

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

**Fiscal Year Ending September 30,  
2010**

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

---

FOR THE FISCAL YEAR ENDED  
**SEPTEMBER 30, 2010**

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

CITY OF TUSCALOOSA  
 FINANCIAL REPORT  
 September 30, 2010

## TABLE OF CONTENTS

---

<b>INTRODUCTORY SECTION</b>	<b>Page(s)</b>
Title Page .....	1
Table of Contents .....	2-4
Letter of Transmittal .....	6-9
GFOA Certificate of Achievement .....	10
Organization Chart .....	11
Officials of the City of Tuscaloosa .....	12
<b>FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b> .....	13-14
<b>Management's Discussion and Analysis</b> .....	15-24
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets .....	25
Statement of Activities .....	26
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds .....	27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets .....	28
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	29-30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund .....	32-37
Statement of Net Assets – Proprietary Funds .....	38-39
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	40
Statement of Cash Flows – Proprietary Funds .....	41-43
Statement of Fiduciary Net Assets – Fiduciary Funds .....	44
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund .....	45
<b>Notes to Financial Statements</b> .....	46-80

**Required Supplementary Information:**

Schedule of Pension Plan Funding Progress - Defined Benefit Plans..... 81

**Combining and Individual Fund Statement and Schedules:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 83  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds ..... 84  
Combining Balance Sheet – Nonmajor Special Revenue Funds ..... 86  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds ..... 87  
Statement of Changes in Assets and Liabilities – Agency Fund ..... 89  
Capital Assets Used in the Operation of Governmental Funds:  
    Schedule by Function and Activity ..... 91  
    Schedule of Changes by Function and Activity ..... 92

**Supplemental Information:**

Water and Sewer Fund - Schedule of Operating and Non-Operating Revenues (Expenses) - Budget and Actual..... 91  
Water and Sewer Fund - Schedule of Operating Expenses - Budget and Actual ..... 94-95

**STATISTICAL SECTION**

**Financial Trends**

Schedule A. Net Assets by Component..... 98  
Schedule B. Changes in Net Assets ..... 99-100  
Schedule C. General Governmental Activities Tax Revenues by Source..... 101  
Schedule D. Fund Balances of Governmental Funds ..... 102  
Schedule E. Changes in Fund Balances of Governmental Funds ..... 103  
Schedule F. Total Governmental Activities Tax Revenues By Source ..... 104

**Revenue Capacity**

Schedule G. Assessed Value and Estimated Actual Value of Taxable Property ..... 105  
Schedule H. Property Tax Rates – Direct and Overlapping Governments ..... 106  
Schedule I. Principal Property Taxpayers ..... 107  
Schedule J. Property Tax Valuation, Levies, and Collection ..... 108  
Schedule K. Principal Sales Taxpayers ..... 109  
Schedule L. Sales Tax Rates – Direct and Overlapping Governments ..... 110

**Debt Capacity**

- Schedule M. Ratio of Outstanding Debt by Type ..... 111
- Schedule N. Ratio of General Bonded Debt Outstanding ..... 112
- Schedule O. Direct and Overlapping Governmental Activities Debt ..... 113
- Schedule P. Legal Debt Margin Information ..... 114
- Schedule Q. Pledged Revenue Coverage ..... 115

**Demographic and Economic Information**

- Schedule R. Demographic and Economic Statistics ..... 116
- Schedule S. Principal Employers ..... 117

**Operating Information**

- Schedule T. Full – Time Equivalent City Employees by Function ..... 118
- Schedule U. Water and Sewer Rates ..... 119
- Schedule V. Operating Indicators by Function ..... 120
- Schedule W. Capital Asset Statistics by Function ..... 121

This page intentionally left blank.

# *City of Tuscaloosa*

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

## **LETTER OF TRANSMITTAL**

March 30, 2011

The Honorable Walter Maddox, Mayor  
and 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, 2010. We believe the information, as presented, is accurate in all material respects and that 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 and the U. S. Office of Management and Budget Circular A-133, "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 convention and tourism bureau, as well as a legally separate parking and transit authority, both of which are reported separately within the City of Tuscaloosa'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 of Tuscaloosa'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 Initiatives**

Major improvements are underway in downtown Tuscaloosa in advance of the construction of a new federal courthouse with an estimated cost of \$41,000,000. The first phase of a major urban renewal project was substantially complete in early 2011. The City acquired and demolished four City blocks south and east of the current City Hall facility. Two blocks have been deeded to the federal government for the courthouse and the other two blocks now contain an intermodal facility and a downtown park which will feature a gazebo and a fountain. The park is part of an \$11,000,000 downtown utility and streetscaping project. The City of Tuscaloosa is currently pursuing funding for a second phase of the downtown urban renewal project.

The intermodal facility opened in September, 2009. It houses the Tuscaloosa County Parking and Transit Authority office and includes 449 parking spaces.

A new state of the art fire station #1 opened in 2009 that replaced two older stations.



In early 2009, the City issued \$17,125,000 in general obligation warrants to construct a downtown amphitheatre near the Black Warrior River, a new Convention and Visitor's Bureau office and a River Market. The Tuscaloosa Amphitheatre's seating capacity is over 7,000 and the first concert will be held on April 1, 2011. The majority of the debt service and operating expenses for the projects will be paid from the proceeds of an additional two cent lodging tax that was levied in 2008.

The University of Alabama's fall 2010 enrollment exceeded 30,000 students.

Approximately 10,000 seats and additional skyboxes were added to Bryant-Denny Stadium for the 2010 football season.

### **Long-Term Financial Planning**

The City has committed to maintain a minimum of \$10,000,000 in undesignated funds in its two primary operating funds and one of its major capital improvement funds. The Council has also mandated an annual increase in the minimum undesignated balance in the General Fund's Reserve Fund that will be tied to the consumer price index in future years.

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

### **Economic Factors**

In 2009, the General Fund experienced its first year in decades in which the expenditures exceeded the revenues. This was caused primarily by decreased collections in several major General Fund revenue sources, including sales taxes and business licenses. The General Fund expenditures were well under budget in 2009. Several steps were taken late in the 2009 fiscal year to reduce expenditures, including an employee hiring freeze and requiring the Water and Sewer Fund to fully reimburse the General Fund for services provided. Also, water and sewer revenues were under budget primarily due to the unusually wet summer and production cutbacks by several large water and sewer customers due to the recession. To fund these operating shortfalls and to fund certain transfers to other funds, the Council elected to utilize prior years' accumulated surpluses in both the General Fund and Water and Sewer Fund.

In 2010, the General Fund revenues exceeded expenditures by approximately \$1,500,000. The city sales tax and ad valorem tax collections were higher than the previous year although business license collections continued to decrease. General Fund expenditures were well under budget.

### **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, 2009. This was the twenty-second 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.

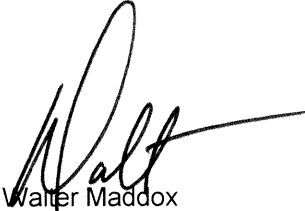
A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

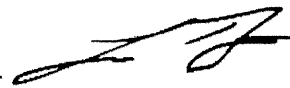
# Certificate of Achievement for Excellence in Financial Reporting

Presented to

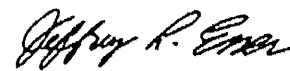
City of Tuscaloosa  
Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

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

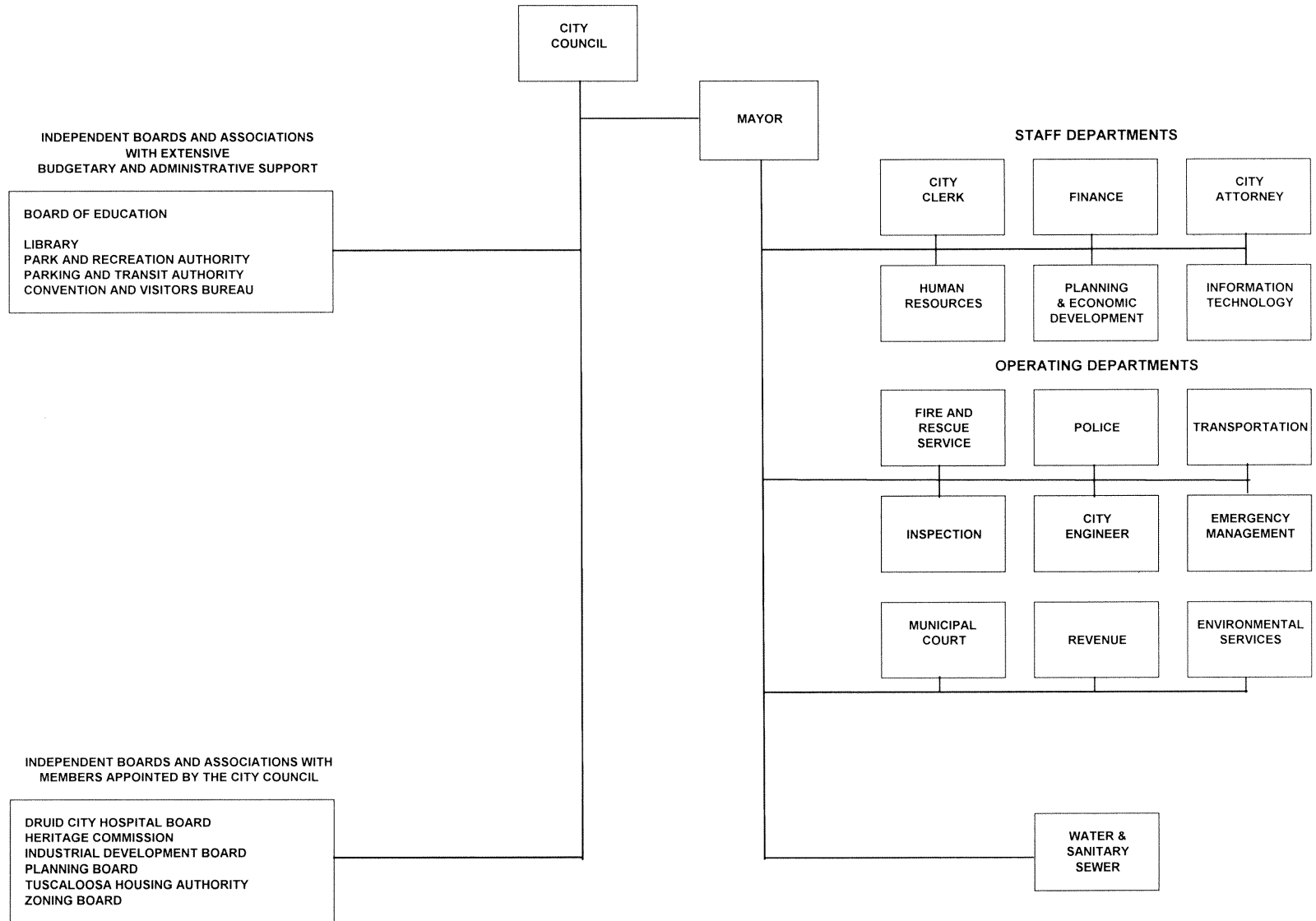


President



Executive Director

# CITY OF TUSCALOOSA ORGANIZATION CHART



# OFFICIALS OF THE CITY OF TUSCALOOSA

Mayor ..... Walter Maddox

## CITY COUNCIL

Harrison Taylor, President Pro-Tem

Bobby Howard

Cynthia Lee Almond

Lee Garrison

Kip Tyner

Bob Lundell

William Tinker, III

## DEPARTMENT HEADS

City Clerk ..... Tracy Croom

City Engineer ..... Joseph A. Robinson

Community Planning and Development ..... William Snowden

Director of Transportation ..... Tera Tubbs

Emergency Management ..... David Hartin

Finance ..... Mike Wright

Fire and Rescue Service ..... Alan J. Martin

Information Technology ..... Douglas Taylor

Inspection ..... Alan Boswell, Acting

City Attorney ..... Robert Ennis, Retired December 2010

Municipal Court ..... Madelene Hollingsworth

Human Resources ..... Brian Butler

Police ..... Steve Anderson

Environmental Services ..... Shane Daugherty

Revenue ..... Linda McKinney

Water and Sanitary Sewer ..... Jimmy Junkin

March 30, 2011

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 Convention and Visitors Bureau, 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, 2010, 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 opinion.

Honorable Mayor and Members of  
the City Council  
City of Tuscaloosa, Alabama  
March 30, 2011

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, 2010, 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.

In accordance with "Government Auditing Standards," we have also issued our report dated March 30, 2011, 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.

The management's discussion and analysis and the schedule of funding progress for the defined benefit pension plans on pages 15 through 24 and page 81 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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.



Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Tuscaloosa's financial statements provides an overall summary of the City's financial activities for the twelve months ended September 30, 2010. The intent of this discussion and analysis is to review the City's financial performance as a whole. Readers are encouraged to review the entire financial report including the transmittal letter and the basic financial statements.

### 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.

### Reporting the City of Tuscaloosa as a Whole

#### 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. The difference between the assets and liabilities is reported as Net Assets. It provides an overall summary of the City's financial condition on a single page. Assets and liabilities are reflected based on the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when incurred. The change in Net Assets is important because it indicates if the City's financial condition has improved or declined. Many other items should be taken into account including the City's current economic situation as a whole.

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 section, including public safety, general government, public health and recreation.

Business-Type Activities: These services are provided on a rate basis to recover all of the expenses of the goods and services provided. The City's business-type activities are primarily water and sewer.

### Reporting on the Most Significant Funds of the City of Tuscaloosa

#### Fund Financial Statements

The analysis of the City's major funds begins on page 19. Fund financial reports give a detailed report of the activities within the funds. The City presently has eighteen funds, as presented in this report. The funds provide for a variety of services and functions including water and sewer service, health insurance for employees, airport development and road improvement. Each fund is a separate entity for specific purposes. The funds have their own revenue sources and restricted uses for the revenue.

This report focuses on the three major funds: the General Fund, the Water and Sewer Fund (an Enterprise fund) Fund and the Capital Improvement Fund.



**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:** Proprietary funds use the same basis of accounting as business-type activities.

### The City as Trustee

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. This activity is 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 purposes.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets over time may serve as a useful indicator of government's financial position. At September 30, 2010, the City's assets exceeded liabilities by \$385,376,081, an increase of over \$7 million from the prior year. This increase was primarily due to not only Construction in Progress in Governmental Activities including the drainage and street projects and the new Tuscaloosa Amphitheater, but also a reduction in long-term debt.

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. The following is a summary of changes in net assets for the years ended September 30, 2010 and 2009:

#### CITY OF TUSCALOOSA'S NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 91,416,042	\$ 106,699,323	\$ 25,336,525	\$ 26,050,064	\$ 116,752,567	\$ 132,749,387
Capital assets	214,371,589	194,229,555	284,131,749	286,350,790	498,503,338	480,580,345
Total assets	<u>305,787,631</u>	<u>300,928,878</u>	<u>\$ 309,468,274</u>	<u>312,400,854</u>	<u>615,255,905</u>	<u>613,329,732</u>
Long-term liabilities	90,855,777	90,703,303	116,924,639	121,738,399	207,780,416	212,441,702
Other liabilities	14,444,460	16,165,783	7,654,948	7,500,139	22,099,408	23,665,922
Total liabilities	<u>105,300,237</u>	<u>106,869,086</u>	<u>124,579,587</u>	<u>129,238,538</u>	<u>229,879,824</u>	<u>236,107,624</u>
Net Assets:						
Invested in capital assets, net of related debt	178,375,642	157,014,265	170,501,366	168,429,072	348,877,008	325,443,337
Restricted	18,579,455	34,148,995	-	-	18,579,455	34,148,995
Unrestricted	3,532,297	2,896,532	14,387,321	14,733,244	17,919,618	17,629,776
Total Net Assets	<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>

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Fines, fees, and charges for services	\$ 24,515,009	\$ 25,446,696	\$ 34,538,964	\$ 33,237,570	\$ 59,053,973	\$ 58,684,266
Operating grants and contributions	4,476,952	5,758,986	-	-	4,476,952	5,758,986
Capital grants and contributions	8,772,540	17,474,880	967,828	1,122,303	9,740,368	18,597,183
General revenues:						
Sales and use tax	53,284,756	52,299,886	-	-	53,284,756	52,299,886
Property tax	13,140,500	11,391,525	-	-	13,140,500	11,391,525
Other taxes	11,631,263	11,234,724	-	-	11,631,263	11,234,724
Investment earnings	764,572	1,261,662	73,059	242,909	837,631	1,504,571
Total revenues	<u>116,585,592</u>	<u>124,868,359</u>	<u>35,579,851</u>	<u>34,602,782</u>	<u>152,165,443</u>	<u>159,471,141</u>
Expenses:						
General government	16,177,787	16,754,821	-	-	16,177,787	16,754,821
Public safety	51,712,388	49,734,647	-	-	51,712,388	49,734,647
Streets and highways	16,929,837	14,118,574	-	-	16,929,837	14,118,574
Environmental services	6,722,562	6,694,750	-	-	6,722,562	6,694,750
Education	12,499,220	12,599,510	-	-	12,499,220	12,599,510
Recreation	3,880,151	4,397,888	-	-	3,880,151	4,397,888
Interest	2,712,190	4,007,844	-	-	2,712,190	4,007,844
Unallocated depreciation	281,654	3,416,863	-	-	281,654	3,416,863
Water and sewer	-	-	33,095,681	32,894,191	33,095,681	32,894,191
Total expenses	<u>110,915,789</u>	<u>111,724,897</u>	<u>33,095,681</u>	<u>32,894,191</u>	<u>144,011,470</u>	<u>144,619,088</u>
Excess before transfers	5,669,803	13,143,462	2,484,170	1,708,591	8,153,973	14,852,053
Transfers	<u>757,799</u>	<u>1,175,502</u>	<u>(757,799)</u>	<u>(1,175,502)</u>	<u>-</u>	<u>-</u>
Change in net assets	6,427,602	14,318,964	1,726,371	533,089	8,153,973	14,852,053
Prior Period Adjustment	-	(819,000)	-	-	-	(819,000)
Net assets, beginning of year	<u>194,059,792</u>	<u>180,559,828</u>	<u>183,162,316</u>	<u>182,629,227</u>	<u>377,222,106</u>	<u>363,189,055</u>
Net assets, end of year	<u>\$ 200,487,394</u>	<u>\$ 194,059,792</u>	<u>\$ 184,888,687</u>	<u>\$ 183,162,316</u>	<u>\$ 385,376,079</u>	<u>\$ 377,222,108</u>

In Governmental Activities, the revenues were approximately \$7,300,000 below the previous fiscal year. Much of the decrease came from reduced operating and capital grants. Also in Governmental Activities, the operating expenses were approximately \$2,100,000 more than the previous year, with the largest increase being in the Public Safety and Streets and Highways categories.

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.

### **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 grant classified as an operating grant
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 slightly due to the fact that the summer of 2009 was an unusually wet summer which reduced revenues. The 2010 year saw a slight increase in sales volume for Water and Sewer Department activities resulting in increased charges for services revenue in comparison. Another contributing factor to the increase in revenues was a six percent rate increase effective October 1, 2009. The water and sewer rates are increased by this six percent annually as suggested in a 2006 rate study update performed by a consulting engineer on behalf of the City. The adjustments are established to enable the City to meet its debt service requirements, pay operating expenses, meet the annual debt coverage requirement, and strive to avoid issuing additional water and sewer debt during the next few years. A rate study is again being performed during 2011.

## 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 for the years ended September 30, 2010 and 2009, and the amount of increases and decreases:

	General Fund			Capital Projects Fund			Other Governmental Funds		
	2010	2009	Increase/ (Decrease)	2010	2009	Increase/ (Decrease)	2010	2009	Increase/ (Decrease)
<u>Revenues</u>									
Taxes	\$ 54,438,027	\$ 50,994,416	\$ 3,443,611	\$ -	\$ -	\$ -	\$ 912,373	\$ 916,194	\$ (3,821)
Licenses and permits	18,354,400	19,523,086	(1,168,686)	-	-	-	-	-	-
Fines and penalties	2,486,909	2,501,851	(14,942)	-	-	-	-	-	-
Use of property	85,105	85,999	(894)	-	-	-	-	-	-
Charges for services	3,560,190	3,186,058	374,132	-	-	-	-	-	-
Intergovernmental	26,621,975	25,904,203	717,772	1,090,047	1,636,212	(546,165)	8,727,287	17,362,398	(8,635,111)
Other revenues	2,512,574	2,265,797	246,777	768,248	1,065,624	(297,376)	1,042,455	2,772,186	(1,729,731)
	<u>\$ 108,059,180</u>	<u>\$ 104,461,410</u>	<u>\$ 3,597,770</u>	<u>\$ 1,858,295</u>	<u>\$ 2,701,836</u>	<u>\$ (843,541)</u>	<u>\$ 10,682,115</u>	<u>\$ 21,050,778</u>	<u>\$ (10,368,663)</u>

The funding for the governmental 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 the two cent City sales tax and the business license that is based on gross receipts. The City receives twenty five 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 the City sales tax collections and garbage and trash collections, but decreased in business licenses. Intergovernmental revenues increased primarily because of new police grants.

In the Capital Project Funds, intergovernmental revenue decreased because of fewer grants being obtained in 2010. Other revenues decreased because of reduced land sales and interest income.

In the Other Governmental Funds, intergovernmental revenue decreased due to a reduction in urban renewal grant funds, as the first phase of the downtown improvements was completed. Other revenues decreased because the Community Development Fund received a large loan repayment from a developer in 2009 that was not repeated in 2010.

The expenditures for the governmental funds are summarized below:

	General Fund			Capital Projects Fund			Other Governmental Funds		
	2010	2009	Increase/ (Decrease)	2010	2009	Increase/ (Decrease)	2010	2009	Increase/ (Decrease)
<b>Expenditures</b>									
Current operations:									
General government	\$ 11,174,561	\$ 10,508,943	\$ 665,618	\$ 609,326	\$ 887,113	\$ (277,787)	\$ 503,644	\$ 623,861	\$ (120,217)
Public safety	49,230,119	49,253,754	(23,635)	229,180	179,086	50,094	1,046,541	556,156	490,385
Streets and highways	12,777,305	12,994,183	(216,878)	4,604,273	13,183,541	(8,579,268)	7,238	1,173,793	(1,166,555)
Environmental services	6,482,032	6,747,546	(265,514)	-	-	-	-	-	-
Health	130,000	130,000	-	-	-	-	-	-	-
Education	12,499,215	12,599,506	(100,291)	-	-	-	-	-	-
Recreation	3,616,519	3,834,123	(217,604)	980,788	165,153	815,635	114,221	461,565	(347,344)
Library	1,600,007	1,750,079	(150,072)	-	-	-	-	-	-
Agency funding and other	2,053,947	2,164,041	(110,094)	769	547,333	(546,564)	930,548	889,065	41,483
Capital outlay	1,967	588,017	(586,050)	2,665,679	4,656,307	(1,990,628)	17,866,539	19,829,538	(1,962,999)
Debt service	6,964,881	6,913,508	51,373	-	-	-	1,024,417	-	1,024,417
	<u>\$ 106,530,553</u>	<u>\$ 107,483,700</u>	<u>\$ (953,147)</u>	<u>\$ 9,090,015</u>	<u>\$ 19,618,533</u>	<u>\$ (10,528,518)</u>	<u>\$ 21,493,148</u>	<u>\$ 23,533,978</u>	<u>\$ (2,040,830)</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 revenue.

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 normally the annual transfer of excess revenues from General Fund operations. There was not a year-end transfer in 2009 because there were no excess revenues, but \$2,850,000 was transferred in 2010.

The Other Governmental Funds include primarily funds related to Downtown Urban Renewal, the Intermodal Facility, the Amphitheater and the Special Revenue Funds. The increase in Capital Outlay funds in the Other Governmental Funds is related to the construction of the major projects mentioned above.

In April 2009, the Council required the City to maintain at least a \$10 million undesignated fund balance in the General Fund and the Capital Projects Fund at all times. The Council also mandated to increase the Capital Projects balance to \$11,550,000 and, beginning in April 2010, to increase this minimum balance by the Consumer Price Index every year thereafter. There was no change for the 2010 fiscal year end due to a negative CPI.

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

	September 30, 2010	September 30, 2009
<u>Operating revenues</u>		
Charges for services	\$ 34,395,659	\$ 31,977,679
Miscellaneous	108,760	1,259,891
Total operating revenues	<u>34,504,419</u>	<u>33,237,570</u>
<u>Operating expenses</u>		
All departmental expenses	19,799,992	20,563,329
Depreciation and amortization	7,723,479	7,917,493
Total operating expenses	<u>27,523,471</u>	<u>28,480,822</u>
Operating income	<u>\$ 6,980,948</u>	<u>\$ 4,756,748</u>

The revenues of the Water and Sewer Fund increased despite a second consecutive wet summer. A second water treatment plant in northern Tuscaloosa opened in late 2009. It now 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 Miscellaneous Income decreased because of a 2009 litigation settlement and a 2009 water and sewer relocation reimbursement that were not duplicated in 2010.

## 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 complete control over the appropriation of funds; however, the Mayor is responsible for making an annual budget recommendation to the Council. The budget process normally 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 showing the expenditure requests that have been submitted and the annual revenue projections. The annual budget hearings are held in June and July with all City departments and agencies. After these hearings, the Mayor begins adjusting the requests in order to present a balanced General Fund budget to the City Council by the end of August. During the month of September, the Council Finance Committee, and at times the entire Council, reviews the Mayor's recommendation and makes adjustments before the final budget is adopted by the first of October. 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 \$498,503,338 for the year ended September 30, 2010. Several large projects under construction are part of the increase in capital assets, which is offset by depreciation. See Notes to Financial Statements on page 58 for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Land	\$ -	\$ -	\$ 1,286,042	\$ 1,286,042	\$ 1,286,042	\$ 1,286,042
Buildings	71,898,352	58,758,309	-	-	71,898,352	58,758,309
Equipment	17,616,940	19,550,166	2,394,360	1,027,267	20,011,300	20,577,433
Infrastructure	56,833,496	48,137,774	-	-	56,833,496	48,137,774
Utility property	-	-	280,365,027	283,336,266	280,365,027	283,336,266
Construction in progress	68,022,801	67,783,306	86,320	701,215	68,109,121	68,484,521
	<u>\$ 214,371,589</u>	<u>\$ 194,229,555</u>	<u>\$ 284,131,749</u>	<u>\$ 286,350,790</u>	<u>\$ 498,503,338</u>	<u>\$ 480,580,345</u>

The increase in Buildings was caused primarily by the completion of the Intermodal Facility. The increase in Infrastructure was caused by road and drainage improvements.

## Debt

The outstanding debt for the City of Tuscaloosa as of September 30, 2010 was \$211,581,143. This balance reflects a decrease of \$5,578,807 from the previous year. See Notes to Financial Statements starting on page 63 for additional information.

	Governmental Activities		Business-type Activities		Totals	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Warrants payable	\$ 84,000,000	\$ 86,780,000	\$ 117,017,089	\$ 122,005,781	\$ 201,017,089	\$ 208,785,781
Section 108 loan	1,500,000	-	-	-	1,500,000	-
Compensated absences	6,135,310	5,788,727	825,000	776,000	6,960,310	6,564,727
Workers comp claims	489,740	475,442	133,117	158,356	622,857	633,798
OPEB obligation	908,406	372,443	160,433	67,083	1,068,839	
Capital lease	412,048	736,118	-	-	412,048	736,118
	<u>\$ 93,445,504</u>	<u>\$ 94,152,730</u>	<u>\$ 118,135,639</u>	<u>\$ 123,007,220</u>	<u>\$ 211,581,143</u>	<u>\$ 216,720,424</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 issued \$22,000,000 of debt on behalf of the school board in 2001 and \$26,310,000 in 2002. A portion of the 2002 issue was used to refinance existing school debt at lower interest rates. The debt service on the 2002 issue was paid by the City Board of Education; however, the City is ultimately responsible for the debt. The City refinanced both school issues in 2010 to take advantage of reduced interest rates. The City pays the debt service on the 2010-A warrants (that refinanced the 2001 issue) and the School Board pays the 2010-B debt service (that refinanced the 2002 issue). Both issues are backed a general obligation pledge from the City.

The City has outstanding State Revolving Loan (SRF) warrant issues from 2002, 2003, 2004, 2008 and 2010. The 2002, 2009 and 2010 SRF issues refinanced previous State issues. The 2010 SRF refinanced the 1998 issue. The funds are available on a reimbursement basis. No funds were drawn down in 2010, but draw downs will be made in 2011.

In early 2009, the City issued \$17,125,000 in general obligation warrants to build a downtown amphitheatre, a new Tuscaloosa Convention and Visitors Bureau office and a Farmer's Market. The construction of the Tuscaloosa Amphitheatre was near completion as of December 31, 2010 and the first event will be held on April 1, 2011.

The City continues to maintain good bond ratings on the non-insured general obligation debt which were upgraded in 2010 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. The General Fund's share of the 2010 liability in the government wide financial statements for post employment benefits is \$535,963 and the Water and Sewer Fund's share is \$93,350.

### **General Fund Transfers to the Capital Improvement Fund**

The City's General Fund makes significant annual transfers to the Capital Improvement Fund as revenues are available. No transfer was made for 2009 due to decreased General Fund revenues (especially the City and County Sales Taxes), but a \$2,850,000 transfer was made for 2010.

### **Internal Service Fund**

The City's Health Insurance Fund, an Internal Service Fund, has a positive Fund Balance as of September 30, 2010 of \$69,259. The City has successfully taken steps to eliminate the deficit that existed in previous 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. An employee health insurance committee recommends ways to improve employee health, including wellness and safety programs.

## **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. Anyone who has questions about this report or needs additional information should contact 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](http://www.tuscaloosa.com).

**CITY OF TUSCALOOSA**  
**STATEMENT OF NET ASSETS**  
**September 30, 2010**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	City of Tuscaloosa Convention and Visitors Bureau	Tuscaloosa County Parking and Transit Authority
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 27,530,560	\$ 8,184,325	\$ 35,714,885	\$ 12,257	\$ 522,772
Investments	14,781,280	6,050,375	20,831,655	—	—
Receivables (net of allowances for uncollectibles)	18,249,914	4,924,156	23,174,070	—	4,471
Internal balances	(1,407,604)	1,407,604	—	—	—
Inventories	868,934	1,259,745	2,128,679	—	—
Prepays	101,747	40,736	142,483	8,663	36,100
<b>Total current assets</b>	<b>60,124,831</b>	<b>21,866,941</b>	<b>81,991,772</b>	<b>20,920</b>	<b>563,343</b>
<b>Noncurrent assets:</b>					
<b>Restricted assets:</b>					
Cash and cash equivalents	16,002,233	1,996,514	17,998,747	96,823	—
Receivables	11,850,000	—	11,850,000	—	—
Unamortized issue costs and other costs	3,438,978	1,473,070	4,912,048	—	—
<b>Capital assets not being depreciated:</b>					
Land	—	1,286,042	1,286,042	—	—
Construction in progress	68,022,801	86,320	68,109,121	—	—
Capital assets (net of accumulated depreciation)	146,348,788	282,759,387	429,108,175	87,704	1,582,586
<b>Total noncurrent assets</b>	<b>245,662,800</b>	<b>287,601,333</b>	<b>533,264,133</b>	<b>184,527</b>	<b>1,582,586</b>
<b>Total assets</b>	<b>305,787,631</b>	<b>309,468,274</b>	<b>615,255,905</b>	<b>205,447</b>	<b>2,145,929</b>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable and other current charges	8,218,202	1,318,890	9,537,092	21,465	76,580
Accrued interest payable	1,136,192	1,063,366	2,199,558	—	—
Current portion of long-term debt	5,090,066	5,272,692	10,362,758	3,699	—
<b>Total current liabilities</b>	<b>14,444,460</b>	<b>7,654,948</b>	<b>22,099,408</b>	<b>25,164</b>	<b>76,580</b>
<b>Noncurrent liabilities:</b>					
Unearned revenue	178,740	7,463	186,203	—	—
Developer deposits	—	755,526	755,526	—	—
<b>Liabilities payable from restricted assets:</b>					
Customer deposits	—	1,692,775	1,692,775	—	—
Long-term debt due after one year	90,677,037	114,468,875	205,145,912	8,532	—
<b>Total noncurrent liabilities</b>	<b>90,855,777</b>	<b>116,924,639</b>	<b>207,780,416</b>	<b>8,532</b>	<b>—</b>
<b>Total liabilities</b>	<b>105,300,237</b>	<b>124,579,587</b>	<b>229,879,824</b>	<b>33,696</b>	<b>76,580</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	178,375,642	170,501,366	348,877,008	75,473	1,582,586
<b>Restricted for:</b>					
<b>Nonexpendable:</b>					
Perpetual maintenance	85,891	—	85,891	—	—
<b>Expendable:</b>					
Capital and other projects	18,493,564	—	18,493,564	—	—
Unrestricted	3,532,297	14,387,321	17,919,618	96,278	486,763
<b>Total net assets</b>	<b>\$ 200,487,394</b>	<b>\$ 184,888,687</b>	<b>\$ 385,376,081</b>	<b>\$ 171,751</b>	<b>\$ 2,069,349</b>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

STATEMENT OF ACTIVITIES

For the year ended September 30, 2010

Functions/Programs	Program Revenues				Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	City of Tuscaloosa Convention and Visitors Bureau	Tuscaloosa County Parking and Transit Authority
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 16,177,787	\$ 20,926,414	\$ 1,651,577	\$ 7,682,493	\$ 14,082,697	\$ —	\$ 14,082,697	\$ —	\$ —
Public safety	51,712,388	28,405	1,122,763	—	(50,561,220)	—	(50,561,220)	—	—
Streets and highways	16,929,837	—	—	1,090,047	(15,839,790)	—	(15,839,790)	—	—
Environmental services	6,722,562	3,560,190	—	—	(3,162,372)	—	(3,162,372)	—	—
Education	12,499,220	—	—	—	(12,499,220)	—	(12,499,220)	—	—
Recreation	3,880,151	—	1,152,450	—	(2,727,701)	—	(2,727,701)	—	—
Interest on long-term debt	2,712,190	—	550,162	—	(2,162,028)	—	(2,162,028)	—	—
Unallocated depreciation expense	281,654	—	—	—	(281,654)	—	(281,654)	—	—
Total governmental activities	110,915,789	24,515,009	4,476,952	8,772,540	(73,151,288)	—	(73,151,288)	—	—
Business-type activities:									
Water and sewer	33,095,681	34,538,964	—	967,828	—	2,411,111	2,411,111	—	—
Total business-type activities	33,095,681	34,538,964	—	967,828	—	2,411,111	2,411,111	—	—
Total primary government	\$ 144,011,470	\$ 59,053,973	\$ 4,476,952	\$ 9,740,368	\$ (73,151,288)	\$ 2,411,111	\$ (70,740,177)	\$ —	\$ —
<b>Component units:</b>									
City of Tuscaloosa Convention and Visitors Bureau	\$ 919,801	\$ —	\$ 987,674	\$ —	\$ —	\$ —	\$ —	\$ 67,873	\$ —
Tuscaloosa County Parking and Transit Authority	1,725,872	184,537	1,007,382	893,452	—	—	—	—	359,499
Total component units	\$ 2,645,673	\$ 184,537	\$ 1,995,056	\$ 893,452	\$ —	\$ —	\$ —	\$ 67,873	\$ 359,499
<b>General Revenues:</b>									
Taxes:									
Sales and use tax					\$ 53,284,756	\$ —	\$ 53,284,756	\$ —	\$ —
Property tax					13,140,500	—	13,140,500	—	—
Lodging tax					3,941,361	—	3,941,361	—	—
Taxes passed through from state					2,815,424	—	2,815,424	—	—
Other					4,874,478	—	4,874,478	—	—
Unrestricted investment earnings					764,572	73,059	837,631	923	373
<b>Transfers</b>					757,799	(757,799)	—	(71,350)	—
Total general revenues and transfers					79,578,890	(684,740)	78,894,150	(70,427)	6,081
Change in net assets					6,427,602	1,726,371	8,153,973	(2,554)	365,580
Net assets, beginning of year					194,059,792	183,162,316	377,222,108	174,305	1,703,769
Net assets, end of year					\$ 200,487,394	\$ 184,888,687	\$ 385,376,081	\$ 171,751	\$ 2,069,349

See accompanying notes to financial statements.

**CITY OF TUSCALOOSA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**September 30, 2010**

<u>ASSETS</u>	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 8,404,944	\$ 24,889,758	\$ 9,157,542	\$ 42,452,244
Investments	1,446,993	11,651,525	1,682,762	14,781,280
Receivables (net of allowances for uncollectibles)	9,960,887	—	2,054	9,962,941
Due from other governments	387,933	1,458,407	4,470,753	6,317,093
Due from other funds	7,067,094	5,940,794	155,864	13,163,752
Prepaid items	101,747	—	—	101,747
Inventories	868,642	—	292	868,934
 Total assets	 <u>\$ 28,238,240</u>	 <u>\$ 43,940,484</u>	 <u>\$ 15,469,267</u>	 <u>\$ 87,647,991</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 5,663,390	\$ 475,123	\$ 1,116,082	\$ 7,254,595
Compensated absences	16,069	—	—	16,069
Due to other funds	8,700,840	2,794,301	2,978,436	14,473,577
Deferred revenue	1,269	—	177,471	178,740
 Total liabilities	 <u>14,381,568</u>	 <u>3,269,424</u>	 <u>4,271,989</u>	 <u>21,922,981</u>
Fund balances:				
Reserved for:				
Encumbrances	86,944	—	—	86,944
Inventories	868,642	—	—	868,642
Prepaid items	101,747	—	—	101,747
Reported in nonmajor:				
Special revenue funds:				
Grant project	—	—	531,749	531,749
Road project	—	—	956,187	956,187
Capital project	—	—	4,364,782	4,364,782
Cemetery maintenance	—	—	272,444	272,444
Permanent fund:				
Capitol Park Maintenance	—	—	85,891	85,891
Unreserved:				
Designated for future claims	2,380,133	—	—	2,380,133
Designated for capital projects	—	24,746,854	—	24,746,854
Undesignated	10,419,206	15,924,206	—	26,343,412
Undesignated, reported in nonmajor:				
Special revenue funds	—	—	232,427	232,427
Capital projects fund	—	—	4,753,798	4,753,798
 Total fund balances	 <u>13,856,672</u>	 <u>40,671,060</u>	 <u>11,197,278</u>	 <u>65,725,010</u>
 Total liabilities and fund balances	 <u>\$ 28,238,240</u>	 <u>\$ 43,940,484</u>	 <u>\$ 15,469,267</u>	 <u>\$ 87,647,991</u>

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

September 30, 2010

Total fund balances for governmental funds		\$ 65,725,010
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 \$14,777,282	\$ 71,898,352	
Equipment, net of accumulated depreciation of \$30,840,310	17,616,940	
Infrastructure, net of accumulated depreciation of \$96,516,188	56,833,496	
Land	50,000	
Construction in progress	<u>67,972,801</u>	214,371,589
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	147,635	
Receivable from other governments for warrants payable to be reimbursed to City	<u>13,655,000</u>	13,802,635
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.		
		52,477
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	(84,000,000)	
Section 108 loan	(1,500,000)	
Capital lease	(412,048)	
Compensated absences	(6,135,310)	
Workers comp liability	(489,740)	
OPEB liability	(908,406)	
Accrued interest payable	(1,136,192)	
Deferred loss on refunding of warrants, to be amortized	2,673,626	
Premiums, to be amortized	(2,321,599)	
Issue costs and discount, to be amortized	<u>765,352</u>	<u>(93,464,317)</u>
Net assets of governmental activities		<u>\$ 200,487,394</u>

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, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 54,438,027	\$ —	\$ 912,373	\$ 55,350,400
Licenses and permits	18,354,400	—	—	18,354,400
Fines and penalties	2,486,909	—	—	2,486,909
Use of property	85,105	—	—	85,105
Charges for services	3,560,190	—	—	3,560,190
Intergovernmental	26,621,975	1,090,047	8,727,287	36,439,309
Other revenues	2,512,574	768,248	1,042,455	4,323,277
<b>Total revenues</b>	<b>108,059,180</b>	<b>1,858,295</b>	<b>10,682,115</b>	<b>120,599,590</b>
Expenditures:				
Current operations:				
General government	11,174,561	609,326	503,644	12,287,531
Public safety	49,230,119	229,180	1,046,541	50,505,840
Streets and highways	12,777,305	4,604,273	7,238	17,388,816
Environmental services	6,482,032	—	—	6,482,032
Health	130,000	—	—	130,000
Education	12,499,215	—	—	12,499,215
Recreation	3,616,519	980,788	114,221	4,711,528
Library	1,600,007	—	—	1,600,007
Other activities	2,053,947	769	930,548	2,985,264
<b>Total current operations</b>	<b>99,563,705</b>	<b>6,424,336</b>	<b>2,602,192</b>	<b>108,590,233</b>
Capital outlay	1,967	2,665,679	17,866,539	20,534,185
Debt service:				
Principal payments	3,999,070	—	—	3,999,070
Interest charges	2,712,579	—	1,015,459	3,728,038
Warrant issue costs	253,232	—	8,958	262,190
<b>Total expenditures</b>	<b>106,530,553</b>	<b>9,090,015</b>	<b>21,493,148</b>	<b>137,113,716</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>1,528,627</b>	<b>(7,231,720)</b>	<b>(10,811,033)</b>	<b>(16,514,126)</b>

See accompanying notes to financial statements.

(Continued)

CITY OF TUSCALOOSA

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

For the year ended September 30, 2010

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over expenditures (brought forward)	\$ 1,528,627	\$ (7,231,720)	\$ (10,811,033)	\$ (16,514,126)
Other financing sources (uses):				
Warrant issuance	33,010,000	—	—	33,010,000
Section 108 loan proceeds	—	—	1,500,000	1,500,000
Premium on warrants issued	2,127,444	—	—	2,127,444
Payment to refunded warrant escrow agent	(34,884,212)	—	—	(34,884,212)
Transfers in	1,967,487	3,634,145	1,209,110	6,810,742
Transfers out	(3,716,959)	(1,274,615)	(852,188)	(5,843,762)
Total other financing sources (uses)	(1,496,240)	2,359,530	1,856,922	2,720,212
Net change in fund balances	32,387	(4,872,190)	(8,954,111)	(13,793,914)
Fund balances, beginning of year	13,695,122	45,543,250	20,151,389	79,389,761
Increase in reserve for change in inventory	129,163	—	—	129,163
Fund balances, end of year	\$ 13,856,672	\$ 40,671,060	\$ 11,197,278	\$ 65,725,010

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, 2010

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 \$ (13,793,914)

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	\$ 30,032,783	
Depreciation expense	(9,783,864)	20,248,919

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (106,891)

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:		
General warrants issued	(33,010,000)	
Section 108 loan	(1,500,000)	
Premium on warrants issued capitalized	(2,127,444)	
Issue costs capitalized	253,232	
Payment to escrow trustee	34,884,212	
Debt payments made:		
Warrant payments	3,675,000	
Capital lease payments	324,070	2,499,070

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. (2,195,000)

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	129,163	
OPEB liability	(535,963)	
Compensated absences	(346,583)	
Workers compensation	(14,298)	
Amortization of debt premium	285,747	
Amortization of loss on refunding	(99,247)	
Amortization of debt issue costs and discount	(54,453)	
Accrued interest payable	247,334	(388,300)

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. 163,718

Change in net assets of governmental activities \$ 6,427,602

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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues:					
Taxes:					
Sales	\$ 30,211,000	\$ 30,211,000	\$ 30,845,902	\$ —	\$ 30,845,902
Use	2,150,000	2,150,000	1,886,945	—	1,886,945
Property tax	12,195,000	12,674,065	13,140,500	—	13,140,500
Lodging tax	3,653,000	3,653,000	3,941,361	—	3,941,361
Other local taxes	4,572,000	4,572,000	4,623,319	—	4,623,319
Total taxes	52,781,000	53,260,065	54,438,027	—	54,438,027
Licenses and permits:					
Business license	17,200,000	17,200,000	16,409,354	—	16,409,354
Other licenses	1,292,000	1,292,000	1,156,505	—	1,156,505
Building and other permits	982,000	982,000	788,541	—	788,541
Total licenses and permits	19,474,000	19,474,000	18,354,400	—	18,354,400
Fines and penalties**	1,717,000	1,717,000	2,486,909	—	2,486,909
Use of property	82,700	82,700	85,105	—	85,105
Charges for services:					
Garbage collection fees and tax	3,388,200	3,388,200	3,560,190	—	3,560,190
Intergovernmental revenues:					
Federal and state grants revenue	1,024,910	1,214,197	1,438,102	—	1,438,102
Shared from local units:					
Public school bond-sales tax	9,328,000	9,328,000	9,069,400	—	9,069,400
City share of county sales tax	11,805,000	11,805,000	11,482,509	—	11,482,509
School Board for debt	—	—	2,692,115	—	2,692,115
Other	420,000	420,000	251,159	—	251,159
Shared from state	1,560,000	1,560,000	1,688,690	—	1,688,690
Total intergovernmental revenue	24,137,910	24,327,197	26,621,975	—	26,621,975

\*\* 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, 2010

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Revenues: (Continued)					
Other operating revenues:					
Interest on investments	\$ 138,000	\$ 138,000	\$ 6,379	\$ —	\$ 6,379
Cost reimbursed	1,265,000	1,299,093	1,689,991	—	1,689,991
Other	535,150	735,512	816,204	—	816,204
Total other operating revenues	1,938,150	2,172,605	2,512,574	—	2,512,574
Total revenues	103,518,960	104,421,767	108,059,180	—	108,059,180
Expenditures:					
Current operations:					
General government:					
Finance:					
Personnel services	716,552	715,311	713,293	—	713,293
Other	336,782	333,882	39,935	473	40,408
	1,053,334	1,049,193	753,228	473	753,701
Revenue:					
Personnel services	605,879	605,879	606,859	—	606,859
Other	212,537	214,137	195,388	—	195,388
	818,416	820,016	802,247	—	802,247
Municipal court:					
Personnel services	561,512	561,512	549,139	—	549,139
Other**	260,399	258,499	567,049	—	567,049
	821,911	820,011	1,116,188	—	1,116,188
Human resources:					
Personnel services	715,795	665,795	707,229	—	707,229
Other**	450,815	1,531,066	1,505,822	79,800	1,585,622
	1,166,610	2,196,861	2,213,051	79,800	2,292,851
311 Operations:					
Personnel services	235,188	235,188	244,573	—	244,573
Other	89,281	88,281	(164,988)	—	(164,988)
	324,469	323,469	79,585	—	79,585
Information technology:					
Personnel services	748,825	1,149,425	1,111,142	—	1,111,142
Other	2,158,906	2,385,096	1,479,781	82,823	1,562,604
	2,907,731	3,534,521	2,590,923	82,823	2,673,746

\*\* 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, 2010

	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	\$ 359,391	\$ 386,391	\$ 380,278	\$ —	\$ 380,278
Other	317,147	321,197	285,569	208	285,777
	<u>676,538</u>	<u>707,588</u>	<u>665,847</u>	<u>208</u>	<u>666,055</u>
Council:					
Personnel services	180,000	180,000	176,931	—	176,931
Other	56,370	65,770	53,833	200	54,033
	<u>236,370</u>	<u>245,770</u>	<u>230,764</u>	<u>200</u>	<u>230,964</u>
Planning and zoning:					
Personnel services	901,592	897,592	865,282	—	865,282
Other	332,069	333,569	279,222	—	279,222
	<u>1,233,661</u>	<u>1,231,161</u>	<u>1,144,504</u>	<u>—</u>	<u>1,144,504</u>
City attorney:					
Personnel services	958,713	958,713	955,289	—	955,289
Other**	557,429	575,464	459,431	—	459,431
	<u>1,516,142</u>	<u>1,534,177</u>	<u>1,414,720</u>	<u>—</u>	<u>1,414,720</u>
Total general government	<u>10,755,182</u>	<u>12,462,767</u>	<u>11,011,057</u>	<u>163,504</u>	<u>11,174,561</u>
Public safety:					
Police:					
Personnel services	19,058,955	18,530,180	18,584,273	—	18,584,273
Other	7,502,344	7,215,544	6,827,034	146,008	6,973,042
	<u>26,561,299</u>	<u>25,745,724</u>	<u>25,411,307</u>	<u>146,008</u>	<u>25,557,315</u>
Fire and rescue service:					
Personnel services	12,993,058	12,962,589	12,793,415	—	12,793,415
Other	4,410,533	4,545,701	4,395,969	(20,021)	4,375,948
	<u>17,403,591</u>	<u>17,508,290</u>	<u>17,189,384</u>	<u>(20,021)</u>	<u>17,169,363</u>
Care of prisoners:					
Other	1,350,000	1,350,000	924,225	—	924,225
	<u>1,350,000</u>	<u>1,350,000</u>	<u>924,225</u>	<u>—</u>	<u>924,225</u>

\*\* 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, 2010**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Expenditures (Continued):					
Current operations (Continued):					
Public safety (Continued):					
Inspection:					
Personnel services	\$ 2,152,892	\$ 2,150,392	\$ 1,937,680	\$ —	\$ 1,937,680
Other	2,934,711	2,925,229	2,145,776	37,783	2,183,559
	<u>5,087,603</u>	<u>5,075,621</u>	<u>4,083,456</u>	<u>37,783</u>	<u>4,121,239</u>
Communications:					
Personnel services	856,827	856,827	842,267	—	842,267
Other	365,985	361,659	319,950	1,393	321,343
	<u>1,222,812</u>	<u>1,218,486</u>	<u>1,162,217</u>	<u>1,393</u>	<u>1,163,610</u>
Emergency management:					
Personnel services	118,779	119,901	108,730	—	108,730
Other	171,963	208,805	184,042	1,595	185,637
	<u>290,742</u>	<u>328,706</u>	<u>292,772</u>	<u>1,595</u>	<u>294,367</u>
Total public safety	<u>51,916,047</u>	<u>51,226,827</u>	<u>49,063,361</u>	<u>166,758</u>	<u>49,230,119</u>
Streets and highways:					
Personnel services	6,840,694	7,054,826	7,058,941	—	7,058,941
Other	5,373,952	5,593,217	5,612,342	106,022	5,718,364
	<u>12,214,646</u>	<u>12,648,043</u>	<u>12,671,283</u>	<u>106,022</u>	<u>12,777,305</u>
Environmental services:					
Personnel services	3,094,699	3,320,101	3,225,098	—	3,225,098
Other	3,559,650	3,310,548	3,256,934	—	3,256,934
	<u>6,654,349</u>	<u>6,630,649</u>	<u>6,482,032</u>	<u>—</u>	<u>6,482,032</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	12,003,000	12,003,000	11,744,400	—	11,744,400
Other	751,480	779,450	754,815	—	754,815
	<u>12,754,480</u>	<u>12,782,450</u>	<u>12,499,215</u>	<u>—</u>	<u>12,499,215</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, 2010

	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	43,000	43,000	66,519	—	66,519
	<u>3,593,000</u>	<u>3,593,000</u>	<u>3,616,519</u>	<u>—</u>	<u>3,616,519</u>
Library:					
Funds provided to Library Board	1,600,100	1,600,100	1,600,007	—	1,600,007
	<u>1,600,100</u>	<u>1,600,100</u>	<u>1,600,007</u>	<u>—</u>	<u>1,600,007</u>
Other activities:					
Funds to other agencies:					
Civil Service Board	18,000	18,000	18,000	—	18,000
Tax Equalization Board	300	300	117	—	117
Friedman Home	16,875	16,875	16,690	—	16,690
West Alabama Planning and Development Council	34,279	34,279	34,279	—	34,279
Cemetery Expense	15,000	15,000	862	—	862
Tuscaloosa County Industrial Development Authority	250,000	250,000	250,000	—	250,000
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	21,413	—	21,413
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	—	—	283	—	283
Arts and Humanities Council	7,500	7,500	7,500	—	7,500
Convention and Visitors Bureau	825,000	825,000	825,000	—	825,000
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	450,000	454,200	455,412	—	455,412
Boys and Girls Club	15,000	15,000	15,000	—	15,000
Contingencies and other	485,038	22,488	38,800	5,591	44,391
	<u>2,506,992</u>	<u>2,048,642</u>	<u>2,048,356</u>	<u>5,591</u>	<u>2,053,947</u>
Total current operations	<u>102,124,796</u>	<u>103,122,478</u>	<u>99,121,830</u>	<u>441,875</u>	<u>99,563,705</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, 2010**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
Expenditures (Continued):					
Total current operations (brought forward):	\$ 102,124,796	\$ 103,122,478	\$ 99,121,830	\$ 441,875	\$ 99,563,705
Capital outlay	—	1,267	1,967	—	1,967
Debt service:					
Principal	1,745,000	1,880,000	3,999,070	—	3,999,070
Interest	2,543,032	2,152,746	2,712,579	—	2,712,579
Warrant issue costs	—	—	253,232	—	253,232
Total expenditures	<u>106,412,828</u>	<u>107,156,491</u>	<u>106,088,678</u>	<u>441,875</u>	<u>106,530,553</u>
Excess (deficiency) of revenues over expenditures	<u>(2,893,868)</u>	<u>(2,734,724)</u>	<u>1,970,502</u>	<u>(441,875)</u>	<u>1,528,627</u>
Other financing sources (uses):					
Warrant issuance	—	—	33,010,000	—	33,010,000
Premium on warrants issued	—	—	2,127,444	—	2,127,444
Payment to refunded warrant escrow agent	—	—	(34,884,212)	—	(34,884,212)
Transfers in:					
Beer Tax Bonus Fund	485,876	485,876	455,029	—	455,029
Water and Sewer Fund	2,498,277	2,594,419	600,741	—	600,741
Future Improvement Fund	1,149,615	1,149,615	1,149,615	—	1,149,615
Health Insurance (Internal Service) Fund	—	—	199,738	—	199,738
Transfers out:					
Police Department Funds	(275,000)	(275,000)	(102,643)	—	(102,643)
Airport Development Fund	—	—	(375)	—	(375)
Community Development Funds	(16,080)	(16,080)	(14,507)	—	(14,507)
Health Insurance (Internal Service) Fund	(201,042)	(201,042)	—	—	—
Amphitheatre Fund	(747,778)	(1,003,064)	(949,171)	—	(949,171)
Future Improvement Fund**	—	—	(3,087,899)	—	(3,087,899)
Total	<u>2,893,868</u>	<u>2,734,724</u>	<u>(1,496,240)</u>	<u>—</u>	<u>(1,496,240)</u>
Net change in fund balance	<u>—</u>	<u>—</u>	<u>474,262</u>	<u>(441,875)</u>	<u>32,387</u>
Fund balances - beginning of year	17,351,676	17,351,676	13,695,122	—	13,695,122
Increase in reserve for change in inventory	—	—	129,163	—	129,163
Fund balances - end of year	<u>\$ 17,351,676</u>	<u>\$ 17,351,676</u>	<u>\$ 14,298,547</u>	<u>\$ (441,875)</u>	<u>\$ 13,856,672</u>

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

See accompanying notes to financial statements.

**CITY OF TUSCALOOSA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

**September 30, 2010**

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 8,175,855	\$ 8,470	\$ 8,184,325	\$ 1,080,551
Investments	6,050,375	—	6,050,375	—
Accounts receivable (net of allowance for uncollectibles)	2,284,620	—	2,284,620	2,245
Assessments receivable - principal - current and past due	10,895	—	10,895	—
Special assessments interest receivable	2,522	—	2,522	—
Due from other governments	24,000	—	24,000	—
Due from other funds	3,236,500	—	3,236,500	—
Inventory	1,259,745	—	1,259,745	—
Unbilled water and sewer receivables	2,602,119	—	2,602,119	—
Other current assets	40,736	—	40,736	—
Total current assets	<u>23,687,367</u>	<u>8,470</u>	<u>23,695,837</u>	<u>1,082,796</u>
Noncurrent assets:				
Restricted assets:				
Cash and cash equivalents	1,996,514	—	1,996,514	—
Total restricted assets	<u>1,996,514</u>	<u>—</u>	<u>1,996,514</u>	<u>—</u>
Capital assets:				
Land	1,286,042	—	1,286,042	—
Movable equipment	6,928,303	—	6,928,303	—
Source of supply - dams, buildings, etc.	42,826,725	—	42,826,725	—
Pumping purification - buildings, etc.	102,392,296	—	102,392,296	—
Distribution - buildings, mains, etc.	194,450,351	—	194,450,351	—
Sewage system properties	51,498,491	—	51,498,491	—
Construction in progress	86,320	—	86,320	—
Less: Accumulated depreciation	(115,336,779)	—	(115,336,779)	—
Total capital assets (net of accumulated depreciation)	<u>284,131,749</u>	<u>—</u>	<u>284,131,749</u>	<u>—</u>
Unamortized warrant issue costs	1,473,070	—	1,473,070	—
Total noncurrent assets	<u>287,601,333</u>	<u>—</u>	<u>287,601,333</u>	<u>—</u>
Total assets	<u>311,288,700</u>	<u>8,470</u>	<u>311,297,170</u>	<u>1,082,796</u>

See accompanying notes to financial statements.

(Continued)

**CITY OF TUSCALOOSA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

September 30, 2010

	Business-Type Activity			Governmental Activity
	Water and Sewer Fund	Intermodal Facility Retail Fund	Total Business-Type Activity Funds	Internal Service Fund
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 1,300,982	\$ 17,908	\$ 1,318,890	\$ 196,137
Due to other funds	1,860,674	—	1,860,674	66,000
Compensated absences	199,000	—	199,000	—
Accrued interest payable	1,063,366	—	1,063,366	—
Current portion of warrants payable	5,073,692	—	5,073,692	—
Total current liabilities	<u>9,497,714</u>	<u>17,908</u>	<u>9,515,622</u>	<u>262,137</u>
Noncurrent liabilities:				
Warrants payable (net of deferred amount on refunding)	111,943,397	—	111,943,397	—
Net OPEB obligation	160,433	—	160,433	—
Deferred revenue	7,463	—	7,463	—
Unamortized warrant premium	1,605,928	—	1,605,928	—
Developer deposits on water lines	755,526	—	755,526	—
Customer deposits	1,692,775	—	1,692,775	—
Compensated absences	626,000	—	626,000	—
Workers compensation claims	133,117	—	133,117	—
Outstanding claims liability	—	—	—	751,400
Total noncurrent liabilities	<u>116,924,639</u>	<u>—</u>	<u>116,924,639</u>	<u>751,400</u>
Total liabilities	<u>126,422,353</u>	<u>17,908</u>	<u>126,440,261</u>	<u>1,013,537</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	170,501,366	—	170,501,366	—
Unrestricted	14,364,981	(9,438)	14,355,543	69,259
Total net assets	<u>\$ 184,866,347</u>	<u>\$ (9,438)</u>	184,856,909	<u>\$ 69,259</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise fund.			<u>31,778</u>	
Net assets of business-type activities			<u>\$ 184,888,687</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, 2010

	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	\$ 34,395,659	\$ 34,545	34,430,204	\$ 10,545,493
Miscellaneous	108,760	—	108,760	—
Total operating revenues	<u>34,504,419</u>	<u>34,545</u>	<u>34,538,964</u>	<u>10,545,493</u>
Operating expenses:				
Personnel services	7,573,180	—	7,573,180	—
Fringe benefits	1,981,842	—	1,981,842	—
Outside services	1,416,911	43,979	1,460,890	—
Chemicals	1,108,033	—	1,108,033	—
Utilities and telephone	3,124,194	19,209	3,143,403	—
Repairs, maintenance and supplies	1,268,562	1,723	1,270,285	—
Other expense	922,115	2,850	924,965	5,686
Depreciation and amortization	7,723,479	—	7,723,479	—
Special projects	139,482	—	139,482	—
Cost reimbursement to general fund	2,265,673	—	2,265,673	—
Insurance claims and expenses	—	—	—	10,094,917
Total operating expenses	<u>27,523,471</u>	<u>67,761</u>	<u>27,591,232</u>	<u>10,100,603</u>
Operating income (loss)	<u>6,980,948</u>	<u>(33,216)</u>	<u>6,947,732</u>	<u>444,890</u>
Non-operating revenues (expenses):				
Interest income	73,059	—	73,059	1,496
Interest expense	(5,174,118)	—	(5,174,118)	—
Amortization of loss on debt retirement	(396,308)	—	(396,308)	—
Total non-operating revenues (expenses)	<u>(5,497,367)</u>	<u>—</u>	<u>(5,497,367)</u>	<u>1,496</u>
Income (loss) before contributions and transfers	1,483,581	(33,216)	1,450,365	446,386
Capital grant revenue	157,384	—	157,384	—
Capital contributions	810,444	—	810,444	—
Transfers in	53,013	25,000	78,013	—
Transfers out	(834,590)	(1,222)	(835,812)	(216,691)
Change in net assets	1,669,832	(9,438)	1,660,394	229,695
Total net assets, beginning of year	183,196,515	—	183,196,515	(160,436)
Total net assets, end of year	<u>\$ 184,866,347</u>	<u>\$ (9,438)</u>	184,856,909	<u>\$ 69,259</u>
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			<u>65,977</u>	
Change in net assets of business-type activities			<u>\$ 1,726,371</u>	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the year ended September 30, 2010

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash flows from operating activities:		
Receipts from customers and users	\$ 33,686,099	\$ —
Payments to suppliers	(15,717,706)	(5,687)
Payments to employees	(7,363,747)	—
Garbage fees collected for General Fund	3,146,968	—
Customer deposits	617,823	—
Refunds of customer deposits	(383,020)	—
Garbage fees remitted to General Fund	(3,092,417)	—
Materials purchased for other funds	(153,669)	—
Receipts for health insurance	—	9,609,142
Refunds in excess of claims filed	—	344,103
Payment of health insurance premiums	—	(9,763,773)
Payment of cash claims in excess of deposits	—	(195,407)
Net cash provided by (used in) operating activities	10,740,331	(11,622)
Cash flows from noncapital financing activities:		
Transfer from other funds	53,013	—
Transfer to other funds	(834,590)	(216,691)
Federal grant received	311,083	—
OPEB liability	93,350	—
Repayment of operating loan to other fund	(505,000)	—
Net cash used in noncapital financing activities	(882,144)	(216,691)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,388,436)	—
Interest paid on warrants	(5,596,702)	—
Capital contributions	810,444	—
Waterline deposits from subdividers	755,526	—
Refund of waterline deposits to subdividers	(383,020)	—
Warrants paid	(5,385,000)	—
Net cash used in capital and related financing activities	(13,187,188)	—

See accompanying notes to financial statements.

(Continued)

**CITY OF TUSCALOOSA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the year ended September 30, 2010**

	Proprietary Fund Types	
	Enterprise	Internal Service
Cash flows from investing activities:		
Purchase of certificates of deposit	\$ (12,000,000)	\$ —
Maturities of certificates of deposit	6,000,000	—
Interest earned on investments	73,059	1,496
Net cash provided by (used in) investing activities	(5,926,941)	1,496
Net decrease in cash and cash equivalents	(9,255,942)	(226,817)
Cash and cash equivalents, beginning of year:		
Current assets	17,198,492	1,307,368
Restricted assets	2,238,289	—
Total cash and cash equivalents, beginning of year	19,436,781	1,307,368
Cash and cash equivalents, end of year:		
Current assets	8,184,325	1,080,551
Restricted assets	1,996,514	—
Total cash and cash equivalents, end of year	\$ 10,180,839	\$ 1,080,551

See accompanying notes to financial statements.

**CITY OF TUSCALOOSA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**For the year ended September 30, 2010**

	Proprietary Fund Types	
	Enterprise	Internal Service
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 5,292,788	\$ 444,890
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		—
Depreciation and amortization	7,723,479	—
(Increase) decrease in operating assets:		—
Accounts receivable	(325,977)	57,751
Inventory	(35,992)	—
Unbilled water and sewer receivables	(488,975)	—
Due from other funds	619,087	—
Other assets	4,830	—
Increase (decrease) in operating liabilities:		
Accounts payable	101,177	196,137
Customer deposits	180,416	—
Due to other funds	(2,354,263)	(650,000)
Outstanding claims liability	—	(60,400)
Compensated absences	49,000	—
Workers compensation claims	(25,239)	—
	<u>\$ 10,740,331</u>	<u>\$ (11,622)</u>
Net cash provided by (used in) operating activities		

See accompanying notes to financial statements.

**CITY OF TUSCALOOSA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

**September 30, 2010**

<u>ASSETS</u>	<u>Police Officers and Firefighters Supplemental Retirement Plan Fund</u>	<u>Agency Fund Cash Bond</u>
Cash and cash equivalents	\$ 24,698	\$ 242,349
Investments in certificates of deposit	<u>140,030</u>	<u>—</u>
Total assets	<u>164,728</u>	<u>\$ 242,349</u>
<u>LIABILITIES</u>		
Cash bond deposits payable	<u>—</u>	<u>\$ 242,349</u>
Total liabilities	<u>—</u>	<u>\$ 242,349</u>
<u>NET ASSETS</u>		
Held in trust for pension benefits	<u>\$ 164,728</u>	

See accompanying notes to financial statements.

CITY OF TUSCALOOSA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND

For the year ended September 30, 2010

	Police Officers and Firefighters Supplemental Retirement Plan Fund
Additions:	
Employer contributions	\$ 68,000
Interest income	365
	<hr/>
Total additions	68,365
	<hr/>
Deductions:	
Benefits paid	22,896
Administrative plan expenses	9,000
	<hr/>
Total deductions	31,896
	<hr/>
Change in net assets	36,469
Net assets, beginning of year	128,259
	<hr/>
Net assets, end of year	\$ 164,728
	<hr/> <hr/>

See accompanying notes to financial statements.

CITY OF TUSCALOOSA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

INDEX TO NOTES

---

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	Page(s)
	A. Reporting Entity .....	48
	B. Financial Statements .....	49
	C. Basis of Presentation .....	50
	D. Basis of Accounting/Measurement Focus .....	51
	E. Assets, Liabilities and Net Assets or Equity .....	51 - 53
	F. Revenues, Expenditures, and Expenses .....	54
II.	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	
	A. Budgetary Information .....	54-55
III.	DETAILED NOTES ON ALL FUNDS	
	A. Deposits and Investments .....	56
	B. Receivables .....	57
	C. Capital Assets .....	58 - 59
	D. Interfund Balances and Transfers .....	60 - 61
	E. Unbilled Water, Sewer and Garbage Receivables .....	62
	F. Water and Sewer Warrant Issue Cost .....	62
	G. Compensated Absences .....	62
	H. Leases .....	62 - 63

CITY OF TUSCALOOSA  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2010

## INDEX TO NOTES

---

III.	DETAILED NOTES ON ALL FUNDS (continued)	
I.	Long-Term Debt.....	63
1.	Loan .....	63
2.	General Obligation Warrants .....	64
3.	Extinguishment of Debt Through In-Substance Defeasance – General Obligation Warrants.....	65
4.	Water and Sewer Warrants .....	65 – 66
5.	Extinguishment of Debt Through In-Substance Defeasance – Water and Sewer Warrants .....	66
6.	Debt Covenants .....	66
7.	Changes in Long-Term Liabilities .....	67
IV	OTHER INFORMATION	
A.	Risk Management.....	68
1.	Health Insurance Fund.....	68
2.	Workers Compensation Claims .....	69
B.	Joint Ventures .....	70
1.	Black Warrior Solid Waste Disposal Authority .....	70
2.	Tuscaloosa County Minimum Security Facility .....	71
3.	Metro Animal Shelter, Inc.....	71
C.	Other Post-Employment Benefits .....	72 - 74
D.	Defined Benefit Pension Plans .....	74 - 79
E.	Commitments and Contingencies.....	79 - 80
F.	Subsequent Event .....	80



**CITY OF TUSCALOOSA**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2010**

---

**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. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with GASB Statement No. 20 and 34. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. 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:

City of Tuscaloosa Convention and Visitors Bureau promotes the City through tourism and conventions. All members of the Board of Directors are appointed by the City Council. The City provides the majority of the Bureau's support through a portion of the lodging tax received by the City. The City provided the Bureau's support through a flat rate that is determined annually by the City Council. The Bureau 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 to form the Tuscaloosa Tourism and Sports Commission.

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.

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

### 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.

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) 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 IV.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.

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

### 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.

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).

#### 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.

## 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 within sixty days after year-end, to be used to pay liabilities 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.

Property taxes are assessed on October 1 and collected by the County from October 1 to December 31 of the following year and remitted to the City on a monthly basis and are subject to accrual.

### 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.

**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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, 2010. Interest incurred during the construction phase of capital assets of governmental-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 at the government wide level of reporting. For the year ended September 30, 2010, \$975,261 of interest expense was capitalized in the governmental-type activities.

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

<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

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

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

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 III.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 employees resignation or retirement. In the fund financial statements, governmental funds report only the liability payable from expendable 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.
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 statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

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

### 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 III.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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

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.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

### A. Budgetary Information (Continued)

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.

Excess of revenues over expenditures and other uses (budgetary basis)	\$ 1,970,502
Adjustments:	
Encumbrances at beginning of year	(528,819)
Encumbrances at end of year	<u>86,944</u>
Excess of revenues and over expenditures and other uses (GAAP basis)	<u>\$ 1,528,627</u>



**III. 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.

**Investments**

As of September 30, 2010, 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	\$ 275,262	\$ 68,723	\$ 206,539
Certificates of Deposit	20,831,655	20,831,655	—
	<u>\$ 21,106,917</u>	<u>\$ 20,900,378</u>	<u>\$ 206,539</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.

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### B. Receivables

Receivables at September 30, 2010, 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	Nonmajor Funds	Total
Special assessment	\$ —	\$ —	\$ 10,895	\$ —	\$ 10,895
Taxes	9,035,648	—	—	—	9,035,648
Accounts receivable	793,242	—	2,678,245	2,054	3,473,541
Special assessment interest	—	—	2,522	—	2,522
Unbilled receivables	245,131	—	2,602,119	—	2,847,250
Other governments	387,933	1,458,407	24,000	4,470,753	6,341,093
Gross receivables	10,461,954	1,458,407	5,317,781	4,472,807	21,710,949
Less: Allowance for uncollectibles	113,134	—	393,625	—	506,759
Net Receivables	<u>\$ 10,348,820</u>	<u>\$ 1,458,407</u>	<u>\$ 4,924,156</u>	<u>\$ 4,472,807</u>	<u>\$ 21,204,190</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 \$373,059.

The governmental activities in the Statement of Net Assets shows a non-current receivable in the amount of \$11,850,000. 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 below for additional information.

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance September 30, 2009	Additions	Deletions	Balance September 30, 2010
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 67,783,306	\$ 27,272,004	\$ 27,032,509	\$ 68,022,801
Total capital assets not being depreciated	<u>67,783,306</u>	<u>27,272,004</u>	<u>27,032,509</u>	<u>68,022,801</u>
Capital assets being depreciated:				
Infrastructure	140,895,032	12,454,652	—	153,349,684
Buildings	71,835,232	15,118,264	277,862	86,675,634
Machinery and equipment	46,300,156	2,381,049	223,955	48,457,250
Total capital assets being depreciated	<u>259,030,420</u>	<u>29,953,965</u>	<u>501,817</u>	<u>288,482,568</u>
Less accumulated depreciation for:				
Infrastructure	92,757,258	3,758,930	—	96,516,188
Buildings	13,076,923	1,805,993	105,634	14,777,282
Machinery and equipment	26,749,990	4,218,940	128,620	30,840,310
Total accumulated depreciation	<u>132,584,171</u>	<u>9,783,863</u>	<u>234,254</u>	<u>142,133,780</u>
Total capital assets being depreciated, net	<u>126,446,249</u>	<u>20,170,102</u>	<u>267,563</u>	<u>146,348,788</u>
Governmental activities capital assets, net	<u>\$ 194,229,555</u>	<u>\$ 47,442,106</u>	<u>\$ 27,300,072</u>	<u>\$ 214,371,589</u>
<b>Business - type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,286,042	\$ —	\$ —	\$ 1,286,042
Construction in progress	701,215	5,721,338	6,336,233	86,320
Total capital assets not being depreciated	<u>1,987,257</u>	<u>5,721,338</u>	<u>6,336,233</u>	<u>1,372,362</u>
Capital assets being depreciated:				
Buildings and system	385,866,599	5,301,264	—	391,167,863
Machinery and equipment	5,658,338	1,302,297	32,332	6,928,303
Total capital assets being depreciated	<u>391,524,937</u>	<u>6,603,561</u>	<u>32,332</u>	<u>398,096,166</u>
Less accumulated depreciation for:				
Buildings and system	103,594,485	7,208,351	—	110,802,836
Machinery and equipment	4,206,384	359,891	32,332	4,533,943
Total accumulated depreciation	<u>107,800,869</u>	<u>7,568,242</u>	<u>32,332</u>	<u>115,336,779</u>
Total capital assets being depreciated, net	<u>283,724,068</u>	<u>(964,681)</u>	<u>—</u>	<u>282,759,387</u>
Business-type activities capital assets, net	<u>\$ 285,711,325</u>	<u>\$ 4,756,657</u>	<u>\$ 6,336,233</u>	<u>\$ 284,131,749</u>

III. 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	\$ 1,849,833
Public safety	1,677,270
Streets and highways	5,434,236
Environmental services	394,460
Recreation	146,411
Not assigned to a specific function	<u>281,654</u>
Total depreciation expense-governmental activities	<u>\$ 9,783,864</u>
Business-type activities:	
Water	<u>\$ 7,568,242</u>

The City had numerous active construction projects at September 30, 2010.

### III. 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, 2010, is as follows:

Due to General Fund from:	
Water and sewer fund	\$ 1,485,675
Health insurance internal service fund	66,000
Capital project fund	2,613,383
Others	<u>2,902,036</u>
Total due to general fund from other funds	<u>\$ 7,067,094</u>
Due to Capital Project Fund from:	
General fund	\$ 5,496,167
Others	<u>444,627</u>
Total due to capital project fund from other funds	<u>\$ 5,940,794</u>
Due to nonmajor governmental funds from:	
General fund	\$ 133,925
Capital project fund	<u>21,939</u>
Total due to nonmajor governmental funds from other funds	<u>\$ 155,864</u>
Due to Water and Sewer Fund from:	
General fund	\$ 3,071,321
Capital project fund	158,979
Others	<u>6,200</u>
Total due to water and sewer proprietary fund from other funds	<u>\$ 3,236,500</u>

### III. 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	\$ 362,843
Capital project fund	1,149,615
Others	455,029
	<hr/>
Total transfer to general fund	\$ 1,967,487
	<hr/>
Transfer to capital project fund from:	
General fund	\$ 2,850,000
Water and sewer fund	440,000
Others	344,145
	<hr/>
Total transfer to capital project fund	\$ 3,634,145
	<hr/>
Transfer to nonmajor governmental funds from:	
General fund	\$ 1,066,697
Capital project fund	100,000
Water and sewer fund	41,191
Others	1,222
	<hr/>
Total transfers to nonmajor governmental funds	\$ 1,209,110
	<hr/>
Transfer to water and sewer fund from:	
Others	\$ 53,013
	<hr/>
Total transfers to water and sewer fund from other funds	\$ 53,013
	<hr/>
Transfer to intermodal facility retail fund from:	
Others	\$ 25,000
	<hr/>
Total transfers to intermodal facility retail fund	\$ 25,000
	<hr/>

### III. 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 \$2,602,119 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, 2010, the compensated absences of all City employees amounted to approximately \$7.0 million. Of this amount, \$825,000 relates to water and sewer employees and is recorded in the enterprise fund. The balance of \$6.2 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.

### III. 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, 2010, were as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2011	382,947
2012	57,667
Total minimum lease payments	440,614
Less: amount representing interest	28,567
	<u>\$ 412,047</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 1<sup>st</sup> and August 1<sup>st</sup> 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 III.I.7. for more information regarding debt service.



**III. 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. At October 1, 2009, the amount of general obligation debt outstanding was \$86.8 million. In 2010, the City issued debt of \$19.2 million (2010A issue) and \$13.9 million (2010B issue). The 2010A issue was used to defease the 2001 warrants and the 2010B issue was used to assist the City Board of Education in defeasement of the 2002 warrants. Through these warrant issues, the 2001 and 2002 warrants were defeased (see In-Substance Defeasance on the following page) and \$3.7 million of debt was repaid. General obligation warrants outstanding at September 30, 2010 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%	13,655,000
2005 G.O. and Refunding Warrants	3.00-5.00%	7,990,000
2007 General Obligation Warrants	4.00-5.00%	26,215,000
2009 General Obligation Warrants	3.00-5.125%	17,125,000
		<u>\$ 84,000,000</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 3,010,000	\$ 3,692,084	\$ 6,702,084
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
2016-2020	14,490,000	12,979,506	27,469,506
2021-2025	14,875,000	9,930,903	24,805,903
2026-2030	14,550,000	6,534,351	21,084,351
2031-2035	11,935,000	3,379,963	15,314,963
2036-2040	7,955,000	804,677	8,759,677
Total	<u>\$ 84,000,000</u>	<u>\$ 50,651,357</u>	<u>\$ 134,651,357</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 proceeding page.

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### I. Long-Term Debt (continued)

##### 3. Extinguishment of Debt Through In-Substance Defeasance

On May 27, 2010, the City issued \$19,150,000 of general obligation refunding warrants (2010A issue) with interest at 1.00% to 4.00% to provide resources to purchase U.S. Government and State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$18,240,000 of outstanding 2001 General Obligation Warrants with an interest rate of 4.40% to 5.2%. As a result, the refunded warrants are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,673,729. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt. This 2010A advance refunding decreased total debt service payments over the next 21 years by \$660,885.

On May 27, 2010, the City issued \$13,860,000 of general obligation refunding warrants (2010B issue) with interest at 1.00% to 5.00%. The total amount of these warrants was used to purchase U.S. Government and State and Local Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$13,875,000 of 2002 City School Warrants with an interest rate of 4.25% to 5.00%. As a result, the refunded warrants are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,076,627. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt. This 2010B advance refunding decreased total debt service payments over the next 6 years by \$271,899.

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, 2010, \$32,775,000 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 \$126,031,816. No warrants were issued during the year and \$5.4 million of debt was repaid. Water and sewer warrants outstanding at September 30, 2010 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2008 SRF Issue	3.18%	\$ 950,000
1998 SRF Issue	3.75%	5,085,000
2005 Refunding and G.O. Warrant Issue	3.00-5.00%	37,575,000
2006 G.O. Warrant Issue	3.60-5.00%	34,820,000
2002 SRF Refunding Issue	3.25%	23,800,195
2002 SRF Sewer Improvements Issue	3.68%	13,690,000
2004 Drinking Water State Revolving Loan	3.05%	4,726,622
		<u>120,646,817</u>
Less: deferred loss on refunding		3,629,728
Total		<u>\$ 117,017,089</u>

### III. 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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,650,000	\$ 5,126,911	\$ 10,776,911
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
2016-2020	38,895,000	15,621,719	54,516,719
2021-2025	30,286,817	8,020,794	38,307,611
2026-2030	9,090,000	3,693,000	12,783,000
2031-2035	<u>11,480,000</u>	<u>1,299,375</u>	<u>12,779,375</u>
Total	<u>\$ 120,646,817</u>	<u>\$ 51,885,221</u>	<u>\$ 172,532,038</u>

##### 5. Extinguishment of Debt Through In-Substance Defeasance

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, 2010, \$78,800,000 of warrants outstanding are considered defeased.

##### 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.

III. 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, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General City warrants	\$ 86,780,000	\$ 33,010,000	\$ 35,790,000	\$ 84,000,000	\$ 6,826,078
Section 108 loan	—	1,500,000	—	1,500,000	75,000
Capital leases	736,118	—	324,070	412,048	382,947
Net OPEB obligation	372,443	535,963	—	908,406	—
Compensated absences	5,788,727	346,583	—	6,135,310	1,622,119
Workers compensation claims	475,442	413,211	398,913	489,740	—
Governmental activity long-term liabilities	<u>\$ 94,152,730</u>	<u>\$ 35,805,757</u>	<u>\$ 36,512,983</u>	<u>\$ 93,445,504</u>	<u>\$ 8,906,144</u>
Business-type activities:					
Water and sewer warrants	\$ 126,031,816	\$ —	\$ 5,385,000	\$ 120,646,816	\$ 5,470,000
Less deferred loss on refunding	4,026,035	—	396,308	3,629,727	396,308
	122,005,781	—	4,988,692	117,017,089	5,073,692
Net OPEB obligation	67,083	93,350	—	160,433	—
Compensated absences	776,000	49,000	—	825,000	199,000
Workers compensation claims	158,356	107,732	132,971	133,117	—
Business-type activity long-term liabilities	<u>\$ 123,007,220</u>	<u>\$ 250,082</u>	<u>\$ 5,121,663</u>	<u>\$ 118,135,639</u>	<u>\$ 5,272,692</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, 2010 fiscal year and will remain unfunded and on a pay-as-you-go financing basis.

## 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 \$751,400 at September 30, 2010 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, 2010 and 2009 were as follows:

	Year ended September 30, 2010	Year ended September 30, 2009
Unpaid claims, beginning of year	\$ 811,800	\$ 809,100
Incurred claims (including IBNRs)	10,040,203	10,300,548
Claims paid	(10,100,603)	(10,297,848)
Unpaid claims, end of year	<u>\$ 751,400</u>	<u>\$ 811,800</u>

**IV. 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 \$100,000 per person, per accident, per year, and purchases commercial insurance for claims in excess of \$100,000 up to \$400,000 per person, per accident, per year. The total excess liability coverage has a limit of \$5,000,000. 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, 2010, of \$622,857 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 2.8%. Of the above amount, \$133,117 is reported in the Water and Sewer Enterprise Fund. The balance, \$489,740, 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, 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)	(398,913)	(132,971)
Unpaid claims, end of year	<u>\$ 489,740</u>	<u>\$ 133,117</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	\$ 1,021,148	\$ 128,969
Increase (incurred claims, including IBNR's)	364,192	34,221
Decrease (claims paid and reserve reduction)	(909,898)	(4,834)
Unpaid claims, end of year	<u>\$ 475,442</u>	<u>\$ 158,356</u>

#### IV. 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, 2010:

Total assets	<u>\$ 27,979,344</u>
Current liabilities	\$ 224,456
Long-term liabilities	2,708,100
Accrued landfill closure costs	<u>15,318,276</u>
Total liabilities	<u>\$ 18,250,832</u>
Total Equity	<u>\$ 9,728,512</u>
Total revenues	\$ 4,408,797
Total expenditures	(5,023,640)
Non-operating revenues, net of non-operating expenditures	<u>954,170</u>
Net increase in fund balance	<u>\$ 339,327</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.

**IV. 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	<u>59</u>	<u>1,475,000</u>
	<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 \$316,500 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	42.50 %	\$ 134,512
City of Northport	13.10	41,462
Tuscaloosa County	<u>44.40</u>	<u>140,526</u>
	<u>100.00 %</u>	<u>\$ 316,500</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, 2010, no excess was returned to the City.



#### IV. 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 of 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, 2010, the City and plan members receiving benefits contributed \$276,061 and \$460,102, 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	\$ 797,943
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Current year retiree premium	<u>(168,630)</u>
Annual OPEB cost	629,313
Contributions made	<u>-</u>
Increase in net OPEB obligation	629,313
Net OPEB obligation - beginning of the year	<u>439,526</u>
Net OPEB obligation - end of the year	<u>\$ 1,068,839</u>

#### IV. 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 2010 were as follows:

Three Year Trend Information				
Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2010	\$ 629,313	\$ -	0.00%	\$ 1,068,839
9/30/2009	\$ 439,526	\$ -	0.00%	\$ 439,526

Since 2009 was the transition year, only 2010 and 2009 information is provided above. Going forward, information for the current year and each of the two preceding years will be provided.

##### 4. Funded Status and Funding Progress

As of October 1, 2009, the most recent actuarial valuation date for fiscal year ending September 30, 2010, the plan was zero percent funded. The actuarial accrued liability for benefits was \$7,592,863, and the actuarial value of plan assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,592,863. The covered payroll (annual payroll of active employees covered by the plan) was \$55,902,466, and the ratio of the UAAL to the covered payroll was 13.58 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, 2010, the second 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 of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce 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, health care cost trend rate, mortality rate, investment rate of return (discount rate), and the period to which the costs apply.

#### IV. OTHER INFORMATION (Continued)

##### C. Other Post-Employment Benefits (continued)

###### 5. Actuarial Method and Assumptions (continued)

In the October 1, 2009 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 rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.0% after ten years, 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, 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  
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

#### IV. 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, 2010, the most recent actuarial valuation date, the actuarial value of plan assets was \$129,729; the actuarial accrued liability was \$692,405; the total unfunded actuarial accrued liability was \$562,676; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 18.7 percent; the annual covered payroll was \$2.5 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 22.5 percent. The actuarial assumptions used are described in the Funding Policy and Annual Pension Cost section in Note IV.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.

## IV. 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, 2008, the most recent actuarial valuation date, the actuarial value of plan assets was \$51,465,172; the actuarial accrued liability was \$60,913,655; the total unfunded actuarial accrued liability was \$9,448,483; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 84.5 percent; the annual covered payroll was \$27 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 34.9 percent. The actuarial assumptions used are described in the Funding Policy and Annual Pension Cost section in Note IV.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

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. These funds are then pooled with other contributors and invested.

#### IV. 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 Alethia, Southeastern Asset Management, BatteryMarch Financial Management, Inc., Allegiance Capital, and NWQ International. Plan assets are held by Merrill Lynch and are invested primarily in stocks and U. S. Treasury obligations.

###### b. Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial value of plan assets was \$61,194,421; the actuarial accrued liability was \$131,325,637; the total unfunded actuarial accrued liability was \$70,131,216; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 46.60%; the annual covered payroll was \$25,194,295; and the ratio of the unfunded actuarial liability to annual covered payroll was 278.4%. The actuarial assumptions used are described in the Funding Policy and Annual Pension Cost section in Note IV.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.

IV. 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, 2008 is the most recent information available to the City from the plan):

	Police Officers and Firefighters Supplemental Retirement Plan	Employees Retirement System of Alabama	Travelers Insurance Company Group Annuity (transferred to Met Life)	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	2.06%	6.37%	**	13.00%
Plan members	0.00%	5.00%	**	11.00%
Annual pension cost	\$67,000	\$1,638,640	**	\$3,450,627
Contribution made	\$68,000	\$1,638,640	**	\$3,450,627
Actuarial valuation date	1/1/2010	9/30/2008	11/1/2006	1/1/2010
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	20 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	8.00%	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.

IV. 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
Police Officers and Firefighters Supplemental Retirement Plan	9/30/2009	\$ 67,000	100.00%	\$ —
	9/30/2008	67,000	100.00%	—
	9/30/2007	67,000	100.00%	—
Employees Retirement System of Alabama	9/30/2008	1,638,640	100.00%	—
	9/30/2007	1,461,480	100.00%	—
	9/30/2006	1,238,530	100.00%	—
Traveler's Insurance Company Group Annuity (transferred to Met Life)	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	1/1/2010	3,450,627	100.00%	—
	1/1/2009	3,356,426	100.00%	—
	1/1/2008	3,139,129	100.00%	—

E. 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. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. City management believes such disallowances, if any, will be immaterial.



#### **IV. OTHER INFORMATION (Continued)**

##### **E. Commitments and Contingencies (continued)**

The City has various construction projects in progress, including streetscaping, construction of an amphitheatre, 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 \$5,916,621 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.

##### **F. Subsequent Event**

The Tuscaloosa Amphitheatre was constructed by the City during the fiscal years ended 2009, 2010 and 2011. As of February 2011, the Amphitheatre was substantially complete. The City has contracted with Red Mountain Entertainment out of Birmingham, Alabama to manage event bookings and media relations. The City and Red Mountain Entertainment will both maintain a joint checking account which will be a clearing account for all events held at the amphitheatre. Per the contract between the City and Red Mountain Entertainment, the balance in the account must not drop below \$100,000. The amphitheatre's first concert is scheduled for April 1, 2011. The Amphitheatre Fund is listed as a capital project fund as of September 30, 2010. In February 2011, the fund will transition to a Business-Type Activity fund and will be presented as such on the face of the Comprehensive Annual Financial Report for the year ended September 30, 2011.

CITY OF TUSCALOOSA

SCHEDULE OF PENSION PLAN FUNDING PROGRESS - DEFINED BENEFIT PLANS

September 30, 2010

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Entry Age	(3) Unfunded (Funded) UAL (UAAL) (2-1)	(4) Funded Ratio (1 / 2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3/5)
I. Employees Retirement System of Alabama (valuation as of each September 30):						
2008	\$ 51,465,172	\$ 60,913,655	\$ 9,448,483	84.50 %	\$ 27,045,152	34.90 %
2007	49,013,838	55,737,677	6,723,839	87.90	25,731,557	26.10
2006	44,943,517	51,579,346	6,635,829	87.10	23,906,962	27.80
II. The Travelers Insurance Company (transferred to Met Life) (valuation as of each November 1):						
2006	\$ 1,032,960	\$ 2,179,251	\$ 1,146,291	47.40 %	\$ 4,485,000	25.60 %
2005	870,821	1,838,127	967,306	47.40	4,688,320	20.60
2004	1,008,553	1,885,800	877,247	53.50	4,846,774	18.10
III. Tuscaloosa Police Officers and Fire Fighters Retirement Plan (valuation as of each January 1):						
2010	\$ 61,194,421	\$ 131,325,637	\$ 70,131,216	46.60 %	\$ 25,194,295	278.40 %
2009	63,493,795	127,917,645	64,423,850	49.60	24,853,679	259.20
2008	67,292,592	120,626,827	53,334,235	55.80	23,025,548	231.60
IV. Tuscaloosa Police Officers and Firefighters Supplemental Retirement Plan (biennial valuation as of each January 1):						
2010	\$ 129,729	\$ 692,405	\$ 562,676	18.70 %	\$ 2,505,505	22.50 %
2008	69,453	731,455	662,002	9.50	2,143,949	30.90
2007*	—	685,863	685,863	—	2,608,189	26.30
V. Tuscaloosa Post Employment Health Care Plan (annual valuation as of each October 1):						
2009	\$ —	\$ 7,592,863	\$ 7,592,863	— %	\$ 55,902,466	13.58 %
2008	—	10,674,686	10,674,686	—	56,297,597	18.96

\* Beginning balance at inception of plan. See Note IV.D.2

This page intentionally left blank.

**CITY OF TUSCALOOSA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2010**

ASSETS	Special Revenue Funds	Capital Project Funds				Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
		Downtown Urban Revitalization	Fire Station Construction	Intermodal Construction	Amphitheatre Construction		
Cash and cash equivalents	\$ 3,677,398	\$ 40,876	\$ —	\$ 101,465	\$ 5,260,681	\$ 77,122	\$ 9,157,542
Investments	1,682,762	—	—	—	—	—	1,682,762
Receivables (net of allowances for uncollectibles)	2,054	—	—	—	—	—	2,054
Due from other governments	590,081	3,880,672	—	—	—	—	4,470,753
Due from other funds	67,846	—	—	—	74,299	13,719	155,864
Inventory	292	—	—	—	—	—	292
<b>Total assets</b>	<b>\$ 6,020,433</b>	<b>\$ 3,921,548</b>	<b>\$ —</b>	<b>\$ 101,465</b>	<b>\$ 5,334,980</b>	<b>\$ 90,841</b>	<b>\$ 15,469,267</b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 400,261	\$ 30,924	\$ —	\$ —	\$ 682,647	\$ 2,250	\$ 1,116,082
Deferred revenue	177,471	—	—	—	—	—	177,471
Due to other funds	236,504	2,739,232	—	—	—	2,700	2,978,436
<b>Total liabilities</b>	<b>814,236</b>	<b>2,770,156</b>	<b>—</b>	<b>—</b>	<b>682,647</b>	<b>4,950</b>	<b>4,271,989</b>
Fund balances:							
Reserved for:							
Grant projects	531,749	—	—	—	—	—	531,749
Road projects	956,187	—	—	—	—	—	956,187
Capital projects	3,213,390	1,151,392	—	—	—	—	4,364,782
Cemetery maintenance	272,444	—	—	—	—	—	272,444
Capitol Park maintenance	—	—	—	—	—	85,891	85,891
Unreserved:							
Designated for capital projects	—	—	—	101,465	4,652,333	—	4,753,798
Undesignated	232,427	—	—	—	—	—	232,427
<b>Total fund balances</b>	<b>5,206,197</b>	<b>1,151,392</b>	<b>—</b>	<b>101,465</b>	<b>4,652,333</b>	<b>85,891</b>	<b>11,197,278</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,020,433</b>	<b>\$ 3,921,548</b>	<b>\$ —</b>	<b>\$ 101,465</b>	<b>\$ 5,334,980</b>	<b>\$ 90,841</b>	<b>\$ 15,469,267</b>

CITY OF TUSCALOOSA

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

For the year ended September 30, 2010

	Special Revenue Funds	Capital Project Funds				Permanent Fund Capital Park Maintenance	Total Nonmajor Governmental Funds
		Downtown Urban Revitalization	Fire Station Construction	Intermodal Facility Construction	Amphitheatre Construction		
Revenues:							
Taxes	\$ 912,373	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 912,373
Intergovernmental	2,739,459	5,624,471	—	363,357	—	—	8,727,287
Other revenues	892,184	24	1,978	138	147,845	286	1,042,455
Total revenues	4,544,016	5,624,495	1,978	363,495	147,845	286	10,682,115
Expenditures:							
Current operations:							
General government	503,644	—	—	—	—	—	503,644
Public safety	1,046,541	—	—	—	—	—	1,046,541
Streets and highways	7,238	—	—	—	—	—	7,238
Culture and recreation	99,471	—	—	—	—	14,750	114,221
Housing	705,273	—	—	—	—	—	705,273
Economic and physical development	139,605	—	—	—	—	—	139,605
Other activities	85,670	—	—	—	—	—	85,670
Total current operations	2,587,442	—	—	—	—	14,750	2,602,192
Capital outlay	613,746	5,623,465	50,948	453,293	11,125,087	—	17,866,539
Debt service:							
Section 108 loan costs	8,958	—	—	—	—	—	8,958
Interest charges	—	—	—	—	1,015,459	—	1,015,459
Total expenditures	3,210,146	5,623,465	50,948	453,293	12,140,546	14,750	21,493,148
Excess (deficiency) of revenues over expenditures	1,333,870	1,030	(48,970)	(89,798)	(11,992,701)	(14,464)	(10,811,033)
Other financing sources (uses) :							
Section 108 loan proceeds	1,500,000	—	—	—	—	—	1,500,000
Transfers in	203,019	41,191	—	1,222	949,171	14,507	1,209,110
Transfers out	(508,043)	—	(344,145)	—	—	—	(852,188)
Total other financing sources (uses)	1,194,976	41,191	(344,145)	1,222	949,171	14,507	1,856,922
Net change in fund balances	2,528,846	42,221	(393,115)	(88,576)	(11,043,530)	43	(8,954,111)
Fund balances, beginning of year	2,677,351	1,109,171	393,115	190,041	15,695,863	85,848	20,151,389
Fund balances, end of year	\$ 5,206,197	\$ 1,151,392	\$ —	\$ 101,465	\$ 4,652,333	\$ 85,891	\$ 11,197,278

## 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.

**CITY OF TUSCALOOSA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**

September 30, 2010

ASSETS	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund	Alabama Trust Fund	Evergreen Cemetery Fund	Hazard Mitigation Fund	Alternative Energy Fund	Section 108 Funds	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	\$ 160,086	\$ 73,300	\$ 364,579	\$ 879,908	\$ 31,032	\$ 49,726	\$ 513,922	\$ 404	\$ 1,118	\$ 112,091	\$ 1,491,232	\$ 3,677,398
Investments	—	—	—	—	—	131,067	1,276,433	275,262	—	—	—	1,682,762
Receivables	—	—	2,054	—	—	—	—	—	—	—	—	2,054
Due from other governments	243,408	783	191,442	86,279	—	51,631	—	—	—	16,538	—	590,081
Due from other funds	9,453	6,454	39,542	—	—	—	12,397	—	—	—	—	67,846
Inventory	—	—	—	—	292	—	—	—	—	—	—	292
<b>Total assets</b>	<b>\$ 412,947</b>	<b>\$ 80,537</b>	<b>\$ 597,617</b>	<b>\$ 966,187</b>	<b>\$ 31,324</b>	<b>\$ 232,424</b>	<b>\$ 1,802,752</b>	<b>\$ 275,666</b>	<b>\$ 1,118</b>	<b>\$ 128,629</b>	<b>\$ 1,491,232</b>	<b>\$ 6,020,433</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>Liabilities:</b>												
Accounts payable	\$ 98,809	\$ —	\$ 157,896	\$ —	\$ 30,112	\$ —	\$ —	\$ 3,222	\$ 985	\$ 28,643	\$ 80,594	\$ 400,261
Deferred revenue	177,471	—	—	—	—	—	—	—	—	—	—	177,471
Due to other funds	136,667	80,537	7,958	10,000	1,212	—	—	—	130	—	—	236,504
<b>Total liabilities</b>	<b>412,947</b>	<b>80,537</b>	<b>165,854</b>	<b>10,000</b>	<b>31,324</b>	<b>—</b>	<b>—</b>	<b>3,222</b>	<b>1,115</b>	<b>28,643</b>	<b>80,594</b>	<b>814,236</b>
<b>Fund balances:</b>												
<b>Reserved for:</b>												
Grant projects	—	—	431,763	—	—	—	—	—	—	99,986	—	531,749
Road projects	—	—	—	956,187	—	—	—	—	—	—	—	956,187
Capital projects	—	—	—	—	—	—	1,802,752	—	—	—	1,410,638	3,213,390
Cemetery maintenance	—	—	—	—	—	—	—	272,444	—	—	—	272,444
Unreserved - undesignated	—	—	—	—	—	232,424	—	—	3	—	—	232,427
<b>Total fund balances</b>	<b>—</b>	<b>—</b>	<b>431,763</b>	<b>956,187</b>	<b>—</b>	<b>232,424</b>	<b>1,802,752</b>	<b>272,444</b>	<b>3</b>	<b>99,986</b>	<b>1,410,638</b>	<b>5,206,197</b>
<b>Total liabilities and fund balances</b>	<b>\$ 412,947</b>	<b>\$ 80,537</b>	<b>\$ 597,617</b>	<b>\$ 966,187</b>	<b>\$ 31,324</b>	<b>\$ 232,424</b>	<b>\$ 1,802,752</b>	<b>\$ 275,666</b>	<b>\$ 1,118</b>	<b>\$ 128,629</b>	<b>\$ 1,491,232</b>	<b>\$ 6,020,433</b>

CITY OF TUSCALOOSA

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

For the year ended September 30, 2010

	Police Department Funds	Airport Development Fund	Community Development Funds	Gasoline Tax Funds	Summer Feeding Fund	Beer Tax Bonus Fund	Alabama Trust Fund	Evergreen Cemetery Fund	Hazard Mitigation Fund	Alternative Energy Fund	Section 108 Funds	Total Nonmajor Special Revenue Funds
Revenues:												
Taxes:												
Gas tax - State of Alabama	\$ —	\$ —	\$ —	\$ 404,728	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 404,728
Share of beer tax	—	—	—	—	—	507,645	—	—	—	—	—	507,645
Intergovernmental revenues:												
Federal grants	651,795	176,294	1,152,450	—	—	—	—	—	—	153,937	—	2,134,476
State and local grants	470,968	1,295	59,000	—	73,720	—	—	—	—	—	—	604,983
Other operating revenues:												
Interest on investments	—	—	4,900	—	—	1,771	8,367	10,583	—	—	—	25,621
Share of tag receipts	—	—	—	214,360	—	—	—	—	—	—	—	214,360
Collection of principal and interest	—	—	101,093	—	—	—	—	—	—	—	—	101,093
Other	28,119	—	3,000	—	1,499	—	512,301	6,000	1	—	190	551,110
<b>Total revenues</b>	<b>1,150,882</b>	<b>177,589</b>	<b>1,320,443</b>	<b>619,088</b>	<b>75,219</b>	<b>509,416</b>	<b>520,668</b>	<b>16,583</b>	<b>1</b>	<b>153,937</b>	<b>190</b>	<b>4,544,016</b>
Expenditures:												
Current:												
General government	—	—	223,944	—	75,219	—	—	—	—	124,840	79,641	503,644
Public safety	1,046,541	—	—	—	—	—	—	—	—	—	—	1,046,541
Streets and highways	—	—	—	7,238	—	—	—	—	—	—	—	7,238
Culture and recreation	—	—	99,471	—	—	—	—	—	—	—	—	99,471
Housing program	—	—	705,273	—	—	—	—	—	—	—	—	705,273
Economic and physical development	—	—	139,605	—	—	—	—	—	—	—	—	139,605
Other	—	295	33,324	—	—	—	—	52,037	—	14	—	85,670
<b>Total current operations</b>	<b>1,046,541</b>	<b>295</b>	<b>1,201,617</b>	<b>7,238</b>	<b>75,219</b>	<b>—</b>	<b>—</b>	<b>52,037</b>	<b>—</b>	<b>124,854</b>	<b>79,641</b>	<b>2,587,442</b>
Capital expenditures	206,984	177,670	199,042	—	—	—	—	—	—	29,097	953	613,746
Debt service:												
Section 108 loan costs	—	—	—	—	—	—	—	—	—	—	8,958	8,958
<b>Total expenditures</b>	<b>1,253,525</b>	<b>177,965</b>	<b>1,400,659</b>	<b>7,238</b>	<b>75,219</b>	<b>—</b>	<b>—</b>	<b>52,037</b>	<b>—</b>	<b>153,951</b>	<b>89,552</b>	<b>3,210,146</b>
Excess (deficiency) of revenues over expenditures	(102,643)	(376)	(80,216)	611,850	—	509,416	520,668	(35,454)	1	(14)	(89,362)	1,333,870
Other financing sources (uses) :												
Section 108 loan proceeds	—	—	—	—	—	—	—	—	—	—	1,500,000	1,500,000
Transfers in	102,643	376	—	—	—	—	—	—	—	100,000	—	203,019
Transfers out	—	—	—	—	—	(508,043)	—	—	—	—	—	(508,043)
<b>Total other financing sources (uses)</b>	<b>102,643</b>	<b>376</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(508,043)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>100,000</b>	<b>1,500,000</b>	<b>1,194,976</b>
Net change in fund balances	—	—	(80,216)	611,850	—	1,373	520,668	(35,454)	1	99,986	1,410,638	2,528,846
Fund balances, beginning of year	—	—	511,979	344,337	—	231,051	1,282,084	307,898	2	—	—	2,677,351
Fund balances - end of year	\$ —	\$ —	\$ 431,763	\$ 956,187	\$ —	\$ 232,424	\$ 1,802,752	\$ 272,444	\$ 3	\$ 99,986	\$ 1,410,638	\$ 5,206,197



## 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, 2010**

	<u>Balance</u> <u>October 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30, 2010</u>
<u>Cash Bond Fund</u>				
<u>ASSETS</u>				
Cash and cash equivalents	\$ 240,906	\$ 512,031	\$ 510,588	\$ 242,349
<u>LIABILITIES</u>				
Cash bond deposits payable	\$ 240,906	\$ 512,031	\$ 510,588	\$ 242,349

**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, 2010**

	Total	Infrastructure	Buildings	Machinery and Equipment
General government:				
Finance	\$ 248,400	\$ —	\$ —	\$ 248,400
Revenue	110,241	—	—	110,241
Information technology	10,884,257	—	—	10,884,257
Municipal court	549,072	—	—	549,072
Planning and zoning	25,428	—	—	25,428
All others	115,432	—	—	115,432
Total general government	<u>11,932,830</u>	<u>—</u>	<u>—</u>	<u>11,932,830</u>
Public safety:				
Police	20,484,442	—	11,072,997	9,411,445
Fire and rescue service	21,751,226	—	11,373,522	10,377,704
All others	533,085	—	—	533,085
Total public safety	<u>42,768,753</u>	<u>—</u>	<u>22,446,519</u>	<u>20,322,234</u>
Streets and highways	<u>13,924,765</u>	<u>—</u>	<u>4,688,466</u>	<u>9,236,299</u>
Environmental services	<u>7,154,845</u>	<u>—</u>	<u>188,958</u>	<u>6,965,887</u>
Recreation	<u>3,576,910</u>	<u>—</u>	<u>3,576,910</u>	<u>—</u>
General government buildings	<u>55,774,781</u>	<u>—</u>	<u>55,774,781</u>	<u>—</u>
Infrastructure	<u>153,349,684</u>	<u>153,349,684</u>	<u>—</u>	<u>—</u>
Assets allocated by function	<u>288,482,568</u>	<u>\$ 153,349,684</u>	<u>\$ 86,675,634</u>	<u>\$ 48,457,250</u>
Construction in progress	<u>68,022,801</u>			
Total governmental funds capital assets	<u>\$ 356,505,369</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, 2010**

	Governmental Funds Capital Assets September 30, 2009	Additions (Deletions)	Governmental Funds Capital Assets September 30, 2010
General government:			
Finance	\$ 65,969	\$ 182,431	\$ 248,400
Revenue	110,241	-	110,241
Information systems	9,598,040	1,286,217	10,884,257
Municipal court	537,677	11,395	549,072
Planning and zoning	71,258	(45,830)	25,428
All others	369,026	(253,594)	115,432
Total general government	<u>10,752,211</u>	<u>1,180,619</u>	<u>11,932,830</u>
Public safety:			
Police	19,992,859	491,583	20,484,442
Fire	14,085,600	7,665,626	21,751,226
All others	533,085	-	533,085
Total public safety	<u>34,611,544</u>	<u>8,157,209</u>	<u>42,768,753</u>
Streets and highways	<u>14,414,610</u>	<u>(489,845)</u>	<u>13,924,765</u>
Environmental services	<u>4,814,531</u>	<u>2,340,314</u>	<u>7,154,845</u>
Recreation	<u>162,150</u>	<u>3,414,760</u>	<u>3,576,910</u>
General government buildings	<u>53,380,342</u>	<u>2,394,439</u>	<u>55,774,781</u>
Infrastructure	<u>140,895,032</u>	<u>12,454,652</u>	<u>153,349,684</u>
Assets allocated by function	259,030,420	29,452,148	288,482,568
Construction in progress	<u>67,783,306</u>	<u>239,495</u>	<u>68,022,801</u>
Total governmental funds capital assets	<u><u>\$ 326,813,726</u></u>	<u><u>\$ 29,691,643</u></u>	<u><u>\$ 356,505,369</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, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating revenues:			
Water and sewer sales	\$ 33,568,000	\$ 33,300,185	\$ (267,815)
Connection fees	1,200,000	1,095,474	(104,526)
Cost reimbursed	100,000	78,420	(21,580)
Other operating revenues	69,200	30,340	(38,860)
	<u>34,937,200</u>	<u>34,504,419</u>	<u>(432,781)</u>
Total operating revenues			
Non-operating revenues (expenses):			
Interest income	128,000	73,059	(54,941)
Contributed capital	-	810,444	810,444
Amortization of loss on debt retirement	-	(396,308)	(396,308)
Interest expense	(5,324,374)	(5,174,118)	150,256
Grant revenue	-	157,384	157,384
	<u>(5,196,374)</u>	<u>(4,529,539)</u>	<u>666,835</u>
Net non-operating revenues (expenses)			
Total before transfers	<u>29,740,826</u>	<u>29,974,880</u>	<u>234,054</u>
Transfers in (out):			
Transfers in	58,366	53,013	(5,353)
Transfers to Other Funds	(2,711,314)	(834,590)	1,876,724
	<u>(2,652,948)</u>	<u>(781,577)</u>	<u>1,871,371</u>
Net transfers in (out)			
Fund total	<u>\$ 27,087,878</u>	<u>\$ 29,193,303</u>	<u>\$ 2,105,425</u>

CITY OF TUSCALOOSA

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

For the year ended September 30, 2010

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Operating expenses:			
Office of City Engineer:			
Personnel services	\$ 618,036	\$ 595,071	\$ 22,965
Other	<u>173,267</u>	<u>161,683</u>	<u>11,584</u>
Total office of City engineer	<u>791,303</u>	<u>756,754</u>	<u>34,549</u>
Water works office:			
Personnel services	1,230,940	1,328,608	(97,668)
Other	<u>1,122,269</u>	<u>1,262,576</u>	<u>(140,307)</u>
Total water works office	<u>2,353,209</u>	<u>2,591,184</u>	<u>(237,975)</u>
Superintendent:			
Personnel services	95,267	95,701	(434)
Other	<u>111,437</u>	<u>102,889</u>	<u>8,548</u>
Total superintendent	<u>206,704</u>	<u>198,590</u>	<u>8,114</u>
Source of supply - lakes:			
Personnel services	329,362	329,154	208
Other	<u>264,473</u>	<u>702,821</u>	<u>(438,348)</u>
Total source of supply - lakes	<u>593,835</u>	<u>1,031,975</u>	<u>(438,140)</u>
Plott plant	<u>644,205</u>	<u>490,583</u>	<u>153,622</u>
Engineering:			
Personnel services	-	5,029	(5,029)
Other	<u>-</u>	<u>1,215</u>	<u>(1,215)</u>
Total engineering	<u>-</u>	<u>6,244</u>	<u>(6,244)</u>
Distribution:			
Personnel services	1,602,108	1,597,244	4,864
Other	<u>1,326,329</u>	<u>1,356,527</u>	<u>(30,198)</u>
Total distribution	<u>2,928,437</u>	<u>2,953,771</u>	<u>(25,334)</u>
Lab	<u>186,175</u>	<u>190,398</u>	<u>(4,223)</u>

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

**For the year ended September 30, 2010**

	Budget	Actual	Variance - Favorable (Unfavorable)
Operating expenses (Continued):			
Sewage treatment plant:			
Personnel services	\$ 907,838	\$ 910,695	\$ (2,857)
Other	1,941,876	2,146,181	(204,305)
Total sewage treatment plant	2,849,714	3,056,876	(207,162)
Sanitary sewer:			
Personnel services	1,025,756	1,022,735	3,021
Other	861,715	692,110	169,605
Total sanitary sewer	1,887,471	1,714,845	172,626
Damage claims	115,000	193,150	(78,150)
Ed Love filter plant:			
Personnel services	1,491,313	1,481,127	10,186
Other	2,625,397	2,557,490	67,907
Total Ed Love filter plant	4,116,710	4,038,617	78,093
Lift station:			
Personnel services	240,191	207,775	32,416
Other	866,777	868,903	(2,126)
Total lift station	1,106,968	1,076,678	30,290
Depreciation and amortization	7,200,000	7,723,479	(919,787)
Contingencies and other expenses	5,566,233	1,500,327	3,324,183
Total operating expenses	\$ 30,545,964	\$ 27,523,471	\$ 1,884,462



This page intentionally left blank.

**CITY OF TUSCALOOSA  
STATISTICAL SECTION  
September 30, 2010**

***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)
<p><b>Financial Trends</b> .....</p> <p style="padding-left: 20px;"><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></p>	<p><b>98-104</b></p>
<p><b>Revenue Capacity</b> .....</p> <p style="padding-left: 20px;"><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></p>	<p><b>105-110</b></p>
<p><b>Debt Capacity</b> .....</p> <p style="padding-left: 20px;"><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></p>	<p><b>111-115</b></p>
<p><b>Demographic and Economic Information</b> .....</p> <p style="padding-left: 20px;"><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></p>	<p><b>116-117</b></p>
<p><b>Operating Information</b> .....</p> <p style="padding-left: 20px;"><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></p>	<p><b>118-121</b></p>

**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 seven 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>
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
Restricted	6,265,617	4,252,566	4,196,311	1,926,060	25,720,035	34,148,995	18,579,455
Unrestricted	<u>16,417,301</u>	<u>20,653,587</u>	<u>57,399,468</u>	<u>51,669,266</u>	<u>25,072,570</u>	<u>2,896,532</u>	<u>3,532,296</u>
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>
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
Unrestricted	<u>29,261,687</u>	<u>29,735,674</u>	<u>26,446,426</u>	<u>22,867,017</u>	<u>19,768,328</u>	<u>14,733,244</u>	<u>14,387,321</u>
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>
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
Restricted	6,265,617	4,252,566	4,196,311	1,926,060	25,720,035	34,148,995	18,579,455
Unrestricted	<u>45,678,988</u>	<u>50,389,261</u>	<u>83,845,894</u>	<u>74,536,283</u>	<u>44,840,898</u>	<u>17,629,776</u>	<u>17,919,617</u>
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>

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

	2004	2005	2006	2007	2008	2009	2010
<b>Expenses:</b>							
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
Public safety	36,672,247	38,962,214	43,548,307	47,881,602	50,787,518	49,734,647	51,712,388
Streets and highways	11,831,856	12,033,849	13,864,099	13,939,795	15,539,651	14,118,574	16,929,837
Environmental services	5,143,011	6,002,175	5,476,097	5,940,940	6,285,585	6,694,750	6,722,562
Education	11,265,634	11,626,331	12,487,394	13,013,887	12,397,700	12,599,510	12,499,220
Recreation	2,957,122	5,022,940	5,514,666	7,791,844	4,305,949	4,397,888	3,880,151
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
Unallocated depreciation expense	544,049	372,141	476,442	3,213,411	3,195,071	3,416,863	281,654
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>
Business-type activities:							
Water and sewer	<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>
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>
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>
<b>Program Revenues:</b>							
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
Public safety	1,545,170	1,896,698	1,602,309	1,323,040	1,344,525	149,702	28,405
Environmental services	2,104,450	2,235,563	2,351,665	2,592,989	3,045,443	3,186,058	3,560,190
Operating grants and contributions	6,342,136	4,903,944	6,389,219	5,428,164	6,350,655	5,758,986	4,476,952
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
Total governmental activities program revenues	<u>29,205,299</u>	<u>32,051,677</u>	<u>39,037,526</u>	<u>41,803,093</u>	<u>51,234,893</u>	<u>48,680,562</u>	<u>37,764,501</u>
Business-type activities:							
Charges for service:							
Water and sewer	24,111,360	26,703,890	29,021,958	32,027,019	32,335,108	33,237,568	34,538,964
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
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>
Total primary government program revenue	<u>55,197,423</u>	<u>60,933,841</u>	<u>69,923,947</u>	<u>76,384,101</u>	<u>85,718,926</u>	<u>83,040,433</u>	<u>73,271,293</u>
<b>Net (expense) revenue</b>							
Governmental activities	(57,891,542)	(56,601,253)	(59,418,393)	(71,049,785)	(64,814,545)	(63,044,335)	(73,133,402)
Business-type activities	5,961,940	6,162,408	7,917,093	8,245,804	4,913,505	1,465,680	2,411,111
Total primary government net expense	<u>(51,929,602)</u>	<u>(50,438,845)</u>	<u>(51,501,300)</u>	<u>(62,803,981)</u>	<u>(59,901,040)</u>	<u>(61,578,655)</u>	<u>(70,722,291)</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.

(Continued)

**CITY OF TUSCALOOSA**  
Schedule B

**CHANGES IN NET ASSETS**

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

	2004	2005	2006	2007	2008	2009	2010
Net (expense) revenue (brought forward)							
Governmental activities	\$ (57,891,542)	\$ (56,601,253)	\$ (59,418,393)	\$ (71,049,785)	\$ (64,814,545)	\$ (63,044,335)	\$ (73,133,402)
Business-type activities	5,961,940	6,162,408	7,917,093	8,245,804	4,913,505	1,465,680	2,411,111
Total primary government net expense	<u>(51,929,602)</u>	<u>(50,438,845)</u>	<u>(51,501,300)</u>	<u>(62,803,981)</u>	<u>(59,901,040)</u>	<u>(61,578,655)</u>	<u>(70,722,291)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental activities:							
Taxes							
Sales and use tax	45,611,265	49,344,395	53,333,977	55,122,657	55,545,251	52,299,886	53,284,756
Property tax	8,897,619	9,093,735	10,221,426	10,624,076	11,348,544	11,391,525	13,140,500
Lodging tax	1,912,743	2,175,683	2,413,750	2,500,892	3,166,552	3,223,861	3,941,361
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
Other	4,113,128	4,137,305	4,742,063	5,117,260	4,735,276	5,305,004	4,874,478
Unrestricted investment earnings	803,458	2,084,136	2,979,937	4,345,024	3,055,941	1,371,936	764,572
Loss on disposal of capital assets	-	-	-	-	-	(110,274)	(17,887)
Special item	-	(2,120,391)	-	-	-	-	-
Transfers	68,443	93,469	4,177,627	903,610	1,738,218	1,175,502	757,799
Total governmental activities	<u>63,498,835</u>	<u>67,323,624</u>	<u>80,142,725</u>	<u>80,964,458</u>	<u>81,872,641</u>	<u>77,363,299</u>	<u>79,561,003</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
Special item	-	-	2,000,140	-	-	-	-
Transfers	(68,443)	(93,469)	(4,177,627)	(903,610)	(1,738,218)	(1,175,502)	(757,799)
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>
Total primary government	<u>63,833,995</u>	<u>68,384,765</u>	<u>79,193,798</u>	<u>81,532,322</u>	<u>81,167,879</u>	<u>76,430,706</u>	<u>78,876,263</u>
<b>Change in Net Assets</b>							
Governmental activities	5,607,293	10,722,371	20,724,332	9,914,673	17,058,096	14,318,964	6,427,601
Business-type activities	6,297,100	7,223,549	6,968,166	8,813,668	4,208,743	533,087	1,726,371
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>

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 seven 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>
Sales tax	\$ 26,624,449	\$ 28,704,519	\$ 30,563,083	\$ 31,570,786	\$ 31,533,043	\$ 29,925,154	\$ 30,845,902
Use tax	1,421,497	1,494,536	1,769,263	2,024,378	2,221,664	1,994,899	1,886,945
Property tax	8,897,619	9,093,735	10,221,426	10,624,076	11,348,544	11,391,525	13,140,500
Lodging tax	1,912,743	2,175,683	2,413,750	2,500,892	3,166,552	3,223,861	3,941,361
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>\$ 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>

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 seven 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>
General Fund							
Reserved	\$ 1,156,391	\$ 1,417,667	\$ 2,124,508	\$ 2,206,051	\$ 1,830,057	\$ 1,434,191	\$ 1,057,333
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>
Capital Project Fund							
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>
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
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>

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 seven fiscal years ended September 30,  
(modified accrual basis of accounting)**

	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>							
Taxes	\$ 43,060,804	\$ 45,920,372	\$ 49,632,443	\$ 51,721,430	\$ 53,384,814	\$ 51,910,610	\$ 55,350,400
Licenses and permits	13,675,867	14,606,454	16,258,365	17,867,321	19,842,536	19,523,086	18,354,400
Fines and penalties	1,926,250	2,272,983	2,199,321	2,443,558	2,485,542	2,501,851	2,486,909
Use of property	88,376	80,777	88,281	82,969	77,440	85,999	85,105
Charges for services	2,104,450	2,235,563	2,351,665	2,592,989	3,045,443	3,186,058	3,560,190
Intergovernmental	29,281,115	31,973,834	39,120,698	41,033,936	46,206,557	44,902,813	36,439,309
Other revenues	3,705,308	5,625,303	6,777,209	7,643,495	7,991,471	6,103,607	4,323,277
<b>Total revenues</b>	<b>93,842,170</b>	<b>102,715,286</b>	<b>116,427,982</b>	<b>123,385,698</b>	<b>133,033,803</b>	<b>128,214,024</b>	<b>120,599,590</b>
<b>Expenditures</b>							
General government	9,367,435	9,297,821	10,328,058	11,797,763	11,676,207	12,019,917	12,287,531
Public safety	36,236,964	40,810,216	42,257,495	47,861,666	50,399,045	49,988,996	50,505,940
Streets and highways	11,927,873	15,682,139	14,652,986	15,209,404	21,189,031	27,351,517	17,388,816
Environmental services	4,979,989	6,377,239	5,422,274	5,821,440	6,244,797	6,747,546	6,482,032
Health	115,000	115,000	115,000	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
Recreation	2,957,122	5,022,940	6,201,413	8,438,721	4,518,890	4,460,841	4,711,528
Library	1,409,469	1,451,737	1,524,311	1,625,080	1,750,080	1,750,079	1,600,007
Other activities	4,173,044	2,765,161	4,564,468	4,138,645	3,241,089	3,600,439	2,985,264
Capital outlay	5,250,338	5,664,440	10,419,930	13,170,497	22,567,577	25,073,862	20,534,185
Debt service							
Principal	2,998,010	3,604,281	3,333,180	6,937,297	2,743,996	3,456,391	3,999,070
Interest	2,646,561	2,614,106	2,761,033	2,601,948	4,018,780	3,457,117	3,728,038
Warrant issue costs	-	108,225	-	285,960	-	-	262,190
<b>Total expenditures</b>	<b>93,327,439</b>	<b>105,139,636</b>	<b>114,067,542</b>	<b>131,032,308</b>	<b>140,877,192</b>	<b>150,636,211</b>	<b>137,113,816</b>
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)
<b>Other financing sources (uses)</b>							
Transfers in	5,441,524	11,232,680	14,071,255	7,814,007	5,922,471	4,443,536	7,248,378
Transfers out	(5,373,081)	(11,139,211)	(9,893,628)	(6,910,396)	(4,584,253)	(3,268,034)	(6,281,398)
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	-
<b>Total other financing sources (uses)</b>	<b>2,377,073</b>	<b>7,195,577</b>	<b>4,177,627</b>	<b>28,192,329</b>	<b>1,530,780</b>	<b>18,993,165</b>	<b>2,720,212</b>
<b>Net change in fund balances</b>	<b>\$ 2,891,804</b>	<b>\$ 4,771,227</b>	<b>\$ 6,538,067</b>	<b>\$ 20,545,719</b>	<b>\$ (6,312,609)</b>	<b>\$ (3,429,022)</b>	<b>\$ (13,794,014)</b>
Debt service as a percentage of noncapital expenditures*	7%	7%	6%	9%	6%	6%	7%

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.

\* 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 seven 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>
Sales tax	\$ 26,624,449	\$ 28,704,519	\$ 30,563,083	\$ 31,570,786	\$ 31,533,043	\$ 29,925,154	\$ 30,845,902
Use tax	1,421,497	1,494,536	1,769,263	2,024,378	2,221,664	1,994,899	1,886,945
Property tax	8,897,619	9,093,735	10,221,426	10,624,076	11,348,544	11,391,525	13,140,500
Lodging tax	1,912,743	2,175,683	2,413,750	2,500,892	3,166,552	3,223,861	3,941,361
Other local taxes	4,204,496	4,451,899	4,664,921	5,001,298	5,115,011	5,375,171	5,535,692
	<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>

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 seven 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%

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 seven fiscal years ended September 30,

<u>Tax Year Ended September 30</u>	<u>City of Tuscaloosa</u>	<u>City Schools</u>	<u>Tuscaloosa County</u>	<u>State of Alabama</u>	<u>Total</u>
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

\***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, 2010				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.

**CITY OF TUSCALOOSA**  
Schedule J

**PROPERTY TAX VALUATION, LEVIES AND COLLECTION**

Last seven 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
Total			<u>\$ 73,375,264</u>

\*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,

2010		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, 2010 fiscal year was \$6,728,181.  
 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 seven fiscal years ended September 30,**

Tax Year Ended September 30	City of Tuscaloosa	Tuscaloosa County Special Tax Board	State of Alabama	Total
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%

**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 seven 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	8.37
2006	54,910,000	447,293	138,388,055	193,745,348	2,493	8.43
2007	75,420,000	184,996	135,855,263	211,460,259	2,720	N/A
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

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

N/A - Personal Income information not available

See the Schedule of Demographic and Economic Statistics on page 116 for personal income and population data.

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.



**CITY OF TUSCALOOSA**  
Schedule N

**RATIO OF GENERAL BONDED DEBT OUTSTANDING**

Last seven fiscal years ended September 30,

Tax Year Ended September 30	General Obligation Bonds*	Percentage of Actual Taxable Value of Property	Per Capita
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	1.35	1,041
2010	84,000,000	1.33	1,007

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

\* 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 116 for personal income and population data.

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 O

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT\*\***

	As of September 30, 2010		
	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Debt repaid with property taxes:			
Tuscaloosa County	\$ <u>                    </u>	46.95%	\$ <u>                    </u>
City of Tuscaloosa direct debt:			
Water and sewer warrants	120,646,816		
General City warrants	<u>84,000,000</u>		
	\$ <u>204,646,816</u>	100.00%	<u>204,646,816</u>
Total direct and overlapping debt			<u><u>\$ 204,646,816</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 Seven Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 148,627,216	\$ 177,211,840	\$ 175,228,476	\$ 184,038,868	\$ 194,691,361	\$ 215,284,171	\$ 191,877,444
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>
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>
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>

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 959,387,220
Debt Limit (20% of total assessed value)	191,877,444
Debt applicable to limit	
General obligation bonds	<u>84,000,000</u>
Legal debt margin	<u>\$ 107,877,444</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 Seven 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

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 seven fiscal year 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

\* **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	2010			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	8,000	1	19.75%	3,865	2	9.66%
DCH Health Systems	Healthcare	Public	3,490	2	11.20%	3,114	3	7.79%
Mercedes-Benz International	Autotmobile assembly	Private	3,000	3	9.55%	4,000	1	10.00%
Tuscaloosa County Board of Education	Education/Government	Public	2,052	4	6.42%	2,000	4	5.00%
Jim Walter Resources	Coal mining	Private	1,472	5	2.80%	1,378	5	3.45%
BF Goodrich Tire Company	Tire manufacturing	Private	1,400	6	3.46%	1,300	8	3.25%
Tuscaloosa City Board of Education	Education/Government	Public	1,354	7	3.27%	1,325	7	3.31%
City of Tuscaloosa	Government	Public	1,250	8	3.21%	1,207	9	3.02%
Phifer Incorporated	Aluminum/fiberglass Screening	Private	1,225	9	3.16%	1,350	6	3.38%
Verterans Administrative Hospital	Specialized Health Care	Public	1,126	10	2.35%	-----	-----	-----
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 seven 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>
<b><u>General Fund employees</u></b>							
General government			162	189	203	207	204
Public safety							
Police			330	345	340	349	351
Fire			226	241	234	234	233
Other			21	20	22	31	17
Streets and highways			182	165	179	185	181
Environmental services			89	91	98	95	95
<b><u>Water and Sewer employees</u></b>							
Superintendent			1	1	1	1	1
Water office and meter readers			34	33	34	34	33
Lakes			7	9	9	9	9
Distribution			59	47	46	39	36
Waste water treatment plant			60	57	57	56	55
Ed Love water plant			36	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>

Source: City of Tuscaloosa Human Resources Department.

\* Number of employees by function not available.

Note: Detail 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, 2010

<u>Water Rates</u>	<u>Rates in Effect Until 9/30/10</u>	<u>Rates in Effect Starting 10/1/10</u>
Quantity of water consumed per month		
0-1,000 cubic feet	\$ 1.61	\$ 1.71
over 1,000 cubic feet	1.61	1.71
Monthly administrative cost per meter	3.66	3.88
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	2.93	3.11
8 inch	233.44	247.45
 <u>Unfiltered, or Raw Water Rates</u>		
Per 100 cubic feet	0.180	0.190
Monthly administrative cost per meter	3.66	3.88
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	2.93	3.11
8 inch	233.44	247.45
 <u>Sewer Rates</u>		
a. Per 100 cubic feet of metered wastewater, or	2.88	3.05
b. Per 100 cubic feet of metered water	1.98	2.10
Monthly administrative cost per meter	3.05	3.23
Monthly meter charge, based on size of meter, ranging from:		
5/8 inch	4.60	4.88
8 inch	367.79	389.86

**Source:** City of Tuscaloosa Water and Sewer Department



**CITY OF TUSCALOOSA**

Schedule V

**OPERATING INDICATORS BY FUNCTION**

Last Seven Fiscal Years ended September 30,

	2004	2005	2006	2007	2008	2009	2010
<b>General Fund</b>							
Public safety:							
Inspection							
Building permits	1,852	1,895	1,930	2,014	1,807	1,575	1,000
Amount	\$ 257,653,680	\$ 247,079,483	\$ 276,999,804	\$ 347,513,837	\$ 433,057,158	\$ 243,134,113	\$ 187,064,129
Fire protection							
Number of stations	12	12	12	12	12	11	11
Number of employees	215	216	226	241	234	234	234
Police protection							
Number of stations	1	1	1	1	1	1	1
Number of employees	308	309	330	345	340	349	353
Streets and highways:							
Streets (miles)	566	570	570	570	571	571	571
Storm sewers (miles)	315	317	317	317	317	317	317
Education (Public School System):							
Number of schools	22	22	22	22	22	24	24
Number of teachers	760	760	781	795	871	820	830
Recreation:							
Number of parks	38	39	39	39	39	39	37
Number of playgrounds	25	28	28	28	28	28	32
Area of parks (acres)	2,158	2,170	2,170	2,170	2,022	2,279	1,755
<b>Water</b>							
Sanitary sewers (miles)	483	495	495	495	495	495	495
Number of accounts	45,488	46,666	48,013	50,016	50,595	52,472	52,472
Average daily consumption (gallons)	22,527,417	23,505,750	22,831,000	25,000,000	25,000,000	23,500,000	22,000,000
Maximum daily pumping (gallons)	25,914,000	27,087,750	31,882,000	41,000,000	59,700,000	59,700,000	60,196,000
Rated plants capacity (gallons daily)	45,700,000	45,700,000	45,700,000	45,700,000	45,700,000	45,700,000	45,600,000
Miles of water mains (4" and larger)	540	540	540	540	548	552	550
Number of fire hydrants	2,878	3,417	3,059	3,152	3,134	3,179	3,218
Miles of raw water mains (24" and larger)	27	27	27	27	27	27	25

Sources: Various City Departments

**CITY OF TUSCALOOSA**  
Schedule W

**CAPITAL ASSET STATISTICS BY FUNCTION**

Last Seven Fiscal Years ended September 30,

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

**Sources:** Various City Departments

This page intentionally left blank.