

CITY OF SCOTTSBORO, ALABAMA

FINANCIAL REPORT

SEPTEMBER 30, 2010

**CITY OF SCOTTSBORO
FINANCIAL REPORT
SEPTEMBER 30, 2010**

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Scottsboro, Alabama

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, with the exception of the Scottsboro City Board of Education and the Public Parks and Recreation Board, which were audited by other auditors as described below, each major fund, and the aggregate remaining fund information of the **City of Scottsboro, Alabama (the City)**, as of and for the year then ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **City of Scottsboro, Alabama's**, management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Scottsboro City Board of Education, which represent the amounts shown as the Component Unit – Scottsboro Board of Education, and the Public Parks and Recreation Board, which represent the amounts shown as the Component Unit - Public Parks and Recreation Board. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for Component Units – Scottsboro Board of Education and Public Parks and Recreation Board, 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. The financial statements of the Public Parks and Recreation Board and the Scottsboro Public Library, component units of the City, were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 our audit, and the reports of other auditors, provides a reasonable basis for our opinion.

In our opinion, based upon 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 Scottsboro, Alabama**, as of September 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General Fund 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 Schedule of Pension Plan Funding Progress, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Scottsboro's basic financial statements. The combining fund financial statements and schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Scottsboro, Alabama. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hunt, Croft and Associates, P.C.

July 26, 2011

CITY OF SCOTTSBORO, ALABAMA

Management's Discussion and Analysis Fiscal Year Ended September 30, 2010

As management of the City of Scottsboro (the "City"), we offer readers of the City's financial statements this narrative overview and analysis, Management's Discussion and Analysis (the "MD&A"), of the financial activities and financial position of the City for the fiscal year ended September 30, 2010. In the broadest sense, the financial health of a government lies in the underlying wealth and willingness of its citizens, businesses and property owners to pay adequate taxes combined with the leadership of the government's elected and appointed officials to spend the current period but well into the future. Financial reporting is limited in its ability to provide this "big picture" but rather focuses on financial position and changes in financial position. Therefore, the purpose of this MD&A is to provide a narrative about the transactions, events and conditions that are reflected in the government's financial report and of the fiscal policies that govern its operations. This analysis should be read in conjunction with the basic financial statements and notes thereto.

Fiscal 2010 Financial Highlights

Financial highlights of the year include the following:

Government-wide

- The City's total net assets were \$19,004,249 at September 30, 2010. Unrestricted net assets were \$(17,475,475). The negative unrestricted net assets reflect the inclusion of long-term liabilities incurred by the City to provide funds for the Scottsboro City School Board for the building of new schools, which are not included with the City's capital assets. The City's net assets decreased by \$(1,145,474). Government-wide revenue totaled \$22,189,192 for the year ended September 30, 2010, including \$5,913,722 in program revenue and \$16,075,455 in general revenue.
- Total government-wide governmental expenses were \$23,134,651.

Fund Level:

- Total Governmental Fund Balance increased \$3,449,386 in fiscal 2010 to \$17,403,785. Governmental Fund revenue totaled \$21,603,449, with total expenditures of \$22,312,159. General Fund revenue totaled \$18,597,382, with total expenditures of \$17,159,509, for an excess of revenue over expenditures of \$1,437,873. Total Other Financing Sources and (Uses) was \$(1,942,857). The decrease in the General Fund Balance was \$(504,984) for Fiscal 2010.

CITY OF SCOTTSBORO, ALABAMA

Management's Discussion and Analysis Fiscal Year Ended September 30, 2010

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Scottsboro's Annual Financial Report. The City's Basic Financial Report is comprised of three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report contains other supplementary information in addition to the basic financial statements themselves.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the city's financial activities and financial position.

Government-wide Financial Statements provide a longer term view of the City's activities as a whole and consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities using a full-accrual basis of accounting, similar to commercial enterprises. The Statement of Activities provides information about all the City's revenue and expense, also on a full-accrual basis, with the emphasis on measuring net revenue or expenditures of each of the City's programs. The Statement of Activities presents the changes in the net assets of the City for the year.

All of the City's activities are grouped into the following governmental activities: general government, public safety, streets, sanitation and landfill, recreation and culture, and education.

The Fund Financial Statements focus primarily on the short-term activities of the City's General Fund and Other Major Funds. Major Funds account for the major financial activities of the City and are presented individually while the activities of the Nonmajor Funds are presented in the aggregate. Supporting schedules, showing the individual aggregated Nonmajor funds, are provided as Supplementary Information. The Fund Financial Statements measure only current revenue and expenditures and the resulting changes in fund balances. They exclude capital assets, long-term debt and other long-term amounts.

The concept of Major Funds, and the determination of which funds are considered Major Funds, was established by GASB Statement 34, and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Nonmajor Funds aggregated and presented in a single column. The City's major funds for fiscal year 2010 are the General Fund, the Debt Service Fund, and

CITY OF SCOTTSBORO, ALABAMA

Management's Discussion and Analysis Fiscal Year Ended September 30, 2010

the Capital Projects Fund. Comparisons of budget and actual financial information are presented only for the General Fund as required by GASB 34.

Financial Activities of the City (Government-wide)

This analysis focuses on the net assets and changes in the net assets of the City's Governmental Activities, as presented in the Government-wide Statement of Net Assets and Statement of Activities:

	<u>2010</u>	<u>2009</u>
Current and other assets	\$25,128,699	\$21,454,534
Capital assets	<u>36,390,374</u>	<u>38,872,236</u>
Total assets	\$61,519,073	\$60,326,770
Long-term liabilities	\$39,959,118	\$37,498,553
Current liabilities	<u>2,555,706</u>	<u>2,678,494</u>
Total liabilities	\$42,514,824	\$40,177,047
Net assets		
Invested in capital assets, net of debt	\$29,562,236	\$22,515,503
Restricted	6,917,488	12,042,839
Unrestricted	<u>(17,475,475)</u>	<u>(14,408,619)</u>
Total net assets	\$19,004,249	\$20,149,723

CITY OF SCOTTSBORO, ALABAMA

**Management's Discussion and Analysis
Fiscal Year Ended September 30, 2010**

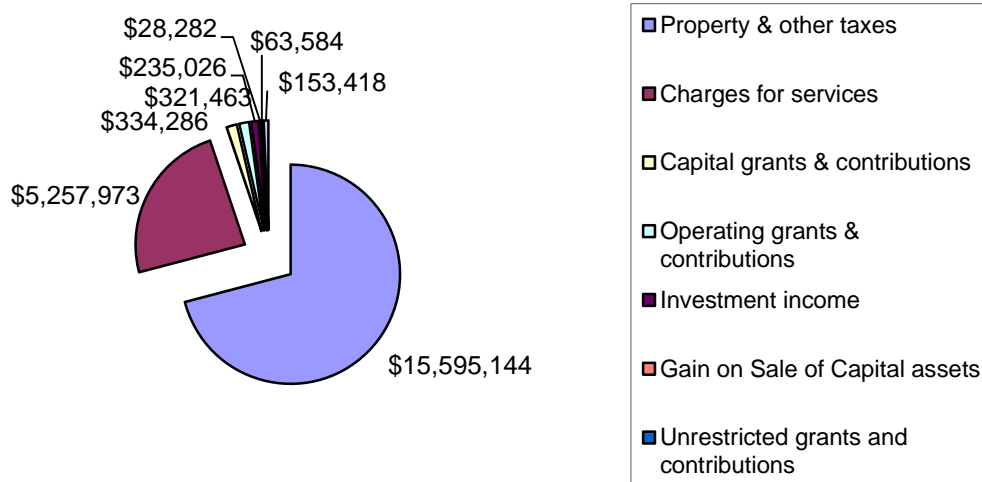
The City's net assets in the amount of \$19 million are largely attributable to the City's investment in capital assets. The City uses these capital assets to provide services and transportation infrastructure to citizens, businesses, and visitors. These assets are not available to finance future operations. Approximately \$7 million is restricted by state law and bond covenants for use in paying debt service, constructing capital assets, and maintaining and improving roads. The remaining balance is unrestricted net assets, a deficit of \$17.5 million. **The negative amount is due to the inclusion in long-term liabilities of \$20.4 million school warrants issued by the City to fund the City school board's construction and renovation of school buildings as well as long-term liabilities of \$4.5 million issued by the City for the Public Park and Recreation Board component unit.** The school bonds are paid from current and future City and county sales tax revenue budgeted by the City and by the school board, respectively. The payments on the Public Park and Recreation Board Debt are made by the City, which is reimbursed by the Public Park and Recreation Board.

	<u>2010</u>	<u>2009</u>
<u>Sources of Revenue</u>		
Program revenue		
Charges for services	\$5,257,973	\$5,240,866
Operating grants and contributions	321,463	720,802
Capital grants and contributions	<u>334,286</u>	<u>964,677</u>
	<u>5,913,722</u>	<u>6,926,345</u>
General revenue		
Property and other taxes	15,595,144	14,594,401
Unrestricted grants and contributions	63,584	10,050
Unrestricted investment income	235,026	281,040
Miscellaneous revenues	153,418	228,963
Gain on Sale of Capital Assets	<u>28,282</u>	<u>111,611</u>
	<u>16,075,455</u>	<u>15,226,065</u>
Total revenue	<u>21,989,177</u>	<u>22,152,410</u>
<u>Functional Expenses</u>		
General government	4,486,547	4,572,314
Public safety	7,649,280	7,019,913
Streets	3,289,493	3,069,958
Sanitation and landfill	2,704,385	2,718,959
Recreation and culture	1,496,859	1,441,092
Education	1,901,250	1,767,508
Interest on debt	1,606,837	1,477,327
Special items	<u>-0-</u>	<u>1,660,513</u>
Total expenses	<u>23,134,651</u>	<u>23,727,584</u>
Decrease in net assets	<u>(1,145,474)</u>	<u>(1,575,174)</u>
Net assets-beginning of year	<u>20,149,724</u>	<u>21,724,897</u>
Net assets-end of year	<u>\$19,004,249</u>	<u>\$20,149,724</u>

CITY OF SCOTTSBORO, ALABAMA

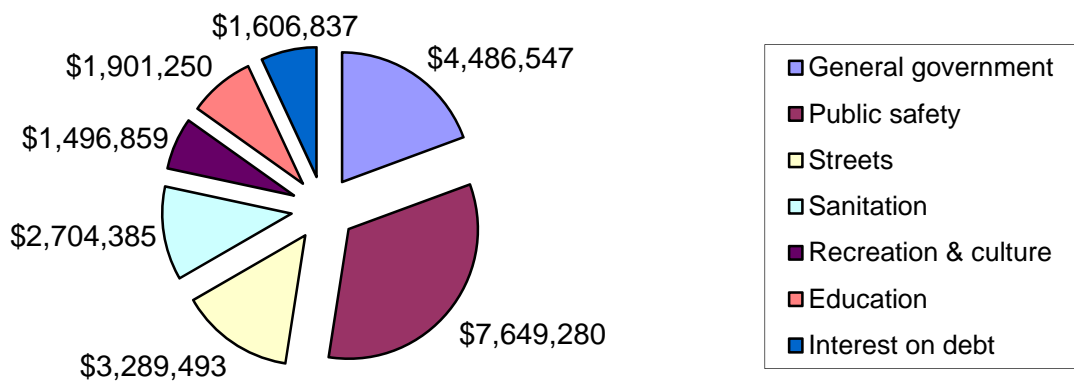
**Management’s Discussion and Analysis
Fiscal Year Ended September 30, 2010**

Revenue Sources



As the Source of Revenue chart above shows, 70% of the City’s fiscal 2010 governmental activities revenue came from property and other taxes, 1% came from other general revenue sources such as gain on sale of assets, unrestricted investment earnings, and reimbursements. The majority of the remainder of total revenue, 24% came from charges for services.

Functional Expenses



As the above graph shows, Public Safety is the largest activity, reflecting the City’s commitment to a safe community. Streets are also a substantial activity.

CITY OF SCOTTSBORO, ALABAMA

Management's Discussion and Analysis Fiscal Year Ended September 30, 2010

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 17,403,785, an increase of \$3,449,386, in comparison with the prior year. Approximately 73% of this total amount (\$12,693,220) constitutes unreserved fund balance, which is available for spending. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed or is not otherwise available as follows: inventory \$42,760, investments \$127,804, and long-term note receivable \$4,540,000.

The general fund is the chief operating fund of the City. At the end of the current year, unreserved fund balance of the general fund was \$3,708,017. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 22% of total general fund expenditures.

During the current fiscal year, the fund balance of the City's general fund decreased by \$504,984. It should be noted that this decrease includes transfers from the general fund to the debt service fund in the amount of \$2,431,576. In addition, capital outlay purchases totaling \$691,485 were made during the fiscal year.

The debt service fund has a total fund balance of \$9,128,887, all of which is to be used for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$97,088. Interest expenditures were \$1,463,770 and principal retirements during the year were \$2,070,000.

The capital projects fund has a total fund balance of \$4,046,227, all of which is reserved for various construction projects. The net increase in fund balance during the current year in the capital project fund was \$4,003,585, due to the issuance of debt of approximately that amount, the proceeds of which will be used in future years for the construction of soccer fields, tennis courts and a water park.

CITY OF SCOTTSBORO, ALABAMA

Management's Discussion and Analysis Fiscal Year Ended September 30, 2010

Capital Asset and Debt Administration

Capital assets- The City's investment in capital assets for its governmental type activities as of September 30, 2010 amounts to \$36,390,374 (net of accumulated depreciation).. This investment in capital assets includes land, buildings and structures, improvements, machinery and equipment, park facilities, and roads and bridges that were added during the current fiscal year. The total amount added to capital assets in 2010 was \$959,244. Depreciation expense, which is an estimate of the amount of the underlying capital asset's usefulness used during the year, decreases the net amount of capital assets reported on the Statement of Net Assets and was \$3,436,083 for 2010.

Long-term debt- At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$39,959,118, which is comprised entirely of debt backed by the full faith and credit of the City.

During the current fiscal year, the City's principal retirements of debt totaled \$2,070,000. Also, during the year the City issued its \$2,535,000 General Obligation Warrants, Series 2009A to refund the Variable Rate School Warrants, Series 1998 and its \$3,955,000 General Obligation Warrants, Series 2009B to refund the Solid Waste Lease Revenue Bonds, Series 2003 (the "2003 Warrants"), payoff existing capital leases for equipment, and to terminate an interest rate swap contract related to the 2003 Warrants.

The City issued its General Obligation Recovery Zone Economic Development Warrants, Series 2010A in the amount of \$4,145,000 during the year. The proceeds of this debt issue will be used for construction of soccer fields, tennis courts and a water park.

Budgetary Analysis-General Fund

Budgeted revenue for Fiscal 2010 was \$18,631,479 and actual revenue was \$18,597,382, which resulted in an unfavorable variance of \$(34,097). Budgeted expenditures were \$16,508,429 and actual expenditures were \$17,159,509, which resulted in an unfavorable variance of \$(651,080). Of this unfavorable variance, some \$563,732 was for various capital outlays. See page 17 for a detail of the budget versus actual comparison.

CITY OF SCOTTSBORO, ALABAMA

Management's Discussion and Analysis Fiscal Year Ended September 30, 2010

Economic Factors and Next Year's Budgets and Rates

The City continues to employ personnel from the local area pool, trying to help decrease the high unemployment that exists in Jackson County. That rate for the past year reached over 10.1%. Inflation continues to rise at the same rate as nationwide. Due to this rise in inflation, our budget needs have also continued to rise. Our department heads, along with the Mayor and Council, have managed to keep this rise as low as possible without any loss of services to the citizens of Scottsboro. Over the past year sales taxes increased by 3.62% from 2009. We have maintained the same level of personnel allowing our citizens the same quality of services. The economy in and around our area has been stable to the extent that our receipts have not dropped off as much as the majority of the rest of the state. During the year citizens seemed to be more conservative with spending, only spending funds for essentials. We have new facilities at all major locations at the present time. The 2009-2010 budget was prepared being very conservative due to the reduction in receipts for 2008. Budget expenditures were kept at the 2007-2008 level in most cases with some reductions being made where possible. We continue to be conservative and to monitor and control cost on a daily basis which allows us to quickly control any areas that may develop problems. As personnel leave we are slow to fill the vacant positions, being conservative in that respect. We received a grant from the State of Alabama to install a Gas Collection System with an agreement that the City would purchase a Generator to produce Electricity from Gas generated from our Landfill. This system after paying off the borrowed funds for the Generator should generate income in the range of \$250,000 to \$ 300,000 annually. This will be a nice increase to our revenues.

Requests for Information

The preparation of this financial report was made possible by the dedicated service of our finance department staff and our auditors, Gant, Croft, & Associates, CPAs. We wish to express our appreciation to them. Further, we wish to thank the City Council for their continued support as we strive to excel in financial reporting.

This financial report is designed to provide a general overview of the City of Scottsboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Scottsboro, Attn: Finance Director
316 S. Broad Street, Scottsboro, Alabama 35768

City of Scottsboro, Alabama
Statement of Net Assets
September 30, 2010

	Primary	Component Units		
	Government			
	Governmental	Public Park	Scottsboro	Public
	Activities	& Recreation	Board of	Library
		Board	Education	
ASSETS				
Cash and cash equivalents	\$ 2,395,543	\$ 369,201	\$ 2,195,841	\$ 132,991
Taxes receivable	3,845,389	-	-	-
Accounts receivable	1,041,993	46,144	14,120	-
Certificates of deposit	720,353	-	-	-
Restricted cash and investments	9,733,085	-	-	-
Other receivables	-	43,579	-	-
Prepaid expenses	207,819	16,155	-	3,212
Inventories	41,860	42,708	58,051	-
Internal balances	0	-	-	-
Due from other governmental units	-	113,404	1,163,979	-
Other assets	970,831	173,585	-	-
Note receivable	4,540,000	-	-	-
Investment in land	1,631,826	-	-	-
Capital assets not being depreciated	4,283,743	2,146,730	1,250,285	-
Capital assets being depreciated (net)	32,106,631	3,137,465	30,960,169	222,494
	<u>\$ 61,519,073</u>	<u>\$ 6,088,971</u>	<u>\$ 35,642,445</u>	<u>\$ 358,697</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,603,751	\$ 168,914	\$ 1,841,492	\$ 1,719
Deposits	-	2,398	-	-
Due to Scottsboro City Board of Education	488,608	-	-	-
Accrued interest payable	453,583	6,617	-	-
Deferred revenue	9,764	189,615	30,356	-
Long-term liabilities:				
Due within one year	2,110,360	726,796	91,713	-
Due in more than one year	37,848,758	3,930,578	98,714	-
	<u>\$ 42,514,824</u>	<u>\$ 5,024,918</u>	<u>\$ 2,062,275</u>	<u>\$ 1,719</u>
NET ASSETS				
Invested in capital assets, net of related debt	\$ 29,562,236	\$ 763,505	\$ 32,210,454	\$ 222,494
Restricted for capital projects	-	-	851,980	-
Restricted for capital improvements	169,906	-	-	-
Restricted for debt service	6,505,124	-	-	-
Restricted for roads	122,768	-	-	-
Restricted for cemetery improvements	44,648	-	-	-
Restricted for city jail and court costs	75,042	-	-	-
Unrestricted	(17,475,475)	300,548	517,736	134,484
	<u>\$ 19,004,249</u>	<u>\$ 1,064,053</u>	<u>\$ 33,580,170</u>	<u>\$ 356,978</u>
	<u>\$ 61,519,073</u>	<u>\$ 6,088,971</u>	<u>\$ 35,642,445</u>	<u>\$ 358,697</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

City of Scottsboro, Alabama
Statement of Activities
For the Year Ended September 30, 2010

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Public Park & Recreation Board	Scottsboro Board of Education	Public Library
Primary government								
Governmental activities								
General government	\$ (4,486,547)	\$ 1,093,620	\$ 130,991	\$ 237,067	\$ (3,024,869)			
Public Safety	(7,649,280)	954,843	(7,095)	13,924	(6,687,608)			
Streets	(3,289,493)	13,114	197,567	83,295	(2,995,517)			
Sanitation	(2,704,385)	2,810,580	-	-	106,195			
Recreation & culture	(1,496,859)	385,816	-	-	(1,111,043)			
Education (payments to school board)	(1,901,250)	-	-	-	(1,901,250)			
Interest on debt	(1,606,837)	-	-	-	(1,606,837)			
Total governmental activities	<u>\$ (23,134,651)</u>	<u>\$ 5,257,973</u>	<u>\$ 321,463</u>	<u>\$ 334,286</u>	<u>\$ (17,220,929)</u>			
Total primary government	<u>\$ (23,134,651)</u>	<u>\$ 5,257,973</u>	<u>\$ 321,463</u>	<u>\$ 334,286</u>	<u>\$ (17,220,929)</u>			
Component units								
Public Park & Recreation Board	\$ (3,101,864)	\$ 3,085,783	\$ -	\$ -	\$ -	\$ (16,081)	\$ -	\$ -
Scottsboro Board of Education	(29,579,574)	1,709,051	18,221,523	1,602,205	-	-	(8,046,795)	-
Scottsboro Public Library	(309,544)	18,400	273,794	-	-	-	-	(17,350)
Total component units	<u>\$ (32,990,982)</u>	<u>\$ 4,813,234</u>	<u>\$ 18,495,317</u>	<u>\$ 1,602,205</u>	<u>\$ -</u>	<u>\$ (16,081)</u>	<u>\$ (8,046,795)</u>	<u>\$ (17,350)</u>
General revenues:								
Taxes								
Sales Taxes					\$ 9,419,040	\$ -	\$ 2,517,045	\$ -
Property Taxes, levied for general purposes, and payments in lieu of tax					2,909,181	-	1,937,194	-
Property Taxes, levied for debt service					2,294,186	-	-	-
Franchise Fees					220,484	-	-	-
Other Taxes					752,253	-	967,710	-
Total Taxes					<u>15,595,144</u>	<u>-</u>	<u>5,421,949</u>	<u>-</u>
Grants and contributions not restricted to specific purposes					63,584	-	557,853	-
Unrestricted investment earnings					235,026	2,786	94,392	-
Miscellaneous revenues					153,418	-	34,946	-
Gain on Sale of Capital Assets					28,282	-	-	-
Transfers					-	-	-	10,160
Special Item - Payments on Debt of Industrial Development Bd					-	-	-	-
Total general revenues, transfers and special items					<u>\$ 16,075,455</u>	<u>\$ 2,786</u>	<u>\$ 6,109,140</u>	<u>\$ 10,160</u>
Change in net assets					<u>\$ (1,145,474)</u>	<u>\$ (13,295)</u>	<u>\$ (1,937,655)</u>	<u>\$ (7,190)</u>
Net assets, beginning-as originally reported					\$ 20,149,724	\$ 1,077,348	\$ 35,494,594	\$ 364,168
Prior period adjustment					-	-	23,231	-
Net assets, beginning-as restated					<u>\$ 20,149,724</u>	<u>\$ 1,077,348</u>	<u>\$ 35,517,825</u>	<u>\$ 364,168</u>
Net assets, ending					<u>\$ 19,004,249</u>	<u>\$ 1,064,053</u>	<u>\$ 33,580,170</u>	<u>\$ 356,978</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements

City of Scottsboro, Alabama
Balance Sheet-Governmental Funds
September 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 2,900,844	\$ -	\$ -	\$ 215,406	\$ 3,116,251
Taxes receivable	1,866,353	-	1,916,242	62,794	3,845,389
Other receivables, net	1,045,515	18,151	-	8,060	1,071,726
Prepaid items	207,709	-	-	-	207,709
Due from Other Governmental Funds	58,276	-	279,205	15,000	352,481
Restricted cash and investments	774,717	4,063,548	4,798,289	96,532	9,733,086
Inventories	42,760	-	-	-	42,760
Due from other governmental units	4,911	-	-	-	4,911
Deposits	110	-	-	-	110
Note receivable	-	-	4,540,000	-	4,540,000
	<u>\$ 6,901,195</u>	<u>\$ 4,081,699</u>	<u>\$ 11,533,737</u>	<u>\$ 397,792</u>	<u>\$ 22,914,423</u>

LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,769,820	\$ 20,472	\$ -	\$ 1,527	\$ 1,791,819
Due to Scottsboro City Board of Educati	-	-	451,250	-	451,250
Due to Other Governmental Funds	326,304	15,000	-	46,176	387,480
Public Park & Recreation Board Escrow	-	-	37,358	-	37,358
Deferred revenue	926,490	-	1,916,242	-	2,842,732
	<u>\$ 3,022,614</u>	<u>\$ 35,472</u>	<u>\$ 2,404,850</u>	<u>\$ 47,702</u>	<u>\$ 5,510,638</u>

FUND BALANCE					
Reserved for:					
Inventory	\$ 42,760	\$ -	\$ -	\$ -	\$ 42,760
Investments	127,804	-	-	-	127,804
Long-term note receivable	-	-	4,540,000	-	4,540,000
Unreserved & undesignated, reported in:					
General fund	3,708,017	-	-	-	3,708,017
Capital projects fund	-	4,046,227	-	-	4,046,227
Debt service fund	-	-	4,588,887	-	4,588,887
Special revenue funds	-	-	-	350,089	350,089
	<u>\$ 3,878,581</u>	<u>\$ 4,046,227</u>	<u>\$ 9,128,887</u>	<u>\$ 350,089</u>	<u>\$ 17,403,785</u>
	<u>\$ 6,901,195</u>	<u>\$ 4,081,699</u>	<u>\$ 11,533,737</u>	<u>\$ 397,792</u>	

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	\$ 38,022,200
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	2,842,732
Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the funds	(39,264,468)
Net assets of governmental activities	<u>\$ 19,004,249</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

City of Scottsboro, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds
For the Year Ended September 30, 2010

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes and payments in lieu of tax	\$ 13,199,271	\$ -	\$ 2,067,075	\$ 357,434	\$ 15,623,780
Charges for services	3,168,973	-	-	-	3,168,973
Intergovernmental	73,199	-	90,357	158,042	321,598
Licenses & permits	854,799	-	-	-	854,799
Grant Income	135,719	100,967	-	37,000	273,686
Fees & fines	285,807	-	-	-	285,807
Investment earnings	114,268	177	113,191	7,397	235,034
Other Income	765,346	-	-	74,426	839,772
	<u>\$ 18,597,382</u>	<u>\$ 101,144</u>	<u>\$ 2,270,623</u>	<u>\$ 634,300</u>	<u>\$ 21,603,449</u>
Expenditures					
Current					
General government	\$ 3,048,075	\$ -	\$ 7,446	\$ 10,392	\$ 3,065,913
Public safety	6,688,857	-	-	-	6,688,857
Street	3,200,269	-	-	-	3,200,269
Sanitation & landfill	1,814,421	-	-	-	1,814,421
Recreation	1,240,559	-	-	48,667	1,289,226
Education	450,000	-	1,451,250	-	1,901,250
Debt service					
Principal	10,123	-	2,070,000	-	2,080,123
Interest	15,720	-	1,463,770	-	1,479,490
Capital projects construction and outlay	691,485	101,125	0	-	792,610
	<u>\$ 17,159,509</u>	<u>\$ 101,125</u>	<u>\$ 4,992,466</u>	<u>\$ 59,059</u>	<u>\$ 22,312,159</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,437,873</u>	<u>\$ 19</u>	<u>\$ (2,721,843)</u>	<u>\$ 575,241</u>	<u>\$ (708,710)</u>
Other financing sources/uses					
Transfers to Industrial Development Board	\$ (60,818)	\$ -	\$ -	\$ -	\$ (60,818)
Issuance of long-term debt	-	4,145,000	6,490,000	-	10,635,000
Payment of Debt Issuance Costs	-	(141,434)	(100,806)	-	(242,240)
Payoff of Capital Leases	-	-	(507,566)	-	(507,566)
Payment of Termination Fee-2003 SWDA Rev Warrants Interest Swap	-	-	(216,863)	-	(216,863)
Transfer to Refd Bond Escrow Agent	-	-	(5,625,000)	-	(5,625,000)
Proceeds from sale of capital assets	33,306	-	-	-	33,306
Principal and Interest payments received from Public Park & Rec Bd component Unit	-	-	153,414	-	153,414
Transfers from other funds	1,332,102	-	2,431,576	10,000	3,773,678
Transfers to other funds	(3,247,447)	-	-	(537,368)	(3,784,815)
	<u>\$ (1,942,857)</u>	<u>\$ 4,003,566</u>	<u>\$ 2,624,755</u>	<u>\$ (527,368)</u>	<u>\$ 4,158,096</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (504,984)</u>	<u>\$ 4,003,585</u>	<u>\$ (97,088)</u>	<u>\$ 47,873</u>	<u>\$ 3,449,386</u>
Fund balance, beginning of year-as originally reported	4,768,308	(342,101)	9,225,975	302,217	13,954,399
Prior period adjustment	(384,743)	384,743	-	-	-
Fund balance, beginning of year	<u>4,383,565</u>	<u>42,642</u>	<u>9,225,975</u>	<u>302,217</u>	<u>13,954,399</u>
Fund balance, end of year	<u>\$ 3,878,581</u>	<u>\$ 4,046,227</u>	<u>\$ 9,128,887</u>	<u>\$ 350,089</u>	<u>\$ 17,403,785</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

City of Scottsboro, Alabama
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

Net changes in fund balances - total governmental funds per
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds \$ 3,449,386

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays capitalized	959,244
Depreciation	(3,436,083)

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.

Issuance of debt	(10,635,000)
Payment of debt issuance costs	242,240
Payoff of capital leases	507,566
Transfer to refunded bonds escrow agent	5,625,000
Principal payments	2,080,123

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 the governmental funds.

Increase in landfill closure and postclosure care cost accrual	(162,997)
Increase in OPEB liability accrual	(65,277)
Amortization of bond issue costs	(62,628)
Amortization of bond premiums/discounts	25,763
Increase in accrued interest payable	(58,214)

Some expenditures in the governmental funds benefit future periods and are deferred in the Statement of Net Assets and amortized over a future period and expensed in the Statement of Activities. This is the amount of expenditures in the governmental funds statements that was deferred in the Statement of Net Assets, less the current year amortization of such costs

	186,369
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Some revenues reported in the statement of activities do not provide current financial resources. Therefore, these revenues are deferred in the governmental funds.

Increase in accrued taxes receivable	204,058
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Governmental funds report proceeds from the sale of assets as revenues or other financing sources. However, in the Statement of Activities, the original cost of the underlying assets sold, less the accumulated depreciation of the assets taken through the date of sale, reduces the sales proceeds to arrive at a gain or loss on sale. This is the amount by which sales proceeds exceeded the gain on sale of the assets.

Proceeds from sale of assets	(33,306)
Gain on sale of assets	28,282

Change in net assets of governmental activities per Statement of Activities	<u>\$ (1,145,474)</u>
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The accompanying Notes to Financial Statements are an integral part of these financial statements.

City of Scottsboro, Alabama
Statement of Fiduciary Net Assets
September 30, 2010

Scottsboro Public Library
A Component Unit

	Endowment Fund	Retirement Fund	Total
ASSETS			
Deposits			
General	\$ 42,025	\$ 24,765	\$ 66,790
Christine Jones Trust	80,127	-	80,127
Rudolph Jones Trust	5,102	-	5,102
Jane Hodges Foundation	70,023	-	70,023
Total Deposits	<u>\$ 197,277</u>	<u>\$ 24,765</u>	<u>\$ 222,042</u>
Investments			
Christine Jones Trust	\$ 23,066	\$ -	\$ 23,066
Rudolph Jones Trust	17,571	-	17,571
Retirement Fund	-	15,015	15,015
Total Investments	<u>\$ 40,637</u>	<u>\$ 15,015</u>	<u>\$ 55,652</u>
Total Assets	<u>\$ 237,914</u>	<u>\$ 39,780</u>	<u>\$ 277,694</u>
NET ASSETS			
Reserved for Investing	\$ 237,914	\$ -	\$ 237,914
Reserved for employee benefits	-	39,780	39,780
Total Net Assets	<u>\$ 237,914</u>	<u>\$ 39,780</u>	<u>\$ 277,694</u>
Additions			
Program Revenue			
Interest	\$ 11,363	\$ 1,200	\$ 12,563
Investment Earnings			-
Net Decrease in Fair Value of Investments	1,637	1,015	2,652
Excess of Support and Revenue Over Expenses and Other Uses	<u>\$ 13,000</u>	<u>\$ 2,215</u>	<u>\$ 15,215</u>
Other Financing Uses			
Operating Transfers to Other Funds	\$ (7,807)	\$ (2,353)	\$ (10,160)
Net Assets at Beginning of Year	\$ 232,721	\$ 39,918	\$ 272,639
Net Assets at End of Year	<u>\$ 237,914</u>	<u>\$ 39,780</u>	<u>\$ 277,694</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

City of Scottsboro, Alabama
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual - General Fund
For the Year Ended September 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes	\$ 12,940,000	\$ 12,940,000	\$ 13,199,271	\$ 259,271
Licenses & permits	918,750	918,750	854,799	(63,951)
Intergovernmental	110,200	75,200	73,199	(2,001)
Charges for services	3,162,900	3,166,125	3,168,973	2,848
Fees & fines	336,500	336,500	285,807	(50,693)
Grant Income	-	307,523	135,719	(171,804)
Unclassified	91,200	712,381	765,346	52,965
Investment earnings	175,000	175,000	114,268	(60,732)
	<u>\$ 17,734,550</u>	<u>\$ 18,631,479</u>	<u>\$ 18,597,382</u>	<u>\$ (34,097)</u>
Expenditures				
Current				
General government	\$ 2,750,270	\$ 3,039,441	\$ 3,048,075	\$ (8,634)
Public safety	6,616,386	6,627,227	6,688,857	(61,630)
Street	2,952,692	3,201,480	3,200,269	1,211
Sanitation & landfill	1,844,515	1,844,520	1,814,421	30,099
Recreation	1,217,703	1,218,008	1,240,559	(22,551)
Education	450,000	450,000	450,000	-
Debt service	-	-	25,843	(25,843)
Capital outlay	-	127,753	691,485	(563,732)
	<u>\$ 15,831,566</u>	<u>\$ 16,508,429</u>	<u>\$ 17,159,509</u>	<u>\$ (651,080)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,902,984</u>	<u>\$ 2,123,050</u>	<u>\$ 1,437,873</u>	<u>\$ (685,177)</u>
Other financing sources/uses				
Proceeds from Sales of Capital Assets	\$ 2,500	\$ 5,081	\$ 33,306	\$ 28,225
Transfers to Industrial Development Board	-	-	(60,818)	(60,818)
Oper transfers (to) from other funds	(2,251,209)	(2,251,209)	(1,915,345)	335,864
	<u>\$ (2,248,709)</u>	<u>\$ (2,246,128)</u>	<u>\$ (1,942,857)</u>	<u>\$ 303,271</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (345,725)</u>	<u>\$ (123,078)</u>	<u>\$ (504,984)</u>	<u>\$ (381,906)</u>

The accompanying Notes to Financial Statements are an integral part of these financial statements.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Scottsboro (the “City”) is a municipal corporation incorporated under the laws of the State of Alabama. The City operates under the Mayor-Council form of government as provided by Act. No. 85-926 of the Alabama Legislature, now codified as Sections 11-43B-1 et seq. of the Code of Alabama 1975 (The Mayor-Council Act), and is comprised of a Mayor and a five-member council (elected at large).

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes the ultimate authority of GAAP for state and local governmental units. The more significant of the City’s accounting policies are described below.

As required by GAAP, these financial statements present the City and its component units, legally separate entities, for which the City is considered to be financially accountable. The City has no blended component units. On the other hand, the City does have three discretely presented component units. The component units have September 30 year-ends.

- Scottsboro City Board of Education – The five members of the Board of Education are elected and are responsible for the general administration and supervision of the public schools within the City. The Board of Education is an agency of the State of Alabama under the general supervision and financial jurisdiction of the Alabama State Department of Education. The City is obligated in some manner for the debt of the Board of Education and receives sales tax revenue as part of several funding agreements with the Board of Education.

Complete financial statements for the Board of Education may be obtained at the following administrative office:

Scottsboro City Board of Education
305 South Scott Street
Scottsboro, Alabama 35768

- The Public Park and Recreation Board of the City of Scottsboro, Alabama – The Public Park and Recreation Board of the City of Scottsboro, Alabama (the “Board”) is organized and operates as a nonprofit corporation under the provisions of the State of Alabama Acts 1967, Ex. Sess., No. 128 and is exempt from income taxes and applicable provisions of the Internal Revenue Code and the Code of Alabama. The Board oversees Goose Pond Colony, a recreation and vacation facility located in Scottsboro, Alabama.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 1 - Summary of Significant Accounting Policies – continued

Complete financial statements for the Board may be obtained at the following administrative office:

Public Park and Recreation Board
c/o Scottsboro City Hall
316 South Broad Street
Scottsboro, Alabama 35768

- The Scottsboro Public Library (the Library) is a component unit of the City of Scottsboro, Alabama, due to the operational and financial relationship that exists between the two entities. The members of the Library's Board of Trustees are appointed by the City Council and the City provided approximately 60% of the Library's revenue for the year ended September 30, 2010.

Complete financial statements for the Library may be obtained at the following administrative office:

Scottsboro Public Library
1002 South Broad Street
Scottsboro, Alabama 35768

Related Organizations

The City is also responsible for appointing a voting majority of the boards of other organizations, but the City's financial accountability for these organizations does not extend beyond making the appointments, or the financial resources and obligations of these organizations are immaterial. The City appointed a voting majority of the following boards: Scottsboro Electric Power Board, Scottsboro Water, Sewer and Gas Board, Scottsboro Housing Authority, The Scottsboro Industrial Development Board and others. These organizations are related organizations, which have not been included in the reporting entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. Government-wide financial statements focus on the City as a whole, and are designed to allow the users of financial reports to assess the City's *operational accountability*. The fund financial statements focus on major individual funds, and are designed to demonstrate the City's *fiscal accountability*. Operational accountability refers to the City's responsibility to report the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet those objectives for the foreseeable future. Fiscal accountability is the City's responsibility to demonstrate that its actions in the current period have complied with public decisions concerning the raising and spending of public monies in the short term (usually one budgetary cycle or year).

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The City does not currently have any activities accounted for as *business-type activities*. In addition, the primary government is reported separately from component units.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 1 - Summary of Significant Accounting Policies – continued

The government-wide statement of activities reflects both the gross and net costs per functional category (i.e., general government, public safety, etc.) by offsetting direct expenses with program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes 1) charges to customers or others who purchase, use, or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The fund financial statements provide separate financial statements for governmental funds and fiduciary funds (even though fiduciary funds are excluded from the government-wide financial statements). The emphasis of the fund financial statements is on the City's major funds, and each major fund is reported in a separate column. Non-major funds of each type are summarized into a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when the related liability is incurred. Property taxes are recognized as revenue 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 met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as they are both measurable and available. Revenue is considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded 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.

Property taxes, sales and use taxes, beer taxes, occupational taxes, lodging taxes, rental and leasing taxes, payments in lieu of taxes, intergovernmental revenue and interest associated with the current fiscal period are all considered to be subject to accrual and so have been recognized as revenue of the current fiscal year. All other revenue is considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the primary operating fund of the City. General tax revenue and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. Expenditures applicable to the general operations of the City are paid from the general fund.

The **Debt Service Fund** accounts for the payment of principal and interest on long-term debt.

The **Capital Projects Fund** accounts for the proceeds of certain capital debt and for the portion of sales and use taxes that are earmarked for capital purposes.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 1 - Summary of Significant Accounting Policies – continued

Additionally, the City reports the following fund types:

The City's non-major **Special Revenue Funds** are used to account for resources that are legally restricted to expenditure for specific purposes, not including those accounted for in capital projects funds or debt service funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict the guidance of the GASB.

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.

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

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Cash includes cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the City. State statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, U.S. corporate stock, U.S. corporate debt, State of Alabama Government obligations, County Government obligations, and other Municipal Government obligations. All investments are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending and borrowing arrangements, as well as all other outstanding balances between funds at year-end, are referred to as either due to/from other funds.

All receivables are shown net of an allowance for uncollectable accounts, if applicable.

Property taxes are assessed by the Jackson County Tax Assessor and collected by the Jackson County Tax Collector. The Jackson County Property tax calendar specifies the following actions on the following dates:

Levy	September 30
Lien date	September 30
Due date	October 1
Collection dates	October 1 to December 31
Delinquent date	January 1

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 1 - Summary of Significant Accounting Policies – continued

Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Deferred Charges

In the government-wide financial statements, long-term debt issuance costs are deferred and amortized over the term of the related debt. In governmental fund financial statements, these costs are reported as expenditures in the year the debt is issued.

Capital Assets

Capital outlays are recorded as expenditures in governmental fund financial statements. In contrast, capital assets, which include land, building, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets are defined by the City as assets with an estimated useful life in excess of one year and with an individual cost of at least \$500. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land	Not Depreciated
Construction in progress	Not Depreciated
Buildings	40 years
Improvements	10-30 years
Equipment	1-7 years
Infrastructure	20 years

Compensated Absences

City employees earn sick leave at the rate of one-half day per month of service for up to five years of service. After five years, one day per month is accumulated up to 190 days. Upon separation from service, all sick-leave is cancelled and is not transferable unless the employee meets service retirement qualifications. Employees retiring at age 60 with ten years, or twenty-five years of service regardless of age, are entitled to convert unused accrued sick leave to retirement credit.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 1 – Summary of Significant Accounting Policies – continued

All full-time employees accumulate annual leave as follows:

After 12 months of service	5 days
2 to less than 10 years	10 days per year
10 to less than 16 years	15 days per year
16 to less than 18 years	18 days per year
More than 18 years	20 days per year

Permanent part-time employees receive annual leave proportional to hours worked to a 40-hour week. Only five days of accumulated leave may be carried forward. Employees accruing annual leave in excess of fifteen days have the option of applying the excess days to sick leave accrual toward retirement or receiving pay for qualified annual days in excess of fifteen days per calendar year up to a maximum paid of ten days. Accumulated leave is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City reports a liability in the government-wide statements only for the pay for qualified annual days in excess of fifteen days per calendar year.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums, discounts, and deferred amounts on refunding transactions are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the unamortized portion of these amounts. Long-term obligations are not reported in governmental funds.

Net Assets/Fund Equity

Net assets are reported in the government-wide financial statements and are classified into the following categories:

- Invested in capital assets, net of related debt,
- Restricted, and
- Unrestricted

Restricted net assets are those whose use by the City is subject to externally imposed stipulations that can be fulfilled by actions of the City or that expire with the passage of time. Unrestricted net assets are not subject to external restrictions but may be designated for specific purposes by the City's management or the City Council.

In the governmental fund financial statements, the City reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements

September 30, 2010

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

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the statement of net assets. One element of that reconciliation explains that long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds. The details of this difference are as follows:

Long-term debt	\$ (38,430,000)
Less: Deferred charge for issuance costs (to be amortized over the life of the debt)	970,831
Less: Deferred loss on early retirement of debt, net of amortization	268,900
Issuance discounts and premiums (to be amortized as interest expense)	(322,407)
Due to State of Alabama HUD Section 108 Loan	(255,000)
Compensated Absences	(161,551)
Accrued interest payable	(453,593)
Landfill closure and post-closure care	(751,104)
Net OPEB Obligation	(130,544)
Net adjustment to reduce fund balance-total governmental funds to arrive at net assets-governmental activities	<u>\$ (39,264,468)</u>

Note 3 – Stewardship, Compliance, and Accountability

Budgetary Information

The City follows these procedures in adopting its annual budgets:

1. The City adopts a formal budget, annually, as a management control device during the year for the General Fund. Formal budgetary integration is not employed for special revenue funds and capital project funds because effective budgeting control is achieved through approved transfers to other funds, grant agreements, and contracts. Also, formal budgetary integration is not employed for the Debt Service Fund, other than through budgeting within the General Fund through operating transfers, because effective budgetary control is achieved through general obligation bond indenture provisions and the General Fund budgeted transfers. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. The Mayor is responsible for preparing the General Fund budget for the coming fiscal year. The budget is then legally adopted through the passage of a resolution. The Mayor is authorized to transfer budgeted amounts between funds; however, any unbudgeted transfers between funds must be approved by the City Council.
3. Budgeted amounts are as originally adopted, or as amended by the city Council during the year.

Excess of Expenditures over Appropriations

The City's general fund expenditures exceeded appropriations by \$304,984 for the year ended September 30, 2010, due to expenditures for capital outlays during the year.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 3 – Stewardship, Compliance, and Accountability (continued)

Deficit Fund Balance

At September 30, 2010, no fund had a deficit fund balance.

Note 4 – Deposits and Investments

Custodial Credit Risk

This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City participates in a collateral risk pool (Security for Alabama Funds Enhancement (SAFE)) program. The pool is administered by the State of Alabama Office of the State Treasurer and was established to protect public deposits in excess of FDIC coverage. Bank deposits are collateralized by securities held in the risk pool. Under the SAFE program, participating banks pledge securities to the State Treasurer for the SAFE collateral pool.

Interest Rate Risk

The City does not have a formal investment policy that limits investment securities as a means of managing its exposure to fair-value losses arising from increasing interest rates.

The City's deposits, including certificates of deposit, were fully insured or collateralized as required by state statutes at September 30, 2010.

At September 30, 2010, the entire bank balances of the City's component units, the Scottsboro City Board of Education, the Scottsboro Public Library, and the Public Park and Recreation Board of the City of Scottsboro, were fully covered by federal depository insurance or the SAFE Program.

Assets held in the Debt Service Funds are considered restricted in accordance with applicable trust indentures. Assets in the Capital Projects Fund are considered restricted for approved projects. Assets in the Gas Tax Funds are restricted for street construction, repairs, and maintenance.

Investments

Investments of the component unit Scottsboro Public Library' fiduciary fund at September 30, 2010, consisted of mortgage-backed debt securities with fair values totaling \$55,652. The cost of these investments was \$53,000. Of these investments, \$44,835 was invested in securities having a rating of AAA (Moody's), \$4,961 in securities having a rating of AA2 (Moody's), and \$5,856 in securities having a rating of A1 (Moody's). These investments are reported in the Statement of Fiduciary Net Assets under "Investments".

CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 5 – Receivables

Receivables of the City’s governmental funds and component units in the aggregate were as follows at year-end:

	Primary Government	Park & Rec Board	Board of Education
Taxes receivable	\$ 3,845,389	\$ 0	\$ 0
Accounts receivable	1,271,726	46,144	14,120
Intergovernmental receivables	4,911	113,404	1,163,979
Net receivables	<u>\$5,122,026</u>	<u>\$ 159,548</u>	<u>\$ 1,178,099</u>

The City reports revenue net of uncollectible amounts. The component units do not have significant uncollectible receivables; therefore, no allowance is reported.

Mortgage Note Receivable

The City holds mortgage notes from the Public Park and Recreation Board with a balance of \$4,540,000 as of September 30, 2010. The debt is secured by the Board’s real estate assets. The original mortgage was executed in 1998 and amended in 1999 and 2005 as prior debt was refunded and new debt was incurred.

Note 6 – Capital Assets

The following table summarizes the changes in capital assets during the year:

	Balance September 30, <u>2009</u>	Additions/ <u>Completions</u>	Retirements <u>Adjustments</u>	Balance September 30, <u>2010</u>
Capital assets not being depreciated				
Land	\$ 4,162,561	\$ 60,000	\$ -	\$ 4,222,561
Construction in progress	285,148	53,602	(277,568)	61,182
Total capital assets not being depreciated	<u>4,447,709</u>	<u>113,602</u>	<u>(277,568)</u>	<u>4,283,743</u>
Capital assets being depreciated				
Buildings and capital facilities	20,545,837	210,623	-	20,756,460
Equipment and improvements	17,925,582	504,220	(154,196)	18,275,606
Infrastructure	41,298,492	408,368	-	41,706,860
Total capital assets being depreciated	<u>79,769,911</u>	<u>1,123,211</u>	<u>(154,196)</u>	<u>80,738,926</u>
Less accumulated depreciation				
Buildings and capital facilities	4,442,247	835,019	-	5,277,266
Equipment and improvements	11,268,972	1,082,039	(149,175)	12,201,836
Infrastructure	29,634,165	1,519,028	-	31,153,193
Total accumulated depreciation	<u>45,345,384</u>	<u>3,436,086</u>	<u>(149,175)</u>	<u>48,632,295</u>
Total capital assets being depreciated, net	<u>34,424,527</u>	<u>(2,312,875)</u>	<u>(5,021)</u>	<u>32,106,631</u>
Total capital assets, net	<u>\$ 38,872,236</u>	<u>\$ (2,199,273)</u>	<u>\$ (282,589)</u>	<u>\$ 36,390,374</u>

CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 6 – Capital Assets – continued

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

General government	\$ 1,372,986
Public safety	699,308
Streets	176,600
Sanitation and landfill	746,566
Culture and recreation	440,623
Total depreciation expense-governmental activities	<u>\$ 3,436,083</u>

Construction Commitments:

The City had active construction projects at the end of the fiscal year. At year end, the City's commitments related to these projects were as follows:

<u>Project</u>	<u>Incurred Spent-to-Date</u>	<u>Remaining Commitment</u>
Soccer fields	\$ 7,580	\$ 0
Gas Monitoring	12,480	0
Aviation Weather System	41,121	35,334
	<u>\$ 61,181</u>	<u>\$ 35,334</u>

CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 6 – Capital Assets – continued

Discretely Presented Component Units:

Public Park & Recreation Board

	Balance <u>9/30/09</u>	Increase <u>(Decrease)</u>	Retirements/ <u>Reclassifications</u>	Balance <u>9/30/10</u>
Governmental activities				
Capital assets not being depreciated				
Land and land improvements	\$ 2,081,712	\$ 0	\$ 0	\$ 2,081,712
Construction in progress	0	65,018	0	65,018
Total capital assets not being depreciated	<u>2,081,712</u>	<u>65,018</u>	<u>0</u>	<u>2,146,730</u>
Other capital assets				
Buildings and improvements	8,026,907	33,009	0	8,059,916
Furniture and equipment	1,321,114	28,757	(3,217)	1,346,654
Total capital assets being depreciated	<u>9,348,021</u>	<u>61,766</u>	<u>(3,217)</u>	<u>9,406,570</u>
Less accumulated depreciation	<u>5,948,390</u>	<u>322,484</u>	<u>(1,769)</u>	<u>6,269,105</u>
Total capital assets being depreciated, net	<u>3,399,631</u>	<u>(260,718)</u>	<u>(1,448)</u>	<u>3,137,465</u>
Total governmental activities capital assets, net	<u>\$ 5,481,343</u>	<u>\$ (195,700)</u>	<u>\$ (1,448)</u>	<u>\$ 5,284,195</u>

Scottsboro Public Library

	Balance <u>9/30/09</u>	Increase <u>(Decrease)</u>	Retirements/ <u>Reclassifications</u>	Balance <u>9/30/10</u>
Governmental activities				
Capital assets being depreciated				
Leasehold improvements	\$ 122,720	\$ 0	\$ 0	\$ 122,720
Books and audio visual materials	172,667	28,876	0	201,543
Furniture and equipment	191,195	2,751	0	193,946
Total capital assets being depreciated	<u>486,582</u>	<u>31,627</u>	<u>0</u>	<u>518,209</u>
Less accumulated depreciation	<u>259,725</u>	<u>35,990</u>	<u>0</u>	<u>295,715</u>
Total governmental activities capital assets, net	<u>\$ 226,857</u>	<u>\$ (4,363)</u>	<u>\$ 0</u>	<u>\$ 222,494</u>

CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 6 – Capital Assets – continued

Scottsboro Board of Education

	<u>Balance</u> <u>9/30/2009</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Retirements/ Reclassifications</u>	<u>Balance</u> <u>9/30/2010</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,117,300	\$	\$ 0	\$ 1,117,300
Construction in progress	<u>109,286</u>	<u>109,513</u>	<u>(85,814)</u>	<u>132,985</u>
Total capital assets not being depreciated	<u>1,226,586</u>	<u>109,513</u>	<u>(85,814)</u>	<u>1,250,285</u>
Other capital assets				
Land improvements	2,306,679			2,306,679
Buildings and improvements	37,493,638		85,814	37,579,452
Furniture and equipment	4,307,500	34,533		4,342,033
Vehicles	<u>2,542,047</u>	<u>94,919</u>		<u>2,636,966</u>
Total capital assets being depreciated	<u>46,649,864</u>	<u>129,452</u>	<u>85,814</u>	<u>46,865,130</u>
Less accumulated depreciation				
Land improvements	1,285,343	90,519		1,375,862
Buildings and improvements	8,547,135	746,502		9,293,637
Furniture and equipment	2,646,533	428,339		3,074,872
Vehicles	<u>2,016,621</u>	<u>143,970</u>		<u>2,160,591</u>
Total accumulated depreciation	<u>14,495,632</u>	<u>1,409,330</u>	<u>0</u>	<u>15,904,962</u>
Total capital assets being depreciated, net	<u>32,154,232</u>	<u>(1,279,878)</u>	<u>85,814</u>	<u>30,960,168</u>
Total governmental activities capital assets, net	<u>\$ 33,380,818</u>	<u>\$ (1,170,365)</u>	<u>\$ 0</u>	<u>\$ 32,210,453</u>
Depreciation expense was charged to governmental functions as follows:				
Governmental activities				
Instructional services		\$ 795,251		
Instructional support services		239,679		
Operation and maintenance		31,554		
Auxiliary services		234,015		
General administrative services		<u>108,831</u>		
Total governmental activities depreciation expense		<u>\$ 1,409,330</u>		

CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 7 – Interfund Receivables, Payables and Transfers

The following is a detailed listing of interfund balances at year-end and transfers during the year:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<u>Due to/From Other Funds</u>		
General	\$ 93,275	\$ 326,304
Capital Projects	0	15,000
Debt service	279,205	0
Non-major governmental funds	15,000	46,176
	<hr/>	<hr/>
Total Due To/From Other Funds	<u>\$ 387,480</u>	<u>\$ 387,480</u>
	<u>Purpose</u>	<u>Total</u>
<u>Transferred From General Fund - Transfers To</u>		
Debt service fund	Debt service	\$ 2,431,576
Nonmajor governmental funds	Operations	<u>10,000</u>
Total Transferred From General Fund		<u>2,441,576</u>
<u>Transferred From Nonmajor Fund - Transfers To</u>		
General Fund	Operations	<u>1,332,102</u>
Total		<u>\$ 3,773,678</u>

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements
September 30, 2010

Note 8 – Intra-Entity Receivables and Payables

Resource flows between the City and its discretely presented component units are reported as if they were external transactions – that is, as revenue and expenses. However, amounts payable and receivable between the City and its discretely presented component units, or between those units, are reported on a separate line in the statement of net assets.

Due To Component Units

The City earns interest on funds deposited in the various escrow and debt service accounts held for the Board. When the remaining debt is paid off, any earned interest is to be refunded to the Board. The cumulative total of this interest is \$36,025. \$ 37,358

Total due to Public Park and Recreation Board 37,358

Under a funding agreement that requires debt service to be paid on the Series 1997-B and 2004-A school warrants from sales taxes levied, the City collects tax revenue and returns a portion of the proceeds not used for debt service to the Scottsboro City Board of Education. Tax revenue in excess of debt service requirements as of September 30, 2010 was \$1,451,250. 451,250

Total due to Scottsboro City Board of Education 451,250

Total Due To Component Units \$ 939,858

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 9 – Long-term Liabilities

General Obligation Warrants and Notes Payable

The City issues long-term warrants to provide funds for the acquisition and construction of major capital facilities. The warrants have been issued for governmental activities. The City is in compliance with all significant limitations and restrictions contained in the advances authorizing the issuance of the warrants. General obligation debt represents direct obligations and pledges the full faith and credit of the City. These warrants are generally issued as serial warrants with varying amounts of principal maturing each year. Compensated absence liabilities of governmental activities typically have been liquidated from the general fund in prior years.

Governmental Activities:

General Obligation Warrants

General Obligation Warrants dated May 1, 2002, are due in annual principal installments ranging from \$240,000 to \$1,340,000 through May 1, 2022, with interest payable semi-annually at rates varying from 2.00 percent to 5.10 percent	\$ 5,560,000
General Obligation Warrants date May 1, 2005, are due in annual principal installments ranging from \$50,000 to \$435,000 through June 1, 2023, with interest payable semi-annually at rates varying from 2.90 percent to 4.20 percent	4,540,000
General Obligation Warrants dated November 1, 2009, are due in annual principal installments ranging from \$205,000 to \$335,000 through August 1, 2019, with interest payable semi-annually at rates varying from 3.00 percent to 4.00 percent	3,750,000
General Obligation Warrants Recovery Zone Economic Development Bonds dated July 1, 2010, are due in annual principl installments beginning July 1, 2023, and ranging from \$175,000 to \$300,000 through July 1, 2040, with interest payable semi-annually at rates varying from 5.5 percent to 6.375 percent	4,145,000
TOTAL GENERAL OBLIGATION WARRANTS	<u>17,995,000</u>

General Obligation School Warrants

General Obligation School Warrants dated March 15, 2004, are due in annual principal installments ranging from \$595,000 to \$910,000 through July 1, 2028, with interest payable semi-annually at rates varying from 2.00 percent to 4.50 percent	18,040,000
General Obligation School Warrants dated November 1, 2009 are due in annual principal installments ranging from \$140,000 to \$215,000 through August 1 2024 , with interest payable semi-annually at rates varying from 3.00 percent to 4.125 percent	2,395,000
TOTAL GENERAL OBLIGATION SCHOOL WARRANTS	<u>20,435,000</u>

Total long-term debt	<u><u>\$ 38,430,000</u></u>
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CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 9 – Long-term Liabilities – continued

Changes in long-term liabilities during the year are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due in More Than One Year
Governmental Activities						
General Obligation Warrants, Series 2005-A	\$ 4,610,000	\$ 0	\$ (70,000)	\$ 4,540,000	\$ 280,000	\$ 4,260,000
General Obligation Warrants, Series 2004-A	18,710,000	0	(670,000)	18,040,000	695,000	17,345,000
General Obligation Warrants, Series 2004-B	385,000	0	(385,000)	0	0	0
Solid Waste Lease Revenue Bonds Series 2003	3,775,000	0	(3,775,000)	0	0	0
General Obligation Warrants, Series 2002	5,560,000	0	0	5,560,000	0	5,560,000
Variable Rate School Warrants, Series 1997-B	2,450,000	0	(2,450,000)	0	0	0
General Obligation School Warrants, Series 2009-A	0	2,535,000	(140,000)	2,395,000	140,000	2,255,000
General Obligation Warrants, Series 2009-B	0	3,955,000	(205,000)	3,750,000	810,000	2,940,000
General Obligation Warrants, RZEDB Series 2010-A	0	4,145,000	0	4,145,000	0	4,145,000
Less deferred amounts						
For issuance discounts	(75,723)	(3,506)	5,987	(73,242)		(73,242)
Plus deferred amounts						
For issuance premiums	341,448	85,951	(31,750)	395,649		395,649
Total General Obligation Warrants	35,755,725	10,717,445	(7,720,763)	38,752,407	1,925,000	36,827,407
Deferred Loss on Early Retirement of Debt		(268,901)	0	(268,901)		(268,901)
Due to State of Alabama HUD Sec 108	255,000	0	0	255,000	0	255,000
Capital Leases	517,689	0	(517,689)	0		0
Landfill closure liability	588,107	162,997	0	751,104	0	751,104
Net OPEB Obligation	65,277	65,277		130,554	0	130,554
Compensated absences	316,755	22,199		338,954	185,360	153,594
Governmental activities long-term liabilities	<u>\$ 37,498,553</u>	<u>\$ 10,699,017</u>	<u>\$ (8,238,452)</u>	<u>\$ 39,959,118</u>	<u>\$ 2,110,360</u>	<u>\$ 37,848,758</u>

During the year, the City issued its General Obligation Warrants, Series 2009A, the proceeds of which were used to currently refund the Variable Rate School Warrants, Series 1997. As a result of the current refunding, the City increased its total debt service requirements by \$437,569, which resulted in an economic (loss) (difference between the present value of the debt service payments on the old and new debt) of \$(41,412).

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 9 – Long-term Liabilities – continued

Also during the year, the City issued its General Obligation Warrants, Series 2009B, the proceeds of which were used to currently refund the Solid Waste Lease Revenue Bonds, Series 2003, payoff various capital leases for equipment, and to pay the termination fee for the interest rate swap contract related to the Solid Waste Lease Revenue Bonds, Series 2003. As a result of this current refunding, the City increased its total debt service requirements by \$497,002, which resulted in an economic (loss) (difference between the present value of the debt service payments on the old and new debt) of \$(311,055).

Also during the year, the City issued its General Obligation Warrants, Recovery Zone Economic Development Bonds (RZEDB), Series 2010A, the proceeds of which will be used to construct recreation facilities, including soccer fields, tennis courts and a water park. 45% of the interest payments for this debt issue may be paid by the federal government as long as certain requirements are met by the City.

Guarantees of Loans

The City is responsible for appointing a voting majority of the board of the Industrial Development Board of the City of Scottsboro. The City is also guarantor on two loans in the name of the Industrial Development Board; a \$1,750,000 note payable to First Southern State Bank and a \$2,723,109 mortgage note payable to North Jackson Bank. The balance of each of these two loans at September 30, 2010, was \$755,007 and \$2,608,266, respectively.

Interest Rate Swap

At the time of the issuance of The SWDA Revenue Bonds – Series 2003, the City entered into an interest rate swap contract that effectively converted the variable interest rate on the note to fixed annual rate of 3.26%. This interest rate swap contract was terminated during the year as part of the issuance of the City's General Obligation Warrants, Series 2009-B, which was issued to currently refund the 2003 SWDA Revenue Bonds. The termination of the contract required a termination payment of \$216,863, which was paid from the proceeds of the General Obligation Warrants, Series 2009-B.

Landfill Closure and Post-Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty-five years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense on government-wide financial statements in each period based on landfill capacity used as of fiscal year-end. The \$751,106 reported as landfill closure and post-closure care liability at September 30, 2010, represents the cumulative amount reported to date, based on closed portions, the use of 100 percent of the estimated capacity of Cell 1 and 30 percent of the estimated capacity of Cell 2. The City will recognize the remaining estimated cost of closure and post-closure care of \$1,504,301 as the remaining estimated capacity of the site is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2010. The City closed Cell 1 in the year 2007 and expects to close Cell 2 in approximately 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City met the Environmental Protection Agency's ("EPA") regulations regarding financial assurance provisions through the Local Government Financial Test as of September 30, 2010.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements
September 30, 2010

Note 9 – Long-term Liabilities – continued

The following schedules show debt service to maturity for general obligation warrants, special obligation bonds and note payable outstanding at September 30, 2010:

	<u>Total</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016- 2020</u>	<u>2021- 2025</u>	<u>2026- 2030</u>	<u>2031- 2035</u>	<u>2036- 2040</u>
Governmental Activities											
GOW, Series 2002											
Principal	\$ 5,560,000	\$ 0	\$ 0	\$ 445,000	\$ 465,000	\$ 490,000	\$ 2,820,000	\$ 1,340,000	\$ 0	\$ 0	\$ 0
Interest	2,188,390	273,555	273,555	273,555	253,530	231,907	779,013	103,275	0	0	0
Total	7,748,390	273,555	273,555	718,555	718,530	721,907	3,599,013	1,443,275	0	0	0
School Warrants, Series 2004-A											
Principal	18,040,000	695,000	715,000	735,000	760,000	790,000	4,565,000	5,705,000	4,075,000	0	0
Interest	8,599,513	768,678	747,366	723,686	697,752	669,628	2,840,656	1,762,414	389,333	0	0
Total	26,639,513	1,463,678	1,462,366	1,458,686	1,457,752	1,459,628	7,405,656	7,467,414	4,464,333	0	0
GOW, Series 2005											
Principal	4,540,000	280,000	290,000	295,000	310,000	320,000	1,790,000	1,255,000	0	0	0
Interest	1,353,019	173,618	164,658	154,943	144,765	133,760	475,825	105,450	0	0	0
Total	5,893,019	453,618	454,658	449,943	454,765	453,760	2,265,825	1,360,450	0	0	0
School Warrants, Series 2009-A											
Principal	2,395,000	140,000	140,000	145,000	150,000	155,000	855,000	810,000	0	0	0
Interest	716,685	84,068	79,868	75,668	71,318	66,818	256,007	82,938	0	0	0
Total	3,111,685	224,068	219,868	220,668	221,318	221,818	1,111,007	892,938	0	0	0
GOW, Series 2009-B											
Principal	3,750,000	810,000	795,000	305,000	280,000	290,000	1,270,000	0	0	0	0
Interest**	544,230	122,575	98,305	74,425	65,275	56,875	126,775	0	0	0	0
Total	4,294,230	932,575	893,305	379,425	345,275	346,875	1,396,775	0	0	0	0
GOW, RZEDB Series 2010											
Principal	4,145,000	0	0	0	0	0	0	540,000	1,010,000	1,190,000	1,405,000
Interest**	5,737,730	253,736	253,736	253,736	253,736	253,736	1,268,680	1,239,530	1,006,370	680,025	274,445
Total	9,882,730	253,736	253,736	253,736	253,736	253,736	1,268,680	1,779,530	2,016,370	1,870,025	1,679,445
HUD Section 108 Loan											
Principal	255,000	255,000	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0
Total	255,000	255,000	0	0	0	0	0	0	0	0	0
Total Governmental Activities											
Principal	38,685,000	2,180,000	1,940,000	1,925,000	1,965,000	2,045,000	11,300,000	9,650,000	5,085,000	1,190,000	1,405,000
Interest	19,139,567	1,676,230	1,617,488	1,556,013	1,486,376	1,412,724	5,746,956	3,293,607	1,395,703	680,025	274,445
Total	\$ 57,824,567	\$ 3,856,230	\$ 3,557,488	\$ 3,481,013	\$ 3,451,376	\$ 3,457,724	\$ 17,046,956	\$ 12,943,607	\$ 6,480,703	\$ 1,870,025	\$ 1,679,445

*Interest is calculated on an assumed average annual interest rate of 3.75%.

** Interest is calculated at a fixed rate of 3.26% assuming payment at the term rate on May 1 and November 1. The City entered into an interest swap agreement to effectively protect itself from interest rate risk. Actual future rates may differ causing current interest payment estimates to be overstated or understated.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 9 – Long-term Liabilities – continued

Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses and injuries to employees; and natural disasters. The City's risk management activities consist primarily of risk transfer through the purchase of commercial insurance for all major programs. There were no significant reductions in insurance coverage or for uninsured risks for the current year or prior three years.

For legal claims and lawsuits, the State of Alabama prescribes maximum limits of liability for local government units. These limits are presently \$100,000 for bodily injury or death for one person in any single occurrence and \$300,000 for two or more persons in a single occurrence. The limit for property damage is \$100,000 per single occurrence.

The City participates in the Municipal Workers Compensation Fund to provide risk coverage for injuries to employees. The fund is considered a public entity risk pool operating common risk management and insurance programs for member local governments. The Alabama League of Municipalities administers the risk pool. As part of this risk pool, the Board is obligated to pay all contributions and assessments as prescribed by the pool and to cooperate with the pool's attorneys. The pool agrees to represent the Board in the event of a claim and to pay reasonable claims. Premium rates are adjusted retrospectively and are accrued based on the ultimate cost of the experience to date of a group of entities.

The liabilities for employee medical and workers' compensation claims are reported when it is probable that a loss has occurred. The liabilities for other legal claims (e.g. settlements of lawsuits against the City) are not reported as a fund liability until they become due and payable because they are paid from the general fund. The government-wide statement of net assets includes all liabilities for claims and judgments, if any, as part of long-term liabilities.

Note 10 – Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and resources that have been received but not yet earned. At September 30, 2010, deferred revenue reported in the governmental funds included \$916,726 deferred in the general fund for property taxes receivable (unavailable); \$1,916,242 deferred in the debt service fund for property taxes receivable (unavailable).

Note 11 – Commitments and Contingencies

Various lawsuits are pending against the City. In addition, numerous claims have been filed which have not yet resulted in lawsuits. In the opinion of the City Attorney, the potential adverse impact of all these claims, individually or in the aggregate, would not be material to the financial statements of the City.

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

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 12 – Pension Funds

Plan Description:

The City participates in a defined benefit pension plan administered by the Employees' Retirement System of Alabama. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The ERSA is an agent multiple-employer pension plan. The benefit provisions and all other requirements are established by state statute.

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

Funding Policy:

For the fiscal year 2010, the member contribution rate for state correctional officers, certified full-time firefighters, and certified full-time law enforcement officers remains at 6% of the employee's compensation. Regular member contributions remain at 5% of employee compensation. The City is required to contribute at an actuarially determined rate, which for fiscal year 2010 was 13.47% of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by the ERSA Board of Control.

Annual Pension Cost:

For 2010, the City's annual pension cost of \$997,379 for the System was equal to the City's required and actual contributions. The required contribution was determined as part of the September 30, 2009, actuarial valuation using the entry age actuarial cost method. The City funds this through monthly contributions based upon payroll. Management budgeted for the increased expenditure amounts for the year ended September 30, 2010.

Actuarial Valuation Information:

Valuation date	9/30/2009
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.00%
Projected salary increases *	4.61% - 7.75%
* Includes inflation at	4.50%
Cost-of-living adjustments	None

CITY OF SCOTTSBORO, ALABAMA

**Notes to Financial Statements
September 30, 2010**

Note 12 – Pension Funds (continued)

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2007	\$ 747,514	100%	-
9/30/2008	909,928	100%	-
9/30/2009	997,379	100%	-

Note 13 – Other Post Employment Benefits

Plan Description. The City of Scottsboro provides its qualifying retirees healthcare insurance coverage under a single-employer defined benefit healthcare plan (“the Plan”) administered by the Blue Cross/Blue Shield of Alabama. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Retirees are eligible for coverage at normal retirement – At age 60 with 10 years of service, or upon early retirement – at any age with 25 years of service. Spouses of retiring members are also eligible for health benefits under the plan, however they are responsible for the full cost of coverage. The Plan does not issue stand-alone financial statements.

Funding Policy. The contribution requirements of plan members and the City are established by the City Council. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed \$76,258 to the plan, all of which was for current premiums. Plan members receiving benefits contributed \$76,258, or approximately 100% percent of the total premiums, through their required contribution of \$374 per month for retiree-only and \$648 for spouse medical and prescription drug coverage and \$16 per month for retiree-only and \$38 for spouse dental coverage.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation to the Plan:

Determination of Annual Required Contribution

Normal cost at fiscal year end	\$ 62,059
Amortization of UAAL	79,476
Annual required contribution	<u>\$141,535</u>

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements
September 30, 2010

Note 13 – Other Post Employment Benefits (continued)

Determination of Net OPEB Obligation

Annual required contribution	\$141,535
Contributions made	<u>(76,258)</u>
Increase in net OPEB obligation	65,277
Net OPEB obligation—beginning of year	<u>65,277</u>
Net OPEB obligation—end of year	<u><u>\$130,554</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows (dollar amounts in thousands):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2008	N/A	N/A	N/A
9/30/2009	\$141,535	53.88%	\$65,277
9/30/2010	\$141,535	53.88%	\$65,277

Funded Status and Funding Progress. As of October 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,374,299, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,374,299.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2008, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent discount rate for valuing liabilities, which assumes the City will not fund the actuarial accrued liability and which represents a reasonable estimate of the investment rate of return of short-term pooled funds, and an inflation rate for medical and pharmacy costs and retiree premiums of 7.80 percent initially, reduced by decrements to an ultimate rate of 4.40 percent after seventy-nine years. The UAAL is being amortized over a period of thirty years assuming thirty level annual payments.

CITY OF SCOTTSBORO, ALABAMA

Notes to Financial Statements September 30, 2010

Note 14 – Recently Issued Accounting Standards

In February, 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 is effective for the City’s fiscal year ending September 30, 2011, and its effect on the City’s basic financial statements has not yet been determined.

Note 15 – Subsequent Events

Management reviewed subsequent events through July 26, 2011, the date these financial statements were available to be issued. Subsequent to year end, the City issued its General Obligation Recovery Zone Economic Development Warrants – Series 2010-B in the amount of \$6,500,000. The proceeds of this issue will be used to construct an access road along a portion of U.S. Highway 72 and to pay the costs of the issuance. Principal redemptions of these warrants will begin in the year 2023 and will continue through 2040, in amounts ranging between \$270,000 in 2023 and \$475,000 in 2040. The warrants bear interest at fixed annual rates of interest ranging between 5.30% and 6.40%. Payments of interest will be payable each May 1 and November 1, beginning May 1, 2011.

Note 16 – Prior Period Adjustment

In prior years, amounts were recorded to a “due to general fund” in the capital project fund and to a “due from capital projects fund” in the general fund, related to various projects in the capital projects fund. It was discovered during the current year that the balances in these accounts were in error, as transfers had been made in the past to repay these balances. These were reported as transfers, rather than as reductions of the due to and due from accounts. Had this error not been made, prior years’ “Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses” would have been \$384,743 less in the general fund and \$384,743 more in the capital projects fund. Therefore, to correct this error, an adjustment was made to remove the interfund balances and restate the fund balance of the general fund and capital projects fund as of October 1, 2009, as follows:

	General Fund	Capital Projects Fund
Fund balance at October 1, 2009 – as originally reported	\$ 4,768,308	\$ (342,101)
Prior period adjustment	<u>(384,743)</u>	<u>384,743</u>
Fund balance at October 1, 2009 – as restated	<u>\$ 4,383,565</u>	<u>\$ 42,642</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Scottsboro, Alabama
Schedule of Pension Plan Funding Progress
For the Year Ended September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b) ¹	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2004 ²	\$ 15,943,127	\$ 20,519,756	\$ 4,576,629	77.7%	\$ 5,581,072	76.2%
9/30/2005	\$ 16,729,717	\$ 22,626,552	\$ 5,896,835	73.9%	\$ 5,822,753	95.0%
9/30/2006 ³	\$ 17,311,427	\$ 24,650,568	\$ 7,339,141	70.2%	\$ 6,491,127	113.1%
9/30/2007	\$ 18,368,679	\$ 26,569,029	\$ 8,200,350	69.1%	\$ 6,790,842	120.8%
9/30/2008	\$ 18,961,599	\$ 27,659,336	\$ 8,697,737	68.6%	\$ 7,284,040	119.4%
9/30/2009	\$ 18,620,041	\$ 29,287,331	\$ 10,667,290	63.6%	\$ 7,654,448	139.4%

¹ Reflects liability for cost of living benefit increases granted on or after October 1, 1978.

² Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

³ Reflects changes in actuarial assumptions.

City of Scottsboro, Alabama
Schedule of Employee Healthcare Plan Funding Progress
For the Year Ended September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Discount Rate	Actuarial Accrued Liability (AAL)-		Unfunded AAL (UAAL)(2) (b-a)	Funded Ratio (a/b)
			(1)	(b)		
10/1/2006	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2007	N/A	N/A	N/A	N/A	N/A	N/A
10/1/2008	\$-0-	4.00%	\$ 1,374,299	\$ 1,374,299	\$ 1,374,299	0%
10/1/2009	\$-0-	4.00%	\$ 1,439,576	\$ 1,439,576	\$ 1,439,576	0%

- (1) Actuarial Accrued Liability determined under the projected unit credit cost method
- (2) Actuarial Accrued Liability less Actuarial Value of Assets

OTHER SUPPLEMENTARY INFORMATION

CITY OF SCOTTSBORO, ALABAMA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS SCHEDULE
SEPTEMBER 30, 2010

	STATE GAS TAX SEVEN CENT	STATE GAS TAX FOUR CENT	ALCOHOLIC BEVERAGE TAX	RECREATION	INDUSTRIAL DEVELOPMENT	MAYOR'S DISCRETIONARY FUND	BEN SANFORD YOUTH OUTREACH CENTER	CITY COUNCIL SPECIAL FUND	POLICE VIDEO FUND	TOTAL
ASSETS										
Cash	\$ -	\$ -	\$ 7,703	\$ 83,914	\$ 42,489	\$ 810	\$ 497	\$ 4,733	\$ 75,260	\$ 215,406
Taxes Receivable	14,711	11,525	36,558	-	-	-	-	-	-	62,794
Due from General Fund	-	-	-	-	15,000	-	-	-	-	15,000
Due from Debt Service Fd	-	-	-	-	-	-	-	-	-	-
Due from Capital Projects Fd	-	-	-	-	-	-	-	-	-	-
Restricted Cash	50,780	45,752	-	-	-	-	-	-	-	96,532
Miscellaneous Receivable	-	-	-	8,048	-	-	12	-	-	8,060
TOTAL ASSETS	\$ 65,491	\$ 57,277	\$ 44,261	\$ 91,962	\$ 57,489	\$ 810	\$ 509	\$ 4,733	\$ 75,260	\$ 397,792
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts Payable	\$ -	\$ -	\$ -	\$ 904	\$ -	\$ 105	\$ -	\$ 518	\$ -	\$ 1,527
Due to General Fund	-	-	8,947	2,229	35,000	-	-	-	-	46,176
Total Liabilities	\$ -	\$ -	\$ 8,947	\$ 3,133	\$ 35,000	\$ 105	\$ -	\$ 518	\$ -	\$ 47,702
Fund Balances										
Restricted to Bond and Interest Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for Road Repairs & Maintenance	65,491	57,277	-	-	-	-	-	-	-	122,768
Unreserved/Undesignated	-	-	35,315	88,828	22,489	705	509	4,216	75,260	227,322
Total Fund Balances	\$ 65,491	\$ 57,277	\$ 35,315	\$ 88,828	\$ 22,489	\$ 705	\$ 509	\$ 4,216	\$ 75,260	\$ 350,090
TOTAL LIABILITIES AND FUND BALANCES	\$ 65,491	\$ 57,277	\$ 44,261	\$ 91,961	\$ 57,489	\$ 810	\$ 509	\$ 4,733	\$ 75,260	\$ 397,792

CITY OF SCOTTSBORO, ALABAMA
NON MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULES OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	STATE GAS TAX SEVEN CENT	STATE GAS TAX FOUR CENT	ALCOHOLIC BEVERAGE TAX	RECREATION	INDUSTRIAL DEVELOPMENT	MAYOR DISCRETIONARY FUND	BEN SANFORD YOUTH OUTREACH CENTER	CITY COUNCIL DISCRETIONARY FUND	POLICE VIDEO FUND	TOTAL
REVENUES										
Taxes	\$ -	\$ -	\$ 357,434	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 357,434
Intergovernmental	88,503	69,064	475	-	-	-	-	-	-	158,042
Grant Income	-	-	-	-	37,000	-	-	-	-	37,000
Interest Income	870	840	3,437	46	244	2	17	89	1,850	7,396
Miscellaneous	-	-	-	74,405	-	-	-	21	-	74,426
Total Revenue	\$ 89,373	\$ 69,904	\$ 361,346	\$ 74,451	\$ 37,244	\$ 2	\$ 17	\$ 110	\$ 1,850	\$ 634,299
EXPENDITURES - GENERAL GOVERNMENT										
Administration	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,495	\$ -	\$ 2,406	\$ 491	\$ 10,392
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Appropriations	-	-	-	-	-	-	-	-	-	-
Total General Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,495	\$ -	\$ 2,406	\$ 491	\$ 10,392
RECREATION										
Total Expenditures	\$ -	\$ -	\$ -	\$ 48,668	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,668
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 89,373	\$ 69,904	\$ 361,346	\$ 25,783	\$ 37,245	\$ (7,493)	\$ 17	\$ (2,296)	\$ 1,359	\$ 575,239
OTHER FINANCING SOURCES (USES)										
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ 10,000
Operating Transfers Out	(87,000)	(68,000)	(357,368)	(25,000)	-	-	-	-	-	(537,368)
Total Other Financing Sources (Uses)	\$ (87,000)	\$ (68,000)	\$ (357,368)	\$ (25,000)	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ (527,368)
Excess (Deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	\$ 2,373	\$ 1,904	\$ 3,978	\$ 783	\$ 37,245	\$ (2,493)	\$ 17	\$ 2,704	\$ 1,359	\$ 47,871
Fund Balances - Beginning	63,118	55,373	31,337	88,045	(14,756)	3,198	492	1,511	73,901	302,220
Fund Balances - Ending	\$ 65,491	\$ 57,277	\$ 35,315	\$ 88,828	\$ 22,489	\$ 705	\$ 509	\$ 4,216	\$ 75,260	\$ 350,090