

**CITY OF NORTHPORT
NORTHPORT, ALABAMA**

SEPTEMBER 30, 2008

LeCroy, Hunter & Company, P.C.
Certified Public Accountants
NORTHPORT, ALABAMA

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2008

<u>DESCRIPTION</u>	<u>PAGE</u>
Chart of City Government.....	1
Independent Auditor’s Report.....	2-3
Management’s Discussion and Analysis.....	4-10
Report on Compliance and on Internal Control.....	11-12
Schedule of Findings and Questioned Costs.....	13-16
 <u>FINANCIAL STATEMENTS</u>	
Government Wide Statement of Net Assets as of September 30, 2008.....	17
Government Wide Statement of Activities for the Year Ended September 30, 2008.....	18-19
Governmental Funds Balance Sheet as of September 30, 2008.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets to the as of September 30, 2008.....	21
Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance for the Year Ended September 30, 2008.....	22-23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities the Year Ended September 30, 2008.....	24
Proprietary Fund Statement of Net Assets as of September 30, 2008.....	25-26
Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Year Ended September 30, 2008.....	27
Proprietary Fund Statement of Cash Flows for the Year Ended September 30, 2008.....	28-29
Notes to Financial Statements.....	30-54
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds for the Year Ended September 30, 2008.....	55-56
Statement of Operations – Budget to Actual – Water & Sewer Fund (Budgetary Basis) For the Year Ended September 30, 2008.....	57-58
Pension Information.....	59
Continuing Disclosure Requirement to the Nationally Recognized Municipal Securities Information Repositories.....	60
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance – General Fund For the Year Ended September 30, 2008.....	61

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2008

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION</u> (continued)	
Schedule of General Fund Revenues for the Years Ended September 30, 2008, 2007 and 2006.....	62
Water and Sewer System Statistics for the Years Ended September 30, 1995 – 2008.....	63-65
Schedule of Water and Sewer Revenues, Expenditures and Debt Coverage for the Year Ended September 30, 2008.....	66
Schedule of Water and Sewer Fund Debt Service for the Year Ended September 30, 2008.....	67
Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the Year Ended September 30, 2008.....	68
Schedule of Legal Debt Margin for the Year Ended September 30, 2008.....	69
<u>SUPPLEMENTARY INFORMATION</u>	
<u>GOVERNMENTAL FUND STATEMENTS</u>	
General Fund.....	70
Balance Sheet as of September 30, 2008.....	71
Statement of Revenues, Expenditures and Fund Balance for the year ended September 30, 2008.....	72-73
Debt Service Fund.....	74
Balance Sheet as of September 30, 2008.....	75
Statement of Revenues, Expenditures and Fund Balance for the year ended September 30, 2008.....	76
Special Revenue Funds.....	77
Combining Balance Sheets – Special Revenue Funds as of September 30, 2008.....	78
Combining Statements of Revenues, Expenditures and Fund Balance – Special Revenue Funds for the year ended September 30, 2008.....	79
<u>PROPRIETARY FUNDS</u>	
Proprietary Funds.....	80
Combining Balance Sheet – Enterprise Funds as of September 30, 2008.....	81-82
Combining Statement of Revenues, Expenses, and Changes in Net Assets for the year ended September 30, 2008.....	83-84
Combining Statement of Cash Flows for the year ended September 30, 2008.....	85-86

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2008

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>ENTERPRISE FUNDS (continued)</u>	
Schedule of Insurance coverage as of September 30, 2008.....	87

CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Harvey L. Fretwell

CITY COUNCIL

Steve Webb - President
John Myers – President Pro Tem
Lorenzo Freeman
William Tunnell
Scott Collins

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5710 WATERMELON ROAD, SUITE 400

NORTHPORT, ALABAMA 35473

P.O. BOX 462 NORTHPORT, AL 35476-0462

(205) 349-3840 FAX: (205) 349-3848

RICHARD D. LECROY, C.P.A.
KELLIE HUNTER-SUTE, C.P.A.

MATTHEW W. RICHARDSON, C.P.A.
R. COURTNEY LECROY, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

May 4, 2009

Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Northport, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of and for the year ended September 30, 2008, and the individual fund financial statements of the City as of and for the years ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City of Northport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of September 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northport's basic financial statements. The introductory section, combining and individual non major fund financial statements, and statistical section m are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

LeCroy, Hunter & Company, P.C.

LeCroy, Hunter & Company, P.C.
Certified Public Accountants

MANAGEMENT DISCUSSION & ANALYSIS

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Within this section of the City of Northport's annual financial report, the City of Northport's management provides narrative discussion and analysis of the financial activities of the City of Northport for the fiscal year ended September 30, 2008. The City of Northport's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statement tells how general government services like public safety and public works were financed in the short term as well as what remains for future spending.
 - The proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses, such as the water and sewer system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information presents the City of Northport's budgetary analysis of revenues, expenditures, and changes in fund balance, the City of Northport's progress in funding its obligation to provide pension benefits to the eligible employees, and continuing disclosure requirements for its bonds. Required supplementary information follows the notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Northport's finances. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This statement presents information on all the City of Northport's assets and liabilities, with the difference between the two reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Northport is improving or deteriorating. To assess the overall health of the City, one needs to consider additional nonfinancial information such as changes in the City's property tax basis, the condition of the City's roads, and the growth of commercial and residential developments within the City.

The second government-wide statement is the *Statement of Activities*, which reports how the City of Northport's net assets changed during the current fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements of the City of Northport are divided into two categories:

- *Governmental activities* – Most of the City's basic services are included here, such as, police, fire, public works, general administration, and finance. Property taxes, sales taxes, and business licenses finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system is included here.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City of Northport uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City of Northport's funds rather than the City of Northport as a whole. The City has two types of funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different from the government-wide financial statements. The fund statements focus on: (1) how cash and other financial assets that can be readily converted to cash flow in and out, and (2) the balances left at year end that are available for spending. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are used to account for the services that the City charges its customers a fee. Proprietary funds, like the government-wide financial statements, provide both long-terms and short-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as business type activities, but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City of Northport as a whole. In the case of the City of Northport, assets exceeded liabilities by \$63,027,268 at September 30, 2008.

The largest portion of the City of Northport's net assets (\$52,598,072) reflects its investment in capital assets (land, building, furniture and fixtures), less related debt used to acquire those assets that are still outstanding. The City of Northport uses these assets to provide services to local governments and citizens; consequently, these assets are not available for future spending. Although the City of Northport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the City of Northport's net assets (\$5,713,841) represents resources that are subject to external restrictions that require them to be used for specific capital and debt expenditures.

Summary of Net Assets – Governmental Activities

The following proforma statements present the summarized version of the City's governmental and business type activities. Governmental activities increased the City of Northport's net assets by \$710,909. Key elements of this increase are as follows:

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Summary of Statement of Net Assets for Governmental Type Activities

	<u>9/30/07</u>	<u>9/30/08</u>
Current Assets	\$ 4,498,717	\$ 3,940,112
Restricted Assets	\$ 5,012,491	\$ 3,795,900
Capital Assets	\$ 43,370,698	\$ 44,831,814
Other Assets	\$ 76,122	\$ 70,236
<u>Total Assets</u>	<u>\$ 52,958,028</u>	<u>\$ 52,638,062</u>
Current Liabilities	\$ 2,514,131	\$ 2,531,042
Long-Term Liabilities	\$ 11,933,279	\$ 10,885,493
<u>Total Liabilities</u>	<u>\$ 14,447,410</u>	<u>\$ 13,416,535</u>
Invested in Capital Assets, net of related debt	\$ 35,291,073	\$ 37,555,466
Restricted	\$ 2,958,700	\$ 2,875,863
Unrestricted	\$ 260,845	\$ (1,209,802)
<u>Total Net Assets</u>	<u>\$ 38,510,618</u>	<u>\$ 39,221,527</u>
Total Liabilities and Net Assets	<u>\$ 52,958,028</u>	<u>\$ 52,638,062</u>

Summary of Statement of Activites for Governmental Type Activities

	<u>9/30/07</u>	<u>9/30/08</u>
<u>Revenues</u>		
<u>Tax Revenue</u>		
Property Tax	\$ 2,178,735	\$ 2,351,487
Sales Tax	\$ 7,553,165	\$ 7,251,370
Shared Tax Revenue	\$ 3,515,826	\$ 3,647,259
Other Tax Revenue	\$ 473,391	\$ 437,375
<u>Total Tax Revenue</u>	<u>\$ 13,721,117</u>	<u>\$ 13,687,491</u>
Charges for Service	\$ 6,081,892	\$ 6,120,600
Grant Revenues	\$ 51,607	\$ 33,303
Shared Licenses Revenue	\$ 114,024	\$ 16,157
Rental and Lease Income	\$ 147,412	\$ 157,934
Investment Earnings	\$ 235,401	\$ 126,264
Other General Revenues	\$ 48,524	\$ -
<u>Total Revenues</u>	<u>\$ 20,399,977</u>	<u>\$ 20,141,749</u>
<u>Expenses</u>		
General and Administrative	\$ 3,278,167	\$ 3,262,783
Public Works and Safety	\$ 16,046,949	\$ 16,887,271
Inspection Services	\$ 136,954	\$ 199,542
Planning and Development Services	\$ 586,726	\$ 606,471
Interest Expense	\$ 405,927	\$ 391,393
<u>Total Expenses</u>	<u>\$ 20,454,723</u>	<u>\$ 21,347,460</u>
Increase (Decrease) in Net Assets	\$ (54,746)	\$ (1,205,711)
Contributed Capital	\$ 3,248,394	\$ 1,916,620
Net Assets, Beginning	\$ 35,316,970	\$ 38,510,618
Net Assets, Ending	<u>\$ 38,510,618</u>	<u>\$ 39,221,527</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Business-type activities increased the City of Northport's net assets by \$1,594,731. Key elements of this increase are as follows:

Summary of Statement of Net Assets for Business Type Activities

	<u>9/30/07</u>	<u>9/30/08</u>
Current Assets and Other Assets	\$ 1,534,871	\$ 1,075,373
Restricted Assets	\$ 5,191,462	\$ 2,838,160
Capital Assets	\$ 46,796,929	\$ 50,136,770
<u>Total Assets</u>	<u>\$ 53,523,262</u>	<u>\$ 54,050,303</u>
Current Liabilities	\$ 5,943,705	\$ 6,603,357
Long-Term Liabilities	\$ 25,368,547	\$ 23,641,205
<u>Total Liabilities</u>	<u>\$ 31,312,252</u>	<u>\$ 30,244,562</u>
Invested in Capital Assets, net of related debt	\$ 13,816,945	\$ 15,042,606
Restricted	\$ 5,191,462	\$ 2,837,978
Unrestricted	\$ 3,202,603	\$ 5,925,157
<u>Total Net Assets</u>	<u>\$ 22,211,010</u>	<u>\$ 23,805,741</u>
Total Liabilities and Net Assets	<u>\$ 53,523,262</u>	<u>\$ 54,050,303</u>

Summary of Statement of Activities for Business Type Activities

	<u>9/30/07</u>	<u>9/30/08</u>
<u>Revenues</u>		
Charges for Service	\$ 7,120,742	\$ 6,769,764
Investment Earnings	\$ 176,169	\$ 156,041
<u>Total Revenues</u>	<u>\$ 7,296,911</u>	<u>\$ 6,925,805</u>
<u>Expenses</u>		
Operating Expense	\$ 4,835,527	\$ 5,651,731
Interest Expense	\$ 873,248	\$ 904,991
<u>Total Expenses</u>	<u>\$ 5,708,775</u>	<u>\$ 6,556,722</u>
Loss on Sale of Assets	\$ (28,785)	\$ -
Increase (Decrease) in Net Assets	\$ 1,559,351	\$ 369,083
Contributed Capital	\$ 779,786	\$ 1,225,661
Net Assets, Beginning	\$ 19,872,173	\$ 22,210,997
Net Assets, Ending	<u>\$ 22,211,310</u>	<u>\$ 23,805,741</u>

Financial Analysis of the City of Northport's Funds

As noted earlier, the City of Northport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Governmental Funds

The focus of the City of Northport'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 of Northport's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City of Northport's net resources available for spending at the end of a fiscal year.

As of the fiscal year ending September 30, 2008, the City of Northport's governmental funds reported combined ending fund balances of \$7,069,170, a decrease of (\$1,792,844) in comparison with the prior year. Approximately 42.87%, or \$3,030,375, constitutes unreserved fund balance, which is available for spending at the City of Northport's discretion. The remainder of the fund balance, \$4,038,795, is reserved to indicate that it is not available for new spending because it has already been restricted to service the City's debt and specific capital projects.

The general fund is the chief operating fund of the City of Northport. At fiscal year ending September 30, 2008, unreserved and total fund balances of the general fund was \$3,030,375 and \$5,260,619, respectively. The general fund balance decreased by \$(1,611,210) during the fiscal year.

I. General Fund Budgetary Highlights from pages

Total expenditures during the year were \$1,643,100 below the budgeted amount. The most significant favorable variance, \$1,230,840, occurred in the City of Northport's public works expenditures. This significant variance represents primarily capital projects that were included in the budget which have not been completed or were not started by the end of the September 30, 2008 year.

II. Capital Assets and Debt Administration

Capital Assets

The City of Northport's investment in capital assets, net of accumulated depreciation, for governmental activities as of September 30, 2008, was \$52,598,072. During the year various contractors completed infrastructure improvements that, once completed, are the City's responsibility to maintain. These improvements were added to the capital assets based on values prepared by the City's engineer.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>9/30/07</u>	<u>9/30/08</u>	<u>9/30/07</u>	<u>9/30/08</u>	<u>9/30/07</u>	<u>9/30/08</u>
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 289,685	\$ 289,685	\$ 2,608,386	\$ 2,608,386
Construction in Progress	\$ 985,634	\$ 1,330,456	\$ 8,236,989	\$ 98,000	\$ 9,222,623	\$ 1,428,456
Total Non-Depreciable Assets	<u>\$ 3,304,335</u>	<u>\$ 3,649,157</u>	<u>\$ 8,526,674</u>	<u>\$ 387,685</u>	<u>\$ 11,831,009</u>	<u>\$ 4,036,842</u>
Depreciable Assets						
Buildings	\$ 9,904,691	\$ 9,904,691	\$ 20,974,879	\$ 27,379,496	\$ 30,879,570	\$ 37,284,187
Improvements Other Than Buildings	\$ 1,936,402	\$ 1,936,402	\$ -	\$ -	\$ 1,936,402	\$ 1,936,402
Furniture, Machinery, and Equipment	\$ 6,961,835	\$ 7,936,321	\$ 1,222,246	\$ 1,799,807	\$ 8,184,081	\$ 9,736,128
Infrastructure	\$ 58,055,985	\$ 60,100,876	\$ 29,901,710	\$ 35,628,945	\$ 87,957,695	\$ 95,729,821
Total Depreciable Assets	\$ 76,858,913	\$ 79,878,290	\$ 52,098,835	\$ 64,808,248	\$ 128,957,748	\$ 144,686,538
Less: Accumulated Depreciation	<u>\$ (36,792,550)</u>	<u>\$ (38,695,633)</u>	<u>\$ (13,828,579)</u>	<u>\$ (15,059,162)</u>	<u>\$ (50,621,129)</u>	<u>\$ (53,754,795)</u>
Net Depreciable Assets	<u>\$ 40,066,363</u>	<u>\$ 41,182,657</u>	<u>\$ 38,270,256</u>	<u>\$ 49,749,086</u>	<u>\$ 78,336,619</u>	<u>\$ 90,931,743</u>
Total Assets	<u>\$ 43,370,698</u>	<u>\$ 44,831,814</u>	<u>\$ 46,796,930</u>	<u>\$ 50,136,771</u>	<u>\$ 90,167,628</u>	<u>\$ 94,968,585</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Major capital asset events during the current year included the following:

Governmental Activities

- Construction in process for \$1,330,456 towards various capital projects
- Addition of infrastructure from residential development was \$1,916,620

Business-type Activities

- Construction of \$6,404,617 towards wastewater treatment plant expansion and various water system improvements
- Distribution and disposal system improvements totaling \$4,501,754
- Addition of sewer lines from residential development of \$676,908
- Addition of water lines from residential development of \$548,573

Long-Term Debt

At September 30, 2008, the City of Northport had total debt outstanding of \$42,402,481. The major portion of the debt, \$35,375,233, represents bonds and warrants payable.

The City of Northport decreased its total debt by \$3,257,531 of principal repayments during the fiscal year ended September 30, 2008. The City of Northport increased its total debt by \$1,024,190.

State law limits the amount of long-term debt of the City to 20% of the assessed property value within the City of Northport. Certain obligations of the City secured by system revenues, such as water and sewer warrants and state revolving loans secured by system revenues are excluded from the legal borrowing limit of the City. As of September 30, 2008, our outstanding debt was significantly below this amount, which is \$39,837,052. The amount available for future indebtedness is \$27,229,935.

Economic Factors and the Next Year's Budget

The following economic factors assisted management of the City in developing its budgets for the general fund and the water and sewer fund.

- The current economic conditions facing local, state and federal governments.
- The City of Northport's pursuit to permanently finance an open line of credit with a 2009A bond issue.
- Limited cash reserves on hand in the city's general fund and water/sewer funds.
- A proposed twenty percent increase in water rates and sewer rates.
- Continued residential growth throughout the city.
- Infrastructure improvements needs and obligations.
- Physical asset and equipment needs for all city departments.
- Increasing personnel salary and benefits expenses.
- A comprehensive review and restructuring of city services and operations.
- Anticipated retail and commercial growth along Highway 43 North and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district.

Amounts available for appropriation in the Fiscal 2009 budget for governmental activities are \$ 22.1 million, a decrease of eight percent from the Fiscal 2008 approved budget. Amounts available for appropriations in the Fiscal 2009 budget for business-type activities are \$ 7.86 million, an increase of six percent over the Fiscal 2008 approved budget.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Budgeted expenditures for governmental activities are expected to decrease seven percent below the prior year's budget to \$ 21.9 million. Budgeted expenses for business-type activities are expected to rise seven percent over the prior year's budget to \$ 7.86 million.

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5710 WATERMELON ROAD, SUITE 400

NORTHPORT, ALABAMA 35473

P.O. BOX 462 NORTHPORT, AL 35476-0462

(205) 349-3840 FAX: (205) 349-3848

RICHARD D. LECROY, C.P.A.

KELLIE HUNTER-SUTE, C.P.A.

MATTHEW W. RICHARDSON, C.P.A.

R. COURTNEY LECROY, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

May 4, 2009

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Members of the City Council
City of Northport, Alabama

We have audited the financial statements of the City of Northport, Alabama, as of and for the year ended September 30, 2008, and have issued our report thereon, dated May 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 08-1, 08-2, 08-3, 08-4, 08-5 and 08-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider 08-5 and 08-6 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Northport, Alabama, in a separate letter dated May 4, 2009.

This report is intended for the information of the audit committee, City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

LeCroy, Hunter & Company, P.C.

LeCroy, Hunter & Company, P.C.
Certified Public Accountants

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2008

FINANCIAL STATEMENT FINDINGS

REF. NO.	TYPE OF FINDING	FINDING/NONCOMPLIANCE
08-1	Internal Control	<p>Control Deficiency:</p> <p>Condition: The City's internal controls do not include a written policy related to the access and protection of the City's financial information in electronic format. In addition, the City did not fully intergrate the computer system for all accounting functions for all departments. At the present time, some accounting functions are performed on a manual basis, which creates the opportunity for incorrect input of transactions. Also, no provisions exist for the changing of employee computer passwords on a regular basis.</p> <p>Effect: Financial and employee information could be lost or stolen. Employees could make a mistake in entering information manually.</p> <p>Cause: The City failed to incorporate a policy addressing these items.</p> <p>Recommendation: A written policy discussing personnel use of computer systems and modules should be created. The policy should address personnel access to specific financial reporting modules as well as password protection. In addition, the policy should require all applicable employees to change their computer passwords every sixty days.</p> <p>Management Response: Management agrees with the finding.</p>

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2008

FINANCIAL STATEMENT FINDINGS

REF. NO.	TYPE OF FINDING	FINDING/NONCOMPLIANCE
08-2	Internal Control	<p>Control Deficiency:</p> <p>Condition: The City's internal controls require budget amendments to be made during the fiscal year for any known budget shortfalls or over-runs in revenues. During the September 30, 2008 fiscal year the City failed to amend the budget for changes in revenues.</p> <p>Effect: The financial objectives and goals of the City would not be met and lack of proper oversight of revenues and expenses.</p> <p>Cause: The City failed to amend the budget for changes in revenues and expenditures.</p> <p>Recommendation: The City should closely monitor actual revenues and expenditures as they compare to budgeted amounts. Any shortfalls or over-runs need to be addressed and approved for budgetary purposes.</p> <p>Management Response: Management agrees with the finding.</p>

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2008

FINANCIAL STATEMENT FINDINGS

REF. NO.	TYPE OF FINDING	FINDING/NONCOMPLIANCE
08-3	Internal Control	<p>Significant Deficiency:</p> <p>Condition: The City's internal controls do not include a written Procurement Policy complying with the requirements of Federal Awards Programs and State Bid Laws. This policy would address all phases of purchase procedures and require amendments as Federal Award and State Bid laws change.</p> <p>Effect: Management could make purchases that do not comply with the requirements of Federal Awards and State Bid Laws.</p> <p>Cause: The City failed to incorporate a policy addressing these items.</p> <p>Recommendation: The City should create a written policy addressing the items mentioned above.</p> <p>Management Response: Management agrees with the finding.</p>
08-4	Internal Control	<p>Significant Deficiency</p> <p>Condition: As of September 30, 2008, the City failed to have a written internal control document addressing the accounting functions and procedures as well as the personnel responsible.</p> <p>Effect: Lack of documented internal control procedures and policies could result in personnel failing to follow proper internal control procedures, allowing intentional and/ or unintentional errors in the financial reporting function to go undetected for an extended period.</p> <p>Cause: The City does not have written internal control procedures related to the cash disbursements and receipts functions.</p> <p>Recommendation: The City should create an internal control document addressing all areas of the accounting function, including the cash disbursements and receipts function.</p> <p>Management's Response: Management agrees with the finding.</p>

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2008

FINANCIAL STATEMENT FINDINGS

REF. NO.	TYPE OF FINDING	FINDING/NONCOMPLIANCE
08-5	Internal Control	<p>Material Weakness</p> <p>Condition: During the fiscal year ended September 30, 2008 the City failed to adequately monitor the Water and Sewer Department's operating income to ensure compliance with debt service requirements.</p> <p>Effect: Failing to properly monitor the operating income of the Water and Sewer Department could cause the City to not meet all debt service requirements. Failure to meet debt service requirements could result in the outstanding debt of the City being called by debt holders.</p> <p>Cause: During the current fiscal year end, the City did not meet debt service requirements for debt issued on behalf of the Water and Sewer Department.</p> <p>Recommendation: The City administration should closely monitor the operating income of the Water and Sewer Department throughout the year to ensure that all debt service requirements would be met.</p> <p>Management's Response: Management agrees with the finding.</p>
08-6	Internal Control	<p>Material Weakness:</p> <p>Condition: During the testing of cash disbursements it was discovered that the City lacked proper controls related to the signature facsimile used for the signing of checks.</p> <p>Effect: Improper or inadequate controls related to the signature facsimile could result in unauthorized expenditures, misappropriation of assets or defalcation.</p> <p>Cause: The City does not keep the signature facsimile in a secure area or require personnel to log their use of it during the course of completing transactions.</p> <p>Recommendation: The City should keep the signature facsimile under lock and key and require personnel to sign for the use of the facsimile before use occurs.</p> <p>Management's Response: Management agrees with the finding.</p>

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,137,847	\$ 669,113	\$ 1,806,960
Accounts Receivable, net	61,018	658,752	719,770
Assessment Receivable - Current	-	25,622	25,622
Other Receivables, net	8,713	26,658	35,371
Internal Balances	2,706,831	(2,706,831)	-
Inventories	25,702	67,552	93,254
Restricted Assets - Noncurrent	3,795,900	2,838,160	6,634,060
Capital Assets			
Land and Construction in Progress	3,649,157	387,685	4,036,842
Buildings, net	9,904,691	-	9,904,691
Improvements Other Than Buildings, net	1,936,402	27,379,496	29,315,898
Infrastructure, net	60,100,876	35,628,945	95,729,821
Furniture & Equipment, net	1,885,547	1,247,911	3,133,458
Vehicles, net	6,050,774	551,896	6,602,670
Less: Accumulated Depreciation	(38,695,633)	(15,059,163)	(53,754,796)
Abyance Receivable	-	2,067,508	2,067,508
Bond Issue Costs	70,236	267,000	337,236
	<u>\$ 52,638,061</u>	<u>\$ 54,050,304</u>	<u>\$ 106,688,365</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 120,151	\$ 15,812	\$ 135,963
Accrued Payroll	303,130	43,964	347,094
Other Current Liabilities	147,588	-	147,588
Interest Payable	79,596	109,215	188,811
Refundable Deposits	-	643,671	643,671
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	1,319,554	5,790,696	7,110,250
Long-term Commitments	465,050	-	465,050
Compensated Absences	95,772	-	95,772
Portion Due or Payable After One Year:			
Commitment to TCHS	2,312,500	-	2,312,500
Commitment to IDA Automotive Corridor	859,950	-	859,950
Bonds and Warrants Payable	5,610,364	23,467,088	29,077,452
Notes Payable	416,866	-	416,866
Compensated Absences	1,658,688	174,117	1,832,805
	<u>\$ 13,389,209</u>	<u>\$ 30,244,563</u>	<u>\$ 43,633,772</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 37,555,466	\$ 15,042,606	\$ 52,598,072
Restricted for:			
Capital Projects	2,402,415	2,323,400	4,725,815
Debt Service	473,448	514,760	988,208
Unrestricted	(1,182,477)	5,924,975	4,742,498
	<u>\$ 39,248,852</u>	<u>\$ 23,805,741</u>	<u>\$ 63,054,593</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUES & CHANGES IN NET ASSET</u>		
	<u>Expenses</u>	<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES:</u>							
Finance and Administration	\$ 2,002,608	\$ 4,483,653	\$ -	\$ -	\$ 2,481,045	\$ -	\$ 2,481,045
General Government	1,260,175	566,285	-	-	(693,890)	-	(693,890)
Planning and Development	606,471	-	-	-	(606,471)	-	(606,471)
Public Safety	10,066,284	21,870	33,303	-	(10,011,111)	-	(10,011,111)
Inspection Services	199,386	-	-	-	(199,386)	-	(199,386)
Public Works	6,820,987	1,048,792	-	-	(5,772,195)	-	(5,772,195)
Interest and Fiscal Charges	379,160	-	-	-	(379,160)	-	(379,160)
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 21,335,071</u>	<u>\$ 6,120,600</u>	<u>\$ 33,303</u>	<u>\$ -</u>	<u>\$ (15,181,168)</u>	<u>\$ -</u>	<u>\$ (15,181,168)</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 6,568,968	\$ 6,769,764	\$ -	\$ -	\$ -	\$ 200,796	\$ 200,796
<u>TOTAL BUSINESS TYPE ACTIVITIES</u>	<u>\$ 6,568,968</u>	<u>\$ 6,769,764</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,796</u>	<u>\$ 200,796</u>
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 27,904,039</u>	<u>\$ 12,890,364</u>	<u>\$ 33,303</u>	<u>\$ -</u>	<u>\$ (15,181,168)</u>	<u>\$ 200,796</u>	<u>\$ (14,980,372)</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Net (Expense) Revenues & Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<u>GENERAL REVENUES:</u>			
Taxes:			
Property Taxes Levied for General Purposes	\$ 1,329,101	\$ -	\$ 1,329,101
Property Taxes Levied for Education & Public Safety	1,022,386	-	1,022,386
Sales Taxes	7,251,370	-	7,251,370
Other Taxes	437,375	-	437,375
Shared Taxes:			
Taxes Levied for General Purposes	3,406,457	-	3,406,457
Taxes Levied for Resurfacing Projects	100,922	-	100,922
Taxes Levied for Public Safety	139,880	-	139,880
Shared License Fees Levied for General Purposes	13,556	-	13,556
Rental and Land Lease Income	157,934	-	157,934
Earnings on Investments	124,916	156,041	280,957
Gain on Sale of City Property	1,347	-	1,347
Transfers	(12,233)	12,233	-
	<u>\$ 13,973,011</u>	<u>\$ 168,274</u>	<u>\$ 14,141,285</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ (1,208,157)</u>	<u>\$ 369,070</u>	<u>\$ (839,087)</u>
<u>NET ASSETS - BEGINNING</u>	<u>38,510,618</u>	<u>22,211,010</u>	<u>60,721,628</u>
<u>CAPITAL CONTRIBUTIONS</u>	<u>1,946,391</u>	<u>1,225,661</u>	<u>3,172,052</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 39,248,852</u>	<u>\$ 23,805,741</u>	<u>\$ 63,054,593</u>

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	ELIMINATION OF INTERFUND BALANCES	TOTAL GOVERNMENTAL FUNDS
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 1,137,847	\$ -	\$ -	\$ 1,137,847	\$ -	\$ 1,137,847
Accounts Receivable						
Police Dockets Receivable - Net	61,018	-	-	61,018	-	61,018
Other Receivables	8,713	-	-	8,713	-	8,713
Due From Other Funds	3,505,641	-	321,118	3,826,759	(437,668)	3,389,091
Inventories	25,702	-	-	25,702	-	25,702
<u>TOTAL CURRENT ASSETS</u>	\$ 4,738,921	\$ -	\$ 321,118	\$ 5,060,039	\$ (437,668)	\$ 4,622,371
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 1,705,371	\$ 473,448	\$ 1,360,228	\$ 3,539,047	\$ -	\$ 3,539,047
<u>TOTAL ASSETS</u>	\$ 6,444,292	\$ 473,448	\$ 1,681,346	\$ 8,599,086	\$ (437,668)	\$ 8,161,418
<u>LIABILITIES</u>						
Accounts Payable	\$ 34,459	\$ -	\$ 85,692	\$ 120,151	\$ -	\$ 120,151
Due to Other Funds	178,125	-	260,553	438,678	(437,668)	1,010
Accrued Payroll	303,130	-	-	303,130	-	303,130
Cash Bonds, Restitution and Other Deposits	90,140	-	-	90,140	-	90,140
Compensated Absences - Current	95,772	-	-	95,772	-	95,772
<u>TOTAL LIABILITIES</u>	\$ 701,626	\$ -	\$ 346,245	\$ 1,047,871	\$ (437,668)	\$ 610,203
<u>FUND BALANCE</u>						
Reserve for Inventory	\$ 25,701	\$ -	\$ -	\$ 25,701	\$ -	\$ 25,701
Reserve for Capital Projects	2,230,244	-	342,520	2,572,764	-	2,572,764
Reserve for Education and Public Safety	-	-	992,581	992,581	-	992,581
Reserve for Debt Service	-	473,448	-	473,448	-	473,448
Unreserved Fund Balance	3,486,721	-	-	3,486,721	-	3,486,721
<u>TOTAL FUND BALANCE</u>	\$ 5,742,666	\$ 473,448	\$ 1,335,101	\$ 7,551,215	\$ -	\$ 7,551,215
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	\$ 6,444,292	\$ 473,448	\$ 1,681,346	\$ 8,599,086	\$ (437,668)	\$ 8,161,418

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS **\$ 7,551,215**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported at the fund level of statements. Those assets consist of:

Land and Construction in Progress	\$	3,649,157	
Building, net of \$3,299,157 of Accumulated Depreciation		6,605,534	
Improvements other than Buildings, net of \$523,422 Accumulated Depreciation		1,412,980	
Infrastructure, net of \$28,439,761 Accumulated Depreciation		31,661,115	
Furniture and equipment, net of \$1,602,592 Accumulated Depreciation		284,538	
Vehicles, net of \$4,832,284 Accumulated Depreciation		<u>1,218,490</u>	
			44,831,814

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not recognized as fund liabilities. Interest on long-term debt is not accrued in government funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are recognized in the statement of net assets. Discounts and bond issue cost are also reflected in net assets.

Bonds and Warrants Payable	\$	(6,545,000)	
Discounts on Bonds and Warrants Payable		104,838	
Bond and Warrant Issue Cost		70,236	
Noncurrent portion of Compensated Absences		(1,658,688)	
Long-Term Commitments		(3,637,500)	
Notes Payable		(906,420)	
Accrued Interest Payable		<u>(79,596)</u>	
Total Long-Term Liabilities			<u>(12,652,130)</u>

The internal service fund is used by management to charge the cost of administering the City's self-insurance plan to individual funds. The net asset of the internal service fund is reported with governmental activities.

Internal Service Fund Net Assets	\$	<u>(482,047)</u>	
Net Adjustment			<u>(482,047)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 39,248,852**

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 7,251,370	\$ -	\$ -	\$ 7,251,370
Property Tax	1,329,101	-	1,022,384	2,351,485
Other Taxes	437,375	-	-	437,375
Business Licenses and Permits	4,293,579	-	-	4,293,579
Other Licenses and Permits	190,074	-	-	190,074
Charges for Services	1,048,792	-	-	1,048,792
Fines, Forfeitures, and Penalties	505,370	-	-	505,370
Intergovernmental Revenues	3,266,559	-	380,700	3,647,259
Rental and Lease Income	157,934	-	-	157,934
Grant Proceeds	33,303	-	-	33,303
Interest Income	92,282	12,364	15,024	119,670
Other Income	97,101	-	1,841	98,942
<u>TOTAL REVENUES</u>	\$ 18,702,840	\$ 12,364	\$ 1,419,949	\$ 20,135,153
<u>EXPENDITURES</u>				
Finance and Administration	\$ 1,698,524	\$ -	\$ 177,272	\$ 1,875,796
General Government	778,796	-	-	778,796
Planning and Community Development	315,400	-	-	315,400
Public Safety	8,869,612	-	699,582	9,569,194
Local Agency Support	444,100	-	-	444,100
Inspection Services	189,353	-	-	189,353
Public Works	5,063,443	-	-	5,063,443
Capital Outlay				
Finance and Administration	35,560	-	-	35,560
General Government	289	-	-	289
Planning and Community Development	275,796	-	-	275,796
Public Safety	246,681	-	250,000	496,681
Public Works	1,341,979	-	67,088	1,409,067
Debt Service				
Interest Paid	-	362,067	-	362,067
Agency Fees	-	2,601	-	2,601
Payments on Bonds & Notes Payable	-	1,305,947	-	1,305,947
Finance and Administration	-	250,000	-	250,000
<u>TOTAL EXPENSES</u>	\$ 19,259,533	\$ 1,920,615	\$ 1,193,942	\$ 22,374,090
<u>EXCESS REVENUES / (EXPENDITURES)</u>	\$ (556,693)	\$ (1,908,251)	\$ 226,007	\$ (2,238,937)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (Out)	\$ (1,512,841)	\$ -	\$ (409,184)	\$ (1,922,025)
Transfer In	-	1,909,792	-	1,909,792
Sales Proceeds	1,347	-	-	1,347
Loan Proceeds	565,329	-	-	565,329
<u>TOTAL OTHER FINANCIANG SOURCES (USES)</u>	\$ (946,165)	\$ 1,909,792	\$ (409,184)	\$ 554,443

(continued)

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>NET CHANGE IN FUND BALANCES</u>	\$ (1,502,858)	\$ 1,541	\$ (183,177)	\$ (1,684,494)
<u>FUND BALANCE - OCTOBER 1, 2007</u>	\$ 7,245,524	\$ 471,907	\$ 1,518,278	\$ 9,235,709
<u>FUND BALANCE - SEPTEMBER 30, 2008</u>	<u>\$ 5,742,666</u>	<u>\$ 473,448</u>	<u>\$ 1,335,101</u>	<u>\$ 7,551,215</u>

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2008

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ (1,684,494)**

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess depreciation expense (\$1,996,301) over capital outlay purchases \$1,607,464. (388,837)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principle is an expenditure for governmental funds, but reduces the liabilities in the statement of net assets.

Debt Issued:			
Loan Proceeds	\$	(565,329)	
Repayments:			
Principle Repayments		<u>1,553,346</u>	
Net Adjustment			988,017

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with available resources. The statement of activities is presented on the accrual basis. Under the accrual basis of accounting, expenses and liabilities are recognized regardless of when financial resources are available. In addition, governmental funds recognized interest paid on long-term debt when it is due, however, interest expense is recognized as it accrues for the statement of activities.

Amortization of Bond and Warrant Discounts	\$	(8,588)	
Amortization of Bond Issue Cost		(6,642)	
Accrued Interest		<u>740</u>	
Net Adjustment			(14,490)

The internal service fund is used by management to charge the cost of administering the City's self-insurance plan to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.

Internal Service Fund Change in Net Assets	\$	<u>(108,353)</u>	
Net Adjustment			<u>(108,353)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (1,208,157)**

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
ASSETS					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 569,464	\$ 99,649	\$ 669,113	\$ -	\$ 669,113
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$63,542	658,752	-	658,752	-	658,752
Assessments Receivable - Current	-	25,622	25,622	-	25,622
Interest Receivable	14,671	11,987	26,658	-	26,658
Due from Other Propriety Funds	1,768,019	-	1,768,019	-	1,768,019
Due from Other Funds	305,083	-	305,083	-	305,083
Inventory	67,552	-	67,552	-	67,552
<u>TOTAL CURRENT ASSETS</u>	\$ 3,383,541	\$ 137,258	\$ 3,520,799	\$ -	\$ 3,520,799
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,323,400	\$ -	\$ 2,323,400	\$ 256,853	\$ 2,580,253
Investments - Warrant Payments Temporarily Invested	514,760	-	514,760	-	514,760
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,838,160	\$ -	\$ 2,838,160	\$ 256,853	\$ 3,095,013
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 98,000	\$ -	\$ 98,000	\$ -	\$ 98,000
Land	289,685	-	289,685	-	289,685
Treatment Plants and Pump Stations	27,379,496	-	27,379,496	-	27,379,496
Distribution and Disposal System	35,628,945	-	35,628,945	-	35,628,945
Machinery and Equipment	1,118,052	-	1,118,052	-	1,118,052
Vehicles	551,896	-	551,896	-	551,896
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 65,195,933	\$ -	\$ 65,195,933	\$ -	\$ 65,195,933
Less: Accumulated Depreciation	(15,059,163)	-	(15,059,163)	-	(15,059,163)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 50,136,770	\$ -	\$ 50,136,770	\$ -	\$ 50,136,770
<u>OTHER ASSETS</u>					
Abeance Receivable	\$ -	\$ 2,067,508	\$ 2,067,508	\$ -	\$ 2,067,508
Bond Issue Costs	267,000	-	267,000	-	267,000
<u>TOTAL OTHER ASSETS</u>	\$ 267,000	\$ 2,067,508	\$ 2,334,508	\$ -	\$ 2,334,508
<u>TOTAL ASSETS</u>	\$ 56,625,471	\$ 2,204,766	\$ 58,830,237	\$ 256,853	\$ 59,087,090

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	<u>ENTERPRISE FUNDS</u>				
	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 15,812	\$ -	\$ 15,812	\$ -	\$ 15,812
Due to Other Funds	3,011,914	-	3,011,914	681,250	3,693,164
Due to Other Propriety Funds	-	1,768,019	1,768,019	-	1,768,019
Accrued Payroll	43,964	-	43,964	-	43,964
Accrued Expenses	-	-	-	57,650	57,650
Notes Payable - Current	4,080,696	-	4,080,696	-	4,080,696
	<u>7,152,386</u>	<u>1,768,019</u>	<u>8,920,405</u>	<u>738,900</u>	<u>9,659,305</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>					
	<u>7,152,386</u>	<u>1,768,019</u>	<u>8,920,405</u>	<u>738,900</u>	<u>9,659,305</u>
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 109,215	\$ -	\$ 109,215	\$ -	\$ 109,215
Warrants Payable - Current	1,710,000	-	1,710,000	-	1,710,000
Customer and Waterline Extension					
Deposits	643,671	-	643,671	-	643,671
	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>
<u>TOTAL CURRENT LIABILITIES</u>					
	<u>9,615,272</u>	<u>1,768,019</u>	<u>11,383,291</u>	<u>738,900</u>	<u>12,122,191</u>
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 23,465,069	\$ 2,019	\$ 23,467,088	\$ -	\$ 23,467,088
Estimated Liability for Compensated Absences - Noncurrent	174,117	-	174,117	-	174,117
	<u>23,639,186</u>	<u>2,019</u>	<u>23,641,205</u>	<u>-</u>	<u>23,641,205</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
	<u>23,639,186</u>	<u>2,019</u>	<u>23,641,205</u>	<u>-</u>	<u>23,641,205</u>
<u>TOTAL LIABILITIES</u>					
	<u>33,254,458</u>	<u>1,770,038</u>	<u>35,024,496</u>	<u>738,900</u>	<u>35,763,396</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 14,828,141	\$ 214,465	\$ 15,042,606	\$ -	\$ 15,042,606
Restricted for Capital Projects	2,323,400	-	2,323,400	-	2,323,400
Restricted for Debt Service	514,760	-	514,760	-	514,760
Unrestricted	5,704,712	220,263	5,924,975	(482,047)	5,442,928
	<u>23,371,013</u>	<u>434,728</u>	<u>23,805,741</u>	<u>(482,047)</u>	<u>23,323,694</u>
<u>TOTAL NET ASSETS</u>					
	<u>23,371,013</u>	<u>434,728</u>	<u>23,805,741</u>	<u>(482,047)</u>	<u>23,323,694</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 6,609,694	\$ -	\$ 6,609,694	\$ 1,735,571	\$ 8,345,265
Miscellaneous	160,070	-	160,070	-	160,070
<u>TOTAL OPERATING REVENUES</u>	\$ 6,769,764	\$ -	\$ 6,769,764	\$ 1,735,571	\$ 8,505,335
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 1,659,202	\$ -	\$ 1,659,202	\$ -	\$ 1,659,202
Water and Sewer Purchases	246,236	-	246,236	-	246,236
Materials and Supplies	381,943	-	381,943	-	381,943
Insurance	257,334	-	257,334	-	257,334
Insurance Claims and Expenses	-	-	-	1,849,170	1,849,170
Maintenance and Repairs	687,238	-	687,238	-	687,238
Utilities and Telephone	611,215	-	611,215	-	611,215
Professional Fees	17,343	-	17,343	-	17,343
Solid Waste Authority Contract	76,669	-	76,669	-	76,669
Miscellaneous Expense	421,890	-	421,890	-	421,890
Bad Debt Expense	62,078	-	62,078	-	62,078
Depreciation and Amortization	1,230,583	-	1,230,583	-	1,230,583
<u>TOTAL OPERATING EXPENSES</u>	\$ 5,651,731	\$ -	\$ 5,651,731	\$ 1,849,170	\$ 7,500,901
<u>OPERATING INCOME (LOSS)</u>	\$ 1,118,033	\$ -	\$ 1,118,033	\$ (113,599)	\$ 1,004,434
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 154,835	\$ 1,206	\$ 156,041	\$ 5,246	\$ 161,287
Interest Expense	(885,762)	-	(885,762)	-	(885,762)
Issue Cost	(29,451)	-	(29,451)	-	(29,451)
Agency Fees	(2,024)	-	(2,024)	-	(2,024)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (762,402)	\$ 1,206	\$ (761,196)	\$ 5,246	\$ (755,950)
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>					
	\$ 355,631	\$ 1,206	\$ 356,837	\$ (108,353)	\$ 248,484
Capital Contributions	\$ 1,225,661	\$ -	\$ 1,225,661	\$ -	\$ 1,225,661
Transfers In	12,233	-	12,233	-	12,233
<u>CHANGE IN NET ASSETS</u>	\$ 1,593,525	\$ 1,206	\$ 1,594,731	\$ (108,353)	\$ 1,486,378
<u>NET ASSETS, OCTOBER 1</u>	21,777,488	433,522	22,211,010	(373,694)	21,837,316
<u>NET ASSETS, SEPTEMBER 30</u>	\$ 23,371,013	\$ 434,728	\$ 23,805,741	\$ (482,047)	\$ 23,323,694

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 6,767,014	\$ 3,640	\$ 6,770,654	\$ 1,735,571	\$ 8,506,225
Cash Paid for Personnel Cost	(1,638,653)	-	(1,638,653)	-	(1,638,653)
Cash Paid for Operations	(2,766,822)	-	(2,766,822)	(1,840,215)	(4,607,037)
<u>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</u>	\$ 2,361,539	\$ 3,640	\$ 2,365,179	\$ (104,644)	\$ 2,260,535
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ 12,233	\$ -	\$ 12,233	\$ -	\$ 12,233
Operating Transfers In (Out)	12,233	-	12,233	-	12,233
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	\$ 24,466	\$ -	\$ 24,466	\$ -	\$ 24,466
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from Borrowing	\$ 728,767	\$ -	\$ 728,767	\$ -	\$ 728,767
Warrant Costs Paid	-	-	-	-	-
Capital Acquisition Payments	(3,344,776)	-	(3,344,776)	-	(3,344,776)
Repayment of Bond Principal	(1,701,585)	-	(1,701,585)	-	(1,701,585)
Repayment of Interest on Bonds and Other Debt	(885,961)	-	(885,961)	-	(885,961)
Receipts from Escrow Accounts	-	-	-	-	-
Payments to Escrow Agents	(2,024)	-	(2,024)	-	(2,024)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	\$ (5,205,579)	\$ -	\$ (5,205,579)	\$ -	\$ (5,205,579)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 140,164	\$ 1,407	\$ 141,571	\$ 5,246	\$ 146,817
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	\$ 140,164	\$ 1,407	\$ 141,571	\$ 5,246	\$ 146,817
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ (2,679,410)	\$ 5,047	\$ (2,674,363)	\$ (99,398)	\$ (2,773,761)
<u>CASH & CASH EQUIVALENTS - OCTOBER 1</u>	5,572,274	94,602	5,666,876	356,251	6,023,127
<u>CASH & CASH EQUIVALENTS - SEPTEMBER 30</u>	\$ 2,892,864	\$ 99,649	\$ 2,992,513	\$ 256,853	\$ 3,249,366

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2008

ENTERPRISE FUNDS

	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,118,033	\$ -	\$ 1,118,033	\$ (113,599)	\$ 1,004,434
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,230,583	-	1,230,583	-	1,230,583
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	59,328	3,640	62,968	-	62,968
Inventory	7,222	-	7,222	-	7,222
Accounts Payable	(98,011)	-	(98,011)	-	(98,011)
Estimated Liabilities for Compensated Absences	8,743	-	8,743	-	8,743
Accrued Payroll	11,806	-	11,806	-	11,806
Accrued Expenses	-	-	-	8,955	8,955
Customer Deposits	23,835	-	23,835	-	23,835
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	<u>\$ 2,361,539</u>	<u>\$ 3,640</u>	<u>\$ 2,365,179</u>	<u>\$ (104,644)</u>	<u>\$ 2,260,535</u>

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Northport, Alabama (the City), founded in 1813, has a population of approximately 20,000 people living within an area of 13 square miles. The City is located in West Central Alabama on the northern bank of the Black Warrior River inside Tuscaloosa County. The City operates under a charter adopted February 7, 1871 and has a Mayor/Council form of government.

The financial statements of the city of Northport are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City is an Alabama Municipal corporation with a six-member council comprised of the Mayor (elected at large) and District Councilmen (elected by district). In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable requiring inclusion in the City's financial statements. The City has determined that none of its boards, authorities, or outside agencies meet the criteria to be classified as a component unit.

The Basis of Presentation

The accounting methods and procedures adopted by the City of Northport, Alabama conform to generally accepted accounting principles as applied to governmental entities. In June, 1999, the Governmental Accounting Standards Board (GASB) approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This statement provides for significant changes in financial reporting and includes a new reporting requirement regarding the local government's infrastructure (road, bridges, traffic signals, etc.). The basic financial statements include both government-wide and fund financial statements. While the previous model emphasized fund types, the new reporting model focuses on the City as a whole and on major individual funds.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government–Wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the City and for each program of the governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function.

Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the General Fund as the only major governmental fund. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Proprietary Funds

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government body is that the cost (including depreciation and amortization) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support city programs.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments within the City on a cost-reimbursement basis. This fund is used to account for the City self-insurance plan. In prior years, the fund was shown in the proprietary fund. Under GASB Statement No. 34, this fund is included in the general fund.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the city gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Use of Estimates

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Policy

The City Council annually adopts a Budget Resolution for the General, Proprietary and various Special Revenue funds. Budgetary control is legally maintained at the fund level. Expenditures may not exceed appropriations at this level. The City's Budget Resolution provides transfer authority to the City Administrator within and between departments and funds as long as the total budget of the City is not increased.

Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Appropriations, except remaining capital project appropriations, encumbrances, and unexpected grant appropriations, lapse at the end of the fiscal year.

Formal budgetary integration is employed as a management control device during the year for the General, Proprietary, and specific Special Revenue Funds. Formal budgetary integration is not employed for Debt Service funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. All funds for which a budget is maintained are prepared on a cash basis (budgetary basis). A reconciliation of budgetary basis is provided on the face of the budget to actual schedules of this report.

NOTE 2: CASH & CASH EQUIVILANTS

The City has defined cash and cash equivalents to include cash on hand, demand deposits and cash held in financial institutions. Additionally, the city considers cash and cash equivalents as investments purchased with original maturity of three months or less.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable are recorded in the General and Enterprise Fund types. An associated allowance for doubtful accounts has been established as follows:

General Fund	\$ 79,626
Water and Sewer Fund	63,542

Accounts receivable are shown net of these allowance accounts on the face of the financial statements.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 4: INVENTORIES

Inventories in the general fund and the enterprise fund consist of expendable supplies held for consumption stated on a first-in, first-out basis. At year end, a physical count of existing inventory is taken and valued at the lower of cost or market.

NOTE 5: FIXED ASSETS

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 1993. Prior to October 1, 2002, governmental funds infrastructure assets were not capitalized. These assets have been valued at estimated historical costs.

Fixed assets purchased or acquired are carried at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Land	Not Depreciated
Treatment Plants	50 Years
Water and Sewer Lines	50 years
Buildings and Improvements	40 Years
Infrastructure	30 Years
Moveable Equipment	5 Years

Fund Financial Statements

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

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: FIXED ASSETS (continued)

The Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance with Statement No. 34, the city developed and implemented a plan to determine the value of infrastructure costs and has included the value of all infrastructure in the basic financial statements.

FIXED ASSET SCHEDULE:

<u>Governmental Activities:</u>	<u>Balance</u> <u>9/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/08</u>
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Process	985,634	344,822	-	1,330,456
Total Capital Assets Not Depreciated	\$ 3,304,335	\$ 344,822	\$ -	\$ 3,649,157
Other Capital Assets:				
Buildings	\$ 9,904,691	\$ -	\$ -	\$ 9,904,691
Improvements other than Buildings	1,936,402	-	-	1,936,402
Vehicles	5,361,796	782,196	(93,218)	6,050,774
Equipment & Furniture	1,600,039	285,508	-	1,885,547
Infrastructure	58,055,985	2,044,891	-	60,100,876
Total Other Capital Assets	\$ 76,858,913	\$ 3,112,595	\$ (93,218)	\$ 79,878,290
Less: Accumulated Depreciation:				
Buildings	\$ 3,048,181	\$ 250,976	\$ -	\$ 3,299,157
Improvements other than Buildings	474,908	48,514	-	523,422
Vehicles	4,502,043	423,459	(93,218)	4,832,284
Equipment & Furniture	1,542,483	58,526	-	1,601,009
Infrastructure	27,224,935	1,214,826	-	28,439,761
Total Accumulated Depreciation	\$ 36,792,550	\$ 1,996,301	\$ (93,218)	\$ 38,695,633
Other Capital Assets, Net of Accumulated Depreciation	\$ 40,066,363			\$ 41,182,657
Total Governmental Assets, Net	\$ 43,370,698			\$ 44,831,814

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 5: FIXED ASSETS (continued)

Allocation of Depreciation on Fixed Assets for Governmental Activities

	<u>Allocation</u>	<u>Percentage</u>	<u>Allocation of Depreciation on Capital Assets</u>	<u>Allocation of Depreciation on Infrastructure</u>
Finance and Administration	\$ 1,875,796	10.53%	\$ 82,289	\$ -
General Government	778,796	4.37%	34,150	-
Planning and Development	315,400	1.77%	13,832	-
Public Safety	9,569,194	53.80%	420,434	-
Inspection Services	189,353	1.06%	8,284	-
Public Works	5,063,443	28.47%	222,486	1,214,826
	<u>\$ 17,791,982</u>	<u>100.00%</u>	<u>\$ 781,475</u>	<u>\$ 1,214,826</u>

<u>Business-Type Activities:</u>	<u>Balance 9/30/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/08</u>
Analysis of Capital Assets Not Being Depreciated:				
Construction in Process	\$ 8,236,989	\$ 2,475,563	\$ 10,614,552	\$ 98,000
Land	289,685	-	-	289,685
Total Capital Assets Not Depreciated	<u>\$ 8,526,674</u>	<u>\$ 2,475,563</u>	<u>\$ 10,614,552</u>	<u>\$ 387,685</u>
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 20,974,879	\$ 6,404,617	\$ -	\$ 27,379,496
Distribution and Disposal System	29,901,710	5,727,235	-	35,628,945
Machinery and Equipment	540,491	676,508	98,947	1,118,052
Vehicles	551,896	-	-	551,896
Computer Equipment	129,859	-	-	129,859
Total Other Capital Assets	<u>\$ 52,098,835</u>	<u>\$ 12,808,360</u>	<u>\$ 98,947</u>	<u>\$ 64,808,248</u>
Less: Accumulated Depreciation:				
Treatment Plant and Pump Stations	\$ 5,839,632	\$ 603,266	\$ -	\$ 6,442,898
Distribution and Disposal System	6,941,822	607,984	-	7,549,806
Machinery and Equipment	451,618	8,648	37,756	422,510
Vehicles	465,648	48,442	-	514,090
Computer Equipment	129,859	-	-	129,859
Total Accumulated Depreciation	<u>\$ 13,828,579</u>	<u>\$ 1,268,340</u>	<u>\$ 37,756</u>	<u>\$ 15,059,163</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 38,270,256</u>			<u>\$ 49,749,085</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 46,796,930</u>			<u>\$ 50,136,770</u>

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 6: BOND DISCOUNTS / ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds or warrants payable whereas, issuance costs are recorded as other intangible assets. As of September 30, 2008, the remaining discounts and issuance costs in the City's proprietary fund are \$117,958 and \$280,705, respectively.

NOTE 7: LONG-TERM OBLIGATIONS

Long-term debt is recognized as a liability of a governmental fund when due. In the fund financial statements, for other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Changes in long-term obligations for the year ended September 30, 2008 are as follows:

Analysis of Long-Term Liabilities

Governmental Activities:	Balance 9/30/07	Additions	Decreases	Balance 9/30/08	Amount Due Within One Year
Bonds and Notes Payable					
2002-A G.O. Warrants	\$ 3,990,000	\$ -	\$ 395,000	\$ 3,595,000	\$ 395,000
2004-A G.O. Warrants	3,385,000	-	435,000	2,950,000	435,000
Cadence Bank	244,856	-	112,960	131,896	129,201
Cadence Bank	212,512	352,815	-	565,327	212,512
RBC Centura Bank	296,030	-	86,833	209,197	86,988
Compass Bank	60,853	-	60,853	-	60,853
Total Bonds and Notes Payable	\$ 8,189,251	\$ 352,815	\$ 1,090,646	\$ 7,451,420	\$ 1,319,554
Other Liabilities					
Tuscaloosa County High School	\$ 2,812,500	\$ -	\$ 250,000	\$ 2,562,500	\$ 250,000
IDA Automotive Corridor	1,290,300	-	215,300	1,075,000	215,050
Estimated Liabilities for Compensated Absences	1,539,669	119,019	-	1,658,688	95,772
Total Other Liabilities	\$ 5,642,469	\$ 119,019	\$ 465,300	\$ 5,296,188	\$ 560,822
Total Governmental Activities	\$ 13,831,720	\$ 471,834	\$ 1,555,946	\$ 12,747,608	\$ 1,880,376

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Business -Type Activities:	Balance 9/30/07	Additions	Decreases	Balance 9/30/08	Amount Due Within One Year
Bonds, Notes and Other Liabilities					
1998 S.R.F. G.O. Warrants	\$ 2,060,000	\$ -	\$ 135,000	\$ 1,925,000	\$ 140,000
1999 S.R.F. G.O. Warrants	2,600,000	-	175,000	2,425,000	180,000
2002 S.R.F. G.O. Warrants	3,765,000	-	190,000	3,575,000	195,000
2003 S.R.F. G.O. Warrants	4,175,000	-	520,000	3,655,000	545,000
2005 S.R.F. G.O. Warrants	2,780,000	-	105,000	2,675,000	110,000
2002-B G.O. Warrants	9,097,733	-	380,000	8,717,733	390,000
2004-B G.O. Warrants	2,545,000	-	145,000	2,400,000	150,000
Cadence Bank	3,357,213	671,375	-	4,028,588	4,028,588
Cadence Bank	103,696	-	51,588	52,108	52,108
Estimated Liabilities for Compensated Absences	165,374	8,743	-	174,117	-
Total Bonds, Notes and Other Liabilities	\$ 30,649,016	\$ 680,118	\$ 1,701,588	\$ 29,627,546	\$ 5,790,696

<u>GENERAL CITY DEBT:</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>2002 A General Obligation Warrants</u>	2009	\$ 400,000	
Series dated May 1, 2002, payable semi-annually at a variable interest rate between 2.0% and 5.2% depending on the maturity date	2010	420,000	
	2011	450,000	
	2012	465,000	
	Thereafter	<u>1,860,000</u>	\$ 3,595,000
<u>2004 A General Obligation Warrants</u>	2009	\$ 460,000	
Series dated December 22, 2004, payable semi-annually at a variable interest rate between 2.5% and 4.1% depending on the maturity date	2010	465,000	
	2011	485,000	
	2012	130,000	
	Thereafter	<u>1,410,000</u>	\$ 2,950,000
<u>Cadence Bank</u>			
Note collateralized by vehicles and equipment, payable monthly at an interest rate of 3.10%, maturing September 7, 2009	2009	<u>\$ 131,896</u>	\$ 131,896

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7: LONG-TERM OBLIGATIONS (continued)

<u>GENERAL CITY DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>Cadence Bank</u>			
Unsecured line of credit for wooden bridge replacement and for design for new Kentuck Pavilion, interest rate of 4%, maturing October 8, 2009.	2009	\$ 565,327	
			\$ 565,327
<u>RBC Centura Bank</u>			
Note collateralized by fire rescue vehicles, payable monthly at an interest rate of 3.96%, maturing December 2011	2009	\$ 90,490	
	2010	94,140	
	2011	24,567	
	2012	-	
	Thereafter	-	
			\$ 209,197
<u>Tuscaloosa County High School</u>			
Long-term commitment of \$250,000 per year to Tuscaloosa County High School	2009	\$ 250,000	
	2010	250,000	
	2011	250,000	
	2012	250,000	
	Thereafter	1,562,500	
			\$ 2,562,500
<u>IDA Automotive Corridor</u>			
Long-term commitment of \$215,050 per year	2009	\$ 215,050	
	2010	215,050	
	2011	215,050	
	2012	215,050	
	Thereafter	214,800	
			\$ 1,075,000
<u>WATER AND SEWER DEBT:</u>			
<u>Alabama Water Pollution Control Authority</u>			
Series 1998 Warrants awarded to the City from the State Revolving Loan Fund for the Two-Mile Creek Sewer Replacement Project, payable semi-annually at an interest rate of 3.75%	2009	\$ 130,000	
	2010	135,000	
	2011	140,000	
	2012	145,000	
	Thereafter	1,205,000	
			\$ 1,755,000

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7: LONG-TERM OBLIGATIONS (continued)

<u>WATER AND SEWER DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
Series 1998 Warrants awarded to the City from the State Revolving Loan Fund for the Two-Mile Creek Sewer Replacement Project, payable semi-annually at an interest rate of 3.75%	2009	\$ 10,000	
	2010	10,000	
	2011	10,000	
	2012	15,000	
	Thereafter	<u>125,000</u>	\$ 170,000
Series 1999 Warrants awarded to the City from the State Revolving Loan Fund for the Water Treatment Plant Expansion Project, payable semi-annually at an interest rate of 3.95%	2009	\$ 125,000	
	2010	130,000	
	2011	135,000	
	2012	140,000	
	Thereafter	<u>1,150,000</u>	\$ 1,680,000
Series 1999 Warrants awarded to the City from the State Revolving Loan Fund for the Water Treatment Plant Expansion Project, payable semi-annually at an interest rate of 3.95%	2009	\$ 55,000	
	2010	60,000	
	2011	60,000	
	2012	60,000	
	Thereafter	<u>510,000</u>	\$ 745,000
Series 2002 Warrants awarded to the City from the State Revolving Loan Fund for the Smith Creek & Carroll's Creek Sewer Systems, payable semi-annually at an interest rate of 3.50%	2009	\$ 180,000	
	2010	185,000	
	2011	195,000	
	2012	200,000	
	Thereafter	<u>2,440,000</u>	\$ 3,200,000
Series 2002 Warrants awarded to the City from the State Revolving Loan Fund for the Smith Creek & Carroll's Creek Sewer Systems, payable semi-annually at an interest rate of 3.50%	2009	\$ 15,000	
	2010	15,000	
	2011	15,000	
	2012	15,000	
	Thereafter	<u>315,000</u>	\$ 375,000
Series 2003 Warrants received from the State Revolving Loan Fund to refinance the Series 1993 Warrants. The 1993 Warrants were used for construction of the new waste water treatment plant, payable semi-annually at 2.98%	2009	\$ 110,000	
	2010	115,000	
	2011	120,000	
	2012	120,000	
	Thereafter	<u>2,210,000</u>	\$ 2,675,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 7: LONG-TERM OBLIGATIONS (continued)

<u>WATER AND SEWER DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
Series 2003 Warrants received from the State Revolving Loan Fund for Northern Water Storage Tank, payable semi-annually at 3.25%	2009 2010 2011 2012 Thereafter	\$ 545,000 570,000 595,000 620,000 <u>1,325,000</u>	\$ 3,655,000
<u>2002 B General Obligation Water & Sewer Warrants</u> Series dated May 1, 2002, interest rate between 1.75% and 5.9% depending on the maturity date.	2009 2010 2011 2012 Thereafter	\$ 390,000 405,000 420,000 435,000 <u>7,067,733</u>	\$ 8,717,733
<u>2004 B General Obligation Water & Sewer Warrants</u> Series dated December 22, 2004, payable semi-annually at a variable interest rate between 2.15% and 4.1% depending on the maturity date.	2009 2010 2011 2012 Thereafter	\$ 150,000 150,000 155,000 165,000 <u>1,780,000</u>	\$ 2,400,000
<u>Cadence Bank</u> Unsecured line of credit for improvements, interest rate of 4%, maturing October 8, 2009.	2009	<u>\$ 4,028,588</u>	\$ 4,028,588
<u>Cadence Bank</u> Note collateralized by vehicles and equipment, payable monthly at an interest rate of 3.10%, maturing September 7, 2009	2009	<u>\$ 52,111</u>	\$ 52,111
<u>Unpaid Coupons - 1964 Bond Issue</u>		<u>\$ 2,019</u>	\$ 2,019

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 8: EQUITY CLASSIFICATIONS

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 9: PROPERTY TAX

All ad valorem taxes levied by the state, county, and any municipality are assessed by the Tax Assessor and collected by the Tax Collector of Tuscaloosa County. The Tuscaloosa County property tax calendar requires the tax assessor to assess and attach taxes as enforceable liens on property as of September 30, the levy and lien date. These assessed taxes are due October 1 through December 31. Property taxes that have not been paid before January 1 are considered delinquent. The County holds a tax auction during the first week of June of each year to collect any delinquent property taxes. Tax collections received by the County Tax Collector are remitted to the City on a monthly basis.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 10: COMPENSATED ABSENCES

GASB No. 16 requires the accrual of unpaid vacation and sick leave when it has been earned by the employees and it is probable that it will be paid in the future. Full-time city employees earn annual leave based on years of employment with the City. New employees receive one week of annual leave after completing one year of employment with the City. Employees with two to seven years of employment receive two weeks of annual leave on their employment anniversary date. Employees with eight to seventeen years of employment receive three weeks of annual leave on their employment anniversary date. Employees with eighteen years of employment with the City receive four weeks of annual leave on their employment anniversary date. Employees are allowed to carry over a maximum of three weeks of accumulated vacation leave. Employees who retire or leave the City are paid for their accumulated annual leave at the date of termination. Full-time City employees earn sick leave at a rate of eight hours per month, with the exception of firemen, who earn 10.6 hours of sick leave per month. Employees who retire or leave the City may elect to convert all unused sick leave for retirement credit; may receive pay at their regular hourly rate for a maximum of 360 hours (477 hours for firemen) of accumulated unused sick leave; or may choose both options as long as the pay option does not exceed 360 hours (477 hours for firemen) at their regular hourly rate.

At September 30, 2008, the amount of vacation and sick leave accrued in the financial statements is \$1,928,577. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$1,754,460 and \$174,117, respectively.

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. These cash and investment balances are classified into the following categories in accordance with GASBS No. 3, paragraph 67.

Category 1 – Insured or collateralized with securities held by the City or by its agent in the City’s name, and investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name.

Category 2 – Collateralized with securities held by the pledging Financial institution’s trust department or agent in the City’s name, and insured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name.

Category 3 – Uncollateralized and uninsured and unregistered investments for which the securities are held by the counterparty or the counterparty’s trust department or agent but not in the City’s name.

Deposits categorized by level of risk are:

	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>	<u>TOTAL</u>
		<u>1</u>	<u>2</u>	<u>3</u>		
Categorized Deposits	<u>\$ 8,439,420</u>	<u>\$ 1,750,000</u>	<u>\$ 6,689,420</u>	<u>\$ -0-</u>	<u>\$ 8,439,420</u>	<u>\$ 8,439,420</u>

The City had the following cash at September 30, 2008:

CASH

Governmental - Unrestricted:

Regions Bank – Payroll Clearing Fund	\$ 1,733
Regions Bank – General Fund	91,195
Regions Bank – Properties Account	1,008,386
Regions Bank – Accounts Payable Clearing	35,433
Petty Cash	1,100
<u>Total Unrestricted Cash</u>	<u>\$ 1,137,847</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Governmental - Restricted:

Regions Bank – Corrections Fund	\$ 545,346
Regions Bank – Crime Prevention	521
Regions Bank – Municipal Court	78,316
Regions Bank – EMS Grant Fund	5,415
Regions Bank – Federal Seizure Fund	82
Regions Bank – 2005 Justice Assistance Grant	839
Regions Bank – Police Training Fund	2,435
Regions Bank – Restitution Recovery Fund	19,038
Compass Bank – Recreational Tax Fund	2,105
Regions Bank - Special Operations Awarded	5,541
Regions Bank - Police Special Operations	1,882
Regions Bank – Williamson Cemetery	3,244
RBC Bank – Capital Reserve Fund	543,843
Regions Bank – Downtown Redevelopment	4,881
Regions Bank – Accounts Payable Clearing	25
Regions Bank – Shirley Place Fund	24,072
First Commercial Bank – 2002 A Improvement	257,296
Regions Bank – Certificate of Deposits	210,490
Bank of Tuscaloosa – Education & Public Safety	1,144,959
Regions Bank – Accounts Payable Clearing	1,000
Cadence Bank – Capital Improvement Fund	49,757
Compass Bank – Seven Cent Gas Excise Tax	43,619
Cadence Bank – Northport Tree Commission	8,949
Cadence Bank – CDBG Rental	653
Regions Bank – CDBG Holman Hill Grant	390
Compass Bank – Four Cent Gas Excise Tax	72,142
Bank of Tuscaloosa – Employee’s Beer Tax	38,151
Wachovia Bank – Employee Benefit Fund	608
Regions Bank – Employees Insurance Fund	<u>256,853</u>

Total Restricted Cash \$ 3,322,452

Enterprise – Unrestricted:

Regions Bank - Accounts Payable Clearing	\$ 9,965
Cadence Bank - Gross Revenue	248,255
Wachovia Bank - Capital Improvement	310,744
RBC Bank - Public Improvement	99,649
Petty Cash	<u>500</u>
<u>Total Unrestricted Cash</u>	<u>\$ 669,113</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Enterprise – Restricted:

Cadence Bank - Meter Deposit	\$ 177,778
Cadence Bank - Development Fees	241,583
Wachovia Bank - SRF Debt Service Escrow	122,431
Regions Bank – 2005 SRF Drinking Water	3
Compass Bank - Certificate of Deposit	160,000
Cadence Bank - Certificate of Deposit	301,012
Cadence Bank - Certificate of Deposit	1,300,000
First Commercial Bank - 2002 B Capital Imp	<u>20,593</u>
<u>Total Restricted Cash</u>	<u>\$ 2,323,400</u>

State statutes, city bond ordinances and city resolutions authorize the City’s investments. The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality, obligations of state or political subdivision of any state rated as to investment quality of “A” or its equivalent rating, no load, SEC registered mutual funds with a weighted average maturity of less than two years that are invested in allowable securities, obligations of Alabama and its agencies, fully collateralized repurchase agreements and reverse repurchase agreements, prime domestic commercial paper, prime domestic bankers’ acceptances, insured or collateralized certificates of deposit, government pools and no load SEC registered money market funds consisting of any of these securities listed.

<u>INVESTMENTS</u>	<u>Carrying</u>	<u>Market</u>	<u>S & P Bank</u>
	<u>Amount</u>	<u>Value</u>	<u>Rating</u>
<u>Governmental – Restricted:</u>			
First Commercial Bank – Money Market	\$ 247,478	\$ 247,478	A-
Regions Bank – Treasury Money Market	<u>225,970</u>	<u>225,970</u>	A+
<u>Total Governmental Investments</u>	<u>\$ 473,448</u>	<u>\$ 473,448</u>	
<u>Enterprise - Restricted:</u>			
First Commercial Bank – Money Market	\$ 367,534	\$ 367,534	A-
Regions Bank – Treasury Money Market	<u>147,226</u>	<u>147,226</u>	A+
<u>Total Enterprise Investments</u>	<u>\$ 514,760</u>	<u>\$ 514,760</u>	

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Amounts invested in money market funds are recorded at cost that is also the fair market value. Money market and investments in deferred compensation mutual funds are not categorized, in accordance with GASB No. 3, because they are not evidenced by securities that exist in physical or book entry form. In accordance with GASB No. 31, paragraph 15, it is the policy of the City of Northport, Alabama to report investments at fair market value, except in the following situations:

- A) Participating interest-earning investment contracts.
- B) Money market investments and certain participating interest-earning contracts. This category includes commercial paper, bankers' acceptances, and U.S. Treasury and Agency obligations with a one year or less maturity.
- C) Investment positions in 2a7-like pools.

The above investments are accounted for at amortized cost, as they are comprised of money market accounts and U.S. Treasury Notes.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. When the length of the investment is longer than 30-90 days, the City looks at the safety and liquidity of the investment in addition to the rate of return.

Concentration of Credit Risk – The City places no limit on the amount it may invest with one issuer. The City's total investments are:

U.S. Treasury Notes	<u>100.0</u> %
---------------------	----------------

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the City's investments over \$250,000 are collateralized under the SAFE program through the State of Alabama.

NOTE 12: RESTRICTED ASSETS

At September 30, 2008, the City had restricted certain deposits and investments for capital projects, debt service and refundable customer deposits. These amounts have been disclosed in statement of net assets under restricted assets.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS

At September 30, 2008, several interfund receivables and payables were outstanding. The following schedule is a detailed listing of the interfund receivables and payables as shown in the Statement of Net Assets.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,505,641	\$ 178,125
Special Revenue Funds	321,118	260,553
Proprietary	2,073,102	5,461,183
Total	<u>\$ 5,899,861</u>	<u>\$ 5,899,861</u>

NOTE 14: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers between funds for September 30, 2008 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ -0-	\$ 1,512,841
Special Revenue Funds	-0-	409,184
Debt Service Funds	1,909,792	-0-
Proprietary	12,233	-0-
Total	<u>\$ 1,922,025</u>	<u>\$ 1,922,025</u>

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

As defined in GASB 14, a joint venture is a legal entity or other organization that results from a contractual agreement (or inter-local agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The City participates in the following joint ventures.

Black Warrior Solid Waste Disposal Authority

The Black Warrior solid Waste Disposal Authority (Authority) was incorporated as a nonprofit public corporation on August 2, 1993, under the provisions of Act No. 80-278 of the 1980 Regular Session of the Legislature of Alabama, as amended. The Board of Directors consists of nine members, three of whom are appointed by each of the governing bodies of the city of Tuscaloosa, City of Northport, and Tuscaloosa County, Alabama.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (continued)

Effective February 1, 1994, the authority assumed the assets, liabilities and capital accounts of the Solid Waste Disposal Authority of the City of Tuscaloosa. The contributed capital represents the cash grants originally contributed by the governmental entities in 1982 for construction and start-up costs of the predecessor authority's waste disposal facility. The amount of contributed capital transferred was \$45,625 (City of Tuscaloosa - \$27,300, city of Northport - \$5,200 and Tuscaloosa County - \$13,125). The Solid Waste Authority of Tuscaloosa converted waste to energy at its incinerator facility and managed the Coker landfill. The new authority assumed operating responsibilities of the Coker Sanitary landfill and continues to pursue plans to expand the landfill under federal Subtitle D regulations. During 1993, in conjunction with their agreement to form the Authority, each of the participating governments executed a ten year contract providing for all municipal waste collected by them or their agents to be disposed of at the Authority's landfill facility. The agreement allows succeeding ten year renewal periods and provides for its participating governments to operate the landfill facility, and set commercial and governmental fees annually. This information was obtained from the audited financial statements of Carver and Dewitt CPAs, LLC. A summary of the auditing financial statements for the year ended September 30, 2007 and 2008 is listed below:

	<u>2008</u>	<u>2007</u>
Total Assets	\$ 24,920,264	\$ 23,850,916
Total Liabilities	<u>15,237,815</u>	<u>14,549,427</u>
Fund Balance	<u>\$ 9,582,449</u>	<u>\$ 9,301,489</u>
Total Revenues	\$ 4,664,135	\$ 4,568,542
Total Expenses	<u>4,383,175</u>	<u>4,737,637</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 280,960</u>	<u>\$ (169,095)</u>

Industrial Park Land

On September 28, 1982, the City of Northport, the City of Tuscaloosa, and Tuscaloosa County (participants) agreed to jointly purchase approximately 891 acres of land in Tuscaloosa County for the development of an industrial park.

The participants financed the purchase of the 891 acres of land by borrowing \$1,990,127. When the loan is repaid and the participants have been fully reimbursed for all payments made toward the acquisition of this property, the property will be deeded to the Tuscaloosa County Industrial Development Authority.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (continued)

Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project will be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At September 30, 2008 the remaining liability for the City of Northport is \$1,075,000.

NOTE 16: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Northport contributes to the Employee's Retirement System of the State of Alabama, a single-employer public employee retirement system that acts as a common investment and administrative agent for public employees. The Employees' Retirement System was established October 1, 1945, for the purpose of providing retirement allowances and other specific benefits for State employees, State police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operations of the employees' Retirement System is vested in the Board of Control (currently 11 members). Benefit provisions are established by the Code of Alabama 1975, Section 36-27-103, as amended, and Sections 37-27B-1 through 36-27B-6, as amended. The Employees' Retirement System of Alabama (RSA) issues annually a publicly available financial report that includes financial statements and required supplementary information for RSA. That report may be obtained by writing RSA, Employees' Retirement System, 135 South Union Street, Montgomery, AL 36104-0001.

NOTE 17: POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 18, the City provides postemployment healthcare benefits, in accordance with City ordinances, to all employees who retire from the City in accordance with criteria described in Note 19. Benefits are provided to retirees until age 65. Currently, thirty-one retirees meet those eligibility requirements.

For those employees who terminate without retirement, healthcare benefits continue for 30 days after termination. At that time, the former employee has continuation rights to health insurance coverage under the COBRA law of 1985.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 17: POSTEMPLOYMENT BENEFITS (continued)

During fiscal year 2008, retirees' health insurance was provided through the same Blue Cross Blue Shield package offered to regular employees. According to City policy, the City pays for the premiums for this coverage until the retiree reaches the age of 65. The total premiums paid by the City on behalf of retirees are \$72,127.

NOTE 18: DEFERRED COMPENSATION PLAN

The City of Northport offers its salaried staff employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permits the employees to defer State and Federal income taxes on a portion of their compensation until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 19: COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

Industrial Park Land

The City is contingently liable for ten percent of a loan agreement entered into between the Tuscaloosa County Industrial Development Authority and Regions Bank of Tuscaloosa.

Tuscaloosa County High School Pledge

The City is contingently liable for \$5,000,000 of the bond issue offered by the Tuscaloosa County School Board to construct a new high school. The City has committed an annual pledge of \$250,000 for a 20-year period. Any infrastructure cost incurred by the City may be used to offset the annual pledge. At September 30, 2008, the outstanding commitment was \$2,562,501.

Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project will be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At September 30, 2008, the outstanding commitment was \$1,075,000.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 19: COMMITMENTS AND CONTINGENCIES (continued)

Alabama Department of Environmental Management

The City of Northport received a consent order, No. 07-139-CWP, dated July 18, 2007, from the State of Alabama Department of Environmental Management (ADEM), which required the City to take certain actions at the Northport Waste Water Treatment Plant in regards to alleged violations of the Alabama Water pollution Control Act. In order to comply with this order, the City will incur some \$856,800 in future improvements to the facility and related facilities. The master plan for compliance is being done by an outside engineering firm.

Capital Improvements

The City has an obligation to correct intact lines from Lake Tuscaloosa to the City's Water Treatment plant. This project will involve upgrades and replacements at an approximate cost to the City of \$2,900,000.

NOTE 20: DEBT DEFEASANCE

In prior years, the City defeased the 1992 A&B Warrant issues by creating a separate irrevocable trust fund and defeased the 1996 A&B warrant issue by issuing new debt and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the City's Proprietary Fund and the governmental funds.

NOTE 22: SELF-INSURANCE

During the year ended September 30, 2008, employees of the City of Northport were covered by the City's medical self-insurance plan (the "Plan"). The City contributed \$204 per month per employee for single medical coverage and \$484 per month per employee for family medical coverage. In addition, the employees contributed \$95 per month for single medical coverage and \$178 for family medical coverage. The City contributed \$14 per month per employee for single dental coverage and the employees contributed \$25 per month for family dental coverage. Claims were paid by Blue Cross and Blue Shield of Alabama acting on behalf of the City. The Plan is documented by a contractual agreement.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

NOTE 22: SELF-INSURANCE *(continued)*

The administrative contract between the City and Blue Cross and Blue Shield of Alabama is renewable annually and administrative fees are included in the contract. The City was protected against unanticipated catastrophic individual or aggregate loss by carrying excess insurance with the Canada Life Assurance Company. This coverage was in effect for individual claims exceeding \$75,000 per year per person.

Retirees are also eligible for medical insurance coverage through the self-insurance plan. The City contributed \$204 per month per retiree for single and family medical coverage. The retiree contributed \$95 per month for single medical coverage and \$422 per month for family medical coverage. No dental coverage was available to retirees through the plan.

The costs associated with the self-insurance plan are reported as interfund transactions between the Internal Service Fund, General Fund and the Water and Sewer Fund. Accordingly, the costs are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund and operating expenses of the Water and Sewer Fund. The liabilities of the medical self-insurance plan (\$57,650) include incurred but not reported claims. These liabilities are reported in the Internal Service Fund. Claims liabilities are submitted to the City weekly by Blue Cross and Blue Shield of Alabama for payment.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30 , 2008

	ORIGINAL BUDGET	CHANGE IN BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues					
Taxes					
City Sales and Use Taxes	\$ 8,050,000	\$ -	\$ 8,050,000	\$ 7,251,370	\$ (798,630)
Property Taxes	2,298,000	-	2,298,000	2,351,487	53,487
Other Taxes	436,000	-	436,000	437,375	1,375
<u>Total Taxes</u>	\$ 10,784,000	\$ -	\$ 10,784,000	\$ 10,040,232	\$ (743,768)
Licenses and Permits					
Business License	\$ 4,800,000	\$ -	\$ 4,800,000	\$ 4,293,579	\$ (506,421)
Other Licenses and Permits	250,000	-	250,000	190,074	(59,926)
<u>Total Licenses and Permits</u>	\$ 5,050,000	\$ -	\$ 5,050,000	\$ 4,483,653	\$ (566,347)
Charges for Services					
Fines and Penalties	\$ 1,055,000	\$ -	\$ 1,055,000	\$ 1,070,662	\$ 15,662
Intergovernmental Revenues	415,000	-	415,000	505,370	90,370
Other Revenue	3,604,500	-	3,604,500	3,647,259	42,759
	452,500	-	452,500	380,861	(71,639)
<u>Total Revenues</u>	\$ 21,361,000	\$ -	\$ 21,361,000	\$ 20,128,037	\$ (1,232,963)
Expenditures					
Operating					
Finance and Administration	\$ 1,606,900	\$ -	\$ 1,606,900	\$ 1,872,665	\$ (265,765)
General Government	756,500	-	756,500	781,636	(25,136)
Inspection Services	184,100	-	184,100	191,102	(7,002)
Planning and Development	644,200	-	644,200	316,843	327,357
Public Safety	9,548,100	-	9,548,100	9,633,855	(85,755)
Public Works	5,062,050	-	5,062,050	5,097,386	(35,336)
Local Agency Funding	500,825	-	500,825	444,100	56,725
<u>Total Operating Expenditures</u>	\$ 18,302,675	\$ -	\$ 18,302,675	\$ 18,337,587	\$ (34,912)

(continued)

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

CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30 , 2008

	ORIGINAL BUDGET	CHANGE IN BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Capital					
Finance and Administration	\$ -	\$ -	\$ -	\$ 35,560	\$ (35,560)
General Government	1,200	-	1,200	289	911
Planning and Development	118,700	-	118,700	275,796	(157,096)
Public Safety	936,700	-	936,700	496,681	440,019
Public Works	2,332,900	-	2,332,900	1,045,335	1,287,565
<u> Total Capital Expenditures</u>	<u>\$ 3,389,500</u>	<u>\$ -</u>	<u>\$ 3,389,500</u>	<u>\$ 1,853,661</u>	<u>\$ 1,535,839</u>
Debt Service	\$ 1,923,400	\$ -	\$ 1,923,400	\$ 1,922,025	\$ 1,375
<u> Total Debt Service</u>	<u>\$ 1,923,400</u>	<u>\$ -</u>	<u>\$ 1,923,400</u>	<u>\$ 1,922,025</u>	<u>\$ 1,375</u>
<u> Total Expenditures</u>	<u>\$ 23,615,575</u>	<u>\$ -</u>	<u>\$ 23,615,575</u>	<u>\$ 22,113,273</u>	<u>\$ 1,502,302</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ (2,254,575)</u>	<u>\$ -</u>	<u>\$ (2,254,575)</u>	<u>\$ (1,985,236)</u>	<u>\$ 269,339</u>
Fund Balance Allocation	2,254,575	-	2,254,575	-	(2,254,575)
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,985,236)</u>	<u>\$ (1,985,236)</u>
<u>Fund Balance - September 30, 2007, Budgetary Basis</u>				<u>\$ 8,577,786</u>	
<u>Fund Balance - September 30, 2008, Budgetary Basis</u>				<u>\$ 6,592,550</u>	
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>					
Capital Outlays Financed Not Included in Budget				(363,732)	
Shirley Place Expenses Not Included in Budget				(12,094)	
Proceeds from Sale of City Property Not Included in Budget				1,347	
Loan Proceeds Collected on for Capital Outlays				365,287	
Interest Income Not Budgeted				12,364	
<u>Fund Balance - September 30, 2008 (GAAP Basis)</u>				<u>\$ 6,595,722</u>	

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER FUND
STATEMENT OF OPERATIONS - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	ORIGINAL	CHANGE	FINAL	BUDGETARY	VARIANCE
	BUDGET	IN BUDGET	BUDGET	BASIS	FAVORABLE
				ACTUAL	(UNFAVORABLE)
<u>Operating Revenues</u>					
Water Sales	\$ 3,360,000	\$ -	\$ 3,360,000	\$ 3,288,319	\$ (71,681)
Sewer Fees	2,588,000	-	2,588,000	2,605,264	17,264
Tappage and Meter Fees	127,000	-	127,000	130,634	3,634
Service Fees and Late Charges	215,000	-	215,000	244,116	29,116
<u>Total Operating Revenues</u>	\$ 6,290,000	\$ -	\$ 6,290,000	\$ 6,268,333	\$ (21,667)
<u>Operating Expenses</u>					
Water Treatment	\$ 2,470,542	\$ -	\$ 2,470,542	\$ 2,545,418	\$ (74,876)
Waste Water Treatment	1,474,358	-	1,474,358	1,493,518	(19,160)
Total Operating Expenses	\$ 3,944,900	\$ -	\$ 3,944,900	\$ 4,038,936	\$ (94,036)
<u>Operating Income (Loss) Before</u>	\$ 2,345,100	\$ -	\$ 2,345,100	\$ 2,229,397	\$ (115,703)
<u>Non-Operating Revenues (Expenses)</u>					
Interest Earned on Investments	\$ 95,000	\$ -	\$ 95,000	\$ 51,401	\$ (43,599)
Debt Service:					
Principal & Interest Payments - Warrants & Notes	(2,560,200)	-	(2,560,200)	(2,566,686)	(6,486)
<u>Total Non-Operating Revenues (Expenses)</u>	\$ (2,465,200)	\$ -	\$ (2,465,200)	\$ (2,515,285)	\$ (50,085)
<u>Operating Income (Loss) Before Capital Expenses</u>	\$ (120,100)	\$ -	\$ (120,100)	\$ (285,888)	\$ (165,788)
<u>Capital Expenses</u>					
Water Treatment	\$ 447,800	\$ -	\$ 447,800	\$ 386,788	\$ 61,012
Waste Water Treatment	382,500	-	382,500	84,681	297,819
<u>Total Capital Expenses</u>	\$ 830,300	\$ -	\$ 830,300	\$ 471,469	\$ 358,831
<u>Net Income (Loss)</u>	\$ (950,400)	\$ -	\$ (950,400)	(757,357)	\$ 193,043
Net Asset Allocation	950,400	-	950,400	-	(950,400)
<u>Net Income (Loss)</u>	\$ -	\$ -	\$ -	(757,357)	\$ (757,357)
<u>Net Assets - September 30, 2007</u>				19,916,808	
<u>Net Assets - September 30, 2008 (Budgetary Basis)</u>				\$ 19,159,451	

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER FUND
STATEMENT OF OPERATIONS - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30 , 2008

	BUDGETARY BASIS ACTUAL
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>	
Development Fees Not Included in Budget	\$ 429,071
Donated Fixed Assets	1,225,661
Reclassification of Capital Outlay to Balance Sheet	910,228
Loan Proceeds and Draws from Construction Escrow	3,086,012
Capital Purchases Financed by Loan Proceeds	(1,591,030)
Operating Expenses Purchased with Loan Proceeds	(335,467)
Depreciation	(1,230,583)
Amortization	(29,438)
Compensated Absences	(8,742)
Principal Payments	1,701,585
Interest Accrual Adjustment	(6,746)
Change in Accounts Receivable	(59,328)
Change in Inventory	(7,222)
Change in Accounts Payable	98,011
Change in Accrued Payroll	(11,806)
Bad Debt	(62,078)
Interest Income not Included in Budget	103,434
<u>Net Assets, September 30, 2008 (GAAP)</u>	<u>\$ 23,371,013</u>

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

CITY OF NORTHPORT, ALABAMA
PENSION INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Fund Policy

The City of Northport follows GASB No. 27, *Accounting for Pensions by State and Local Government Employers*. Retirement contributions were based on a factor of 1.734 for 5% employee contributions or 1.445 for 6% employee contributors times the annual payroll as determined by Retirement Systems of Alabama (RSA). This rate was based on the September 30, 2007 actuarial valuation reported provided by RSA.

For September 30, 2008, the required pension contributions were determined as part of the September 30, 2007 actuarial report using the “entry age” method. The actuarial assumptions included (a) 8% investment rate of return (net of administrative expense), (b) projected salary increases ranging from 4.61% to 7.75% and (c) no cost of living adjustments. Both (a) and (b) for the year ended September 30, 2007 required contributions included an inflation component of 4.50%. The actuarial value of the City’s employee pension assets was determined using the techniques that smooth effects of short-term volatility in the market value of investments over a five-year period. The City’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on the open basis. The remaining amortization period at September 30, 2007 was 20 years.

Trend Information and Required Supplemental Information

As of the September 30, 2007 valuation report, provided by RSA, the net pension benefit obligation (NPO) at transition was determined in accordance with GASB. The NPO balance at September 30, 2007 was \$-0-. The following table shows the NPO for the year ended September 30, 2007.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/07	\$ 843,629	100%	\$ -
9/30/06	720,193	100%	-
9/30/05	642,946	100%	-
9/30/04	554,209	100%	-
9/30/03	469,916	100%	-

As of the September 30, 2007 valuation report provided by RSA, the following table illustrates the funding progress of the City’s employee plan.

Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/02	\$ 16,737,119	\$ 18,899,068	\$ 2,161,949	88.6%	\$ 8,128,329	26.6%
9/30/03	17,725,075	20,666,060	2,940,985	85.8%	8,296,282	35.4%
9/30/04	18,978,543	22,025,828	3,047,285	86.2%	9,101,262	33.5%
9/30/05	20,156,117	24,468,316	4,312,199	82.4%	9,287,631	46.4%
9/30/06	21,700,547	28,582,390	6,881,843	75.9%	10,343,798	66.5%
9/30/07	23,779,555	31,339,526	7,559,971	75.9%	11,062,750	68.3%

(continued)

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

**CONTINUING DISCLOSURE REQUIREMENT TO THE NATIONALLY RECOGNIZED
MUNICIPAL SECURITIES INFORMATION REPOSITORIES**

- Summary of General Fund Revenues, Expenditures and Changes in Fund Balance for the years ended September 30, 2008, 2007, and 2006
- Schedule of General Fund Revenues for the years ended September 30, 2008, 2007, and 2006
- Water and Sewer Statistical Information for the years ended September 30, 1995 – 2008.
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended September 30, 2008
- Schedule of Water and Sewer Fund Debt Service for the year ended September 30, 2008
- Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the year ended September 30, 2008
- Schedule of Legal Debt Margin

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2008

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Revenues</u>			
Taxes:			
City Sales and Use Taxes	\$ 7,251,370	\$ 7,553,165	\$ 7,233,743
Property Taxes	1,329,101	1,231,459	1,167,504
Other	437,375	473,391	441,804
<u>Total Taxes</u>	\$ 9,017,846	\$ 9,258,015	\$ 8,843,051
Licenses and Permits:			
Business Licenses & Permits	\$ 4,293,579	\$ 4,331,287	\$ 3,861,666
Other Licenses and Permits	190,074	265,624	396,340
<u>Total Licenses and Permits</u>	\$ 4,483,653	\$ 4,596,911	\$ 4,258,006
Fines and Penalties:			
Charges for Services	\$ 505,370	\$ 401,732	\$ 477,894
Intergovernmental	1,048,792	1,044,385	1,000,883
Other Revenues	3,266,559	3,217,553	3,171,844
	380,620	446,578	315,696
<u>Total Revenues</u>	\$ 18,702,840	\$ 18,965,174	\$ 18,067,374
<u>Expenditures</u>			
Finance and Administration	\$ 1,698,524	\$ 1,650,930	\$ 1,603,732
General Government	781,227	718,748	655,628
Planning and Development	312,969	301,084	449,902
Public Safety	8,869,612	8,509,491	7,714,423
Capital Outlay	1,900,305	1,463,668	862,633
Debt Service	-	994	1,473
Local Agency Support	444,100	392,300	377,200
Inspection Services	189,353	134,099	122,475
Public Works	5,063,443	4,293,706	4,196,246
<u>Total Expenditures</u>	\$ 19,259,533	\$ 17,465,020	\$ 15,983,712
<u>Excess (Deficiency) of Revenues</u>			
<u>Over Expenditures</u>	\$ (556,693)	\$ 1,500,154	\$ 2,083,662
<u>Other Financing Sources and (Uses)</u>			
Transfer (Out) to Debt Service Fund	\$ (1,512,841)	\$ (1,727,067)	\$ (1,639,379)
Other Sources	566,676	48,524	1,293,761
<u>Total Other Financing Sources and (Uses)</u>	\$ (946,165)	\$ (1,678,543)	\$ (345,618)
<u>Excess (Deficiency) of Revenue and</u>			
<u>Other Sources over Expenditures and</u>			
<u>Other Uses</u>	\$ (1,502,858)	\$ (178,389)	\$ 1,738,044
<u>FUND BALANCE - OCTOBER 1</u>	7,245,524	7,423,913	5,685,869
<u>FUND BALANCE - SEPTEMBER 30</u>	\$ 5,742,666	\$ 7,245,524	\$ 7,423,913

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEARS ENDED SEPTEMBER 30, 2008, 2007, AND 2006

	2008		2007		2006	
	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL
<u>Revenues</u>						
Taxes:						
City Sales and Use Taxes	38.8%	\$ 7,251,370	39.8%	\$ 7,553,165	40.0%	\$ 7,233,743
Property Taxes	7.1%	1,329,101	6.5%	1,231,459	6.5%	1,167,504
Other	2.3%	437,375	2.5%	473,391	2.4%	441,804
<u>Total Taxes</u>	<u>48.2%</u>	<u>\$ 9,017,846</u>	<u>48.8%</u>	<u>\$ 9,258,015</u>	<u>48.9%</u>	<u>\$ 8,843,051</u>
Licenses and Permits:						
Business Licenses & Permits	23.0%	\$ 4,293,579	22.8%	\$ 4,331,287	21.4%	\$ 3,861,666
Other Licenses and Permits	1.0%	190,074	1.4%	265,624	2.2%	396,340
<u>Total Licenses and Permits</u>	<u>24.0%</u>	<u>\$ 4,483,653</u>	<u>24.2%</u>	<u>\$ 4,596,911</u>	<u>23.6%</u>	<u>\$ 4,258,006</u>
Fines and Penalties	2.7%	\$ 505,370	2.1%	\$ 401,732	2.6%	\$ 477,894
Charges for Services	5.6%	1,048,792	5.5%	1,044,385	5.5%	1,000,883
Intergovernmental	17.5%	3,266,559	17.0%	3,217,553	17.6%	3,171,844
Other Revenues	2.0%	380,620	2.4%	446,578	1.8%	315,696
<u>Total Other Revenue</u>	<u>27.8%</u>	<u>5,201,341</u>	<u>27.0%</u>	<u>5,110,248</u>	<u>27.5%</u>	<u>4,966,317</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 18,702,840</u>	<u>100.0%</u>	<u>\$ 18,965,174</u>	<u>100.0%</u>	<u>\$ 18,067,374</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 2008

Water System Statistics

Fiscal Year	Number of Customers *	Total Volume (Gallons)	Gross Revenue
1995	7,758	804,073,870	\$ 1,914,400
1996	8,103	857,013,170	2,047,088
1997	8,472	896,647,000	2,114,295
1998	8,428	761,089,310	2,040,042
1999	8,650	841,750,623	2,138,339
2000	8,873	876,367,187	2,375,356
2001	9,140	838,950,378	2,382,134
2002	9,298	863,813,177	2,525,335
2003	9,487	815,308,663	2,499,027
2004	9,897	826,518,006	2,608,510
2005	10,314	817,393,029	2,634,989
2006	10,850	935,617,119	3,150,875
2007	11,412	1,016,899,157	3,503,425
2008	11,671	968,527,572	3,390,997

Ten Largest Water System Customers

	2008 Gallons	2008 Fees
Sand Springs Water Authority	105,325,000	\$ 224,597
Tuscaloosa County Board of Education	22,653,838	80,095
DCH Health Care Authority	18,056,610	56,705
Northport Housing Authority West Circle	14,224,550	43,204
Northport Health Services Park Manor	11,476,390	34,412
Northport Health Services Glen Haven	8,454,000	25,481
Northport Housing Authority Valley Hills	8,260,750	24,838
Deerfield Apartments	6,772,800	20,488
Forest Manor	6,419,190	19,670
Northport Housing Authority Knoll Circle	4,015,870	12,254

Water Rates

0 to 400,000 Gallons	\$2.97 per 1,000 Gallons
Over 400,000 Gallons	\$2.05 per 1,000 Gallons

Meter Diameter	Minimum Monthly Charge
5/8"	\$ 3.83
3/4"	4.67
1"	6.34
1 1/2"	10.52
2"	15.53
3"	27.23
4"	43.94
6"	87.72
8"	137.51

* - Customers as of fiscal year end 9/30

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 2008

<u>Fiscal Year</u>	<u>Sewer System Statistics</u> <u>Number of</u> <u>Customers *</u>	<u>Gross</u> <u>Revenue</u>
1995	6,695	\$ 1,151,509
1996	7,021	1,148,560
1997	7,261	1,467,849
1998	7,249	1,780,131
1999	7,464	1,805,733
2000	7,607	1,930,496
2001	7,741	1,863,868
2002	7,846	1,903,043
2003	7,968	1,934,159
2004	8,333	2,019,366
2005	8,657	2,051,856
2006	9,112	2,285,399
2007	9,631	2,474,002
2008	9,924	2,462,513

Rate Schedule: Effective April 5, 2006, the rate for all waste water customers is \$2.96 per 1,000 gallons of metered water. No residential sewer customer shall be charged more than \$35.00 per month for sewer service. This rate cap shall not apply to nonresidential customers and shall not affect any other administrative or sewer charges. In addition, each customer is charged the following monthly minimum rates:

<u>Meter Diameter</u>	<u>Minimum Monthly Charge</u>
5/8"	\$ 3.83
3/4"	4.67
1"	6.34
1 1/2"	10.52
2"	15.53
3"	27.23
4"	43.94
6"	87.72
8"	137.51

* - Customers as of fiscal year end 9/30

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 2008

Development Fee: The development fee is based upon the water meter size, it shall be charged for each new water and/or sewer connection. The fee will be collected during the building permit process or upon application for services. The development fee is in addition to Assessments. There will be no charge for sprinkler meters. Changes in meter size will result in an increase/decrease of fees as applicable. The development fee charge is based upon the following schedule:

Water Meter Size	Water Development Fee	Sewer Development Fee
5/8" or 3/4"	\$ 1,254	\$ 1,453
1"	2,132	2,470
1 1/2"	3,624	4,199
2"	6,161	7,139
3"	10,474	12,136
4"	17,806	20,631
6"	30,269	35,072
8"	51,457	65,340

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER REVENUES,
EXPENDITURES AND DEBT COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

OPERATING REVENUES

Charges for Services and Fees	\$ 6,340,693
-------------------------------	--------------

<u>TOTAL OPERATING REVENUES</u>	<u>\$ 6,340,693</u>
--	----------------------------

OPERATING EXPENSES

Salaries and Benefits	\$ 1,659,202
Water and Sewer Purchases	246,236
Materials and Supplies	381,943
Insurance	257,334
Maintenance and Repairs	687,238
Utilities and Telephone	611,215
Professional Fees	17,343
Solid Waste Authority Contract	76,669
Other Expense	483,968

<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 4,421,148</u>
--	----------------------------

Interest Income	\$ 154,835
-----------------	------------

<u>NET INCOME AVAILABLE FOR DEBT SERVICE</u>	<u>\$ 1,764,710</u>
---	----------------------------

<u>Actual Maximum Annual Debt Service</u>	<u>\$ 2,414,986</u>
---	---------------------

<u>Actual Maximum Debt Service Coverage</u>	<u>0.73</u>
---	-------------

<u>Actual Maximum Debt Service Specifically Pledged</u>	<u>\$ 1,844,565</u>
---	---------------------

<u>Actual Maximum Debt Service Coverage Specifically Pledged</u>	<u>0.96</u>
--	-------------

* - Although the issuer customarily pays debt service on its State Revolving Fund loans from amounts in the Water and Sewer Fund, Net System Revenues are not pledged for such purposes. The debt service on such loans is included in the actual maximum debt service above. Other revenues of the issuer may be used for the payment of debt service. Operating revenues do not include the Water or Sewer Development Fees.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Fiscal Year	1998 SRF		1999 SRF		2002 SRF		2003 SRF	2002 B	2004 B	2005 SRF	Total
	1998 SRF	Extension	1999 SRF	Extension	2002 SRF	Extension	(Refinancing of 1993 SRF)	Warrants	Warrants	Warrants	
2008	\$ 195,500	\$ 16,738	\$ 187,500	\$ 86,600	\$ 293,125	\$ 27,188	\$ 644,415	\$ 495,163	\$ 228,265	\$ 195,350	\$ 2,369,844
2009	195,813	16,353	188,000	84,428	292,000	26,700	653,919	490,528	240,072	196,938	2,384,751
2010	195,938	15,968	188,313	87,255	290,700	26,212	662,678	489,823	242,039	198,363	2,397,289
2011	195,875	15,583	188,438	84,885	294,225	25,725	670,692	488,060	251,878	199,625	2,414,986 *
2012	195,625	20,101	188,375	82,515	292,400	30,238	677,961	485,154	116,100	195,725	2,284,194
2013	200,188	19,524	188,125	85,145	290,400	29,588	689,485	490,905	118,068	196,825	2,308,253
2014	199,375	18,946	187,688	82,578	293,225	28,938	695,115	485,450	122,004	197,763	2,311,082
2015	198,375	18,369	192,063	85,010	295,700	28,288	-	805,000	125,939	198,538	1,947,282
2016	197,188	17,791	191,063	87,245	292,825	27,638	-	805,000	135,778	199,150	1,953,678
2017	200,813	17,214	189,875	84,283	294,775	26,988	-	805,000	139,714	199,600	1,958,262
2018	199,063	16,636	188,500	86,320	291,375	26,338	-	810,000	141,682	199,888	1,959,802
2019	197,125	16,059	191,938	83,160	292,800	30,688	-	815,000	149,553	200,013	1,976,336
2020	-	20,385	-	-	293,875	29,875	-	1,280,000	157,424	199,975	1,981,534
2021	-	-	-	-	294,600	29,062	-	1,295,000	165,295	199,775	1,983,732
2022	-	-	-	-	294,975	28,250	-	1,545,000	-	199,413	2,067,638
2023	-	-	-	-	-	27,438	-	1,842,743	-	198,888	2,069,069
2024	-	-	-	-	-	26,625	-	1,844,565	-	198,200	2,069,390
2025	-	-	-	-	-	25,808	-	1,840,000	-	197,350	2,063,158
2026	-	-	-	-	-	-	-	1,843,608	-	201,338	2,044,946
2027	-	-	-	-	-	-	-	1,842,774	-	-	1,842,774
2028	-	-	-	-	-	-	-	1,840,000	-	-	1,840,000
Total	\$2,370,878	\$ 229,667	\$ 2,269,878	\$ 1,019,424	\$ 4,397,000	\$ 501,587	\$ 4,694,265	\$22,638,773	\$ 2,333,811	\$ 3,772,717	\$44,228,000

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND SPECIFICALLY PLEDGED DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Fiscal Year	1999 SRF	2002 B Warrants	Total
2008	\$ 187,500	\$ 495,163	\$ 682,663
2009	188,000	490,528	678,528
2010	188,313	489,823	678,136
2011	188,438	488,060	676,498
2012	188,375	485,154	673,529
2013	188,125	490,905	679,030
2014	187,688	485,450	673,138
2015	192,063	805,000	997,063
2016	191,063	805,000	996,063
2017	189,875	805,000	994,875
2018	188,500	810,000	998,500
2019	191,938	815,000	1,006,938
2020	-	1,280,000	1,280,000
2021	-	1,295,000	1,295,000
2022	-	1,545,000	1,545,000
2023	-	1,842,743	1,842,743
2024	-	1,844,565	1,844,565 *
2025	-	1,840,000	1,840,000
2026	-	1,843,608	1,843,608
2027	-	1,842,774	1,842,774
2028	-	1,840,000	1,840,000
Total	\$ 2,269,878	\$ 22,638,773	\$ 24,908,651

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>Assessed Value</u>		\$ 199,185,260
<hr/>		
<u>Debt Limit - 20% of Assessed Value</u>		\$ 39,837,052
Notes Payable	\$ 4,987,117	
Long-Term Commitment to TCHS	2,562,500	
Long-Term Commitment - Automotive Corridor	1,075,000	
SRF Loans	14,255,000	
Warrants Payable	<u>17,662,733</u>	
<u>Total Debt</u>	\$ 40,542,350	
<u>Items Excluded from Limit by Section 225 and 268 as</u>		
<u>Amended, Constitution of State of Alabama</u>		
School Construction	2,562,500	
<u>Items Excluded from Limit by Section 11-81-166 of the</u>		
<u>1975 State of Alabama Code</u>		
Revenue Bonds:		
Water and Sewer Warrants	\$ 11,117,733	
SRF Loans Secured by Revenues	<u>14,255,000</u>	
Net Debt Coming within Legal Debt Limit		<u>12,607,117</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 27,229,935</u>

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

SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT
GENERAL FUND
SEPTEMBER 30, 2008

The General Fund is used to account for all sources and uses of financial resources applicable to the general operations of the City of Northport. All general operating revenues, which are not restricted as to use are recorded in the General Fund.

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balance

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2008

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,137,847
Accounts Receivable	
Police Dockets Receivable - Net	61,018
Other Receivables	8,713
Due from Other Funds	3,505,641
Inventories	25,702

TOTAL CURRENT ASSETS **\$ 4,738,921**

RESTRICTED ASSETS

Cash and Cash Equivalents	<u>\$ 1,705,371</u>
---------------------------	----------------------------

TOTAL ASSETS **\$ 6,444,292**

LIABILITIES

Accounts Payable	\$ 34,459
Due to Other Funds	178,125
Accrued Payroll	303,130
Cash Bonds, Restitution and Other Deposits	90,140
Compensated Absences - Current	95,772

TOTAL LIABILITIES **\$ 701,626**

FUND BALANCE

Reserve for Inventory	\$ 25,701
Reserve for Capital Projects	2,230,244
Unreserved	3,486,721

TOTAL FUND BALANCE **\$ 5,742,666**

TOTAL LIABILITIES AND FUND EQUITY **\$ 6,444,292**

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2008

REVENUES

TAXES:

City Sales and Use Taxes	\$ 7,251,370
Property Taxes	1,329,101
Other	437,375

<u>TOTAL TAXES</u>	<u>\$ 9,017,846</u>
---------------------------	----------------------------

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 4,293,579
Other Licenses and Permits	190,074

<u>TOTAL LICENSES AND PERMITS</u>	<u>\$ 4,483,653</u>
--	----------------------------

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 2,404,800
Tobacco Tax	272,704
County Gasoline Tax	257,430
County Road and Bridge Tax	113,499
Liquor Tax	68,233
County Vehicle License	56,256
Oil and Gas Production	35,684
A.B.C. 2-Percent Sales Tax	24,673
Bank Excise Tax	15,724
Motor Vehicle Registration	7,506
A.B.C. Profits Tax	5,881
State Vehicle License	4,076
Manufactured Homes Registration	93

<u>TOTAL INTERGOVERNMENTAL REVENUE</u>	<u>\$ 3,266,559</u>
---	----------------------------

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,048,792
--------------	--------------

FINES AND PENALTIES:

Court Costs and Fines	\$ 411,822
Court Costs - Corrections	93,548

<u>TOTAL FINES AND PENALTIES</u>	<u>\$ 505,370</u>
---	--------------------------

MISCELLANEOUS REVENUE:

Rental and Lease Income	\$ 157,934
Grant Proceeds	33,303
Housing Authority Lease	21,870
Interest Income	92,282
Other Income	75,231

<u>TOTAL MISCELLANEOUS REVENUE</u>	<u>\$ 380,620</u>
---	--------------------------

<u>TOTAL REVENUES</u>	<u>\$ 18,702,840</u>
------------------------------	-----------------------------

(continued)

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2008

EXPENDITURES

OPERATING EXPENDITURES:

Finance and Administration	\$ 1,698,524
General Government	778,796
Planning and Development	312,969
Public Safety	8,869,612
Local Agency Support	444,100
Inspection Services	189,353
Public Works	5,063,443
Civic Center	2,431

TOTAL OPERATING EXPENDITURES **\$ 17,359,228**

CAPITAL EXPENDITURES:

Finance and Administration	\$ 35,560
General Government	289
Planning and Development	275,182
Public Safety	246,681
Public Works	1,341,979
Civic Center	614

TOTAL CAPITAL EXPENDITURES **\$ 1,900,305**

TOTAL EXPENDITURES **\$ 19,259,533**

EXCESS REVENUES / (EXPENDITURES) **\$ (556,693)**

OTHER FINANCING SOURCES(USES):

Transfer (Out) to Debt Service Fund	\$ (1,512,841)
Sale Proceeds	1,347
Loan Proceeds	565,329

TOTAL FINANCING SOURCES (USES) **\$ (946,165)**

EXCESS REVENUES AND SOURCES
OVER EXPENDITURES AND USES **\$ (1,502,858)**

FUND BALANCE - OCTOBER 1 **7,245,524**

FUND BALANCE - SEPTEMBER 30 **\$ 5,742,666**

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
SEPTEMBER 30, 2008

Debt Service Funds of the City were created to account for the payment of certain long-term general obligation debts. Each of the Debt Service Funds presented receives the revenue necessary to amortize applicable debt service from designated revenue sources.

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balance

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
BALANCE SHEET
SEPTEMBER 30, 2008

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 473,448

TOTAL RESTRICTED ASSETS **\$ 473,448**

TOTAL ASSETS **\$ 473,448**

FUND BALANCE

Reserved for Debt Service \$ 473,448

TOTAL FUND BALANCE **\$ 473,448**

TOTAL LIABILITIES AND FUND BALANCE **\$ 473,448**

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

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2008

REVENUES

Interest on investments \$ 12,364

TOTAL REVENUES

\$ 12,364

EXPENDITURES

Interest paid \$ 362,067

Other fees 2,601

Payment on Pledge to TCHS 250,000

Payments on bonds, warrants,
and notes payable 1,305,947

TOTAL EXPENDITURES

\$ 1,920,615

**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

\$ (1,908,251)

OTHER FINANCING SOURCES (USES)

Transfers in \$ 1,909,792

TOTAL OTHER FINANCING SOURCES (USES)

\$ 1,909,792

**EXCESS (DEFICIENCY) OF REVENUES AND OTHER
SOURCES AND USES**

\$ 1,541

FUND BALANCE - OCTOBER 1, 2007

471,907

FUND BALANCE - SEPTEMBER 30, 2008

\$ 473,448

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2008

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

Community Development Fund accounts for those funds received and disbursed under the Community Development Block Grant program that are restricted by grant contracts for use on specific projects.

Municipal Government Capital Improvement Fund accounts for those funds received from the Alabama Oil and Gas Trust Fund and are legally restricted to capital infrastructure projects.

Gasoline Four Cent Excise Tax Fund accounts for those funds legally restricted for maintenance of public streets and highways.

Beer Tax Trust Fund accounts for funds legally restricted for salary bonuses to City employees.

Education and Public Safety Fund accounts for those funds legally restricted to general educational and public safety purposes.

Gasoline Seven Cent Excise Tax Fund accounts for those funds legally restricted for improvements and maintenance of highways and streets.

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balance

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2008

	EDUCATION & PUBLIC SAFETY	CAPITAL IMPROVEMENT	GASOLINE 7 CENT TAX FUND	COMMUNITY DEVELOPMENT FUND	GASOLINE 4 CENT TAX FUND	EMPLOYEE BEER TAX FUND	EMPLOYEE BENEFIT FUND	ELIMINATE INTERFUND BALANCES	TOTAL (MEMO ONLY)
ASSETS									
<u>CURRENT ASSETS</u>									
Due From Other Funds	\$ 48,867	\$ 164,251	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ (144,000)	\$ 177,118
<u>TOTAL CURRENT ASSETS</u>	\$ 48,867	\$ 164,251	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ -	\$ 177,118
<u>RESTRICTED ASSETS</u>									
Cash and Cash Equivalents	\$ 1,145,959	\$ 49,757	\$ 43,619	\$ 9,992	\$ 72,142	\$ 38,151	\$ 608	\$ -	\$ 1,360,228
<u>TOTAL RESTRICTED ASSETS</u>	\$ 1,145,959	\$ 49,757	\$ 43,619	\$ 9,992	\$ 72,142	\$ 38,151	\$ 608	\$ -	\$ 1,360,228
<u>TOTAL ASSETS</u>	\$ 1,194,826	\$ 214,008	\$ 43,619	\$ 9,992	\$ 180,142	\$ 38,151	\$ 608	\$ (144,000)	\$ 1,537,346
LIABILITIES & FUND BALANCE									
<u>CURRENT LIABILITIES</u>									
Accounts Payable	\$ 85,692	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,692
Due to Other Funds	116,551	-	144,000	-	-	-	-	(144,000)	116,551
<u>TOTAL LIABILITIES</u>	\$ 202,243	\$ -	\$ 144,000	\$ -	\$ -	\$ -	\$ -	\$ (144,000)	\$ 202,243
<u>FUND BALANCE</u>									
Reserved	\$ 992,583	\$ 214,008	\$ (100,381)	\$ 9,992	\$ 180,142	\$ 38,151	\$ 608	\$ -	\$ 1,335,103
<u>TOTAL FUND BALANCE</u>	\$ 992,583	\$ 214,008	\$ (100,381)	\$ 9,992	\$ 180,142	\$ 38,151	\$ 608	\$ -	\$ 1,335,103
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 1,194,826	\$ 214,008	\$ 43,619	\$ 9,992	\$ 180,142	\$ 38,151	\$ 608	\$ (144,000)	\$ 1,537,346

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>EDUCATION & PUBLIC SAFETY</u>	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>GASOLINE 4 CENT TAX FUND</u>	<u>EMPLOYEE BEER TAX FUND</u>	<u>EMPLOYEE BENEFIT FUND</u>	<u>TOTAL (MEMO ONLY)</u>
<u>REVENUES</u>								
Intergovernmental Revenue:								
Gas Tax	\$ -	\$ -	\$ 48,469	\$ -	\$ 44,276	\$ -	\$ -	\$ 92,745
Petroleum Inspection Fee	-	-	8,177	-	-	-	-	8,177
Share of Beer Tax	-	-	-	-	-	139,898	-	139,898
Municipal Government Tax	-	139,880	-	-	-	-	-	139,880
Other Operating Revenues:								
Interest	3,432	7,761	1,519	17	1,884	410	1	15,024
Property Taxes	1,022,386	-	-	-	-	-	-	1,022,386
Other	-	-	-	1,200	-	-	641	1,841
<u>TOTAL REVENUE</u>	<u>\$ 1,025,818</u>	<u>\$ 147,641</u>	<u>\$ 58,165</u>	<u>\$ 1,217</u>	<u>\$ 46,160</u>	<u>\$ 140,308</u>	<u>\$ 642</u>	<u>\$ 1,419,951</u>
<u>EXPENDITURES</u>								
Finance and Administration	\$ 34,902	\$ -	\$ -	\$ -	\$ -	\$ 140,798	\$ 1,572	\$ 177,272
Public Safety	699,582	250,000	-	-	-	-	-	949,582
Public Works	-	-	57,315	-	9,773	-	-	67,088
<u>TOTAL EXPENDITURES</u>	<u>\$ 734,484</u>	<u>\$ 250,000</u>	<u>\$ 57,315</u>	<u>\$ -</u>	<u>\$ 9,773</u>	<u>\$ 140,798</u>	<u>\$ 1,572</u>	<u>\$ 1,193,942</u>
<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>291,334</u>	<u>(102,359)</u>	<u>850</u>	<u>1,217</u>	<u>36,387</u>	<u>(490)</u>	<u>(930)</u>	<u>226,009</u>
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfer In (Out)	\$ (409,184)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (409,184)
<u>Excess (Deficit) of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>\$ (117,850)</u>	<u>\$ (102,359)</u>	<u>\$ 850</u>	<u>\$ 1,217</u>	<u>\$ 36,387</u>	<u>\$ (490)</u>	<u>\$ (930)</u>	<u>\$ (183,175)</u>
<u>FUND BALANCE - OCTOBER 1, 2007</u>								
	1,110,433	316,367	(101,231)	8,775	143,755	38,641	1,538	1,518,278
<u>FUND BALANCE - SEPTEMBER 30, 2008</u>								
	<u>\$ 992,583</u>	<u>\$ 214,008</u>	<u>\$ (100,381)</u>	<u>\$ 9,992</u>	<u>\$ 180,142</u>	<u>\$ 38,151</u>	<u>\$ 608</u>	<u>\$ 1,335,103</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
SEPTEMBER 30, 2008

The Water and Sewer Fund and Special Assessment Fund are used to account for the water and sewer services for the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operation, maintenance, financing and related debt service, billing, and collection.

The Internal Service Fund is considered a proprietary fund because it is used to account for services given from one fund to another on a cost reimbursement basis.

- Combining Balance Sheet
- Combining Statement of Revenues, Expenses, and Changes in Net Assets
- Combining Statement of Cash Flows

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
ASSETS					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 569,464	\$ 99,649	\$ 669,113	\$ -	\$ 669,113
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$63,542	658,752	-	658,752	-	658,752
Assessments Receivable - Current	-	25,622	25,622	-	25,622
Interest Receivable	14,671	11,987	26,658	-	26,658
Due from Other Propriety Funds	1,768,019	-	1,768,019	-	1,768,019
Due from Other Funds	305,083	-	305,083	-	305,083
Inventory	67,552	-	67,552	-	67,552
<u>TOTAL CURRENT ASSETS</u>	\$ 3,383,541	\$ 137,258	\$ 3,520,799	\$ -	\$ 3,520,799
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,323,400	\$ -	\$ 2,323,400	\$ 256,853	\$ 2,580,253
Investments - Warrant Payments Temporarily Invested	514,760	-	514,760	-	514,760
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,838,160	\$ -	\$ 2,838,160	\$ 256,853	\$ 3,095,013
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 98,000	\$ -	\$ 98,000	\$ -	\$ 98,000
Land	289,685	-	289,685	-	289,685
Treatment Plants and Pump Stations	27,379,496	-	27,379,496	-	27,379,496
Distribution and Disposal System	35,628,945	-	35,628,945	-	35,628,945
Machinery and Equipment	1,118,052	-	1,118,052	-	1,118,052
Vehicles	551,896	-	551,896	-	551,896
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 65,195,933	\$ -	\$ 65,195,933	\$ -	\$ 65,195,933
Less: Accumulated Depreciation	(15,059,163)	-	(15,059,163)	-	(15,059,163)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 50,136,770	\$ -	\$ 50,136,770	\$ -	\$ 50,136,770
<u>OTHER ASSETS</u>					
Abeance Receivable	\$ -	\$ 2,067,508	\$ 2,067,508	\$ -	\$ 2,067,508
Bond Issue Costs	267,000	-	267,000	-	267,000
<u>TOTAL OTHER ASSETS</u>	\$ 267,000	\$ 2,067,508	\$ 2,334,508	\$ -	\$ 2,334,508
<u>TOTAL ASSETS</u>	\$ 56,625,471	\$ 2,204,766	\$ 58,830,237	\$ 256,853	\$ 59,087,090

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 15,812	\$ -	\$ 15,812	\$ -	\$ 15,812
Due to Other Funds	3,011,914	-	3,011,914	681,250	3,693,164
Due to Other Propriety Funds	-	1,768,019	1,768,019	-	1,768,019
Accrued Payroll	43,964	-	43,964	-	43,964
Accrued Expenses	-	-	-	57,650	57,650
Notes Payable - Current	4,080,696	-	4,080,696	-	4,080,696
	<u>7,152,386</u>	<u>1,768,019</u>	<u>8,920,405</u>	<u>738,900</u>	<u>9,659,305</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>					
	<u>7,152,386</u>	<u>1,768,019</u>	<u>8,920,405</u>	<u>738,900</u>	<u>9,659,305</u>
PAYABLE FROM RESTRICTED ASSETS					
Interest Payable	\$ 109,215	\$ -	\$ 109,215	\$ -	\$ 109,215
Warrants Payable - Current	1,710,000	-	1,710,000	-	1,710,000
Customer and Waterline Extension					
Deposits	643,671	-	643,671	-	643,671
	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>	<u>-</u>	<u>2,462,886</u>
<u>TOTAL CURRENT LIABILITIES</u>					
	<u>9,615,272</u>	<u>1,768,019</u>	<u>11,383,291</u>	<u>738,900</u>	<u>12,122,191</u>
LONG-TERM LIABILITIES					
Bonds and Warrants Payable (Including Discounts)	\$ 23,465,069	\$ 2,019	\$ 23,467,088	\$ -	\$ 23,467,088
Estimated Liability for Compensated					
Absences - Noncurrent	174,117	-	174,117	-	174,117
	<u>23,639,186</u>	<u>2,019</u>	<u>23,641,205</u>	<u>-</u>	<u>23,641,205</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
	<u>23,639,186</u>	<u>2,019</u>	<u>23,641,205</u>	<u>-</u>	<u>23,641,205</u>
<u>TOTAL LIABILITIES</u>					
	<u>33,254,458</u>	<u>1,770,038</u>	<u>35,024,496</u>	<u>738,900</u>	<u>35,763,396</u>
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	\$ 14,828,141	\$ 214,465	\$ 15,042,606	\$ -	\$ 15,042,606
Restricted for Capital Projects	2,323,400	-	2,323,400	-	2,323,400
Restricted for Debt Service	514,760	-	514,760	-	514,760
Unrestricted	5,704,712	220,263	5,924,975	(482,047)	5,442,928
	<u>23,371,013</u>	<u>434,728</u>	<u>23,805,741</u>	<u>(482,047)</u>	<u>23,323,694</u>
<u>TOTAL NET ASSETS</u>					

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>OPERATING REVENUES</u>					
Water Sales	\$ 3,429,138	\$ -	\$ 3,429,138	\$ -	\$ 3,429,138
Sewer Fees	2,604,889	-	2,604,889	-	2,604,889
Development Fees	429,071	-	429,071	-	429,071
Late Charges	160,070	-	160,070	-	160,070
Service Fees	84,451	-	84,451	-	84,451
Tappage and Meter Fees	62,145	-	62,145	-	62,145
Charges for Services	-	-	-	1,735,571	1,735,571
<u>TOTAL OPERATING REVENUES</u>	\$ 6,769,764	\$ -	\$ 6,769,764	\$ 1,735,571	\$ 8,505,335
<u>OPERATING EXPENSES</u>					
<u>Utilities and Distribution:</u>					
Salaries and Benefits	\$ 572,017	\$ -	\$ 572,017	\$ -	\$ 572,017
Insurance	257,334	-	257,334	-	257,334
Miscellaneous Expense	148,732	-	148,732	-	148,732
Other Fringe Benefits	115,768	-	115,768	-	115,768
Maintenance and Repairs	91,790	-	91,790	-	91,790
Solid Waste Authority Contract	76,669	-	76,669	-	76,669
Payroll Taxes	41,374	-	41,374	-	41,374
Utilities and Telephone	25,794	-	25,794	-	25,794
Professional Fees	16,375	-	16,375	-	16,375
Supplies and Materials	1,919	-	1,919	-	1,919
<u>Total Utilities and Distribution Expense</u>	\$ 1,347,772	\$ -	\$ 1,347,772	\$ -	\$ 1,347,772
<u>Water Treatment:</u>					
Utilities and Telephone	\$ 585,421	\$ -	\$ 585,421	\$ -	\$ 585,421
Maintenance and Repairs	394,228	-	394,228	-	394,228
Salaries and Wages	327,077	-	327,077	-	327,077
Chemicals, Supplies and Materials	298,373	-	298,373	-	298,373
Raw Water Purchases	246,236	-	246,236	-	246,236
Miscellaneous Expense	198,785	-	198,785	-	198,785
Other Fringe Benefits	59,751	-	59,751	-	59,751
Payroll Tax	23,813	-	23,813	-	23,813
Professional Fees	968	-	968	-	968
<u>Total Water Treatment Expenses</u>	\$ 2,134,652	\$ -	\$ 2,134,652	\$ -	\$ 2,134,652

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>Waste Water Treatment:</u>					
Salaries and Wages	\$ 395,663	\$ -	\$ 395,663	\$ -	\$ 395,663
Maintenance and Repairs	201,220	-	201,220	-	201,220
Other Fringe Benefits	86,832	-	86,832	-	86,832
Chemicals, Supplies and Materials	81,651	-	81,651	-	81,651
Miscellaneous Expense	74,373	-	74,373	-	74,373
Payroll Tax	28,165	-	28,165	-	28,165
Total Waste Water Treatment Expense	\$ 867,904	\$ -	\$ 867,904	\$ -	\$ 867,904
<u>Other Operating Expenses:</u>					
Depreciation	\$ 1,230,583	\$ -	\$ 1,230,583	\$ -	\$ 1,230,583
Bad Debt Expense	62,078	-	62,078	-	62,078
Compensated Absences	8,742	-	8,742	-	8,742
Insurance Claims and Expense	-	-	-	1,849,170	1,849,170
Total Other Operating Expenses	\$ 1,301,403	\$ -	\$ 1,301,403	\$ 1,849,170	\$ 3,150,573
TOTAL OPERATING EXPENSES	\$ 5,651,731	\$ -	\$ 5,651,731	\$ 1,849,170	\$ 7,500,901
OPERATING INCOME (LOSS)	\$ 1,118,033	\$ -	\$ 1,118,033	\$ (113,599)	\$ 1,004,434
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment earnings	\$ 154,835	\$ 1,206	\$ 156,041	\$ 5,246	\$ 161,287
Interest expense	(885,762)	-	(885,762)	-	(885,762)
Issue Cost	(29,451)	-	(29,451)	-	(29,451)
Agency fees	(2,024)	-	(2,024)	-	(2,024)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (762,402)	\$ 1,206	\$ (761,196)	\$ 5,246	\$ (755,950)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 355,631	\$ 1,206	\$ 356,837	\$ (108,353)	\$ 248,484
Capital Contributions	\$ 1,225,661	\$ -	\$ 1,225,661	\$ -	\$ 1,225,661
Transfers In	12,233	-	12,233	-	12,233
CHANGE IN NET ASSETS	\$ 1,593,525	\$ 1,206	\$ 1,594,731	\$ (108,353)	\$ 1,486,378
NET ASSETS, OCTOBER 1	21,777,488	433,522	22,211,010	(373,694)	21,837,316
NET ASSETS, SEPTEMBER 30	\$ 23,371,013	\$ 434,728	\$ 23,805,741	\$ (482,047)	\$ 23,323,694

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 6,767,014	\$ 3,640	\$ 6,770,654	\$ 1,735,571	\$ 8,506,225
Cash Paid for Personnel Cost	(1,638,653)	-	(1,638,653)	-	(1,638,653)
Cash Paid for Operations	(2,766,822)	-	(2,766,822)	(1,840,215)	(4,607,037)
<u>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
	<u>\$ 2,361,539</u>	<u>\$ 3,640</u>	<u>\$ 2,365,179</u>	<u>\$ (104,644)</u>	<u>\$ 2,260,535</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ 12,233	\$ -	\$ 12,233	\$ -	\$ 12,233
Operating Transfers In (Out)	12,233	-	12,233	-	12,233
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>					
	<u>\$ 24,466</u>	<u>\$ -</u>	<u>\$ 24,466</u>	<u>\$ -</u>	<u>\$ 24,466</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from Borrowing	\$ 728,767	\$ -	\$ 728,767	\$ -	\$ 728,767
Warrant Costs Paid	-	-	-	-	-
Capital Acquisition Payments	(3,344,776)	-	(3,344,776)	-	(3,344,776)
Repayment of Bond Principal	(1,701,585)	-	(1,701,585)	-	(1,701,585)
Repayment of Interest on Bonds and Other Debt	(885,961)	-	(885,961)	-	(885,961)
Receipts from Escrow Accounts	-	-	-	-	-
Payments to Escrow Agents	(2,024)	-	(2,024)	-	(2,024)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
	<u>\$ (5,205,579)</u>	<u>\$ -</u>	<u>\$ (5,205,579)</u>	<u>\$ -</u>	<u>\$ (5,205,579)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 140,164	\$ 1,407	\$ 141,571	\$ 5,246	\$ 146,817
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>					
	<u>\$ 140,164</u>	<u>\$ 1,407</u>	<u>\$ 141,571</u>	<u>\$ 5,246</u>	<u>\$ 146,817</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	<u>\$ (2,679,410)</u>	<u>\$ 5,047</u>	<u>\$ (2,674,363)</u>	<u>\$ (99,398)</u>	<u>\$ (2,773,761)</u>
<u>CASH AND CASH EQUIVALENTS - OCTOBER 1</u>	<u>5,572,274</u>	<u>94,602</u>	<u>5,666,876</u>	<u>356,251</u>	<u>6,023,127</u>
<u>CASH AND CASH EQUIVALENTS - SEPTEMBER 30</u>	<u><u>\$ 2,892,864</u></u>	<u><u>\$ 99,649</u></u>	<u><u>\$ 2,992,513</u></u>	<u><u>\$ 256,853</u></u>	<u><u>\$ 3,249,366</u></u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2008

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING</u>					
<u>INCOME TO NET CASH PROVIDED (USED)</u>					
<u>BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,118,033	\$ -	\$ 1,118,033	\$ (113,599)	\$ 1,004,434
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,230,583	-	1,230,583	-	1,230,583
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	59,328	3,640	62,968	-	62,968
Inventory	7,222	-	7,222	-	7,222
Accounts Payable	(98,011)	-	(98,011)	-	(98,011)
Estimated liabilities for compensated absences	8,743	-	8,743	-	8,743
Accrued Payroll	11,806	-	11,806	-	11,806
Accrued Expenses	-	-	-	8,955	8,955
Customer Deposits	23,835	-	23,835	-	23,835
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 2,361,539	\$ 3,640	\$ 2,365,179	\$ (104,644)	\$ 2,260,535

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2008

INSUROR	LIMITS	DATE	TYPE OF COVERAGE	PROPERTY INSURED
Alabama Municipal	\$ 7,000,000	12/15/2008	General Liability for Bodily Injury and Property Damage	Premises and Operations of Northport including streets, roads, City of Northport Water Works, including product liability, general liability broadening endorsement
Alabama Municipal	7,000,000	12/15/2008	Fleet Insurance Liability Fire Insurance * Comprehensive * Collision * Specified Perils Liability Insurance As per schedule on file with the company	Motor vehicles of fire, public works, administrative, and police department for bodily injury and property damage
Alabama Municipal	43,491,410	12/15/2008	Blanket building and contents, equipment, sign, computer and crime. Coverage for all risks direct of accidental, physical loss of or damage to the insured property equipment, building sign	All buildings and water tanks owned by the City of Northport and contents thereof. Scheduled maintenance equipment, data processing equipment, radio and television.
Alabama Municipal	7,000,000	12/15/2008	Public Officials Liability	Wrongful acts rendered in discharging of public entity duties
Cincinnati	500,000	10/11/2008	Public Employees Dishonesty	All employees
Alabama Municipal	Included in Property	12/15/2008	Boiler and Machinery	
Alabama Municipal	7,000,000	12/15/2008	Law Enforcement Professional Liability	Police personnel
Alabama Municipal	Included in General Liability	12/15/2008	EMT Professional Liability	EMTs
Alabama Municipal	5,796,370	12/15/2008	Business income and extra expense	
Indian Harbor Insurance Co.	1,000,000	4/30/2009	Pollution and remediation, legal liability and legal defense liability	All locations as outlined in the policy and or the following: wastewater treatment facility, pump stations, 180 miles of water lines, 200 miles of sewer trunk lines
Zurich North America	10,000	7/14/2009	Right of Way Bond	
Zurich North America	50,000	9/3/2009	Right of Way Bond	