

**CITY OF
TUSCALOOSA, ALABAMA
COMPREHENSIVE
ANNUAL FINANCIAL
REPORT**

**Fiscal Year Ending September 30,
2011**

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF TUSCALOOSA, ALABAMA

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

DEPARTMENT OF FINANCE
MIKE WRIGHT, DIRECTOR
DEREK REEVES, ASSOCIATE DIRECTOR

**CITY OF TUSCALOOSA
FINANCIAL REPORT
September 30, 2011**

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City of Tuscaloosa

POST OFFICE BOX 2089
TUSCALOOSA, ALABAMA 35403
205/248-5170
FAX: 205/349-0147

LETTER OF TRANSMITTAL

March 30, 2012

The Honorable Walter Maddox, Mayor
Members of the City Council
City of Tuscaloosa, Alabama

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Tuscaloosa (City) for the fiscal year ended September 30, 2011. We believe the information, as presented, is accurate in all material respects. All disclosures necessary to enable the reader to gain an adequate understanding of the City's financial affairs have been included. It is the responsibility of the management of the City to prepare the CAFR.

The Alabama State Law requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. This requirement has been complied with, and the auditor's report has been included at the front of the financial section of this report. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U. S. Office of Management and Budget Circular A-133, and the "Audits of State and Local Governments." The audit has been performed, and the separately issued Single Audit Report has been forwarded to the City's grantor agencies for review.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliments this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Tuscaloosa was incorporated on December 13, 1819. The City operated under a Commission form of government until October 7, 1985. At that time, the City began operating under a Mayor and seven-member council form of government, with the council members elected by districts. Responsibility for day-to-day operations of the City rests with the Mayor. Various Council committees also work closely with the Mayor and department heads.

The City of Tuscaloosa provides many municipal services including police and fire protection; water and sewer sanitation services; the construction and maintenance of highways; streets and infrastructure; general administration; recreational activities and cultural events. The City of Tuscaloosa is financially accountable for a legally separate tourism and sports commission and a legally separate parking and transit authority, both of which are reported separately within the City's financial statements. Additional information on these legally separate entities can be found in the notes to the financial statements.

The City is required to adopt a budget for the General Fund and the Water and Sewer Fund no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function and department. The City also designates funds in its two primary capital improvement funds.

Major Events

The April 27, 2011 tornado that hit the City of Tuscaloosa was the most destructive natural disaster in the City's history. An overview of the disaster, its financial impact, and the planned recovery process are outlined in the Management's Discussion and Analysis section of this financial report. While approximately 12 percent of the City was damaged or destroyed, there was no structural damage to downtown Tuscaloosa or to the three universities/colleges located in Tuscaloosa. Although the emphasis of the remainder of the 2011 fiscal year was dealing with the disaster, the City continued to provide normal services to all residents including public safety, garbage, trash, and water and sewer services.

Following the tornado, the City changed from two residential garbage pick-ups a week to one. Recycling was previously offered in certain parts of the City but was temporarily suspended until the City implements citywide recycling in 2012. The long term goal is for every resident to receive weekly garbage, trash and recycling services on the same day of the week.

The Tuscaloosa Amphitheater, which has a seating capacity of 7,470, had a successful opening season from April to October of 2011, with approximately 20 concerts. Excluding debt service, the amphitheater's revenues exceeded expenditures for the first concert season despite the cancelation of one concert due to a storm on April 15.

In early 2012, the City opened the Transportation Museum. The River Market, which will host the Tuscaloosa Tourism and Sports Commission office, a farmers' market, and possible concert venue, is anticipated to open in mid-2012. The Tuscaloosa Amphitheater, the Transportation Museum and the River Market are located close to the banks of the Black Warrior River.

Long-Term Financial Planning

The City's fund balance policy establishes the minimum undesignated balance in both the General Fund and the Capital Improvement Fund at 10 percent of the prior year General Fund operating budget. In the Water and Sewer Fund, the minimum undesignated Net Assets is 30 percent of the annual audited expenses.

The City's debt is rated "AA+" by Standard and Poor's and "Aa1" by Moody's Investors Service.

Economic Factors

The two cent City sales tax collections in 2011 were 5.3 percent higher than 2010. For the first eight months of the 2011 fiscal year (before the effect of the tornado were seen), the collections were up 4.3 percent. During the last four months of 2011, City Sales Tax collections were up 7.3 percent.

Both ad valorem tax and business license collections were higher in 2011 than the previous year.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Tuscaloosa for its comprehensive annual financial report for the fiscal year ended September 30, 2010. This was the 23rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We would like to express our appreciation to the Council, the City's department heads, and the employees for their contribution to the sound financial condition of the City of Tuscaloosa.

Certification

I hereby certify that the enclosed financial statements are true and correct.



Mike Wright
Finance Director



Walter Maddox
Mayor

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Tuscaloosa
Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

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



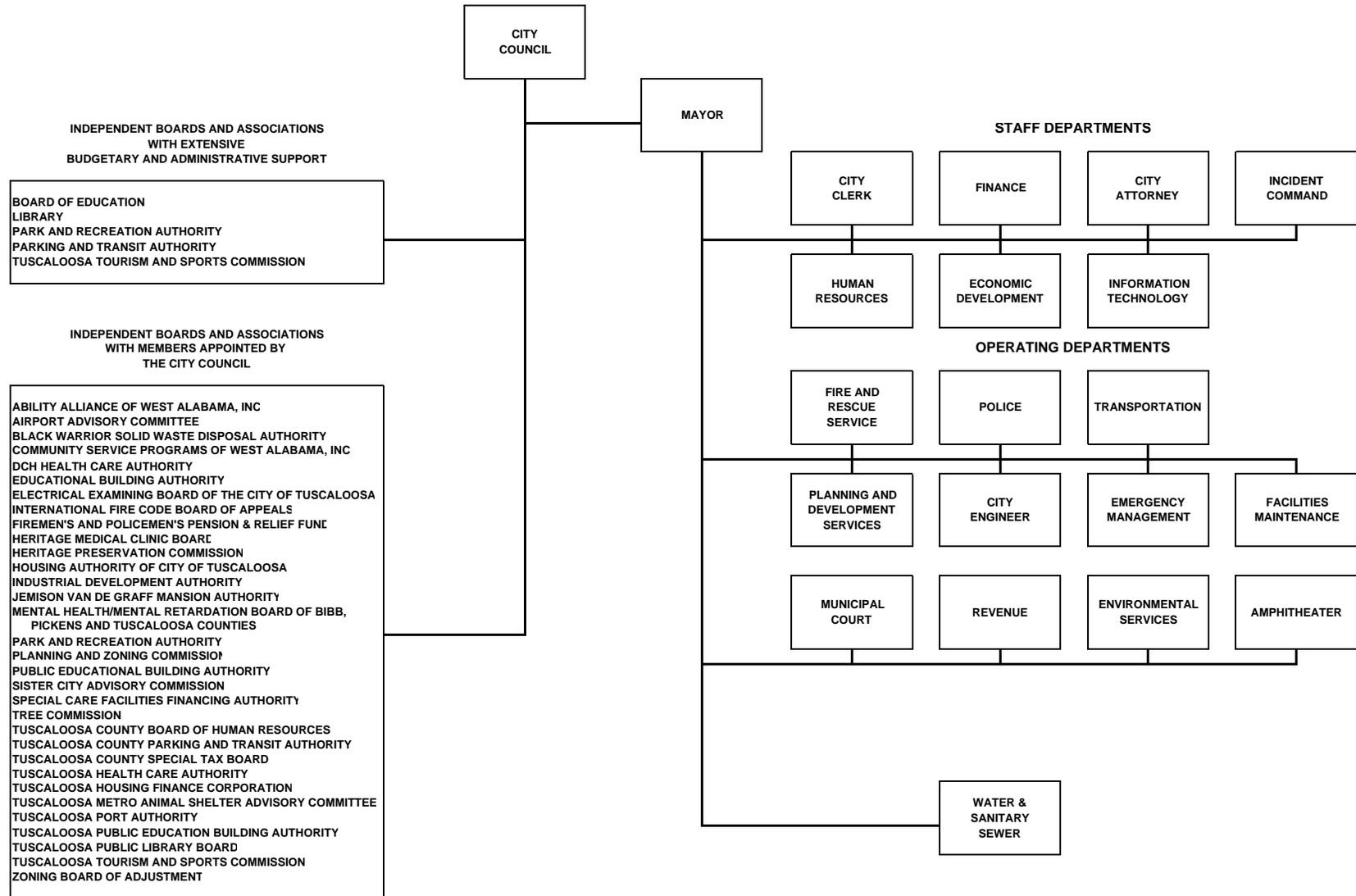
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

CITY OF TUSCALOOSA ORGANIZATION CHART



OFFICIALS OF THE CITY OF TUSCALOOSA

Mayor Walter Maddox

CITY COUNCIL

Harrison Taylor, President Pro-Tem

Cynthia Lee Almond
Lee Garrison
Bobby Howard

Bob Lundell
William Tinker, III
Kip Tyner

DEPARTMENT HEADS

Amphitheater Wendy Riggs
City Attorney Tim Nunnally
City Clerk Tracy Croom
City Engineer Joe Robinson
Economic Development William Snowden
Emergency Management David Hartin
Environmental Services Shane Daugherty
Facilities Maintenance Clif Penick
Finance Mike Wright
Fire and Rescue Service Alan Martin
Human Resources Brian Butler
Information Technology Douglas Taylor
Municipal Court Madelene Hollingsworth
Planning and Development John McConnell
Police Steve Anderson
Transportation Tera Tubbs
Revenue Linda McKinney
Water and Sanitary Sewer Jimmy Junkin



March 30, 2012

Honorable Mayor and Members of
the City Council
City of Tuscaloosa, Alabama

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, the Tuscaloosa Tourism and Sports Commission, a discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Tuscaloosa, Alabama (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Tuscaloosa, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Tuscaloosa County Parking and Transit Authority, a discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the discretely presented component unit totals, 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 also 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 statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tuscaloosa, Alabama, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of
the City Council
City of Tuscaloosa, Alabama
March 30, 2012

In accordance with "Government Auditing Standards," we have also issued our report dated March 30, 2012, on our consideration of the City of Tuscaloosa, Alabama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the defined benefit pension plans on pages 15 through 29 and page 91 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 Tuscaloosa, Alabama basic financial statements. The introductory section, combining nonmajor and special revenue fund financial statements, the budgetary comparison schedules, the capital asset schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental and special revenue fund financial statements, the budgetary comparison schedules, and the capital asset schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion on them.

Jamison Money Farmer PC

Certified Public Accountants



MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the City of Tuscaloosa's Comprehensive Annual Financial Report (CAFR) presents City management's discussion and analysis of the City's financial performance during the fiscal year that ended September 30, 2011. Please read this in conjunction with the City's financial statements, which follow this section, and the additional information furnished in the letter of transmittal, which can be found in the introductory section of the CAFR.

Using this Annual Financial Report

The primary focus of the local government's financial statements is the City as a whole (government-wide) and the major individual funds. Both provide a broader basis for comparison and improve the City's accountability. The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide an overview of the City of Tuscaloosa's finances as a whole, using accounting methods similar to those used by private-sector companies.

- **Statement of Net Assets and Statement of Activities**

The **statement of net assets** presents information on all of the City of Tuscaloosa's assets and liabilities, with the difference between the two reported as net assets. This statement combines and consolidates the current financial resources of the governmental funds with the capital assets and long-term debt. Over time, increases or decreases in net assets may serve as a useful indicator of the City's overall financial position.

The **statement of activities** presents information that focuses on both gross and net costs and shows how the City of Tuscaloosa's net assets change during the fiscal year. This summarizes and simplifies the analysis of the cost of various governmental services and/or business-type activities.

In the City's Statement of Net Assets and the Statement of Activities, the City is divided into two major activities:

Governmental Activities: Most of the City's programs and services are reported in this category, including public safety, general government, streets and highways, and culture and recreation. General revenues from sales and use taxes, licenses and fees, property taxes, charges for services, and state and federal grants finance most of these activities.

Business-Type Activities: The City charges fees to customers to help cover the costs, including depreciation, of certain services it provides to the general public. These services are provided on a rate basis. The City's business-type activities are primarily provided by its Water and Sewer department.

Reporting on the Most Significant Funds of the City of Tuscaloosa

- **Fund Financial Statements**

The remaining statements are fund financial statements that give a detailed report of the activities within the individual elements of the City government and report the operations in more detail than the government-wide statements. The City's three major fund types are:

Governmental Funds: All of the City's major activities, other than the Enterprise Fund, are reported in the General Fund. The modified accrual method of accounting is used in this fund. This method measures cash and all other financial assets that can be readily converted into cash. The governmental fund financial statements provide a detailed short-term view of the City's general operations and the basic services that are provided. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances provide reconciliations to help provide a comparison between governmental activities.

Proprietary Funds: Services provided to the general public for which customers are charged a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds use the same basis of accounting as business-type activities; therefore, the financial statements include additional information, such as depreciation expense and a statement of cash flows, which are not presented for governmental funds.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The City is trustee, or fiduciary, for the Cash Bond Fund and the Police Officers and Firefighters Supplemental Retirement Plan. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 44. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for the intended purpose.

The City adopts an annual budget for its General Fund and Water and Sewer Fund. A budgetary comparison statement for the General Fund has been provided immediately following the fund financial statements.

- **Notes to the Financial Statements**

The CAFR also includes narrative notes that convey additional essential information that help to further the understanding of the data in the government-wide and fund financial statements. The notes follow the basic financial statements.

- **Other Information**

In addition to the basic financial statements and accompanying notes, this section also presents required supplementary information concerning the City of Tuscaloosa's progress in funding its obligation to provide pension benefits to its employees.



Tornado Damage and Recovery Effects



The April 27, 2011 tornado that hit the City of Tuscaloosa was the most destructive natural disaster in the City's history, taking the lives of 52 citizens and destroying 12 percent of the City. In less than six minutes, the tornado damaged or destroyed 5,362 residential structures and affected 356 commercial structures.

The tornado affected three major sections within the Tuscaloosa city limits: Alberta, Forest Lake, and Rosedale. The Holt community (located in the City's Police Jurisdiction) was also affected by the tornado. Due to the widespread damage, there were lengthy power outages in various City and County areas.

The affected City facilities were fully insured. The Curry Building, Police Athletic League building, Police Auction Lot, and one fire station were completely destroyed. The Curry Building housed the City's Environmental Services Department, Emergency Management Agency, and the Facilities Maintenance Department, including their vehicles and various supplies. These three departments have been relocated to alternate sites. While it wasn't completely destroyed, there was significant damage to the Tuscaloosa East Police Precinct and one of the waste water treatment plants.

There was no structural damage on the University of Alabama campus, City Hall or other downtown Tuscaloosa businesses/structures.

On April 28, 2011, the President of the United States declared Tuscaloosa County a disaster area. This declaration included all categories of work (listed below):

- Category A: Debris Removal (from City rights-of-way and private property [when approved])
- Category B: Emergency Protective Measures (search and rescue, emergency traffic control, demolition of private structures, etc.)
- Category C: Roads and Bridges (on non-Federal Highway Authority roads)
- Category D: Water Control Facilities
- Category E: Buildings and Contents
- Category F: Utilities
- Category G: Parks, Recreational Areas, and other Facilities

FEMA Reimbursements

- Federal Emergency Management Agency (FEMA) issued a mission assignment (Direct Federal Assistance) to the U. S. Army Corps of Engineers (Corps) to perform debris removal from City rights-of-way. The Corps was later authorized to perform debris removal from eligible private property located within a "grid." Therefore, FEMA will pay the Corps for debris removal costs and then submit an invoice to the City of Tuscaloosa for the local share. As of September 30, 2011, the City estimates its share of the debris removal costs to be \$1.2 million. This amount has been recorded as other payables in the accompanying statement of net assets.

The City has requested reimbursement for the cost of rebuilding and/or repairing the following buildings:

- Tuscaloosa Police East Precinct
 - Tuscaloosa Fire Station #4
 - Curry Building
 - Police Auction Lot Building
 - A Waste Water Treatment Plant
 - Police Athletic League Building
- The cost of eligible repairs that are not reimbursed by insurance will be reimbursed by FEMA through the Public Assistance program. For this disaster, repairs to facilities are reimbursed by FEMA at 75 percent with the State of Alabama providing 12.5 percent of the local match, and the City providing for the remaining 12.5 percent of the cost.

The City loaned \$6,000,000 from its Capital Projects Fund to the “Storm Recovery FEMA Fund” (a special revenue fund) to begin paying for storm related expenses. The City anticipates that the majority of the costs will be reimbursed by FEMA, the State of Alabama or insurance proceeds. The City also established the “Storm Recovery Insurance Fund” to receive insurance proceeds for storm damaged capital assets.

The City evaluated its capital assets in accordance with Governmental Accounting Standard Board (GASB) Statement #42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* and realized a loss of \$25.3 million. As of September 30, 2011, the City realized \$15.3 million of insurance recoveries related to the storm, with \$13.8 million being received and \$1.5 million recorded as other receivables in the accompanying statement of net assets. Accordingly, the City has recorded a net loss on disposal of \$10 million in the accompanying Statement of Activities. The City expects to receive additional insurance proceeds and FEMA reimbursements in 2012.

The Tuscaloosa Forward strategic plan was created from input given by citizens and business owners and adopted by the Planning and Zoning Commission. This allowed the implementation of new zoning districts and codes within the storm affected areas. The mixed-use commercial codes have been adopted by the City Council and the City is currently working on the residential codes. These are expected to be adopted in April, 2012.



GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. As of September 30, 2011, the City's assets exceeded liabilities by \$374,062,698, a decrease of approximately \$10.5 million from the prior year, which was primarily caused by the impact of the April tornado.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., buildings, equipment, and construction in progress). The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

In Governmental Activities, the revenues were approximately \$2.4 million above the previous fiscal year. Much of the increase came from increased grants and contributions related to the April tornado. Also in Governmental Activities, the expenditures were over \$23,000,000 more than the previous year, with the largest increase being in the General Government and Public Safety categories, primarily related to the tornado. The Loss on Impairment is also tornado related.

There are two component units reported in the City's government wide financial statements which are not reported on here. See information relative to separately issued financial statements as described in Note I.

The following is a summary of changes in net assets for the years ended September 30, 2011 and 2010.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 84,352,810	\$ 91,416,042	\$ 27,083,757	\$ 25,336,525	\$ 111,436,567	\$ 116,752,567
Capital assets	207,850,699	214,371,589	280,652,836	284,131,749	488,503,535	498,503,338
Total assets	<u>292,203,509</u>	<u>305,787,631</u>	<u>307,736,593</u>	<u>309,468,274</u>	<u>599,940,102</u>	<u>615,255,905</u>
Long-term liabilities	86,766,794	90,855,777	111,963,035	114,468,875	198,729,829	205,324,652
Other liabilities	19,182,384	14,444,460	7,933,413	10,110,712	27,115,797	24,555,172
Total liabilities	<u>105,949,178</u>	<u>105,300,237</u>	<u>119,896,448</u>	<u>124,579,587</u>	<u>225,845,626</u>	<u>229,879,824</u>
Net Assets:						-
Invested in capital assets, net of related debt	140,477,146	178,375,642	166,577,134	170,501,366	307,054,280	348,877,008
Restricted	5,403,873	18,579,455	-	-	5,403,873	18,579,455
Unrestricted	40,373,312	3,532,297	21,263,011	14,387,321	61,636,323	17,919,618
Total Net Assets	<u>\$ 186,254,331</u>	<u>\$ 200,487,394</u>	<u>\$ 187,840,145</u>	<u>\$ 184,888,687</u>	<u>\$ 374,094,476</u>	<u>\$ 385,376,081</u>

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Fines, fees, and charges for services	\$ 25,709,677	\$ 24,515,009	\$ 37,445,337	\$ 34,538,964	\$ 63,155,014	\$ 59,053,973
Operating grants and contributions	39,864,301	4,476,952	-	-	39,864,301	4,476,952
Capital grants and contributions	4,962,838	8,772,540	879,473	967,828	5,842,311	9,740,368
General revenues:						
Sales and use tax	34,710,490	53,284,756	-	-	34,710,490	53,284,756
Property tax	13,471,960	13,140,500	-	-	13,471,960	13,140,500
Other taxes	11,338,975	11,631,263	-	-	11,338,975	11,631,263
Investment earnings	527,377	764,572	59,301	73,059	586,678	837,631
Loss on impairment	(7,832,781)	-	-	-	(7,832,781)	-
Gain/(Loss) on disposal	(3,420,888)	-	23,114	-	(3,397,774)	-
Total revenues	<u>119,331,949</u>	<u>116,585,592</u>	<u>38,407,225</u>	<u>35,579,851</u>	<u>157,739,174</u>	<u>152,165,443</u>
Expenses:						
General government	27,116,940	16,177,787	-	-	27,116,940	16,177,787
Public safety	61,270,595	51,712,388	-	-	61,270,595	51,712,388
Streets and highways	18,008,488	16,929,837	-	-	18,008,488	16,929,837
Environmental services	6,347,923	6,722,562	-	-	6,347,923	6,722,562
Education	12,934,588	12,499,220	-	-	12,934,588	12,499,220
Recreation	4,217,570	3,880,151	-	-	4,217,570	3,880,151
Interest	3,916,406	2,712,190	-	-	3,916,406	2,712,190
Unallocated depreciation	234,302	281,654	-	-	234,302	281,654
Water and sewer	-	-	34,239,334	33,095,681	34,239,334	33,095,681
Total expenses	<u>134,046,812</u>	<u>110,915,789</u>	<u>34,239,334</u>	<u>33,095,681</u>	<u>168,286,146</u>	<u>144,011,470</u>
Excess before transfers	(14,714,863)	5,669,803	4,167,891	2,484,170	(10,546,972)	8,153,973
Transfers	481,800	757,799	(481,800)	(757,799)	-	-
Change in net assets	(14,233,063)	6,427,602	3,686,091	1,726,371	(10,546,972)	8,153,973
Net assets, beginning of year	<u>200,487,394</u>	<u>194,059,792</u>	<u>184,888,687</u>	<u>183,162,316</u>	<u>385,376,081</u>	<u>377,222,108</u>
Prior period adjustment	-	-	(734,633)	-	(734,633)	-
Net assets, beginning of year as restated	<u>200,487,394</u>	<u>194,059,792</u>	<u>184,154,054</u>	<u>183,162,316</u>	<u>384,641,448</u>	<u>377,222,108</u>
Net assets, end of year	<u>\$ 186,254,331</u>	<u>\$ 200,487,394</u>	<u>\$ 187,840,145</u>	<u>\$ 184,888,687</u>	<u>\$ 374,094,476</u>	<u>\$ 385,376,081</u>

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. The format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this type of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function utilizes of the general revenues or if the function is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

<u>Function</u>	<u>Sources of Revenue</u>
General government	Building licenses, Federal grants classified as operating grants
Public safety	Federal and State grants, emergency run charges
Streets and highways	Federal and State grants, state tax receipts
Environmental services	Garbage collection fees

It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Business-type Activities

The City operates a Water and Sewer Department that is accounted for as an Enterprise Fund. The business-type activity's Net Assets increased, partly due to a six percent rate increase on October 1, 2010. The annual six percent increases continue through October 1, 2011, based on a 2006 rate study update performed by a consulting engineer. The adjustments are established to enable the City to meet its debt service requirements, pay operating expenses, meet the annual debt coverage requirement, and to meet the goal of avoiding issuing additional water and sewer debt during the next few years. A rate study is being updated again during the 2011-2012 fiscal year.

FUND FINANCIAL ANALYSIS

The general, special revenue, capital project, debt service, and permanent funds are considered governmental funds, and are accounted for on the modified accrual method of accounting. The following schedule presents a summary of revenues and expenditures (excluding other financial sources/uses) for the years ended September 30, 2011 and 2010, and the amount of increases and decreases in relation to the prior year:

	General Fund			Capital Projects Fund			Storm Recovery FEMA Fund			Storm Recovery Insurance Fund			Other Governmental Funds		
	2011	2010	Increase/ (Decrease)	2011	2010	Increase/ (Decrease)	2011	2010	Increase/ (Decrease)	2011	2010	Increase/ (Decrease)	2011	2010	Increase/ (Decrease)
Revenues															
Taxes	\$ 57,807,943	\$ 54,438,027	\$3,369,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 899,348	\$ 912,373	\$ (13,025)
Licenses and permits	19,406,856	18,354,400	1,052,456	-	-	-	-	-	-	-	-	-	-	-	-
Fines and penalties	2,497,600	2,486,909	10,691	-	-	-	-	-	-	-	-	-	-	-	-
Use of property	91,273	85,105	6,168	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services	3,656,458	3,560,190	96,268	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	27,181,397	26,621,975	559,422	1,117,999	1,090,047	27,952	120,865	-	120,865	-	-	-	4,133,756	8,727,287	(4,593,531)
Other revenues	6,698,856	2,512,574	4,186,282	405,630	768,248	(362,618)	7,193,047	-	7,193,047	64	-	64	1,004,218	1,042,455	(38,237)
	<u>\$117,340,383</u>	<u>\$108,059,180</u>	<u>\$9,281,203</u>	<u>\$1,523,629</u>	<u>\$1,858,295</u>	<u>\$ (334,666)</u>	<u>\$ 7,313,912</u>	<u>\$ -</u>	<u>\$ 7,313,912</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 64</u>	<u>\$6,037,322</u>	<u>\$10,682,115</u>	<u>\$ (4,644,793)</u>

The funding for the government activities comes from a variety of sources. The largest revenue items are the City sales tax, the City's share of the two cent County sales tax, business licenses and property taxes. The City's Revenue Department collects and administers its two cent City sales tax and the business license that is based on gross receipts. The City receives 25 percent of the County two cent sales tax, which is collected and administered by the County Sales Tax Board, an independent entity.

Revenues increased in primarily four areas: Taxes, Licenses and Permits, Intergovernmental and Other Revenues. The increase in Other Revenues relates to revenue generated from the new Amphitheater.

In the General Fund, Other Revenues increased by \$4,100,000 due to transfers from the Tornado Recovery Funds to the General Fund.

The expenditures for the governmental funds are summarized below:

Expenditures	General Fund			Capital Projects Fund			Storm Recovery FEMA Fund			Storm Recovery Insurance Fund			Other Governmental Funds		
	2011	2010	Increase/(Decrease)	2011	2010	Increase/(Decrease)	2011	2010	Increase/(Decrease)	2011	2010	Increase/(Decrease)	2011	2010	Increase/(Decrease)
Current operations:															
General government	\$ 14,016,113	\$ 11,174,561	\$ 2,841,552	\$ 747,108	\$ 609,326	\$ 137,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 610,714	\$ 503,644	\$ 107,070
Public safety	59,504,979	49,230,119	10,274,860	123,529	229,180	(105,651)	-	-	-	1,203,891	-	1,203,891	489,647	1,046,541	(556,894)
Streets and highways	12,520,066	12,777,305	(257,239)	9,510,084	4,604,273	4,905,811	-	-	-	-	-	-	1,114,831	7,238	1,107,593
Environmental services	6,516,442	6,482,032	34,410	-	-	-	-	-	-	-	-	-	-	-	-
Health	130,000	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	12,934,583	12,499,215	435,368	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	3,615,339	3,616,519	(1,180)	3,378,321	980,788	2,397,533	-	-	-	-	-	-	130,393	114,221	16,172
Library	1,600,000	1,600,007	(7)	-	-	-	-	-	-	-	-	-	-	-	-
Other activities	2,988,530	2,053,947	934,583	36	769	(733)	390	-	390	-	-	-	775,940	930,548	(154,608)
Capital outlay	198,684	1,967	196,717	1,677,674	2,665,679	(988,005)	-	-	-	5,695,525	-	5,695,525	9,130,438	17,866,539	(8,736,101)
Debt service	7,078,383	6,964,881	113,502	-	-	-	-	-	-	-	-	-	-	1,024,417	(1,024,417)
	<u>\$ 121,103,119</u>	<u>\$ 106,530,553</u>	<u>\$ 14,572,566</u>	<u>\$ 15,436,752</u>	<u>\$ 9,090,015</u>	<u>\$ 6,346,737</u>	<u>\$ 390</u>	<u>\$ -</u>	<u>\$ 390</u>	<u>\$ 6,899,416</u>	<u>\$ -</u>	<u>\$ 6,899,416</u>	<u>\$ 12,251,963</u>	<u>\$ 21,493,148</u>	<u>\$ 6,899,416</u>

The cost of operating all City departments, except water and sewer, is the largest component of the General Fund expenditures. The Police, Fire and Transportation departments have the largest budget allocations. The City also provides direct funding to various agencies including the City Board of Education, the Park and Recreation Authority and the Public Library. The City has unusually low general indebtedness, excluding water and sewer debt that is backed by a general obligation pledge, but is repaid from water and sewer funds.

In the General Fund, the increase in Public Safety expenditures is caused primarily by the inclusion of almost \$7,100,000 in tornado related expenditures. Also, personnel services increased in all public safety divisions due to the tornado.

The Capital Project Fund is used to pay for major improvement projects such as improvements to City buildings, road improvements, drainage projects, street resurfacing, school construction and industrial incentives. The primary funding source for the Capital Improvement Fund is the annual transfer of excess revenues from General Fund operations, which was \$3,000,000 for 2011. The increase in Streets and Highways expenditures was caused by a large street project and two major drainage projects. The increase in Recreation was caused by Riverwalk improvements.

The City created two new Storm Recovery Funds in 2011 to receive recovery grants and insurance proceeds related to the April tornado.

The Other Government Funds include primarily funds related to Downtown Urban Renewal and the Special Revenue Funds. The decrease in Public Safety expenditures was caused by lower grant related expenditures and reduced salary and fringe benefit costs. The decrease in Capital Outlay funds in the Other Governmental Funds is related to the conclusion of Downtown Urban Renewal and Amphitheater construction expenditures. Debt service decreased due to the 2011 Amphitheater debt service costs being paid in the General Fund.

The Council has required the City to maintain an undesignated fund balance in both the General Fund and the Capital Projects Fund at all times that equals ten percent of the current year General Fund operating budget. Ten percent of the 2011 General Fund budget was \$11,212,470. Both the General Fund and Capital Projects Fund met this requirement in 2011.

The following table shows a comparison of the Water and Sewer Fund, an Enterprise Fund, to the prior year.

<u>Operating revenues</u>	September 30, 2011	September 30, 2010
Charges for services	\$ 37,408,228	\$ 34,395,659
Miscellaneous	21,114	108,760
Total operating revenues	<u>37,429,342</u>	<u>34,504,419</u>
<u>Operating expenses</u>		
All departmental expenses	20,491,540	19,799,992
Depreciation and amortization	8,325,364	7,723,479
Total operating expenses	<u>28,816,904</u>	<u>27,523,471</u>
Operating income	<u>\$ 8,612,438</u>	<u>\$ 6,980,948</u>

The revenues of the Water and Sewer Fund increased slightly despite there being much more rain in 2011 over the previous fiscal year. A second water treatment plant in northern Tuscaloosa opened in late 2010. It serves as the major treatment facility for areas north of the Black Warrior River and a back-up for the larger treatment plant south of the river.

The Council has required the City to maintain an undesignated fund balance of at least 30 percent of prior year budgeted expenditures in the Water and Sewer Fund and the Water and Sewer Reserve Fund. The Water and Sewer Fund has met this requirement for 2011. For financial statement purposes, the Water and Sewer Fund and the Water and Sewer Reserve Fund are combined.

BUDGETARY HIGHLIGHTS

The City's budget is prepared according to the laws of the State of Alabama and the City's budgetary procedure ordinance. Budgets are prepared in the General Fund and the Enterprise Fund. Departmental totals are budgeted in both funds, but the City Council holds each department head accountable for every line item in their budget. In the Capital Project Fund, the Council periodically designates funds for City projects.

The City Council has control over the appropriation of funds; however, the Mayor is responsible for the annual budget recommendation to the Council. The budget process begins in May when the departments submit their budget requests for the following fiscal year to the Finance Department. The Finance Department compiles a report of the expenditure requests and the annual revenue projections. The annual budget hearings are held in June and July with City departments and agencies. The Mayor then adjusts the requests in order to present a balanced General Fund budget to the City Council. During the month of September, the Finance Committee, and at times the entire Council, reviews the Mayor's recommendation for adjustments before adopting the final budget October 1st. The budget is revised approximately once a quarter to take into account unexpected changes in revenues or expenditures. The final budget is not deemed to be significantly different from the original budget. The Finance Director has limited ability to approve the movement of funds within the "Other Operating" category of a departmental budget as long as the total department budget does not change. No department had a significant variance between the final budget and actual results.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The total Capital Assets for the City of Tuscaloosa was \$488,503,535 for the year ended September 30, 2011. The increase in Infrastructure and the decrease in Construction in Progress are caused primarily by the completion of the downtown urban renewal and the Amphitheater. The decrease in Buildings is caused by tornado damage to City facilities. See Notes to Financial Statements on page 57 for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Land	\$ -	\$ -	\$ 1,286,042	\$ 1,286,042	\$ 1,286,042	\$ 1,286,042
Buildings	67,592,969	71,898,352	-	-	67,592,969	71,898,352
Equipment	17,022,982	17,616,940	2,529,261	2,394,360	19,552,243	20,011,300
Infrastructure	101,025,749	56,833,496	-	-	101,025,749	56,833,496
Utility property	-	-	276,829,393	280,365,027	276,829,393	280,365,027
Construction in progress	22,208,999	68,022,801	8,140	86,320	22,217,139	68,109,121
	<u>\$ 207,850,699</u>	<u>\$ 214,371,589</u>	<u>\$ 280,652,836</u>	<u>\$ 284,131,749</u>	<u>\$ 488,503,535</u>	<u>\$ 498,503,338</u>



TUSCALOOSA

AMPHITHEATER



Debt

The outstanding debt for the City of Tuscaloosa as of September 30, 2011 was \$198,631,493. This balance reflects a decrease of \$11,449,650 from the previous year due to scheduled debt repayments. See Notes to Financial Statements starting on page 61 for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
Warrants payable	\$ 80,990,000	\$ 84,000,000	\$ 112,609,216	\$ 117,017,089	\$ 193,599,216	\$ 201,017,089
Section 108 Loan	1,425,000	-	-	-	1,425,000	-
Compensated absences	6,415,277	6,135,310	867,900	825,000	7,283,177	6,960,310
Workers comp claims	554,969	489,740	76,719	133,117	631,688	622,857
OPEB Obligation	1,422,199	908,406	250,279	160,433	1,672,478	1,068,839
Litigation Settlement	292,750	-	-	-	292,750	-
Capital lease	86,768	412,048	-	-	86,768	412,048
	<u>\$ 91,186,963</u>	<u>\$ 91,945,504</u>	<u>\$ 113,804,114</u>	<u>\$ 118,135,639</u>	<u>\$ 204,991,077</u>	<u>\$ 210,081,143</u>

The City had relatively little general indebtedness, excluding water and sewer debt, before assisting the City Board of Education on a school improvement program involving over \$100,000,000 in construction. The City refinanced both school issues in 2010 to take advantage of reduced interest rates.

The City has outstanding State Revolving Loan warrant issues from 2002, 2003, 2004, 2008, and 2010. All except the 2003 and 2004 SRF issues are refundings. The funds are available on a reimbursement basis. The amount of SRF funds drawn down in 2011 was \$845,819.

The City continues to maintain good bond ratings on the non-insured general obligation debt which was upgraded in 2011 to "Aa1" by Moody's Investors Service, Inc. and "AA+" at Standard & Poor's Corporation. The Council is committed to reducing the City's water and sewer debt.

CURRENT FINANCIAL ISSUES

GASB 45

The City implemented GASB 45 in the fiscal year ended September 30, 2009, and is exploring various options to begin funding the post-employment liability. The General Fund's share of the 2011 liability in the government wide financial statements for post employment benefits is \$1,422,199 and the Water and Sewer Fund's share is \$250,279.

General Fund Transfers to the Capital Improvement Fund

The City's General Fund makes significant annual transfers to the Capital Projects Fund as revenues are available. In 2011, the General Fund made a \$3,000,000 surplus transfer to the Capital Projects Fund.

Internal Service Fund

The City's Health Insurance Fund, an Internal Service Fund, has a deficit of \$148,385 as of September 30, 2011. The City has successfully taken steps to reduce the deficit in recent years, by increasing premiums, having employees pay for the dental portion of the coverage and implementing cost control measures recommended by the third party administrator. The employer/employee premium split has changed from 75/25 to 70/30 over several years. An employee health insurance committee recommended ways to improve employee health including wellness and safety programs. In 2011, the City's General Fund transferred \$300,000 to the Health Insurance Fund to minimize the deficit.

OTHER MATTERS

Acknowledgements

The City of Tuscaloosa would like to thank Mayor Walter Maddox, members of the City Council, the City's department heads and the Finance Department staff for their contributions to this report and their role in the City's strong financial condition.

Contacting the City's Finance Department

This report is intended to provide a general overview of the City's financial condition for our citizens and other interested parties. Any questions or requests for more information should be directed to the City of Tuscaloosa Finance Department at Post Office Box 2089, Tuscaloosa, Alabama, 35403. The City's Finance Director, Mike Wright, can be reached by telephone at (205) 248-5180. The City's website is www.tuscaloosa.com.

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CITY OF TUSCALOOSA
STATEMENT OF NET ASSETS

September 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tuscaloosa Tourism and Sports Commission	Tuscaloosa County Parking and Transit Authority
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 33,210,923	\$ 6,927,890	\$ 40,138,813	\$ 214,875	\$ 419,840
Investments	9,292,474	6,020,417	15,312,891	—	—
Receivables (net of allowances for uncollectibles)	25,207,453	4,850,998	30,058,451	8,432	13,375
Internal balances	(1,629,904)	1,629,904	—	—	—
Prepaid items	309,033	14,176	323,209	8,322	28,500
Inventories	935,616	1,266,372	2,201,988	—	—
Total current assets	67,325,595	20,709,757	88,035,352	231,629	461,715
Noncurrent assets:					
Restricted assets:					
Cash and cash equivalents	4,250,135	5,056,167	9,306,302	—	—
Receivables	9,675,000	—	9,675,000	—	—
Unamortized issue costs and other costs	3,102,080	1,317,833	4,419,913	—	—
Capital assets not being depreciated:					
Land	50,000	1,286,042	1,336,042	—	—
Construction in progress	22,208,999	8,140	22,217,139	—	—
Capital assets (net of accumulated depreciation)	185,591,700	279,358,654	464,950,354	91,144	1,822,784
Total noncurrent assets	224,877,914	287,026,836	511,904,750	91,144	1,822,784
Total assets	292,203,509	307,736,593	599,940,102	322,773	2,284,499
LIABILITIES					
Current liabilities:					
Accounts payable and other current charges	11,551,984	1,132,731	12,684,715	26,273	108,687
Accrued interest payable	1,025,988	1,029,190	2,055,178	—	—
Current portion of long-term debt	6,308,233	5,771,492	12,079,725	4,225	—
Total current liabilities	18,886,205	7,933,413	26,819,618	30,498	108,687
Noncurrent liabilities:					
Unearned revenue	130,608	5,462	136,070	—	—
Developer deposits	—	563,137	563,137	—	—
Liabilities payable from restricted assets:					
Customer deposits	—	1,879,782	1,879,782	—	—
Unamortized premium on warrants	2,053,635	1,482,032	3,535,667	—	—
Long-term debt due after one year	84,878,730	108,032,622	192,911,352	4,307	—
Total noncurrent liabilities	87,062,973	111,963,035	199,026,008	4,307	—
Total liabilities	105,949,178	119,896,448	225,845,626	34,805	108,687

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Tuscaloosa Tourism and Sports Commission	Tuscaloosa County Parking and Transit Authority
NET ASSETS					
Invested in capital assets, net of related debt	\$ 140,477,146	\$ 166,577,134	\$ 307,054,280	\$ 82,612	\$ 1,822,784
Restricted for:					
Capital projects	3,304,813	—	3,304,813	—	—
Garnishments	4,078	—	4,078	—	—
Municipal court	65,708	—	65,708	—	—
Hazard mitigation	3	—	3	—	—
Streets and highways	496,208	—	496,208	—	—
Salaries	234,235	—	234,235	—	—
Storm recovery	1,212,937	—	1,212,937	—	—
Capital Park maintenance - nonspendable	85,891	—	85,891	—	—
Unrestricted	40,373,312	21,263,011	61,636,323	205,356	353,028
Total net assets	<u>\$ 186,254,331</u>	<u>\$ 187,840,145</u>	<u>\$ 374,094,476</u>	<u>\$ 287,968</u>	<u>\$ 2,175,812</u>

CITY OF TUSCALOOSA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2011

Functions/Programs	Program Revenues				Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Tuscaloosa	Tuscaloosa County	
					Governmental Activities	Business-Type Activities	Commission	Parking and Transit Authority	
Primary government:									
Governmental activities:									
General government	\$ 27,116,940	\$ 21,995,729	\$ 32,771,486	\$ 3,655,038	\$ 31,305,313	\$ —	\$ 31,305,313	\$ —	\$ —
Public safety	61,270,595	57,490	457,297	—	(60,755,808)	—	(60,755,808)	—	—
Streets and highways	18,008,488	—	—	1,307,800	(16,700,688)	—	(16,700,688)	—	—
Environmental services	6,347,923	3,656,458	—	—	(2,691,465)	—	(2,691,465)	—	—
Education	12,934,588	—	—	—	(12,934,588)	—	(12,934,588)	—	—
Culture and recreation	4,217,570	—	6,152,528	—	1,934,958	—	1,934,958	—	—
Interest on long-term debt	3,916,406	—	482,990	—	(3,433,416)	—	(3,433,416)	—	—
Unallocated depreciation expense	234,302	—	—	—	(234,302)	—	(234,302)	—	—
Total governmental activities	134,046,812	25,709,677	39,864,301	4,962,838	(63,509,996)	—	(63,509,996)	—	—
Business-type activities:									
Intermodal facility	62,200	15,995	—	—	—	(46,205)	(46,205)	—	—
Water and sewer	34,177,134	37,429,342	—	879,473	—	4,131,681	4,131,681	—	—
Total business-type activities	34,239,334	37,445,337	—	879,473	—	4,085,476	4,085,476	—	—
Total primary government	\$ 168,286,146	\$ 63,155,014	\$ 39,864,301	\$ 5,842,311	\$ (63,509,996)	\$ 4,085,476	\$ (59,424,520)	\$ —	\$ —
Component units:									
Tuscaloosa Tourism and Sports Commission	\$ 1,060,725	\$ —	\$ 1,186,866	\$ —	\$ —	\$ —	\$ —	\$ 126,141	\$ —
Tuscaloosa County Parking and Transit Authority	2,133,808	201,585	1,113,981	920,695	—	—	—	—	102,453
Total component units	\$ 3,194,533	\$ 201,585	\$ 2,300,847	\$ 920,695	\$ —	\$ —	\$ —	\$ 126,141	\$ 102,453
General Revenues:									
Taxes:									
Sales and use tax					\$ 34,710,490	\$ —	\$ 34,710,490	\$ —	\$ —
Property tax					13,471,960	—	13,471,960	—	—
Lodging tax					4,748,114	—	4,748,114	—	—
Other local tax					4,877,379	—	4,877,379	—	—
Taxes passed through from state					1,713,482	—	1,713,482	—	—
Unrestricted investment earnings					527,377	59,301	586,678	944	10
Gain/(loss) on disposal of capital assets					(1,185,213)	23,114	(1,162,099)	—	4,000
Loss on impairment					(10,068,456)	—	(10,068,456)	—	—
Transfers					481,800	(481,800)	—	—	—
Total general revenues and transfers					49,276,933	(399,385)	48,877,548	944	4,010
Change in net assets					(14,233,063)	3,686,091	(10,546,972)	127,085	106,463
Net assets, beginning of year, as previously reported					200,487,394	184,888,687	385,376,081	160,883	2,069,349
Prior period adjustment					—	(734,633)	(734,633)	—	—
Net assets, beginning of year, as restated					200,487,394	184,154,054	384,641,448	160,883	2,069,349
Net assets, end of year					\$ 186,254,331	\$ 187,840,145	\$ 374,094,476	\$ 287,968	\$ 2,175,812

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2011

ASSETS	General Fund	Capital Projects Fund	Storm Recovery FEMA Fund	Storm Recovery Insurance Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 10,899,087	\$ 11,454,499	\$ 88,202	\$ 7,706,170	\$ 6,065,507	\$ 36,213,465
Investments	1,355,424	7,572,196	—	—	364,854	9,292,474
Receivables (net of allowances for uncollectibles)	11,098,205	—	—	1,553,902	45,301	12,697,408
Due from other governments	621,552	1,455,361	7,124,874	—	1,185,711	10,387,498
Due from other funds	6,352,077	11,610,377	—	—	223,922	18,186,376
Prepaid items	161,551	—	—	—	125,000	286,551
Inventories	935,324	—	—	—	292	935,616
Total assets	\$ 31,423,220	\$ 32,092,433	\$ 7,213,076	\$ 9,260,072	\$ 8,010,587	\$ 87,999,388
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 7,311,208	\$ 585,761	\$ —	\$ 1,300,719	\$ 1,081,940	\$ 10,279,628
Compensated absences	20,515	—	—	—	—	20,515
Deferred revenue	11,586	—	—	—	119,022	130,608
Due to other funds	9,810,208	2,614,074	6,000,139	309,114	1,099,989	19,833,524
Total liabilities	17,153,517	3,199,835	6,000,139	1,609,833	2,300,951	30,264,275
Fund balances:						
Nonspendable:						
Prepaid items	161,551	—	—	—	—	161,551
Inventories	935,324	—	—	—	—	935,324
Restricted for:						
Capital projects	—	4,188,643	—	—	4,320,448	8,509,091
Capital Park maintenance	—	—	—	—	85,891	85,891
Garnishments	4,078	—	—	—	—	4,078
Municipal court	65,708	—	—	—	—	65,708
Hazard mitigation	—	—	—	—	3	3
Road projects	—	—	—	—	496,208	496,208
Salaries	—	—	—	—	234,235	234,235
Storm recovery	—	—	1,212,937	—	—	1,212,937
Committed for:						
Capital projects	—	3,784,607	—	—	—	3,784,607
Cemetery maintenance	—	—	—	—	233,767	233,767
Law enforcement and public officials liability	1,374,614	—	—	—	—	1,374,614
Pensions	213,807	—	—	—	—	213,807
Tourism enhancement	—	—	—	—	339,084	339,084
Assigned for:						
Fiscal year 2011 budget	247,643	—	—	—	—	247,643
Future capital projects	—	20,919,348	—	7,650,239	—	28,569,587
Unassigned	11,266,978	—	—	—	—	11,266,978
Total fund balances	14,269,703	28,892,598	1,212,937	7,650,239	5,709,636	57,735,113
Total liabilities and fund balances	\$ 31,423,220	\$ 32,092,433	\$ 7,213,076	\$ 9,260,072	\$ 8,010,587	\$ 87,999,388

CITY OF TUSCALOOSA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

September 30, 2011

Total fund balances for governmental funds \$ 57,735,113

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. Those assets consist of:

Buildings, net of accumulated depreciation of \$13,737,234	\$ 67,542,969	
Equipment, net of accumulated depreciation of \$32,373,887	17,022,982	
Infrastructure, net of accumulated depreciation of \$101,310,850	101,025,749	
Land	50,000	
Construction in progress	<u>22,208,999</u>	207,850,699

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:

Receivable from other governments for accrued interest payable on debt	69,978	
Receivable from other governments for warrants payable to be reimbursed to City	<u>11,835,000</u>	11,904,978

Internal service funds are used by the City to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.

(94,435)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Warrants payable	(80,990,000)	
Section 108 loan	(1,425,000)	
Capital lease	(86,768)	
Litigation settlement	(292,750)	
Compensated absences	(6,415,277)	
Workers comp liability	(554,969)	
OPEB liability	(1,422,199)	
Accrued interest payable	(1,025,988)	
Deferred loss on refunding of warrants, to be amortized	2,404,836	
Premiums, to be amortized	(2,053,635)	
Issue costs and discount, to be amortized	<u>719,726</u>	<u>(91,142,024)</u>

Net assets of governmental activities \$ 186,254,331

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended September 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Storm Recovery FEMA Fund</u>	<u>Storm Recovery Insurance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 57,807,943	\$ —	\$ —	\$ —	\$ 899,348	\$ 58,707,291
Licenses and permits	19,406,856	—	—	—	—	19,406,856
Fines and penalties	2,497,600	—	—	—	—	2,497,600
Use of property	91,273	—	—	—	—	91,273
Charges for services	3,656,458	—	—	—	—	3,656,458
Intergovernmental	27,181,397	1,117,999	120,865	—	4,133,756	32,554,017
Other revenues	6,698,856	405,630	7,193,047	64	1,004,218	15,301,815
Total revenues	117,340,383	1,523,629	7,313,912	64	6,037,322	132,215,310
Expenditures:						
Current operations:						
General government	14,016,113	747,108	—	—	610,714	15,373,935
Public safety	59,504,979	123,529	—	1,203,891	489,647	61,322,046
Streets and highways	12,520,066	9,510,084	—	—	1,114,831	23,144,981
Environmental services	6,516,442	—	—	—	—	6,516,442
Health	130,000	—	—	—	—	130,000
Education	12,934,583	—	—	—	—	12,934,583
Culture and recreation	3,615,339	3,378,321	—	—	130,393	7,124,053
Library	1,600,000	—	—	—	—	1,600,000
Other activities	2,988,530	36	390	—	775,940	3,764,896
Total current operations	113,826,052	13,759,078	390	1,203,891	3,121,525	131,910,936
Capital outlay	198,684	1,677,674	—	5,695,525	9,130,438	16,702,321
Debt service:						
Principal payments	3,366,189	—	—	—	—	3,366,189
Interest charges	3,712,194	—	—	—	—	3,712,194
Total expenditures	121,103,119	15,436,752	390	6,899,416	12,251,963	155,691,640
Excess (deficiency) of revenues over expenditures	(3,762,736)	(13,913,123)	7,313,522	(6,899,352)	(6,214,641)	(23,476,330)

See accompanying notes to financial statements.

(Continued)
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CITY OF TUSCALOOSA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the year ended September 30, 2011

	General Fund	Capital Projects Fund	Storm Recovery FEMA Fund	Storm Recovery Insurance Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures (brought forward)	\$ (3,762,736)	\$ (13,913,123)	\$ 7,313,522	\$ (6,899,352)	\$ (6,214,641)	\$ (23,476,330)
Other financing sources (uses):						
Transfers in	9,496,742	3,255,000	—	—	2,706,158	15,457,900
Transfers out	(5,387,657)	(1,120,339)	(6,100,585)	(731,857)	(1,979,159)	(15,319,597)
Insurance proceeds	—	—	—	15,281,448	—	15,281,448
Total other financing sources (uses)	4,109,085	2,134,661	(6,100,585)	14,549,591	726,999	15,419,751
Net change in fund balances	346,349	(11,778,462)	1,212,937	7,650,239	(5,487,642)	(8,056,579)
Fund balances, beginning of year	13,856,672	40,671,060	—	—	11,197,278	65,725,010
Increase in reserve for change in inventory	66,682	—	—	—	—	66,682
Fund balances, end of year	<u>\$ 14,269,703</u>	<u>\$ 28,892,598</u>	<u>\$ 1,212,937</u>	<u>\$ 7,650,239</u>	<u>\$ 5,709,636</u>	<u>\$ 57,735,113</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**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, 2011

Reconciliation of the change in fund balance-total governmental funds to the change in net assets of governmental activities:

Net change in fund balances-total governmental funds		\$ (8,056,579)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	\$ 30,922,597	
Depreciation expense	<u>(10,908,370)</u>	20,014,227
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, storm impairment and donations) is to decrease net assets.		
		(26,535,117)
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 effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment is the net effect of the differences in the treatment of long-term debt and related items.		
Debt issued:		
Litigation settlement	(407,650)	
Debt payments made:		
Warrant payments	3,010,000	
Section 108 loan	75,000	
Litigation settlement	114,900	
Capital lease payments	<u>325,280</u>	3,117,530
Debt issued in prior year is being repaid by the City Board of Education. This payment to the City provides current financial resources to government funds but has no effect on net assets.		
		(1,820,000)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net of these		
Inventory-purchase method	66,682	
OPEB liability	(513,793)	
Compensated absences	(279,967)	
Workers compensation	(65,229)	
Amortization of debt premium	267,964	
Amortization of loss on refunding	(268,790)	
Amortization of debt issue costs and discount	(45,626)	
Accrued interest payable	<u>32,547</u>	(806,212)
Internal service fund is used by the City to charge the costs of providing health insurance to individual funds. The net revenue of the internal service fund is reported with governmental activities.		
		<u>(146,912)</u>
Change in net assets of governmental activities		<u>\$ (14,233,063)</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues:					
Taxes:					
Sales	\$ 31,005,000	\$ 31,005,000	\$ 32,572,443	\$ —	\$ 32,572,443
Use	1,900,000	1,900,000	2,138,047	—	2,138,047
Property tax	13,156,000	13,156,000	13,471,960	—	13,471,960
Lodging tax	3,850,000	3,850,000	4,748,114	—	4,748,114
Other local taxes	4,657,000	4,657,000	4,877,379	—	4,877,379
Total taxes	54,568,000	54,568,000	57,807,943	—	57,807,943
Licenses and permits:					
Business license	16,900,000	16,900,000	17,160,266	—	17,160,266
Other licenses	1,166,000	1,166,000	1,175,265	—	1,175,265
Building and other permits	909,650	909,650	1,071,325	—	1,071,325
Total licenses and permits	18,975,650	18,975,650	19,406,856	—	19,406,856
Fines and penalties**	1,751,000	1,751,000	2,497,600	—	2,497,600
Use of property	78,000	78,000	91,273	—	91,273
Charges for services:					
Garbage collection fees and tax	3,750,000	3,750,000	3,656,458	—	3,656,458
Intergovernmental revenues:					
Federal and state grants revenue	2,332,159	2,622,997	1,150,790	—	1,150,790
Shared from local units:					
Public school bond-sales tax	9,200,000	9,200,000	9,576,400	—	9,576,400
City share of county sales tax	11,655,000	11,655,000	12,180,019	—	12,180,019
School Board for debt	—	—	2,380,647	—	2,380,647
Other	359,000	359,000	180,059	—	180,059
Shared from state	1,630,000	1,630,000	1,713,482	—	1,713,482
Total intergovernmental revenue	25,176,159	25,466,997	27,181,397	—	27,181,397

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

(Continued)

CITY OF TUSCALOOSA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues: (Continued)					
Other operating revenues:					
Interest on investments	\$ 23,100	\$ 23,100	\$ 16,273	\$ —	\$ 16,273
Cost reimbursed	1,465,000	1,721,626	1,841,242	—	1,841,242
Other	583,700	583,700	4,841,341	—	4,841,341
Total other operating revenues	2,071,800	2,328,426	6,698,856	—	6,698,856
Total revenues	106,370,609	106,918,073	117,340,383	—	117,340,383
Expenditures:					
Current operations:					
General government:					
Finance:					
Personnel services	730,662	723,962	724,937	—	724,937
Other	336,978	331,669	62,248	—	62,248
Total	1,067,640	1,055,631	787,185	—	787,185
Revenue:					
Personnel services	617,640	617,640	620,265	—	620,265
Other	242,399	239,551	235,798	—	235,798
Total	860,039	857,191	856,063	—	856,063
Municipal court:					
Personnel services	574,085	574,585	575,863	—	575,863
Other**	248,192	243,370	581,191	—	581,191
Total	822,277	817,955	1,157,054	—	1,157,054
Human resources:					
Personnel services	714,726	735,052	771,690	—	771,690
Other**	1,431,109	1,428,104	868,045	1,200	869,245
Total	2,145,835	2,163,156	1,639,735	1,200	1,640,935
311 Operations:					
Personnel services	266,026	266,026	259,624	—	259,624
Other	79,090	86,254	(162,314)	—	(162,314)
Total	345,116	352,280	97,310	—	97,310
Information technology:					
Personnel services	1,163,456	1,163,456	1,187,957	—	1,187,957
Other	2,127,516	2,206,212	1,280,259	(13,436)	1,266,823
Total	3,290,972	3,369,668	2,468,216	(13,436)	2,454,780

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
General government (Continued):					
Mayor/City clerk:					
Personnel services	\$ 386,981	\$ 386,981	\$ 399,529	\$ —	\$ 399,529
Other	329,573	332,467	331,771	—	331,771
	<u>716,554</u>	<u>719,448</u>	<u>731,300</u>	<u>—</u>	<u>731,300</u>
Council:					
Personnel services	201,226	201,226	195,288	—	195,288
Other	43,950	43,461	24,303	(263)	24,040
	<u>245,176</u>	<u>244,687</u>	<u>219,591</u>	<u>(263)</u>	<u>219,328</u>
Economic development:					
Personnel services	535,257	561,757	576,287	—	576,287
Other	190,925	191,296	205,860	—	205,860
	<u>726,182</u>	<u>753,053</u>	<u>782,147</u>	<u>—</u>	<u>782,147</u>
Amphitheater and museum:					
Personnel services	199,173	159,173	257,927	—	257,927
Other	24,400	393,735	3,640,729	(33,661)	3,607,068
	<u>223,573</u>	<u>552,908</u>	<u>3,898,656</u>	<u>(33,661)</u>	<u>3,864,995</u>
City attorney:					
Personnel services	999,190	969,340	919,367	—	919,367
Other**	573,023	668,790	505,649	—	505,649
	<u>1,572,213</u>	<u>1,638,130</u>	<u>1,425,016</u>	<u>—</u>	<u>1,425,016</u>
Total general government	<u>12,015,577</u>	<u>12,524,107</u>	<u>14,062,273</u>	<u>(46,160)</u>	<u>14,016,113</u>
Public safety:					
Police:					
Personnel services	19,076,650	19,194,480	19,312,911	—	19,312,911
Other	6,754,590	6,800,125	7,144,940	(17,606)	7,127,334
	<u>25,831,240</u>	<u>25,994,605</u>	<u>26,457,851</u>	<u>(17,606)</u>	<u>26,440,245</u>
Fire and rescue service:					
Personnel services	13,232,966	13,210,462	13,045,149	—	13,045,149
Other	5,718,526	5,730,195	5,854,584	39,726	5,894,310
	<u>18,951,492</u>	<u>18,940,657</u>	<u>18,899,733</u>	<u>39,726</u>	<u>18,939,459</u>

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

(Continued)

CITY OF TUSCALOOSA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
Public safety (Continued):					
Care of prisoners:					
Other	\$ 1,125,000	\$ 1,125,000	\$ 897,706	\$ —	\$ 897,706
	<u>1,125,000</u>	<u>1,125,000</u>	<u>897,706</u>	<u>—</u>	<u>897,706</u>
Planning and development services:					
Personnel services	2,582,249	2,551,729	2,396,498	—	2,396,498
Other	3,029,695	2,998,525	2,260,807	(41,181)	2,219,626
	<u>5,611,944</u>	<u>5,550,254</u>	<u>4,657,305</u>	<u>(41,181)</u>	<u>4,616,124</u>
Communications:					
Personnel services	871,627	871,627	875,337	—	875,337
Other	342,790	330,921	321,787	—	321,787
	<u>1,214,417</u>	<u>1,202,548</u>	<u>1,197,124</u>	<u>—</u>	<u>1,197,124</u>
Emergency management:					
Personnel services	121,879	123,879	123,662	—	123,662
Other	158,510	224,701	202,095	—	202,095
	<u>280,389</u>	<u>348,580</u>	<u>325,757</u>	<u>—</u>	<u>325,757</u>
Tornado					
Personnel services	—	—	2,404,110	—	2,404,110
Other	—	—	4,687,454	(3,000)	4,684,454
	<u>—</u>	<u>—</u>	<u>7,091,564</u>	<u>(3,000)</u>	<u>7,088,564</u>
Total public safety	<u>53,014,482</u>	<u>53,161,644</u>	<u>59,527,039</u>	<u>(22,060)</u>	<u>59,504,979</u>
Streets and highways:					
Personnel services	7,093,285	7,093,285	6,899,260	—	6,899,260
Other	5,382,582	5,457,141	5,677,677	(56,871)	5,620,806
	<u>12,475,867</u>	<u>12,550,426</u>	<u>12,576,937</u>	<u>(56,871)</u>	<u>12,520,066</u>
Environmental services:					
Personnel services	3,385,828	3,385,828	3,343,212	—	3,343,212
Other	3,268,530	3,472,823	3,206,641	(33,411)	3,173,230
	<u>6,654,358</u>	<u>6,858,651</u>	<u>6,549,853</u>	<u>(33,411)</u>	<u>6,516,442</u>
Health	<u>130,000</u>	<u>130,000</u>	<u>130,000</u>	<u>—</u>	<u>130,000</u>
Education:					
Funds provided to City school system	11,875,000	11,875,000	12,251,400	—	12,251,400
Other	728,545	728,545	683,183	—	683,183
	<u>12,603,545</u>	<u>12,603,545</u>	<u>12,934,583</u>	<u>—</u>	<u>12,934,583</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

For the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
Recreation:					
Funds provided to Park and Recreation Authority	\$ 3,550,000	\$ 3,550,000	\$ 3,550,000	\$ —	\$ 3,550,000
Other	37,500	37,500	65,339	—	65,339
	<u>3,587,500</u>	<u>3,587,500</u>	<u>3,615,339</u>	<u>—</u>	<u>3,615,339</u>
Library:					
Funds provided to Library Board	1,600,000	1,600,000	1,600,000	—	1,600,000
	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>—</u>	<u>1,600,000</u>
Other activities:					
Funds to other agencies:					
Civil Service Board	18,000	18,000	18,000	—	18,000
Tax Equalization Board	300	300	—	—	—
Friedman Home	5,000	15,000	15,545	—	15,545
West Alabama Planning and Development Council	34,279	34,279	34,279	—	34,279
Cemetery Expense	10,000	10,000	1,512	—	1,512
Tuscaloosa County Industrial Development Authority	255,000	265,000	260,000	—	260,000
Indian Rivers Mental Health Center	25,000	25,000	25,000	—	25,000
Focus on Senior Citizens	85,000	85,000	85,000	—	85,000
Metro Animal Shelter	25,000	25,000	6,137	—	6,137
Jemison Foundation	50,000	50,000	50,000	—	50,000
Soil and Water Conservation Authority	10,000	10,000	10,000	—	10,000
Theatre Tuscaloosa	15,000	15,000	15,000	—	15,000
West Alabama Aids Outreach	15,000	15,000	15,000	—	15,000
Tuscaloosa Symphony	15,000	15,000	15,000	—	15,000
DCH - Kid One Transport	50,000	50,000	50,000	—	50,000
Mayor's Youth Advisory Council	—	—	46	—	46
Arts and Humanities Council	7,500	7,500	7,500	—	7,500
Tuscaloosa Tourism and Sports Commission	1,000,000	1,000,000	1,000,000	—	1,000,000
Tuscaloosa Sister Cities Commission	90,000	90,000	90,000	—	90,000
Tuscaloosa Community Dancers	10,000	10,000	10,000	—	10,000
Tuscaloosa Parking & Transit Authority	454,200	651,447	468,307	—	468,307
Boys and Girls Club	15,000	15,000	15,000	—	15,000
Contingencies and other	<u>154,939</u>	<u>73,061</u>	<u>799,401</u>	<u>(2,197)</u>	<u>797,204</u>
	<u>2,344,218</u>	<u>2,479,587</u>	<u>2,990,727</u>	<u>(2,197)</u>	<u>2,988,530</u>
Total current operations	<u>104,425,547</u>	<u>105,495,460</u>	<u>113,986,752</u>	<u>(160,700)</u>	<u>113,826,052</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Expenditures (Continued):					
Total current operations (brought forward):	\$ 104,425,547	\$ 105,495,460	\$ 113,986,752	\$ (160,700)	\$ 113,826,052
Capital outlay	—	8,000	198,684	—	198,684
Debt service:					
Principal	1,590,000	1,590,000	3,366,189	—	3,366,189
Interest	3,131,234	3,131,234	3,712,194	—	3,712,194
	<u>109,146,781</u>	<u>110,224,694</u>	<u>121,263,819</u>	<u>(160,700)</u>	<u>121,103,119</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>(2,776,172)</u>	<u>(3,306,621)</u>	<u>(3,923,436)</u>	<u>160,700</u>	<u>(3,762,736)</u>
Other financing sources (uses):					
Transfers in:					
Beer Tax Bonus Fund	496,944	496,944	445,606	—	445,606
Water and Sewer Fund	2,906,698	3,050,536	281,509	—	281,509
Future Improvement Fund	—	—	453,839	—	453,839
Storm Recovery Fund	—	—	6,832,442	—	6,832,442
Public Officials Fund	—	69,375	—	—	—
Amphitheater Fund	1,242,530	1,589,766	1,483,346	—	1,483,346
Transfers out:					
Police Department Funds	(200,000)	(200,000)	(131,472)	—	(131,472)
Community Development Funds	—	—	(15,137)	—	(15,137)
Health Insurance (Internal Service) Fund	(300,000)	(300,000)	(300,000)	—	(300,000)
Amphitheatre Fund	(1,370,000)	(1,370,000)	(1,511,814)	—	(1,511,814)
Intermodal Facility Retail Fund	—	(30,000)	(48,000)	—	(48,000)
Tourism Enhancement Fund	—	—	(381,234)	—	(381,234)
Future Improvement Fund**	—	—	(3,000,000)	—	(3,000,000)
	<u>2,776,172</u>	<u>3,306,621</u>	<u>4,109,085</u>	<u>—</u>	<u>4,109,085</u>
Total					
Net change in fund balance	<u>—</u>	<u>—</u>	<u>185,649</u>	<u>160,700</u>	<u>346,349</u>
Fund balances - beginning of year	17,351,676	17,351,676	13,856,672	—	13,856,672
Increase in reserve for change in inventory	—	—	66,682	—	66,682
Fund balances - end of year	<u>\$ 17,351,676</u>	<u>\$ 17,351,676</u>	<u>\$ 14,109,003</u>	<u>\$ 160,700</u>	<u>\$ 14,269,703</u>

** Includes unbudgeted costs added through consolidation of the General Fund for financial statement purposes.

See accompanying notes to financial statements.

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

ASSETS	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Current assets:				
Cash and cash equivalents	\$ 6,918,695	\$ 9,195	\$ 6,927,890	\$ 1,247,593
Investments	6,020,417	—	6,020,417	—
Accounts receivable (net of allowance for uncollectibles)	2,045,668	—	2,045,668	2,245
Assessments receivable - principal - current and past due	8,157	—	8,157	—
Special assessments interest receivable	2,522	—	2,522	—
Due from other funds	3,548,147	—	3,548,147	789,219
Inventory	1,266,372	—	1,266,372	—
Unbilled water and sewer receivables	2,794,651	—	2,794,651	—
Other current assets	14,176	—	14,176	—
Total current assets	22,618,805	9,195	22,628,000	2,039,057
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	5,056,167	—	5,056,167	—
Total restricted assets	5,056,167	—	5,056,167	—
Capital assets:				
Land	1,286,042	—	1,286,042	—
Movable equipment	7,223,509	—	7,223,509	—
Source of supply - dams, buildings, etc.	42,865,261	—	42,865,261	—
Pumping purification - buildings, etc.	103,755,387	—	103,755,387	—
Distribution - buildings, mains, etc.	197,110,669	—	197,110,669	—
Sewage system properties	51,721,388	—	51,721,388	—
Construction in progress	8,140	—	8,140	—
Less: Accumulated depreciation	(123,317,560)	—	(123,317,560)	—
Total capital assets (net of accumulated depreciation)	280,652,836	—	280,652,836	—
Unamortized warrant issue costs	1,317,833	—	1,317,833	—
Total noncurrent assets	287,026,836	—	287,026,836	—
Total assets	309,645,641	9,195	309,654,836	2,039,057

See accompanying notes to financial statements.

(Continued)

CITY OF TUSCALOOSA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

September 30, 2011

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund		Internal Service Fund
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,093,719	\$ 16,838	\$ 1,110,557	\$ 471,640
Due to other funds	1,918,243	—	1,918,243	935,602
Compensated absences	247,800	—	247,800	—
Accrued interest payable	1,029,190	—	1,029,190	—
Current portion of warrants payable	5,523,692	—	5,523,692	—
Total current liabilities	<u>9,812,644</u>	<u>16,838</u>	<u>9,829,482</u>	<u>1,407,242</u>
Noncurrent liabilities:				
Warrants payable (net of deferred amount on refunding)	107,085,524	—	107,085,524	—
Net OPEB obligation	250,279	—	250,279	—
Deferred revenue	5,462	—	5,462	—
Unamortized warrant premium	1,482,032	—	1,482,032	—
Developer deposits on water lines	563,137	—	563,137	—
Customer deposits	1,879,782	—	1,879,782	—
Compensated absences	620,100	—	620,100	—
Workers compensation claims	76,719	—	76,719	—
Outstanding claims liability	—	—	—	780,200
Total noncurrent liabilities	<u>111,963,035</u>	<u>—</u>	<u>111,963,035</u>	<u>780,200</u>
Total liabilities	<u>121,775,679</u>	<u>16,838</u>	<u>121,792,517</u>	<u>2,187,442</u>
NET ASSETS				
Invested in capital assets, net of related debt	166,577,134	—	166,577,134	—
Unrestricted	21,292,828	(7,643)	21,285,185	(148,385)
Total net assets	<u>\$ 187,869,962</u>	<u>\$ (7,643)</u>	187,862,319	<u>\$ (148,385)</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.			<u>(22,174)</u>	
Net assets of business-type activities			<u>\$ 187,840,145</u>	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the year ended September 30, 2011

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Operating revenues:				
Charges for services	\$ 37,408,228	\$ 15,995	\$ 37,424,223	\$ 10,729,962
Miscellaneous	21,114	—	21,114	—
Total operating revenues	37,429,342	15,995	37,445,337	10,729,962
Operating expenses:				
Personnel services	7,720,530	—	7,720,530	—
Fringe benefits	2,005,460	—	2,005,460	—
Outside services	1,091,664	61,988	1,153,652	—
Chemicals	1,099,541	—	1,099,541	—
Utilities and telephone	2,962,555	—	2,962,555	—
Repairs, maintenance and supplies	1,369,441	—	1,369,441	—
Other expenses	1,003,715	7	1,003,722	9,000
Depreciation and amortization	8,325,364	—	8,325,364	—
Special projects	441,128	—	441,128	—
Cost reimbursement to general fund	2,797,506	—	2,797,506	—
Insurance claims and expenses	—	—	—	11,282,763
Total operating expenses	28,816,904	61,995	28,878,899	11,291,763
Operating income (loss)	8,612,438	(46,000)	8,566,438	(561,801)
Non-operating revenues (expenses):				
Interest income	59,301	—	59,301	659
Gain on disposal of capital assets	23,114	—	23,114	—
Interest expense	(4,909,970)	(205)	(4,910,175)	—
Amortization of loss on debt retirement	(396,308)	—	(396,308)	—
Total non-operating revenues (expenses)	(5,223,863)	(205)	(5,224,068)	659
Income (loss) before contributions and transfers	3,388,575	(46,205)	3,342,370	(561,142)
Capital grant revenue	12,937	—	12,937	—
Capital contributions	866,536	—	866,536	—
Transfers in	50,208	48,000	98,208	343,499
Transfers out	(580,008)	—	(580,008)	—
Change in net assets	3,738,248	1,795	3,740,043	(217,643)
Total net assets, beginning of year, as previously reported	184,866,347	(9,438)	184,856,909	69,258
Prior period adjustment	(734,633)	—	(734,633)	—
Total net assets, beginning of year, as restated	184,131,714	(9,438)	184,122,276	—
Total net assets, end of year	\$ 187,869,962	\$ (7,643)	187,862,319	\$ (148,385)
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds are reported with business-type activities			(53,952)	
Change in net assets of business-type activities			\$ 3,686,091	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended September 30, 2011

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Cash flows from operating activities:				
Receipts from customers and users	\$ 37,558,430	\$ 15,995	\$ 37,574,425	\$ —
Payments to suppliers	(11,039,869)	(63,065)	(11,102,934)	(9,000)
Payments to employees	(9,725,990)	—	(9,725,990)	—
Garbage fees collected for General Fund	3,684,443	—	3,684,443	—
Customer deposits	620,164	—	620,164	—
Refunds of customer deposits	(433,157)	—	(433,157)	—
Garbage fees remitted to General Fund	(3,684,443)	—	(3,684,443)	—
Materials purchased for other funds	(435,951)	—	(435,951)	—
Receipts for health insurance	—	—	—	10,553,357
Refunds in excess of claims filed	—	—	—	256,988
Payment of health insurance premiums	—	—	—	(10,447,623)
Payment of cash claims in excess of deposits	—	—	—	(530,837)
	<u>16,543,627</u>	<u>(47,070)</u>	<u>16,496,557</u>	<u>(177,115)</u>
Net cash provided by (used in) operating activities				
Cash flows from noncapital financing activities:				
Transfer from other funds	50,208	48,000	98,208	343,499
Transfer to other funds	(580,008)	—	(580,008)	—
Federal grant received	12,937	—	12,937	—
OPEB liability	250,279	—	250,279	—
	<u>(266,584)</u>	<u>48,000</u>	<u>(218,584)</u>	<u>343,499</u>
Net cash provided by (used in) noncapital financing activities				
Cash flows from capital and related financing activities:				
Principal and interest collected on special assessments	2,738	—	2,738	—
Acquisition and construction of capital assets	(5,738,806)	—	(5,738,806)	—
Interest paid on warrants	(5,306,278)	—	(5,306,278)	—
Capital contributions - developers	866,536	—	866,536	—
Waterline deposits from subdividers	563,137	—	563,137	—
Refund of waterline deposits to subdividers	(148,563)	—	(148,563)	—
Drawdown of warrants as funds spent	845,819	—	845,819	—
Proceeds from disposal of capital assets	23,114	—	23,114	—
Warrants paid	(5,650,000)	—	(5,650,000)	—
	<u>(14,542,303)</u>	<u>—</u>	<u>(14,542,303)</u>	<u>—</u>
Net cash used in capital and related financing activities				

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Business-Type Activity		Total Business-Type Activity Funds	Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund		Internal Service Fund
Cash flows from investing activities:				
Purchase of certificates of deposit	\$ (6,000,000)	\$ —	\$ (6,000,000)	\$ —
Maturities of certificates of deposit	6,000,000	—	6,000,000	—
Interest earned on investments	59,283	(205)	59,078	659
	<u>59,283</u>	<u>(205)</u>	<u>59,078</u>	<u>659</u>
Net cash provided by (used in) investing activities	<u>59,283</u>	<u>(205)</u>	<u>59,078</u>	<u>659</u>
Net increase in cash and cash equivalents	<u>1,794,023</u>	<u>725</u>	<u>1,794,748</u>	<u>167,043</u>
Cash and cash equivalents, beginning of year:				
Current assets	8,184,325	8,470	8,192,795	1,050,551
Restricted assets	<u>1,996,514</u>	<u>—</u>	<u>1,996,514</u>	<u>—</u>
Total cash and cash equivalents, beginning of year	<u>10,180,839</u>	<u>8,470</u>	<u>10,189,309</u>	<u>1,050,551</u>
Cash and cash equivalents, end of year:				
Current assets	6,918,695	9,195	6,927,890	1,247,593
Restricted assets	<u>5,056,167</u>	<u>—</u>	<u>5,056,167</u>	<u>—</u>
Total cash and cash equivalents, end of year	<u>\$ 11,974,862</u>	<u>\$ 9,195</u>	<u>\$ 11,984,057</u>	<u>\$ 1,247,593</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 8,612,438	\$ (46,000)	\$ 8,566,438	\$ (561,801)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	8,325,364	—	8,325,364	—
(Increase) decrease in operating assets:				
Accounts receivable	238,952	—	238,952	(789,219)
Inventory	(6,627)	—	(6,627)	—
Unbilled water and sewer receivables	(192,532)	—	(192,532)	—
Due from other funds	(311,647)	—	(311,647)	—
Other assets	26,560	—	26,560	—
Increase (decrease) in operating liabilities:				
Accounts payable	(207,263)	(1,070)	(208,333)	275,503
Unamortized premium	(123,896)	—	(123,896)	—
Customer deposits	187,007	—	187,007	—
Due to other funds	57,569	—	57,569	869,602
Outstanding claims liability	—	—	—	28,800
Compensated absences	(5,900)	—	(5,900)	—
Workers compensation claims	(56,398)	—	(56,398)	—
 Net cash provided by (used in) operating activities	 <u>\$ 16,543,627</u>	 <u>\$ (47,070)</u>	 <u>\$ 16,496,557</u>	 <u>\$ (177,115)</u>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

<u>ASSETS</u>	Police Officers and Firefighters Supplemental Retirement Plan Fund	Agency Fund Cash Bond
Cash and cash equivalents	\$ 67,252	\$ 296,935
Investments in certificates of deposit	140,030	—
Total assets	207,282	\$ 296,935
<u>LIABILITIES</u>		
Cash bond deposits payable	—	\$ 296,935
Total liabilities	—	\$ 296,935
<u>NET ASSETS</u>		
Held in trust for pension benefits	\$ 207,282	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

For the year ended September 30, 2011

	Police Officers and Firefighters Supplemental Retirement Plan Fund
Additions:	
Employer contributions	\$ 68,000
Interest income	450
	68,450
Total additions	68,450
Deductions:	
Benefits paid	22,896
Administrative plan expenses	3,000
	25,896
Total deductions	25,896
Change in net assets	42,554
Net assets, beginning of year	164,728
Net assets, end of year	\$ 207,282

See accompanying notes to financial statements.

CITY OF TUSCALOOSA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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CITY OF TUSCALOOSA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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CITY OF TUSCALOOSA
NOTES TO FINANCIAL STATEMENTS
September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tuscaloosa (the City) was incorporated on December 13, 1819. The City operated under a Commission form of government until October 7, 1985. At that time, the City began operating under a Mayor and seven-member council form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of these accounting policies are described below.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City and its component units. A discretely presented component unit is a separate legal entity for which the City appoints a voting majority of the units' board, is either able to impose its will on the unit or a financial benefit or burden relationship exists. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City. Each discretely presented component unit has a September 30 year-end.

Discretely Presented Component Units:

Tuscaloosa Tourism and Sports Commission, Inc. promotes the City through tourism and sporting events. The majority of the Board of Directors are appointed by the City Council. The City provides the majority of the Commission's support through a portion of the lodging tax received by the City. The Commission is presented as a proprietary fund type. Effective October 1, 2010, the City of Tuscaloosa Convention and Visitors Bureau merged with the Tuscaloosa Sports Foundation, creating the Tuscaloosa Tourism and Sports Commission, Inc.

Tuscaloosa County Parking and Transit Authority provides public transportation to the residents of the City and to Northport. The majority of the members of the Board of Directors are appointed by the City Council and the City has provided substantial funding in the past. The Authority is presented as a proprietary fund type.

Complete financial statements for each of the individual component units may be obtained at their administrative offices.

B. Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Financial Statements (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, streets and highways, etc.) for governmental programs and for each segment (water and sewer and intermodal facility retail) for business-type activities. Gross expenses (including depreciation) are reduced by related program revenues, operating grants and capital grants. Direct expenses include those costs that are specifically associated with a service, program or department. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

The City does not employ an indirect cost allocation system. Internal activity between funds is limited to transfers and the loaning of money between funds, which has been eliminated in the government-wide statements. Interfund services provided and used are not eliminated during the process of fund consolidation to the government-wide statements.

The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City (property taxes, sales and use tax, certain intergovernmental revenues, fines, permits, charges, etc.).

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. A reconciliation is provided following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The internal service fund of a government (which traditionally provides services to other funds of the government) is presented in the proprietary fund financial statements. Since the principal users of the internal service fund are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the cost of these services is reflected in the appropriate functional activity (general government, public safety, etc.).

The City's fiduciary funds are presented in the fund financial statements by type (agency/pension). Since by definition these assets are being held for the benefit of a third party and cannot be used for the benefit of the City, these funds are not incorporated into the government-wide statements. The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan Fund accounts for funds held and invested by the City for employees to provide retirement income (see Note V.D.). The Cash Bond Fund accounts for the funds held by the City for municipal court costs and fines until court cases are settled and that money is either refunded to the payer or forfeited to the City.

The focus is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary fund (by type) and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

C. Basis of Presentation

The financial transactions of the City 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/expenses. The various funds are reported by generic classification within the financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation (Continued)

The reporting model (GASB Statement No. 34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses or either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Major Governmental Funds

The City reports the following major governmental funds:

General Fund: This group of funds serves as the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Future Improvement Fund - Capital Projects Fund: This fund accounts for financial resources used for the acquisition and/or construction of major capital facilities or equipment (other than those financed by Enterprise Funds).

Storm Recovery FEMA Fund – Special Revenue Fund: This fund accounts for grants received from the Federal Emergency Management Agency (FEMA) for April 2011 storm relief efforts.

Storm Recovery Insurance Fund – Capital Projects Fund: This fund accounts for insurance proceeds received as a result of the April 2011 storm.

Major Proprietary Fund

The City has one major proprietary fund:

Water and Sewer Fund-Enterprise Fund: This fund is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the revenues; (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or (c) has a pricing policy designed for the fees and charges to recover similar costs.

Fiduciary Funds

The City reports the following fiduciary funds:

Police Officers and Firefighters Supplemental Retirement Plan Fund: This fund is used to account for funds held by the City for beneficiaries until drawn on by those beneficiaries after retirement.

Cash Bond Fund: This fund is used to account for the funds held by the City for court costs until any case is settled by the municipal court.

Internal Service Fund

The City has one internal service fund:

Risk Management Health Insurance Fund: This fund is used to account for and finance the cost of health and dental insurance premiums paid for City employees and their families.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting/Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/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 Government-Wide Financial Statements, the Proprietary Funds Financial Statements and the Fiduciary Fund Financial Statements are reported using the economic resources measurement focus along with the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Governmental Funds in the Fund Financial Statements are reported using the current financial resources measurement focus along with the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Accrual Basis – Revenues are recognized when earned and expenses are recognized when incurred under the accrual basis of accounting.

Modified Accrual Basis – Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. “Available” means collectible within the current period or soon enough thereafter, to be used to pay liabilities of the current period. The City considers amounts collected within sixty days after year-end, excluding grant moneys for which the period is one year after year-end, to be available and recognizes them as revenues of the current period. Most taxes and intergovernmental receipts are subject to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33 (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenue by the recipient.

Tuscaloosa County bills and collects the City’s property taxes and remits payments to the City on a timely basis. Taxes are levied each October 1 on the taxable valuation of property (as defined by State statute) as of the preceding October 1. Property taxes are due and payable from October 1 to December 31. Any taxes not paid by December 31 are considered delinquent.

E. Assets, Liabilities and Net Assets or Equity

1. **Deposits and Investments** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity date of three months or less from the date of acquisition.

The City maintains a cash and investment system in which substantially all cash is invested in interest-bearing checking accounts, certificates of deposit, or U. S. government obligations as authorized by law.

All investments in cash and U.S. Treasury with maturities of one year or less when purchased are reported on the balance sheet at their amortized cost. Nonparticipating investment contracts, generally certificates of deposits, are reported at cost. All other investments, including U.S. agency obligations with maturities greater than one year, are reported at fair value. Fair value is estimated based on quoted market prices at year-end.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

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 “due to/from other funds” (i.e., the current portion of interfund loans).

Water, sewer and garbage receivables are shown net of an allowance for uncollectibles.

3. **Inventories and Prepaid Items** – Inventory in the General Fund is valued at cost on a first-in, first-out basis. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased rather than when consumed. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

Inventory in the Enterprise Fund is valued at lower of cost (first-in, first-out) or market. The inventory is recorded as an expense when it is used or consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Reported prepaid items in the General Fund are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

4. **Restricted Assets** – Restricted assets are those assets required to meet certain terms, covenants, and conditions of warrant indentures and other restrictions. Water and sewer restricted assets are restricted for debt service, construction of certain projects and the payment of customer deposits.

5. **Capital Assets** – Capital assets, which include machinery, equipment, vehicles, buildings, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City is currently capitalizing machinery and equipment with a cost of \$5,000 and an estimated life of at least three years. The City is reporting all infrastructure (roads, bridges, sidewalks, and similar items) including items acquired in fiscal years ended before June 30, 1980. Purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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 included as part of the capitalized value of the assets constructed, offset by the interest earned on available funds until spent for construction. No interest expense from the business-type activities was capitalized for the year ended September 30, 2011.

The City reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment in the carrying value of the capital assets. If facts or circumstances support the possibility of impairment, management follows guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment will be made to the carrying value of the capital assets.

Property, plant and equipment is being depreciated using the straight-line method over the following estimated useful lives:

I. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Assets, Liabilities and Net Assets or Equity** (Continued)

5. **Capital Assets** (Continued)

<u>Assets</u>	<u>Years</u>
Buildings	50
Infrastructure	25-50
Additions to buildings, other structures	20
Property used for water distribution	50
Sewage treatment systems	50
Equipment	5-15
Vehicles	4-10
Computer equipment	3

6. **Compensated Absences** – The AVAIL (Annual Vacation and Illness Leave) plan is the vacation and sick leave policy of the City. AVAIL days may be utilized for vacation or illness, as the employee so desires, and are earned at graduated rates based on length of service (12 days per year for the first year, with up to 30 days per year for over twenty years of service). Upon termination of employment with the City, an employee will be paid a maximum of sixty days of accumulated AVAIL time (see Note IV.G.).

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of the debt is based on amounts due as a result of an employee's resignation or retirement. In the fund financial statements, governmental funds report only the liability payable from expendable and available financial resources which represents the portion of AVAIL leave that is outstanding upon an employee's termination. The proprietary fund reports the liability as it is incurred.

In prior years, the balance of compensated absence debt related to governmental activities has been liquidated using General Fund revenues, while the compensated absence debt related to the business-type activities has been liquidated using the general revenues from the Water and Sewer proprietary fund.

7. **Long-Term Obligations** – The accounting treatment of long-term debt 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. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of warrants payable and compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary fund debt is the same in the fund financial statements as it is in the government-wide statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

8. **Equity Classifications** – Equity is classified differently depending on whether it is in the government-wide statements or the fund financial statements.

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

In the fund financial statements, governmental fund balance is presented in five possible categories:

- a. Nonspendable—resources which cannot be spent because they are either 1) not in spendable form or; 2) legally or contractually required to be maintained intact.
- b. Restricted—resources with constraints placed on the use of resources which are either 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation.
- c. Committed—resources which are subject to limitations the City imposes upon itself by action of the City Council, and that remain binding unless the limitations are removed in the same manner.
- d. Assigned—resources neither restricted nor committed for which the City has a stated intended use as established by the City Council or a body or official to which the City Council has delegated the authority to assign amounts for specific purposes.
- e. Unassigned—resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Proprietary fund equity is classified the same as in the government-wide statements.

In the government-wide financial statements and proprietary fund types in the fund financial statements, 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 they are needed.

In the fund financial statements, when expenditures are incurred in governmental fund types for purposes for which various fund balance classifications could be used, it is the City’s policy to consider that restricted amounts have been reduced first, followed by committed, assigned, and then unassigned amounts.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (Continued)

The City has the following minimum fund balance/net asset policies:

General Fund – minimum unassigned fund balance of at least 10% of the final current year general fund operating expense budget.

Capital Projects Fund - minimum assigned fund balance of at least 10% of the final current year general fund operating expense budget.

Water and Sewer Fund – minimum unrestricted net assets of at least 30% of actual current year water and sewer operating expenses.

F. Revenues, Expenditures and Expenses

- 1. Operating Revenues and Expenses** – 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 City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues of the City's major enterprise fund, the Water and Sewer Fund, are charges to customers for sales and services. The operating revenues of the Intermodal Facility Retail Fund, the non-major enterprise fund, are charges to the Tuscaloosa County Parking and Transit Authority (PATA) for cost reimbursement of a portion of certain expenses paid by the City to maintain the leased space used by the PATA. See Note IV.H.1 for more information regarding this leasing arrangement. The internal service fund, the Health Insurance Fund, charges the various departments of the City and the employees the premiums for the health coverage provided. Operating expenses for enterprise funds and internal service funds include the cost of sales and service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.
- 2. Program Revenues** – Program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. All taxes are reported as general revenues.

II. NATURAL DISASTER

On April 27, 2011, a powerful tornado struck the City of Tuscaloosa and surrounding areas. The tornado damaged or destroyed over 5,000 residential structures and over 300 commercial structures. The City suffered losses to buildings, facilities, maintenance vehicles, and various supplies. The cost of eligible repairs that are not reimbursed by insurance will be reimbursed by FEMA and the State of Alabama, including a majority of the cost of clean-up.

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Annual budgets are employed each year as a management control device by the adoption of budgets for the General Fund and the Water and Sewer Enterprise Fund. Project length financial plans are adopted for capital projects. Budgets are not prepared for other governmental fund types or proprietary fund types; consequently, there is no statement of revenues and expenditures, budget and actual, for these funds.

An annual budget for the Water and Sewer Enterprise Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the General Fund are adopted on a basis consistent with GAAP, except that budgets and budgetary schedules are prepared using encumbrance accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded. All unencumbered appropriations lapse at fiscal year-end.

Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are to be honored during the subsequent year.

The City follows these procedures in establishing the budget each year:

1. The Mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. Budgets are prepared for the General Fund and the Water and Sewer Enterprise Fund by fund, function, department and object. The operating budget includes proposed expenditures and the means of financing them.
2. The budget, as adopted by the City Council, is at the department level.
3. The finance director is authorized to approve limited changes to certain line items of the budget within a department as long as the total budget for the department does not change. Council action is required for a change to the budget where the total budget for that department changes, and also for certain specific line items. Any increase must be funded by additional available resources at the time of the amendment.

The following schedule reconciles excess of revenues and other sources over expenditures and other uses of the General Fund on a budgetary basis using encumbrance accounting in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual to the amount reported on a GAAP basis. This budgetary comparison is reported in the basic financial statements as the perspective difference is not deemed to be significant.

Deficiency of revenues over expenditures and other uses (budgetary basis)	\$ (3,923,435)
Adjustments:	
Encumbrances at beginning of year	(86,944)
Encumbrances at end of year	247,643
Deficiency of revenues and over expenditures and other uses (GAAP basis)	<u>\$ (3,762,736)</u>

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Financial institutions utilized as depositories by the City must provide evidence of its designation under the Security of Alabama Funds Enhancement Act (SAFE). From time to time, the City may request that the depository provide evidence of its continuing designation as a qualified public depository. The enactment of the SAFE program changed the way all Alabama public deposits are collateralized. Each qualified public depository (QPD) is required to hold collateral for all its public depositories on a pooled basis in a custody account established by the State Treasurer as SAFE administrator. In the unlikely event that a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer who would use the SAFE pool collateral or other means to reimburse the loss. Since all of the City's deposits are held by a qualified public depository under the SAFE program, its deposits are not subject to custodial credit risk.

Investments

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Treasury Obligations	\$ 233,795	\$ 102,019	\$ 131,776
Certificates of Deposit	15,079,096	15,079,096	—
	<u>\$ 15,312,891</u>	<u>\$ 15,181,115</u>	<u>\$ 131,776</u>

Interest rate risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by investing limited resources in investments, and further limiting its maturities of its investment portfolio to less than five years.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables at September 30, 2011, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectibles, are shown below. There were no receivables for the fiduciary funds.

Receivables	General	Capital Project	Enterprise	Storm Recovery FEMA	Storm Recovery Insurance	Nonmajor Funds	Total
Special assessment	\$ —	\$ —	\$ 8,157	\$ —	\$ —	\$ —	\$ 8,157
Taxes	10,186,476	—	—	—	—	—	10,186,476
Accounts receivable	975,955	—	2,469,838	—	1,553,902	45,301	5,044,996
Special assessment interest	—	—	2,522	—	—	—	2,522
Unbilled receivables	245,131	—	2,794,651	—	—	—	3,039,782
Other governments	621,552	1,455,361	5,170	7,124,874	—	1,185,711	10,392,668
Gross receivables	12,029,114	1,455,361	5,280,338	7,124,874	1,553,902	1,231,012	28,674,601
Less: Allowance for uncollectibles	309,357	—	429,340	—	—	—	738,697
Net Receivables	<u>\$ 11,719,757</u>	<u>\$ 1,455,361</u>	<u>\$ 4,850,998</u>	<u>\$ 7,124,874</u>	<u>\$ 1,553,902</u>	<u>\$ 1,231,012</u>	<u>\$ 27,935,904</u>

Revenues of the Water and Sewer Fund are reported net of uncollectible amounts. Total uncollectible amounts relating to revenues of the current period are \$389,863.

The governmental activities in the Statement of Net Assets shows a non-current receivable in the amount of \$13,485,000. This is the amount due from the City Board of Education for the non-current portion of the 2002 warrant issue debt. See Long-term debt section for additional information.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

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

	Balance September 30, 2010	Additions	Deletions	Balance September 30, 2011
Capital assets not being depreciated:				
Construction in progress	\$ 68,022,801	\$ 23,547,481	\$ 69,361,283	\$ 22,208,999
Total capital assets not being depreciated	<u>68,022,801</u>	<u>23,547,481</u>	<u>69,361,283</u>	<u>22,208,999</u>
Capital assets being depreciated:				
Infrastructure	153,349,684	48,986,915	—	202,336,599
Buildings	86,675,634	23,358,726	28,704,157	81,330,203
Machinery and equipment	48,457,250	4,390,758	3,451,139	49,396,869
Total capital assets being depreciated	<u>288,482,568</u>	<u>76,736,399</u>	<u>32,155,296</u>	<u>333,063,671</u>
Less accumulated depreciation for:				
Infrastructure	96,516,188	4,794,662	—	101,310,850
Buildings	14,777,282	1,495,612	2,535,660	13,737,234
Machinery and equipment	30,840,310	4,618,096	3,084,519	32,373,887
Total accumulated depreciation	<u>142,133,780</u>	<u>10,908,370</u>	<u>5,620,179</u>	<u>147,421,971</u>
Total capital assets being depreciated, net	<u>146,348,788</u>	<u>65,828,029</u>	<u>26,535,117</u>	<u>185,641,700</u>
Governmental activities capital assets, net	<u>\$ 214,371,589</u>	<u>\$ 89,375,510</u>	<u>\$ 95,896,400</u>	<u>\$ 207,850,699</u>
Business - type activities:				
Capital assets not being depreciated:				
Land	\$ 1,286,042	\$ —	\$ —	\$ 1,286,042
Construction in progress	86,320	—	78,180	8,140
Total capital assets not being depreciated	<u>1,372,362</u>	<u>—</u>	<u>78,180</u>	<u>1,294,182</u>
Capital assets being depreciated:				
Buildings and system	391,167,863	4,563,319	278,477	395,452,705
Machinery and equipment	6,928,303	603,212	308,006	7,223,509
Total capital assets being depreciated	<u>398,096,166</u>	<u>5,166,531</u>	<u>586,483</u>	<u>402,676,214</u>
Less accumulated depreciation for:				
Buildings and system	110,802,836	7,876,067	55,591	118,623,312
Machinery and equipment	4,533,943	402,977	242,672	4,694,248
Total accumulated depreciation	<u>115,336,779</u>	<u>8,279,044</u>	<u>298,263</u>	<u>123,317,560</u>
Total capital assets being depreciated, net	<u>282,759,387</u>	<u>(3,112,513)</u>	<u>288,220</u>	<u>279,358,654</u>
Business-type activities capital assets, net	<u>\$ 284,131,749</u>	<u>\$ (3,112,513)</u>	<u>\$ 366,400</u>	<u>\$ 280,652,836</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,194,552
Public safety	1,865,934
Streets and highways	5,706,142
Environmental services	435,601
Recreation	471,839
Not assigned to a specific function	<u>234,302</u>
 Total depreciation expense-governmental activities	 \$ <u>10,908,370</u>

The City had numerous active construction projects at September 30, 2011.

In April 2011, the City was impacted by a powerful tornado and certain capital assets were destroyed. The City evaluated its capital assets in accordance with GASB Statement No. 42 and realized a loss from impairment of \$25,349,968. The City had purchased commercial insurance to cover its risk of loss and as of September 30, 2011, had realized \$15,281,448 of insurance recoveries related to the storm. In 2011, \$13,727,546 was received and \$1,553,902 has been recorded as a receivable in the accompanying statement of net assets. Accordingly, the City has recorded a net loss on impairment of \$10,068,456 in the accompanying statement of activities.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Balances and Transfers

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded and payments between funds are made. The composition of interfund balances at September 30, 2011, is as follows:

Due to General Fund from:	
Water and sewer fund	\$ 1,918,243
Health insurance fund	935,602
Capital project fund	2,614,074
Others	<u>884,158</u>
Total due to general fund from other funds	<u>\$ 6,352,077</u>
Due to Capital Project Fund from:	
General fund	\$ 5,610,238
Others	<u>6,000,139</u>
Total due to capital project fund from other funds	<u>\$ 11,610,377</u>
Due to nonmajor governmental funds from:	
General fund	<u>\$ 223,923</u>
Total due to nonmajor governmental funds from other funds	<u>\$ 223,923</u>
Due to Water and Sewer Fund from:	
General fund	\$ 3,325,798
Others	<u>222,349</u>
Total due to water and sewer proprietary fund from other funds	<u>\$ 3,548,147</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund Balances and Transfers (continued)

Interfund transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that budget or statute requires to expend them, and to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as payments come due. In addition, at year-end, the City transfers funds from the General Fund to the Capital Project Fund to finance construction projects for the City.

Transfer to general fund from:	
Water and sewer fund	\$ 281,510
Capital project fund	853,839
Others	<u>8,361,393</u>
Total transfer to general fund	<u>\$ 9,496,742</u>
Transfer to capital project fund from:	
General fund	\$ 3,000,000
Water and sewer fund	<u>255,000</u>
Total transfer to capital project fund	<u>\$ 3,255,000</u>
Transfer to nonmajor governmental funds from:	
General fund	\$ 2,039,658
Capital project fund	<u>666,500</u>
Total transfers to nonmajor governmental funds	<u>\$ 2,706,158</u>
Transfer to water and sewer fund from:	
Others	<u>\$ 50,208</u>
Total transfers to water and sewer fund from other funds	<u>\$ 50,208</u>
Transfer to intermodal facility retail fund from:	
General fund	<u>\$ 48,000</u>
Total transfers to intermodal facility retail fund	<u>\$ 48,000</u>
Transfer to internal service fund from:	
General fund	<u>\$ 343,499</u>
Total transfers to intermodal facility retail fund	<u>\$ 343,499</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Unbilled Water, Sewer and Garbage Receivables

Due to the nature of the billing cycles used by the City for water and sewer charges and garbage billings, at any point in time, there are unbilled receivables for usage to date.

The amount of unbilled water and sewer receivables at year-end was \$2,794,651 and the amount of unbilled garbage receivables was \$245,131.

F. Water and Sewer Warrant Issue Cost

Initial issue expense of the water and sewer warrants is being amortized over the number of years that the warrant issues are outstanding.

G. Compensated Absences

Compensated absences consist of unpaid accumulated vacation and sick leave for all City employees. At September 30, 2011, the compensated absences of all City employees amounted to approximately \$7.3 million. Of this amount, \$867,900 relates to water and sewer employees and is recorded in the enterprise fund. The balance of \$6.4 million relates to general City employees.

H. Leases

1. **Operating Leases** - Beginning in December, 2009, the City of Tuscaloosa leased a building for the purpose of renovating it to be used as a cultural arts center. The term of the lease is 20 years and one day. There is no holdover tenancy upon expiration. No rental payments are required. The primary consideration to the lessor is the promise of the City of Tuscaloosa to make major repairs to a portion of the premises. The lease is subject to the City obtaining a Section 108 HUD loan to pay for these repairs. The City has obtained a loan in the amount of \$1,500,000 and is, therefore, bound by the lease.

Effective October 23, 2009, the City entered into a 40 year lease, for \$1 per year, with the Tuscaloosa County Parking and Transit Authority (PATA), a discreetly presented component unit, for space in the City's Intermodal Facility/Parking Deck for its administrative offices and downtown bus stop. In addition, the City and PATA will each be responsible for 50 percent of certain utility and maintenance costs associated with the leased space.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Leases (Continued)

2. **Capital Leases** - The City has entered various lease agreements as lessee for financing the acquisition of computer equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the lesser of fair value or the present value of their future minimum lease payments as of the inception date. The equipment is capitalized at a cost of \$986,510.

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

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2012	<u>\$ 86,768</u>
Total minimum lease payments	86,768
Less: amount representing interest	<u>1,810</u>
	<u><u>\$ 84,958</u></u>

I. Long-Term Debt

1. Loan

In December 2009, the City obtained a 20 year loan from the United States Department of Housing and Urban Development Section 108 Division for \$1.5 million to renovate a building located in the downtown district for use as a cultural arts center. Principal payments of \$75,000 will be made annually commencing on August 1, 2011 with interest payment made semiannually on every February 1st and August 1st commencing on February 1, 2011. Debt service payments will continue through August 1, 2030. The interest rates range from 0.56% to 4.48% over the life of the loan. See Note IV.I.7. for more information regarding debt service.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (Continued)

2. General Obligation Warrants

The City issues general obligation warrants providing funds for the construction of major capital facilities. General obligation warrants are direct obligations and the City pledges its full faith and credit for the debt. General obligation warrants outstanding at September 30, 2011 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2010-A G.O. Refunding Warrants	1.00-4.00%	\$ 19,015,000
2010-B G.O. Refunding Warrants	1.00-5.00%	11,835,000
2005 G.O. and Refunding Warrants	3.00-5.00%	7,610,000
2007 General Obligation Warrants	4.00-5.00%	25,705,000
2009 General Obligation Warrants	3.00-5.125%	16,825,000
		<u>\$ 80,990,000</u>

Annual debt service requirements to maturity for general obligation debt are as follows:

General Long-Term Debt*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,045,000	\$ 3,581,634	\$ 7,626,634
2013	4,205,000	3,429,384	7,634,384
2014	4,375,000	3,255,646	7,630,646
2015	4,560,000	3,063,209	7,623,209
2016	4,775,000	2,856,171	7,631,171
2017-2021	12,425,000	12,377,706	24,802,706
2022-2026	14,815,000	9,243,241	24,058,241
2027-2031	15,210,000	5,874,924	21,084,924
2032-2036	11,040,000	2,834,525	13,874,525
2037-2039	5,540,000	442,833	5,982,833
Total	<u>\$ 80,990,000</u>	<u>\$ 46,959,273</u>	<u>\$ 127,949,273</u>

*The City Board of Education has signed an agreement with the City of Tuscaloosa to pay the debt service on the 2010-B warrants that were issued on their behalf. However, since the City is ultimately responsible for the debt, the debt service requirements have been included in the schedule on the preceding page.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

3. Extinguishment of Debt Through In-Substance Defeasance

In prior years, the City defeased certain general obligation warrants by placing the proceeds of new warrants in an irrevocable trust to provide for all future debt service payments on the old warrants. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the City's financial statements. On September 30, 2011, \$29,550,000 of warrants outstanding are considered defeased.

4. Water and Sewer Warrants

The City has issued warrants and has pledged income derived from certain assets to be used to pay the debt service. These warrants are used to finance construction in the water and sewer enterprise fund. At the beginning of the year, the amount of water and sewer debt outstanding was \$120,646,817. No warrants were issued during the year and \$5.6 million of debt was repaid. Water and sewer warrants outstanding at September 30, 2011 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2008 SRF Issue	3.18%	\$ 830,000
2010 SRF Refunding Issue	2.57%	4,600,000
2005 Refunding and G.O. Warrant Issue	3.00-5.00%	37,485,000
2006 G.O. Warrant Issue	3.60-5.00%	34,555,000
2002 SRF Refunding Issue	3.25%	23,765,196
2002 SRF Sewer Improvements Issue	3.68%	9,355,000
2004 Drinking Water State Revolving Loan	3.05%	<u>5,252,441</u>
		115,842,637
Less: deferred loss on refunding		<u>3,233,421</u>
Total		<u>\$ 112,609,216</u>

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

4. Water and Sewer Warrants (Continued)

Annual debt service requirements to maturity for water and sewer warrants are as follows:

Water and sewer debt

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,920,000	\$ 4,919,012	\$ 10,839,012
2013	6,200,000	4,701,332	10,901,332
2014	6,340,000	4,378,997	10,718,997
2015	6,785,000	4,124,081	10,909,081
2016	7,085,000	3,825,170	10,910,170
2017-2021	38,905,000	13,926,722	52,831,722
2022-2026	25,677,637	6,806,371	32,484,008
2027-2031	9,550,000	3,233,563	12,783,563
2032-2036	<u>9,380,000</u>	<u>843,062</u>	<u>10,223,062</u>
Total	<u>\$ 115,842,637</u>	<u>\$ 46,758,310</u>	<u>\$ 162,600,947</u>

5. Extinguishment of Debt Through In-Substance Defeasance and Refundings

In prior years, the City defeased certain water and sewer warrants and refunding warrants by placing the proceeds of new warrants in an irrevocable trust to provide for all future debt service payments on the old warrants. Accordingly, the trust account assets and the liability for the defeased warrants are not included in the City's financial statements.

At September 30, 2011, \$75,790,000 of warrants outstanding are considered defeased.

In August 2010, the City agreed to issue and deliver replacement warrants in exchange for the 1998 SRF Issue that the Alabama Water Pollution Control Authority refunded. The new issue has the same principal amount outstanding and the same principal retirement schedule. The interest rate dropped from 3.75% to 2.57% and the City did not incur any refunding costs or fees.

6. Debt Covenants

The Water and Sewer warrants require certain covenants including a coverage test. Revenue (as adjusted) less expenses (as adjusted) must meet a 1:1 ratio. Revenue is defined as all revenue less interest income. Expenses are defined as operating expense (per the financial statement) less depreciation. This adjusted amount must be greater than the principal and interest payments for the year. The City has met the coverage test this year.

IV. DETAILED NOTES ON ALL FUNDS (Continued)

I. Long-Term Debt (continued)

7. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General City warrants	\$ 84,000,000	\$ —	\$ 3,010,000	\$ 80,990,000	\$ 4,045,000
Section 108 loan	1,500,000	—	75,000	1,425,000	75,000
Capital leases	412,048	—	325,280	86,768	86,768
Net OPEB obligation	908,406	513,793		1,422,199	—
Litigation settlement	—	407,650	114,900	292,750	136,375
Compensated absences	6,135,310	279,967	—	6,415,277	1,965,090
Workers compensation claims	489,740	161,342	96,113	554,969	—
Governmental activity long-term liabilities	<u>\$ 93,445,504</u>	<u>\$ 1,362,752</u>	<u>\$ 3,621,293</u>	<u>\$ 91,186,963</u>	<u>\$ 6,308,233</u>
Business-type activities:					
Water and sewer warrants	\$ 120,646,818	\$ 845,819	\$ 5,650,000	\$ 115,842,637	\$ 5,920,000
Less deferred loss on refunding	3,629,729	—	396,308	3,233,421	396,308
	117,017,089	845,819	5,253,692	112,609,216	5,523,692
Net OPEB obligation	160,433	89,846	—	250,279	—
Compensated absences	825,000	42,900	—	867,900	247,800
Workers compensation claims	133,117	28,411	84,809	76,719	—
Business-type activity long-term liabilities	<u>\$ 118,135,639</u>	<u>\$ 1,006,976</u>	<u>\$ 5,338,501</u>	<u>\$ 113,804,114</u>	<u>\$ 5,771,492</u>

The net assets of the General Fund have been used in prior years to liquidate any obligation held in Governmental Funds. Federal funds obtained from the Community Development Block Grant and receipted in the Community Development Special Revenue Funds will be used to liquidate the Section 108 loan. The Net OPEB obligation was unfunded for the September 30, 2011 fiscal year and will remain unfunded and on a pay-as-you-go financing basis.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to risk in the form of health claims, worker compensation claims, automobile claims and professional liability. The City has elected to purchase vehicle insurance for only the larger items, and to self-insure for general and professional liability through the designation of funds in the General Fund. The risks for health insurance and workers compensation claims are described below.

1. Health Insurance Fund

Effective October 1, 1987, the City established a Risk Management Health Insurance Fund (an internal service fund) to account for and finance the cost of health and dental insurance premiums paid for the City employees and their families. Under this program, the City's maximum coverage is \$175,000 cumulative per employee, per illness. An outside major insurance carrier administers the plan. The City purchases commercial insurance for claims in excess of coverage provided by the fund up to a limit of \$1,000,000. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The General Fund and the Water and Sewer Enterprise Fund employees participate in the insurance program. Payments are made by these funds and by employees based on actuarial estimates of the amounts required to pay current year claims.

The outstanding claims liability of \$780,200 at September 30, 2011 is based on the requirements of Governmental Accounting Standards Board Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. A provision for inflation on the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the period in which they are made.

Changes in the fund's claims liability for the years ended September 30, 2011 and 2010 were as follows:

	Year ended September 30, 2011	Year ended September 30, 2010
Unpaid claims, beginning of year	\$ 751,400	\$ 811,800
Incurred claims (including IBNRs)	10,780,725	10,040,203
Claims paid	<u>(10,751,925)</u>	<u>(10,100,603)</u>
Unpaid claims, end of year	<u>\$ 780,200</u>	<u>\$ 751,400</u>

V. OTHER INFORMATION (Continued)

A. Risk Management (continued)

2. Workers Compensation Claims

The City accounts for and finances the cost of workers compensation claims paid for City employees in the General Fund and the Water and Sewer Enterprise Fund. The City retains the risk for the first \$1,000,000 per person, per accident or disease, per year, and purchases commercial insurance for claims in excess of \$1,000,000 up to \$5,000,000 per person, per accident or disease, per year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Payments are made in the funds based upon actuarial estimates of the amounts required to pay current year claims. The plan is administered by an outside major insurance carrier.

The total outstanding claims liability at September 30, 2011 of \$631,688 is based on the requirements of Government Accounting Standards Board Statement 10, as explained above. The carrying value is calculated using an interest rate of 1.3%. Of the above amount, \$76,719 is reported in the Water and Sewer Enterprise Fund. The balance, \$554,970, relates to other City employees and is not reported in the governmental fund financial statements as it is not expected to be liquidated with expendable available financial resources. The liability is reported as long-term debt due after one year in the governmental activities in the Statement of Net Assets.

Changes in the workers compensation claims liabilities amounts for the year ended September 30, 2011, were as follows:

	General City Employees	Water and Sewer Employees
Unpaid claims, beginning of year	\$ 489,740	\$ 133,117
Increase (incurred claims, including IBNR's)	161,342	28,411
Decrease (claims paid and reserve reduction)	<u>(96,113)</u>	<u>(84,809)</u>
Unpaid claims, end of year	<u>\$ 554,969</u>	<u>\$ 76,719</u>

Changes in the workers compensation claims liabilities amounts for the year ended September 30, 2010, were as follows:

	General City Employees	Water and Sewer Employees
Unpaid claims, beginning of year	\$ 475,442	\$ 158,356
Increase (incurred claims, including IBNR's)	413,211	107,732
Decrease (claims paid and reserve reduction)	<u>(398,913)</u>	<u>(132,971)</u>
Unpaid claims, end of year	<u>\$ 489,740</u>	<u>\$ 133,117</u>

V. OTHER INFORMATION (Continued)

B. Joint Ventures

1. Black Warrior Solid Waste Disposal Authority

The Black Warrior Solid Waste Disposal Authority (the "Authority") was incorporated as a non-profit public corporation on August 2, 1993, under the provisions of Act No. 80-278 of the 1980 Regular Session of the Legislature of Alabama, as amended. The Board of Directors of the Authority consists of nine members, three of which are appointed by each of the governing bodies of the City of Tuscaloosa, the City of Northport, and Tuscaloosa County, Alabama. The landfill facility is the disposal site for all of the municipal solid waste generated within the municipalities and all of Tuscaloosa County, Alabama.

The following is a summary of the financial information of the Authority as of and for the year ended September 30, 2011:

Total assets	<u>\$ 28,997,322</u>
Current liabilities	\$ 207,081
Long-term liabilities	1,353,860
Accrued landfill closure costs	15,842,923
Total liabilities	<u>\$ 17,403,864</u>
Total Equity	<u>\$ 11,593,458</u>
Total revenues	\$ 7,212,376
Total expenditures	(6,279,681)
Non-operating revenues, net of non-operating expenditures	932,251
Net increase in fund balance	<u>\$ 1,864,946</u>

The debt of the Authority is secured by various assets of the Authority.

A copy of the complete financial statements may be obtained at the administrative office of the Black Warrior Solid Waste Disposal Authority, 3301 Land Fill Drive, Coker, AL 35452.

V. OTHER INFORMATION (Continued)

B. Joint Ventures (continued)

2. Tuscaloosa County Minimum Security Facility

On September 26, 1984, the City of Tuscaloosa, City of Northport, and Tuscaloosa County entered into a joint venture to build a new minimum security facility (the jail). Each participant's original pro-rata share is as follows:

	<u>Percent</u>	<u>Amount</u>
City of Tuscaloosa	32 %	\$ 800,000
City of Northport	9	225,000
Tuscaloosa County	59	1,475,000
	<u>100 %</u>	<u>\$ 2,500,000</u>

The jail is operated as a department of Tuscaloosa County. As a result, the jail's assets, liabilities, and operations are combined with other County activities and separate financial statements are not available. The County is responsible for selecting management, budgeting, and daily operations. The County charges the City of Tuscaloosa and the City of Northport on a quarterly basis for their representative share of the cost of operations.

3. Metro Animal Shelter, Inc.

The City of Tuscaloosa, City of Northport, and Tuscaloosa County agreed to fund the Metro Animal Shelter, Inc. in the amount of \$451,992 per year, based on the following percentages, in order to provide animal shelter services in the County.

	<u>Percent</u>	<u>Amount</u>
City of Tuscaloosa	40 %	\$ 180,797
City of Northport	10	45,199
Tuscaloosa County	50	225,996
	<u>100.00 %</u>	<u>\$ 451,992</u>

At each June 30 fiscal year end, the Shelter is to return all profits in excess of \$10,000 to be placed in an account for maintenance, repairs and improvements at the shelter. For the year ended June 30, 2011, no excess was returned to the City.

V. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits

1. Plan Description

The City participates in a single-employer, fully insured health insurance program administered by Blue Cross and Blue Shield of Alabama. The City extends post employment medical insurance benefits to qualifying employees. Eligibility for retirement is achieved upon completion of twenty-five (25) years or service at any age (20 years for police officers and firefighters); or ten (10) years of service if age 60 or older. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. After a retiree is considered eligible for Medicare (age 65 in most cases), no medical benefits are provided by the City. The City Council has the authority to establish and amend benefit provisions. The Plan does not issue a separate financial report.

2. Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. Employees do not contribute to their post employment benefit costs until they become retirees and begin receiving those benefits. The required contribution is based on projected pay-as-you-go financing requirements under which contributions are made in amounts sufficient to cover benefits paid, administrative costs and anticipated inflationary increases as determined annually by the City Council. The City's funding policy is to not fund the Annual Required Contribution except to the extent of the current year's retiree costs. For the fiscal year ended September 30, 2011, the City and plan members receiving benefits contributed \$271,170 and \$475,868, respectively.

3. Annual OPEB Cost and Net OPEB Obligation

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 842,718
Interest on net OPEB obligation	42,754
Adjustment to annual required contribution	<u>(61,811)</u>
Annual OPEB cost	823,661
Contributions made (retiree premium)	<u>(220,022)</u>
Increase in net OPEB obligation	603,639
Net OPEB obligation - beginning of the year	<u>1,068,839</u>
Net OPEB obligation - end of the year	<u>\$ 1,672,478</u>

V. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits (continued)

3. Annual OPEB Cost and Net OPEB Obligation (continued)

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

Three Year Trend Information

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2011	\$ 603,639	\$ -	0.00%	\$ 1,672,478
9/30/2010	\$ 629,313	\$ -	0.00%	\$ 1,068,839
9/30/2009	\$ 439,526	\$ -	0.00%	\$ 439,526

4. Funded Status and Funding Progress

As of October 1, 2010, the most recent actuarial valuation date for fiscal year ending September 30, 2011, the plan was zero percent funded. The actuarial accrued liability for benefits was \$8,082,755, and the actuarial value of plan assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,082,755. The covered payroll (annual payroll of active employees covered by the plan) was \$61,898,070, and the ratio of the UAAL to the covered payroll was 13.06 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the City's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information as of September 30, 2011, the third year of implementation. In subsequent years, the schedule will provide multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

5. Actuarial Method and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing a benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations. The actuarial valuations for post-employment benefits includes estimates and assumptions regarding turnover rate, retirement rate, healthcare cost trend rate, mortality rate, investment rate of return (discount rate), and the period to which the costs apply.

V. OTHER INFORMATION (Continued)

C. Other Post-Employment Benefits (continued)

5. Actuarial Method and Assumptions (continued)

In the October 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 15% annual turnover rate, 4.0% investment rate of return (discount rate), and an annual healthcare cost trend of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after ten years (the trend rate includes an inflation factor of 2.50% annually). For mortality rates the 1994 Group Annuity Reserving (94GAR) table was used. The UAAL is being amortized as a level dollar amount on a closed basis within a period of 30 years. For the retirement rate, it is assumed that entitlement to benefits will commence upon actual retirement, which has been assumed to be at the earlier of age 55 and 25 years of service and age 60 and 10 years of service.

D. Defined Benefit Pension Plans

1. General Information

The City maintains a single-employer, supplemental defined benefit pension plan that covers all fire and police officers, and participates in three externally maintained defined benefit pension plans covering substantially all employees. The pension plans are funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The Tuscaloosa Police Officers and Fire Fighters Retirement Plan is a single-employer defined benefit plan covering all certified firemen and policemen. The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan is a single-employer defined benefit plan covering all firemen and policemen and is meant to supplement the benefits of the Tuscaloosa Police Officers and Fire Fighters Retirement Plan paid to high-ranking police officers and firefighters. The Met Life Retirement and Savings Plan, an agent-multiple employer retirement plan, covered all non-civil service employees until May 6, 2000, when the plan was closed, the assets were frozen, and the employees became members of the Employees Retirement System of Alabama. An employee covered by the Met Life plan starts over to meet the retirement requirements of Employees Retirement System of Alabama. An employee retiring before meeting these requirements will retire under the Met Life plan. The Employees Retirement System of Alabama, an agent-multiple employer retirement plan, is open to all hourly employees. The Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan's financial statements are included in the fiduciary statements of this report. The Employees Retirement System of Alabama, Met Life Retirement and Savings Plan, and Tuscaloosa Police Officers and Fire Fighters Retirement Plan issue a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by contacting the plan.

Employees Retirement System
of Alabama
P. O. Box 302150
Montgomery, AL 36130-0001
(334) 832-4140

Met Life Retirement
and Savings Plan
P.O. Box 14710
Lexington, KY 40512
(859) 245-8100

Tuscaloosa Police Officers and
Fire Fighters Retirement Plan
Box 2089
Tuscaloosa, AL 35403
(205) 248-5170

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (Continued)

2. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan

a. Plan Description

The City administers the Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan, a single-employer, defined benefit pension plan in which all certified policemen and firefighters participate. The Plan was established on October 1, 2006 and provides retirement benefits to plan members and their beneficiaries. The City Council of the City of Tuscaloosa is authorized to establish and amend all plan provisions. Retirement benefits become payable, regardless of age, after achieving a rank of captain or higher as a police officer or firefighter, completion of 30 years of service, and is qualified to receive benefits under the Tuscaloosa Police Officers and Firefighters Retirement Plan. The normal retirement benefit for qualified members is monthly payout of one-twelfth of 50% of the employee's final pay less the annual benefit under the Tuscaloosa Police and Firefighters Retirement Plan. The Plan is funded 100% by City contributions. All funds contributed to this plan are invested by the City in short term certificates of deposit. This plan has been submitted for approval by the Internal Revenue Service.

b. Summary of Significant Accounting Policies – Basis of Accounting and Valuation of Investments

The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market are reported at estimated fair value.

c. Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial value of plan assets was \$159,010; the actuarial accrued liability was \$789,051; the total unfunded actuarial accrued liability was \$630,041; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 20.1 percent; the annual covered payroll was \$3.2 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 19.5 percent. The actuarial assumptions used are described in the Funding Policy and Annual Pension Cost section in Note V.D.6. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (continued)

3. Employees Retirement System of Alabama

a. Plan Description

The City participates in the Employees Retirement System of Alabama, a cost-sharing, multiple employer, defined benefit pension plan. State statutes authorize the State to establish and amend all plan provisions. This plan is open to all employees. Vesting occurs when an employee meets the qualifications for retirement. The normal retirement benefits become payable, regardless of age after completion of 25 years of service, or attainment of age 60 with 10 years credited service.

The normal retirement for employees participating in this pension plan is determined by (a) and (b) multiplied by the employee's actual compensation derived by averaging the highest three annual salaries within the last ten years of credited service.

(a) years of credited service

(b) benefit factor (2.0125%)

All funds contributed to this plan are remitted to the State of Alabama. These funds are then pooled with other contributors in the state and invested according to the guidelines set forth by the Board of Directors of the Employees Retirement System of Alabama.

b. Summary of Significant Accounting Policies – Basis of Accounting and Valuation of Investments

The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market are reported at estimated fair value.

c. Funded Status and Funding Progress

As of September 30, 2010, the most recent actuarial valuation date, the actuarial value of plan assets was \$53,809,654; the actuarial accrued liability was \$73,478,675; the total unfunded actuarial accrued liability was \$19,669,021; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 73.2 percent; the annual covered payroll was \$29.8 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 65.9 percent. The actuarial assumptions used are described in the Funding Policy and Annual Pension Cost section in Note V.D.6. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4. Met Life Retirement and Savings Plan

This closed plan was open to all non-civil service employees with at least 1 year of full service. City employees that participated in this plan were not required to contribute to the plan. Normal retirement benefits become payable at age 65 or after 5 years of inclusion in the plan. The normal retirement for employees participating in this pension plan is computed by calculating twenty percent (20%) of the average monthly earnings for the last seven years of credited service. All funds contributed to this plan are remitted to Met Life Retirement and Savings Plan. These funds are then pooled with other contributors and invested.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (continued)

5. Tuscaloosa Police Officers and Fire Fighters Retirement Plan

a. Plan Description

This plan is open to all certified firemen and policemen. Normal retirement benefits become payable, regardless of age, after completion of 20 years of service, or age 65. The normal retirement for employees participating in this pension plan is 4.5% of the pension base for each year of credited service. The minimum benefit is \$890 per month and the maximum benefit is \$2,638 per month. All funds contributed to this plan are invested by the financial advisors made up of representatives from Lord Abbett Consults, Alethia, Southeastern Management, Atlanta Capital, NWQ International, Merrill Lynch, Pimco and Black Rock. Plan assets are held by Merrill Lynch and are invested primarily in stocks and U. S. Government securities.

b. Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial value of plan assets was \$61,108,572; the actuarial accrued liability was \$134,931,446; the total unfunded actuarial accrued liability was \$73,822,874; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 45.3%; the annual covered payroll was \$25,982,540; and the ratio of the unfunded actuarial liability to annual covered payroll was 284.1%. The actuarial assumptions used are described in the Funding Policy and Annual Pension Cost section in Note V.D.6. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (continued)

6. Funding Policy and Annual Pension Cost

Management of each plan as well as the contribution requirement for the plan members and the City are determined by the respective oversight units as described below. The City's annual pension cost for the current year and the related information for each plan is as follows (for Employees Retirement System of Alabama, September 30, 2010 is the most recent information available to the City from the plan):

	Police Officers and Firefighters Supplemental Retirement Plan	Employees Retirement System of Alabama	Met Life Retirement and Savings Plan	Tuscaloosa Police Officers and Fire Fighters Retirement Plan
Oversight authority	City Council of the City of Tuscaloosa	State of Alabama	City Council of the City of Tuscaloosa	Board of Trustees of the Pension and Relief Fund
Statutory authority for participation in Plan	Article XVI of Chapter 19 of the Code of Tuscaloosa	Alabama Code §36-27-6, et seq. (1975)	Alabama Code §11-91-8 (1975)	Act. No. 99-568 of the 1999 Legislative Session
Contribution rates:				
City	2.18%	4.21%	**	13.15%
Plan members	0.00%	5.00%	**	11.00%
Annual pension cost	\$67,000	\$1,787,940	**	\$3,742,898
Contribution made	\$68,000	\$1,787,940	**	\$3,742,898
Actuarial valuation date	1/1/2011	9/30/2010	11/1/2006	1/1/2011
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent open	Level percent open	Level dollar closed	Level percent open
Remaining amortization	20 years	30 years	20 years	30 years
Asset valuation method	5 year smoothed market	5 year smoothed market	Fund value	5 year smoothed market
Actuarial assumptions:				
Investment rate of return	6.00%	8.00%	6.00%	8.00%
Projected salary increases	5.50%	4.61% - 7.75%	4.00%	5.50%
Includes inflation at	4.00%	4.50%	N/A	4.00%

** Closed plan.

V. OTHER INFORMATION (Continued)

D. Defined Benefit Pension Plans (continued)

7. Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Employees Retirement System of Alabama	9/30/2010	\$ 1,787,940	100.00%	\$ —
	9/30/2009	1,742,438	100.00%	—
	9/30/2008	1,638,640	100.00%	—
Police Officers and Firefighters Supplemental Retirement Plan	9/30/2011	68,000	100.00%	—
	9/30/2010	67,000	100.00%	—
	9/30/2009	67,000	100.00%	—
Met Life Retirement and Savings Plan	9/30/2006	130,523	100.00%	—
	9/30/2005	119,340	100.00%	—
	9/30/2004	112,276	100.00%	—
Tuscaloosa Police Officers and Fire Fighters Retirement Plan	1/1/2011	3,742,898	100.00%	—
	1/1/2010	3,450,627	100.00%	—
	1/1/2009	3,356,129	100.00%	—

E. Prior Period Adjustment – Water and Sewer Fund

Net assets – invested in capital assets, net of related debt, at October 1, 2010 has been adjusted to correct an error for project expenses that were capitalized as assets. Had the error not been made, the net change in net assets at September 30, 2010 would have decreased by \$734,633.

V. OTHER INFORMATION (Continued)

F. Commitments and Contingencies

The City is a defendant in various lawsuits and has been notified of various claims against it arising from matters relating to its normal operation. The City believes that any liability resulting from such suits and claims will be covered by the City's liability insurance or by funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Those audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Such an audit by the U.S. Department of Housing and Urban Development (HUD) occurred in 2011 (related to 2009 grant programs), resulting in proposed repayment of grant funds. City management believes such disallowances, if any, will be immaterial.

The City has various construction projects in progress, including road improvements, the Riverwalk project, construction of and upgrading water drainage systems and construction of and upgrading water and sewer facilities.

The City has borrowed \$23,100,000 from the State Revolving Loan Fund to upgrade water and sewer systems. With capitalized interest and issuance costs added to the loan, the total amount to be repaid will be \$25,325,000. The funds are available on a reimbursement basis, and to date \$23,950,196 has been spent and drawdown.

The City has borrowed \$7,066,000 from the Drinking Water State Revolving Loan Fund for water improvements. With capitalized interest and issuance costs added to the loan, the total amount to be repaid will be \$7,705,000. The funds are available on a reimbursement basis, and to date \$6,762,440 has been spent and drawdown.

The City is in the process of finalizing a consent order with Alabama Department of Environmental Management related to the operation of the City's sewer system and certain violations. The City and its consultants estimate a cost of \$1,680,000 to meet the requirements during the first year following the agreement.

As a result of the April 2011 storms, the City will incur future recovery costs that will not be reimbursed through insurance proceeds or federal and state grant funds. The City and its consultants estimate these future unreimbursed costs to be approximately \$4,000,000.

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CITY OF TUSCALOOSA

SCHEDULE OF PENSION PLAN FUNDING PROGRESS - DEFINED BENEFIT PLANS

September 30, 2011

<u>Fiscal Year</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL) -Entry Age</u>	<u>(3) Unfunded (Funded) UAL (UAAL) (2-1)</u>	<u>(4) Funded Ratio (1 / 2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAAL as a Percentage of Covered Payroll (3/5)</u>
I. Employees Retirement System of Alabama (valuation as of each September 30):						
2010*	\$ 53,809,654	\$ 73,478,675	\$ 19,669,021	73.2 %	\$ 29,852,244	65.9 %
2009	52,738,248	66,271,199	13,532,951	79.6	28,849,771	46.9
2008	51,465,172	60,913,655	9,448,483	84.5	27,045,152	34.9
II. Met Life Retirement and Savings Plan (valuation as of each November 1):						
2006	\$ 1,032,960	\$ 2,179,251	\$ 1,146,291	47.4 %	\$ 4,485,000	25.6 %
2005	870,821	1,838,127	967,306	47.4	4,688,320	20.6
2004	1,008,553	1,885,800	877,247	53.5	4,846,774	18.1
III. Tuscaloosa Police Officers and Fire Fighters Retirement Plan (valuation as of each January 1):						
2011	\$ 61,108,572	\$ 134,931,446	\$ 73,822,874	45.3 %	\$ 25,982,540	284.1 %
2010	61,194,421	131,325,637	70,131,216	46.6	25,194,295	278.4
2009	63,493,795	127,917,645	64,423,850	49.6	24,853,679	259.2
IV. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (annual valuation beginning January 2010):						
2011	\$ 159,010	\$ 789,051	\$ 630,041	20.00 %	\$ 3,224,663	20.0 %
2010	129,729	692,405	562,676	18.70	2,505,505	22.5
2008	69,453	731,455	662,002	9.50	2,143,949	30.9
V. Tuscaloosa Post Employment Health Care Plan (annual valuation as of each October 1):						
2010	\$ —	\$ 8,082,755	\$ 8,082,755	— %	\$ 61,898,070	13.1 %
2009	—	7,592,863	7,592,863	—	55,902,466	13.6
2008	—	10,674,686	10,674,686	—	56,297,597	19.0

*The valuation reflects the impact of Act 2011-27 (DROP Repeal) and Act 2011-676 (Employee Contribution Increase).

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CITY OF TUSCALOOSA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2011

ASSETS	Special Revenue Funds	Capital Project Funds			Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
		Downtown Urban Revitalization	Intermodal Facility Construction	Amphitheatre Construction		
Cash and cash equivalents	\$ 4,433,285	\$ 180	\$ 66,292	\$ 1,504,258	\$ 61,492	\$ 6,065,507
Investments	364,854	—	—	—	—	364,854
Receivables (net of allowances for uncollectibles)	45,301	—	—	—	—	45,301
Due from other governments	657,437	528,274	—	—	—	1,185,711
Due from other funds	109,513	—	—	85,554	28,855	223,922
Prepaid items	125,000	—	—	—	—	125,000
Inventory	292	—	—	—	—	292
Total assets	\$ 5,735,682	\$ 528,454	\$ 66,292	\$ 1,589,812	\$ 90,347	\$ 8,010,587
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 678,686	\$ 74,069	\$ —	\$ 327,429	\$ 1,756	\$ 1,081,940
Deferred revenue	119,022	—	—	—	—	119,022
Due to other funds	805,789	291,500	—	—	2,700	1,099,989
Total liabilities	1,603,497	365,569	—	327,429	4,456	2,300,951
Fund balances:						
Restricted for:						
Capital projects	2,829,000	162,885	66,292	1,262,383	—	4,320,560
Capital Park maintenance	—	—	—	—	85,891	85,891
Hazard mitigation	3	—	—	—	—	3
Road projects	496,208	—	—	—	—	496,208
Salaries	234,235	—	—	—	—	234,235
Committed for:						
Cemetery maintenance	233,767	—	—	—	—	233,767
Tourism enhancement	339,084	—	—	—	—	339,084
Unassigned	(112)	—	—	—	—	(112)
Total fund balances	4,132,185	162,885	66,292	1,262,383	85,891	5,709,636
Total liabilities and fund balances	\$ 5,735,682	\$ 528,454	\$ 66,292	\$ 1,589,812	\$ 90,347	\$ 8,010,587

CITY OF TUSCALOOSA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the year ended September 30, 2011

	Special Revenue Funds	Capital Project Funds			Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
		Downtown Urban Revitalization	Intermodal Facility Construction	Amphitheatre Construction		
Revenues:						
Taxes	\$ 899,348	\$ —	\$ —	\$ —	\$ —	\$ 899,348
Intergovernmental	3,853,397	139,602	140,757	—	—	4,133,756
Other revenues	894,224	—	40	109,954	—	1,004,218
Total revenues	5,646,969	139,602	140,797	109,954	—	6,037,322
Expenditures:						
Current operations:						
General government	610,714	—	—	—	—	610,714
Public safety	489,647	—	—	—	—	489,647
Streets and highways	1,114,831	—	—	—	—	1,114,831
Culture and recreation	115,256	—	—	—	15,137	130,393
Housing	532,424	—	—	—	—	532,424
Economic and physical development	29,255	—	—	—	—	29,255
Other activities	176,617	52	22	37,570	—	214,261
Total current operations	3,068,744	52	22	37,570	15,137	3,121,525
Capital outlay	3,669,130	1,128,057	175,948	4,157,303	—	9,130,438
Total expenditures	6,737,874	1,128,109	175,970	4,194,873	15,137	12,251,963
Excess (deficiency) of revenues over expenditures	(1,090,905)	(988,507)	(35,173)	(4,084,919)	(15,137)	(6,214,641)
Other financing sources (uses) :						
Transfers in	512,706	—	—	2,178,315	15,137	2,706,158
Transfers out	(495,813)	—	—	(1,483,346)	—	(1,979,159)
Total other financing sources (uses)	16,893	—	—	694,969	15,137	726,999
Net change in fund balances	(1,074,012)	(988,507)	(35,173)	(3,389,950)	—	(5,487,642)
Fund balances, beginning of year	5,206,197	1,151,392	101,465	4,652,333	85,891	11,197,278
Fund balances, end of year	\$ 4,132,185	\$ 162,885	\$ 66,292	\$ 1,262,383	\$ 85,891	\$ 5,709,636

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds include operating funds which are restricted as to use by the Federal or State governments and special funds established by authority of the City Council.

Police Department Funds account for those federal, state and local funds for drug enforcement, efforts to reduce crime and improve public safety. This includes the Drug Enforcement Fund and the Law Enforcement Block Grants. Although the funds are consolidated, each fund is accounted for individually.

Airport Development Fund accounts for those federal and state funds received and disbursed for airport renovations.

Community Development Funds account for those funds received and disbursed under the Community Development Block Grant program. This includes the Community Development Fund, UDAG Fund, and the Home Program Fund. Although the funds are consolidated, each fund is accounted for individually.

Gasoline Tax Funds account for those funds designated for maintenance and improvement of public streets and highways. This includes the RRR Gasoline Tax Fund, Public Highway and Traffic Fund, and the State Gasoline Tax Fund. Although the funds are consolidated, each fund is accounted for individually.

Summer Feeding Fund accounts for those state funds used to provide meals for low-income children during the summer months.

Beer Tax Bonus Fund accounts for those funds designated for salary bonuses to City employees.

Alabama Trust Fund accounts for state funds which can be used for capital improvements.

Evergreen Cemetery Fund accounts for funds designated for the maintenance of Evergreen Cemetery.

Hazard Mitigation Fund accounts for federal funds to be used to allow homeowners to build safe shelters from storms.

Alternative Energy Fund accounts for those federal funds received and disbursed for updating certain City infrastructure to more energy efficient forms.

Section 108 Funds account for federal funds received and disbursed for building improvements for certain dilapidated City property. This includes the Section 108 Loan Fund and the Section 108 Investment Fund. Although the funds are consolidated, each fund is accounted for individually.

Tourism Enhancement Fund accounts for funds designated for the promotion of tourism in the Tuscaloosa area.

CITY OF TUSCALOOSA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2011

1 of 2

	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund	Alabama Trust Fund
ASSETS							
Cash and cash equivalents	\$ 109,316	\$ 23,685	\$ 143,051	\$ 865,160	\$ 26,224	\$ 51,545	\$ 1,749,731
Investments	—	—	—	—	—	131,059	—
Receivables	—	—	2,524	—	—	—	—
Due from other governments	132,548	110,835	245,775	89,548	—	51,631	—
Due from other funds	103,059	6,454	—	—	—	—	—
Prepaid items	—	—	—	—	—	—	—
Inventory	—	—	—	—	292	—	—
Total assets	<u>\$ 344,923</u>	<u>\$ 140,974</u>	<u>\$ 391,350</u>	<u>\$ 954,708</u>	<u>\$ 26,516</u>	<u>\$ 234,235</u>	<u>\$ 1,749,731</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 78,978	\$ 73,919	\$ 284,558	\$ —	\$ 25,303	\$ —	\$ —
Deferred revenue	119,022	—	—	—	—	—	—
Due to other funds	146,923	67,167	6,856	458,500	1,213	—	—
Total liabilities	<u>344,923</u>	<u>141,086</u>	<u>291,414</u>	<u>458,500</u>	<u>26,516</u>	<u>—</u>	<u>—</u>
Fund balances:							
Restricted for:							
Capital projects	—	—	99,936	—	—	—	1,749,731
Hazard mitigation	—	—	—	—	—	—	—
Road projects	—	—	—	496,208	—	—	—
Salaries	—	—	—	—	—	234,235	—
Committed for:							
Cemetery maintenance	—	—	—	—	—	—	—
Tourism enhancement	—	—	—	—	—	—	—
Unassigned	—	(112)	—	—	—	—	—
Total fund balances	<u>—</u>	<u>(112)</u>	<u>99,936</u>	<u>496,208</u>	<u>—</u>	<u>234,235</u>	<u>1,749,731</u>
Total liabilities and fund balances	<u>\$ 344,923</u>	<u>\$ 140,974</u>	<u>\$ 391,350</u>	<u>\$ 954,708</u>	<u>\$ 26,516</u>	<u>\$ 234,235</u>	<u>\$ 1,749,731</u>

CITY OF TUSCALOOSA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

September 30, 2011

2 of 2

ASSETS	Evergreen Cemetery Fund	Hazard Mitigation Fund	Alternative Energy Fund	Section 108 Funds	Tourism Enhancement Fund	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	\$ 3,096	\$ 1,119	\$ 99,953	\$ 1,064,098	\$ 296,307	\$ 4,433,285
Investments	233,795	—	—	—	—	364,854
Receivables	—	—	—	—	42,777	45,301
Due from other governments	—	—	27,100	—	—	657,437
Due from other funds	—	—	—	—	—	109,513
Prepaid items	—	—	—	—	125,000	125,000
Inventory	—	—	—	—	—	292
Total assets	\$ 236,891	\$ 1,119	\$ 127,053	\$ 1,064,098	\$ 464,084	\$ 5,735,682
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,124	\$ 986	\$ 27,100	\$ 184,718	\$ —	\$ 678,686
Deferred revenue	—	—	—	—	—	119,022
Due to other funds	—	130	—	—	125,000	805,789
Total liabilities	3,124	1,116	27,100	184,718	125,000	1,603,497
Fund balances:						
Restricted for:						
Capital projects	—	—	99,953	879,380	—	2,829,000
Hazard mitigation	—	3	—	—	—	3
Road projects	—	—	—	—	—	496,208
Salaries	—	—	—	—	—	234,235
Committed for:						
Cemetery maintenance	233,767	—	—	—	—	233,767
Tourism enhancement	—	—	—	—	339,084	339,084
Unassigned	—	—	—	—	—	(112)
Total fund balances	233,767	3	99,953	879,380	339,084	4,132,185
Total liabilities and fund balances	\$ 236,891	\$ 1,119	\$ 127,053	\$ 1,064,098	\$ 464,084	\$ 5,735,682

CITY OF TUSCALOOSA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the year ended September 30, 2011

1 of 2

	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund	Alabama Trust Fund
Revenues:							
Taxes:							
Gas tax - State of Alabama	\$ —	\$ —	\$ —	\$ 402,545	\$ —	\$ —	\$ —
Share of beer tax	—	—	—	—	—	496,803	—
Intergovernmental revenues:							
Federal grants	142,297	802,937	1,895,960	—	—	—	—
State and local grants	315,000	42,310	—	12,218	75,351	—	—
Other operating revenues:							
Interest on investments	—	—	—	24	—	821	3,515
Share of tag receipts	—	—	—	234,004	—	—	—
Collection of principal and interest	—	—	98,018	—	—	—	—
Other	57,490	—	2,688	6,061	1,660	—	485,712
Total revenues	514,787	845,247	1,996,666	654,852	77,011	497,624	489,227
Expenditures:							
Current:							
General government	—	—	461,007	—	77,011	—	—
Public safety	489,647	—	—	—	—	—	—
Streets and highways	—	—	—	1,114,831	—	—	—
Culture and recreation	—	—	115,256	—	—	—	—
Housing program	—	—	532,424	—	—	—	—
Economic and physical development	—	—	29,255	—	—	—	—
Other	—	41	122,866	—	—	—	—
Total current operations	489,647	41	1,260,808	1,114,831	77,011	—	—
Capital expenditures	156,612	845,318	1,067,685	—	—	—	542,248
Total expenditures	646,259	845,359	2,328,493	1,114,831	77,011	—	542,248
Excess (deficiency) of revenues over expenditures	(131,472)	(112)	(331,827)	(459,979)	—	497,624	(53,021)
Other financing sources (uses) :							
Transfers in	131,472	—	—	—	—	—	—
Transfers out	—	—	—	—	—	(495,813)	—
Total other financing sources (uses)	131,472	—	—	—	—	(495,813)	—
Net change in fund balances	—	(112)	(331,827)	(459,979)	—	1,811	(53,021)
Fund balances, beginning of year	—	—	431,763	956,187	—	232,424	1,802,752
Fund balances - end of year	\$ —	\$ (112)	\$ 99,936	\$ 496,208	\$ —	\$ 234,235	\$ 1,749,731

CITY OF TUSCALOOSA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

For the year ended September 30, 2011

2 of 2

	Evergreen Cemetery Fund	Hazard Mitigation Fund	Alternative Energy Fund	Section 108 Funds	Tourism Enhancement Fund	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes:						
Gas tax - State of Alabama	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 402,545
Share of beer tax	—	—	—	—	—	496,803
Intergovernmental revenues:						
Federal grants	—	—	567,324	—	—	3,408,518
State and local grants	—	—	—	—	—	444,879
Other operating revenues:						
Interest on investments	—	—	—	—	—	4,360
Share of tag receipts	—	—	—	—	—	234,004
Collection of principal and interest	—	—	—	—	—	98,018
Other	—	—	—	381	3,850	557,842
Total revenues	—	—	567,324	381	3,850	5,646,969
Expenditures:						
Current:						
General government	—	—	2,345	24,351	46,000	610,714
Public safety	—	—	—	—	—	489,647
Streets and highways	—	—	—	—	—	1,114,831
Culture and recreation	—	—	—	—	—	115,256
Housing program	—	—	—	—	—	532,424
Economic and physical development	—	—	—	—	—	29,255
Other	38,677	—	33	15,000	—	176,617
Total current operations	38,677	—	2,378	39,351	46,000	3,068,744
Capital expenditures	—	—	564,979	492,288	—	3,669,130
Total expenditures	38,677	—	567,357	531,639	46,000	6,737,874
Excess (deficiency) of revenues over expenditures	(38,677)	—	(33)	(531,258)	(42,150)	(1,090,905)
Other financing sources (uses) :						
Transfers in	—	—	—	—	381,234	512,706
Transfers out	—	—	—	—	—	(495,813)
Total other financing sources (uses)	—	—	—	—	381,234	16,893
Net change in fund balances	(38,677)	—	(33)	(531,258)	339,084	(1,074,012)
Fund balances, beginning of year	272,444	3	99,986	1,410,638	—	5,206,197
Fund balances - end of year	\$ 233,767	\$ 3	\$ 99,953	\$ 879,380	\$ 339,084	\$ 4,132,185

Nonmajor Governmental Funds

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity. These funds are not incorporated into the government-wide financial statements.

Police Officers and Firefighters Supplemental Retirement Plan Fund accounts for funds held by the City for beneficiaries until drawn on by those beneficiaries after retirement. This fund is reported in the basic financial statements.

Cash Bond Fund accounts for the funds held by the City until the case is settled by the municipal court.

CITY OF TUSCALOOSA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND

For the year ended September 30, 2011

	<u>Balance</u> <u>October 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2011</u>
<u>Cash Bond Fund</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 242,349	\$ 568,874	\$ 514,288	\$ 296,935
<u>LIABILITIES</u>				
Cash bond deposits payable	\$ 242,349	\$ 568,874	\$ 514,288	\$ 296,935

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

**CITY OF TUSCALOOSA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY**

September 30, 2011

	<u>Total</u>	<u>Infrastructure</u>	<u>Buildings</u>	<u>Machinery and Equipment</u>
General government:				
Finance	\$ 377,551	\$ —	\$ —	\$ 377,551
Revenue	133,223	—	—	133,223
Information technology	9,501,109	—	—	9,501,109
Municipal court	274,572	—	—	274,572
Planning and zoning	12,785	—	—	12,785
All others	1,289,025	—	—	1,289,025
Total general government	<u>11,588,265</u>	<u>—</u>	<u>—</u>	<u>11,588,265</u>
Public safety:				
Police	20,454,013	—	10,731,894	9,722,119
Fire and rescue service	21,643,303	—	11,318,522	10,324,781
All others	751,187	—	218,102	533,085
Total public safety	<u>42,848,503</u>	<u>—</u>	<u>22,268,518</u>	<u>20,579,985</u>
Streets and highways	<u>14,635,540</u>	<u>—</u>	<u>4,688,466</u>	<u>9,947,074</u>
Environmental services	<u>7,449,268</u>	<u>—</u>	<u>167,723</u>	<u>7,281,545</u>
Culture and recreation	<u>22,578,806</u>	<u>19,001,896</u>	<u>3,576,910</u>	<u>—</u>
General government buildings	<u>31,626,690</u>	<u>—</u>	<u>31,626,690</u>	<u>—</u>
Infrastructure	<u>202,336,599</u>	<u>202,336,599</u>	<u>—</u>	<u>—</u>
Assets allocated by function	333,063,671	<u>\$ 202,336,599</u>	<u>\$ 62,328,307</u>	<u>\$ 49,396,869</u>
Construction in progress	<u>22,208,999</u>			
Total governmental funds capital assets	<u>\$ 355,272,670</u>			

CITY OF TUSCALOOSA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the year ended September 30, 2011

	Governmental Funds Capital Assets September 30, 2010	Additions (Deletions)	Governmental Funds Capital Assets September 30, 2011
General government:			
Finance	\$ 248,400	\$ 129,151	\$ 377,551
Revenue	110,241	22,982	133,223
Information systems	10,884,257	(1,383,148)	9,501,109
Municipal court	549,072	(274,500)	274,572
Planning and zoning	25,428	(12,643)	12,785
All others	115,432	1,173,593	1,289,025
Total general government	<u>11,932,830</u>	<u>(344,565)</u>	<u>11,588,265</u>
Public safety:			
Police	20,484,442	(30,429)	20,454,013
Fire	21,751,226	(107,923)	21,643,303
All others	533,085	218,102	751,187
Total public safety	<u>42,768,753</u>	<u>79,750</u>	<u>42,848,503</u>
Streets and highways	<u>13,924,765</u>	<u>710,775</u>	<u>14,635,540</u>
Environmental services	<u>7,154,845</u>	<u>294,423</u>	<u>7,449,268</u>
Recreation	<u>3,576,910</u>	<u>19,001,896</u>	<u>22,578,806</u>
General government buildings	<u>55,774,781</u>	<u>(24,148,091)</u>	<u>31,626,690</u>
Infrastructure	<u>153,349,684</u>	<u>48,986,915</u>	<u>202,336,599</u>
Assets allocated by function	288,482,568	44,581,103	333,063,671
Construction in progress	<u>68,022,801</u>	<u>(45,813,802)</u>	<u>22,208,999</u>
Total governmental funds capital assets	<u><u>\$ 356,505,369</u></u>	<u><u>\$ (1,232,699)</u></u>	<u><u>\$ 355,272,670</u></u>

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING AND NON-OPERATING REVENUES (EXPENSES) - BUDGET AND ACTUAL
(GAAP BASIS)

For the year ended September 30, 2011

	Budget	Actual	Favorable (Unfavorable)
Operating revenues			
Water and sewer sales	\$ 35,564,200	\$ 36,435,320	\$ 871,120
Connection fees	1,250,000	972,908	(277,092)
Cost reimbursed	105,000	21,114	(83,886)
Total operating revenue:	36,919,200	37,429,342	510,142
Non-operating revenues (expenses)			
Interest income	1,100	59,301	58,201
Capital contributions - developer:	-	866,536	866,536
Loss on disposal of capital asset:	-	(23,114)	(23,114)
Amortization of loss on debt retiremer	-	(396,308)	(396,308)
Interest expense	(5,073,471)	(4,909,970)	163,501
Capital contributions - grants	-	12,937	12,937
Net non-operating revenues (expenses)	(5,072,371)	(4,390,618)	681,753
Total before transfers	31,846,829	33,038,724	1,191,895
Transfers in (out):			
Transfers in	59,004	50,208	(8,796)
Transfers to Other Funds	(3,094,035)	(580,008)	2,514,027
Net transfers in (out)	(3,035,031)	(529,800)	2,505,231
Fund total	\$ 28,811,798	\$ 32,508,924	\$ 3,697,126

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL
(GAAP BASIS)

For the year ended September 30, 2011

	Budget	Actual	Variance - Favorable (Unfavorable)
Operating expenses:			
Office of City Engineer:			
Personnel services	\$ 613,992	\$ 598,590	\$ 15,402
Other	170,381	162,722	7,659
Total office of City engineer	<u>784,373</u>	<u>761,312</u>	<u>23,061</u>
Water works office:			
Personnel services	1,335,873	1,343,296	(7,423)
Other	1,329,538	1,411,842	(82,304)
Total water works office	<u>2,665,411</u>	<u>2,755,138</u>	<u>(89,727)</u>
Superintendent:			
Personnel services	134,364	115,555	18,809
Other	150,658	44,940	105,718
Total superintendent	<u>285,022</u>	<u>160,495</u>	<u>124,527</u>
Source of supply - lakes:			
Personnel services	340,953	306,458	34,495
Other	286,559	247,769	38,790
Total source of supply - lakes	<u>627,512</u>	<u>554,227</u>	<u>73,285</u>
Plott plant	<u>620,650</u>	<u>662,707</u>	<u>(42,057)</u>
Engineering:			
Personnel services	-	900	(900)
Other	-	459	(459)
Total engineering	<u>-</u>	<u>1,359</u>	<u>(1,359)</u>
Distribution:			
Personnel services	1,622,763	1,625,134	(2,371)
Other	1,477,523	1,265,281	212,242
Total distribution	<u>3,100,286</u>	<u>2,890,415</u>	<u>209,871</u>
Lab	<u>159,000</u>	<u>163,334</u>	<u>(4,334)</u>

CITY OF TUSCALOOSA
WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES - BUDGET AND ACTUAL (Continued)
(GAAP BASIS)

For the year ended September 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Operating expenses (Continued):			
Sewage treatment plant:			
Personnel services	\$ 937,698	\$ 952,041	\$ (14,343)
Other	<u>1,711,507</u>	<u>1,665,577</u>	<u>45,930</u>
Total sewage treatment plant	<u>2,649,205</u>	<u>2,617,618</u>	<u>31,587</u>
Sanitary sewer:			
Personnel services	1,042,702	1,033,568	9,134
Other	<u>859,009</u>	<u>593,775</u>	<u>265,234</u>
Total sanitary sewer	<u>1,901,711</u>	<u>1,627,343</u>	<u>274,368</u>
Damage claims	<u>150,500</u>	<u>166,150</u>	<u>(15,650)</u>
Ed Love filter plant:			
Personnel services	1,539,991	1,521,648	18,343
Other	<u>2,176,280</u>	<u>2,360,737</u>	<u>(184,457)</u>
Total Ed Love filter plant	<u>3,716,271</u>	<u>3,882,385</u>	<u>(166,114)</u>
Lift station:			
Personnel services	308,031	223,339	84,692
Other	<u>781,920</u>	<u>787,083</u>	<u>(5,163)</u>
Total lift station	<u>1,089,951</u>	<u>1,010,422</u>	<u>79,529</u>
Depreciation and amortization	<u>7,200,000</u>	<u>8,325,364</u>	<u>(1,125,364)</u>
Contingencies and other expenses	<u>5,650,000</u>	<u>3,238,635</u>	<u>2,411,365</u>
Total operating expenses	<u>\$ 30,599,892</u>	<u>\$ 28,816,904</u>	<u>\$ 1,782,988</u>

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**CITY OF TUSCALOOSA
STATISTICAL SECTION
September 30, 2011**

This section of the City of Tuscaloosa’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<u>Contents</u>	Page(s)
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	110-116
Revenue Capacity <i>These schedules contain information to help the reader assess the factor’s affecting the City’s ability to generate its property and sales taxes.</i>	117-122
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	123-127
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time with other governments.</i>	128-129
Operating Information <i>These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.</i>	130-133

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; infrastructure was capitalized per GASB 34 in 2007; schedules presenting government-wide information include information beginning in that year.*

CITY OF TUSCALOOSA
Schedule A

NET ASSETS BY COMPONENT

Last eight fiscal years ended September 30,
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 53,439,444	\$ 61,938,580	\$ 45,973,286	\$ 109,906,406	\$ 129,767,223	\$ 157,014,265	\$ 178,375,642	\$ 140,477,106
Restricted	6,265,617	4,252,566	4,196,311	1,926,060	25,720,035	34,148,995	18,579,455	10,608,151
Unrestricted	16,417,301	20,653,587	57,399,468	51,669,266	25,072,570	2,896,532	3,532,296	35,169,074
Total governmental activities net assets	<u>76,122,362</u>	<u>86,844,733</u>	<u>107,569,065</u>	<u>163,501,732</u>	<u>180,559,828</u>	<u>194,059,792</u>	<u>200,487,393</u>	<u>186,254,331</u>
Business-type activities								
Invested in capital assets, net of related debt	126,194,071	132,925,853	143,160,390	155,553,467	162,860,899	168,429,070	170,501,366	166,577,134
Unrestricted	29,261,687	29,735,674	26,446,426	22,867,017	19,768,328	14,733,244	14,387,321	21,231,233
Total business-type activities net assets	<u>155,455,758</u>	<u>162,661,527</u>	<u>169,606,816</u>	<u>178,420,484</u>	<u>182,629,227</u>	<u>183,162,314</u>	<u>184,888,687</u>	<u>187,808,367</u>
Primary government								
Invested in capital assets, net of related debt	179,633,515	194,864,433	189,133,676	265,459,873	292,628,122	325,443,335	348,877,008	307,054,240
Restricted	6,265,617	4,252,566	4,196,311	1,926,060	25,720,035	34,148,995	18,579,455	10,608,151
Unrestricted	45,678,988	50,389,261	83,845,894	74,536,283	44,840,898	17,629,776	17,919,617	56,400,307
Total primary government net assets	<u>\$ 231,578,120</u>	<u>\$ 249,506,260</u>	<u>\$ 277,175,881</u>	<u>\$ 341,922,216</u>	<u>\$ 363,189,055</u>	<u>\$ 377,222,106</u>	<u>\$ 385,376,080</u>	<u>\$ 374,062,698</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA
Schedule B

CHANGES IN NET ASSETS

Last eight fiscal years ended September 30,
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses:								
Governmental activities:								
General government	\$ 16,001,949	\$ 11,842,477	\$ 14,325,195	\$ 17,954,656	\$ 19,763,717	\$ 16,754,821	\$ 16,159,901	\$ 27,116,940
Public safety	36,672,247	38,962,214	43,548,307	47,881,602	50,787,518	49,734,647	51,712,388	61,270,595
Streets and highways	11,831,856	12,033,849	13,864,099	13,939,795	15,539,651	14,118,574	16,929,837	18,008,488
Environmental services	5,143,011	6,002,175	5,476,097	5,940,940	6,285,585	6,694,750	6,722,562	6,347,923
Education	11,265,634	11,626,331	12,487,394	13,013,887	12,397,700	12,599,510	12,499,220	12,934,588
Recreation	2,957,122	5,022,940	5,514,666	7,791,844	4,305,949	4,397,888	3,880,151	4,217,570
Interest on long-term debt	2,680,973	2,790,803	2,763,719	3,116,743	3,774,247	4,007,844	2,712,190	3,916,406
Unallocated depreciation expense	544,049	372,141	476,442	3,213,411	3,195,071	3,416,863	281,654	234,302
Total governmental activities expenses	<u>87,096,841</u>	<u>88,652,930</u>	<u>98,455,919</u>	<u>112,852,878</u>	<u>116,049,438</u>	<u>111,724,897</u>	<u>110,897,903</u>	<u>134,046,812</u>
Business-type activities:								
Intermodal facility	-	-	-	-	-	-	-	62,200
Water and sewer	20,030,184	22,719,756	22,969,328	26,335,204	29,570,528	32,894,191	33,095,681	34,177,134
Total business-type activities expenses	<u>20,030,184</u>	<u>22,719,756</u>	<u>22,969,328</u>	<u>26,335,204</u>	<u>29,570,528</u>	<u>32,894,191</u>	<u>33,095,681</u>	<u>34,239,334</u>
Total primary government expenses	<u>107,127,025</u>	<u>111,372,686</u>	<u>121,425,247</u>	<u>139,188,082</u>	<u>145,619,966</u>	<u>144,619,088</u>	<u>143,993,584</u>	<u>168,286,146</u>
Program Revenues:								
Governmental activities:								
Charges for services:								
General government	15,690,493	16,960,214	18,545,967	20,393,848	22,405,518	22,110,936	20,926,414	21,995,729
Public safety	1,545,170	1,896,698	1,602,309	1,323,040	1,344,525	149,702	28,405	57,490
Environmental services	2,104,450	2,235,563	2,351,665	2,592,989	3,045,443	3,186,058	3,560,190	3,656,458
Operating grants and contributions	24,683,951	24,615,053	28,355,498	27,975,878	28,669,122	26,984,846	25,280,020	39,864,301
Capital grants and contributions	3,523,050	6,055,258	10,148,366	12,065,052	18,088,752	17,474,880	8,772,540	4,962,838
Total governmental activities program revenues	<u>47,547,114</u>	<u>51,762,786</u>	<u>61,003,805</u>	<u>64,350,807</u>	<u>73,553,360</u>	<u>69,906,422</u>	<u>58,567,569</u>	<u>70,536,816</u>
Business-type activities:								
Charges for service:								
Intermodal facility	-	-	-	-	-	-	-	15,995
Water and sewer	24,111,360	26,703,890	29,021,958	32,027,019	32,335,108	33,237,568	34,538,964	37,429,342
Operating grants and contributions	486,937	730,378	-	578,295	-	-	-	-
Capital grants and contributions	1,393,827	1,447,896	1,864,463	1,975,694	2,148,925	1,122,303	967,828	879,473
Total business-type activities program revenues	<u>25,992,124</u>	<u>28,882,164</u>	<u>30,886,421</u>	<u>34,581,008</u>	<u>34,484,033</u>	<u>34,359,871</u>	<u>35,506,792</u>	<u>38,324,810</u>
Total primary government program revenue:	<u>73,539,238</u>	<u>80,644,950</u>	<u>91,890,226</u>	<u>98,931,815</u>	<u>108,037,393</u>	<u>104,266,293</u>	<u>94,074,361</u>	<u>108,861,626</u>
Net (expense) revenue								
Governmental activities	(39,549,727)	(36,890,144)	(37,452,114)	(48,502,071)	(42,496,078)	(41,818,475)	(52,330,334)	(63,509,996)
Business-type activities	5,961,940	6,162,408	7,917,093	8,245,804	4,913,505	1,465,680	2,411,111	4,085,476
Total primary government net expense	<u>(33,587,787)</u>	<u>(30,727,736)</u>	<u>(29,535,021)</u>	<u>(40,256,267)</u>	<u>(37,582,573)</u>	<u>(40,352,795)</u>	<u>(49,919,223)</u>	<u>(59,424,520)</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

(Continued)

CITY OF TUSCALOOSA
Schedule B

CHANGES IN NET ASSETS

Last eight fiscal years ended September 30,
(accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Net (expense) revenue (brought forward)								
Governmental activities	\$ (39,549,727)	\$ (36,890,144)	\$ (37,452,114)	\$ (48,502,071)	\$ (42,496,078)	\$ (41,818,475)	\$ (52,330,334)	\$ (63,509,996)
Business-type activities	5,961,940	6,162,408	7,917,093	8,245,804	4,913,505	1,465,680	2,411,111	4,085,476
Total primary government net expense	<u>(33,587,787)</u>	<u>(30,727,736)</u>	<u>(29,535,021)</u>	<u>(40,256,267)</u>	<u>(37,582,573)</u>	<u>(40,352,795)</u>	<u>(49,919,223)</u>	<u>(59,424,520)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Sales and use tax	27,269,450	29,633,286	31,367,698	32,574,943	33,226,784	31,074,026	32,481,688	34,710,490
Property tax	8,897,619	9,093,735	10,221,426	10,624,076	11,348,544	11,391,525	13,140,500	13,471,960
Lodging tax	1,912,743	2,175,683	2,413,750	2,500,892	3,166,552	3,223,861	3,941,361	4,748,114
Taxes passed through from state	2,092,179	2,515,292	2,273,945	2,350,939	2,282,859	2,705,859	2,815,424	1,713,482
Other	4,113,128	4,137,305	4,742,063	5,117,260	4,735,276	5,305,004	4,874,478	4,877,379
Unrestricted investment earnings	803,458	2,084,136	2,979,937	4,345,024	3,055,941	1,371,936	764,572	527,377
Loss on disposal of capital assets	-	-	-	-	-	(110,274)	(17,887)	(3,420,888)
Loss on impairment	-	-	-	-	-	-	-	(7,832,781)
Special item	-	(2,120,391)	-	-	-	-	-	-
Transfers	68,443	93,469	4,177,627	903,610	1,738,218	1,175,502	757,799	481,800
Total governmental activities	<u>45,157,020</u>	<u>47,612,515</u>	<u>58,176,446</u>	<u>58,416,744</u>	<u>59,554,174</u>	<u>56,137,439</u>	<u>58,757,935</u>	<u>49,276,933</u>
Business-type activities:								
Unrestricted investment earnings	403,603	1,154,610	1,228,560	1,471,474	1,033,456	242,909	73,059	59,301
Gain on disposal of capital assets	-	-	-	-	-	-	-	23,114
Special item	-	-	2,000,140	-	-	-	-	-
Transfers	(68,443)	(93,469)	(4,177,627)	(903,610)	(1,738,218)	(1,175,502)	(757,799)	(481,800)
Total business-type activities	<u>335,160</u>	<u>1,061,141</u>	<u>(948,927)</u>	<u>567,864</u>	<u>(704,762)</u>	<u>(932,593)</u>	<u>(684,740)</u>	<u>(399,385)</u>
Total primary government	<u>45,492,180</u>	<u>48,673,656</u>	<u>57,227,519</u>	<u>58,984,608</u>	<u>58,849,412</u>	<u>55,204,846</u>	<u>58,073,195</u>	<u>48,877,548</u>
Change in Net Assets								
Governmental activities	5,607,293	10,722,371	20,724,332	9,914,673	17,058,096	14,318,964	6,427,601	(14,233,063)
Business-type activities	6,297,100	7,223,549	6,968,166	8,813,668	4,208,743	533,087	1,726,371	3,686,091
Total primary government	<u>\$ 11,904,393</u>	<u>\$ 17,945,920</u>	<u>\$ 27,692,498</u>	<u>\$ 18,728,341</u>	<u>\$ 21,266,839</u>	<u>\$ 14,852,051</u>	<u>\$ 8,153,972</u>	<u>\$ (10,546,972)</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA

Schedule C

GENERAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

**Last eight fiscal years ended September 30,
(accrual basis of accounting)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Sales tax	\$ 26,624,449	\$ 28,704,519	\$ 30,563,083	\$ 31,570,786	\$ 31,533,043	\$ 29,925,154	\$ 30,845,902	\$ 32,572,443
Use tax	1,421,497	1,494,536	1,769,263	2,024,378	2,221,664	1,994,899	1,886,945	2,138,047
Property tax	8,897,619	9,093,735	10,221,426	10,624,076	11,348,544	11,391,525	13,140,500	13,471,960
Lodging tax	1,912,743	2,175,683	2,413,750	2,500,892	3,166,552	3,223,861	3,941,361	4,748,114
Other local taxes	<u>3,336,632</u>	<u>3,571,536</u>	<u>3,777,415</u>	<u>4,097,038</u>	<u>4,207,353</u>	<u>4,458,977</u>	<u>4,623,319</u>	<u>4,877,379</u>
	<u>\$ 42,192,940</u>	<u>\$ 45,040,009</u>	<u>\$ 48,744,937</u>	<u>\$ 50,817,170</u>	<u>\$ 52,477,156</u>	<u>\$ 50,994,416</u>	<u>\$ 54,438,027</u>	<u>\$ 57,807,943</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA

Schedule D

FUND BALANCES OF GOVERNMENTAL FUNDS

Last eight fiscal years ended September 30,
(modified accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund								
Reserved	\$ 1,156,391	\$ 1,417,667	\$ 2,124,508	\$ 2,206,051	\$ 1,830,057	\$ 1,434,191	\$ 1,057,333	\$
Nonspendable								1,096,875
Restricted								69,786
Committed								1,588,421
Assigned								247,643
Unassigned								11,266,978
Unreserved-designated	1,630,744	1,734,515	1,587,577	1,562,415	1,488,763	2,655,534	2,380,133	
Unreserved-undesignated	<u>13,094,605</u>	<u>12,913,369</u>	<u>12,956,666</u>	<u>13,331,890</u>	<u>14,032,856</u>	<u>9,605,397</u>	<u>10,419,205</u>	
Total general fund	<u>\$ 15,881,740</u>	<u>\$ 16,065,551</u>	<u>\$ 16,668,751</u>	<u>\$ 17,100,356</u>	<u>\$ 17,351,676</u>	<u>\$ 13,695,122</u>	<u>\$ 13,856,671</u>	<u>\$ 14,269,703</u>
Capital Project Fund								
Committed	\$	\$	\$	\$	\$	\$	\$	\$ 7,973,250
Assigned								20,919,348
Unreserved-designated	15,844,798	20,224,475	29,718,023	30,838,134	32,773,646	21,939,071	24,746,854	
Unreserved-undesignated	<u>19,668,639</u>	<u>21,910,482</u>	<u>17,160,917</u>	<u>38,415,344</u>	<u>29,484,194</u>	<u>23,604,178</u>	<u>15,924,206</u>	
Total capital project fund	<u>\$ 35,513,437</u>	<u>\$ 42,134,957</u>	<u>\$ 46,878,940</u>	<u>\$ 69,253,478</u>	<u>\$ 62,257,840</u>	<u>\$ 45,543,249</u>	<u>\$ 40,671,060</u>	<u>\$ 28,892,598</u>
All other governmental funds								
Reserved-reported in:								
Special revenue funds	\$ 2,237,166	\$ 2,350,130	\$ 2,229,504	\$ 1,819,083	\$ 2,162,687	\$ 3,555,470	\$ 6,125,162	\$
Debt service fund	1,796,606	1,817,846	1,853,882	-	-	-	-	
Capital projects funds	2,060,125	-	-	-	-	-	-	
Permanent fund	83,650	83,925	84,332	85,355	85,672	85,848	85,891	
Restricted								6,263,831
Committed								319,658
Assigned								7,989,323
Unreserved, reported in:								
Special revenue funds	211,315	218,386	221,026	229,593	233,948	231,053	232,427	
Capital projects funds	<u>(2,776)</u>	<u>(1,313)</u>	<u>1,328,724</u>	<u>1,397,666</u>	<u>1,610,676</u>	<u>16,279,019</u>	<u>4,753,798</u>	
Total all other governmental funds	<u>\$ 6,386,086</u>	<u>\$ 4,468,974</u>	<u>\$ 5,717,468</u>	<u>\$ 3,531,697</u>	<u>\$ 4,092,983</u>	<u>\$ 20,151,390</u>	<u>\$ 11,197,278</u>	<u>\$ 14,572,812</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA

Schedule E

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last eight fiscal years ended September 30,
(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Taxes	\$ 43,060,804	\$ 45,920,372	\$ 49,632,443	\$ 51,721,430	\$ 53,384,814	\$ 51,910,610	\$ 55,350,400	\$ 58,707,291
Licenses and permits	13,675,867	14,606,454	16,258,365	17,867,321	19,842,536	19,523,086	18,354,400	19,406,856
Fines and penalties	1,926,250	2,272,983	2,199,321	2,443,558	2,485,542	2,501,851	2,486,909	2,497,600
Use of property	88,376	80,777	88,281	82,969	77,440	85,999	85,105	91,273
Charges for services	2,104,450	2,235,563	2,351,665	2,592,989	3,045,443	3,186,058	3,560,190	3,656,458
Intergovernmental	29,281,115	31,973,834	39,120,698	41,033,936	46,206,557	44,902,813	36,439,309	31,914,939
Other revenues	3,705,308	5,625,303	6,777,209	7,643,495	7,991,471	6,103,607	4,323,277	17,190,381
Total revenues	93,842,170	102,715,286	116,427,982	123,385,698	133,033,803	128,214,024	120,599,590	133,464,798
Expenditures								
General government	9,367,435	9,297,821	10,328,058	11,797,763	11,676,207	12,019,917	12,287,531	12,889,435
Public safety	36,236,964	40,810,216	42,257,495	47,861,666	50,399,045	49,988,996	50,505,940	61,322,046
Streets and highways	11,927,873	15,682,139	14,652,986	15,209,404	21,189,031	27,351,517	17,388,816	22,900,502
Environmental services	4,979,989	6,377,239	5,422,274	5,821,440	6,247,737	6,747,546	6,482,032	6,516,442
Health	115,000	115,000	115,000	130,000	130,000	130,000	130,000	130,000
Education	11,265,634	11,626,331	12,487,394	13,013,887	12,397,700	12,599,506	12,499,215	12,934,583
Recreation	2,957,122	5,022,940	6,201,413	8,438,721	4,518,890	4,460,841	4,711,528	6,991,778
Library	1,409,469	1,451,737	1,524,311	1,625,080	1,750,080	1,750,079	1,600,007	1,600,000
Other activities	4,173,044	2,765,161	4,564,468	4,138,645	3,241,089	3,600,439	2,985,264	6,249,396
Capital outlay	5,250,338	5,664,440	10,419,930	13,170,497	22,567,577	25,073,862	20,534,185	16,439,997
Debt service								
Principal	2,998,010	3,604,281	3,333,180	6,937,297	2,743,996	3,456,391	3,999,070	3,366,189
Interest	2,646,561	2,614,106	2,761,033	2,601,948	4,018,780	3,457,117	3,728,038	3,712,194
Warrant issue costs	-	108,225	-	285,960	-	-	262,190	-
Total expenditures	93,327,439	105,139,636	114,067,542	131,032,308	140,877,192	150,636,211	137,113,816	155,052,562
Excess of revenues over (under) expenditures	514,731	(2,424,350)	2,360,440	(7,646,610)	(7,843,389)	(22,422,187)	(16,514,226)	(21,587,764)
Other financing sources (uses)								
Transfers in	5,441,524	11,232,680	14,071,255	7,814,007	5,922,471	4,443,536	7,248,378	15,457,900
Transfers out	(5,373,081)	(11,139,211)	(9,893,628)	(6,910,396)	(4,584,253)	(3,268,034)	(6,281,398)	(15,319,597)
Insurance proceeds	-	-	-	-	-	-	-	15,281,448
Warrants issued	2,200,000	9,490,000	-	27,185,000	-	17,023,715	34,510,000	-
Warrant premium	-	437,946	-	103,718	-	-	2,127,444	-
Payment to refunded warrant escrow agent	-	(3,567,203)	-	-	-	-	(34,884,212)	-
Capital lease	108,630	741,365	-	-	192,562	793,948	-	-
Total other financing sources (uses)	2,377,073	7,195,577	4,177,627	28,192,329	1,530,780	18,993,165	2,720,212	15,419,751
Net change in fund balances	\$ 2,891,804	\$ 4,771,227	\$ 6,538,067	\$ 20,545,719	\$ (6,312,609)	\$ (3,429,022)	\$ (13,794,014)	\$ (6,168,013)
Debt service as a percentage of noncapital expenditures*	7%	7%	6%	9%	6%	6%	7%	5%

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those year:

*Noncapital expenditures includes equipment costs allocated to function. Current expenditures without this amount is not readily determinable

CITY OF TUSCALOOSA

Schedule F

TOTAL GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

Last eight fiscal years ended September 30,
(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Sales tax	\$ 26,624,449	\$ 28,704,519	\$ 30,563,083	\$ 31,570,786	\$ 31,533,043	\$ 29,925,154	\$ 30,845,902	\$ 32,572,443
Use tax	1,421,497	1,494,536	1,769,263	2,024,378	2,221,664	1,994,899	1,886,945	2,138,047
Property tax	8,897,619	9,093,735	10,221,426	10,624,076	11,348,544	11,391,525	13,140,500	13,471,960
Lodging tax	1,912,743	2,175,683	2,413,750	2,500,892	3,166,552	3,223,861	3,941,361	4,748,114
Other local taxes	<u>4,204,496</u>	<u>4,451,899</u>	<u>4,664,921</u>	<u>5,001,298</u>	<u>5,115,011</u>	<u>5,375,171</u>	<u>5,535,692</u>	<u>5,776,727</u>
	<u>\$ 43,060,804</u>	<u>\$ 45,920,372</u>	<u>\$ 49,632,443</u>	<u>\$ 51,721,430</u>	<u>\$ 53,384,814</u>	<u>\$ 51,910,610</u>	<u>\$ 55,350,400</u>	<u>\$ 58,707,291</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA

Schedule G

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last eight fiscal years ended September 30,

Tax Year Ended September 30	Real and Personal Property*		Automobiles**		Total Assessed Value	Total Direct Tax Rate	Total Estimated Actual Value	Assessed Value as a Percentage of Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value				
2004	\$ 656,651,520	\$ 4,377,676,800	\$ 86,484,560	\$ 505,462,069	\$ 743,136,080	0.14	\$ 4,883,138,869	15.22%
2005	792,801,180	5,285,341,200	93,258,020	545,049,795	886,059,200	0.14	5,830,390,995	15.20%
2006	784,954,600	5,233,030,667	91,187,778	532,950,192	876,142,378	0.14	5,765,980,859	15.20%
2007	819,319,320	5,462,128,800	100,875,020	589,567,621	920,194,340	0.14	6,051,696,421	15.21%
2008	874,851,200	5,832,341,333	98,605,607	576,303,957	973,456,807	0.14	6,408,645,290	15.19%
2009	990,117,580	6,600,783,867	86,303,273	504,402,529	1,076,420,853	0.14	7,105,186,396	15.15%
2010	873,347,480	5,822,316,533	86,339,740	504,615,663	959,687,220	0.14	6,326,932,196	15.17%
2011	995,254,480	6,635,029,867	101,714,100	594,471,654	1,096,968,580	0.14	7,229,501,521	15.17%

Ad valorem taxes are assessed and collected for the City of Tuscaloosa by Tuscaloosa County.

*Source: Tuscaloosa County Tax Assessor.

**Source: Tuscaloosa County License Commissioner.

Note: Statistical data presented upon implementation of GASB Statement 34.

CITY OF TUSCALOOSA
Schedule H

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS*

Last eight fiscal years ended September 30,

Tax Year Ended September 30	City of Tuscaloosa	City Schools	Tuscaloosa County	State of Alabama	Total
2004	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2005	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2006	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2007	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2008	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2009	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2010	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills
2011	13 1/2 mills	15 1/2 mills	16 mills	6 1/2 mills	51 1/2 mills

Source: Tuscaloosa County Tax Assessor.

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

Note: The property tax rates can be increased only by a majority vote of the affected residents.

Note: Statistical data presented upon implementation of GASB Statement 34.

CITY OF TUSCALOOSA
Schedule I

PRINCIPAL PROPERTY TAXPAYERS

	September 30, 2011				September 30, 2004			
	City Ad Valorem Taxes Paid	Rank	Total Assessed Value of All Property Within City Limits	Percentage of Total Assessed Valuation	City Ad Valorem Taxes Paid	Rank	Total Assessed Value of All Property Within City Limits	Percentage of Total Assessed Valuation
Alabama Power Co.	\$ 320,770	1	\$ 23,760,760	2.48%	\$ 244,049	1	\$ 18,077,700	2.43%
Phifer Incorporated	188,592	2	14,660,540	1.53%	131,342	2	22,903,620	3.08%
The Greens at Tuscaloosa	112,486	3	8,332,320	0.87%	—		—	—
Bellsouth Telecommunications	106,364	4	7,878,800	0.82%	130,230	3	9,646,700	1.30%
Hanna Steel Corporation	96,850	5	7,174,080	0.75%	—		—	—
Aranov Realty Co., Inc.	96,413	6	7,141,700	0.74%	88,169	5	6,531,040	0.88%
Carlyle-Cypress	93,253	7	6,907,620	0.72%	—		—	—
Wright/Hurd Properties, LLC	82,429	8	6,105,820	0.64%	64,307	6	4,763,460	0.64%
Tamko Roofing Products, Inc.	68,682	9	5,086,820	0.53%	—		—	—
BP Building and Land Company, LLC	67,728	10	5,016,860	0.52%	—		—	—
Gulf States Paper Corp.	—		—	—	98,284	4	7,280,260	0.98%
Stone Creek, LLC	—		—	—	64,950	7	4,811,100	0.65%
Walmart Stores	—		—	—	55,755	8	4,130,000	0.56%
Alabama Gas Corp.	—		—	—	54,596	9	4,044,180	0.54%
University Downs, Ltd.	—		—	—	43,297	10	3,207,180	0.43%
	<u>\$ 1,233,567</u>		<u>\$ 92,065,320</u>	<u>9.59%</u>	<u>\$ 974,979</u>		<u>\$ 85,395,240</u>	<u>11.49%</u>

Source: Tuscaloosa County Tax Assessor and Tuscaloosa County Tax Collector.

Note: The amounts shown under the heading "City Ad Valorem Taxes Paid" represent the collections from 13-1/2 mills of City taxes levied on property.

Note: Information regarding principal revenue payers or remitters prior to fiscal year ended September 30, 2004 was not readily available.

CITY OF TUSCALOOSA
Schedule J

PROPERTY TAX VALUATION, LEVIES AND COLLECTION

Last eight fiscal years ended September 30,

<u>Tax Year Ended September 30</u>	<u>Taxable Valuation*</u>	<u>Property Tax Levies**</u>	<u>Property Tax Collections**</u>
2004	\$ 736,137,693	\$ 9,937,859	\$ 8,897,619
2005	877,602,200	11,847,630	9,093,735
2006	876,142,378	11,827,922	10,221,426
2007	910,558,279	12,292,537	10,624,076
2008	973,456,807	13,141,667	11,348,544
2009	1,076,420,853	14,531,682	11,388,760
2010	990,755,080	13,375,194	11,801,104
2011	995,719,100	13,442,208	12,764,920

***Source:** Tuscaloosa County Tax Assessor and Tuscaloosa County License Commissioner.

****Source:** Tuscaloosa County Tax Collector and Tuscaloosa County License Commissioner.

Note: Statistical data presented upon implementation of GASB Statement 34.

Note: Ad valorem taxes are assessed, billed and collected by Tuscaloosa County and remitted to the City of Tuscaloosa on a monthly basis. Information regarding collections of any year's property taxes subsequent to that year end is not readily available due to this billing process.

CITY OF TUSCALOOSA

Schedule K

PRINCIPAL SALES TAXPAYERS*

For the fiscal years ended September 30,

2011		2006	
<u>Name of Taxpayer</u>	<u>Business or Industry</u>	<u>Name of Taxpayer</u>	<u>Business or Industry</u>
Academy Sports	Retail	Bruno's Supermarket	Grocery
Belk	Retail	Home Depot	Home Improvement Retail
Best Buy	Retail	Lowe's of Tuscaloosa	Home Improvement Retail
Home Depot	Retail Building Supplies	Parisian	Retail
Lowe's of Tuscaloosa	Retail Building Supplies	Sam's Club	Retail
Publix	Grocery	Target Stores	Retail
Sam's Club	Retail	Tuscaloosa Toyota	Automotive Dealership
Target Stores	Retail	University of Alabama	Higher Education
University of Alabama	Higher Education	Wal-Mart Supercenter	Retail
Wal-Mart Supercenter	Retail	Winn Dixie	Grocery

Source: City of Tuscaloosa Revenue Department.

*Listed alphabetically

Note: The total sales tax paid to the City of Tuscaloosa directly by the above listed taxpayers for the September 30, 2011 fiscal year was \$8,626,025.
Per Alabama Statewide Ordinance, individual taxpayer sales tax amounts paid is confidential information and illegal to disclose.

Note: Information regarding principal sales taxpayers prior to fiscal year ended September 30, 2006 was not readily available.

CITY OF TUSCALOOSA

Schedule L

SALES TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS*

Last eight fiscal years ended September 30,

<u>Tax Year Ended September 30</u>	<u>City of Tuscaloosa</u>	<u>Tuscaloosa County Special Tax Board</u>	<u>State of Alabama</u>	<u>Total</u>
2004	2%	2%	4%	8%
2005	2%	2%	4%	8%
2006	2%	3%	4%	9%
2007	2%	3%	4%	9%
2008	2%	3%	4%	9%
2009	2%	3%	4%	9%
2010	2%	3%	4%	9%
2011	2%	3%	4%	9%

Source: Tuscaloosa County Tax Collector

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

Note: Statistical data presented upon implementation of GASB Statement 34.

Note: In 2006, a 1% sales tax increase was implemented in addition to the Tuscaloosa County Special Tax Board percentage. This 1% increase is temporary specifically earmarked for Tuscaloosa City and County school systems.

CITY OF TUSCALOOSA
Schedule M

RATIO OF OUTSTANDING DEBT BY TYPE

Last eight fiscal years ended September 30,

Tax Year Ended September 30	Governmental Activities		Business-Type Activity	Total Primary Government	Per Capita	Percentage of Personal Income
	General Obligation Bonds	Capital Leases	General Obligation Bonds			
2004	\$ 55,300,000	\$ 253,389	\$ 101,731,617	\$ 157,285,006	\$ 2,023	6.84 %
2005	58,015,000	675,473	133,793,541	192,484,014	2,476	7.81
2006	54,910,000	447,293	138,388,055	193,745,348	2,493	7.58
2007	75,420,000	184,996	135,855,263	211,460,259	2,720	7.77
2008	72,865,000	188,561	131,171,816	204,225,377	2,627	N/A
2009	86,780,000	748,421	129,195,000	216,723,421	2,820	N/A
2010	84,000,000	412,048	120,646,816	205,058,864	2,820	N/A
2011	80,680,000	55,838	118,160,000	198,895,838	2,621	N/A

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

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

Note: Governmental Activities debt supported by full faith and credit of the City, to be repaid from general City revenues.

N/A - Personal Income information not available.

See the Schedule of Demographic and Economic Statistics on page 128 for personal income and population data.

CITY OF TUSCALOOSA

Schedule N

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last eight fiscal years ended September 30,

<u>Tax Year Ended September 30</u>	<u>General Obligation Bonds*</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
2004	\$ 55,300,000	1.13 %	\$ 663
2005	58,015,000	1.00	696
2006	54,910,000	0.95	659
2007	75,420,000	1.25	905
2008	72,865,000	1.14	874
2009	86,780,000	1.22	1,041
2010	84,000,000	1.33	901
2011	80,680,000	1.12	866

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

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

* General Obligation Bonds relating to Governmental Activities only. This debt type is supported by full faith and credit of the City as it is to be repaid from general City revenues.

See the Schedule of Demographic and Economic Statistics on page 128 for personal income and population data.

CITY OF TUSCALOOSA

Schedule O

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

As of September 30, 2011

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Tuscaloosa County	\$ <u> </u>	46.95%	\$ <u> </u>
City of Tuscaloosa direct debt:			
Water and sewer warrants	118,160,000		
General City warrants	<u>80,680,000</u>		
	\$ <u>198,840,000</u>	100.00%	<u>198,840,000</u>
Total direct and overlapping debt			\$ <u><u>198,840,000</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by Tuscaloosa County Tax Assessors Office.
Tuscaloosa County debt provided by Tuscaloosa County Commission.

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

CITY OF TUSCALOOSA
Schedule P

LEGAL DEBT MARGIN INFORMATION

Last Eight Fiscal Years

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 148,627,216	\$ 177,211,840	\$ 175,228,476	\$ 184,038,868	\$ 194,691,361	\$ 215,284,171	\$ 191,877,444	\$ 219,393,716
Total net debt applicable to limit	<u>55,300,000</u>	<u>58,015,000</u>	<u>54,910,000</u>	<u>75,420,000</u>	<u>72,865,000</u>	<u>86,780,000</u>	<u>84,000,000</u>	<u>80,680,000</u>
Legal debt margin	<u>\$ 93,327,216</u>	<u>\$ 119,196,840</u>	<u>\$ 120,318,476</u>	<u>\$ 108,618,868</u>	<u>\$ 121,826,361</u>	<u>\$ 128,504,171</u>	<u>\$ 107,877,444</u>	<u>\$ 138,713,716</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>37.21%</u>	<u>32.74%</u>	<u>31.34%</u>	<u>40.98%</u>	<u>37.43%</u>	<u>40.31%</u>	<u>43.78%</u>	<u>36.77%</u>

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	\$ 1,096,968,580
Debt Limit (20% of total assessed value)	219,393,716
Debt applicable to limit	
General obligation bonds	<u>80,680,000</u>
Legal debt margin	<u>\$ 138,713,716</u>

Under State law, the City of Tuscaloosa's outstanding general obligation debt should not exceed 10 percent of total assessed property value.

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA
Schedule Q

PLEDGED REVENUE COVERAGE

Last Eight Fiscal Years

Fiscal Year	Water Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2004	\$ 24,111,360	\$ 10,859,031	\$ 13,252,329	\$ 3,515,000	\$ 3,784,797	1.82
2005	28,458,956	12,776,983	15,681,973	3,695,000	3,831,613	2.08
2006	29,021,958	13,860,276	15,161,682	3,975,000	3,086,588	2.15
2007	32,027,019	15,302,504	16,724,515	4,695,000	4,409,696	1.84
2008	32,335,108	17,816,451	14,518,657	4,920,000	5,691,867	1.37
2009	34,359,871	20,563,329	13,796,542	5,140,000	5,512,310	1.29
2010	34,504,419	27,523,471	6,980,948	5,385,000	5,324,274	0.65
2011	37,429,342	28,795,370	8,633,972	5,650,000	5,126,911	0.80

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. Infrastructure was capitalized per GASB 34 in 2007. Therefore, schedules presenting this information include only the information beginning in those years.

CITY OF TUSCALOOSA
Schedule R

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last eight fiscal years ended September 30,

Fiscal Year ended September 30	Population	Per Capita Personal Income**	Total Personal Income**	Unemployment Rate*
2004	83,376	\$ 27,571	\$ 2,298,759,696	3.40%
2005	83,376	29,557	2,464,344,432	3.50
2006	83,376	30,660	2,556,308,160	2.90
2007	83,376	32,634	2,720,892,384	3.10
2008	83,376	N/A	N/A	4.50
2009	83,376	N/A	N/A	8.50
2010	93,215	N/A	N/A	8.90
2011	93,215	N/A	N/A	8.20

***Source:** The University of Alabama Center for Business and Economic Research.

****Source:** Bureau of Economic Analysis, U.S. Department of Commerce.

N/A - Not available.

CITY OF TUSCALOOSA
Schedule S

PRINCIPAL EMPLOYERS

As of September 30,

Employer	Nature of Business	Public or Private	2011			2006		
			Approximate Number of Employees	Rank	As a Percentage of Total Employment	Approximate Number of Employees	Rank	As a Percentage of Total Employment
The University of Alabama	Education/Government	Public	5,689	1	6.70%	3,865	2	9.66%
DCH Health Systems	Healthcare	Public	3,490	2	4.27%	3,114	3	7.79%
Mercedes-Benz International	Autotmobile assembly	Private	3,000	3	3.67%	4,000	1	10.00%
Tuscaloosa County Board of Education	Education/Government	Public	2,052	4	2.51%	2,000	4	5.00%
Jim Walter Resources	Coal mining	Private	1,472	5	1.80%	1,378	5	3.45%
BF Goodrich Tire Company	Tire manufacturing	Private	1,400	6	1.71%	1,300	8	3.25%
Tuscaloosa City Board of Education	Education/Government	Public	1,354	7	1.67%	1,325	7	3.31%
City of Tuscaloosa	Government	Public	1,250	8	1.53%	1,207	9	3.02%
Phifer Incorporated	Aluminum/fiberglass Screening	Private	1,225	9	1.50%	1,350	6	3.38%
Verterans Administrative Hospital	Specialized Health Care	Public	1,126	10	1.38%	—	—	—
Northport Medical Center	Healthcare	Public	—	—	—	946	10	2.37%

Source: The Chamber of Commerce of West Alabama - Tuscaloosa Metropolitan Statistical Area.

Note: Information regarding principal employers prior to fiscal year ended September 30, 2006 was not readily available.

CITY OF TUSCALOOSA
Schedule T

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION

For the eight fiscal years ended September 30,

<u>Function</u>	<u>2004*</u>	<u>2005*</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>General Fund employees</u>								
General government			162	189	203	207	204	202
Public safety								
Police			330	345	340	349	351	340
Fire			226	241	234	234	233	234
Other			21	20	22	31	17	17
Streets and highways			182	165	179	185	181	183
Environmental services			89	91	98	95	95	92
<u>Water and Sewer employees</u>								
Superintendent			1	1	1	1	1	1
Water office and meter readers			34	33	34	34	33	34
Lakes			7	9	9	9	9	9
Distribution			59	47	46	39	36	36
Waste water treatment plant			60	57	57	56	55	56
Ed Love water plant			36	35	35	35	35	35
Total Employees	<u>1,067</u>	<u>1,116</u>	<u>1,207</u>	<u>1,233</u>	<u>1,258</u>	<u>1,275</u>	<u>1,250</u>	<u>1,239</u>

Source: City of Tuscaloosa Human Resources Department.

*Number of employees by function not available.

Note: Detailed information prior to the fiscal year ended September 30, 2006 was not readily available.

CITY OF TUSCALOOSA

Schedule U

WATER AND SEWER RATES

September 30, 2011

<u>Water Rates</u>	Rates in Effect Starting 10/1/10	Rates in Effect Starting 10/1/11
Quantity of water consumed per month		
Per 100 cubic feet	\$ 1.71	\$ 1.81
Monthly administrative cost per meter	3.88	4.11
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	3.11	3.30
8 inch	247.45	262.30
 <u>Unfiltered, or Raw Water Rates</u> 		
Per 100 cubic feet	0.190	0.200
Monthly administrative cost per meter	3.88	4.11
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	3.11	3.30
8 inch	247.45	262.29
 <u>Sewer Rates</u> 		
a. Per 100 cubic feet of metered wastewater, or	3.05	3.23
b. Per 100 cubic feet of metered water	2.10	2.23
Monthly administrative cost per meter	3.23	3.42
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	4.88	5.17
8 inch	389.86	413.25

Source: City of Tuscaloosa Water and Sewer Department

CITY OF TUSCALOOSA
Schedule V

OPERATING INDICATORS BY FUNCTION

Last Eight Fiscal Years ended September 30,

	2004	2005	2006	2007	2008	2009	2010	2011
General Fund								
Public safety:								
Inspection								
Building permits	1,852	1,895	1,930	2,014	1,807	1,575	1,000	4,462
Amount	\$ 257,653,680	\$ 247,079,483	\$ 276,999,804	\$ 347,513,837	\$ 433,057,158	\$ 243,134,113	\$ 187,064,129	\$ 202,069,714
Fire protection								
Number of stations	12	12	12	12	12	11	11	11
Number of employees	215	216	226	241	234	234	234	234
Police protection								
Number of stations	1	1	1	1	1	1	1	1
Number of employees	308	309	330	345	340	349	353	340
Streets and highways:								
Streets (miles)	566	570	570	570	571	571	571	571
Storm sewers (miles)	315	317	317	317	317	317	317	317
Education (Public School System):								
Number of schools	22	22	22	22	22	24	24	24
Number of teachers	760	760	781	795	871	820	830	830
Recreation:								
Number of parks	38	39	39	39	39	39	37	36
Number of playgrounds	25	28	28	28	28	28	32	31
Area of parks (acres)	2,158	2,170	2,170	2,170	2,022	2,279	1,755	1,749
Water								
Sanitary sewers (miles)	483	495	495	495	495	495	608	615
Number of accounts	45,488	46,666	48,013	50,016	50,595	52,472	52,472	53,896
Average daily consumption (gallons)	22,527,417	23,505,750	22,831,000	25,000,000	25,000,000	23,500,000	23,700,000	25,100,000
Rated plants capacity (gallons daily)	45,700,000	45,700,000	45,700,000	45,700,000	59,700,000	59,700,000	59,700,000	59,700,000
Miles of water mains (4" and larger)	540	540	540	540	548	552	550	562
Number of fire hydrants	2,878	3,417	3,059	3,152	3,134	3,179	3,218	3,796
Miles of raw water mains (24" and larger)	27	27	27	27	27	27	27	27

Sources: Various City Departments

CITY OF TUSCALOOSA

Schedule W

CAPITAL ASSET STATISTICS BY FUNCTION

Last Eight Fiscal Years ended September 30,

	2004	2005	2006	2007	2008	2009	2010	2011
General Fund:								
Public safety:								
Fire protection								
Number of stations	12	12	12	12	12	11	12	11
Police protection								
Number of stations	1	1	1	1	1	1	1	1
Streets and highways:								
Streets (miles)	566	570	570	570	571	571	571	571
Storm sewers (miles)	315	317	317	317	317	317	317	317
Recreation:								
Number of parks	38	39	39	39	39	39	37	36
Number of playgrounds	25	28	28	28	28	28	32	31
Area of parks (acres)	2,158	2,170	2,170	2,170	2,022	2,279	1,755	1,749
Activity Centers	4	4	5	5	4	5	5	5
Boat landings	4	4	5	5	4	8	8	8
Golf course	1	1	1	1	1	1	1	1
Water:								
Sanitary sewers (miles)	483	495	495	495	495	495	608	615
Miles of water mains (4" and larger)	540	540	540	540	548	552	550	562
Number of fire hydrants	2,878	3,059	3,059	3,152	3,134	3,179	3,218	3,796
Miles of raw water mains (24" and larger)	27	27	27	27	27	27	27	27

Sources: Various City Departments

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