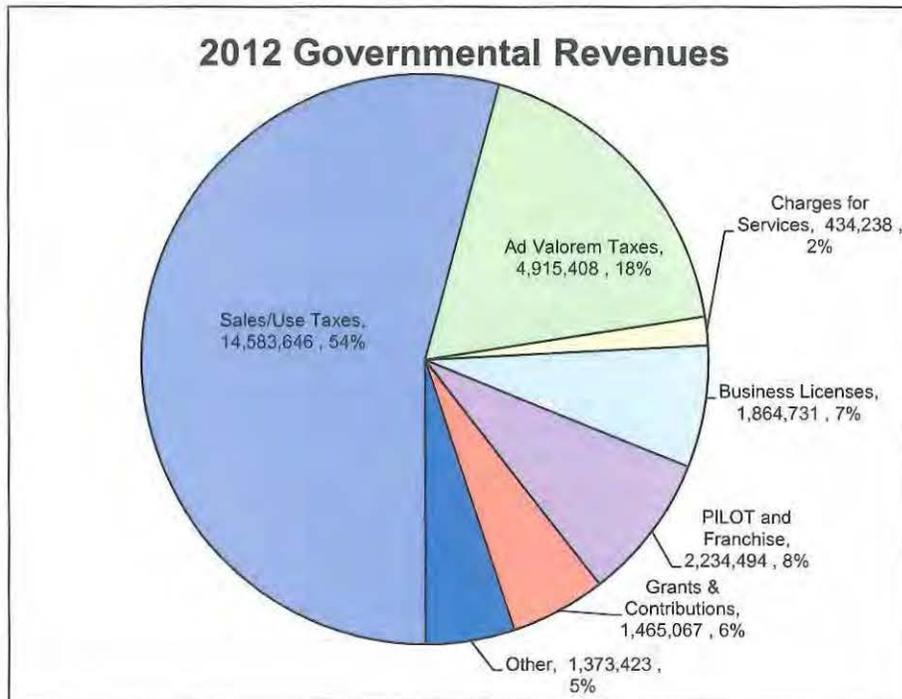
Governmental Funds

As stated above, governmental funds are reported in fund statements with a focus on *short-term* inflow and outflow of spendable financial resources. This information is useful for assessing available funds at year end and determining whether any funds will be available for future financing requirements.

Revenues

The following graph presents a summary of Governmental Revenues totaling \$26,871,007:

<u>Governmental Revenues</u>		
	2012	
Sales/Use Taxes	\$ 14,583,646	54%
Ad Valorem Taxes	4,915,408	18%
Charges for Services	480,718	2%
Business Licenses	1,864,731	7%
PILOT and Franchise	2,234,495	9%
Grants & Contributions	1,465,067	5%
Other	1,326,942	5%
	\$ 26,871,007	



Sales & Use Taxes continue to be the largest component of revenues (54%); Ad Valorem Taxes are the next largest (18%); PILOT and Franchise Fees are next at 8% of total revenues.

Fiscal 2012 governmental revenues present a decrease of \$662,786 from fiscal 2011 to 2012. This is despite a \$657,725 increase in Sales & Use Taxes.

This is largely the net effect of:

- \$ (1,022,916) Grants and Contributions decrease
- \$ (162,795) Other Revenues decrease
- \$ (133,476) Ad Valorem Taxes decrease
- \$ 657,725 Sales Tax increase

The change in revenues is presented below:

Governmental Fund Revenues Comparative: Fiscal Year 2011 and 2012

	2012	2011	Variance	% Change
Sales/Use Taxes	\$ 14,583,646	\$ 13,925,921	\$ 657,725	5%
Ad Valorem Taxes	4,915,408	5,048,884	(133,476)	-3%
Charges for Services	480,718	471,144	9,574	2%
Business Licenses	1,864,731	1,840,438	24,293	1%
PILOT and Franchise	2,234,495	2,269,687	(35,192)	-2%
Grants & Contributions	1,465,067	2,487,983	(1,022,916)	-41%
Other	1,326,942	1,489,737	(162,795)	-11%
	<u>\$ 26,871,007</u>	<u>\$ 27,533,793</u>	<u>\$ (662,786)</u>	<u>-2%</u>

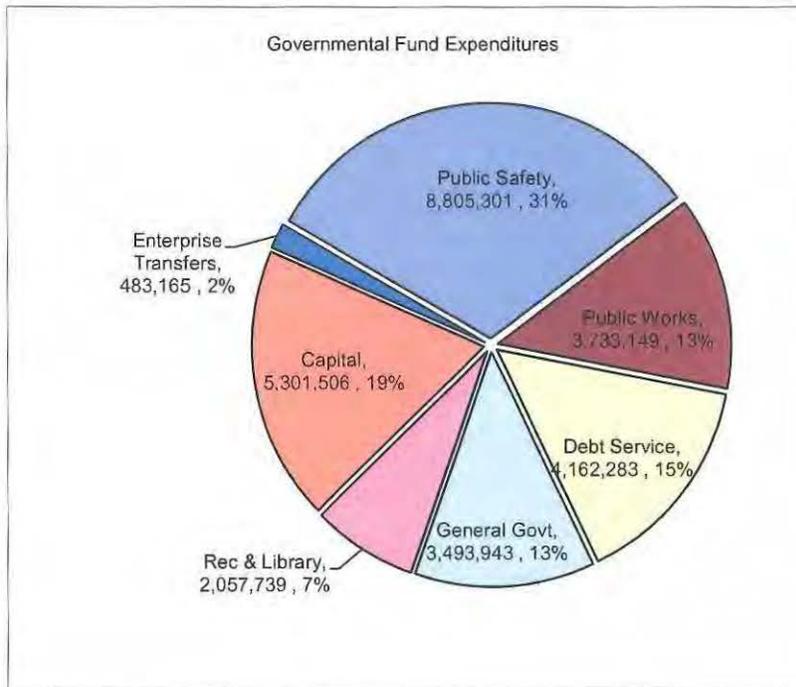
A discussion of significant increases and decreases follows:

- Sales and use taxes increased \$657,725. This is, in part, due to the rejuvenation of Jubilee Square beginning with the opening of Dick's Sporting Goods in June 2011. Dick's offers a distinct shopping experience to Daphne and Fiscal 2012 was the first full year of operations. Wal-Mart and Sam's continue to be strong retail establishments.
- Ad Valorem taxes decreased (\$133,476) due to a County-wide revaluation and resulting decrease in property assessed valuations county-wide.
- Other revenue sources decreased (\$162,795). This is due, in large, to insurance proceeds in the amount of \$31,653 in Fiscal 2011 (storm damage) and donations of vehicles totaling \$96,205 in Fiscal 2011. These two items are not repeated in Fiscal 2012.
- Grants and contributions decreased (\$1,022,916). Several grants and contributions were completed in Fiscal 2011 and new, smaller projects were acquired/completed in Fiscal 2012:
 - (\$751,417) Net decrease in grant-funded projects in Fiscal 2012. This includes the ARRA, CDBG sewer project, and FEMA firefighter grants.
 - (\$167,000) Decrease in contributions from the Daphne Volunteer Firefighters (DVFF). The DVFF make contributions to the City for certain capital facilities and equipment and due to the timing of such disbursements, DVFF contributions to the City for the Burn Building and Equipment decreased in Fiscal 2012.

Expenditures

A summary of Governmental Expenditures totaling \$28,037,086 is presented below:

Governmental Fund Expenditures			
		<u>2012</u>	
Public Safety	\$	8,805,301	31%
Public Works		3,733,149	13%
Debt Service		4,162,283	15%
General Govt		3,493,943	12%
Rec & Library		2,057,739	7%
Capital		5,301,506	19%
Enterprise Transfers		483,165	2%
	\$	28,037,086	



This represents a decrease in expenditures (from Fiscal 2011) totaling \$1,590,680.

This is largely due to the netting of the following factors: 1) decrease in expenditures for Utility Board grant projects totaling \$1,676,000; 2) decrease in lawsuit settlements totaling \$525,993; 3) increase in personnel expenditures totaling \$406,000; 4) increase in debt service revenues totaling \$82,640; and 5) increase in capital expenditures totaling \$69,320.

- 1) In Fiscal 2011, the City substantially completed two grants with grant-funded expenditures on behalf of the Utility Board (2009 CDBG and 2009 ARRA). Whereas \$1,676,000 was expended on these grant projects in Fiscal 2011, there were no significant expenditures in Fiscal 2012.
- 2) Likewise, in Fiscal 2011, there was a legal settlement not covered by insurance in the amount of \$525,993. There was no such lawsuit liability in Fiscal 2012.
- 3) Personnel expenditures increased \$406,000 from Fiscal 2011 to Fiscal 2012. This is largely due to the “catch-up” of payroll. There were actually 25 pay periods in Fiscal 2011, instead of the 26 pay periods on the calendar. This led to 27 pay periods in Fiscal 2012 to “catch-up” the payroll processing date to the calendar. This is a payroll processing issue that is not frequent in occurrence. Further, it has been addressed and should not occur again.
- 4) Debt Service transfers increased \$82,640. In Fiscal 2012, the City refunded debt and issued \$3,008,000 in new debt. The increase in debt service transfers is due to the netting of the refunding “savings” with the additional transfers required for the “new” money.
- 5) Capital expenditures increased \$69,320.

In June 2012, the City Council appropriated funds from the General Fund for capital requirements of the various City departments. This totals \$617,932 and is for the following: fire truck, dump truck, recreation department truck, and building improvements for flooring of the library and civic center, as well as Bay Front Park decking.

Fiscal 2012 also reports an increase of expenditures for capital roads and highways in the amount of \$861,103. This is the continuation of the resurfacing commitment the City made in Fiscal 2010. Funds totaling \$1,400,000 are transferred from the General Fund to the Capital Reserve Fund for the 2012 pay-as-you-go road projects.

These increases in capital expenditures are offset by a decrease in funding of approximately \$700,000 for the "Buildings and Land" classification. This decrease is attributed to the Fiscal 2011 final payment on the new City Hall and lighting at the sports complex.

A decrease in the amount of \$650,000 is in the "Equipment Other than Vehicles and Heavy Equipment" classification: in Fiscal 2011, purchases of heavy equipment and a radio transmitter were funded and such large purchases of this category were not necessary in Fiscal 2012.

Departmental costs totaling \$18,090,132 are the largest component of expenditures (66%); overall Fiscal 2012 departmental costs are basically unchanged from Fiscal 2011; a decrease of \$86,790. This is a net result of the City's commitment to budget minimal changes in operating costs and to focus on capital needs.

The largest departmental expenditures remain in Public Safety: \$8,805,301.

Capital expenditures totaling \$5,301,506 is the next largest component of governmental expenditures (19%). Infrastructure projects (street resurfacing) are the largest category of capital: \$3,458,292. These Fiscal 2012 expenditures are paid from available funds on a pay-as-you-go plan and are not the result of the issuance of new debt.

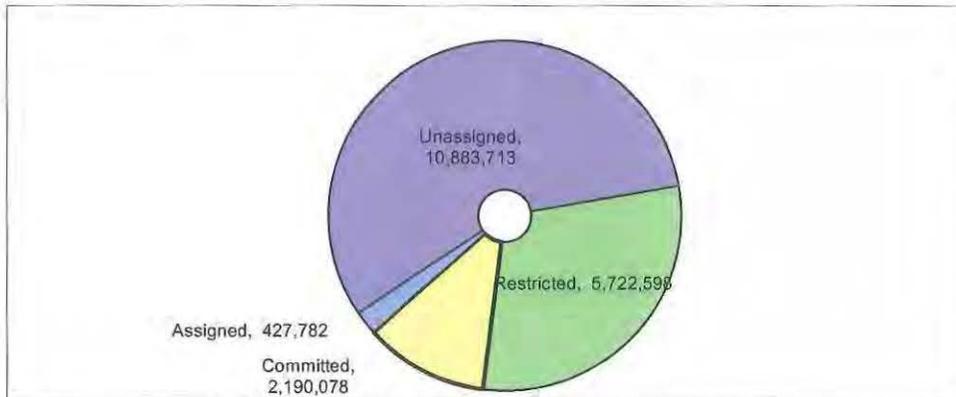
Debt Service totaling \$4,162,283 is the third largest component of governmental expenditures (15%). Principal outstanding is reduced \$2,110,150; interest payments total \$1,872,584.

Fund Balance

Total fund balance of the governmental funds as of September 30, 2012 is \$19,224,171. Of this amount, \$10,883,713 is unassigned. An illustration of the total fund balance for governmental funds is presented below:

**Governmental Funds:
Fund Balance**

	<u>2012</u>		<u>2011</u>		<u>Variance</u>	<u>% Change</u>
Restricted	\$ 5,722,598	\$	3,633,499	\$	2,089,099	57%
Committed	2,190,078		4,181,490		(1,991,411)	-48%
Assigned	427,782		279,815		147,967	53%
Unassigned	<u>10,883,713</u>		<u>10,610,103</u>		<u>273,610</u>	<u>3%</u>
	\$ 19,224,171	\$	\$ 18,704,906	\$	\$ 519,265	3%



This represents a total fund balance increase of \$519,265 from Fiscal Year 2011. The fund balance of the General Fund decreased approximately \$1,000,000 due to pay-as-you-go capital expenditures. The City of Daphne has a large unassigned fund balance and set a target of not drawing down below \$8,000,000 or approximately four months of General Fund revenues.

Proprietary Funds

Enterprise Operations. The City’s enterprise operations consist of the Garbage/Recycling Fund, Civic Center Fund, and the Bay Front Park Fund. During Fiscal Year 2012 \$483,165 is transferred from the governmental funds to subsidize enterprise operations. This is a \$21,000 increase from Fiscal 2011 transfers.

The garbage/recycling fund required transfers in the amount of \$56,053. The Recycling program continues to report operating losses, but the City is committed to the recycling program and its environmental benefits. The garbage program reported a gain of \$342,579. This gain is used to partially fund the recycling program loss of (\$398,632) and the remainder of the recycling loss is transferred from the general fund. A detailed analysis of the garbage/recycling function was presented previously.

Civic Center and Bay Front Park transfers decreased \$35,669. Fiscal 2011 was the final year of the Zydeco Festival, therefore no transfers were required for this event in FY 2012.

A summary and comparison of enterprise operating results for 2011 and 2012 is presented below:

Enterprise Fund								
Comparative: Fiscal Years 2012 and 2011								
	Garbage/Recycling		Civic Center		Bay Front Park		TOTAL	
	2012	2011	2012	2011	2012	2011	2012	2011
Fees & Charges	\$ 1,289,902	\$ 1,337,207	\$ 217,886	\$ 223,005	\$ 59,984	\$ 60,744	\$ 1,567,772	\$ 1,620,956
Transfers	56,053	-	279,061	337,642	148,051	125,138	483,166	462,780
Revenues	1,345,955	1,337,207	496,947	560,647	208,035	185,882	2,050,937	2,083,735
Personnel	566,233	576,928	163,317	146,870	148,553	135,789	878,103	859,588
Operating	783,220	578,315	333,630	419,415	59,482	55,306	1,176,332	1,053,036
Interest	(3,498)	8,769	-	-	-	-	(3,498)	8,769
Expenses	1,345,955	1,164,012	496,947	566,286	208,035	191,095	2,050,937	1,921,393
Rev Over (Under) Exp	\$ -	\$ 173,195	\$ (0)	\$ (5,639)	\$ (0)	\$ (5,214)	\$ (0)	\$ 162,342

VI. GENERAL FUND BUDGETARY HIGHLIGHTS

Detailed information for the General Fund budget is presented in the 'Required Supplemental Information' section. Revenues were budgeted (as amended) \$2,898,102 under expenditures. Actual results report that revenues were \$971,295 under expenditures (budgetary basis). This \$1,926,807 positive variance is due in large to actual revenues of \$1,030,018 over budget estimates and is due to the conservative budgeting approach in the estimation of revenues:

\$649,250 - Sales, Use, and Luxury Taxes over budget due to the continued "rebound" of the economy and the rejuvenation of Jubilee Square with the introduction of Dick's Sporting Goods;

\$334,408 - Ad Valorem Taxes are over budget. The City made allowances in the budget for the revaluation of property and the actual impact of the revaluation is less than budgetary estimates;

Departmental costs are within 4% of appropriations; they are (\$764,276) under budget. Departmental budgets are prepared conservatively. Personnel actual expenditures are three percent (\$394,719) under budget. The personnel component of the budget is estimated based on all positions being filled for the full year; vacancies are experienced during the year, so this results in actual expenditures being less than the budget. Operating expenditures are (\$340,407) under budget (7%). This is due to mechanical shop parts for the maintenance of the City's fleet being (\$153,974) under budget. This budget was prepared without considering the need for fewer repairs as a result of the purchase of new vehicles and equipment. The remainder of the decrease in operating expenditures is the result of overall closer managerial monitoring of departmental operating requirements.

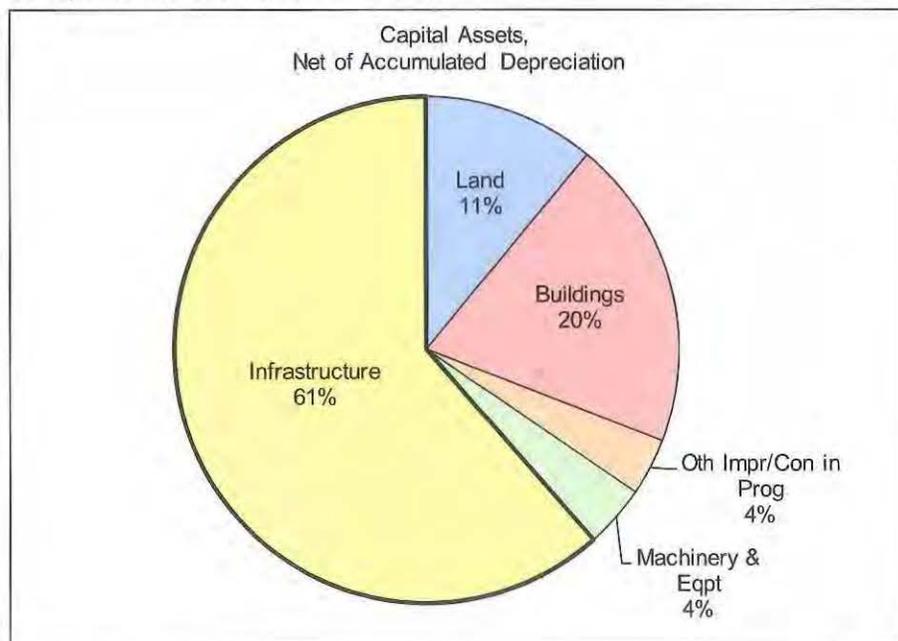
VII. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities total \$101.1 million at September 30, 2012. The following table summarizes the City's capital assets by asset type:

	Governmental Activities		Business-type Activities		TOTAL		% Change 2011/2012
	2012	2011	2012	2011	2012	2011	
Land	\$ 11,134,449	\$ 10,994,682	\$ -	\$ -	\$ 11,134,449	\$ 10,994,682	1.3%
Buildings	19,958,299	19,384,280	120,728	71,434	20,079,027	19,455,714	3.2%
Other Improvements	3,679,363	2,992,175	-	-	3,679,363	2,992,175	23.0%
Machinery & Eqpt	3,390,019	3,437,032	652,905	868,428	4,042,924	4,305,460	-6.1%
Infrastructure	62,187,637	61,529,670	-	1,141	62,187,637	61,530,811	1.1%
Constr in Progress	-	1,042,283	-	-	-	1,042,283	-100.0%
TOTAL	\$ 100,349,767	\$ 99,380,122	\$ 773,633	\$ 941,003	\$ 101,123,400	\$ 100,321,125	0.8%

Components of Capital Assets:



Overall, in Fiscal 2012, Governmental Capital Assets, Net of Accumulated Depreciation increased \$802,274 from Fiscal 2011.

Gross Fiscal 2012 improvements (without consideration of depreciation) are the following:

\$ 4,578,393 Infrastructure: Largely resurfacing projects as previously discussed, including streets/roads/drainage accepted from developers of new subdivisions: \$1,040,701.

\$ 1,060,141 Buildings: \$444,787 Fire Training Facility Fiscal 2012 expenditures plus \$367,144 reclassification of related Construction in Progress in the amount of \$ 615,364.

\$(4,926,377) Fiscal 2012 Depreciation Expense

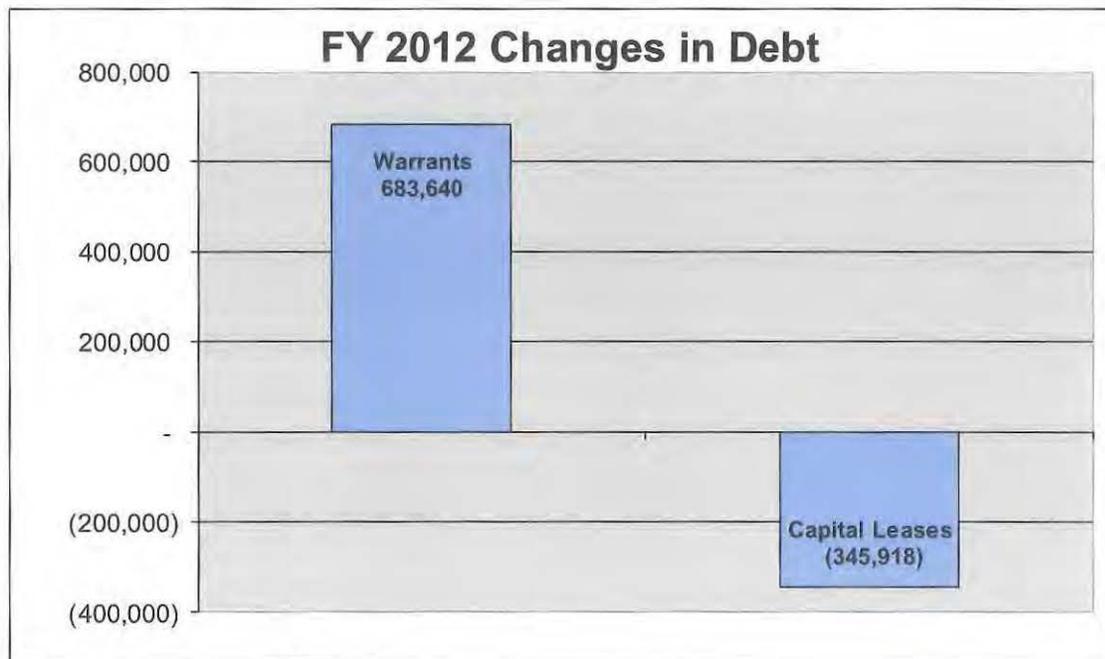
See Notes the Financial Statements (#5 and #6) for more detailed information on the City's Capital Assets.

Long-Term Debt

As of September 30, 2012, the City had \$42,109,755 of long-term warrants outstanding and \$616,131 in capital leases outstanding. The following table summarizes the long-term debt:

Debt Outstanding
September 30, 2012 with
with comparatives as of
September 30, 2011

	Governmental Funds		Business-Type Funds		TOTAL	
	9/30/2012	9/30/2011	9/30/2012	9/30/2011	9/30/2012	9/30/2011
Warrants	\$ 42,109,755	\$ 41,426,116	\$ -	\$ -	\$ 42,109,755	\$ 41,426,116
Capital Leases	169,157	332,949	446,974	629,101	616,131	962,050
	\$ 42,278,912	\$ 41,759,065	\$ 446,974	\$ 629,101	\$ 42,725,886	\$ 42,388,166



Outstanding long term warrants increased \$683,640. The net effect of refunding the 2002 and 2006 warrants and concurrently issuing \$3,008,000 in “new” debt, increases outstanding debt \$2,630,000. This increase is offset by warrant principal payments in the amount of \$1,946,360.

Other Debt: No new Capital Leases were incurred in Fiscal 2012. Principal payments total \$345,916.

See Notes the Financial Statements (#9-12) for more detailed information on the City's debt.

Bond Ratings

In March 2010, the City's "stand-alone" rating (rating with no insurance) with Moody's and Standard & Poor's was upgraded. Moody's upgraded the City from A1 to Aa3 and Standard & Poor's upgraded the City from A+ to AA. The ratings were affirmed in December 2011 with Standard & Poor's issuing an "AA Stable" rating.

Pursuant to State of Alabama statutes, the City's general obligation debt issuances are subject to a legal limitation of 20% of the net assessed real and personal property values. As of September 30, 2012, the City's permissible debt limit exceeded actual debt by \$28,479,320. This debt margin is \$12,481,000 less than the Fiscal 2011 debt margin. When issued, the 2006 Limited Obligation Special Tax Warrants were not chargeable to the debt limit, because a specific revenue source was pledged for the payment of the related debt. However, when refunded, the Limited Obligation became a part of a General Obligation issue, which is subject to the debt limit calculations.

VIII. ECONOMIC FACTORS & NEXT YEAR'S BUDGETS & RATES

Fiscal Year 2012 General Fund reports an increase of 7% - \$756,241, in Sales & Use Taxes when compared to Fiscal 2011. Despite the continuing national economic recession, the City seems to have had a recovery starting in Fiscal 2011. The City is mindful that the retail markets are still volatile and took this into consideration with the Fiscal 2013 budget. Positively affecting the Fiscal 2013 budget is the recognition of Sales & Use Taxes that were pledged for the retirement of 2006 Special Tax Warrants; as this issue was refunded and is now a General Obligation Issue, the revenues are now included in the General Fund. Therefore the budgeted increase for Fiscal 2013 is 6.48% or \$746,227. After four months of collections, actual collections are very close to budget- \$195,562 over budget.

With an Unassigned Fund Balance of the General Fund at the beginning of Fiscal 2013 of \$9,946,859, the City Council is continuing to be able to fund capital expenditures on a pay-as-you-go basis during Fiscal 2013.

The City has by policy targeted to maintain a fund balance of three to four months operating revenues. At the end of Fiscal 2012, the General Fund revenues are approximately 43% of the Unassigned Fund Balance.

The City continues to maintain its strong financial position despite the draws for capital projects.

No major changes have been made in the business-type activities through the first four months of Fiscal 2013.

The City of Daphne continues to maintain a strong financial position despite national trends to the contrary.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions regarding this report or any additional financial information should be directed to the Office of the Finance Director, City of Daphne, 1705 Main Street (PO Box 400) Daphne, Alabama, 36526.

Basic Financial Statements

The financial statements contain Government-wide Financial Statements, Fund Financial Statements, and Notes to Financial Statements.

Government-Wide Financial Statements

CITY OF DAPHNE, ALABAMA

**Statement of Net Assets
September 30, 2012**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 13,253,956	\$ -	\$ 13,253,956	\$ 47,210
Investments	5,245,038	-	5,245,038	-
Receivables	7,676,970	107,864	7,784,834	10,692
Receivables from fiduciary funds	296,265	-	296,265	-
Internal balances	(361,471)	361,471	-	-
Deferred charges	476,772	-	476,772	331,816
Prepaid items	11,150	-	11,150	4,375
Inventories	275,082	-	275,082	-
Total current assets	<u>26,873,762</u>	<u>469,335</u>	<u>27,343,097</u>	<u>394,093</u>
Noncurrent assets:				
Restricted investments	-	-	-	1,026,888
Capital assets, net of accumulated depreciation:				
Land	11,134,449	-	11,134,449	3,154,895
Buildings	19,958,299	120,728	20,079,027	-
Machinery and equipment	3,390,019	652,905	4,042,924	-
Other improvements	3,679,363	-	3,679,363	-
Infrastructure	62,187,637	-	62,187,637	649,377
Construction in progress	-	-	-	1,276,407
Total noncurrent assets	<u>100,349,767</u>	<u>773,633</u>	<u>101,123,400</u>	<u>6,107,567</u>
Total assets	<u>\$ 127,223,529</u>	<u>\$ 1,242,968</u>	<u>\$ 128,466,497</u>	<u>\$ 6,501,660</u>

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,030,654	\$ 113,893	\$ 1,144,547	\$ 7,717
Salaries and benefits payable	746,710	35,941	782,651	-
Accrued interest payable	113,796	2,134	115,930	259,375
Deferred revenues	1,467,982	77,579	1,545,561	-
Total current liabilities	<u>3,359,142</u>	<u>229,547</u>	<u>3,588,689</u>	<u>267,092</u>
Long term liabilities:				
Warrants, notes, and leases payable; compensated absences:				
Due within one year	2,657,850	186,073	2,843,923	115,000
Due after one year	38,639,120	260,901	38,900,021	8,185,000
	<u>41,296,970</u>	<u>446,974</u>	<u>41,743,944</u>	<u>8,300,000</u>
Other non-current liability - net other post employment benefit liability	454,720	33,003	487,723	-
Total long term liabilities	<u>41,751,690</u>	<u>479,977</u>	<u>42,231,667</u>	<u>8,300,000</u>
Total liabilities	<u>45,110,832</u>	<u>709,524</u>	<u>45,820,356</u>	<u>8,567,092</u>
NET ASSETS				
Invested in capital assets, net of related debt				
	61,029,696	326,659	61,356,355	(2,887,505)
Restricted for:				
Capital projects	3,669,217	-	3,669,217	-
Debt service	1,713,291	-	1,713,291	794,374
Other purposes	340,090	-	340,090	-
Unrestricted	15,360,403	206,785	15,567,188	27,699
Total net assets	<u>82,112,697</u>	<u>533,444</u>	<u>82,646,141</u>	<u>(2,065,432)</u>
Total liabilities and net assets	<u>\$ 127,223,529</u>	<u>\$ 1,242,968</u>	<u>\$ 128,466,497</u>	<u>\$ 6,501,660</u>

CITY OF DAPHNE, ALABAMA

**Statement of Activities
For the Year Ended September 30, 2012**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 3,741,854	\$ 114,948	\$ 8,384	\$ -
Public safety	9,258,853	893,427	199,156	589,644
Public works	7,850,939	60,011	-	1,822,760
Sewer contributions to Utility Board	49,700	-	-	-
Parks and recreation	2,690,448	197,235	58,534	52,630
Interest on long term debt	2,149,919	-	-	-
Total governmental activities	<u>25,741,713</u>	<u>1,265,621</u>	<u>266,074</u>	<u>2,465,034</u>
Business-type activities:				
Garbage/Recycling	1,345,955	1,289,902	-	-
Civic Center	496,947	217,886	-	-
Bay Front Park	208,035	59,984	-	-
Total business-type activities	<u>2,050,937</u>	<u>1,567,772</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 27,792,650</u>	<u>\$ 2,833,393</u>	<u>\$ 266,074</u>	<u>\$ 2,465,034</u>
Component unit:				
Renaissance Improvement District	<u>\$ 772,909</u>	<u>\$ 504,521</u>	<u>\$ 211,202</u>	<u>\$ -</u>

General revenues and transfers:
 Sales, use, and luxury taxes
 Ad valorem taxes
 Business licenses
 PILOT and franchise fees
 Intergovernmental revenue
 Investment and interest earnings
 Contributions not restricted to specific programs
 Transfers
 Total general revenues and transfers

Change in net assets
 Net assets, October 1, 2011
 Prior period adjustment
 Net assets, September 30, 2012

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (3,618,522)	\$ -	\$ (3,618,522)	
(7,576,626)	-	(7,576,626)	
(5,968,168)	-	(5,968,168)	
(49,700)	-	(49,700)	
(2,382,049)	-	(2,382,049)	
(2,149,919)	-	(2,149,919)	
<u>(21,744,984)</u>	<u>-</u>	<u>(21,744,984)</u>	
-	(56,053)	(56,053)	
-	(279,061)	(279,061)	
-	(148,051)	(148,051)	
<u>-</u>	<u>(483,165)</u>	<u>(483,165)</u>	
<u>\$ (21,744,984)</u>	<u>\$ (483,165)</u>	<u>\$ (22,228,149)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,186)</u>
14,583,177	-	14,583,177	-
4,700,889	-	4,700,889	-
1,569,235	-	1,569,235	-
2,234,494	-	2,234,494	-
425,843	-	425,843	-
206,079	-	206,079	224
60,143	-	60,143	-
(483,165)	483,165	-	-
<u>23,296,695</u>	<u>483,165</u>	<u>23,779,860</u>	<u>224</u>
1,551,711	-	1,551,711	(56,962)
80,560,986	500,442	81,061,428	(2,008,470)
-	33,002	33,002	-
<u>\$ 82,112,697</u>	<u>\$ 533,444</u>	<u>\$ 82,646,141</u>	<u>\$ (2,065,432)</u>

Governmental Fund Financial Statements

CITY OF DAPHNE, ALABAMA

**Balance Sheet
Governmental Funds
September 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Reserve</u>
ASSETS			
Cash and cash equivalents	\$ 6,673,122	\$ 1,660,179	\$ 1,157,725
Investments	5,245,038	-	-
Taxes receivable	5,375,598	-	-
Receivables from other governments	291,641	-	570,846
Due from Utility Board	-	-	-
Due from other funds	-	53,738	201,473
Other receivables	86,235	-	271,702
Prepaid items	11,150	-	-
Inventories	275,082	-	-
	<u>\$ 17,957,866</u>	<u>\$ 1,713,917</u>	<u>\$ 2,201,746</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 416,603	\$ 626	\$ 444,385
Subsequent events liability	-	-	-
Wages/accrued withholding payable	1,025,425	-	-
Due to other funds	2,469,088	-	-
Deferred revenue	3,700,988	-	-
Total liabilities	<u>7,612,104</u>	<u>626</u>	<u>444,385</u>
Fund balances:			
Restricted	-	1,713,291	-
Committed	-	-	820,507
Assigned	398,903	-	-
Unassigned	9,946,859	-	936,854
Total fund balances	<u>10,345,762</u>	<u>1,713,291</u>	<u>1,757,361</u>
	<u>\$ 17,957,866</u>	<u>\$ 1,713,917</u>	<u>\$ 2,201,746</u>
Total liabilities and fund balances	<u>\$ 17,957,866</u>	<u>\$ 1,713,917</u>	<u>\$ 2,201,746</u>

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

<u>2006 Construction</u>	<u>2012 Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ 3,008,635	\$ 754,295	\$ 13,253,956
-	-	-	5,245,038
-	-	44,792	5,420,390
-	-	47,171	909,658
-	-	-	-
-	-	2,148,672	2,403,883
984,215	-	4,770	1,346,922
-	-	-	11,150
-	-	-	275,082
<u>\$ 984,215</u>	<u>\$ 3,008,635</u>	<u>\$ 2,999,700</u>	<u>\$ 28,866,079</u>
\$ -	\$ 49,793	\$ 119,247	\$ 1,030,654
-	-	-	-
-	-	-	1,025,425
-	-	-	2,469,088
984,215	-	431,538	5,116,741
<u>984,215</u>	<u>49,793</u>	<u>550,785</u>	<u>9,641,908</u>
-	2,958,842	1,050,465	5,722,598
-	-	1,369,571	2,190,078
-	-	28,879	427,782
-	-	-	10,883,713
-	<u>2,958,842</u>	<u>2,448,915</u>	<u>19,224,171</u>
<u>\$ 984,215</u>	<u>\$ 3,008,635</u>	<u>\$ 2,999,700</u>	<u>\$ 28,866,079</u>

CITY OF DAPHNE, ALABAMA

Reconciliation of the Balance Sheet Governmental Funds
to the Statement of Net Assets
September 30, 2012

Fund balances - Total governmental funds		\$ 19,224,171
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore are not reported in the funds.		100,349,767
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Bond issuance costs	887,383	
Accumulated amortization	<u>(410,611)</u>	476,772
Long-term liabilities, including warrants payable, are not due and payable in the current period, and, therefore are not reported in the funds.		
Accrued interest	(113,796)	
Deferred amount on refunding, net of accumulated amortization	827,423	
Discount on warrants, net of accumulated amortization	433,236	
Warrants, notes, leases	<u>(42,278,915)</u>	(41,132,052)
Other post employment benefits are not due and payable in the current period, and, therefore are not reported in the funds.		(454,720)
Property tax revenues will be collected after year-end, but are not available soon enough to pay for current period expenditures; and therefore are deferred in the funds.		<u>3,648,759</u>
Net assets of governmental activities		<u>\$ 82,112,697</u>

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

CITY OF DAPHNE, ALABAMA

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Reserve</u>
Revenues			
Taxes:			
Sales, use, luxury	\$ 12,252,685	\$ 1,434,592	\$ -
Property	4,915,408	-	-
Total taxes	<u>17,168,093</u>	<u>1,434,592</u>	<u>-</u>
Licenses and permits	1,864,731	-	-
Payments in lieu of taxes	2,234,495	-	-
Fines	362,904	-	-
Charges for services	430,403	-	-
Intergovernmental	242,715	-	183,128
Grants	317,517	-	568,596
Special assessments	-	-	-
Interest/investment earnings	184,046	20,270	127
Contributions and donations	69,402	-	432,297
Miscellaneous	31,578	-	-
Total revenues	<u>22,905,884</u>	<u>1,454,862</u>	<u>1,184,148</u>
Expenditures			
Current:			
General government	3,207,054	-	-
Public safety	8,770,883	-	-
Public works	3,722,333	-	6,457
Parks and recreation	1,843,509	-	-
Debt service:			
Principal	-	2,110,150	-
Interest	-	1,872,584	-
Cost of debt issuance	-	179,549	-
Capital outlay:			
Vehicles and heavy equipment	504,556	-	-
Equipment	62,727	-	24,548
Buildings and land	139,767	-	400,629
Other improvements	584,550	-	-
Highways, streets and drainage	153,368	-	3,165,127
Total expenditures	<u>18,988,747</u>	<u>4,162,283</u>	<u>3,596,761</u>
Excess (deficiency) of revenues over (under) expenditures	3,917,137	(2,707,421)	(2,412,613)
<u>Other financing sources (uses)</u>			
Transfers in	-	34,549	2,069,065
Transfers out	(4,790,153)	-	-
Contribution to Utility Bd-Sewer Project	-	-	-
Warrant proceeds	-	13,495,000	-
Discount on warrants	-	(223,812)	-
Payment to refunded bond escrow agent	-	(11,536,144)	-
Total other financing sources (uses)	<u>(4,790,153)</u>	<u>1,769,593</u>	<u>2,069,065</u>
Net change in fund balances	(873,016)	(937,828)	(343,548)
Fund Balances-- 10/1/2011	11,218,778	2,651,119	2,100,909
Fund Balances-- 9/30/2012	<u>\$ 10,345,762</u>	<u>\$ 1,713,291</u>	<u>\$ 1,757,361</u>

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

2006 Construction	2012 Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ 896,369	\$ 14,583,646
-	-	-	4,915,408
-	-	896,369	19,499,054
-	-	-	1,864,731
-	-	-	2,234,495
-	-	128,332	491,236
-	-	50,315	480,718
-	-	38,143	463,986
-	-	60,568	946,681
133,854	-	-	133,854
49	637	1,160	206,289
-	-	-	501,699
-	-	16,686	48,264
<u>133,903</u>	<u>637</u>	<u>1,191,573</u>	<u>26,871,007</u>
-	-	286,889	3,493,943
-	-	34,418	8,805,301
-	-	4,359	3,733,149
-	-	214,230	2,057,739
-	-	-	2,110,150
-	-	-	1,872,584
-	-	-	179,549
-	-	-	504,556
-	-	10,000	97,275
-	-	44,158	584,554
-	-	72,281	656,831
-	49,793	90,002	3,458,290
-	<u>49,793</u>	<u>756,337</u>	<u>27,553,921</u>
133,903	(49,156)	435,236	(682,914)
-	3,007,998	31,312	5,142,924
(668,662)	-	(167,274)	(5,626,089)
(49,700)	-	-	(49,700)
-	-	-	13,495,000
-	-	-	(223,812)
-	-	-	(11,536,144)
<u>(718,362)</u>	<u>3,007,998</u>	<u>(135,962)</u>	<u>1,202,179</u>
(584,459)	2,958,842	299,274	519,265
584,459	-	2,149,641	18,704,906
<u>\$ -</u>	<u>\$ 2,958,842</u>	<u>\$ 2,448,915</u>	<u>\$ 19,224,171</u>

CITY OF DAPHNE, ALABAMA

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2012**

Net change in fund balances -Total governmental funds		\$ 519,265
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:</p>		
Capital outlay expenditures	6,421,608	
Less: Current year depreciation expense	<u>(5,451,963)</u>	969,645
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	<u>(214,519)</u>	(214,519)
<p>The issuance of long-term debt (e.g., warrants, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs, premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the Statement of Activities. This is the net amount of these differences in the treatment of long-term debt and related items:</p>		
Warrant proceeds	(13,495,000)	
Discount on warrants issued	223,812	
Bond issuance costs	179,549	
Amortization of discount	(24,472)	
Amortization of bond issuance costs	(243,025)	
Amortization deferred amount on refunding	(73,827)	
Principal payments	2,110,150	
Payment to refunding warrant escrow agent	10,865,000	
Deferred amount on refunding	671,144	
Reversal of FY 11 accrued interest	177,785	
Accrued interest - leases	(110,902)	
Accrued interest - warrants	<u>(2,894)</u>	277,320
Change in net assets of governmental activities		<u><u>\$ 1,551,711</u></u>

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

Proprietary Fund Financial Statements

CITY OF DAPHNE, ALABAMA

**Balance Sheet
Enterprise Fund
September 30, 2012**

	<u>Garbage/ Recycle</u>	<u>Civic Center</u>	<u>Bay Front Park</u>	<u>Total</u>
ASSETS				
Current assets:				
Due from other funds	\$ 285,480	\$ 100,085	\$ -	\$ 385,565
Due from Utility Board	103,955	-	-	103,955
Other receivables	2,994	915	-	3,909
Total current assets	<u>392,429</u>	<u>101,000</u>	<u>-</u>	<u>493,429</u>
Noncurrent assets:				
Capital assets:				
Roads	137,266	-	-	137,266
Facilities	201,802	42,003	83,791	327,596
Vehicles	1,244,319	15,047	-	1,259,366
Equipment	118,432	-	-	118,432
Rental equipment and supplies	-	158,311	4,105	162,416
Office furniture and equipment	3,515	520,175	12,206	535,896
Total capital assets	<u>1,705,334</u>	<u>735,536</u>	<u>100,102</u>	<u>2,540,972</u>
Less: accumulated depreciation	<u>(1,042,568)</u>	<u>(681,339)</u>	<u>(43,432)</u>	<u>(1,767,339)</u>
Total noncurrent assets	<u>662,766</u>	<u>54,197</u>	<u>56,670</u>	<u>773,633</u>
Total assets	<u>\$ 1,055,195</u>	<u>\$ 155,197</u>	<u>\$ 56,670</u>	<u>\$ 1,267,062</u>

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

	Garbage/ Recycle	Civic Center	Bay Front Park	Total
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 62,944	\$ 46,426	\$ 4,523	\$ 113,893
Deferred revenue	-	61,670	15,909	77,579
Accrued wages/benefits	13,503	6,435	-	19,938
Due to other funds	-	-	24,094	24,094
Interest payable	2,134	-	-	2,134
Capital lease payable - current	186,073	-	-	186,073
Total current liabilities	<u>264,654</u>	<u>114,531</u>	<u>44,526</u>	<u>423,711</u>
Noncurrent liabilities:				
Compensated absences	7,898	4,863	3,242	16,003
Capital lease payable - noncurrent	260,901	-	-	260,901
Post employment benefits	22,177	6,260	4,566	33,003
Total noncurrent liabilities	<u>290,976</u>	<u>11,123</u>	<u>7,808</u>	<u>309,907</u>
Total liabilities	<u>555,630</u>	<u>125,654</u>	<u>52,334</u>	<u>733,618</u>
NET ASSETS				
Invested in capital assets, net of related debt	215,792	54,197	56,670	326,659
Unrestricted	283,773	(24,654)	(52,334)	206,785
Total net assets	<u>499,565</u>	<u>29,543</u>	<u>4,336</u>	<u>533,444</u>
Total liabilities and net assets	<u>\$ 1,055,195</u>	<u>\$ 155,197</u>	<u>\$ 56,670</u>	<u>\$ 1,267,062</u>

CITY OF DAPHNE, ALABAMA

**Statement of Revenues, Expenses, and Changes in Fund Net Assets
Enterprise Fund**

For the Year Ended September 30, 2012

	Garbage/ Recycle	Civic Center	Bay Front Park	Total
Operating revenues:				
Rental fees	\$ -	\$ 177,511	\$ 59,984	\$ 237,495
Community events	-	40,375	-	40,375
Charges for services	1,183,453	-	-	1,183,453
Charges: carts/recycle bins	48,972	-	-	48,972
Other revenues	57,477	-	-	57,477
Total operating revenues	1,289,902	217,886	59,984	1,567,772
Operating expenses:				
Wages	348,274	109,698	101,127	559,099
Overtime	18,425	1,214	1,107	20,746
Payroll related	49,923	15,447	14,048	79,418
Compensated absences	(2,155)	474	315	(1,366)
Other personnel expense	129,589	30,224	27,390	187,203
Other post employment benefits	22,177	6,260	4,566	33,003
Total personnel services	566,233	163,317	148,553	878,103
Advertising	5,552	3,452	2,310	11,314
Community programs	-	12,546	-	12,546
Contracted services	22,548	14,886	-	37,434
Daphne High School	-	31,037	-	31,037
Employee support	1,221	696	177	2,094
Equipment purchased	15,810	13,595	4,759	34,164
Equipment lease/rental	-	5,469	-	5,469
Fuel	107,096	1,647	1,647	110,390
Garbage/Rcy removal support	72,997	2,594	990	76,581
Insurance	18,837	32,092	15,100	66,029
Landfill fees	189,478	-	-	189,478
Maintenance	123,244	45,981	4,896	174,121
Supplies	956	9,880	3,330	14,166
Temporary services	3,573	13,668	6,398	23,639
Trustee assignments	-	16,845	-	16,845
Uniforms	2,265	675	-	2,940
Utilities	3,953	116,504	16,960	137,417
Depreciation	215,691	12,063	2,915	230,669
Total operating expenses	1,349,454	496,947	208,035	2,054,436
Operating loss	(59,552)	(279,061)	(148,051)	(486,664)
Nonoperating revenues (expenses):				
Gain on sale of assets	16,581	-	-	16,581
Interest expense	(13,082)	-	-	(13,082)
Loss before contributions	(56,053)	(279,061)	(148,051)	(483,165)
Capital contributions- general fund	56,053	279,061	148,051	483,165
Change in net assets	-	-	-	-
Total net assets, 10-1-11	477,415	23,905	(878)	500,442
Prior period adjustment - OPEB	22,150	5,638	5,214	33,002
Total net assets, 9-30-12	\$ 499,565	\$ 29,543	\$ 4,336	\$ 533,444

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

CITY OF DAPHNE, ALABAMA

**Statement of Cash Flows
Enterprise Fund
For the Year Ended September 30, 2012**

	Garbage/ Recycle	Civic Center	Bay Front Park	Total
Cash flows from operating activities:				
Receipts from customers	\$ 1,293,561	\$ 234,992	\$ 61,966	\$ 1,590,519
Payments to suppliers	(525,866)	(285,601)	(54,545)	(866,012)
Payments to employees	(546,741)	(154,708)	(144,671)	(846,120)
Net cash provided by (used in) operating activities	<u>220,954</u>	<u>(205,317)</u>	<u>(137,250)</u>	<u>(121,613)</u>
Cash flows from capital and related financing activities:				
Principal paid on capital debt	(182,127)	-	-	(182,127)
Interest paid on capital debt	(13,082)	-	-	(13,082)
Capital contributions	56,053	279,061	148,051	483,165
Purchases of capital assets	-	(11,972)	(51,327)	(63,299)
Sale of capital assets	16,581	-	-	16,581
Net cash provided by (used in) capital and financing activities	<u>(122,575)</u>	<u>267,089</u>	<u>96,724</u>	<u>241,238</u>
Net increase (decrease) in cash and cash equivalents	98,379	61,772	(40,526)	119,625
Balance, 10-01-11	187,101	38,313	16,431	241,845
Balance, 9-30-12	<u>\$ 285,480</u>	<u>\$ 100,085</u>	<u>\$ (24,095)</u>	<u>\$ 361,470</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (59,552)	\$ (279,061)	\$ (148,051)	\$ (486,664)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation expense	215,691	12,063	2,915	230,669
Change in assets and liabilities:				
Receivables	2,021	(316)	-	1,705
Deferred revenue	-	17,422	1,983	19,405
Accounts payable	43,301	35,966	2,020	81,287
Deferred other post employment benefits	22,177	6,260	4,566	33,003
Accrued expenses	(2,684)	2,348	(684)	(1,020)
Net cash provided by (used in) operating activities	<u>\$ 220,954</u>	<u>\$ (205,318)</u>	<u>\$ (137,251)</u>	<u>\$ (121,615)</u>
Reconciliation of cash per statement of cash flows to the balance sheet:				
Cash ending, 9-30-12				
Cash	\$ -	\$ -	\$ -	\$ -
Due from other funds	285,480	100,085	-	385,565
	<u>\$ 285,480</u>	<u>\$ 100,085</u>	<u>\$ -</u>	<u>\$ 385,565</u>

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

Component Unit Financial Statements

CITY OF DAPHNE, ALABAMA

**Statement of Net Assets
Component Unit
September 30, 2012**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 47,210
Due from other governments	10,692
Prepays	4,375
Deferred charges	331,816
Noncurrent assets:	
Restricted investments	1,026,888
Depreciable assets, net	649,377
Nondepreciable capital assets	<u>4,431,302</u>
Total assets	<u>\$ 6,501,660</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 7,717
Accrued interest payable	259,375
Long-term liabilities:	
Due within one year	115,000
Due in more than one year	<u>8,185,000</u>
Total liabilities	<u>8,567,092</u>
NET ASSETS	
Invested in capital assets, net of related debt	(2,887,505)
Restricted for debt service	794,374
Unrestricted	<u>27,699</u>
Total net assets	<u>(2,065,432)</u>
Total liabilities and net assets	<u>\$ 6,501,660</u>

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

CITY OF DAPHNE, ALABAMA

**Statement of Activities
Component Unit
For the Year Ended September 30, 2012**

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 87,837	\$ -	\$ 211,202	\$ 123,365
Maintenance and operations	45,008	-	-	(45,008)
Interest on long term debt	640,064	504,521	-	(135,543)
Total governmental activities	772,909	504,521	211,202	(57,186)
General revenues:				
Unrestricted investments earnings				224
Total general revenues				224
Change in net assets				(56,962)
Net assets (deficit) - beginning				(2,008,470)
Net assets (deficit) - ending				\$ (2,065,432)

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

Fiduciary Fund Financial Statements

CITY OF DAPHNE, ALABAMA

**Statement of Assets and Liabilities
Agency Funds
September 30, 2012**

ASSETS

Cash and cash equivalents	\$	76,097
Other receivables		<u>1,790</u>
Total assets	\$	<u><u>77,887</u></u>

LIABILITIES

Bonds payable	\$	24,325
Accounts payable		15,344
Due to agencies		<u>38,218</u>
Total liabilities	\$	<u><u>77,887</u></u>

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

CITY OF DAPHNE, ALABAMA

**Cash and Cash Equivalents
Agency Funds
September 30, 2012**

	Municipal Court	Self- Insurance	Confiscated Funds	Flexible Spending Acct
Cash	\$ 381,767	\$ -	\$ 325	\$ -
Cash equivalents:				
Due from other funds	-	-	-	2,116
Due to other funds	(316,507)	7,896	-	-
	(316,507)	7,896	-	2,116
Cash and cash equivalents	\$ 65,260	\$ 7,896	\$ 325	\$ 2,116

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

<u>Short-Term Disability</u>	<u>TOTAL</u>
\$ -	\$ 382,092
500	2,616
-	(308,611)
<u>500</u>	<u>(305,995)</u>
<u>\$ 500</u>	<u>\$ 76,097</u>

CITY OF DAPHNE, ALABAMA

**Combining Statement of Assets and Liabilities
Agency Funds
September 30, 2012**

	<u>Municipal Court</u>	<u>Self Insurance</u>	<u>Confiscated Funds</u>	<u>Flexible Spending Acct</u>
ASSETS				
Cash & cash equivalents	\$ 65,260	\$ 7,896	\$ 325	\$ 2,116
Other receivables	1,660	-	-	130
Total assets	<u>\$ 66,920</u>	<u>\$ 7,896</u>	<u>\$ 325</u>	<u>\$ 2,246</u>
LIABILITIES				
Bonds payable	\$ 24,325	\$ -	\$ -	\$ -
Accounts payable	4,377	7,896	325	2,246
Due to agencies	38,218	-	-	-
Total liabilities	<u>\$ 66,920</u>	<u>\$ 7,896</u>	<u>\$ 325</u>	<u>\$ 2,246</u>

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

<u>Short-Term Disability</u>	<u>Total</u>
\$ 500	\$ 76,097
<u>-</u>	<u>1,790</u>
<u>\$ 500</u>	<u>\$ 77,887</u>
\$ -	\$ 24,325
500	15,344
<u>-</u>	<u>38,218</u>
<u>\$ 500</u>	<u>\$ 77,887</u>

CITY OF DAPHNE, ALABAMA

**Combining Statement of Changes in Assets and Liabilities -
All Agency Funds
For the Fiscal Year Ended September 30, 2012**

	Balance, 10/1/2011	Additions	Deductions	Balance, 9/30/2012
<u>Municipal Court Fund</u>				
<u>ASSETS</u>				
Cash & cash equivalents	\$ 58,629	\$ 6,631	\$ -	\$ 65,260
Other receivables	1,676	-	(16)	1,660
	<u>60,305</u>	<u>6,631</u>	<u>(16)</u>	<u>66,920</u>
<u>LIABILITIES</u>				
Bonds payable	34,405	-	(10,080)	24,325
Accounts payable	8,256	-	(3,879)	4,377
Due to agencies	17,644	20,574	-	38,218
	<u>\$ 60,305</u>	<u>\$ 20,574</u>	<u>\$ (13,959)</u>	<u>\$ 66,920</u>
<u>Self Insurance Fund</u>				
<u>ASSETS</u>				
Cash & cash equivalents	\$ (45,170)	\$ 53,066	\$ -	\$ 7,896
Other receivables	61,984	-	(61,984)	-
	<u>16,814</u>	<u>53,066</u>	<u>(61,984)</u>	<u>7,896</u>
<u>LIABILITIES</u>				
Bonds payable	-	-	-	-
Accounts payable	16,814	-	(8,918)	7,896
Due to agencies	-	-	-	-
	<u>\$ 16,814</u>	<u>\$ -</u>	<u>\$ (8,918)</u>	<u>\$ 7,896</u>
<u>Confiscated Funds</u>				
<u>ASSETS</u>				
Cash & cash equivalents	\$ 592	\$ -	\$ (267)	\$ 325
Other receivables	-	-	-	-
	<u>592</u>	<u>-</u>	<u>(267)</u>	<u>325</u>
<u>LIABILITIES</u>				
Bonds payable	-	-	-	-
Accounts payable	592	-	(267)	325
Due to agencies	-	-	-	-
	<u>\$ 592</u>	<u>\$ -</u>	<u>\$ (267)</u>	<u>\$ 325</u>

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

	Balance, 10/1/2011	Additions	Deductions	Balance, 9/30/2012
<u>Short-Term Disability Fund</u>				
<u>ASSETS</u>				
Cash & cash equivalents	\$ 387	\$ 113	\$ -	\$ 500
Other receivables	-	-	-	-
	<u>387</u>	<u>113</u>	<u>-</u>	<u>500</u>
<u>LIABILITIES</u>				
Bonds payable	-	-	-	-
Accounts payable	387	-	113	500
Due to agencies	-	-	-	-
	<u>\$ 387</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 500</u>
<u>Flexible Spending Plan</u>				
<u>ASSETS</u>				
Cash & cash equivalents	\$ 3,202	\$ -	\$ (1,086)	2,116
Other receivables	-	130	-	130
	<u>3,202</u>	<u>130</u>	<u>(1,086)</u>	<u>2,246</u>
<u>LIABILITIES</u>				
Bonds payable	-	-	-	-
Accounts payable	3,202	-	(956)	2,246
Due to agencies	-	-	-	-
	<u>\$ 3,202</u>	<u>\$ -</u>	<u>\$ (956)</u>	<u>\$ 2,246</u>
<u>TOTAL- ALL AGENCY FUNDS</u>				
<u>ASSETS</u>				
Cash & cash equivalents	\$ 17,640	\$ 59,810	\$ (1,353)	\$ 76,097
Other receivables	63,660	130	(62,000)	1,790
	<u>81,300</u>	<u>59,940</u>	<u>(63,353)</u>	<u>77,887</u>
<u>LIABILITIES</u>				
Bonds payable	34,405	-	(10,080)	24,325
Accounts payable	29,251	-	(13,907)	15,344
Due to agencies	17,644	20,574	-	38,218
	<u>\$ 81,300</u>	<u>\$ 20,574</u>	<u>\$ (23,987)</u>	<u>\$ 77,887</u>

Notes to Financial Statements

Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Basis of Accounting: Government-Wide and Fund Accounting

“Basis of Accounting” refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The basic financial statements include both of the following: 1) The government-wide Financial Statements and the Proprietary, Fiduciary, and Component Unit Fund Statements which are presented on an accrual basis of accounting; and 2) The Governmental Funds in the Fund Financial Statements which are presented on a modified accrual basis. Fiduciary activities of the City are not included in either one of these statements as, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government.

A. Accrual Basis

Revenues are recognized when earned and expenses are recognized when incurred.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (police, fire, public works, recreation, etc.) which are otherwise being supported by general government revenues (sales & use taxes, property taxes, payments in lieu of taxes, business licenses, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating and capital grants. The program revenues must be directly associated with the function or business-type activity. Program revenues include charges for services, fees, and fines and forfeitures. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The remaining net expenses (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.)

Expenses
<u>Less: Program Revenues</u>
(Fees & Charges)
(Operating Grants & Contributions)
<u>(Capital Grants & Contributions)</u>
Net Expenses to be paid by General Revenues

As a rule, interfund activity has been eliminated from the government-wide financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Modified Accrual Basis - All of the governmental funds of the primary government are accounted for using the modified accrual basis.

Revenues are recognized when they are susceptible to accrual; i.e. both measurable and available. “Measurable” means the amount of the transaction that can be determined and “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City defines the length of time used for “Available” for purposes of revenue recognition in the governmental fund financial statements to be 30-60 days. The major revenue source that is susceptible to the 60 day accrual period is property taxes. The revenues received in October and November are considered to be revenues that pay for liabilities as of September 30. Sales and use taxes, lodging taxes, and certain intergovernmental revenues are subject to a 30 day accrual as those collections made in October are paid by businesses for September’s actual sales. Each year’s budget and actual financial statements include revenues collected over a twelve month period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, with an exception which is in conformity with generally accepted accounting principles: general long-term obligation principal and interest is reported when due.

Both the government-wide (accrual) and fund (modified accrual) financial statements (within the basic financial statements) categorize primary activities as either governmental or business type within the basic financial statements.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The City does not currently employ an indirect cost allocation system.

The governmental funds major funds statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate (a) legal and covenant compliance, (b) the source and use of liquid resources, and (c) that the City’s actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government – wide statement’s governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

B. History

The City of Daphne, Alabama, was founded in 1926 under the provisions of the State of Alabama. The City is located in Baldwin County on the eastern shore of Mobile Bay. The City operates under a Mayor-Council form of government.

Note 1 – Summary of Significant Accounting Policies (continued)

B. History (continued)

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This statement provides for the most significant change in financial reporting in over twenty years and required implementation for the City of Daphne for the year ending September 30, 2003. As part of this statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). The City of Daphne timely implemented the basic model for fiscal year 2003 including the implementation of the infrastructure-related portion.

C. Financial Reporting Entity

The City of Daphne, Alabama (the City) operates as a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police & fire), streets, sanitation, health and social services, culture, recreation, public improvements, planning, zoning, and general administrative services.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship and the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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 if its officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is potential for the organization to provide specific financial burdens on the primary government.

The City's financial statements include funds which are under the direct operations of the City.

The City has one component unit, as defined in GASB 14 and amended by GASB 39, for which it is financially accountable. This component unit is the Renaissance Cooperative/Improvement District. Although this entity is legally separate and the City does not appoint a voting majority of the board, it would be misleading to exclude it from discrete presentation as a component unit because of the financial relationship with the City. The Economic Development Agreement approved by Resolution 2007-83 pledges a percentage of certain taxes collected by the City in the Cooperative District to be remitted monthly from the City to the District. Such arrangement qualifies as a tax-increment financing. Such incremental taxes are recognized as revenue in the City's financial statements and are offset by an expense- allocation to Cooperative District. The debt to be retired with the incremental taxes totals \$8,500,000 and will mature in 2038. More detailed information on this component unit is available at: Wrathell, Hart, Hunt & Associates, 6131 Lyons Road – Suite 100, Coconut Creek, Florida 33073.

Note 1 – Summary of Significant Accounting Policies (continued)

C. Financial Reporting Entity (continued)

The City's officials are responsible for appointing the members of the board of other organizations such as the Industrial Development Board and the Downtown Redevelopment Authority, but the City's accountability for these organizations does not extend beyond making the appointments. The City Council appoints the board members of the Utilities Board of the City of Daphne and the Utilities Board of the City of Daphne is considered a related organization as defined by GASB Statement 14.

D. Basis of Presentation

The financial statements of the City of Daphne are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combined) for the determination of major funds. The city electively added funds, as major funds, which either had debt outstanding or specific community focus. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a specific set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City uses the following fund categories and fund types:

Governmental Funds

General Fund - To account for all financial resources, except those required to be accounted for in another fund. The General Fund is the City's operating fund and is considered a major governmental fund. All general tax revenue and other receipts that are not allocated by law or contractual agreement are accounted for in this fund. The general operating expenditures, fixed charges, and capital improvement costs not paid through other funds are paid from the General Fund.

Special Revenue Funds - To account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenues Funds are considered non-major governmental funds. Special Revenue Funds of the City are:

- Four and Five Cent Gasoline Tax- This fund may be used, among other things, for street resurfacing, cost of construction, improvement, and maintenance of highways, bridges, and streets. This tax is levied by the State of Alabama and the State directs the use of the funds.
- Seven Cent and Fuel Inspection Fees- This fund may be used for street improvements and maintenance. This tax is levied by the State of Alabama and the State directs the use of the funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

- Lodging Tax- A special tax levied by the City with proceeds to support the maintenance and acquisition of bay-front property and make contributions to the Industrial Development Board (IDB) and Downtown Redevelopment Authority (DRA). Additionally, this funds recreational grounds capital.
- 2010 BP Oil Spill Recovery Fund- Instituted in 2010 for the City's response to the Oil Spill. Use is dictated by the State.
- Renaissance Center- Proceeds of sales and use taxes in the area are contributed to the Renaissance Improvement District for the retirement of this component unit's debt.
- Federal and State Drug Recoveries- Court ordered confiscated funds remitted to the City for public safety use as set forth by US Department of Justice and/or Treasury.
- Municipal Court Equipment and Training and Court & Judicial Administration Fund-These are fines levied by the City through its Municipal Court with uses to support the court departmental operating and capital requirements as provided by State Law.
- Corrections and Court Fund- These fines are levied by the City through its Municipal Court with uses restricted to the operation of the court and municipal jail, as dictated by State Law.
- SAIL Site- Funds are for the operation of a Senior Assisted Independent Living Program. Federal Funds flow through the State to the South Alabama Regional Planning Commission, which are in turn remitted to the City on a monthly basis. The City also has a cash match required for this program.
- Library Fund- Donations and Library Fines are used to support library operations, purchase capital equipment, and purchase library resources.
- Concession Stand- Fees charged for the concessions at the Sports Complex are used to pay the City's cost of the concessions as well as to fund capital equipment acquisitions.

Capital Projects Fund – To account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure (other than those financed by proprietary and trust funds).

- Capital Reserve Fund- Funds transferred mainly from the General Fund for capital purposes, such as road resurfacing and other capital appropriations. This is a Major Fund.
- 2006 Construction Fund- Construction Funds remaining from the 2006 Warrant proceeds. Additionally, the special assessments associated with the Highway 90 sewer project (a project funded by the City on behalf of the Utility Board) are reported in this fund. These special assessment revenues are not used to retire the debt, but are transferred to the Capital Reserve Fund and used to finance other capital projects. All projects were completed in Fiscal 2011 and remaining funds are transferred to the Capital Reserve Fund for other capital uses to close the fund in Fiscal 2012. This is a non-major fund.
- 2012 Construction Fund- Debt Proceeds for \$ 3,008,000 road resurfacing projects. This is a major fund.

Debt Service Fund – These funds are major governmental funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. All debt repayment transactions of the City flow through one fund.

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The focus of Proprietary Fund measurement is upon determination of operating income, changes in net fund assets, financial position, and cash flows, which is similar to businesses. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City's Proprietary Funds are further defined as Enterprise Funds. The following is a description of the major Enterprise Funds of the City:

- **Garbage & Recycling:** These are funds associated with the City's self-collection of refuse and recycling materials.
- **Daphne Civic Center & Bay Front Park:** These are funds associated with the operation of the Civic Center and Bay Front Park which includes the renting of the facilities for both public and private social events, as well as providing community entertainment through city-sponsored events such as dances.

Fiduciary Funds

Trust and Agency Funds – To account for assets held by the City as trustee or agent for individuals, other governments and/or funds. These include the *Municipal Court Fund, a Short-term Disability Fund, Self-Insurance Fund, Flexible Spending Account Fund, and Confiscated Funds.*

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash includes cash on hand and demand deposits. At September 30, 2012, all bank balances were entirely insured and/or collateralized and/or guaranteed by the full faith and credit of the United States government. All financial institutions holding the City's funds, which are deemed public funds, are members of the Security for Alabama Funds Enhancement (SAFE) pool established in the office of the State Treasurer. This plan became effective January 1, 2001.

Cash and short-term investments reported in the City's capital projects and debt service funds for construction projects and debt service payments are being held by trustees for the City, and were invested in short-term direct debt securities of the U.S. Government.

Note 1 – Summary of Significant Accounting Policies (continued)

1. Deposits and Investments (continued)

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities and/or money market accounts traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

2. Receivables and Payables

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” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund 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 government-wide financial statements as “internal balances.”

3. Inventories

Inventory held consists of vehicle fuel and repair parts for all city equipment and vehicles. Fiscal 2006 initiated a physical inventory system to establish a base inventory level of mechanical department parts and supplies in addition to the fuel inventory. Inventories are valued using the FIFO method. Valuations at September 30, 2012 are as follows:

Mechanical Shop Parts & Supplies	\$ 224,664
Vehicle Fuel	\$ 50,418

Inventories are recorded as an Asset in the General Fund, and the cost of inventories is recorded as an expenditure at the time used.

4. Restricted Assets

The City is obligated from various sources to restrict assets. Specifically, assets are restricted from external sources such as creditors, grantors, contributors, or laws or regulations of other governments. Assets are also subject to restriction through constitutional law provisions or enabling legislation. City net assets are restricted for debt service, capital projects, and certain funds are restricted by state law.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

5. Capital Assets

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

5. Capital Assets (continued)

Government-wide Financial Statements

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets are defined, by the City, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business type activities is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight-line method over the estimated useful lives. The range of estimated useful lives by type of asset is as follows:

Buildings	25 to 50 years
Other improvements	5 to 20 years
Infrastructure (drainage, streets, bridges, sidewalks and docking)	20 to 30 years
Infrastructure (utilities and landscaping)	10 to 20 years
Machinery and equipment	8 to 15 years
Automotive equipment	5 to 7 years
Office equipment	5 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

6. Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. The City vacation policy is such that a maximum amount (80 hours) of time accrued may be carried forward, if unused during the current year. The value of this vacation time and its related payroll tax and retirement totals \$294,719 and such is recorded in the financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balance

In Accordance with GASB 54, the City reports in its governmental fund financial statements the following fund balance classifications:

Restricted Fund Balance	\$ 5,722,598
Committed Fund Balance	\$ 2,190,078
Assigned Fund Balance	\$ 427,782
Unassigned Fund Balance	<u>\$ 10,883,713</u>
	\$ 19,224,171

Restricted Fund Balance includes those funds limited to restrictions by creditors, grantors, laws, and regulations of other governments. Included in this classification for the City are funds related to debt service requirements, funds in the 2012 Construction Fund for road projects, and other special revenue funds limited to expenditures authorized through legislation in the Code of Alabama. These include several Court Funds as well as the four and seven cent gas taxes. Total restricted funds: \$5,723,600.

Committed Fund Balance includes self-imposed limitations requiring formal action by the City to fund and remove projects from the fund. This includes the Lodging Taxes as imposed by the City of Daphne and the Capital Reserve Fund projects.

Assigned Fund Balance reports those funds with intended use through the issuance of purchase orders or designation of encumbrances.

Unassigned Fund Balance is the amount that is subject to appropriation.

Committed, assigned, and unassigned are unrestricted amounts and are considered to have been spent when expenditures are incurred for purposes as stated above.

Note 1 – Summary of Significant Accounting Policies (continued)

9. Property Tax Revenue and Property Tax Calendar

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1 of the following year.

Government-wide financial statements: Property tax revenues are recognized when they are assessed (legal claim is enforced at this time). The City recognizes total estimated tax collections for the 10/01 tax assessment that is collected starting in October of the following fiscal year.

Fund financial statements: Property tax revenues are recognized when they become available. Available includes those property tax receivables to be collected within sixty days after year-end.

Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

F. Inter-fund Transactions

During the course of normal operations the City has transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements reflect such transactions as transfers.

G. Budget Policy, Practice, Control and Basis

Budget Policy and Practice

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance for the general, special revenue, debt service, and proprietary funds, and the same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principal basis. Budgets for certain capital project funds are made on a project basis, spanning more than one fiscal year.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel, operating, capital, transfers, and debt service. This constitutes the legal level of control. Budgeted amounts may be transferred among the lines items within the department; however, expenditures may not exceed original appropriations at the department level. Budget revisions to increase total departmental appropriations require final review by the City Council.

Budget Basis of Accounting

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

Note 1 – Summary of Significant Accounting Policies (continued)

G. Budget Policy, Practice, Control and Basis (continued)

Encumbrances

Encumbrance accounting is used for the General Fund, Special Revenue Funds, and Capital Projects Funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as an assignment of fund balance on the statement of net assets.

Encumbrances do not lapse at the close of the fiscal year but are carried forward as Assigned Fund Balance until liquidated.

Appropriation of Unassigned Fund Balance

The City has an informal minimum fund balance policy. The General Fund Unassigned Fund Balance must equal 3 to 4 months of operating revenues and may only be appropriated for capital projects and equipment. At the end of Fiscal 2012, General Fund Revenues are approximately 43% of the Unassigned Fund Balance.

H. Pension Plan

The City participates in the Alabama Employees' Retirement System. Effective January 1, 2001 the member contributions rate for certified full time firefighters and law enforcement officers increased to 6% of the employee's compensation. All other eligible employees contribute 5% of their salaries. In Fiscal 2012, the City contributed 6.8%.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires city management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statement

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets: following the governmental fund balance sheet is a reconciliation between fund balance – total government funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are explained in the above referenced financial statement.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities: following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are explained in the above referenced financial statement.

Note 2 – Reconciliation of Government-Wide and Fund Financial Statement (continued)

Another element of reconciliation states “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on the net assets.

Note 3 – Cash Deposits and Investments

At year-end, the City’s carrying amount of cash and cash equivalents was \$13,253,956. This is a decrease of \$82,606 from Fiscal 2011.

During Fiscal 2012, the City of Daphne issued the Series 2012 Refunding and Capital Improvements Warrants in the amount of \$13,495,000. Of this amount, \$3,008,000 was deposited into the 2012 Construction Fund to be used for Capital road projects; substantially all of such funds were not expended at September 30, 2012 and are held in cash. If the \$3,008,000 is factored out of the total cash, since it is not revenue generated from a governmental function or service, the resulting total decrease in cash from Fiscal 2011 to 2012 is \$3,090,606.

All balances were collateralized with securities held by the Alabama State Treasury for Alabama Funds Enhancement (SAFE) Program. Each of the banks holding the City’s deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected in a collateral pool administered by the Alabama State Treasury.

Cash and cash equivalents are reflected in the financial statements as follows:

	<u>2012</u>	<u>2011</u>
General operating fund	\$ 6,673,122	\$ 7,444,589
2012 Construction fund	3,008,636	-
2006 Construction fund	-	584,459
Capital Reserve fund	1,157,725	2,112,796
Debt Service fund	1,660,179	2,528,139
Other non-major governmental funds	754,294	666,579
Non governmental business-type funds	-	-
Total cash deposits	<u>\$ 13,253,956</u>	<u>13,336,562</u>

Cash Equivalents:

In the Enterprise Funds, the Due To and Due From the General Fund classifications are reported as cash equivalents. The Enterprise Funds do not consistently carry cash balances large enough to meet operating requirements. Therefore, all cash transactions are deposited to and withdrawn from the General Fund. The resulting due to and due from transactions are, therefore, recognized as cash equivalents in the Enterprise Funds Statement of Cash Flows.

Investments – The City’s investment policies are governed by state statutes and local resolution. Allowable investment instruments include: bonds, notes, certificates of indebtedness, treasury bills, securities guaranteed by the full faith and credit of the United States of America, government backed intermediate term mutual funds, interest bearing savings accounts, interest bearing certificates of deposit and interest bearing time deposits.

Note 3 – Cash Deposits and Investments (continued)

Investments are included in the financials as follows:

Raymond James:	
Federal Home Loan Banks	\$ 850,316
United States Treasury Bonds and Notes	2,518,254
GNMA and FNMA Pools	862,364
Proprietary insured by US Government	756,742
Money Markets, Cash, and CD's	226,300
	<u>5,213,976</u>
Alabama A.M.I.C. Pool Account	31,062
	<u>\$ 5,245,038</u>

The above investments report income, net of account management fees, in the amount of \$ 129,212.

Proprietary Funds do not have a cash balance; however on the reconciliation of the Statement of Cash Flows, the cash and cash equivalents balance is \$ 361,471. The cash equivalents for the Statement of Cash Flows, includes amounts due to and from the General Fund; the Proprietary Funds do not have a separate bank account as they rely regularly on transfers from the General Fund to operate.

Fiduciary Funds report a cash balance of \$418,762.

Note 4 – Receivables

Receivables at September 30, 2012, consist of the following:

Governmental Activities:

Property, sales/use tax receivable	\$ 5,420,390
Receivables from other governments	909,657
Receivable from Daphne Volunteer Firefighters	271,702
Other receivables	1,075,221
Total governmental activities receivables	<u>\$ 7,676,970</u>

Business-type Activities:

Utility Board	\$ 103,955
Other receivables	3,909
Total business-type receivables	<u>\$ 107,864</u>

The City entered into Cooperative Agreements with the Daphne Volunteer Firefighters (DVFF) in Fiscal 2011 whereby the City bids and enters into contracts for projects and the DVFFs reimburse the City's expenses. The City owns the facility improvements and equipment upon project completion. One such project is for improvements to the Fire Training Facility. This facility was completed in Fiscal 2012 for a total valuation of \$648,838. The DVFFs reimburse the City as expenses are incurred. The City also entered into a \$600,000 agreement for the Burn Training Facility, fire truck, and equipment which will be repaid to the City over a five year period. These projects will be completed in Fiscal 2013.

Note 5 - Capital Assets

Governmental Activities

The following is a summary of changes in capital assets for governmental activities for the year ended September 30, 2012:

	Balance October 1	Additions	Reclassifications	Deductions	Balance September 30
Capital assets not being depreciated:					
Land	\$ 10,994,682	\$ 139,767	\$ -	\$ -	\$ 11,134,449
Construction in progress	615,354	-	(615,354)	-	-
Total capital assets not being depreciated	11,610,036	139,767	(615,354)	-	11,134,449
Capital assets being depreciated:					
Buildings	24,323,400	444,787	615,354	-	25,383,541
Other improvements	5,120,785	656,831	-	-	5,777,616
Machinery and equipment	10,179,443	601,830	-	(525,586)	10,255,687
Infrastructure	123,183,562	4,578,393	-	-	127,761,955
Total capital assets being depreciated	162,807,190	6,281,841	615,354	(525,586)	169,178,799
Less: accumulated depreciation					
Buildings	(4,939,120)	(486,122)	-	-	(5,425,242)
Other improvements	(1,701,681)	(396,572)	-	-	(2,098,253)
Machinery and equipment	(6,742,411)	(648,843)	-	525,586	(6,865,668)
Infrastructure	(61,653,892)	(3,920,426)	-	-	(65,574,318)
Total accumulated depreciation	(75,037,104)	(5,451,963)	-	525,586	(79,963,481)
Total capital assets being depreciated	87,770,086	829,878	615,354	-	89,215,318
Governmental Activities capital assets, net	\$ 99,380,122	\$ 969,645	\$ -	\$ -	\$ 100,349,767

Depreciation was charged to governmental functions as follows:

General government	\$ 247,911
Public safety	447,098
Public works	203,821
Infrastructure	3,920,424
Parks and recreation	632,709
	<u>\$ 5,451,963</u>

Note 5 - Capital Assets (continued)

Business-type Activities

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2012:

	Balance October 1	Additions	Reclassifications	Deductions	Balance September 30
Capital assets being depreciated:					
Buildings	\$ 310,611	\$ 63,298	\$ -	\$ -	\$ 373,909
Machinery and equipment	2,198,864	-	-	(169,067)	2,029,797
Infrastructure	137,266	-	-	-	137,266
Total capital assets being depreciated	2,646,741	63,298	-	(169,067)	2,540,972
Less: accumulated depreciation					
Buildings	(239,177)	(14,004)	-	-	(253,181)
Machinery and equipment	(1,330,436)	(216,665)	1,141	169,067	(1,376,893)
Infrastructure	(136,124)	-	(1,141)	-	(137,265)
Total accumulated depreciation	(1,705,737)	(230,669)	-	169,067	(1,767,339)
Total capital assets being depreciated, net	\$ 941,004	\$ (167,371)	\$ -	\$ -	\$ 773,633

Depreciation was charged to business-type activities as follows:

Garbage	\$ 159,614
Recycling	56,077
Civic Center	12,063
Bayfront	2,915
	<u>\$ 230,669</u>

Note 6 - Construction Commitments

During Fiscal 2012, the City continued in its commitment to fund city-wide resurfacing projects. Some of these projects are funded on a pay-as-you-go basis with the source of funds being the Unreserved Balance of the General Fund and the Capital Reserve Fund. At September 30, 2012, the City had substantially completed road projects totaling \$3,114,267. These projects include:

Bayview Drive	\$ 1,443,991
US98/CR64 Intersection	\$ 796,148
Whispering Pines/US Hwy 98 Intersection	\$ 414,265
Well Road Extension	\$ 339,363

The City has road construction commitments totaling \$2,616,872 for Lake Forest and Main Street projects scheduled for Fiscal Year 2013.

Note 7 – Inter-fund Accounts

As of September 30, 2012, inter-fund receivables and payables that resulted from various inter-fund transactions were as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds		
General fund	\$ -	\$ 2,469,088
Special Revenue funds	2,148,672	-
Capital Projects funds	201,473	-
Debt Service fund	53,738	-
Fiduciary - Agency funds	-	296,266
Business Type funds		
Enterprise funds	361,471	-
Totals	<u>\$ 2,765,354</u>	<u>\$ 2,765,354</u>

Note 8– Inter-fund Transfers

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers and are reported as other financing sources (uses) in the Governmental Funds and as transfers in (out) in the Proprietary Funds. Following is a summary of inter-fund transfers for the year ended September 30, 2012.

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 4,790,153
Special revenue funds	-	135,753
Debt service fund	34,549	-
Enterprise funds	483,165	-
Capital projects funds	4,408,192	-
Totals	<u>\$ 4,925,906</u>	<u>\$ 4,925,906</u>

Note 9 – Capital Leases

As of September 30, 2012, the City of Daphne has capital lease obligations outstanding totaling \$616,132. All leases are for Public Works equipment such as refuse trucks, mowers, dump trucks, and a street sweeper. The total cost of assets acquired under capital leases is \$1,494,804. No new capital lease agreements were entered into during for Fiscal 2012. Leases totaling \$264,050 will mature in Fiscal 2013 with the City taking ownership of the assets. Total minimum future lease payments follow:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 355,231	\$ 14,161	\$ 369,392
2014	93,482	5,681	99,163
2015	95,841	3,322	99,163
2016	71,578	982	72,560
2017 and thereafter	-	-	-
	<u>\$ 616,132</u>	<u>\$ 24,146</u>	<u>\$ 640,278</u>

Note 10 – Long-Term Debt

The following is a description of general and limited obligation bonds/warrants at September 30, 2012:

\$6,455,000 General Obligation Refunding Warrants, series 2003, dated May 29, 2003, with interest rates ranging from 1.6% to 4.0% payable semi-annually along with variable annual principal payments. Final maturity is August 1, 2018. (Refunded Series 1993 and 1995 General Obligation Warrants)	\$ 2,920,000
\$25,230,000 General Obligation Refunding and Capital Improvement Warrants, series 2006, dated April 27, 2006, with interest rates ranging from 3.5% to 5.0% payable semi-annually along with variable annual principal payments. Final maturity is August 1, 2029. (Refunded 1999 and 1997 GO Warrants and financed City Hall, Library improvements, Recreation Sports Complex, and Highway 90 Sewer Projects)	19,420,000
\$2,035,000 General Obligation Refunding Warrants, series 2010, dated April 1, 2010, with interest rates ranging from 2.0% to 2.75% payable semi-annually along with variable annual principal payments. Final maturity is April 1, 2017. (Refunded 1997 GO Warrants)	1,735,000
\$13,495,000 General Obligation Refunding and Capital Improvement Warrants, series 2012, dated April 1, 2012, with interest rates ranging from 2.0% to 3.6% payable semi-annually along with variable annual principal payments. Final maturity is February 1, 2036. (Refunded 2002 Warrants and 2006 Limited Obligation Warrants; new money of \$3,008,000 for Resurfacing projects)	13,495,000
\$5,7000 Limited Obligation Revenue Warrants, series 2002, dated April 1, 2001, with an interest rate equal to 9.75% payable monthly, and with annual increasing principal payments. (Infrastructure for the Jubilee Square development) See Note 21 for more detail.	<u>4,539,755</u>
Total bonds and warrants payable	<u>\$ 42,109,755</u>

Note 10 – Long-Term Debt (continued)

The annual requirements to amortize warrants and notes payable, including interest are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2,475,506	1,765,280	4,240,786
2014	2,626,517	1,703,481	4,329,998
2015	2,724,578	1,596,560	4,321,138
2016	2,824,887	1,484,811	4,309,698
2017	2,942,663	1,366,995	4,309,658
2018-2022	10,299,551	5,218,130	15,517,681
2023-2027	9,691,053	2,693,222	12,384,275
2028-2032	6,020,000	954,825	6,974,825
2033-2037	2,505,000	205,300	2,710,300
Subtotal	42,109,755	16,988,604	\$ 59,098,359
Less: Deferred Bond Discount	(433,236)	-	(433,236)
Less: Deferred amount on refunding	(827,423)	-	(827,423)
	<u>\$ 40,849,096</u>	<u>\$ 16,988,604</u>	<u>\$ 57,837,700</u>

The following is a summary of the changes in non-current liabilities reported in the governmental activities section of the Statement of Net Assets for the year ended September 30, 2012:

	<u>Balance October 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance September 30</u>	<u>Due Within One Year</u>
General and Limited Obligation bonds and warrants	\$ 41,426,116	\$ 13,495,000	\$ (12,811,361)	\$ 42,109,755	\$ 2,475,506
Less: Bond discount	(233,896)	(223,812)	24,472	(433,236)	(24,472)
Less: Deferred amount on refunding	(230,108)	(671,142)	73,827	(827,423)	(73,827)
Total General and Limited Obligation bonds and warrants	40,962,112	12,600,046	(12,713,062)	40,849,096	2,377,207
Obligations under capital lease	332,947	-	(163,790)	169,157	169,157
Compensated absences	263,984	14,733	-	278,717	111,486
Other post-employment benefits	454,720	-	-	454,720	-
Total	<u>\$ 42,013,763</u>	<u>\$ 12,614,779</u>	<u>\$ (12,876,852)</u>	<u>\$ 41,751,690</u>	<u>\$ 2,657,850</u>

Note 10 – Long-Term Debt (continued)

The following is a summary of the changes in non-current liabilities reported in the business-type activities section of the Statement of Net Assets for the year ended September 30, 2012:

	Balance October 1	Additions	Reductions	Balance September 30	Due Within One Year
Compensated absences	\$ 17,369	\$ -	\$ (1,366)	\$ 16,003	\$ 6,401
Obligations under capital lease	629,101	-	(182,127)	446,974	186,073
Other post-employment benefits	33,033	-	-	33,033	-
	<u>\$ 679,503</u>	<u>\$ -</u>	<u>\$ (183,493)</u>	<u>\$ 496,010</u>	<u>\$ 192,474</u>

Note 11 – Debt Issuance: Current and Advanced Bond Refunding & Capital Funds

On April 1, 2012 the City issued the 2012 General Obligation Refunding and Capital Improvement Warrants in the amount of \$13,495,000. Of this amount, \$2,205,000 was for the defeasance of the 2002 General Obligation Warrants and \$8,190,000 was for the defeasance of the 2006 Limited Obligation Revenue Warrants. Of the remaining \$3,100,000, a net deposit in the amount of \$3,008,000 was made to capital projects for road resurfacing projects (costs of issuance netted out).

Note 11 (a) – Current Refunding

The current refunding of the 2002 General Obligation Warrants with outstanding maturities ranging from February 1, 2012-February 1, 2032 were refunded at a discount of \$34,073.

The current refunding of the Series 2002 Warrants consisted of the outstanding principal balance of \$2,110,000. The net proceeds of the refunding were used for the purchase of direct general obligations of the United States of America, State and Local Government Series. These securities were deposited in irrevocable trust funds to provide for redemption and payment of the 2002 Warrants.

The Series 2002 Warrants were refunded on May 18, 2012. Total debt service payments decrease \$343,077 due to the current refunding. The estimated economic gain (difference between the present values of the debt service payment on the old and new debt) totaled \$256,703, according to bond and valuation advisors.

Note 11 (b) – Advance Refunding

The advance refunding of the 2006 Limited Obligation Revenue Warrants with outstanding maturities ranging from August 1, 2012-August 1, 2036 were refunded at a discount of \$136,732.

The advance refunding of the 2006 Limited Obligation Revenue Warrants consisted of the outstanding principal balance of \$8,755,000. The net proceeds of the refunding were used for the purchase of direct general obligations of the United States of America, State and Local Government Series. These securities were deposited in irrevocable trust funds to provide for redemption and payment of the 2006 Warrants.

Of the refunded series, \$130,000 was refunded at the scheduled maturity date of August 1, 2012 and the remaining \$8,625,000 is to be refunded February 1, 2013.

Total debt service payments decrease \$6,225,678 as a result of the advance refunding. The estimated economic gain (difference between the present values of the debt service payment on the old and new debt) totaled \$3,769,723, according to bond and valuation advisors.

Note 12 – Defeasance of Prior Debt

The City has defeased certain outstanding warrants by placing the new warrants in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust accounts and the defeased debt are not included in the City's financial statements. At September 30, 2012, debt in the amount of \$11,536,144 is considered defeased.

Note 13 – Non-monetary Transactions

During Fiscal 2012, non-monetary transactions totaled \$1,120,101. This is composed of street and drainage acceptances in the Brookhaven and Dunmore Subdivisions in the amount of \$1,040,701. The remaining \$79,400 is the fair market value of land in Edgewater Heights which was donated to the City.

Note 14 – Pension Plan – Defined Benefit Pension Plan

A. Plan Description

The City of Daphne contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Daphne, Alabama. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service.

Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method the retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living Adjustments (COLA's) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Retirement Systems of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

The City's covered payroll, as of September 30, 2012, was \$9,465,348.

Note 14 – Pension Plan – Defined Benefit Pension Plan (continued)

B. Contributions Required and Made

As of January 1, 2001, all certified full-time firefighters and law enforcement officers are required to pay 6% of their gross earnings to the pension plan. All other eligible employees of the City are required to pay 5% of their gross earnings to the pension plan. The City makes annual contributions to the pension plan equal to the amount required by the plan. During fiscal year 2012, the City was required to contribute its covered payroll to the plan at a rate of 6.8%. The required contribution percentage was determined as a part of the September 30, 2011, actuarial valuation (the latest valuation date) using the entry age actuarial cost method. The actuarial assumptions included are (a) an 8% investment rate of return (net administrative expenses), (b) projected salary increases ranging from 3.75% to 7.25% per year, (c) 3 % inflation, and (d) no cost-of-living adjustments. The actuarial value of ERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at September 30, 2011, was 29 years.

Total fiscal year 2012 contributions amounted to \$1,150,191, of which \$641,556, was made by the City, and \$508,635 was made by employees.

C. Annual Pension Cost and Funding Status

The State Retirement Systems of Alabama notified its participants of certain changes for the year-end valuations for the year ending 9/30/98 and future years. The adoption of GASB Statement No. 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers, caused some local units to experience changes in the accrued liability rate. Additional general information provided by the state reporting agency indicated (1) There have been no changes in the actuarial cost method, and there have been no amendments to the System affecting the valuation, and (2) Actuarial gains and losses are reflected in the unfunded actuarial accrued liability, which is being amortized within a 29-year period.

Total pension benefit data from the Actuarial Valuation of the City Employee's Retirement as of September 30, 2011, (the latest data available) were valued as follows:

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC</u> <u>Contributed</u>	Net Pension <u>Obligation (NPO)</u>
09/30/2005	431,379	100%	\$0
09/30/2006	458,212	100%	\$0
09/30/2007	544,938	100%	\$0
09/30/2008	612,692	100%	\$0
09/30/2009	657,389	100%	\$0
09/30/2010	623,873	100%	\$0
09/30/2011	621,340	100%	\$0

Note 14 – Pension Plan – Defined Benefit Pension Plan (continued)

C. Annual Pension Cost and Funding Status (continued)

Required Supplementary Information
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-)/c)
09/30/07	12,029,203	14,138,830	2,109,628	85.1%	8,713,460	24.2%
09/30/08	13,346,350	16,588,010	3,241,660	80.5%	9,640,807	33.6%
09/30/09**	14,174,120	18,869,709	4,695,589	75.1%	10,433,064	45.0%
09/30/10***	14,985,122	20,053,299	5,068,177	74.7%	9,761,630	51.9%
09/30/11&	15,681,184	20,138,979	4,457,795	77.9%	9,465,348	47.1%

** Reflects effect of DROP if unit elected to enroll prior to May 18, 2004.

*** Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

Note: The City of Daphne has not elected to enroll in DROP or increase member contributions.

& Reflects changes in actuarial assumptions

**The most recent data available sets a Market Value of Assets as of September 30, 2010: 12,762,932 (this will be used for Fiscal 2013 calculations)

Summary of Employee Census Data

Number of Active Members	247
2008 Annual Compensation Base	\$ 9,465,348
Number of Retired Members and Beneficiaries	24
Annual Retirement Allowance	\$ 369,020
Actuarial Value of Assets	\$ 15,681,184
Actuarial Accrued Liability Entry Age	\$ 20,138,979
Un-funded Actuarial Accrued Liability	\$ 4,457,795
Funded Ratio	77.9%
Un-funded Actuarial Accrued Liability	47.1%

In addition to the trend data presented above, ten-year historical trend information is presented in the 2011 State Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

Note 15 – Other Retirement Plans and Other Employee Benefits

Post Employment Health Care Benefits

In addition to providing pension benefits, the City provides certain health care and life insurance benefits, as allowed by Alabama law. These benefits are paid on a pay-as-you-go basis in the governmental funds and on an accrual basis in the government-wide statements. Presently, two (2) retirees and/or their dependents are covered under the health care plan and two (2) retirees are covered under the life insurance plan. The benefit plan offered by the City became effective December 22, 1997 and retirees are eligible to participate in the plan if they are less than 65 years of age with a minimum of twenty-five (25) years of creditable service with the City. The dependent(s) of retirees are only eligible for coverage under the health care plan, provided that they are covered under the City's health care plan at least six months prior to the effective date of retirement.

The City pays retiree health care premiums at the same rate as it does for active employees, i.e. any portion of the monthly premium that is passed on to other employees as a payroll deduction is also paid to the City by the retirees. The City's cost for retiree dependent coverage will not exceed the premium rate charged to the City for individual coverage (retirees must pay this difference between the individual and family coverage).

The life insurance benefit is for the benefit of the retiree only and the City pays 100% of the premium.

The total fiscal 2012 governmental pay-as-you-go cost for these benefits is \$8,586 (\$8,567 medical and \$19 life).

GASB 45 Post Employment Benefits Other than Pensions

In June 2004, the GASB issued Statement 45 for the government-wide accounting of Post-Employment Benefits Other than Pensions. As a GASB 34 Phase II government, the City of Daphne was required to implement this accounting pronouncement in Fiscal 2009. The City met the implementation date and its requirements and reports an unfunded liability in the government-wide statements of \$487,723 as of September 30, 2012. Actuarial valuations and the resulting liability are computed every other year as they are not considered material to the financial statements and no significant changes are experienced every year. **Computations were made for Fiscal 2011, so there is no change for Fiscal 2012.** Following is a description of the plan and the actuarial determination of the unfunded liability:

Plan Description. The City of Daphne's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

Employees must be covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. Those eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age. Complete plan provisions are included in the official plan documents. This valuation combines Medical and Dental benefits for cost and liability purposes.

The employer pays 100% of the retiree life coverage of \$5,000 until age 65 at a flat rate of \$0.85/\$1,000 of insurance coverage. This rate is an unblended rate and has therefore been used in this valuation as required by GASB 45.

Contribution Rates. Employees do not contribute to their post employment benefit costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Note 15 – Other Retirement Plans and Other Employee Benefits (continued)

Fund Policy. Until 2009, the City of Daphne recognized the cost of providing post-employment medical and life benefits (City of Daphne’s portion of the retiree medical and life benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In Fiscal 2012, the City of Daphne’s portion of health care funding cost for retired employees totaled \$8,567 and the life insurance totaled \$19.

Annual Required Contribution. The City of Daphne’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2011-2010</u>	<u>2010-2009</u>
Normal Cost	\$ 152,644	\$ 145,886
30-Year UAL amortization amount	<u>119,868</u>	<u>105,039</u>
Annual Required Contribution (ARC)	<u>\$ 272,512</u>	<u>\$ 250,925</u>

Net Post-employment Benefit Obligation. The table below shows the City’s Net Other Post-employment Benefit (OPEB) Obligation for fiscal year ending September 30:

	<u>2011- 2010</u>	<u>2010 - 2009</u>
Beginning NET OPEB,	\$ 231,728	\$ -
ARC	272,512	250,925
Interest on Net OBEP Obligation	9,269	-
ARC Adjustment	<u>(13,401)</u>	-
OPEB Cost	268,380	250,925
Contribution	-	-
Current Year Retiree Premium	<u>(12,386)</u>	<u>(19,197)</u>
Change in Net OPEB Obligation	<u>255,994</u>	<u>231,728</u>
Ending Net OPEB,	<u>\$ 487,722</u>	<u>\$ 231,728</u>

The following table shows the City’s annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded PEB liability for the following fiscal years:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Liability (Asset)
9-30-2011 and 2012	\$ 268,380	4.62%	\$ 487,722
9-30-2009 and 2010	\$ 250,925	7.65%	\$ 231,728

Note 15 – Other Retirement Plans and Other Employee Benefits (continued)

Funded Status and Funding Progress. The City has made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero.

The Actuarial Accrued Liability (AAL) is defined as that portion, as determined by a particular actuarial cost method (the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. The plan was not funded in Fiscal Year 2012; therefore the funded ratio is 0%. Covered payroll is \$9,371,946 and the UAAL is 22.12%.

	<u>2011-2010</u>	<u>2010-2009</u>
Actuarial Accrued Liability (AAL)	\$ 2,072,961	\$ 1,816,495
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>2,072,961</u>	<u>1,816,495</u>
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 9,371,946	\$ 10,014,326
UAAL as a percentage of covered payroll	22.12%	18.14%

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Daphne and its employee plan members) at the time of valuation and on the pattern of sharing cost between the City of Daphne and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Daphne and the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility an actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method. The ARC is determined using the projected unit credit cost method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turn-over.

Actuarial Value of Plan Assets. There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smooth market value consistent with actuarial standards board ASOP6, as provided in paragraph number 125 of GASB Statement 45.

Turnover Rate. In age-related turn-over scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turn-over of approximately 10%.

Note 15 – Other Retirement Plans and Other Employee Benefits (continued)

Post-Employment Benefit Plan Eligibility Requirements. Based on past experience, it has been assumed that entitlement to benefits will commence three years after retiree coverage eligibility. Medical benefits are provided to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. Those eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age.

Investment Return Assumption (Discount Rate). GASB Statement 45 states that the investment return assumption should be the estimated long term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Healthcare Cost Trend Rate. The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare and Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, aggregate incurred capita amounts, percent distribution and average annual percent change by source of funds; selected calendar years 1990-2013, released in October 2004 by the Healthcare Financing Administration (www.cms.hhs.gov). “State and Local” rates for 2008 through 2013 from its report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate. The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits. The “value of benefits” has been assumed to be the portion of the premium after the retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB to be paid. The “State Share” premiums in the OGB medical rate schedule provided are “unblended” rates for active and retired as required by GASB 45 and have been used for valuation purposes.

Inflation Rate. Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.5% annually.

Projected Salary Increases. This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post Retirement Benefit Increases. The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Deferred Compensation Plans – The City offers its employees a choice of three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. Two of the plans are administered by a nongovernmental third party and the other by the Retirement Systems of Alabama. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Note 15 – Other Retirement Plans and Other Employee Benefits (continued)

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals who participate in the deferred compensation plan and are not subject to the claims of the City's general creditors.

Note 16 – Restricted Net Assets

The City records restrictions in the Statement of Net Assets to indicate that a portion of the net assets is legally segregated for a specific future use. The following details the description and amount of all restricted net assets at September 30, 2012:

Restricted for capital projects construction	
Construction funds and grants	\$ 2,958,842
Restricted for Debt service	
Debt service fund	1,713,291
Restricted for other purposes	
State law restricted use	1,050,465
	<u>\$ 5,722,598</u>

Note 17 – Litigation

Legal counsel is currently representing the City of Daphne in various legal proceedings arising principally in the normal course of operations of a city government. In the opinion of the city governmental officials and its legal counsel, the outcome of these legal proceedings is not likely to have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Note 18 – City of Daphne Utility Board – A Related Party

As described in Note 1 of this report, the City Council appoints the board members of the Utilities Board of the City of Daphne and the Utilities Board is considered a related organization as defined by GASB Statement 14.

The Utility Board provides services to the City of Daphne in its handling of the billing and collection of garbage fees. The Utility Board remits to the City on a monthly cycle all funds collected for the previous month's garbage billings. The result of this billing and remittance cycle creates an ongoing balance due the City from the Utility Board. The total due from the Utility Board at September 30, 2012 is \$103,955.

Note 19 – Renaissance Cooperative/Improvement District- Component Unit

The Renaissance Cooperative/Improvement District is a component unit, as defined in GASB 14 and amended by GASB 39, for which the City is financially accountable. Although this entity is legally separate and the City does not appoint a voting majority of the board, it would be misleading to exclude it from discrete presentation as a component unit because of the financial relationship with the City. The Economic Development Agreement approved by Resolution 2007-83 pledges a percentage of certain taxes collected by the City in the Cooperative District to be remitted monthly from the City to the District. (40% of sales, use, lodging, and like taxes; 50% of motor vehicle taxes) Such arrangement qualifies as a tax-increment financing.

Note 19 – Renaissance Cooperative/Improvement District- Component Unit (continued)

Such incremental taxes are recognized as revenue in the City's financial statements and are offset by an expense- allocation to Cooperative District. The debt to be retired with the incremental taxes totals \$8,300,000 at September 30, 2012 and will mature in 2038. Total paid to the Cooperative District in fiscal 2012 is \$117,804.

Note 20 – Federal and State Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement (there is none expected), which may arise as the result of these audits, is not believed to be material.

Note 21 – Conduit Debt Obligation: Jubilee Square

In July 2000 the City Council approved a resolution to enter into a Development Agreement with AIG Baker Development, LLC to acquire property and develop a shopping center in Daphne, Alabama. In November 2000 a new City Council affirmed the vote to enter into this Development Agreement.

The Development Agreement requires the City of Daphne to provide financing, in the form of a warrant, in the amount of \$5,700,000. Subsequent to the Council's vote to enter into the Development Agreement, the validation of the warrants was challenged by a group of citizens. The validation hearing was appealed to the Alabama Supreme Court, which did affirm the validation of the warrants in January 2002. The warrant does not constitute a general obligation of the City and the interest and principal payable with respect to the warrant shall be payable only to the extent of the debt service limit, as defined by the Development Agreement which is a percentage of the sales tax revenues generated from the project once the project is completed. The debt service limit is calculated as follows: 1) Determination of the net Jubilee Square sales tax collections by subtracting the 1999 pledged tax from the total collections and 2) multiplying such net collections by 75%.

The Financing Agreement meets the definition of a conduit debt obligation, also referred to as a non-commitment debt, which is a limited obligation revenue bond or similar instrument (warrant) issued by a governmental unit (City of Daphne) to provide capital financing for a third party (AIG Baker) that is not part of the governmental reporting entity. Debt proceeds are typically used to finance a specific development within the governmental unit's jurisdiction. The governmental unit generally has no obligation for the debt beyond the resources and/or revenues received from the third party and/or the development.

The Jubilee Square Mall facility was completed in late 2001. The revenue calculations for fiscal 2012 include a distribution to the City's General Fund in the amount of \$174,632 and \$516,838 in debt service payments on the 2002 Limited Obligation Warrant Conduit Debt Obligation. The fiscal 2012 principal balance of the limited debt obligation was \$4,539,755. As the debt service paid is subject to the terms of the Development Agreement, the Fiscal 2012 principal and interest payments were approximately 40 months in arrears at year-end. As the City's liability for the payment of the warrant is solely from the proceeds of the sales tax revenues from the development, this arrearage has no negative financial impact to the City. The only impact is that the debt can be extended from the original 20 year pay-back period up to a 25 year pay-back period. At the end of 25 years, the debt goes away whether or not it is paid in full. At September 30, 2012, the term of the pay-back had increased from the initial 20 years to 23 years, 4 months.

Note 22 – 2006 Limited Obligation Special Tax Warrants (Eastern Shore Park Project)

In April 2006 the City Council approved resolutions to enter into a Development Agreement with Malbis Properties LLC for the acquisition of property and development of a shopping center in Daphne, Alabama. The Development Agreement required the City of Daphne to provide financing, in the form of a Special Tax Warrant, in the amount of \$9,090,000. In 2006, the City issued such warrant that did not constitute a general obligation of the City and the interest and principal payable with respect to the warrant was to be payable only to the extent of the debt service limit, as defined by the Development Agreement.

In February 2012, the City made an interest payment in the amount of \$328,313 as scheduled.

The interest rate for the 2006 warrants issued for this Development was 7.5%. In April 2012, the City refunded the 2006 warrants with interest rates ranging from 2% to 4%. This refunding had a net effect of decreasing future debt service principal and interest payments by \$6,225,678. Additionally, the issue is no longer a Special Tax Warrant. It became a General Obligation Warrant due to the refunding, which means that the City is obligated to make debt payments through all of its taxing authority, and such debt payments are no longer based solely on collections from the Development.

The amount included in General Fund revenues from this Development in Fiscal 2012 was \$2,257,302.

Note 22(a) – General Fund Sales Tax Impact of Reclassifying 2006 Special Tax Warrants to General Obligation Warrants

As stated in Note 22, when the 2006 Special Tax Warrants were refunded, the debt became a General Obligation. As such, the full amount of revenues realized from this development is now accounted for in the General Fund, rather than a portion of the collections being held in a Debt Service Fund for the retirement of the related debt. Therefore, an additional \$ 461,279 (June-September 2012) is recognized as General Fund revenues for that portion that would have been in the Debt Service Fund had the warrants not been refunded.

\$ 1,796,023 Base FY 12 Eastern Shore Park Revenues that would have been applied to the General Fund regardless of the refunding

461,279 Additional Revenues recognized in the General Fund instead of the previous debt service fund
\$ 2,257,302

Note 23 – BP Oil Spill: Mississippi Canyon 252 Incident (DeepWater Horizon Incident)

On April 20, 2010, an explosion occurred on the oil rig, Transocean Deepwater Horizon, approximately fifty miles off the coast of Louisiana. The amount of oil released into the Gulf of Mexico led to the declaration of the site as a Spill of National Significance (SONS). The oil spread, in large, to the coastlines of Louisiana, Mississippi, and Alabama. As a result of the spill, BP was ordered to pay to the state (ADEM) funds to governments to compensate for oil clean-up and measures taken to prepare for the arrival of the oil on the coast. The State allocated the funds to the local governments who were having impacts or who could potentially have impacts. As a result, the City of Daphne received \$965,000. These funds were used by the City to make preparations in the event that oil did reach the coastline of Daphne. Oil never reached Daphne's coastline. Remaining funds are eligible for re-allocation, upon approval by the State of Alabama, to other activities to bring tourists back to the area as well as equip the City to better address future disasters. There were no such re-allocations in Fiscal Year 2012.

Note 23 – BP Oil Spill: Mississippi Canyon 252 Incident (DeepWater Horizon Incident) (continued)

At the end of Fiscal 2012 the City has funds in the amount of \$426,768 that are not obligated but are eligible for future re-allocation. Such funds are deferred and separately reported in a Special Revenues Fund. The oil flow into the Gulf of Mexico was contained on July 15, 2010 with a reported 205,000,000 gallons of oil released.

The City of Daphne experienced NO negative financial impacts due to the Oil Spill.

Note 24 – Debt Limitation

The constitution of Alabama provides that cities having a population of six thousand or more may not become indebted in an amount in excess of 20% of the assessed valuation of the property situated therein. The Constitution exempts from this debt limitation several categories of indebtedness, including temporary loans of less than one year, bonds or other obligations issued for the purpose of acquiring, providing or constructing schoolhouses, waterworks and sewers; and obligations incurred and bonds issued for street or sidewalk improvements where the cost of the same is to be assessed against the property abutting said improvements.

The City has outstanding debt obligations issued for Sewer Projects that are exempt from the debt limitation. The total outstanding is \$3,495,600.

The City of Daphne's total indebtedness at September 30, 2012, was \$42,725,887. Of this total, \$38,614,155 is chargeable to the constitutional debt limit. This chargeable debt is equal to 12.74% of the total assessed value of real and personal property located within the City; this leaves a \$28,479,320 margin available for future borrowings. Based on the City of Daphne's 2010 census, the per capita debt is \$1,981.

Note 25 – Property Taxes

Property Taxes- In accordance with GASB 33, the City records property tax receivable as of 9/30 each year. The City assesses and levies property taxes each 10/01 and begins collecting the following year. (ie: The City assessed property taxes on 10/01/11 and the County began collecting and remitting the tax to the City in October 2012.)

Fund Financial Statements

The City recognizes the taxes collected within the first 60 days after 9/30/2012 as revenue. Such revenue totals \$608,900. Deferred Revenue in the amount of \$3,648,759 is recognized and is reflective of the anticipated Fiscal 2013 collections for the 10/01/2011 (Fiscal 2012) levy.

Government-wide Financial Statements

The City recognizes total estimated property tax collections in the amount of \$4,915,408 for the 10/01/2011 tax assessment that is collected starting in October of 2011 (Fiscal 2012).

Note 26 – Concentration – Revenue Source

The City receives approximately 26% of its annual sales, use, and luxury taxes from two businesses within the City of Daphne; the top ten businesses account for 55% of total such collections.

Note 27 - Subsequent Events

The City has evaluated subsequent events through March 27, 2013, the date which the financial statements were issued. There were no material subsequent events which require disclosure at March 27, 2013.

Note 28- Risk Management

The City is Self-Insured for dental insurance only. The City's insurance carrier, Blue Cross/Blue Shield (BCBS), manages the claims and the City remits weekly payments to BCBS to cover the claims and administrative fees. The City contributed an additional \$100,000 to the fund in Fiscal 2012, as the accumulated claims paid were more than the actual monthly transfers to the fund. This additional contribution was necessary in order to prevent the fund from reporting negative asset valuations. These contributions are within the departmental budgets for dental insurance.

All other risk management services are assumed by private insurance companies.

BCBS insures the City for medical insurance and the City remits premiums to them on a monthly basis. At September 30, 2012, the City has a cumulative required reserve contribution surplus of \$ 1,071,125. No rate adjustments were necessary in Fiscal 2012.

Liability Insurance coverage is detailed below:

- Alabama Municipal Insurance Corporation
 - General Liability (*No aggregate)
 - Public Officials Liability
 - Law Enforcement Liability (*No aggregate)
 - Workers Compensation

The City is insured on these policies at the limits of \$5,000,000 per occurrence and \$5,000,000 aggregate unless otherwise noted above.

- Employers Mutual Companies
 - Commercial Automobile (\$1,000,000)
 - Equipment (Limit \$4,987,800)
 - Property (Limit \$50,529,300)

Required Supplementary Information

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues and Expenditures - Budget & Actual
General Fund
For the Year Ended September 30, 2012**

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary	(Under)Over	
Revenues					
Sales, use, and luxury taxes	\$ 11,603,435	\$ 11,603,435	\$ 12,252,685	\$ 649,250	6%
Payment lieu of taxes/franchise fees	2,250,000	2,250,000	2,234,495	(15,505)	-1%
Ad valorem taxes	4,581,000	4,581,000	4,915,408	334,408	7%
Licenses and permits	1,866,975	1,832,975	1,864,731	31,756	2%
Intergovernmental	192,617	192,617	242,715	50,098	26%
Fees & charges	287,150	330,530	430,403	99,873	30%
Fines	453,000	453,000	362,904	(90,096)	-20%
Interest	240,000	240,000	184,046	(55,954)	-23%
Grants	176,000	368,172	317,517	(50,655)	-14%
Miscellaneous	13,700	25,317	102,160	76,843	304%
Total revenues	\$ 21,663,877	\$ 21,877,046	\$ 22,907,064	\$ 1,030,018	5%
Expenditures					
<i>GENERAL GOVERNMENT</i>					
Legislative					
Personnel	226,311	226,311	225,709	(602)	0%
Operating	187,980	194,278	146,508	(47,770)	-25%
	414,291	420,589	372,217	(48,372)	-12%
Municipal Elections					
Operating	52,300	52,300	47,319	(4,981)	-10%
Executive					
Personnel	148,575	148,575	138,963	(9,612)	-6%
Operating	40,363	41,032	33,054	(7,978)	-19%
	188,938	189,607	172,017	(17,590)	-9%
Information Tech Support					
Personnel	-	52,611	6,955	(45,656)	-87%
Operating	-	1,810	2,891	1,081	60%
	-	54,421	9,846	(44,575)	-82%
Human Resources					
Personnel	200,323	198,803	197,140	(1,663)	-1%
Operating	89,493	96,304	84,325	(11,979)	-12%
Capital	16,470	16,318	7,730	(8,588)	-53%
	306,286	311,425	289,195	(22,230)	-7%

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues and Expenditures - Budget & Actual, Continued
General Fund
For the Year Ended September 30, 2012**

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary Basis	(Under)Over Final Budget	
Finance					
Personnel	539,833	539,833	495,089	(44,744)	-8%
Operating	211,700	215,438	179,211	(36,227)	-17%
Capital	-	6,537	6,537	-	0%
	<u>751,533</u>	<u>761,808</u>	<u>680,837</u>	<u>(80,971)</u>	<u>-11%</u>
Revenue					
Personnel	100,823	100,823	74,845	(25,978)	-26%
Operating	46,620	45,095	42,977	(2,118)	-5%
	<u>147,443</u>	<u>145,918</u>	<u>117,822</u>	<u>(28,096)</u>	<u>-19%</u>
Planning/Zoning					
Personnel	222,255	222,255	214,085	(8,170)	-4%
Operating	40,186	40,186	36,101	(4,085)	-10%
	<u>262,441</u>	<u>262,441</u>	<u>250,186</u>	<u>(12,255)</u>	<u>-5%</u>
Legal/Risk Management					
Operating- Legal	250,000	250,000	198,235	(51,765)	-21%
Operating- Risk Mgt	220,000	220,000	242,843	22,843	10%
	<u>470,000</u>	<u>470,000</u>	<u>441,078</u>	<u>(28,922)</u>	<u>-6%</u>
Municipal Court					
Personnel	177,708	157,781	145,209	(12,572)	-8%
Operating	70,696	70,696	66,758	(3,938)	-6%
	<u>248,404</u>	<u>228,477</u>	<u>211,967</u>	<u>(16,510)</u>	<u>-7%</u>
Building Maintenance					
Personnel	211,531	251,210	234,616	(16,594)	-7%
Operating	37,280	35,667	30,793	(4,874)	-14%
	<u>248,811</u>	<u>286,877</u>	<u>265,409</u>	<u>(21,468)</u>	<u>-7%</u>
Janitorial					
Personnel	77,217	77,217	77,745	528	1%
Operating	61,635	50,145	48,582	(1,563)	-3%
	<u>138,852</u>	<u>127,362</u>	<u>126,327</u>	<u>(1,035)</u>	<u>-1%</u>
City Hall Facilities Support					
Operating	244,750	259,962	243,427	(16,535)	-6%
Capital	-	14,500	14,474	(26)	0%
	<u>244,750</u>	<u>274,462</u>	<u>257,901</u>	<u>(16,561)</u>	<u>-6%</u>

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues and Expenditures - Budget & Actual, Continued
General Fund
For the Year Ended September 30, 2012**

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary Basis	(Under)Over Final Budget	
TOTAL GENERAL GOVERNMENT					
Personnel	1,904,576	1,975,419	1,810,356	(165,063)	-8%
Operating	1,553,003	1,572,913	1,403,024	(169,889)	-11%
Capital	16,470	37,355	28,741	(8,614)	-23%
	<u>3,474,049</u>	<u>3,585,687</u>	<u>3,242,121</u>	<u>(343,566)</u>	<u>-10%</u>
<i>PUBLIC SAFETY</i>					
Police Administration					
Personnel	386,597	386,597	387,099	502	0%
Operating	226,680	227,037	237,261	10,224	5%
Capital	-	590,000	590,000	-	0%
	<u>613,277</u>	<u>1,203,634</u>	<u>1,214,360</u>	<u>10,726</u>	<u>1%</u>
SWAT (Sp Weapons & Tactical Eqpt)					
Operating	4,638	4,638	3,808	(830)	-18%
	<u>4,638</u>	<u>4,638</u>	<u>3,808</u>	<u>(830)</u>	<u>-18%</u>
Traffic Homicide Investigation					
Operating	-	-	45	45	100%
	<u>-</u>	<u>-</u>	<u>45</u>	<u>45</u>	<u>100%</u>
Patrol					
Personnel	2,148,227	2,148,227	2,124,989	(23,238)	-1%
Operating	247,744	264,694	322,170	57,476	22%
Capital	-	93,913	92,116	(1,797)	-2%
	<u>2,395,971</u>	<u>2,506,834</u>	<u>2,539,275</u>	<u>32,441</u>	<u>1%</u>
Detective					
Personnel	765,680	765,680	764,395	(1,285)	0%
Operating	92,301	90,522	95,058	4,536	5%
Capital	-	73,382	73,382	-	0%
	<u>857,981</u>	<u>929,584</u>	<u>932,835</u>	<u>3,251</u>	<u>0%</u>
Communications					
Personnel	472,042	472,042	481,961	9,919	2%
Operating	23,600	21,516	20,659	(857)	-4%
Capital	-	2,020	2,016	(4)	0%
	<u>495,642</u>	<u>495,578</u>	<u>504,636</u>	<u>9,058</u>	<u>2%</u>
Corrections					
Personnel	678,766	677,166	645,202	(31,964)	-5%
Operating	100,117	98,448	96,416	(2,032)	-2%
Capital	-	3,000	2,917	(83)	0%
	<u>778,883</u>	<u>778,614</u>	<u>744,535</u>	<u>(34,079)</u>	<u>-4%</u>

CITY OF DAPHNE, ALABAMA

Schedule of Revenues and Expenditures - Budget & Actual, Continued
General Fund
For the Year Ended September 30, 2012

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary	(Under)Over	
			Basis	Final Budget	
Animal Control					
Personnel	142,975	142,975	143,778	803	1%
Operating	21,600	57,277	42,918	(14,359)	-25%
Capital	-	-	-	-	0%
	<u>164,575</u>	<u>200,252</u>	<u>186,696</u>	<u>(13,556)</u>	<u>-7%</u>
Police Subtotal					
Personnel	4,594,287	4,592,687	4,547,424	(45,263)	-1%
Operating	716,680	764,132	818,335	54,203	7%
Capital	-	762,315	760,431	(1,884)	0%
	<u>5,310,967</u>	<u>6,119,134</u>	<u>6,126,190</u>	<u>7,056</u>	<u>0%</u>
Central Communications					
Operating	7,000	7,000	11,993	4,993	71%
	<u>7,000</u>	<u>7,000</u>	<u>11,993</u>	<u>4,993</u>	<u>71%</u>
Fire					
Personnel	2,666,901	2,763,886	2,619,782	(144,104)	-5%
Operating	288,381	369,596	367,137	(2,459)	-1%
Capital	-	15,570	15,567	(3)	0%
	<u>2,955,282</u>	<u>3,149,052</u>	<u>3,002,486</u>	<u>(146,566)</u>	<u>-5%</u>
Rescue					
Operating	18,349	18,349	16,952	(1,397)	-8%
	<u>18,349</u>	<u>18,349</u>	<u>16,952</u>	<u>(1,397)</u>	<u>-8%</u>
Building Inspections					
Personnel	303,708	303,708	303,475	(233)	0%
Operating	36,366	35,676	32,008	(3,668)	-10%
	<u>340,074</u>	<u>339,384</u>	<u>335,483</u>	<u>(3,901)</u>	<u>-1%</u>
Code Enforcement					
Personnel	55,646	55,646	55,372	(274)	0%
Operating	6,335	6,335	11,303	4,968	78%
	<u>61,981</u>	<u>61,981</u>	<u>66,675</u>	<u>4,694</u>	<u>8%</u>
Emergency Management					
Operating	15,000	12,000	12,000	-	0%
	<u>15,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>-</u>

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues and Expenditures - Budget & Actual, Continued
General Fund
For the Year Ended September 30, 2012**

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary Basis	(Under)Over Final Budget	
TOTAL PUBLIC SAFETY					
Personnel	7,620,542	7,715,927	7,526,053	(189,874)	-2%
Operating	1,088,111	1,213,088	1,269,728	56,640	5%
Capital	-	777,885	775,998	(1,887)	0%
	8,708,653	9,706,900	9,571,779	(135,121)	-1%
PUBLIC WORKS					
Administration					
Personnel	327,757	327,757	333,052	5,295	2%
Operating	74,740	60,148	54,990	(5,158)	-9%
	402,497	387,905	388,042	137	0%
Public Works Facilities Support					
Operating	48,053	54,605	51,833	(2,772)	-5%
	48,053	54,605	51,833	(2,772)	-5%
Solid Waste- Trash					
Personnel	269,363	269,363	281,726	12,363	5%
Operating	176,550	172,112	170,997	(1,115)	-1%
Capital	-	21,551	23,069	1,518	7%
	445,913	463,026	475,792	12,766	3%
Street					
Personnel	572,529	567,580	575,014	7,434	1%
Operating	632,083	511,036	529,055	18,019	4%
Capital	-	175,203	175,128	(75)	0%
	1,204,612	1,253,819	1,279,197	25,378	2%
Street-Infrastructure					
Operating	20,000	39,991	32,529	(7,462)	-19%
Capital	-	136,887	150,893	14,006	10%
	20,000	176,878	183,422	6,544	4%
Grounds					
Personnel	481,039	475,034	444,889	(30,145)	-6%
Operating	230,018	190,621	185,147	(5,474)	-3%
Capital	-	67,296	68,810	1,514	0%
	711,057	732,951	698,846	(34,105)	-5%
Grounds- Parks					
Operating	15,801	17,866	13,219	(4,647)	-26%
	15,801	17,866	13,219	(4,647)	-26%

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues and Expenditures - Budget & Actual, Continued
General Fund
For the Year Ended September 30, 2012**

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary	(Under)Over	
Mowing					
Personnel	360,304	354,414	375,872	21,458	6%
Operating	130,200	159,616	171,926	12,310	8%
	<u>490,504</u>	<u>514,030</u>	<u>547,798</u>	<u>33,768</u>	<u>7%</u>
Garage					
Personnel	391,899	391,899	374,778	(17,121)	-4%
Operating	296,814	296,739	119,684	(177,055)	-60%
Capital	-	39,394	39,393	(1)	0%
	<u>688,713</u>	<u>728,032</u>	<u>533,855</u>	<u>(194,177)</u>	<u>-27%</u>
MS4 Compliance					
Operating	18,300	5,909	4,756	(1,153)	-20%
Capital	-	189,522	153,253	(36,269)	-19%
	<u>18,300</u>	<u>195,431</u>	<u>158,009</u>	<u>(37,422)</u>	<u>-19%</u>
TOTAL PUBLIC WORKS					
Personnel	2,402,891	2,386,047	2,385,331	(716)	0%
Operating	1,642,559	1,508,643	1,334,136	(174,507)	-12%
Capital	-	629,853	610,546	(19,307)	-3%
	<u>4,045,450</u>	<u>4,524,543</u>	<u>4,330,013</u>	<u>(194,530)</u>	<u>-4%</u>
<i>RECREATION & LIBRARY</i>					
Parks & Playgrounds					
Operating	20,525	18,875	18,929	54	0%
	<u>20,525</u>	<u>18,875</u>	<u>18,929</u>	<u>54</u>	<u>0%</u>
Recreation Parks-Sports					
Personnel	339,851	339,851	321,495	(18,356)	-5%
Operating	235,018	239,668	240,216	548	0%
Capital	-	32,000	32,659	659	2%
	<u>574,869</u>	<u>611,519</u>	<u>594,370</u>	<u>(17,149)</u>	<u>-3%</u>
Recreation					
Personnel	304,047	304,047	302,236	(1,811)	-1%
Operating	122,045	120,970	97,367	(23,603)	-20%
Capital	-	-	-	-	0%
	<u>426,092</u>	<u>425,017</u>	<u>399,603</u>	<u>(25,414)</u>	<u>-6%</u>
Athletic & Fitness Programs					
Personnel	42,347	42,347	36,278	(6,069)	-14%
Operating	118,500	125,725	114,123	(11,602)	-9%
	<u>160,847</u>	<u>168,072</u>	<u>150,401</u>	<u>(17,671)</u>	<u>-11%</u>

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues and Expenditures - Budget & Actual, Continued
General Fund**

For the Year Ended September 30, 2012

	BUDGETED AMOUNTS		ACTUAL	Variance-	% Budget
	Original	Final	Budgetary	(Under)Over	
Special Events					
Operating	39,250	39,250	34,683	(4,567)	-12%
	<u>39,250</u>	<u>39,250</u>	<u>34,683</u>	<u>(4,567)</u>	<u>-12%</u>
Library					
Personnel	537,159	537,159	524,330	(12,829)	-2%
Operating	154,250	157,635	144,151	(13,484)	-9%
Capital	-	125,000	125,000	-	0%
	<u>691,409</u>	<u>819,794</u>	<u>793,481</u>	<u>(26,313)</u>	<u>-3%</u>

TOTAL LIBRARY AND RECREATION					
Personnel	1,223,404	1,223,404	1,184,339	(39,065)	-3%
Operating	689,588	702,123	649,469	(52,654)	-7%
Capital	-	157,000	157,659	659	0%
	<u>1,912,992</u>	<u>2,082,527</u>	<u>1,991,467</u>	<u>(91,060)</u>	<u>-4%</u>

Total Expenditures					
Personnel	13,151,413	13,300,797	12,906,079	(394,718)	-3%
Operating	4,973,261	4,996,767	4,656,357	(340,410)	-7%
Capital	16,470	1,602,093	1,572,944	(29,149)	-2%
	<u>18,141,144</u>	<u>19,899,657</u>	<u>19,135,380</u>	<u>(764,277)</u>	<u>-4%</u>

Excess of Revenues Over Expenditures					
Before Other Financing Uses	<u>3,522,733</u>	<u>1,977,389</u>	<u>3,771,684</u>	<u>1,794,295</u>	<u>91%</u>

OTHER FINANCING SOURCES/(USES)

Transfers to Debt Service	(2,875,483)	(2,875,483)	(2,875,483)	-	0%
Transfers to Capital Projects	(500,000)	(1,400,194)	(1,400,194)	-	0%
Transfers to Major/Non-Major Storm	-	-	(1,027)	(1,027)	100%
Transfers to SWA Enterprise Fund	-	-	(24,645)	(24,645)	100%
Transfers to Civic Center Ent Fund	(357,622)	(405,622)	(262,021)	143,601	-35%
Transfers to BayFront Ent Fund	(111,409)	(161,843)	(149,324)	12,519	-8%
Transfers to SAIL Site	(32,349)	(32,349)	(30,285)	2,064	-6%
	<u>(3,876,863)</u>	<u>(4,875,491)</u>	<u>(4,742,979)</u>	<u>132,512</u>	<u>-3%</u>

Total Revenues Over					
(Under) Expenditures	<u>\$ (354,130)</u>	<u>\$ (2,898,102)</u>	<u>\$ (971,295)</u>	<u>\$ 1,926,807</u>	

City of Daphne, Alabama
Notes To Schedule of Revenues and Expenditures-Budget and Actual
General Fund
Year Ended September 30, 2012

The reported budgetary data represents the final appropriated budget after amendments adopted by the City Council. An appropriated budget was legally adopted for the General Fund on the same modified-accrual basis used to present actual revenues and expenditures; except, for budgetary purposes, current year encumbrances are treated as expenditures. Additionally, the adopted budget did not include an estimate for the accrual of property taxes to be collected within 60 days of the close of the fiscal year. The appropriated General Fund budget does not include certain non-cash transactions related to Proprietary Funds - such as adjustments for depreciation, principal payments, and allowances for compensated absences. The following is a summary of the reconciliation of generally accepted accounting principles (GAAP) revenues over expenditures to budgetary revenues over expenditures for the fiscal year ended September 30, 2012:

GAAP Revenues over Expenditures	\$ (873,016)
Encumbrances outstanding at	
September 30, 2012	48,606
September 30, 2011	(194,061)
Enterprise Fund Adjustments	<u>47,176</u>
Budgetary Revenues over Expenditures	<u><u>\$ (971,295)</u></u>

Combining Non-Major Governmental
Fund Financial Statements

CITY OF DAPHNE, ALABAMA

**Balance Sheet - Summary
Non-Major Governmental Funds
September 30, 2012**

	1999 Construction	Special Revenue Funds	Total Other Governmental
ASSETS			
Cash and cash equivalents	\$ -	\$ 754,295	\$ 754,295
Taxes receivable	-	44,792	44,792
Receivables from other governments	-	47,171	47,171
Due from other funds	-	2,148,672	2,148,672
Other receivables	2,700	2,070	4,770
	<u>2,700</u>	<u>2,997,000</u>	<u>2,999,700</u>
Total assets	<u>\$ 2,700</u>	<u>\$ 2,997,000</u>	<u>\$ 2,999,700</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 119,247	\$ 119,247
Due to other funds	-	-	-
Deferred revenue	2,700	428,838	431,538
Total liabilities	<u>2,700</u>	<u>548,085</u>	<u>550,785</u>
Fund balances:			
Restricted	-	1,050,465	1,050,465
Committed	-	1,369,571	1,369,571
Assigned	-	28,879	28,879
Total fund balances	<u>-</u>	<u>2,448,915</u>	<u>2,448,915</u>
Total liabilities and fund balances	<u>\$ 2,700</u>	<u>\$ 2,997,000</u>	<u>\$ 2,999,700</u>

CITY OF DAPHNE, ALABAMA

**Balance Sheet
Non-Major Special Revenue Funds
September 30, 2012**

	4 Cent	7 Cent	Sail Site	Library	Federal Drug Recoveries	State Drug Recoveries
ASSETS						
Cash and cash equivalents	\$ 405,365	\$ 336,822	\$ 12,108	\$ -	\$ -	\$ -
Taxes Receivable	-	-	-	-	-	-
Receivables from other governments	4,903	6,282	-	-	-	-
Due from other funds	-	-	-	32,047	51,636	3,971
Due from Utilities Board	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total assets	410,268	343,104	12,108	32,047	51,636	3,971
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	42,997	-	1,313	827	-	-
Deferred revenue	-	-	-	-	-	-
Due to other funds	-	-	10,350	-	-	-
	42,997	-	11,663	827	-	-
Fund Balances:						
Restricted	367,271	343,104	445	-	51,636	3,971
Committed	-	-	-	-	-	-
Assigned	-	-	-	31,220	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	367,271	343,104	445	31,220	51,636	3,971
Total liabilities and fund balances	\$ 410,268	\$ 343,104	\$ 12,108	\$ 32,047	\$ 51,636	\$ 3,971

<u>Muni Ct:</u> <u>Eq/Training</u>	<u>Concession</u> <u>Stand</u>	<u>Corrections/</u> <u>Court Fund</u>	<u>Court/Judicial</u> <u>Admin Fund</u>	<u>Non Major</u> <u>Storms</u>	<u>Lodging</u> <u>Tax Fund</u>	<u>Renaissance</u> <u>Center</u>	<u>Oil</u> <u>Spill</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 754,295
-	-	-	-	-	44,792	-	-	44,792
-	-	-	-	20,510	15,476	-	-	47,171
22,140	-	253,404	8,781	-	1,372,226	10,692	426,768	2,181,665
-	-	-	-	-	-	-	2,070	2,070
-	-	-	-	-	-	-	-	-
<u>22,140</u>	<u>-</u>	<u>253,404</u>	<u>8,781</u>	<u>20,510</u>	<u>1,432,494</u>	<u>10,692</u>	<u>428,838</u>	<u>3,029,993</u>
45	208	242	-	-	62,923	10,692	-	119,247
-	-	-	-	-	-	-	428,838	428,838
-	2,133	-	-	20,510	-	-	-	32,993
<u>45</u>	<u>2,341</u>	<u>242</u>	<u>-</u>	<u>20,510</u>	<u>62,923</u>	<u>10,692</u>	<u>428,838</u>	<u>581,078</u>
22,095	-	253,162	8,781	-	-	-	-	1,050,465
-	-	-	-	-	1,369,571	-	-	1,369,571
-	(2,341)	-	-	-	-	-	-	28,879
-	-	-	-	-	-	-	-	-
<u>22,095</u>	<u>(2,341)</u>	<u>253,162</u>	<u>8,781</u>	<u>-</u>	<u>1,369,571</u>	<u>-</u>	<u>-</u>	<u>2,448,915</u>
<u>\$ 22,140</u>	<u>\$ -</u>	<u>\$ 253,404</u>	<u>\$ 8,781</u>	<u>\$ 20,510</u>	<u>\$ 1,432,494</u>	<u>\$ 10,692</u>	<u>\$ 428,838</u>	<u>\$ 3,029,993</u>

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Summary
Non-Major Governmental Funds
For the Year Ended September 30, 2012**

	1999	Special Revenue	Total Other
	Construction	Funds	Governmental
REVENUES			
Sales, use, luxury tax	\$ -	\$ 896,369	\$ 896,369
Fines	-	128,332	128,332
Charges for services	-	50,315	50,315
Intergovernmental	-	38,143	38,143
Grants	-	60,568	60,568
Interest/Investment earnings	210	950	1,160
Miscellaneous	-	16,686	16,686
Total revenues	<u>210</u>	<u>1,191,363</u>	<u>1,191,573</u>
EXPENDITURES			
Current:			
General government	-	286,889	286,889
Public safety	-	34,418	34,418
Public works	-	4,359	4,359
Parks and recreation	-	214,230	214,230
Total current	-	<u>539,896</u>	<u>539,896</u>
Capital outlay:			
Vehicles and heavy equipment	-	-	-
Equipment	-	10,000	10,000
Buildings and property	-	44,158	44,158
Parks and sidewalks	-	-	-
Other improvements	-	72,281	72,281
Highways, streets and drainage	-	90,002	90,002
Total capital outlay	-	<u>216,441</u>	<u>216,441</u>
Total expenditures	-	<u>756,337</u>	<u>756,337</u>
Excess of revenues over expenditures	<u>210</u>	<u>435,026</u>	<u>435,236</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	31,312	31,312
Transfers out	(210)	(167,064)	(167,274)
Contribution to Utility Board	-	-	-
Total other financing (uses)	<u>(210)</u>	<u>(135,752)</u>	<u>(135,962)</u>
Net change in fund balances	-	299,274	299,274
Fund Balances-- 10/1/2011	-	2,149,641	2,149,641
Fund Balances-- 9/30/2012	<u>\$ -</u>	<u>\$ 2,448,915</u>	<u>\$ 2,448,915</u>

CITY OF DAPHNE, ALABAMA

**Schedule of Revenues, Expenditures, and Changes in Fund Balance
Non-Major Special Revenue Funds
For the Year Ended September 30, 2012**

REVENUES	4 Cent	7 Cent	Sail Site	Library	Federal Drug Recoveries	State Drug Recoveries
Sales, use, luxury taxes	\$ 54,384	\$ 69,701	\$ -	\$ -	\$ -	\$ -
Fines	-	-	-	23,234	10,000	1,374
Charges for services	-	-	-	6,849	-	-
Intergovernmental	-	-	17,018	21,125	-	-
Grants	-	-	-	750	-	-
Interest/investment earnings	144	123	-	-	96	16
Contributions and donations	-	-	-	16,686	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	54,528	69,824	17,018	68,644	10,096	1,390
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	186	9,657
Public works	-	-	-	-	-	-
Parks and recreation	-	-	47,303	69,571	-	-
Total current	-	-	47,303	69,571	186	9,657
Capital outlay:						
Vehicles and heavy equipment	-	-	-	-	-	-
Equipment	-	-	-	-	-	-
Buildings and property	-	-	-	-	-	-
Parks and sidewalks	-	-	-	-	-	-
Other improvements	-	-	-	-	-	-
Highways, street and drainage	47,997	42,005	-	-	-	-
Total capital outlay	47,997	42,005	-	-	-	-
Total expenditures	47,997	42,005	47,303	69,571	186	9,657
Excess (deficiency) of revenues over (under) expenditures	6,531	27,819	(30,285)	(927)	9,910	(8,267)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	30,285	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources/(uses)	-	-	30,285	-	-	-
Net change in fund balances	6,531	27,819	-	(927)	9,910	(8,267)
Fund Balances-- 10/1/2011	360,740	315,285	445	32,147	41,726	12,238
Fund Balances-- 9/30/2012	\$ 367,271	\$ 343,104	\$ 445	\$ 31,220	\$ 51,636	\$ 3,971

Muni Court Eq/Training	Concession Stand	Corrections Court Fund	Court/Judicial Admin Fund	Non Major Storms	Lodging Tax Fund	Renaissance Center	Oil Spill	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 654,480	\$ 117,804	\$ -	\$ 896,369
4,681	-	80,262	8,781	-	-	-	-	128,332
-	43,466	-	-	-	-	-	-	50,315
-	-	-	-	-	-	-	-	38,143
-	-	-	-	7,188	52,630	-	-	60,568
48	-	523	-	-	-	-	-	950
-	-	-	-	-	-	-	-	16,686
-	-	-	-	-	-	-	-	-
4,729	43,466	80,785	8,781	7,188	707,110	117,804	-	1,191,363
5,401	-	25,520	-	563	137,601	117,804	-	286,889
-	-	21,282	-	3,293	-	-	-	34,418
-	-	-	-	4,359	-	-	-	4,359
-	40,027	-	-	-	57,329	-	-	214,230
5,401	40,027	46,802	-	8,215	194,930	117,804	-	539,896
-	-	-	-	-	-	-	-	-
-	-	10,000	-	-	-	-	-	10,000
-	-	-	-	-	44,158	-	-	44,158
-	-	-	-	-	-	-	-	-
-	-	-	-	-	72,281	-	-	72,281
-	-	-	-	-	-	-	-	90,002
-	-	10,000	-	-	116,439	-	-	216,441
5,401	40,027	56,802	-	8,215	311,369	117,804	-	756,337
(672)	3,439	23,983	8,781	(1,027)	395,741	-	-	435,026
-	-	-	-	1,027	-	-	-	31,312
-	-	-	-	-	(167,064)	-	-	(167,064)
-	-	-	-	1,027	(167,064)	-	-	(135,752)
(672)	3,439	23,983	8,781	-	228,677	-	-	299,274
22,767	(5,780)	229,179	-	-	1,140,894	-	-	2,149,641
\$ 22,095	\$ (2,341)	\$ 253,162	\$ 8,781	\$ -	\$ 1,369,571	\$ -	\$ -	\$ 2,448,915

Supporting Schedules

CITY OF DAPHNE, ALABAMA

**Disclosure: Capital Assets
September 30, 2012**

	Primary Government		
	Beginning	Additions	Reclassifications
	Balance 9/30/2011		
Governmental activities:			
Land	\$ 10,994,682	\$ 139,767	\$ -
Buildings	24,323,400	444,787	615,354
Other improvements	5,120,785	656,831	-
Machinery and equipment	10,179,443	601,830	-
Infrastructure	123,183,562	4,578,393	-
Construction in progress	615,354	-	(615,354)
Total historical cost	<u>174,417,226</u>	<u>6,421,608</u>	<u>-</u>
Less accumulated depreciation for:			
Buildings	(4,939,120)	(486,122)	-
Other improvements	(1,701,681)	(396,572)	-
Machinery and equipment	(6,742,411)	(648,843)	-
Infrastructure	(61,653,892)	(3,920,426)	-
Total accumulated depreciation	<u>(75,037,104)</u>	<u>(5,451,963)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 99,380,122</u>	<u>\$ 969,645</u>	<u>\$ -</u>
Business-type activities:			
Roads	\$ 137,266	\$ -	\$ -
Buildings & facilities improvements	310,611	63,298	-
Equipment	2,198,864	-	-
Total historical cost	<u>2,646,741</u>	<u>63,298</u>	<u>-</u>
Less accumulated depreciation for:			
Roads	(136,124)	-	(1,141)
Buildings and facilities improvements	(239,177)	(14,004)	-
Equipment	(1,330,436)	(216,665)	1,141
Total accumulated depreciation	<u>(1,705,737)</u>	<u>(230,669)</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 941,004</u>	<u>\$ (167,371)</u>	<u>\$ -</u>
Total governmental and business-type activities	<u>\$ 100,321,126</u>	<u>\$ 802,274</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 247,911
Public safety	447,098
Public works	203,821
Infrastructure	3,920,424
Parks and recreation	632,709
	<u>\$ 5,451,963</u>

Depreciation expense was charged to business-type activities as follows:

Garbage	\$ 159,614
Recycling	56,077
Civic Center	12,063
Bayfront	2,915
	<u>\$ 230,669</u>

Primary Government	
Retirements	Ending Balance 9/30/2012
\$ -	\$ 11,134,449
-	25,383,541
-	5,777,616
(525,586)	10,255,687
-	127,761,955
-	-
<u>(525,586)</u>	<u>180,313,248</u>
-	(5,425,242)
-	(2,098,253)
525,586	(6,865,668)
-	(65,574,318)
<u>525,586</u>	<u>(79,963,481)</u>
<u>\$ -</u>	<u>\$ 100,349,767</u>
\$ -	\$ 137,266
-	373,909
(169,067)	2,029,797
<u>(169,067)</u>	<u>2,540,972</u>
-	(137,265)
-	(253,181)
169,067	(1,376,893)
<u>169,067</u>	<u>(1,767,339)</u>
<u>\$ -</u>	<u>\$ 773,633</u>
<u>\$ -</u>	<u>\$ 101,123,400</u>

CITY OF DAPHNE, ALABAMA

Disclosure: Capital Assets
General Fund
September 30, 2012

	Primary Government		
	Beginning Balance 9/30/2011	Additions	Reclassifications
Governmental Activities:			
Land	\$ 449,520	\$ 139,767	\$ -
Buildings	2,363,333	-	-
Other improvements	535,374	584,550	-
Machinery and equipment	8,100,040	567,282	-
Construction in progress	-	-	-
Total historical cost	<u>11,448,267</u>	<u>1,291,599</u>	<u>-</u>
Less accumulated depreciation for:			
Buildings	(704,397)	(52,959)	-
Other improvements	(468,423)	(49,586)	-
Machinery and equipment	(5,235,888)	(522,120)	-
Total accumulated depreciation	<u>(6,408,708)</u>	<u>(624,665)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 5,039,559</u>	<u>\$ 666,934</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 56,039
Public safety	342,730
Public works	183,083
Parks and recreation	42,813
	<u>\$ 624,665</u>

Primary Government

Retirements	Ending Balance 9/30/2012
\$ -	\$ 589,287
-	2,363,333
-	1,119,924
(453,102)	8,214,220
-	-
(453,102)	12,286,764
-	(757,356)
-	(518,009)
453,102	(5,304,906)
453,102	(6,580,271)
\$ -	\$ 5,706,493

CITY OF DAPHNE, ALABAMA

**Disclosure: Capital Assets
Capital Projects Fund
September 30, 2012**

	Primary Government		
	Beginning		
	Balance		
	9/30/2011	Additions	Reclassifications
Governmental Activities:			
Land	\$ 4,261,118	\$ -	\$ -
Buildings	20,479,473	400,629	615,354
Other improvements	2,343,305	-	-
Machinery and equipment	881,894	24,548	-
Construction in progress	615,354	-	(615,354)
Total historical cost	<u>28,581,144</u>	<u>425,177</u>	<u>-</u>
Less accumulated depreciation for:			
Buildings	(3,737,791)	(377,202)	-
Other improvements	(785,625)	(180,853)	-
Machinery and equipment	(735,476)	(23,447)	-
Total accumulated depreciation	<u>(5,258,892)</u>	<u>(581,502)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 23,322,252</u>	<u>\$ (156,325)</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 184,120
Public safety	34,622
Public works	3,602
Parks and recreation	359,158
	<u>\$ 581,502</u>

Primary Government

Retirements	Ending Balance 9/30/2012
\$ -	\$ 4,261,118
-	21,495,456
-	2,343,305
(13,429)	893,013
-	-
(13,429)	28,992,892
-	(4,114,993)
-	(966,478)
13,429	(745,494)
13,429	(5,826,965)
\$ -	\$ 23,165,927

CITY OF DAPHNE, ALABAMA

Disclosure: Capital Assets
Special Revenue Fund
September 30, 2012

	Primary Government		
	Beginning		
	Balance		
	9/30/2011	Additions	Reclassifications
Governmental Activities:			
Land	\$ 5,304,694	\$ -	\$ -
Buildings	1,111,426	44,158	-
Other improvements	2,220,025	72,281	-
Machinery and equipment	885,796	10,000	(8,537)
Total historical cost	<u>9,521,941</u>	<u>126,439</u>	<u>(8,537)</u>
Less accumulated depreciation for:			
Buildings	(215,880)	(46,434)	-
Other improvements	(425,552)	(166,133)	-
Machinery and equipment	(459,334)	(103,276)	8,537
Total accumulated depreciation	<u>(1,100,766)</u>	<u>(315,843)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 8,421,175</u>	<u>\$ (189,404)</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 2,260
Public safety	69,745
Public works	17,135
Parks and recreation	226,703
	<u>\$ 315,843</u>

Primary Government

Retirements	Ending Balance 9/30/2012
\$ -	\$ 5,304,694
-	1,155,584
-	2,292,306
-	887,259
-	9,639,843
-	(262,314)
-	(591,685)
-	(554,073)
-	(1,408,072)
\$ -	\$ 8,231,771

CITY OF DAPHNE, ALABAMA

**Disclosure: Capital Assets
General Fund/ Revenue Sharing
September 30, 2012**

	Primary Government			Ending Balance 9/30/2012
	Beginning Balance 9/30/2011	Additions	Retirements	
	Governmental Activities:			
Land	\$ 979,350	\$ -	\$ -	\$ 979,350
Buildings	369,168	-	-	369,168
Other improvements	22,081	-	-	22,081
Machinery and equipment	311,713	-	(50,518)	261,195
Total historical cost	<u>1,682,312</u>	<u>-</u>	<u>(50,518)</u>	<u>1,631,794</u>
Less accumulated depreciation for:				
Buildings	(281,052)	(9,527)	-	(290,579)
Other improvements	(22,081)	-	-	(22,081)
Machinery and equipment	(311,713)	-	50,518	(261,195)
Total accumulated depreciation	<u>(614,846)</u>	<u>(9,527)</u>	<u>50,518</u>	<u>(573,855)</u>
Governmental activities capital assets, net	<u>\$ 1,067,466</u>	<u>\$ (9,527)</u>	<u>\$ -</u>	<u>\$ 1,057,939</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 5,492
Public safety	-
Public works	-
Parks and recreation	4,035
	<u>\$ 9,527</u>

CITY OF DAPHNE, ALABAMA

**Disclosure: Capital Assets
Infrastructure
September 30, 2012**

	Primary Government			
	Beginning	Additions	Retirements	Ending
	Balance			Balance
	9/30/2011			9/30/2012
Governmental Activities:				
Land	\$ 10,591,229	\$ 218,861	\$ -	\$ 10,810,090
Buildings	-	-	-	-
Other improvements	7,518,584	-	-	7,518,584
Machinery and equipment	-	-	-	-
Infrastructure	105,073,749	4,359,531	-	109,433,280
Construction in Progress	-	-	-	-
Total historical cost	<u>123,183,562</u>	<u>4,578,392</u>	<u>-</u>	<u>127,761,954</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Other improvements	(3,901,205)	(383,485)	-	(4,284,690)
Machinery and equipment	-	-	-	-
Infrastructure	(57,752,687)	(3,536,941)	-	(61,289,628)
Total accumulated depreciation	<u>(61,653,892)</u>	<u>(3,920,426)</u>	<u>-</u>	<u>(65,574,318)</u>
Governmental activities capital assets, net	<u>\$ 61,529,670</u>	<u>\$ 657,966</u>	<u>\$ -</u>	<u>\$ 62,187,636</u>

Depreciation Expense was charged to governmental functions as follows:

General government	\$ -
Public safety	-
Public works	-
Infrastructure	3,920,426
Parks and recreation	-
	<u>\$ 3,920,426</u>



Part III
Statistical
Section

CITY OF DAPHNE, ALABAMA

STATISTICAL SECTION

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Sources: Unless otherwise noted, the information in this section is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DAPHNE, ALABAMA

**Net Assets by Activity Type
Last Ten Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Governmental Activities				
Invested in capital assets, net of related debt	61,029,696	62,202,611	60,727,350	51,705,219
Restricted	5,722,598	3,798,626	5,197,531	6,036,006
Unrestricted	15,360,403	14,559,748	14,648,236	21,743,073
Total governmental activities net assets	\$ 82,112,697	\$ 80,560,985	\$ 80,573,117	\$ 79,484,298
Business-Type Activities				
Invested in capital assets, net of related debt	326,660	311,903	319,059	339,692
Restricted	-	-	-	-
Unrestricted	206,785	188,538	17,438	(19,694)
Total business-type activities net assets	\$ 533,445	\$ 500,441	\$ 336,497	\$ 319,998
Primary Government				
Invested in capital assets, net of related debt	61,356,356	62,514,514	61,046,409	52,044,911
Restricted	5,722,598	3,798,626	5,197,531	6,036,006
Unrestricted	15,567,188	14,748,286	14,665,674	21,723,379
Total primary government activities net assets	\$ 82,646,142	\$ 81,061,426	\$ 80,909,614	\$ 79,804,296

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
44,310,138	44,405,012	47,866,892	41,345,816	36,489,001	35,382,085
6,341,383	8,528,096	3,314,628	2,975,199	3,203,426	3,579,862
21,201,642	19,071,793	12,138,606	3,913,941	422,920	(944,666)
\$ 71,853,163	\$ 72,004,901	\$ 63,320,126	\$ 48,234,956	\$ 40,115,347	\$ 38,017,282
461,383	599,593	377,585	225,477	4,711	(17,610)
-	-	-	-	-	-
(141,382)	(279,594)	(182,890)	(115,232)	105,534	76,771
\$ 320,001	\$ 319,999	\$ 194,695	\$ 110,245	\$ 110,245	\$ 59,161
44,771,521	45,004,605	48,244,477	41,571,293	36,493,712	35,364,475
6,341,383	8,528,096	3,314,628	2,975,199	3,203,426	3,579,862
21,060,260	18,792,199	11,955,716	3,798,709	528,454	(867,894)
\$ 72,173,164	\$ 72,324,900	\$ 63,514,821	\$ 48,345,201	\$ 40,225,591	\$ 38,076,443

CITY OF DAPHNE, ALABAMA

**Changes in Net Assets
Last Ten Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
EXPENSES				
Governmental Activities:				
General Government	3,741,854	4,003,928	3,386,270	3,622,067
Public Safety	9,258,856	9,173,085	9,182,198	9,195,045
Public Works	7,850,939	7,368,818	7,338,137	7,228,904
Sewer Contributions to Utilities Board	49,700	1,676,000	129,586	17,826
Parks & Recreation	2,690,448	2,768,462	2,733,538	2,450,259
Interest on Long Term Debt	2,149,919	2,051,932	2,205,629	2,363,482
Total governmental activities expenses	\$ 25,741,716	\$ 27,042,225	\$ 24,975,358	\$ 24,877,583
Business-type Activities:				
Garbage / Recycling	1,345,955	1,164,039	1,448,740	1,350,097
Civic Center	496,947	566,907	578,789	726,003
Bay Front Park	208,033	190,448	165,724	160,262
Total business-type activities expenses	\$ 2,050,935	\$ 1,921,394	\$ 2,193,253	\$ 2,236,362
Total primary government activities expenses	\$ 27,792,651	\$ 28,963,619	\$ 27,168,611	\$ 27,113,945
PROGRAM REVENUES				
Governmental Activities:				
Fees & Charges for Services:				
General Government	114,948	109,860	73,628	86,265
Public Safety	893,427	1,019,856	1,022,496	1,100,437
Public Works	60,011	60,260	32,066	22,223
Sewer Contributions to Utilities Board	-	-	-	-
Parks & Recreation	197,235	240,660	202,031	192,514
Interest on Long Term Debt	-	-	-	-
Operating Grants & Contributions	266,074	492,707	890,180	494,600
Capital Grants & Contributions	2,465,034	2,295,405	2,627,634	8,974,788
Total governmental program activities revenues	\$ 3,996,729	\$ 4,218,748	\$ 4,848,035	\$ 10,870,827
Business-type Activities:				
Fees & Charges for Services:				
Garbage / Recycling	1,289,902	1,337,207	1,345,811	1,232,319
Civic Center	217,886	223,005	321,555	348,181
Bay Front Park	59,983	60,744	57,119	55,928
Operating Grants & Contributions	-	-	-	-
Capital Grants & Contributions	-	-	-	-
Total business-type activities revenues	\$ 1,567,771	\$ 1,620,956	\$ 1,724,485	\$ 1,636,428
Total primary government activities revenues	\$ 5,564,500	\$ 5,839,704	\$ 6,572,520	\$ 12,507,255

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
3,361,291	2,980,326	2,805,098	2,529,651	2,356,010	2,182,342
8,679,947	7,632,581	6,393,164	5,761,839	5,233,759	4,880,124
6,909,881	6,829,765	6,410,839	7,918,199	5,953,793	4,928,482
1,149,523	1,797,449	68,238	544,476	1,371,411	1,256,736
2,497,324	3,164,514	2,210,204	2,452,831	1,943,334	1,710,692
2,712,599	2,056,967	1,800,694	1,368,134	2,158,202	2,346,390
\$ 25,310,565	\$ 24,461,602	\$ 19,688,237	\$ 20,575,130	\$ 19,016,509	\$ 17,304,765
1,422,255	1,121,222	1,116,516	1,169,689	1,030,382	954,913
751,401	645,899	568,694	650,536	631,035	596,950
186,856	179,709	146,412	136,535	121,452	113,821
\$ 2,360,512	\$ 1,946,830	\$ 1,831,622	\$ 1,956,760	\$ 1,782,869	\$ 1,665,684
\$ 27,671,077	\$ 26,408,432	\$ 21,519,859	\$ 22,531,890	\$ 20,799,379	\$ 18,970,449
136,910	198,075	236,953	102,325	92,762	95,250
1,353,739	1,480,802	1,095,517	1,127,232	933,022	985,691
21,830	23,686	27,337	17,383	13,792	30,830
-	-	-	-	-	-
188,093	176,126	189,800	192,902	239,611	175,839
-	-	-	-	-	-
163,675	96,047	1,156,133	2,517,918	1,047,580	247,953
457,598	7,722,235	8,260,819	5,937,458	701,216	450,440
\$ 2,321,845	\$ 9,696,971	\$ 10,966,559	\$ 9,895,218	\$ 3,027,982	\$ 1,986,003
1,285,683	1,246,525	1,200,966	1,154,006	1,055,466	985,866
325,647	336,498	253,137	209,689	213,216	189,913
72,118	85,038	52,350	67,442	64,541	61,621
-	-	-	-	-	-
-	-	-	-	26,000	-
\$ 1,683,448	\$ 1,668,061	\$ 1,506,453	\$ 1,431,137	\$ 1,359,222	\$ 1,237,400
\$ 4,005,293	\$ 11,365,032	\$ 12,473,012	\$ 11,326,355	\$ 4,387,204	\$ 3,223,403

CITY OF DAPHNE, ALABAMA

**Changes in Net Assets (Continued)
Last Ten Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
NET (EXPENSES) / REVENUES				
Governmental Activities	(21,744,987)	(22,823,477)	(20,127,323)	(14,006,756)
Business-Type Activities	(483,164)	(300,438)	(468,768)	(599,934)
Net primary government activities	<u><u>\$ (22,228,151)</u></u>	<u><u>\$ (23,123,915)</u></u>	<u><u>\$ (20,596,091)</u></u>	<u><u>\$ (14,606,690)</u></u>
GENERAL REVENUES & OTHER CHANGES IN NET ASSETS				
Governmental Activities:				
General Revenues				
Sales, Use, & Luxury Taxes	14,583,177	13,925,921	12,878,685	12,848,739
Ad Valorem Taxes	4,700,889	5,007,964	4,960,922	5,200,320
Business Licenses	1,569,235	1,460,700	1,400,404	1,484,968
P.L.L.O.T. / Franchise Fees	2,234,494	2,269,687	1,952,460	2,046,309
Intergovernmental Revenues	425,843	304,457	331,400	472,960
Interest & Investment Earnings	206,079	241,238	83,697	122,329
Contributions not restricted to specific programs	60,143	64,159	77,342	62,198
Total General Revenues & Transfers	<u><u>23,779,860</u></u>	<u><u>23,274,126</u></u>	<u><u>21,684,910</u></u>	<u><u>22,237,823</u></u>
Special Item: De-Annexation proceeds	-	-	-	-
Transfers	(483,165)	(462,780)	(468,767)	(599,934)
Total General Revenues & Transfers	<u><u>\$ 23,296,695</u></u>	<u><u>\$ 22,811,346</u></u>	<u><u>\$ 21,216,143</u></u>	<u><u>\$ 21,637,889</u></u>
Business-type Activities:				
Transfers	483,165	462,780	468,767	599,934
Total business-type activities	<u><u>\$ 483,165</u></u>	<u><u>\$ 462,780</u></u>	<u><u>\$ 468,767</u></u>	<u><u>\$ 599,934</u></u>
Total primary government activities	<u><u>\$ 23,779,860</u></u>	<u><u>\$ 23,274,126</u></u>	<u><u>\$ 21,684,910</u></u>	<u><u>\$ 22,237,823</u></u>
CHANGES IN NET ASSETS				
Governmental Activities	1,551,708	(12,131)	1,088,820	7,631,133
Business-Type Activities	1	162,342	(1)	-
Total primary government	<u><u>\$ 1,551,709</u></u>	<u><u>\$ 150,211</u></u>	<u><u>\$ 1,088,819</u></u>	<u><u>\$ 7,631,133</u></u>

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
(22,988,720)	(14,764,631)	(8,721,678)	(10,679,912)	(15,988,528)	(15,318,762)
(677,064)	(278,769)	(325,169)	(525,623)	(423,647)	(428,284)
\$ (23,665,784)	\$ (15,043,400)	\$ (9,046,847)	\$ (11,205,535)	\$ (16,412,175)	\$ (15,747,046)
13,998,257	14,024,339	13,437,096	12,357,328	10,851,626	9,804,129
5,180,782	5,009,864	3,309,937	3,015,895	2,935,349	2,669,631
1,592,999	1,464,404	1,398,473	1,228,901	1,226,599	1,237,808
1,861,149	1,716,258	1,475,563	1,239,320	1,218,170	1,153,745
315,279	411,033	468,885	297,164	254,949	185,822
551,374	1,142,787	702,566	183,114	99,535	137,246
14,145	84,794	127,307	82,579	117,060	71,252
23,513,985	23,853,479	20,919,827	18,404,301	16,703,287	15,259,633
-	-	-	1,000,000	-	-
(677,065)	(404,072)	(409,619)	(525,623)	(474,730)	(459,237)
\$ 22,836,920	\$ 23,449,407	\$ 20,510,208	\$ 18,878,678	\$ 16,228,558	\$ 14,800,396
677,065	404,072	409,619	525,623	474,730	459,237
\$ 677,065	\$ 404,072	\$ 409,619	\$ 525,623	\$ 474,730	\$ 459,237
\$ 23,513,985	\$ 23,853,479	\$ 20,919,827	\$ 19,404,301	\$ 16,703,287	\$ 15,259,633
(151,800)	8,684,776	11,788,530	8,198,766	240,030	(518,366)
1	125,303	84,450	-	51,083	30,953
\$ (151,799)	\$ 8,810,079	\$ 11,872,980	\$ 8,198,766	\$ 291,113	\$ (487,413)

CITY OF DAPHNE, ALABAMA

**Governmental Activities Tax Revenue by Source
Last Ten Fiscal Years**

<u>FISCAL YEAR</u>	<u>Sales, Use & Luxury Tax</u>	<u>Gasoline Tax</u>	<u>Payment In Lieu of Taxes</u>	<u>Ad Valorem Tax</u>	<u>Lodging Tax</u>
2012	\$13,805,081	\$124,086	\$2,234,494	\$4,915,408	\$654,479
2011	\$13,149,327	\$116,989	\$2,269,687	\$5,048,884	\$659,605
2010	\$12,118,036	\$117,202	\$1,952,460	\$5,603,130	\$643,462
2009	\$12,183,006	\$116,611	\$2,046,309	\$5,539,305	\$549,255
2008	\$13,296,369	\$117,036	\$1,861,149	\$4,322,745	\$591,147
2007	\$13,330,805	\$119,764	\$1,716,258	\$3,703,278	\$573,771
2006	\$12,715,877	\$119,916	\$1,475,563	\$3,309,937	\$601,303
2005	\$11,688,989	\$120,803	\$1,239,320	\$3,015,895	\$547,535
2004	\$10,463,371	\$118,937	\$1,218,170	\$2,935,349	\$269,317
2003	\$9,476,301	\$116,074	\$1,153,745	\$2,669,631	\$211,755

CITY OF DAPHNE, ALABAMA

**Fund Balances of Governmental Funds
Last Ten Fiscal Years**

	FISCAL YEAR			
	<u>FY 2012</u>	<u>FY 2011</u>	<u>FY 2010</u>	<u>FY 2009</u>
General Fund				
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	398,903	253,448	-	-
Unassigned	9,946,859	10,965,330	-	-
Reserved	-	-	419,581	892,485
Unreserved	-	-	12,087,465	11,226,993
Total General Fund	<u><u>\$ 10,345,762</u></u>	<u><u>\$ 11,218,778</u></u>	<u><u>\$ 12,507,046</u></u>	<u><u>\$ 12,119,478</u></u>
All Other Governmental Funds				
Restricted	5,722,598	3,633,499	-	-
Committed	2,190,078	4,181,490	-	-
Assigned	28,879	26,366	-	-
Unassigned	936,853	(355,227)	-	-
Reserved	-	-	4,911,103	6,087,386
Unreserved:	-	-	-	-
Debt Services	-	-	-	-
Capital Reserve	-	-	1,472,928	1,500,784
Capital Construction	-	-	42,745	(49,222)
Capital Projects	-	-	2,591	(152,458)
Special Revenues	-	-	1,862,468	1,447,327
Total All Other Governmental Funds	<u><u>8,878,408</u></u>	<u><u>7,486,128</u></u>	<u><u>8,291,835</u></u>	<u><u>8,833,817</u></u>
Total All Other Governmental Funds	<u><u>\$ 19,224,170</u></u>	<u><u>\$ 18,704,906</u></u>	<u><u>\$ 20,798,881</u></u>	<u><u>\$ 20,953,295</u></u>

Note: For FY 2011, GASB Statement No. 54 was implemented requiring additional classifications of fund balances.

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,077,122	575,175	693,658	739,274	606,473	379,632
10,510,392	10,050,517	8,298,621	5,968,130	4,106,801	3,825,172
\$ 11,587,514	\$ 10,625,692	\$ 8,992,279	\$ 6,707,404	\$ 4,713,273	\$ 4,204,803
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,753,332	9,190,485	15,367,452	4,075,898	3,269,761	4,094,698
-	-	-	-	-	-
-	-	-	-	-	-
2,383,746	2,149,331	765,433	924,566	538,626	(46,838)
(96,853)	629,297	177,213	(246,798)	(11,090)	-
(153,967)	(101,204)	(31,067)	85,430	89,925	(741)
1,825,396	1,461,645	1,008,941	255,346	130,191	131,272
9,711,655	13,329,555	17,287,972	5,094,442	4,017,413	4,178,390
\$ 21,299,169	\$ 23,955,247	\$ 26,280,251	\$ 11,801,845	\$ 8,730,687	\$ 8,383,194

CITY OF DAPHNE, ALABAMA

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Revenues				
Taxes	21,733,548	21,244,492	20,434,290	20,434,486
Licenses & Permits	1,864,731	1,840,438	1,733,817	1,913,500
Intergovernmental	463,986	338,737	365,453	508,952
Changes for Services	480,719	471,144	462,946	368,588
Fines & Forfeitures	491,236	560,938	526,094	581,816
Grants	946,681	1,351,147	1,221,711	876,332
Interest	206,289	241,311	83,697	122,329
Other	683,817	1,485,586	754,504	194,398
Total Revenues	\$ 26,871,007	\$ 27,533,793	\$ 25,582,512	\$ 25,000,401
Expenditures				
General Government	3,493,943	3,722,384	3,132,794	3,455,093
Public Safety	8,811,758	8,530,766	8,658,596	8,544,615
Public Works	3,726,692	3,358,205	3,285,211	3,480,840
Parks & Recreation	2,057,739	2,541,230	2,392,960	2,218,091
	<u>18,090,132</u>	<u>18,152,584</u>	<u>17,469,561</u>	<u>17,698,639</u>
Debt Service:				
Principal	2,110,150	1,962,276	1,957,735	1,585,793
Interest	1,872,584	2,117,367	2,103,713	2,338,284
Cost of Debt Issuance	179,549	-	65,924	-
	<u>4,162,283</u>	<u>4,079,642</u>	<u>4,127,373</u>	<u>3,924,078</u>
Capital Outlay	5,301,508	5,232,424	4,115,548	3,238,335
Total Expenditures	\$ 27,553,923	\$ 27,464,651	\$ 25,712,482	\$ 24,861,051
Excess of Revenues Over / (Under) Expenditures	\$ (682,915)	\$ 69,143	\$ (129,970)	\$ 139,350
Other Financing Sources (Uses)				
Transfers In	5,142,923	6,318,974	3,662,356	3,095,999
Transfers Out	(5,626,088)	(6,806,092)	(4,131,123)	(3,695,934)
Contribution to Utility Board	(49,700)	(1,676,000)	(129,586)	(17,826)
Capital Lease Proceeds	-	-	506,969	146,678
Refunding Warrant Proceeds	13,495,000	-	2,035,000	-
Discounts on Warrants	(223,812)	-	(10,892)	-
Payment to Refunded Bond Escrow Agent	(11,536,144)	-	(1,957,167)	-
Total Other Financing Sources / (Uses)	\$ 1,202,180	\$ (2,163,118)	\$ (24,444)	\$ (471,083)
Extraordinary Item				
Proceeds from De-Annexation	-	-	-	-
Net Change in Fund Balances	\$ 519,264	\$ (2,093,975)	\$ (154,414)	\$ (331,733)
Debt Service as a Percentage of Non-Capital Expenditures	18.70%	18.35%	19.11%	18.15%

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
20,188,346	19,443,875	18,222,595	16,612,543	15,005,145	13,627,505
2,348,757	2,434,848	2,015,129	1,811,698	1,590,786	1,641,990
354,810	448,429	504,134	330,087	1,174,748	215,149
384,661	382,061	454,922	352,134	335,496	364,465
539,834	508,605	514,323	484,914	503,165	489,207
441,039	2,146,483	2,450,121	2,551,014	546,781	452,744
551,374	1,142,787	702,566	183,114	99,535	137,246
105,541	318,516	910,198	435,367	475,613	317,332
\$ 24,914,363	\$ 26,825,603	\$ 25,773,988	\$ 22,760,871	\$ 19,731,269	\$ 17,245,636
3,251,284	2,869,871	2,716,094	2,482,654	2,306,308	2,112,945
8,194,222	7,109,886	6,095,340	5,407,238	4,909,254	4,549,026
3,341,961	3,781,084	3,790,413	5,500,171	3,750,897	2,769,217
2,292,933	2,003,166	1,922,423	2,042,364	1,673,060	1,386,142
17,080,401	15,764,007	14,524,270	15,432,426	12,639,519	10,817,330
1,581,832	1,518,539	1,084,113	1,360,408	1,092,867	1,215,947
2,595,697	1,963,773	1,696,053	1,392,226	2,057,082	1,732,540
-	-	642,338	-	-	120,549
4,177,530	3,482,312	3,422,503	2,752,633	3,149,948	3,069,036
4,485,988	10,432,957	12,212,835	1,434,554	1,754,906	1,622,627
\$ 25,743,919	\$ 29,679,277	\$ 30,159,608	\$ 19,619,613	\$ 17,544,373	\$ 15,508,993
\$ (829,556)	\$ (2,853,673)	\$ (4,385,620)	\$ 3,141,257	\$ 2,186,896	\$ 1,736,644
2,968,436	3,861,959	15,863,450	2,704,161	3,590,257	2,771,504
(3,645,501)	(4,266,031)	(16,273,069)	(3,229,784)	(4,064,987)	(3,230,741)
(1,149,523)	(1,797,449)	(68,238)	(544,476)	(1,371,411)	(1,256,733)
-	-	-	-	6,738	589,292
-	2,233,476	32,086,524	-	-	6,455,000
-	-	(291,232)	-	-	(23,929)
-	-	(12,453,409)	-	-	(6,308,998)
\$ (1,826,588)	\$ 31,955	\$ 18,864,026	\$ (1,070,099)	\$ (1,839,403)	\$ (1,004,605)
-	-	-	1,000,000.00	-	-
\$ (2,656,144)	\$ (2,821,718)	\$ 14,478,406	\$ 3,071,159	\$ 347,493	\$ 732,038
19.65%	18.09%	19.07%	15.14%	19.95%	22.10%

CITY OF DAPHNE, ALABAMA

**Revenue Rates for General Sales Tax
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City Sales Tax Rate</u>	<u>County Sales Tax Rate</u>	<u>State Sales Tax Rate</u>	<u>Total Sales Tax Rate</u>
2012	2.5%	3.0%	4.0%	9.5%
2011	2.5%	3.0%	4.0%	9.5%
2010	2.5%	3.0%	4.0%	9.5%
2009	2.5%	2.0%	4.0%	8.5%
2008	2.5%	2.0%	4.0%	8.5%
2007	2.5%	2.0%	4.0%	8.5%
2006	2.5%	2.0%	4.0%	8.5%
2005	2.5%	2.0%	4.0%	8.5%
2004	2.5%	2.0%	4.0%	8.5%
2003	2.5%	2.0%	4.0%	8.5%

Source: State of Alabama Department of Revenue

Note: The 1% sales tax increase in FY 2009 was for the Baldwin County School System. In FY 2012, voters made this increase permanent.

CITY OF DAPHNE, ALABAMA

**Principal Revenue Remitters of Sales and Use Tax
Current Year and Nine Years Ago**

EMPLOYER	FISCAL YEAR			
	FY 2012 RANK	FY 2012 % of Total Taxable Sales	FY 2003 RANK	FY 2003 % of Total Taxable Sales
WAL MART	1	12.17%	1	20.12%
SAM'S	2	8.01%	-	-
LOWES	3	4.55%	-	-
TARGET	4	3.85%	3	4.66%
EASTERN SHORE TOYOTA	5	3.40%	-	-
HOME DEPOT	6	2.95%	2	5.63%
PUBLIX	7	2.60%	-	-
CHRIS MYERS	8	2.59%	4	4.33%
TAMERON AUTOMOTIVE	9	2.12%	-	-
TERRY THOMPSON	10	1.55%	6	3.62%
WINN-DIXIE	-	-	7	2.94%
NFL BUILDING CENTER	-	-	9	1.43%
BAYVIEW FORD	-	-	8	2.20%
OFFICE DEPOT	-	-	-	-
DILLARDS	-	-	5	3.90%
TJ MAXX	-	-	10	1.41%

Source: Eastern Shore Chamber of Commerce

CITY OF DAPHNE, ALABAMA

**Net Assessed Value of All Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended September 30	Real Property				Personal Property		Total Net Assessed Value
	Utilities	Residential Property	Commercial Property	Penalties	Automobiles	Other	
2012	709,820	182,406,220	112,479,560	75,180	39,796,596	-	335,467,376
2011	730,820	193,254,400	119,145,080	93,060	36,500,570	-	349,723,930
2010	743,840	197,194,000	125,107,200	88,660	32,357,080	-	355,490,780
2009	801,920	214,951,780	135,778,460	98,540	34,981,920	-	386,612,620
2008	679,600	204,038,780	135,577,300	78,060	27,405,940	-	367,779,680
2007	608,520	183,170,800	123,626,220	100,020	29,844,100	-	337,349,660
2006	586,640	139,953,720	96,791,040	-	28,769,040	-	266,100,440
2005	593,240	123,771,900	84,247,620	69,740	26,262,500	-	234,945,000
2004	609,740	102,712,390	77,617,420	37,720	24,075,280	-	205,052,550
2003	578,920	98,245,941	74,539,640	73,500	23,330,760	-	196,768,761

Source: Baldwin County Revenue Commissioner

Note: Property taxes are assessed and levied one year in arrears.

CITY OF DAPHNE, ALABAMA

**Principal Remitters of Property Tax
Current Year and Nine Years Ago**

Taxpayers	FY 2012			FY 2003		
	Assessed Value	Rank	% of Total Net Assessed Value	Assessed Value	Rank	% of Total Net Assessed Value
L-A Daphne LLC	5,241,300	1	1.56%	-	-	0.00%
Myers Family Limited Partnership	2,974,620	2	0.89%	-	-	0.00%
Sam's Real Estate Business Trust	2,659,420	3	0.79%	-	-	0.00%
Lowe's Home Centers Inc.	2,498,820	4	0.74%	-	-	0.00%
Esfahani Real Estate Holding of AL	2,402,980	5	0.72%	-	-	0.00%
Whispering Pines Park LLC	2,399,900	6	0.72%	-	-	0.00%
Wal-Mart Real Estate Business Trust	2,283,540	7	0.68%	-	-	0.00%
North Fork Apartments LP	2,217,040	8	0.66%	2,272,140	3	1.15%
Tamerson Properties LLC	2,038,380	9	0.61%	-	-	0.00%
Dayton Hudson Corporation	2,029,200	10	0.60%	1,247,900	8	0.63%
AIG Baker Daphne LLC				4,412,680	1	2.24%
Wynchase LLC				2,839,140	2	1.44%
Woodland Park Apartments LLC				1,397,200	4	0.71%
Inn of Daphne Inc.				1,356,360	5	0.69%
Timbercreek Land Co Inc.				1,354,040	6	0.69%
Daphne Apartments Ltd				1,301,600	7	0.66%
Timbercreek Gold Co Inc.				1,228,600	9	0.62%
East Bay Ltd				1,099,560	10	0.56%

Source: Baldwin County Revenue Commissioner

CITY OF DAPHNE, ALABAMA

**Property Tax Rates Direct and Overlapping Governments
Last Fiscal Ten Years**

	Direct Rates		Overlapping Rates**				
	City of Daphne		Baldwin County				
Fiscal Year	Total City Millage	General Millage	Road / Bridge Millage	Fire Millage	School Millage	Health Care Authority Millage	Total County Millage
2012	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2011	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2010	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2009	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2008	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2007	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2006	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2005	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2004	15.0	5.0	2.5	1.5	12.0	0.5	21.5
2003	15.0	5.0	2.5	1.5	12.0	0.5	21.5

Source: Baldwin County Revenue Commissioner

** Overlapping rates are those of county and state governments that apply to property owners within the City of Daphne.

Overlapping Rates**

State of Alabama

General Millage	School Millage	Soldier Millage	Total State Millage	Total Direct & Overlapping Rates
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0
2.5	3.0	1.0	6.5	43.0

CITY OF DAPHNE, ALABAMA

**Ad Valorem Levies and Collections
Last Fiscal Ten Years**

Fiscal Year Ending September 30	Net Ad Valorem Taxes Due	Total Collection to Date	
		Amount (1)	Percentage Collected
2012	\$4,257,659		0.00%
2011	\$4,510,416	\$5,016,940	111.23%
2010	\$4,653,125	\$5,571,423	119.74%
2009	\$5,063,482	\$5,507,835	108.78%
2008	\$4,901,382	\$4,291,509	87.56%
2007	\$4,428,080	\$3,802,561	85.87%
2006	\$3,559,971	\$3,279,164	92.11%
2005	\$3,130,238	\$2,987,628	95.44%
2004	\$2,714,659	\$2,905,033	107.01%
2003	\$2,601,570	\$2,639,540	101.46%

Source: Baldwin County Revenue Commissioner

(1) Property taxes are assessed and levied one year in arrears.

CITY OF DAPHNE, ALABAMA

**Ratios of Outstanding Debt by Type
Last Fiscal Ten Years**

Fiscal Year	Governmental Activities			Business Activities		
	General Obligation Debt	Limited Obligation Debt	Notes Payable	Capital Leases	General Obligation Debt	Capital Leases
2012	\$ 37,570,000	\$ 4,539,755	\$ -	\$ 169,158	\$ -	\$ 446,974
2011	\$ 27,935,000	\$ 13,491,116	\$ -	\$ 332,948	\$ -	\$ 629,101
2010	\$ 29,540,000	\$ 13,689,799	\$ -	\$ 491,540	\$ -	\$ 275,439
2009	\$ 31,015,000	\$ 13,900,032	\$ -	\$ 132,074	\$ -	\$ -
2008	\$ 32,480,000	\$ 14,006,221	\$ -	\$ -	\$ -	\$ -
2007	\$ 33,900,000	\$ 14,168,053	\$ -	\$ -	\$ -	\$ -
2006	\$ 35,270,000	\$ 12,083,116	\$ -	\$ -	\$ -	\$ -
2005	\$ 22,966,559	\$ 5,226,592	\$ -	\$ 182,554	\$ 152,008	\$ 71,830
2004	\$ 23,739,807	\$ 5,361,935	\$ 100,609	\$ 533,761	\$ 176,206	\$ 302,381
2003	\$ 24,291,716	\$ 5,485,254	\$ 141,179	\$ 910,830	\$ 199,009	\$ 522,479

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

Total Primary Government Debt	Total Debt as a Percentage of Personal Income	Total Debt Per Capita
\$ 42,725,887	3.85%	\$1,464
\$ 42,388,164	4.29%	\$1,559
\$ 43,996,777	4.89%	\$2,040
\$ 45,047,105	4.79%	\$1,738
\$ 46,486,221	5.09%	\$1,787
\$ 48,068,053	5.63%	\$1,902
\$ 47,353,116	6.23%	\$1,946
\$ 28,599,543	4.12%	\$1,216
\$ 30,214,699	4.84%	\$1,330
\$ 31,550,467	5.45%	\$1,482

CITY OF DAPHNE, ALABAMA

**Ratios of Net Debt by Type
Last Fiscal Ten Years**

<u>Fiscal Year</u>	<u>Net Debt</u>	<u>Net Debt as a Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Net Debt Per Capita (2)</u>
2012	\$ 38,614,155	11.51%	\$ 1,323
2011	\$ 28,984,716	8.29%	\$ 1,066
2010	\$ 30,484,799	8.58%	\$ 1,413
2009	\$ 31,882,732	8.25%	\$ 1,230
2008	\$ 33,177,921	9.02%	\$ 1,275
2007	\$ 34,595,053	10.25%	\$ 1,369
2006	\$ 35,955,192	13.51%	\$ 1,478
2005	\$ 23,661,159	10.07%	\$ 1,006
2004	\$ 24,598,557	12.00%	\$ 1,083
2003	\$ 25,103,979	12.76%	\$ 1,179

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

(1) - See the Schedule of Net Assessed Value of Taxable Property for property value data.

(2) - Population data can be found in the Schedule of Demographic and Economic Statistics

CITY OF DAPHNE, ALABAMA

**Direct and Overlapping Governmental Activities Debt
Last Fiscal Ten Years**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
City of Daphne Direct Debt			
Net Direct Debt	\$ 42,725,887	100.00%	\$42,725,887
Overlapping Debt			
Utilities Board of the City of Daphne (1)	\$ 22,210,000	100.00%	\$22,210,000
Baldwin County General Bonded Debt & Warrants (2)	\$ 127,144,314	9.87%	\$12,546,735
Total Direct & Overlapping Debt			\$77,482,622

Source: Baldwin County Revenue Commissioner

(1) - The Utilities Board of the City of Daphne is a subordinate entity.

(2) - The percentage of net assessed value of property in the City of Daphne (\$335,467,376) to net assessed value of property in Baldwin County (\$3,399,511,400) on 10/1/2012.

CITY OF DAPHNE, ALABAMA

**Legal Debt Margin
Last Fiscal Ten Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Constitutional Debt Limit	67,093,475	69,944,786	71,098,156	77,322,524
Total Net Debt Applicable to Limit	<u>(38,614,155)</u>	<u>(28,984,716)</u>	<u>(30,484,799)</u>	<u>(31,882,732)</u>
Legal Debt Margin	<u>\$ 28,479,320</u>	<u>\$ 40,960,070</u>	<u>\$ 40,613,357</u>	<u>\$ 45,439,792</u>
 Total Net Debt Applicable to Limit as a Percentage of Debt Limit	57.55%	41.44%	42.88%	41.23%
 Legal Debt Margin Calculation				
Assessed Value	<u>\$ 335,467,376</u>	<u>\$ 349,723,930</u>	<u>\$ 355,490,780</u>	<u>\$ 386,612,620</u>
Debit Limit (20% of Total Assessed Value)	<u>\$ 67,093,475</u>	<u>\$ 69,944,786</u>	<u>\$ 71,098,156</u>	<u>\$ 77,322,524</u>
Debt Applicable to Limit:				
General Obligation Bonds	\$ 42,725,887	\$ 42,388,164	\$ 43,996,777	\$ 45,047,105
Less: Exempt Debt	<u>\$ (4,111,732)</u>	<u>\$ (13,403,448)</u>	<u>\$ (13,511,978)</u>	<u>\$ (13,164,373)</u>
Total Net Debt Applicable to Limit	<u>\$ 38,614,155</u>	<u>\$ 28,984,716</u>	<u>\$ 30,484,799</u>	<u>\$ 31,882,732</u>
Legal Debt Margin	<u>\$ 28,479,320</u>	<u>\$ 40,960,070</u>	<u>\$ 40,613,357</u>	<u>\$ 45,439,792</u>

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
73,555,936	67,469,932	53,220,088	46,989,000	41,010,510	39,353,752
(33,177,921)	(34,595,053)	(35,955,192)	(23,661,159)	(24,598,557)	(25,103,979)
\$ 40,378,015	\$ 32,874,879	\$ 17,264,896	\$ 23,327,841	\$ 16,411,953	\$ 14,249,773
45.11%	51.27%	67.56%	50.35%	59.98%	63.79%
\$ 367,779,680	\$ 337,349,660	\$ 266,100,440	\$ 234,945,000	\$ 205,052,550	\$ 196,768,761
\$ 73,555,936	\$ 67,469,932	\$ 53,220,088	\$ 46,989,000	\$ 41,010,510	\$ 39,353,752
\$ 46,486,221	\$ 48,068,053	\$ 47,353,116	\$ 28,599,543	\$ 30,214,699	\$ 31,550,467
\$ (13,308,300)	\$ (13,473,000)	\$ (11,397,924)	\$ (4,938,384)	\$ (5,616,142)	\$ (6,446,488)
\$ 33,177,921	\$ 34,595,053	\$ 35,955,192	\$ 23,661,159	\$ 24,598,557	\$ 25,103,979
\$ 40,378,015	\$ 32,874,879	\$ 17,264,896	\$ 23,327,841	\$ 16,411,953	\$ 14,249,773

CITY OF DAPHNE, ALABAMA

**Demographic and Economic Statistics
Last Fiscal Ten Years**

Fiscal Year	Population	Personal Income	Per Capital Person Income	Median Age	School Enrollment	Unemployment Rate
2012	29,176	\$ 1,109,376,941	\$ 38,024	38.39	3,129	7.0%
2011	27,182	\$ 986,993,655	\$ 36,311	37.91	3,100	8.1%
2010	21,570	\$ 898,840,160	\$ 41,671	37.90	2,989	8.9%
2009	25,922	\$ 939,528,351	\$ 36,244	37.79	3,143	8.8%
2008	26,019	\$ 913,935,561	\$ 35,126	37.99	3,193	4.1%
2007	25,274	\$ 853,270,240	\$ 33,761	38.08	2,528	2.7%
2006	24,328	\$ 759,940,280	\$ 31,237	37.65	3,423	2.8%
2005	23,514	\$ 693,464,073	\$ 29,492	37.39	3,191	3.4%
2004	22,710	\$ 624,425,846	\$ 27,496	36.99	3,130	4.6%
2003	21,285	\$ 578,646,673	\$ 27,186	36.69	2,741	4.5%

Sources: Bureau of Economic Analysis
Alabama Department of Labor
Eastern Shore Chamber of Commerce
www.shcooldigger.com

CITY OF DAPHNE, ALABAMA

**Principal Employers
Current and Nine Years Ago**

EMPLOYER	FISCAL YEAR					
	FY 2012 # of Employees	FY 2012 % of Total Employees	FY 2012 RANK	FY 2003 # of Employees	FY 2003 % of Total Employees	FY 2003 RANK
Wal-Mart Super Center	318	16.01%	1	400	28.90%	1
City of Daphne	273	13.75%	2	234	16.91%	2
Eastern Shore Rehab	250	12.59%	3	-	0.00%	-
Eastern Shore Toyota / Hyundai	189	9.52%	4	-	0.00%	-
The Breneity	162	8.16%	5	-	0.00%	-
Chris Myers	161	8.11%	6	-	0.00%	-
Sam's Club	147	7.40%	7	-	0.00%	-
Lowe's	153	7.70%	8	-	0.00%	-
Target	120	6.04%	9	175	12.64%	3
Bayside Academy	100	5.04%	10	-	0.00%	-
Home Depot	113	5.69%	11	120	8.67%	4 (tie)
Home Relief Services	-	0.00%	-	75	5.42%	5 (tie)
Riviera Utilities	-	0.00%	-	55	3.97%	7
Winn Dixie	-	0.00%	-	65	4.70%	6 (tie)
Ruby Tuesdays	-	0.00%	-	75	5.42%	5 (tie)
NFL Warehouse	-	0.00%	-	65	4.70%	6 (tie)
Dillard's	-	0.00%	-	120	8.67%	4 (tie)

Source: Eastern Shore Chamber of Commerce

CITY OF DAPHNE, ALABAMA

**City Government Employees By Function
Last Ten Fiscal Years**

Function	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
General Government				
Legislative	9	9	9	9
Executive	2	2	2	2
Human Resources	3	3	3	3
Finance	8	8	8	8
Revenue	2	2	3	3
Planning	4	4	7	7
Court	4	4	4	4
Building Maintenance & Janitorial	7	7	7	7
Total General Government	39	39	43	43
Public Safety				
Police Department	84	84	84	84
Fire Department	41	41	41	32
Building Inspection	5	5	7	7
Code Enforcement	1	1	1	1
Total Public Safety	131	131	133	124
Public Works				
Public Works Administration	5	5	5	6
Solid Waste	5	5	5	5
Streets	11	11	11	11
Grounds	10	10	12	13
Mowing	8	8	9	9
Mechanical	8	8	8	8
Garbage & Recycling	12	12	18	18
Total Public Works	59	59	68	70
Parks & Recreation				
Parks	8	8	9	9
Recreation	9	9	11	11
Concessions	2	2	2	2
S.A.I.L. Site	3	3	3	3
Library	15	15	15	15
Civic Center	7	7	8	8
Total Parks & Recreation	44	44	48	48
Total Employees	273	273	292	285

Source: City of Daphne Human Resources

FISCAL YEAR

FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003
9	9	9	9	9	9
2	2	2	2	2	2
3	3	3	3	2	2
8	8	7	7	7	6
3	3	3	3	2	2
7	7	6	5	5	5
4	4	5	5	4	4
7	7	6	6	7	4
43	43	41	40	38	34
84	84	83	76	73	72
29	26	20	20	19	19
7	6	3	3	3	3
1	1	1	1	1	1
121	117	107	100	96	95
6	5	5	5	5	5
5	5	5	5	5	5
11	11	11	12	12	12
13	17	13	13	13	13
9	9	9	9	9	9
8	9	9	9	8	8
18	18	18	17	18	15
70	74	70	70	70	67
9	5	9	8	9	8
11	11	11	10	10	10
2	2	2	2	2	2
3	3	3	3	2	2
15	13	12	12	11	9
8	7	7	7	7	7
48	41	44	42	41	38
282	275	262	252	245	234

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Municipal Court				
Cases Pending:				
Traffic	2,529	2,457	2,815	2,800
Non- Traffic	845	859	842	874
Parking	0	0	2	0
Total Pending Cases:	3,374	3,316	3,659	3,674
Cases Filed:				
Traffic	3,177	3,094	4,157	4,409
Non- Traffic	501	510	491	576
Parking	0	0	1	0
Total Cases Filed:	3,678	3,604	4,649	4,985
Cases Disposed of:				
Traffic	3,494	4,056	4,401	4,437
Non- Traffic	567	561	557	648
Parking	0	2	0	0
Total Cases Disposed of:	4,061	4,619	4,958	5,085
Failure-to-appear Cases:				
Traffic	684	981	1,023	1,032
Non- Traffic	46	73	19	91
Parking	0	0	0	0
Total Failure-to-appear:	730	1,054	1,042	1,123
Cases Appealed:				
Traffic	43	55	318	361
Non- Traffic	49	53	122	135
Parking	0	0	0	0
Total Appeals:	92	108	440	496
Cases by Disposition Type:				
Guilty	2,518	3,014	3,354	3,102
Not Guilty	14	16	16	9
Nol pros / Dismissal	1,274	1,571	1,588	1,399
Continued	2,412	2,012	3,398	1,958
Total Appeals:	6,218	6,613	8,356	6,468

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Public Safety				
Police Department				
Patrol Division				
Complaints	13,322	13,532	13,004	12,634
Misdemeanor Arrests	927	773	731	779
Felony Arrests	61	82	65	57
D.U.I. Arrests	149	128	165	181
Alias Warrant Arrests	431	366	302	633
Citations	3,255	3,241	4,218	4,379
Close Patrols	5,273	4,905	4,769	4,863
Warnings	2,429	1,819	995	1,692
Motorist Assists	2,785	5,376	2,917	2,717
Roadway Accidents	791	742	760	596
Private Property Accidents	208	169	175	183
Traffic Homicides	1	4	1	2
Drug Report - Routine Patrol & Special Ops:				
Misdemeanor Marijuana Arrests	26	23	29	30
Felony Marijuana Arrests	3	10	7	3
Controlled Substance Arrests	10	9	15	13
Drug Paraphernalia Arrests	26	31	47	21
Vehicles Searched	340	305	348	695
Drugs Seized	0	0	3	27
Monies Seized	\$0	\$0	\$0	\$0
Vehicles Seized	0	0	0	0
Commercial Vehicle Inspections	230	65	79	89
Detective Division				
New Cases Received	734	849	629	618
Previous Unsolved Cases	66	91	168	94
Cases Solved	481	482	499	367
Cases Solved - Resulting in Felony Arrests	112	144	214	103
Cases Solved - Resulting in Misdemeanor Arrests	22	47	39	25
Houses Searched	0	0	0	0
Warrants:				
Warrants Served	378	578	549	629
Agency Assists	163	253	212	279
Recalls	139	276	301	337
Sex Offenders:				
Contact Verification	18	20	15	18
Total # of Offenders Registered in Daphne	8	2	3	3

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Detective Division (continued)				
D.A.R.E.:				
Hours Report Writing	48	69	42	58
Students Instructed S.R.O.	2,795	3,540	3,938	4,740
Students Instructed D.A.R.E.	2,180	5,820	2,031	3,095
Police Reports by S.R.O.	32	57	22	28
Arrests by S.R.O.	14	24	13	19
Code Enforcement:				
Warnings	41	60	89	85
Citations	45	51	36	65
Warning Compliance	312	251	242	206
Follow-Up	427	307	294	114
Jail				
Arrestees Received & Processed	2,259	2,131	2,107	2,099
Inmate Meals Served	21,055	20,557	30,540	34,937
Inmate Medical Cost	\$20,002	\$14,322	\$37,040	\$53,801
Worker Inmate Hours	2,005	3,206	10,203	8,210
Animal Control				
Complaints	618	721	837	692
Follow-Up	1,169	1,224	1,256	1,149
Citations	55	80	77	47
Warnings	276	132	124	96
Felines Captured	259	273	316	345
Canines Captured	345	337	363	367
Other Captured	71	129	250	160
Returned to Owner	186	143	184	153
Adopted	139	183	180	241
Euthanized	204	174	293	305
Crimes Reported				
Arson	0	0	0	0
Burglary - Commercial	17	31	12	31
Burglary - Residential	82	94	57	38
Burglary - Vehicle	109	123	22	20
Criminal Mischief	74	83	88	532
Disorderly Conduct	4	8	8	10
Domestic Disturbance	308	253	175	249
False Information to Police	11	17	11	8
Felony Assault	7	6	2	3
Felony Theft	136	165	191	164

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Crimes Reported (continued)				
Harassment	87	87	94	109
Identity Theft	80	54	41	69
Indecent Exposure	3	2	6	2
Kidnapping	0	0	0	1
Menacing	6	3	4	3
Misdemeanor Assault	17	14	13	8
Misdemeanor Theft	207	191	210	225
Murder	0	1	15	1
Other Death Investigations	16	23	10	20
Public Intoxication	11	11	8	10
Public Lewdness	2	0	2	0
Receiving Stolen Property	5	17	2	3
Reckless Endangerment	7	5	5	11
Resisting Arrest	4	4	2	3
Robbery	5	14	12	13
Sex Crime Investigations	21	13	4	8
Suicide	0	0	3	0
Suicide, Attempted	25	24	16	13
Theft of Services	1	0	5	0
Unauthorized Use of Services	6	7	8	7
Weapon Offenses	7	9	3	5
White Collar Crimes	30	38	30	31
Fire Department				
Suppression				
Fire / Explosion:				
Fire, Other	3	6	5	13
Structure Fire - Commercial	7	3	6	4
Structure Fire - Residential	22	35	28	23
Fire in mobile property used as fixed structure	1	1	1	0
Vehicle / Mobile Property Fire	14	9	14	6
Natural Vegetation Fire	14	20	11	13
Outside Rubbish Fire	10	17	4	5
Special Outside Fire	3	6	6	3
Cultivated Vegetable Crop Fire	1	0	2	0
Overpressure Rupture:	1	3	1	0
Rescue Call & Emergency Medical Srv Incidents:	1,674	1,710	1,693	1,466
Hazardous Conditions (No Fire):	42	46	34	39
Service Calls:	155	153	245	207
Good Intent Calls:	240	202	193	123
False Alarm & False Calls:	249	286	205	155
Severe Weather & Natural Disasters:	5	4	1	1
Other Situations:	1	2	0	2

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Fire Prevention Awareness & Education				
Classes Held:	61	83	74	89
Persons Attending:	1,465	5,893	5,091	3,138
Bureau of Fire Prevention				
Plan Reviews:	189	30	27	47
Final / Certificates of Occupancy:	3	7	6	10
General / Annual Inspections:	291	781	1,003	1,120
General / Re-Inspections (Violation Follow-Up):	315	188	87	209
Business Licenses:	156	72	64	75
Consultations:	0	0	0	5
All Other / Miscellaneous Activity:	23	11	0	9
Miscellaneous Reporting				
Training Hours	9,601	1,187	1,324	1,308
Property Loss (\$\$)	\$ 1,027,815	\$ 1,171,212	\$ 1,151,542	\$ 1,127,030
Fire Personnel & Civilian Injuries by Fire:	2	1	0	2
Advanced Life Support Rescues:	687	1,105	1,103	835
Number of Patients Treated:	978	1,692	1,586	1,158
Child Passenger Safety Seat Inspections & Installs:	426	141	180	72
Building Inspection				
Permits:				
Building Permits				
Non-Residential	82	78	62	71
Residential	361	316	346	458
Electrical Permits				
Non-Residential	29	38	38	42
Residential	39	122	134	181
Electrical Permits - New Construction				
Non-Residential	5	0	0	0
Residential	109	16	0	0
Land Disturbance Permits				
Non-Residential	0	1	0	0
Residential	102	60	15	1
Mechanical Permits				
Non-Residential	34	45	18	36
Residential	42	130	177	184
Mechanical Permits - New Construction				
Non-Residential	3	0	0	0
Residential	123	18	0	0

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Permits (continued):				
Plumbing Permits				
Non-Residential	24	34	23	26
Residential	32	167	129	166
Plumbing Permits - New Construction				
Non-Residential	1	0	0	0
Residential	118	23	0	0
Total # of Permits:	1,104	1,048	942	1,165
Inspections:				
Building Permit Inspections	1,416	1,291	1,156	1,438
Electrical Permit Inspections	66	213	206	196
Electrical - New Construction Permit Inspections	130	12	0	0
Land Disturbance Permit Inspections	8	68	3	0
Mechanical Permit Inspections	27	143	161	109
Mechanical - New Construction Permit Inspections	126	19	0	0
Plumbing Permit Inspections	77	373	383	445
Plumbing - New Construction Permit Inspection	244	25	0	0
Total # of Inspections:	2,094	2,144	1,909	2,188
Environmental:				
Site Containment Inspections - Permitted	339	181	324	196
Site Containment Inspections - All Other	87	115	110	162
Total # of Environmental Inspections:	426	296	434	358

Public Works (1)

Flood Control	
Debris Removal (cubic yards)	600
Ditches Services (miles)	4
Concrete & Sidewalk Repair	
Concrete Poured (yards)	0
Repairs (feet)	900
Right of Way Maintenance	
Material Hauled (tons)	431
Materials Used (cubic yards)	4,310
Repairs (miles)	165
Asphalt Street Repairs	
Asphalt Used (tons)	152
Repairs (miles)	285

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Street Sweeping				
Miles Swept	17,345			
Dredge				
Materials Removed/Dredged (tons)	40			
Storm Drain & Heavy Equipment				
Drains Cleaned (miles)	112			
Materials Hauled (cubic yards)	52			
Solid Waste				
Waste Removed (tons)	6,316			
Recycled (tons)	2,919			
Special Events	6			
Trash Division				
Trash Picked Up (tons)	3,518			
Pay Pile Loads	24			

Parks & Recreation

Tournament Events & Participants (1)

Adult Softball

No. of Events	21
Participants	3,000

Girls Fastpitch Softball

No. of Events	6
Participants	2,500

Soccer

No. of Events	8
Participants	10,500

Lacrosse

No. of Events	4
Participants	900

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
League Participants by Sport:				
Youth Soccer	550	540	525	550
Youth Football	205	195	200	190
Youth Cheerleading	80	80	65	65
Fall Men's Open Softball	220	17	168	168
Fall Co-Ed Softball	156	10	144	144
Fall Adult Soccer	100	10	120	0
Dixie Youth Baseball (ages 5-12)	435	450	480	440
Dixie Boys Baseball (ages 13-14)	60	55	60	66
Youth Softball	80	85	75	88
Youth Spring Soccer	250	0	0	0
Men's Church League Softball	192	216	288	288
Spring Co-Ed Softball	132	180	144	144
Spring Adult Soccer	80	80	80	120
Summer Men's Open Softball	264	372	312	192
Summer Co-Ed Softball	132	192	192	192
Summer Adult Soccer	80	90	80	80

Library

Patrons Visits	220,738	214,982	224,367	220,042
Items Circulated	276,093	296,712	314,218	294,144
Children's Program Attendance	7,378	10,323	10,889	8,838
Teen Program Attendance	735	827	1,143	177
Adult Program Attendance	531	575	721	791
Computer Users	30,892	31,676	17,234	15,804
Rosetta Stone Hours Used	470	309	-	-
Ancestry Database Users	7,047	6,976	-	-
Heritage Quest Database Users	1,263	1,256	-	-
E-Books Circulation	6,277	767	-	-
Gutenberg Downloads	1,498	405	-	-
Reference Questions Answered	8,046	8,639	8,976	8,775
Meeting Rooms Used	6,330	6,836	7,251	7,004
Special Displays	45	39	47	45
Library Facebook	47,615	2,112	-	-

Source: Various City Departments

(1) FY 2012 was a benchmark year for this reporting.

CITY OF DAPHNE, ALABAMA

**Operating Indicators By Function (Continued)
Last Four Fiscal Years**

Function	FISCAL YEAR			
	FY 2012	FY 2011	FY 2010	FY 2009
Public Safety				
Fire				
Number of Fire Stations	4	4	4	4
Number of Fire Trucks	6	6	6	6
Number of All Other Vehicles	16	16	17	16
Police				
Number of Police Stations	2	2	2	2
Number of Patrol Units	64	64	64	64
Public Works (1)				
Miles of Streets (maintained by the City)	135.4			
Number of Signalized Traffic Intersections (2)	10			
Number of Vehicles	55	55	56	55
Garbage & Recycling				
Number of Sanitation Trucks	9	8	9	10
Parks & Recreation				
Parks	16	16	16	16
Dog Parks	1	1	1	1
Fitness Center	1	1	1	1
Senior Center	1	1	1	1
Library	1	1	1	1
Number of Vehicles	6	5	4	4

Source: Various City Departments, FY 2009 was the first year of available data.

(1) Public Works began tracking this data in FY 2012.

(2) All other traffic lights throughout the city are maintained by the State of Alabama