

CITY OF TUSCUMBIA, ALABAMA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED
SEPTEMBER 30, 2009



HESTER & NORTON, PC

Certified Public Accountants

305 West State Street, Muscle Shoals, AL 35661

CITY OF TUSCUMBIA, ALABAMA

FINANCIAL STATEMENTS

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FINANCIAL SECTION



HESTER & NORTON, P.C.

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Bill Shoemaker
and Members of the City Council
City of Tuscumbia, Alabama

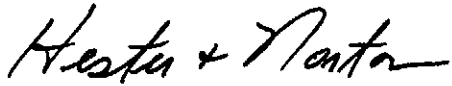
We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tuscumbia, Alabama as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Tuscumbia, Alabama's, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Tuscumbia Utility Departments and the Tuscumbia City Board of Education, which represent 74 percent, 83 percent, and 70 percent, respectively, of the assets, net assets, and revenues of the total reporting entity. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tuscumbia, Alabama as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 42 through 44 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 and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tuscumbia, Alabama's basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Hester & Norton", written in a cursive style.

HESTER & NORTON, P.C.
June 30, 2010

**CITY OF TUSCUMBIA, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

As management of the City, we offer readers of the City's financial statements this narrative and analysis of the financial activities of the City for the fiscal year ended September 30, 2009. We encourage readers to consider the information presented here and the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of fiscal year 2009 by \$4,667,013.
- The unrestricted net assets of the governmental activities are \$1,427,080 and may be used to meet the ongoing obligations of the governmental activities.
- Total revenues of the governmental activities for fiscal year 2009 are \$7,369,923 and expenses are \$7,275,414 creating an increase in net assets of \$94,509 for the year.
- The General Fund reported a fund balance of \$752,447. The fund balance decreased \$156,458 from the prior year.
- The City's total long-term debt decreased \$332,211 during fiscal year 2009.

Overview of the Financial Statements

The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net assets* includes all of the government's assets and liabilities. Over time, increases or decreases in the City's net assets are an indicator of whether its financial condition is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (*business-type activities*). The governmental activities of the City include general administration, police, fire, municipal court, public works, and parks & recreation departments.

As described in the notes to the financial statements, other entities' activities are included in this report because of the relationship of these legally separate entities to the City. Financial information of the Tuscumbia Utilities Electric, Water, and Gas Systems, and the Tuscumbia City Board of Education are collectively referred to in the financial statements as those of the *discretely presented component units*.

**CITY OF TUSCUMBIA, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

This discussion and analysis focuses on the primary government. The complete financial statements (including MD&A) of the component units may be obtained from the Finance Department of the City.

The government-wide financial statements can be found on pages 9 through 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are reported as governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at year-end that are available for spending. The governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The City maintains individual governmental funds:

- The General Fund, 2003 Capital Improvements Fund, and the 2003 Debt Service Fund are considered major funds with information being presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances for these funds.
- The other governmental funds are considered non-major governmental funds and they are combined into a single, aggregated presentation in the governmental funds financial statements. Individual fund data for each of these funds is provided in the form of combining statements in the supplementary information section.

The basic governmental funds financial statements can be found on pages 11 through 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 41 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The budgetary comparison schedule and combining non-major governmental funds statements referred to earlier can be found beginning on page 42 of this report.

CITY OF TUSCUMBIA, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Government-wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$4,667,013 at the close of the most recent fiscal year. The largest portion of the City's net assets reflects its investment in capital assets (e.g. land, buildings, and improvements other than buildings, infrastructure, and other) less any related debt outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The City's investment in net capital assets, net of related debt, amounts to \$1,817,090. A total of \$1,015,488 is restricted for future capital projects and \$407,355 is restricted for debt service under the bond covenants.

CITY OF TUSCUMBIA, ALABAMA
Governmental Activities
Net Assets

	September 30,	
	2009	2008
Assets		
Current and other assets	\$ 3,294,305	\$ 4,145,631
Capital assets, net	7,905,468	7,337,127
Other noncurrent assets	157,599	162,602
Total assets	<u>\$ 11,357,372</u>	<u>\$ 11,645,360</u>
Liabilities		
Current liabilities	\$ 909,598	\$ 971,546
Noncurrent liabilities	5,780,760	6,101,310
Total liabilities	<u>\$ 6,690,358</u>	<u>\$ 7,072,856</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 1,817,090	\$ 871,947
Restricted	1,422,843	2,168,246
Unrestricted	1,427,080	1,532,311
Total net assets	<u>\$ 4,667,013</u>	<u>\$ 4,572,504</u>

CITY OF TUSCUMBIA, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

The most significant changes in the revenues were as follows:

- Charges for services decreased \$12,907.
- Operating grants from federal, state, and local agencies decreased \$ 140,068 from the prior year.
- Capital grants and contributions from federal, state, and local agencies increased \$ 136,050.
- General revenues decreased \$ 141,589.

CITY OF TUSCUMBIA, ALABAMA
Governmental Activities
Changes in Net Assets

	For the Year Ended September 30,	
	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 1,788,942	\$ 1,801,849
Operating grants and contributions	56,498	196,559
Capital grants and contributions	425,908	289,858
General revenues:		
Sales, use, and lodging taxes	2,361,898	2,531,618
Property taxes	2,094,294	1,984,661
Other taxes	620,915	684,058
Interest	21,468	39,827
Total revenues	<u>\$ 7,369,923</u>	<u>\$ 7,528,430</u>
Expenses		
General administration	\$ 1,609,386	\$ 1,543,275
Public safety	1,796,760	1,686,179
Public works	1,606,921	1,584,491
Public ways and facilities	346,103	108,638
Culture and recreation	988,764	972,690
Other	80,284	61,269
Education—funding for school district	584,554	576,705
Interest and fiscal charges	262,642	288,214
Total expenses	<u>7,275,414</u>	<u>6,821,461</u>
Change in net assets	<u>\$ 94,509</u>	<u>\$ 706,969</u>

**CITY OF TUSCUMBIA, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

Financial Analysis of the Governmental Funds

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

The combined fund balances of the City's governmental funds decreased \$810,668 in the 2009 fiscal year, and the total fund balance as of September 30, 2009 was \$3,086,162.

2009 Budget

The City of Tuscumbia adopted a General Fund budget with revenues of \$7,341,170 for the year ended September 30, 2009. The beginning budgetary fund balance of \$908,905 increased the budgeted amount available for appropriation to \$8,250,075.

Actual operating revenues were \$6,810,666 and were \$530,504 less than the budgeted revenues. The primary reason for the decrease in revenues was due to a decrease in sales, use and lodging taxes.

Expenditures were originally budgeted at \$7,048,238. The actual operating expenditures were \$6,967,124 and were \$81,114 less than the budgeted expenditures.

The ending budgetary fund balance for fiscal year 2009 was \$752,447.

Capital Assets Highlights

The 1998 and 2003 Capital Improvement Funds were funded by issuance of debt for capital projects such as sewer and utilities improvements, acquisition of fire trucks, expansion of public buildings, other capital improvements, and to retire the 1993 Warrant debt. The largest capital projects were as follows:

- Streetscape Project \$ 581,885
- Building for City Hall 129,000

The City has current and planned future capital projects that will utilize the restricted assets of \$1,015,488.

Long Term Debt

The beginning balance for the year 2009 long-term debt obligations is \$6,527,367. During the fiscal year, the city borrowed \$2,785,000 by issuing the 2009 General Obligations Warrants. The proceeds of the 2009 warrants were to retire the 1998 General Obligation Warrants at a lesser interest rate. The long-term obligations ending balance was \$6,697,685.

The City's latest general obligation bond rating by Standard's & Poor's Corporation is "AAA".

**CITY OF TUSCUMBIA, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009**

Economic Factors and Next Year's Budget

The automobile industry experienced major restructuring due to the collapse of General Motors and Toyota manufacturers. Therefore we received a major decrease in our sales and rental taxes. Tuscumbia does not have a major retail base which makes us more conservative when projecting sales tax revenues. Other sources of revenue are following closely with predictions that were used to establish the current year budget.

Tuscumbia's Spring Park continues to be a major attraction for visitors from all over the southeastern states. By acquiring Tuscumbia Railway Company, Inc. the City's assets will increase approximately \$1.5 million and generate revenues of approximately \$200,000. The Railway Depot will allow the City to increase its main attractions by including the Railway Museum. Other main attractions at Spring Park are the Splash Pad, Roller Coaster, Carousel, Train and the educational resources that reflect our heritage. Visitors also come to our city because it's the Birthplace of Helen Keller. The Keller Festival, held during the last week of June, continues to grow and is enjoyed by thousands who come here to enjoy our historic town.

The mayor and council have passed the 2010 budget with a decrease of 3.5% lower than 2009 Budget. The 2010 Budget was adopted with total revenues of \$6,903,979.

Request for Information

This financial report is designed to present a general overview of the City's finances and to demonstrate accountability for the money it receives from taxpayers, customers, and creditors. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Treasurer Department, P. O. Box 29, Tuscumbia, Alabama 35674, by calling (256) 383-5463 extension 12, or by sending an email to jarmstead@comcast.net.

CITY OF TUSCUMBIA, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 2,704,783	\$ 6,613,925
Investments		
Receivables (net)	331,155	3,670,308
Inventories		564,926
Prepaid expenses	1,000	90,832
Prepaid purchased power		116,906
Restricted Assets:		
Cash and investments	257,367	1,058,616
Conservation loan receivables		719,773
Capitalization fee	76,224	
Deferred charges (net)	81,375	38,026
Capital assets (net)	7,905,468	20,343,415
Total Assets	\$ 11,357,372	\$ 33,216,727
LIABILITIES		
Accounts payable and accrued expenses	\$ 324,883	\$ 3,821,476
Customer deposits		497,280
Deferred revenues		27,344
Liabilities payable from restricted assets:		
Matured warrants payable		295,728
Accrued interest	-	24,001
Long-term liabilities:		
Portion due or payable within one year:		
Warrants and notes payable	519,107	
Compensated absences	65,608	
Portion due or payable after one year:		
Warrants and notes payable	5,650,646	3,669,721
Compensated absences	130,114	176,880
Advances for conservation loans	-	679,809
Total Liabilities	\$ 6,690,359	\$ 9,192,239
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,817,090	\$ 17,518,091
Restricted for:		
Debt service	407,355	139,839
Capital projects	1,015,488	-
Unrestricted	1,427,080	6,366,558
Total Net Assets	\$ 4,667,013	\$ 24,024,488

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

CITY OF TUSCUMBIA, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions		
Primary government:						
Government activities						
General administration	\$ 1,609,386	\$ 322,365	\$ 56,498	\$ -	\$ (1,230,523)	
Public safety	1,796,760	118,817	-		(1,677,943)	
Public works	1,606,921	932,777	-		(674,144)	
Public ways and facilities	346,103	134,067		425,908	213,872	
Culture and recreation	988,764	280,916	-		(707,848)	
Other	80,284				(80,284)	
Education-funding for school district	584,554				(584,554)	
Interest and fiscal charges	262,642				(262,642)	
Total primary government	<u>\$ 7,275,415</u>	<u>\$ 1,788,942</u>	<u>\$ 56,498</u>	<u>\$ 425,908</u>	<u>\$ (5,004,067)</u>	
Component units						
All	<u>\$ 29,862,626</u>	<u>\$17,094,891</u>	<u>\$ 8,734,261</u>	<u>\$ 751,635</u>		<u>\$ (3,281,839)</u>
General revenues						
Taxes:						
Sales, use and lodging					\$ 2,361,898	\$ -
Other Taxes						2,141,308
Property					2,094,294	
Motor fuel					194,610	
Miscellaneous					332,889	1,316,429
Alcoholic beverages					93,416	
Grants and contributions not restricted for specific programs						428,354
Investment revenues					21,468	102,605
Total general revenues					<u>\$ 5,098,575</u>	<u>\$ 3,988,696</u>
Change in net assets					<u>\$ 94,508</u>	<u>\$ 706,857</u>
Net assets-beginning, as originally reported					4,572,505	23,360,638
Prior Period Adjustment					-	(43,007)
Net Assets - beginning (as corrected)					<u>4,572,505</u>	<u>\$ 23,317,631</u>
Net Assets - ending					<u>\$ 4,667,013</u>	<u>\$ 24,024,488</u>

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

CITY OF TUSCUMBIA, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	2003 Capital Improvements	Local Motor Fuel	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 626,960	\$ 433,013	\$397,751	\$ 1,247,059	\$ 2,704,783
Receivables (net)	331,155	-			331,155
Prepaid expenses		1,000			1,000
Restricted cash and investments				257,367	257,367
Capitalization fee	76,224				76,224
Total assets	<u>\$1,034,339</u>	<u>\$ 434,013</u>	<u>\$397,751</u>	<u>\$ 1,504,426</u>	<u>\$ 3,370,529</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued expenses	\$ 216,283	\$ -	\$ -	\$ 2,475	\$ 218,758
Compensated absences	65,608				65,608
Total liabilities	<u>\$ 281,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,475</u>	<u>\$ 284,367</u>
Fund balances					
Reserved for:					
Other purposes	\$ 76,727	\$ -		\$ -	\$ 76,727
Unreserved, reported in:					
General fund	675,719				675,719
Special revenue funds			397,751	513,121	910,872
Debt service funds				407,355	407,355
Capital projects funds		434,013		581,475	1,015,488
Total fund balances	<u>\$ 752,447</u>	<u>\$ 434,013</u>	<u>\$397,751</u>	<u>\$ 1,501,951</u>	<u>\$ 3,086,162</u>
Total liabilities and fund balances	<u>\$1,034,339</u>	<u>\$ 434,013</u>	<u>\$397,751</u>	<u>\$ 1,504,426</u>	<u>\$ 3,370,528</u>

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

**CITY OF TUSCUMBIA, ALABAMA
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

Fund balances - total governmental funds \$ 3,086,162

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.

Capital assets	\$ 12,166,568	
Less accumulated depreciation	<u>(4,261,100)</u>	7,905,468

Debt issuance costs are reported as a current expenditure in the governmental funds.
However, in the statement of activities, debt issuance costs are deferred and amortized
over the life of the debt and are included as deferred charges in the statement of net assets.

Unamortized debt issuance costs	81,375
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Long-term liabilities, including warrants and notes payable, are not due and
payable in the current period and therefore are not reported in the funds.

Warrants and notes payable	\$ (6,193,162)	
Unamortized debt discount	23,410	
Accrued interest on warrants	(106,125)	
Compensated absences	<u>(130,115)</u>	<u>(6,405,992)</u>

Net assets of governmental activities	\$ <u>4,667,013</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CITY OF TUSCUMBIA, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	2003 Capital Improvements	Local Motor Fuel	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 4,957,604	\$ -	\$ -	\$ 63,657	\$ 5,021,261
Licenses and permits	322,365	-	-	-	322,365
Fines and forfeitures	118,817	-	-	31,034	149,851
Charges for services	1,231,690	-	-	-	1,231,690
Intergovernmental	104,799	425,908	-	151,216	681,923
Interest revenues	1,763	4,308	3,942	11,455	21,468
Proceeds from Bonds	-	-	-	2,712,832	2,712,832
Other	21,891	-	15,000	-	36,891
Total revenues	\$ 6,758,929	\$ 430,216	18,942	\$ 2,970,194	\$ 10,178,281
EXPENDITURES					
Current operating:					
General administration	\$ 1,595,795	\$ -	\$ -	\$ 69	\$ 1,595,865
Public safety	1,713,687	-	-	-	1,713,687
Public works	1,540,092	-	-	-	1,540,092
Culture and recreation	927,422	-	-	-	927,422
Appropriations	78,096	-	-	-	78,096
Bank Fees	2,188	-	-	-	2,188
Education - funding for school district	584,554	-	-	-	584,554
Capital outlay and improvements	-	769,581	19,798	336,194	1,125,572
Debt service:					
Principal payments	99,478	-	-	3,056,685	3,156,163
Interest and fiscal charges	10,442	-	-	254,869	265,311
Total expenditures	\$ 6,551,755	\$ 769,581	\$ 19,798	\$ 3,647,816	\$ 10,988,950
Excess (deficiency) of revenues over expenditures	\$ 207,174	\$ (339,365)	(855)	\$ (677,622)	\$ (810,669)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt issuance	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	51,737	-	47,757	3,523,887	3,623,380
Transfers out	(415,369)	(22,210)	-	(3,185,802)	(3,623,380)
Total other financing sources (uses)	\$ (363,632)	\$ (22,210)	\$ 47,757	\$ 338,085	\$ -
Net change in fund balances	\$ (156,458)	\$ (361,575)	\$ 46,901	\$ (339,537)	\$ (810,669)
Fund balances - beginning	908,905	795,588	350,850	1,841,488	3,896,831
Fund balances - ending	\$ 752,447	\$ 434,013	\$ 397,751	\$ 1,501,951	\$ 3,086,162

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

CITY OF TUSCUMBIA, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds \$ (810,669)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Expenditures for capital assets	\$ 891,142	
Less current year depreciation	<u>(322,891)</u>	568,251

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences	(18,790)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on 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 on the statement of net assets and are amortized over the life of the debt. The net effect of these differences in the treatment of long-term debt and related items are detailed below.

Bond Proceeds	\$ (2,785,000)	
Repayment of debt principal	3,145,374	
Amortization of debt discount	(3,294)	
Amortization of debt issuance costs	(4,500)	
Change in accrued interest on warrants	3,136	<u>355,716</u>

Change in net assets of governmental activities	\$ <u>94,508</u>
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The accompanying notes to the financial statements are an integral part of this statement.

CITY OF TUSCUMBIA, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Governmental Activities	Business-type Activities				
	City Board of Education	Tuscumbia Utilities			Total Business-Type Activities	Total
	September 30, 2009	Electricity June 30, 2009	Natural Gas September 30, 2009	Water and Sewer September 30, 2009		
ASSETS						
Cash and cash equivalents	\$ 3,464,676	\$ 2,355,369	\$ 793,805	\$ 75	\$ 3,149,249	\$ 6,613,925
Receivables (net)	447,382	1,662,189	929,609	631,128	3,222,926	3,670,308
Inventories	23,590	102,692	381,579	57,065	541,336	564,926
Prepaid expenses		52,894	28,666	9,272	90,832	90,832
Prepaid purchased power		116,906			116,906	116,906
Deferred charges (net)		38,026			38,026	38,026
Restricted assets:					-	-
Cash and investments		641,672	225,534	191,410	1,058,616	1,058,616
Conservation loan receivables		719,773			719,773	719,773
Capital assets (net)	7,383,758	7,582,052	1,997,518	3,380,087	12,959,657	20,343,415
Total assets	\$ 11,319,406	\$ 13,271,573	\$ 4,356,711	\$ 4,269,037	\$ 21,897,321	\$ 33,216,727
LIABILITIES						
Accounts payable and accrued expenses	\$ 629,068	\$ 2,878,763	\$ 61,024	\$ 252,621	\$ 3,192,408	\$ 3,821,476
Customer deposits		497,280			497,280	497,280
Deferred revenues	21	27,323			27,323	27,344
Liabilities payable from restricted assets:					-	-
Matured warrants and notes payable	195,728	100,000			100,000	295,728
Accrued interest	18,101	5,900			5,900	24,001
Long-term liabilities:					-	-
Portion due or payable after one year:					-	-
Warrants and notes payable	2,619,721	1,050,000			1,050,000	3,669,721
Compensated absences		77,761	46,453	52,666	176,880	176,880
Advances for conservation loans		679,809			679,809	679,809
Total liabilities	\$ 3,462,639	\$ 5,316,836	\$ 107,477	\$ 305,287	\$ 5,729,600	\$ 9,192,239
NET ASSETS						
Invested in capital assets, net of related debt	\$ 5,636,344	\$ 6,504,142	\$ 1,997,518	\$ 3,380,087	\$ 11,881,747	\$ 17,518,091
Restricted for debt service		139,839			139,839	139,839
Unrestricted	2,220,423	1,310,756	2,251,716	583,663	4,146,135	6,366,558
Total net assets	\$ 7,856,767	\$ 7,954,737	\$ 4,249,234	\$ 3,963,750	\$ 16,167,721	\$ 24,024,488

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

CITY OF TUSCUMBIA, ALABAMA
DISCRETELY PRESENTED COMPONENT UNITS
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	City Board of Education September 30, 2009
Component units:					
Tuscumbia City Board of Education	\$ 14,965,348	\$ 1,485,793	\$ 8,734,261	\$ 398,830	\$ (4,346,464)
Tuscumbia Utilities -					
Electricity	9,672,965	9,900,432		74,116	
Natural Gas	3,103,176	3,511,595		-	
Water and Sewer	2,121,137	2,197,071		278,689	
Total component units	<u>\$ 29,862,626</u>	<u>\$ 17,094,891</u>	<u>\$ 8,734,261</u>	<u>\$ 751,635</u>	<u>\$ (4,346,464)</u>
General revenues:					
Taxes					\$ 2,141,308
Grants and contributions not restricted for specific programs					428,354
Miscellaneous					1,316,429
Investment revenues					7,088
Total general revenues					<u>\$ 3,893,179</u>
Change in net assets					<u>\$ (453,285)</u>
Net assets-beginning, as originally reported					\$ 8,353,059
Prior Period Adjustment					(43,007)
Net Assets - beginning (as corrected)					<u>\$ 8,310,052</u>
Net assets-ending					<u>\$ 7,856,767</u>

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

Net (Expense) Revenue and Changes in Net Assets				
Business-type Activities				
Tuscumbia Utilities				
Electricity	Natural Gas	Water and Sewer	Total Business-Type Activities	Total
June 30, 2009	September 30, 2009	September 30, 2008		
\$ -	\$ -	\$ -	\$ -	\$ (4,346,464)
301,583			301,583	301,583
	408,419		408,419	408,419
		354,623	354,623	354,623
\$ 301,583	\$ 408,419	\$ 354,623	\$ 1,064,625	\$ (3,281,839)
\$ -	\$ -	\$ -	\$ -	\$ 2,141,308
			-	428,354
			-	1,316,429
79,355	10,401	5,761	95,517	102,605
\$ 79,355	\$ 10,401	\$ 5,761	\$ 95,517	\$ 3,988,696
\$ 380,938	\$ 418,820	\$ 360,384	\$ 1,160,142	\$ 706,857
\$ 7,573,799	\$ 3,830,414	\$ 3,603,366	\$ 15,007,579	\$ 23,360,638
-	-	-	-	(43,007)
\$ 7,573,799	\$ 3,830,414	\$ 3,603,366	\$ 15,007,579	\$ 23,317,631
\$ 7,954,737	\$ 4,249,234	\$ 3,963,750	\$ 16,167,721	\$ 24,024,488

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

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Tuscumbia, Alabama (City) is a municipal corporation incorporated on December 30, 1820 under the laws of the State of Alabama. The City operates under a Mayor-Council form of government. The Mayor, elected for a four-year term, is the head of the municipal government for ceremonial, administrative, and executive purposes. The Mayor oversees the enforcement of all laws and ordinances and executes all contracts, conveyances, and evidences of indebtedness of the City. Legislative authority is vested in a five-member council elected by district for a four-year term with the chair pro tempore of the Council being selected by the Council members. The City Council enacts ordinances and resolutions relating to tax levies; appropriates and borrows money; and accepts bids for materials and services and other municipal purposes.

The reporting entity is composed of the primary government and its component units, which are included to ensure the financial statements are not misleading.

The primary government of the City consists of all funds and departments that are not legally separate from the City. The primary government includes the City departments that provide the following services: police protection, fire protection and prevention, street maintenance and repairs, building inspection, planning and zoning, parks and recreation, solid waste collection, as well as administrative staff to provide support services. The operation and control of these activities are provided by the City Council through the budgetary process and by the Mayor through administrative and managerial requirements and procedures.

For financial reporting purposes, the City's basic financial statements include all funds and departments for which the City is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board, exists if (1) the City appoints a voting majority of an organization's governing board, (2) is able to impose its will on that organization, or (3) there is a potential for the organization to provide specific financial benefits to or impose specific burdens on the City. Additionally, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if (1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government, (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and (3) the economic resources received or held by the organization are significant to the primary government. Based upon the foregoing criteria and information, the City considers the City of Tuscumbia Utilities – Electricity, Natural Gas, and Water and Sewer Departments to be discretely presented component units for financial reporting purposes.

Discretely Presented Component Units

City of Tuscumbia Utilities – Electricity, Natural Gas, and Water and Sewer Departments – The Tuscumbia Utilities (Utilities) provide utility services to the residents of the City. On June 14, 2007, the Alabama Legislature passed Act 2007-502 (HB961) that amended the authority and duties of the Tuscumbia Utilities Board (Board), as stated herein. The Utilities are governed by a three-member board of directors that are appointed by the City Council for staggered six-year terms. The Board is authorized to establish all utility rates. The Board is required to obtain approval from the City Council of expenditures for system improvements greater than \$50,000. The Act established in lieu of tax rates for each department. The City is secondary liable for the outstanding debt of the Utilities. The financial statements of each department are presented as a Proprietary Fund type. Each department is reported in a separate column in a combining statement in the basic financial statements with the total of all discretely presented component units reported in the government-wide financial statements to emphasize that they are legally separate from the City. The Electricity Department has a June 30 year-end, while the Natural Gas and Water and Sewer Departments have a September 30 year-end.

Complete financial statements for each of the utility individual component units may be obtained from their administrative office located at 202 East Sixth Street, Tuscumbia, Alabama 35674.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tuscumbia City Board of Education – The Tuscumbia City Board of Education is a legally separate entity that is governed by a five-member board appointed by the City Council. The Board of Education derives a significant amount of revenue for its general fund from appropriations and other City imposed taxes (primarily property and sales tax). Additionally, the city owns a significant portion of the school facilities and property. These were purchased through general obligation warrants of the city.

Related Organizations

Other related organizations are excluded from the reporting entity because the City's accountability does not extend beyond the appointment of members to the governing board. These are:

Civil Service Board, Helen Keller Birthplace Foundation, Helen Keller Library Board, Historic Preservation Board, Planning Commission Board, Zoning Adjustments Board, and Housing Authority Board.

The following are separate legal entities that are jointly governed by the City and other municipalities in which no government appoints a voting majority of the Board. The organizations were created for the benefit of Shoals area residents and generally receive financial assistance from various governments. These are:

Shoals Economic Development Authority Board, Riverbend Center for Mental Health Board, Solid Waste Disposal Authority Board, Colbert Convention and Tourism Board, and Muscle Shoals Airport Authority Board.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Financial information of the City, the primary government, and its discretely presented component units are presented as follows:

Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide financial statements consist of a statement of net assets and a statement of activities. These financial statements report all of the non-fiduciary activities of the primary government and its component units. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

The statement of net assets presents the financial condition of the governmental activities of the City and the business-type activities of its discretely presented component units at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges paid by the recipient of the goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the City and include all taxes. The comparison of direct expenses with program revenues identifies the extent to which each function or program is self-financing or draws from the general revenues of the City.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund financial statements consist of a series of statements focusing on information about the City's major governmental funds. The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property and sales taxes, grants, entitlements, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the City considers revenues available if the revenues are collected within thirty days of the end of the current fiscal year. Expenditures are generally recognized when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

Property taxes (if levied), other city-levied taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenues are considered measurable and available only when cash is received by the government.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Utilities' proprietary activities apply all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Furthermore, the Utilities do not apply FASB Statements and Interpretations issued after November 30, 1989.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Alabama.

The *Local Motor Fuel Tax Fund* accounts for two-thirds of the three-cent motor fuel tax levied and collected by the City.

The *2003 Capital Improvements Fund* accounts for the costs of constructing various public works projects and other capital spending activities. Revenue sources are provided by general obligation debt and federal and state capital grants.

Additionally, the City reports the following fund types:

Special Revenue funds account for revenue sources whose use is restricted to a particular purpose.

Capital Projects funds account for the financial resources to be used for the acquisition, construction, and improvement of capital facilities.

Debt Service funds account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business. The Utilities are reported as enterprise funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from providing services in connection with the primary activity of the fund's ongoing operations. The principal operating revenues of the enterprise funds and the internal service funds are charges to customers for services and benefit fees. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of inter-fund activity has been removed from the government-wide financial statements. Exceptions to this rule are in lieu of tax payments and other charges between various functions of the City. Elimination of these charges would distort the direct cost and program revenues reported for the various functions affected.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

The City considers cash and cash equivalents to include cash on hand, demand deposits, cash with a fiscal agent, and short-term investments with an original maturity of three (3) months or less from the date of acquisition. State statutes authorize the City to invest in obligations of the U. S. Treasury and the State of Alabama including general obligations of its counties and municipalities.

Investments are stated at fair value. Any differences between the market value and cost of investments are reflected in investment income.

The Utilities consider all highly liquid temporary cash investments with low interest rate risk to be cash equivalents. Special funds are provided for under trust indentures are reported as restricted assets and are not considered cash equivalents.

Receivables and Payables

On fund financial statements, outstanding inter-fund loans and unpaid amounts for inter-fund services are reported as "Due to/from other funds". Inter-fund balances are eliminated on the statement of net assets.

All trade, loans, and other receivables are shown net of any allowance for uncollectible accounts.

The Utilities' Electricity Department acts as a collection agent for the Natural Gas Department, the Water and Sewer Department, and for the City's solid waste collection services. Receivables recorded by the Electricity Department include amounts due from customers for all utility services billed to them. The Utilities do not accrue revenue from the most recent meter reading to the end of the fiscal year. This policy has been consistently followed and is an accepted accounting treatment followed by public utility systems. For each Department, current earnings are charged with an allowance for doubtful accounts based on the payment history and other factors attributable to each account considered uncollectible. At year-end, the allowance is charged-off against accounts receivable balances; as a result, the allowance for doubtful accounts to zero.

All payables and accrued expenses are reported on the government-wide financial statements for both governmental and business-type activities.

Property Tax Calendar

Property taxes are assessed on October 1 of the preceding year based on the millage rates established by legislation. Property taxes are levied on the subsequent October 1 for the fiscal year beginning on the levy date and are delinquent after December 31 (except for motor vehicles, which have varying due dates). After December 31, penalties and interest are assessed. If real property taxes are not paid by April following the due date, State law requires a tax sale. Property taxes include amounts levied against all real and tangible personal property located within the City. Revenue is recognized in the year when the taxes are levied and collected. Taxes are collected by the Colbert County Revenue Commissioner who remits to the City its portion of the taxes collected, net of collection fees ranging from one to five percent, depending on the type of tax collected.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the aggregate amount of the average cost. Inventories consist of materials and supplies held for consumption or construction projects.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capitalization Fee

In November 1993, the City paid a one-time capitalization fee of \$76,727 to become a member of the Alabama Municipal Insurance Corporation (AMIC). The capitalization fee is nonrefundable and entitles the City to purchase insurance through AMIC. In the event of liquidation or distribution of profits, the City would receive a pro-rate distribution based on its investment.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Restricted assets may also represent certain resources that are segregated from other resources to comply with various covenants established by bond financing agreements. These assets are generally held in separate accounts of the City or by a trustee. The various covenants place restrictions on the use of these resources, require minimum balances to be maintained in certain accounts, and establish annual amounts to be accumulated for specific purposes.

Capital Assets

All capital assets are recorded at historical cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at estimated fair market value at the date of donation. The City's capitalization level is \$10,000 for assets with an estimated life in excess of one year. General infrastructure assets acquired or constructed prior to October 1, 2002, are not reported in the basic financial statements. General infrastructure assets include all streets, bridges, curbs, sidewalks, storm sewers, and similar items acquired or constructed subsequent to October 1, 2002. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Construction in progress, if any, is stated at cost.

Utility Plant

The Utilities report utility plant at cost less accumulated depreciation. Retirements from units of property from service are credited against plant in service at the original cost of the units and accumulated depreciation is reduced at the date of retirement. Improvements that extend the useful life of the assets are capitalized. The Utilities' capitalization level is \$100. The cost of maintenance, repairs, and replacement of minor items of property are charged to operations and maintenance accounts. Interest incurred during the construction phase of capital assets is capitalized, when financed by bond proceeds. Construction in progress, if any, is stated at cost.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Utilities receive funds in aid of construction that are reported as capital grants and contributions that are offset by impairment of assets to construction in progress as a reduction to job work orders. The substance of this accounting treatment is the reduction of operating costs through decreased depreciation and maintenance expenses.

All capital assets are depreciated, except for land, inexhaustible land improvements, and construction in progress. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Governmental Activities	
Buildings and improvements	40
Parks and improvements	7 - 50
Infrastructure	50
Equipment, vehicles, furniture, and fixtures	3 - 10
Utilities	
Utility plant	4 - 50

Compensated Absences

All permanent employees of the City accumulate annual and sick leave during the calendar year. Annual leave is earned at a rate of five to twenty days per calendar year for all permanent employees, depending on years of service; date of hire, and department employed, and is accrued as a liability at the current rate of pay. The policy allows employees to accumulate a maximum of five days of annual leave. After three years of continuous service, employees may work during their annual leave period up to a maximum equal to one-half of the total annual leave granted per year. Employees who choose to work a portion of their annual leave time will receive the normal pay, plus annual leave pay for the period worked. Sick leave is earned at the rate of one day per month of employment for all permanent employees. The policy allows employees to accumulate an unlimited number of sick leave days. Employees may use their accrued sick leave as membership service in determining the total years of creditable service in the retirement system, with no additional cost to the City. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded in the financial statements.

The entire compensated absences liability is reported on the government-wide financial statements. On the governmental fund financial statements, the estimated current portion of the liability is reported as a fund liability.

For the Utilities, annual leave is earned at a rate of fifteen to twenty-six days per calendar year depending on length of service. The policy allows each employee to accumulate a maximum of 240 hours of annual leave. On January 1 of each year, annual leave in excess of 240 hours is forfeited. Employees may accumulate a maximum of 120 hours of sick leave for non-job related illness or injury. However, the sick leave policy does not provide for payment to the employee for unused sick leave upon separation for service.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds and warrants payable are reported net of the applicable premium or discount. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize debt premiums, discounts, and issuance costs during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received upon issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds of the issue, are reported as debt service expenditures.

Net Assets/Fund Equity

Net assets are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

- *Invested in capital assets, net of related debt* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. (Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.)
- *Restricted* – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- *Unrestricted* – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Council.

Fund equity is reported in the fund financial statements. Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose, but only if the restrictions are narrower in scope than the purpose for which the related individual funds were established. Any designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Substantially all of the customers of the Utilities are located within the City. The Utilities considers a major customer to be one that represents 10% or more of annual sales. The Electricity Department and the Natural Gas Department had one customer that met this criterion. The Electricity Department purchases all of its electricity for resale from the Tennessee Valley Authority (TVA). The Natural Gas Department purchases substantially all of its natural gas for resale from Enbridge Marketing.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Primary Government

A. BUDGETARY PROCESS

Annual budgetary appropriations are adopted and used during the fiscal year as a management control device on a basis consistent with accounting principles generally accepted in the United States of America. At the close of each fiscal year, the unspent balance of each appropriation reverts to the respective fund from which it was appropriated and is subject to future appropriation.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following governmental funds incurred expenditures in excess of appropriations of the following amounts for the year ended September 30, 2009:

<u>Debt Service Funds</u>	
2003 Debt Service Fund	\$ 391,371
Rural Development Fund	\$ 15,050
<u>Special Revenue Funds</u>	
Local Motor Fuel Tax	\$ 855
<u>Capital Projects Funds</u>	
2003 Capital Improvements	\$ 339,365
Municipal Capital Improvement	\$ 32,294
Other Capital Projects	\$ 127,131

The excess expenditures were provided by available fund balance in the funds, and by transfers from the general fund.

NOTE 3 – DEPOSITS AND INVESTMENTS

Primary Government and Discretely Presented Component Units

The custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the City and its component units will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's and Utilities' deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a multiple financial institution collateral pool administered by the Alabama State Treasurer. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to satisfy the claims of public depositors not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, the State Treasurer is authorized to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds.

The City has not adopted a formal investment policy and, as of September 30, 2009, do not have any investments that require disclosure. However, under the terms of bond indentures, the City and the Utilities are required to deposit into certain bond funds for debt service. These investments are governed by the bond indentures and are invested in cash and U. S. Government securities.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4 – INTERFUND TRANSFERS

Primary Government

Inter-fund transfers for the year ended September 30, 2009 consisted of the following:

<u>Transfer To:</u>				
<u>Transfer From:</u>	<u>General Fund</u>	<u>2003 Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
General	\$	\$ 139,000	\$ 276,369	\$ 415,369
1998 Capital Improvement			295,001	295,001
2009 Warrant Payment			2,709,858	2,709,858
Other Funds	<u>51,737</u>		<u>151,415</u>	<u>203,152</u>
Total	<u>\$ 51,737</u>	<u>\$ 139,000</u>	<u>\$ 3,432,643</u>	<u>\$ 3,623,380</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in and are carried at fair market value.

NOTE 5 – RESTRICTED ASSETS

Primary Government

General obligation warrants issued by the City require that certain amounts be deposited into restricted funds for specified uses. These funds are invested in cash and U. S. government securities and are carried at fair market value.

Series 1996 Special Warrant Fund (Rural Development)	
Cash	\$ 14,608
Series 2003 Debt Service Fund	
Short-term U. S. Government Securities (Interest yield rate of .82%)	183,018
Series 2009 Warrant Fund	
Cash	<u>59,741</u>
Total	<u>\$ 257,367</u>

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5 – RESTRICTED ASSETS (continued)

Discretely Presented Component Units

Electricity Department

Revenue warrants issued by the Utilities require that certain amounts be deposited into restricted funds for debt service. These funds are invested in U. S. government securities or are secured by U. S. government securities and are carried at fair market value.

The Board adopted a policy to set aside a cash reserve of \$500,000 for emergencies, repairs and replacements, and damages caused by catastrophic events.

Series 2009 Warrant Funds	
Sinking fund	\$ 24,836
Reserve Fund	115,003
Other Investments	1,833
Board Designated Reserve Fund	<u>500,000</u>
Total	<u>\$ 641,672</u>

Natural Gas Department

The Board adopted a policy to set aside a cash reserve of three months operating expenses plus an amount equal to the largest natural gas bill for the preceding year or an estimate of the largest natural gas bill to be incurred during the subsequent year less amounts of stored natural gas and prepaid natural gas at the balance sheet date.

Board Designated Reserve Fund	<u>\$ 225,534</u>
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Water and Sewer Department

The Board adopted a policy to set aside a cash reserve of three months operating expenses for emergency repairs and replacements and for current operating expense shortfalls. Management estimates that reserve amount should be approximately \$449,700, consequently resulting in a violation of the Board's policy at year-end.

Board Designated Reserve Fund	<u>\$ 191,410</u>
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CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 6 - RECEIVABLES AND PAYABLES

Receivables

Receivables at year-end were as follows:

	Accounts	Taxes	Due from Other Governments	Special Assessments	Total Receivables
Primary Government	\$ -	\$ 194,678	\$ 124,756	\$ 11,721	\$ 331,155
Total	\$ -	\$ 194,678	\$ 124,756	\$ 11,721	\$ 331,155
Discretely Presented Component Units					
Electricity	\$ 1,662,189	\$ -			\$ 1,662,189
Natural Gas	-	-	929,609		929,609
Water and Sewer	-	-	631,128		631,128
Board of Education	-	181,987	265,395		447,382
Total	\$ 1,662,189	\$ 181,987	\$ 1,826,132	\$ -	\$ 3,670,308

The City has recorded an allowance for uncollectible accounts of \$10,535 for sewer assessments based on a review of accounts at year-end.

Payables

Payables at year-end were as follows:

	Vendors	Salaries and Benefits	Due Other Governments	Accrued Interest	Total Payables
Primary Government	\$ 92,501	\$ 126,257	\$ -	\$ 106,125	\$ 324,883
Total	\$ 92,501	\$ 126,257	\$ -	\$ 106,125	\$ 324,883
Discretely Presented Component Units					
Electricity	\$ 2,878,763	\$ -		\$ 5,900	\$ 2,884,663
Natural Gas	61,024				61,024
Water and Sewer	252,621				252,621
Board of Education	-	629,068		18,101	647,169
Total	\$ 3,192,408	\$ 629,068	\$ -	\$ 24,001	\$ 3,845,477

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year is as follows:

Primary Government	Balance	Additions	Retirements	Balance
Nondepreciable assets:				
Land and land rights	\$ 217,099	\$ -	\$ -	\$ 217,099
Construction in progress	234,430	-	234,430	-
Depreciable assets:				
Parks and improvements	2,465,490	30,130		2,495,620
Buildings and improvements	2,366,071	129,688		2,495,759
Equipment and vehicles	3,255,250	282,180		3,537,430
Infrastructure	2,737,086	683,575		3,420,661
Total capital assets	\$ 11,275,426	\$ 1,125,572	\$ 234,430	\$ 12,166,568
Less accumulated depreciation	3,938,209	322,891	-	4,261,100
Capital assets, net	\$ 7,337,217	\$ 802,681	\$ 234,430	\$ 7,905,468

Depreciation expense was charged to the government functions as follows:

General administration	\$ 3,731
Public safety	80,012
Public works	63,215
Public ways and facilities	114,590
Culture and recreation	61,343
Total depreciation expense	\$ 322,891

Discretely Presented	Beginning			Ending
Component Units	Balance	Additions	Retirements	Balance
Tuscumbia Utilities				
Nondepreciable assets:				
Land and land rights:				
Electricity	\$ 20,100	\$ -	\$ -	\$ 20,100
Natural Gas	306	-	-	306
Water and Sewer	122,288	-	-	122,288
Construction in progress:				
Electricity	49,745	-	(16,863)	32,882
Depreciable assets:				
Utility plant in service:				
Electricity	13,310,913	623,387	58,565	13,875,735
Natural Gas	4,626,335	108,086	6,430	4,727,991
Water and Sewer	7,652,871	1,031,136	27,599	8,656,408
Total capital assets	\$ 25,782,558	\$ 1,762,609	\$ 75,731	\$ 27,435,710
Less accumulated depreciation:				
Electricity	\$ 5,900,786	\$ 514,313	\$ 68,435	\$ 6,346,664
Natural Gas	2,603,319	133,890	6,430	2,730,779
Water and Sewer	5,230,428	195,781	27,599	5,398,610
Total accumulated depreciation	\$ 13,734,533	\$ 843,984	\$ 102,464	\$ 14,476,053
Capital assets, net	\$ 12,048,025	\$ 918,625	\$ (26,733)	\$ 12,959,657

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7 – CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Tuscumbia Board of Education				
Non-depreciable assets:				
Land and land rights:	\$ 297,956	\$ -	\$ -	\$ 297,956
Depreciable assets				
Buildings	6,556,634	-		6,556,634
Building improvements	5,741,248	419,640		6,160,888
Equipment and furniture	789,821	73,212		863,033
Vehicles	331,947	15,217	-	347,164
Total Capital Assets	<u>\$ 13,717,606</u>	<u>\$ 508,069</u>	<u>\$ -</u>	<u>\$ 14,225,675</u>
Less: accumulated depreciation for:				
Buildings	\$ 3,157,298	\$ 154,746	\$ -	\$ 3,312,044
Building improvements	2,427,228	267,555	-	2,694,783
Equipment and furniture	492,941	46,433	-	539,374
Vehicles	278,947	16,769	-	295,716
Total accumulated depreciation	<u>\$ 6,356,414</u>	<u>\$ 485,503</u>	<u>\$ -</u>	<u>\$ 6,841,917</u>
Capital assets, net	<u>\$ 7,361,192</u>	<u>\$ 22,566</u>	<u>\$ -</u>	<u>\$ 7,383,758</u>

NOTE 8 – TVA POWER AND CONSERVATION PROGRAMS

Electricity Department

Conservation Program

The Department has entered into a contract with TVA jointly establishing a home energy conservation program that provides eligible customers with arranged financing for home energy conservation improvements. As a part of this contract, the Department is a fiscal intermediary for the conservation loans provided by the program. The Department had at June 30, 2009, a total of \$679,809 of energy conservation loans due from customers participating in the program. These loans are to be repaid in monthly installments by the customer over periods ranging from 3 to 10 years. Interest accrues at rates ranging from 7% to 14% per annum.

Power Programs

The Department entered into an agreement with TVA to participate in the TVA Power Invoice Prepayment Program. This program allows the Department to electronically transfer funds, which are nonrefundable, on a weekly basis to be applied to the monthly TVA power invoice. An early payment credit is computed on a daily basis at a rate established monthly by TVA and is added to the prepayment account. At any time, with a 30-day written notice, the Department may borrow up to 100% of the outstanding prepayment balance from TVA for operations. The prepayment balance of \$116,906 as of June 30, 2009 is reflected as prepaid expenses.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term obligations activity for the fiscal year is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
General Obligation Warrants, Series 1996	\$ 40,000	\$ -	\$ 13,000	\$ 27,000	\$ 13,000
General Obligation Warrants, Series 1998	2,765,000		2,765,000	-	-
General Obligation Warrants, Series 2003	3,500,000		265,000	3,235,000	265,000
Debt discount	(22,470)		(1,177)	(21,293)	(1,177)
General Obligation Warrants, Series 2009		2,785,000	-	2,785,000	175,000
Debt discount	-	-	(2,117)	(2,117)	(2,117)
Note payable - banks:					
Payable in monthly installments; interest rate of 3.900%; secured by equipment	13,645		13,645	-	-
Payable in monthly installments; interest rate of 3.650%; secured by equipment	19,456		15,180	4,276	4,276
Payable in monthly installments; interest rate of 4.610%; secured by equipment	41,026		30,706	10,320	10,320
Payable in monthly installments; interest rate of 4.19%; secured by equipment	170,710	-	39,144	131,566	38,076
Compensated absences	170,318	25,404	-	195,722	65,608
Total	\$ 6,697,685	\$ 2,810,404	\$ 3,138,382	\$ 6,365,474	\$ 567,986
Discretely Presented Component Units					
Tuscumbia Utilities					
Electricity					
Electric Revenue Warrants, Series 1997	\$ 1,350,000	\$ -	\$ 1,350,000	\$ -	\$ -
Series 2009		1,150,000		1,150,000	100,000
Debt discount	(21,071)		(21,071)	-	-
Debt Premium		44,765	4,801	39,964	4,477
Compensated absences	72,441	5,320		77,761	-
Natural Gas					
Compensated absences	45,238	1,215		46,453	-
Water and Sewer					
Compensated absences	46,415	6,251		52,666	-
Total	\$ 1,493,023	\$ 1,207,551	\$ 1,333,730	\$ 1,366,844	\$ 104,477
Tuscumbia City Board of Education					
Special tax school warrants	\$ 1,050,000	\$ -	\$ 105,000	\$ 945,000	\$ 115,000
Capital outlay pool warrants, series 2003	710,850		32,236	\$ 678,614	33,568
Capital outlay pool warrants, series 2006	1,237,143		45,308	\$ 1,191,835	47,160
Total	\$ 2,997,993	\$ -	\$ 182,544	\$ 2,815,449	\$ 195,728

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

Primary Government

On September 23, 1996, the City issued General Obligation Warrants, Series 1996 in the amount of \$150,000 for a fire truck. These warrants bear an interest rate of 5.125% and will be fully paid in 2011. Principal and interest are payable annually on January 1.

On July 1, 2003, the City issued General Obligation Warrants, Series 2003 in the amount of \$4,600,000 to currently refund and redeem the General Obligation Warrants, Series 1993 and for capital improvements. These warrants bear interest rates of 1.000% to 4.250% and will be fully paid in 2027. Principal is payable annually on November 1. Interest is payable semi-annually on each May 1 and November 1.

On March 24, 2009, the City issued General Obligation Warrants, Series 2009 in the amount of \$ 2,785,000. These warrants were used to retire the City's previously issued 1998 warrants. These warrants bear interest at rates of 1.75% to 3.9% and will be paid fully in 2018. Principal is payable annually on November 1. Interest is payable semi-annually on each May 1 and November 1.

Bond issuance costs have been deferred and are being amortized over the life of the associated warrants. At year-end, the unamortized deferred charges amounted to \$81,375.

Debt service over the remaining term of the warrants is summarized as follows:

<u>Year Ended</u> <u>September</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2010	\$ 188,000	\$ 182,350	\$ 370,350
2011	309,000	198,768	507,768
2012	405,000	198,358	603,358
2013-2017	1,860,000	827,392	2,687,392
2018-2022	1,470,000	502,441	1,972,441
2023-2027	1,480,000	204,337	1,684,337
2028	335,000	1,186	336,186
	<u>\$ 6,047,000</u>	<u>\$ 2,114,832</u>	<u>\$ 8,161,832</u>

The City has entered into several secured note agreements with banks to provide financing for various vehicles, machinery, and equipment. The notes are payable in monthly installments; bear interest rates of 3.900% to 5.00%; and, mature at varying dates through 2010.

Debt service over the remaining term of the notes is summarized as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2011	\$ 55,147	\$ 3,884	\$ 59,031
2012	35,466	1,215	36,681
	<u>\$ 90,613</u>	<u>\$ 5,099</u>	<u>\$ 95,712</u>

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 9 – LONG-TERM OBLIGATIONS (Continued)

Discretely Presented Component Units

Electricity Department

The City of Tuscumbia Electric Revenue Warrants, Series 1997 were issued in the amount of \$2,055,000 with interest rates ranging from 4.50% to 5.20%.

During the year the 1997 issue was retired with the issuance of the Series 2009 Revenue Bonds in the amount of \$ 1,050,000. The interest rate on the 2009 bonds range from 1.5% to 4.10%. The stated maturity of the bonds is as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt</u> <u>Service</u>
2010	\$ 100,000	\$ 33,870	\$ 133,870
2011	105,000	32,326	137,326
2012	105,000	30,148	135,148
2013	110,000	27,513	137,513
2014	110,000	24,488	134,488
2015-2019	<u>620,000</u>	61,095	681,095
	<u>\$ 1,150,000</u>		

City Board of Education

The Board of Education had the following long-term debt obligations outstanding at September 30, 2009:

Special tax school warrants (5.6%)	\$ 945,000
Capital outlay pool (4.129%)	
School warrants, series 2003	678,614
Capital outlay pool warrant	
series 2006 (4.181%)	<u>1,191,835</u>
	<u>\$ 2,815,449</u>

Debt service over the remaining term of the warrants is summarized as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2010	195,728	134,416	330,144
2011	205,408	123,165	328,573
2012	214,256	112,647	326,903
2013	228,414	101,293	329,707
2014	236,253	90,762	326,015
2015-2029	<u>1,739,901</u>	388,054	2,127,955
	<u>\$ 2,819,960</u>		

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 – PENSION AND DEFERRED COMPENSATION PLANS

Primary Government

Pension Plan

Plan Description – The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement plan administered by the Retirement Systems of Alabama (RSA) that acts as a common investment and administrative agent for various state agencies, departments, and municipalities. Substantially all employees of the City are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final compensation (best three of the last ten years) for each year of service. Disability benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual earnable compensation for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System of Alabama was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operations of the Employees' Retirement System of Alabama is vested in the Board of Control. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the City authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

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

Funding Policy – Employees of the City are required to contribute 5% (6% for certified law enforcement officers, correctional officers, and firefighters) of their annual compensation. The City is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. The contribution requirements of the City are established by the Employees' Retirement System of Alabama based on annual actuarial valuations. The employer's contribution rate for the year ended September 30, 2009 was 10.89% based on the actuarial valuation performed as of September 30, 2008, as adjusted for COLAs granted to retirees.

Annual Pension Cost – For the year ended September 30, 2009, the City's annual pension contribution of \$237,772 was equal to their required and actual contribution. The required contribution was determined using the "entry age" actuarial cost method. The actuarial assumptions as of September 30, 2008 were: (a) an 8.00% investment rate of return, (b) projected salary increases ranging from 4.61% to 7.75%. Both (a) and (b) included an inflation component of 4.50%. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over 16 years as a level percentage of projected on an open basis.

Other Pension Benefits – The City provides insurance to employees who retire with a combined age and years of service are 85. The insurance is paid at the single rate. The total cost for the year ended September 30, 2009 was approximately \$ 48,000. The City accounts for this cost on the pay-as-you go method.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 – PENSION AND DEFERRED COMPENSATION PLANS (continued)

The trend and funding progress of the plan is shown below:

Trend Information			
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	\$ 252,323	100%	-
9/30/2007	237,772	100%	-
9/30/2006	239,547	100%	-
9/30/2005	209,980	100%	-

Schedule of Funding Progress						
Actual Valuation Date	Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2008	\$ 5,419,720	\$ 7,429,164	\$ 2,009,444	73.00%	\$ 2,383,885	84.30%
9/30/2007	5,371,018	7,068,670	1,677,652	76.00%	2,207,671	76.90%
9/30/2006	5,055,127	6,725,029	1,669,902	75.20%	2,211,509	75.50%
9/30/2005	4,847,158	6,289,056	1,441,898	77.10%	2,133,855	67.60%

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, which is administered by RSA. The plan permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. As required by Federal regulations, these plan assets are held in trust for the exclusive benefit of participants and their beneficiaries.

The City has no fiduciary relationship with the trust. In accordance with the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the plan assets are not reported in the City's financial statements.

Discretely Presented Component Units

Tuscumbia Utilities Board

Defined Benefit Contribution Plan

The City of Tuscumbia Utility Departments created the Tuscumbia Board of Public Utilities Employees Pension Plan in 1957 (The Plan) for the purpose of providing retirement allowances and other specified benefits. The Plan provides pension benefits for all of its full-time employees through a defined benefit contribution plan. In a defined benefit contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Participants are eligible to enter The Plan on July 1 each year, if they have complete six months of qualifying service and have attained the age of 21. Normal retirement age is 62. Vesting occurs at a rate of 10% per year. Participant balances are vested 100% upon disability.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 – PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The City of Tuscumbia Utility Departments contribute to The Plan, a governmental plan that was a target benefit plan but was amended to a defined benefit contribution plan on December 31, 1993. The Plan uses ING Life Insurance and Annuity Company to underwrite the funds of The Plan. There are two plans; one for union employees, Plan "A", and one for non-union employees, Plan "B".

Substantially all employees are members of The Plan. Membership is mandatory for covered or eligible employees of the City of Tuscumbia Utilities Departments. Benefits vest after 10 years of qualified service. Employees may retire with full benefits at age 62 or the completion of 5 years of plan participation. Retirement benefits are calculated by taking an average of the highest three years wages times 50%. A pre-retirement death benefit is available equal to the amount of 100 times normal retirement benefits or the actuarial equivalent of the participant's accrued benefit at the date of death. When an employee retires their benefits are disbursed to them and are no longer a part of The Plan assets.

The Plan issues a summary of the performance of The Plan and individual participant data to each Plan participant annually prepared by Northeast Retirement Plan Consulting. At June 30, 2007 the number of active employees in The Plan for all departments was 33.

Covered employees contribute 3 percent of their salary to The Plan. The Utilities is required to contribute the remaining amounts necessary to pay benefits when due. For the fiscal year beginning July 1, 2008, the Utilities' portion consisted of a 3.14% normal contribution rate, a 4.64% accrued liability rate, a .15% pre-retirement death benefit and a .18% administrative expense rate, totaling an 8.11% rate.)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee services to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the system and employers. The most recent financial information available is at July 1, 2008, and is as follows:

Plan "A"

Actual Valuation Date	Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2008	\$ 780,503	\$ 1,661,010	\$ 880,507	46.99%	\$ 978,025	90.02%
9/30/2007	1,027,346	1,895,065	867,719	54.21%	1,030,340	84.21%
9/30/2006	1,268,337	2,122,437	854,100	59.76%	1,135,694	75.20%
9/30/2005	1,463,059	2,302,655	839,596	63.54%	1,182,868	70.97%

Plan "B"

Actual Valuation Date	Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2008	\$ 541,148	\$ 1,203,841	\$ 662,693	44.95%	\$ 607,240	109.13%
9/30/2007	704,231	1,357,300	653,069	51.88%	620,324	100.05%
9/30/2006	930,072	1,572,891	642,819	59.13%	650,511	98.81%
9/30/2005	1,194,933	1,826,836	631,903	65.41%	711,490	88.81%

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 – PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The trend information for both Plans “A” and “B” is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2008	\$ 353,986	100%	-
9/30/2007	371,309	100%	-
9/30/2006	443,722	100%	-
9/30/2005	438,132	100%	-

Tuscumbia City Board of Education

The Tuscumbia City Board of Education contributes to the Teachers’ Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement system for the various state-supported educational agencies and institutions. The plan is administered by the Retirement Systems of Alabama.

Substantially all employees are members of the Teachers’ Retirement System. Membership is mandatory for covered or eligible employees. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, or (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers’ Retirement System was established as of October 1, 1941, under the provisions of act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers’ Retirement System is vested in its Board of Control. Benefit provisions are established by the code of Alabama 1975, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6, as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers’ Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36-130-2150.

Funding Policy

Employees of the Board are required to contribute 5 percent of their salary to the Teachers’ Retirement System. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers’ Retirement System recommends to the Alabama Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10 – PENSION AND DEFERRED COMPENSATION PLANS (Continued)

The percentages of the contributions and the amount of contributions made by the Board and the Board's employees equal the required contributions for each year as follows:

	<u>Fiscal Year Ended September 30</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Total Percentage of Covered Payroll	17.07%	16.75%	14.36%
Contributions:			
Percentage Contributed By the Board	12.07%	11.75%	6.36%
Percentage Contributed By Employees	5.00%	5.00%	5.00%
Amount Contributed By the Board	\$ 924,720	\$ 880,341	\$ 682,825
Amount Contributed By Employees	<u>383,066</u>	<u>374,613</u>	<u>364,756</u>
Total Contributions	<u>\$1,307,786</u>	<u>\$ 1,254,954</u>	<u>\$ 1,047,581</u>

NOTE 11 – STORAGE GAS

Discretely Presented Component Units

Natural Gas Department

Under the Federal Energy Regulatory Commission Order Number 636, the natural gas and propane supply and storage from its vendor is unbundled. The result led to an election by the Department to store gas rather than be penalized for no-notice service. The stored gas inventory of \$226,076 is reflected as inventories at the aggregate amount of the lower cost (average cost) or market.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Electricity and Natural Gas Departments are required to pay to the City a tax equivalent that is determined by applying the current property tax rate to their net plant in service at the end of the preceding fiscal year. The amount of tax equivalents paid to the City during the fiscal year was \$357,511 by the Electricity Department and \$149,725 by the Natural Gas Department. The Water and Sewer Department is required, through enabling legislation, to pay its *net revenues*, although the term was not defined in the enabling legislation, on a quarterly basis. The Water and Sewer Department paid \$126,522 during the fiscal year. These amounts are reported as payments in lieu of taxes in the financial statements of the City and as operating expenses by the Utilities.

Under the provisions of Act 2007-502 (HB961) passed by the Alabama Legislature on June 14, 2007, (a) the Electricity Department is required to disburse payments in lieu of taxes in accordance with the terms of the power contract between the Tennessee Valley Authority and the Department, which currently is based on 4.7% of the net plant in service at the end of the preceding fiscal year; (b) the Natural Gas Department is required to disburse payments in lieu of taxes based on 7.4% of the value of the plant in service at the end of the preceding fiscal year, but not to exceed 4.5% of gross sales of natural gas in the preceding fiscal year; and, (c) the Water and Sewer Department is required to disburse payments in lieu of taxes based on thirty-cents (\$.30) per thousand gallons of gross sales of water in the preceding fiscal year.

The City made appropriations to the Tuscumbia City Board of Education for the fiscal year in the amount of \$584,554.

**CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

NOTE 13 – RISK MANAGEMENT

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased commercial insurance for its buildings and contents, automobile liability, employee dishonesty, director's and officer's liability, and employee injury. The City pays an annual premium based on the amount of coverage. Settled claims from these risks have not exceeded the City's coverage for the last three fiscal years.

NOTE 14 – CONTINGENCIES AND COMMITMENTS

Primary Government

The City is a party to various claims and legal proceedings. These matters are not likely to have a material adverse impact on the funds of the City. The outcome of these matters is uncertain as of the date of this report; however, the City has accrued \$7,500 in the General Fund for pending or threatened litigation for which an unfavorable outcome is considered probable.

The City has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could lead to request for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. City management believes that such disallowance, if any, will be immaterial.

The Public Park Authority of the Shoals, a public corporation created pursuant to State Law by the Cities of Florence, Muscle Shoals, Sheffield, and Tuscumbia and the Counties of Colbert and Lauderdale, issued Special Obligation Bonds in the amount \$17,925,000. These Special Obligation Bonds are to be payable from a new two-cent per gallon gasoline tax levied in Colbert and Lauderdale Counties. While it is anticipated that such gasoline taxes will be sufficient to pay the principal of and interest on these bonds, the Cities of Florence, Muscle Shoals, Sheffield, and Tuscumbia and the Counties of Colbert and Lauderdale have agreed to pay a portion of the debt service on the bonds if the gasoline taxes are insufficient to make such payments. The City's portion of such debt issued by The Public Park Authority of the Shoals is 5.4956%. During the current fiscal year, the City has not been required to remit any amounts for this debt service.

Discretely Presented Component Units

Electricity Department

Effective March 8, 1987, the Department entered into a 20-year contract with TVA to purchase all of its electric power. The contract is subject to automatic extension of one year beyond the original termination date commencing on March 8, 1997. The contract is subject to termination by either party, on not less than 10 years prior written notice. The contract has been amended several times since its inception. The contract requires that the City operate its electric system as a separate department and shall not lend, pledge, or divert electric revenues to other operations of the City.

The City has also agreed to use gross revenues from electric operations for the following purposes: (1) pay current operating expenses; (2) pay current interest, principal, and sinking fund payments when due; (3) provide for renewals, replacements, contingencies, and cash working capital adequate to cover operating expenses for a reasonable number of weeks; (4) from any revenues then remaining pay tax equivalents into the City's general fund; and, (5) all remaining revenues shall be considered surplus and may be used for new system construction or early retirement of system indebtedness.

CITY OF TUSCUMBIA, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 14 – CONTINGENCIES AND COMMITMENTS (continued)

Water and Sewer Department

Beginning in September 2002, the Department requested that a rate structure increase be approved by the City Council. In September 2002, the Council granted a \$4.00 per month increase – from \$15 to \$19. A cost of service study prepared by an independent engineering consultant suggested that rates need to be increase to \$26 per month to cover current operating expenses and to accumulate the funds necessary for the matching requirement of a \$1,000,000 EPA grant to upgrade or construct a new water treatment facility, which has been strongly recommended by the Alabama Department of Environmental Management. Without the rate structure increase to provide funding for the improvements to or replacement of the water treatment facility, there are uncertainties about its operations permit.

NOTE 15 – SUBSEQUENT EVENT

On June 14, 2010 the City Council approved the Issuance of Water and Sewer Revenue Bonds in the amount of \$ 15,750,000. The purpose of the bonds is to build a new water treatment plant for the City.

NOTE 16 – OTHER INFORMATION (NEW GASB STANDARDS)

In fiscal year 2009, the City implemented the following five GASB statements:

GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." This Statement establishes standards for the measurement, recognition, and display for postemployment health care and other benefits if provided separately from a pension plan. See note 10 for information on the City's implementation of this standard.

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This Statement addresses accounting and financial reporting standards for pollution remediation obligations. There was no current effect on the financial statements as a result of implementing this Statement.

GASB Statement No. 50, "Pension Disclosures." This Statement is a disclosure standard and it's requirements are reflected in note 10.

GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." The objective of this Statement is to incorporate the GAAP for state and local governments into the GASB's authoritative literature. There was no change in current practice as a result of implementing this Statement.

GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles-related party transactions, going concern considerations, and subsequent events. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUSCUMBIA, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget -
			(See Note A)	Positive
				(Negative)
Budgetary fund balance - beginning	\$ 908,905	\$ 908,905	\$ 908,905	\$ -
Resources (inflows):				
Taxes:				
Sales, use, and lodging	\$ 2,650,000	\$ 2,650,000	\$ 2,361,898	\$ (288,102)
Property	2,035,000	2,035,000	2,094,294	59,294
Motor fuel	216,000	216,000	194,610	(21,390)
Tobacco	65,000	65,000	66,230	1,230
Alcoholic beverages	80,000	80,000	93,416	13,416
Other	105,000	105,000	147,157	42,157
Total taxes	\$ 5,151,000	\$ 5,151,000	\$ 4,957,604	\$ (193,396)
Licenses and permits:				
Business	260,000	260,000	267,402	\$ 7,402
Non-business	85,650	85,650	54,964	(30,686)
Total licenses and permits	\$ 345,650	\$ 345,650	\$ 322,365	\$ (23,285)
Fines and forfeitures	\$ 165,000	\$ 165,000	\$ 118,817	\$ (46,183)
Charges for services:				
Cultural and recreational	\$ 346,500	\$ 346,500	\$ 280,916	\$ (65,584)
Solid waste disposal	1,020,000	1,020,000	932,777	(87,223)
Cemetery lot sales	-	-	1,000	1,000
Other	153,000	153,000	16,997	(136,003)
Total charges for services	\$ 1,519,500	\$ 1,519,500	\$ 1,231,690	\$ (287,810)
Intergovernmental	\$ 105,993	\$ 105,993	\$ 104,799	\$ (1,194)
Other:				
Interest	\$ 2,500	\$ 2,500	\$ 1,763	\$ (737)
Other	22,000	22,000	21,891	(109)
Total other	\$ 24,500	\$ 24,500	\$ 23,654	\$ (846)
Proceeds from Debt Issuance	\$ -	\$ -	\$ -	-
Transfers from other funds	\$ 29,527	\$ 29,527	\$ 51,737	22,210
Amounts available for appropriation	\$ 8,250,075	\$ 8,250,075	\$ 7,719,571	\$ (530,504)
Charges to appropriations (outflows):				
Current operating:				
General administration:				
Mayor	\$ 48,863	\$ 48,863	\$ 46,409	\$ 2,454
Accounting	123,972	123,972	99,611	24,361
City council	37,377	37,377	37,637	(260)
Code enforcement	66,286	66,286	62,170	4,116
Legal	49,000	49,000	55,830	(6,830)
City clerk	148,417	148,417	132,492	15,925
General government	57,000	57,000	31,071	25,929
Community promotion	70,217	70,217	59,920	10,297
Insurance-general	141,500	141,500	144,150	(2,650)
Employee benefits (unallocated)	922,216	922,216	926,506	(4,290)
Total general administration	\$ 1,664,848	\$ 1,664,848	\$ 1,595,795	\$ 69,053

CITY OF TUSCUMBIA, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public safety:				
Police	\$ 976,671	\$ 976,671	\$ 1,080,513	\$ (103,842)
Municipal court	109,411	109,411	99,929	9,482
Fire	526,257	526,257	533,245	(6,988)
Total public safety	\$ 1,612,339	\$ 1,612,339	\$ 1,713,687	\$ (101,348)
Public works:				
Streets	\$ 432,001	\$ 432,001	\$ 458,617	\$ (26,616)
Municipal lighting and utilities	210,000	210,000	218,404	(8,404)
Cemetery	86,177	86,177	85,958	219
Maintenance	72,302	72,302	75,261	(2,959)
Sanitation	738,023	738,023	701,852	36,171
Total public works	\$ 1,538,503	\$ 1,538,503	\$ 1,540,092	\$ (1,589)
Culture and recreation:				
Parks and recreation	\$ 604,242	\$ 604,242	\$ 615,594	\$ (11,352)
Golf course	140,033	140,033	159,466	(19,433)
Library	152,808	152,808	141,444	11,364
Senior citizens center	11,502	11,502	10,917	585
Total culture and recreation	\$ 908,585	\$ 908,585	\$ 927,421	\$ (18,836)
Nondepartmental:				
Appropriations	\$ 71,570	\$ 71,570	\$ 78,096	\$ (6,526)
Education - funding for school district	616,179	616,179	584,554	31,625
Bank Fees	250	250	2,188	(1,938)
Transfers to other funds	514,964	514,964	415,369	99,595
Capital Outlay	-	-	-	-
Debt service - principal payments	99,500	99,500	99,478	22
Debt service - interest and fiscal charges	21,500	21,500	10,442	11,058
Total nondepartmental	\$ 1,323,963	\$ 1,323,963	\$ 1,190,128	\$ 133,835
Total charges to appropriations	\$ 7,048,238	\$ 7,048,238	\$ 6,967,123	\$ 81,115
Budgetary fund balance - ending	\$ 1,201,837	\$ 1,201,837	\$ 752,447	\$ (449,390)

**CITY OF TUSCUMBIA, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

NOTE A – Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources

Actual amounts (budgetary basis) “available for appropriation” from the budgetary comparison schedule	\$ 7,719,571
Differences – budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial report purposes	(908,905)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(51,737)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 6,758,929</u>

Uses/outflows of resources

Actual amounts (budgetary basis) “total charges to appropriations” from the budgetary comparison schedule	\$ 6,967,124
Differences – budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(415,369)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance – governmental funds	<u>\$ 6,551,755</u>

SUPPLEMENTARY INFORMATION

**CITY OF TUSCUMBIA, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Capital Projects Funds				Debt Service Funds		
	Municipal Capital Improvements	1998 Capital Improvements	Other Capital Projects	Total	Series 1998 G. O. Warrants	2003 Debt Service	Rural Development (USDA)
ASSETS							
Cash and cash equivalents	\$ 252,461	\$ 177	\$328,837	\$581,475	\$ -	\$137,012	\$ -
Restricted cash and investments						59,741	14,608
Total assets	<u>\$ 252,461</u>	<u>\$ 177</u>	<u>\$328,837</u>	<u>\$581,475</u>	<u>\$ -</u>	<u>\$196,753</u>	<u>\$ 14,608</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances							
Unreserved, reported in:							
Special revenue funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service funds					-	196,753	14,608
Capital project funds	252,461	177	328,837	581,475			
Total fund balances	<u>\$ 252,461</u>	<u>\$ 177</u>	<u>\$328,837</u>	<u>\$581,475</u>	<u>\$ -</u>	<u>\$196,753</u>	<u>\$ 14,608</u>
Total liabilities and fund balance	<u>\$ 252,461</u>	<u>\$ 177</u>	<u>\$328,837</u>	<u>\$581,475</u>	<u>\$ -</u>	<u>\$196,753</u>	<u>\$ 14,608</u>

**CITY OF TUSCUMBIA, ALABAMA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009**

	Debt Service Funds(Cont'd)		Special Revenue Funds					Total Other Governmental Funds
	Series 2009 G.O. Warrants	Total	State Gas Tax (\$.07)	State Gas Tax (\$.04)	Special Funds	Special Corrections	Total	
ASSETS								
Cash and cash equivalents	\$ 12,976	\$ 149,988	\$ 213,856	\$ 170,659	\$ 105,227	\$ 25,853	\$ 515,595	\$ 1,247,059
Restricted cash and investments	183,018	257,367						257,367
Total assets	<u>\$ 195,995</u>	<u>\$ 407,355</u>	<u>\$ 213,856</u>	<u>\$ 170,659</u>	<u>\$ 105,227</u>	<u>\$ 25,853</u>	<u>\$ 515,595</u>	<u>\$ 1,504,426</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued expenses	\$ -	\$ -	\$ 2,475	\$ -	\$ -	\$ -	\$ 2,475	\$ 2,475
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,475</u>	<u>\$ 2,475</u>
Fund balances								
Unreserved, reported in:								
Special revenue funds	\$ -	\$ -	\$ 211,382	\$ 170,659	\$ 105,227	\$ 25,853	\$ 513,121	\$ 513,121
Debt service funds	195,994	407,355						407,355
Capital project funds		-						581,475
Total fund balances	<u>\$ 195,994</u>	<u>\$ 407,355</u>	<u>\$ 211,382</u>	<u>\$ 170,659</u>	<u>\$ 105,227</u>	<u>\$ 25,853</u>	<u>\$ 513,121</u>	<u>\$ 1,501,951</u>
Total liabilities and fund balance	<u>\$ 195,994</u>	<u>\$ 407,355</u>	<u>\$ 213,856</u>	<u>\$ 170,659</u>	<u>\$ 105,227</u>	<u>\$ 25,853</u>	<u>\$ 515,596</u>	<u>\$ 1,504,426</u>

CITY OF TUSCUMBIA, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Capital Projects Funds				Debt Service Funds		
	Municipal Capital Improvements	1998 Capital Improvements	Other Capital Projects	Total	Series 1998 G. O. Warrants	2003 Debt Service	Rural Development (USDA)
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures							
Intergovernmental	97,393		53,823	151,216			
Interest revenues	-	246	6,702	6,948	100	1,852	
Proceeds from Bonds							
Other				-			
Total revenues	<u>\$ 97,393</u>	<u>\$ 246</u>	<u>\$ 60,525</u>	<u>\$ 158,164</u>	<u>\$ 100</u>	<u>\$ 1,852</u>	<u>\$ -</u>
EXPENDITURES							
Current operating:							
General administration	\$ -	\$ 69	\$ -	\$ 69	\$ -	\$ -	\$ -
Public safety				-			
Public works				-			
Capital outlay and improvements	129,688		187,656	317,344			
Debt service:							
Principal payments					2,765,000	265,000	13,000
Interest and fiscal charges					124,596	128,223	2,050
Total expenditures	<u>\$ 129,688</u>	<u>\$ 69</u>	<u>\$ 187,656</u>	<u>\$ 317,413</u>	<u>\$ 2,889,596</u>	<u>\$ 393,223</u>	<u>\$ 15,050</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (32,294)</u>	<u>\$ 177</u>	<u>\$ (127,131)</u>	<u>\$ (159,249)</u>	<u>\$ (2,889,495)</u>	<u>\$ (391,371)</u>	<u>\$ (15,050)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ -	\$ 366,001	\$ 366,001	\$ 2,797,240	\$ 139,000	\$ 15,050
Transfers out		(295,001)		(295,001)	(146,947)	-	
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ (295,001)</u>	<u>\$ 366,001</u>	<u>\$ 71,000</u>	<u>\$ 2,650,293</u>	<u>\$ 139,000</u>	<u>\$ 15,050</u>
Net change in fund balances	<u>\$ (32,294)</u>	<u>\$ (294,825)</u>	<u>\$ 238,870</u>	<u>\$ (88,249)</u>	<u>\$ (239,202)</u>	<u>\$ (252,371)</u>	<u>\$ -</u>
Fund balances - beginning	<u>284,756</u>	<u>295,001</u>	<u>89,967</u>	<u>669,724</u>	<u>239,202</u>	<u>449,124</u>	<u>14,608</u>
Fund balances - ending	<u><u>\$ 252,461</u></u>	<u><u>\$ 177</u></u>	<u><u>\$ 328,837</u></u>	<u><u>\$ 581,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 196,753</u></u>	<u><u>\$ 14,608</u></u>

CITY OF TUSCUMBIA, ALABAMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVENMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Debt Service Funds (Cont'd)		Special Revenue Funds				
	Series 2009						
	G.O.		State Gas	State Gas	Special	Special	
	Warrants	Total	Tax (\$.07)	Tax (\$.04)	Funds	Corrections	Total
REVENUES							
Taxes	\$ -	\$ -	\$ 35,834	\$ 27,823	\$ -	\$ -	\$ 63,657
Fines and forfeitures						31,034	31,034
Intergovernmental							
Interest revenues	109	2,062	389	298	1,701	57	2,445
Proceeds from Bonds	2,712,832	2,712,832					
Other							
Total revenues	\$ 2,712,941	\$ 2,714,893	\$ 36,223	\$ 28,121	\$ 1,701	\$ 31,091	\$ 97,137
EXPENDITURES							
Current operating:							
General administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety							
Public works							-
Capital outlay and improvements			18,850				18,850
Debt service:							
Principal payments	13,685	3,056,685					
Interest and fiscal charges	-	254,869					
Total expenditures	\$ 13,685	\$ 3,311,553	\$ 18,850	\$ -	\$ -	\$ -	\$ 18,850
Excess (deficiency) of revenues over expenditures	\$ 2,699,256	\$ (596,660)	\$ 17,373	\$ 28,121	\$ 1,701	\$ 31,091	\$ 78,287
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 206,596	\$ 3,157,886	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	(2,709,858)	(2,856,805)				(33,996)	(33,996)
Total other financing sources (uses)	\$ (2,503,262)	\$ 301,081	\$ -	\$ -	\$ -	\$ (33,996)	\$ (33,996)
Net change in fund balances	\$ 195,994	\$ (295,579)	\$ 17,373	\$ 28,121	\$ 1,701	\$ (2,904)	\$ 44,291
Fund balances - beginning	-	702,934	194,009	142,538	103,526	28,757	468,830
Fund balances - ending	\$ 195,994	\$ 407,355	\$ 211,382	\$ 170,659	\$ 105,227	\$ 25,853	\$ 513,121