

**CITY OF NORTHPORT
NORTHPORT, ALABAMA**

DECEMBER 31, 2011

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

CITY OF NORTHPORT, ALABAMA
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CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Bobby Herndon

CITY COUNCIL

William Tunnell - President
Jay Logan – President Pro Tem
Steve Webb
Steve Acker
Bart Harper

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PUBLIC ACCOUNTANTS

August 20, 2012

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 December 31, 2011, and the individual fund financial statements of the City as of and for the year ended December 31, 2011, 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. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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 December 31, 2011, 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 August 20, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 62 through 63, be presented to supplement the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information

and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northport's basic financial statements as a whole. The introductory section, combining and individual non major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide an assurance on them.

LeCroy, Hunter & Company, P.C.

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Certified Public Accountants

MANAGEMENT DISCUSSION & ANALYSIS

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

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 December 31, 2011. 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
DECEMBER 31, 2011

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 \$68,191,946 at December 31, 2011.

The largest portion of the City of Northport's net assets (\$51,848,970) 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 (\$5,790,318) 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 \$984,443. The increase is due to solely to the change in net assets. Below is a summarized version of the statement of net assets and statement of activities for governmental activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Summary of Statement of Net Assets for Governmental Type Activities

	<u>12/31/10</u>	<u>12/31/11</u>
Current Assets	\$ 3,691,535	\$ 3,595,931
Restricted Assets	\$ 5,175,162	\$ 5,761,486
Capital Assets	\$ 47,525,715	\$ 46,648,674
Other Assets	\$ 166,852	\$ 154,309
<u>Total Assets</u>	<u>\$ 56,559,264</u>	<u>\$ 56,160,400</u>
Current Liabilities	\$ 1,995,258	\$ 1,781,493
Long-Term Liabilities	\$ 15,635,690	\$ 14,466,148
<u>Total Liabilities</u>	<u>\$ 17,630,948</u>	<u>\$ 16,247,641</u>
Invested in Capital Assets, net of related debt	\$ 35,116,791	\$ 35,157,408
Restricted	\$ 4,305,714	\$ 3,504,939
Unrestricted	\$ (494,189)	\$ 1,250,412
<u>Total Net Assets</u>	<u>\$ 38,928,316</u>	<u>\$ 39,912,759</u>
Total Liabilities and Net Assets	<u>\$ 56,559,264</u>	<u>\$ 56,160,400</u>

Summary of Statement of Activities for Governmental Type Activities

	<u>12/31/10</u>	<u>12/31/11</u>
<u>Revenues</u>		
<u>Tax Revenue</u>		
Property Tax	\$ 2,803,682	\$ 2,883,400
Sales Tax	\$ 7,279,153	\$ 7,771,712
Shared Tax Revenue	\$ 3,224,044	\$ 3,619,075
Other Tax Revenue	\$ 451,210	\$ 386,670
<u>Total Tax Revenue</u>	<u>\$ 13,758,089</u>	<u>\$ 14,660,857</u>
Charges for Service	\$ 6,101,606	\$ 6,673,477
Grant Revenues	\$ 735,096	\$ 112,978
Shared Licenses Revenue	\$ 106,073	\$ 83,330
Rental and Lease Income	\$ 123,530	\$ 56,320
Investment Earnings	\$ 16,378	\$ 46,037
Transfers	\$ 23,835	\$ -
<u>Total Revenues</u>	<u>\$ 20,864,607</u>	<u>\$ 21,632,999</u>
<u>Expenses</u>		
General and Administrative	\$ 3,813,254	\$ 3,368,551
Public Works and Safety	\$ 17,248,367	\$ 16,211,487
Inspection Services	\$ -	\$ 11,294
Planning and Development Services	\$ 579,178	\$ 529,299
Interest Expense	\$ 531,526	\$ 527,925
<u>Total Expenses</u>	<u>\$ 22,172,325</u>	<u>\$ 20,648,556</u>
Increase (Decrease) in Net Assets	\$ (1,307,718)	\$ 984,443
Contributed Capital	\$ -	\$ -
Net Assets, Beginning restated	<u>\$ 40,236,034</u>	<u>\$ 38,928,316</u>
Net Assets, Ending	<u>\$ 38,928,316</u>	<u>\$ 39,912,759</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
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Business-type activities increased the City of Northport's net assets by \$1,543,990. The increase is due to solely to the change in net assets. Below is a summarized version of the statement of net assets and statement of activities for business-type activities.

Summary of Statement of Net Assets for Business Type Activities

	<u>12/31/10</u>	<u>12/31/11</u>
Current Assets and Other Assets	\$ 1,678,218	\$ 3,144,303
Restricted Assets	\$ 2,926,151	\$ 2,285,379
Capital Assets	\$ 51,580,364	\$ 51,208,234
<u>Total Assets</u>	<u>\$ 56,184,733</u>	<u>\$ 56,637,916</u>
Current Liabilities	\$ 2,993,021	\$ 2,863,728
Long-Term Liabilities	\$ 26,456,515	\$ 25,495,001
<u>Total Liabilities</u>	<u>\$ 29,449,536</u>	<u>\$ 28,358,729</u>
Invested in Capital Assets, net of related debt	\$ 16,691,562	\$ 16,691,562
Restricted	\$ 2,926,151	\$ 2,285,379
Unrestricted	\$ 7,117,484	\$ 9,302,246
<u>Total Net Assets</u>	<u>\$ 26,735,197</u>	<u>\$ 28,279,187</u>
Total Liabilities and Net Assets	<u>\$ 56,184,733</u>	<u>\$ 56,637,916</u>

Summary of Statement of Activities for Business Type Activities

	<u>12/31/10</u>	<u>12/31/11</u>
<u>Revenues</u>		
Charges for Service	\$ 7,757,742	\$ 9,181,989
Investment Earnings	\$ 17,278	\$ 25,561
Transfer In	\$ -	\$ -
<u>Total Revenues</u>	<u>\$ 7,775,020</u>	<u>\$ 9,207,550</u>
<u>Expenses</u>		
Operating Expense	\$ 5,998,858	\$ 6,731,431
Interest Expense	\$ 838,831	\$ 932,129
Transfer Out	\$ 23,835	\$ -
<u>Total Expenses</u>	<u>\$ 6,861,524</u>	<u>\$ 7,663,560</u>
Increase (Decrease) in Net Assets	\$ 913,496	\$ 1,543,990
Contributed Capital	\$ -	\$ -
Net Assets, Beginning	\$ 24,607,151	\$ 26,735,197
Merger of Sand Springs	\$ 1,214,550	\$ -
Net Assets, Beginning restated	\$ 25,821,701	\$ 26,735,197
Net Assets, Ending	<u>\$ 26,735,197</u>	<u>\$ 28,279,187</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
DECEMBER 31, 2011

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 December 31, 2011, the City of Northport's governmental funds reported combined ending fund balances of \$9,147,810 an increase of \$117,852 in comparison with the prior year. The increase in fund balance consists of a net change from operations of \$64,551. Approximately 39.76%, or \$3,632,011, of the total fund balance constitutes unreserved fund balance of which \$1,589,292 is cash and cash equivalents available for spending at the City of Northport's discretion. The remaining net assets included in unreserved fund balance are \$2,042,719 in receivables net of current liabilities that once collected would represent cash available for spending at the City of Northport's discretion. The remainder of the fund balance, \$5,515,799, is segregated into nonspendable (\$17,023), restricted (\$4,298,416), and committed (\$1,200,360) to indicate that it is not available for new spending because it has already been classified 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 December 31, 2011, unreserved and total fund balances of the general fund were \$3,631,897 and \$7,975,109, respectively. The general fund balance increased by \$876,734.

I. Governmental Fund Budgetary Highlights from pages 59-60

Actual total revenues exceeded the budgeted amount by \$1,947,735. Total expenditures during the year were \$918,545 below the budget amount. The favorable variances consist of \$16,826 from operating, \$898,608 from capital, and \$3,111 from debt service. The capital expenditure 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 December 31, 2011 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 December 31, 2011, was \$46,648,674. During the year 2011, the city did not acquire any contributed infrastructure for its governmental activities. The City of Northport's investment in capital assets, net of accumulated depreciation, for business type activities as of December 31, 2011, was \$51,208,234. During the year 2011, the city did not acquire any contributed infrastructure for its business type activities. The following table is a comparative presentation of non-depreciable and depreciable assets for both governmental and business type activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 396,017	\$ 396,017	\$ 2,714,718	\$ 2,714,718
Construction in Progress	\$ 2,365,904	\$ 3,359,717	\$ 2,126,467	\$ 1,015,128	\$ 4,492,371	\$ 4,374,845
Total Non-Depreciable Assets	<u>\$ 4,684,605</u>	<u>\$ 5,678,418</u>	<u>\$ 2,522,484</u>	<u>\$ 1,411,145</u>	<u>\$ 7,207,089</u>	<u>\$ 7,089,563</u>
Depreciable Assets						
Buildings	\$ 12,582,861	\$ 12,582,861	\$ 28,043,445	\$ 28,043,445	\$ 40,626,306	\$ 40,626,306
Improvements Other Than Buildings	\$ 1,936,402	\$ 1,936,402	\$ -	\$ -	\$ 1,936,402	\$ 1,936,402
Furniture, Machinery, and Equipment	\$ 6,938,232	\$ 6,876,802	\$ 1,181,892	\$ 1,320,094	\$ 8,120,124	\$ 8,196,896
Infrastructure	\$ 63,428,979	\$ 63,428,979	\$ 39,094,212	\$ 41,084,009	\$102,523,191	\$104,512,988
Total Depreciable Assets	<u>\$ 84,886,474</u>	<u>\$ 84,825,044</u>	<u>\$ 68,319,549</u>	<u>\$ 70,447,548</u>	<u>\$153,206,023</u>	<u>\$155,272,592</u>
Less: Accumulated Depreciation	<u>\$ (42,045,364)</u>	<u>\$ (43,854,788)</u>	<u>\$ (19,261,668)</u>	<u>\$ (20,650,459)</u>	<u>\$ (61,307,032)</u>	<u>\$ (64,505,247)</u>
Net Depreciable Assets	<u>\$ 42,841,110</u>	<u>\$ 40,970,256</u>	<u>\$ 49,057,881</u>	<u>\$ 49,797,089</u>	<u>\$ 91,898,991</u>	<u>\$ 90,767,345</u>
Total Assets	<u>\$ 47,525,715</u>	<u>\$ 46,648,674</u>	<u>\$ 51,580,365</u>	<u>\$ 51,208,234</u>	<u>\$ 99,106,080</u>	<u>\$ 97,856,908</u>

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

Governmental Activities

- The city completed a renovation of city hall during the year ended December 31, 2011 at total cost of \$950,781.
- Machinery and Vehicles were sold or disposed at a total gain of \$39,868. Police and Public Works vehicles were purchased during the year at a total cost of \$140,296. Public Works purchased \$77,984 in machinery and equipment during the year.

Business-type Activities

- The City completed the sewer pump distribution station #2 at a total cost of \$372,840 and is in the construction phase of various water and sewer projects at a total cost of \$619,366. The City purchased vehicles and machinery and equipment for a total cost of \$194,584.

Long-Term Debt

At December 31, 2011, the City of Northport had total debt outstanding of \$40,899,615. The major portion of the debt, \$40,808,874 represents bonds and warrants payable.

The City of Northport refinanced its 2003 and 2002 warrants into a 2011 bond issue. The net effect of the refinancing resulted in a decreased in the City's total debt by \$2,342,124 during the fiscal year ended December 31, 2011.

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 December 31, 2011, our outstanding debt was below this amount, which is \$47,218,792. The amount available for future indebtedness is \$35,294,176.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

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 affecting the future availability of state and federal funds.
- The local economic conditions, which appear to be stable or improving.
- The City of Northport's intent to be free by 2029 of all currently booked debt.
- The City's codified reserve funds.
- Implementation of the City's codified and mandatory four years forward balanced budget requirement.
- Implementation of the City's 5/10/15 (five year, ten year, fifteen year) Capital Plan.
- The ability to fund and maintain healthy reserve funds for the general fund and enterprise fund.
- Sales tax revenue insurance for the City's largest retailers.
- An increased effort on retail development and community branding.
- Continued residential growth throughout the city.
- Infrastructure routine maintenance and repair.
- Physical asset & equipment needs and the employment of a new depreciation schedule.
- Adequate staffing and the development of sustainable employee pay scale.
- Significant reductions in workers compensation expenses and a quantifiable reduction program.
- Continued retail and commercial growth along Highway 43 North and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district
- Anticipated retail and commercial expansion along the Highway 82 corridor.

Amounts available for appropriation in the Fiscal 2012 budget for governmental activities are \$ 22.1 million, a decrease of eight percent from the Fiscal 2011 approved budget. Amounts available for appropriations in the Fiscal 2012 budget for business-type activities are \$ 7.86 million, an increase of six percent over the Fiscal 2011 approved budget.

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.

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,589,292	\$ 1,055,956	\$ 2,645,248
Accounts Receivable, net	71,096	722,091	793,187
Assessment Receivable - Current	-	11,687	11,687
Other Receivables, net	26,250	10,511	36,761
Internal Balances	1,892,270	(1,892,270)	-
Inventories	17,023	69,424	86,447
Restricted Assets - Noncurrent	5,761,486	2,885,512	8,646,998
Capital Assets			
Land and Construction in Progress	5,678,418	1,411,145	7,089,563
Buildings, net	12,582,861	28,043,445	40,626,306
Improvements Other Than Buildings, net	1,936,402	-	1,936,402
Infrastructure, net	63,428,979	41,084,009	104,512,988
Furniture & Equipment, net	1,910,692	702,364	2,613,056
Vehicles, net	4,966,110	617,730	5,583,840
Less: Accumulated Depreciation	(43,854,788)	(20,650,459)	(64,505,247)
Abeysance Receivable	-	2,061,720	2,061,720
Bond Issue Costs	154,309	505,051	659,360
<u>TOTAL ASSETS</u>	<u>\$ 56,160,400</u>	<u>\$ 56,637,916</u>	<u>\$ 112,798,316</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 97,263	\$ 73,831	\$ 171,094
Accrued Payroll	198,300	40,237	238,537
Other Current Liabilities	144,409	-	144,409
Interest Payable	126,991	255,192	382,183
Deferred Revenue	125,000	156,194	281,194
Refundable Deposits	-	749,374	749,374
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	625,000	1,588,900	2,213,900
Long-term Commitments	463,874	-	463,874
Compensated Absences	656	-	656
Portion Due or Payable After One Year:			
Commitment to TCHS	1,500,000	-	1,500,000
Bonds and Warrants Payable	11,020,575	25,084,825	36,105,400
Notes Payable	-	81,841	81,841
Net OPEB Liability	368,832	64,463	433,295
Compensated Absences	1,576,741	263,872	1,840,613
<u>TOTAL LIABILITIES</u>	<u>\$ 16,247,641</u>	<u>\$ 28,358,729</u>	<u>\$ 44,606,370</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 35,157,408	\$ 16,691,562	\$ 51,848,970
Restricted for:			
Capital Projects	2,911,955	1,981,691	4,893,646
Debt Service	592,984	303,688	896,672
Unrestricted	1,250,412	9,302,246	10,552,658
<u>TOTAL NET ASSETS</u>	<u>\$ 39,912,759</u>	<u>\$ 28,279,187</u>	<u>\$ 68,191,946</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2011

	<u>Program Revenues</u>				<u>Net (Expense) Revenues & Changes in Net Assets</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	\$ 1,682,384	\$ 4,587,144	\$ -	\$ -	\$ 2,904,760	\$ -	\$ 2,904,760
General Government	1,686,167	831,241	-	-	(854,926)	-	(854,926)
Planning and Development	529,299	-	-	-	(529,299)	-	(529,299)
Public Safety	10,574,092	14,751	86,063	-	(10,473,278)	-	(10,473,278)
Inspection Services	11,294	-	-	-	(11,294)	-	(11,294)
Public Works	5,637,395	1,240,341	26,915	-	(4,370,139)	-	(4,370,139)
Interest and Fiscal Charges	527,925	-	-	-	(527,925)	-	(527,925)
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 20,648,556</u>	<u>\$ 6,673,477</u>	<u>\$ 112,978</u>	<u>\$ -</u>	<u>\$ (13,862,101)</u>	<u>\$ -</u>	<u>\$ (13,862,101)</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 7,663,560	\$ 9,181,989	\$ -	\$ -	\$ -	\$ 1,518,429	\$ 1,518,429
<u>TOTAL BUSINESS TYPE ACTIVITIES</u>	<u>\$ 7,663,560</u>	<u>\$ 9,181,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,429</u>	<u>\$ 1,518,429</u>
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 28,312,116</u>	<u>\$ 15,855,466</u>	<u>\$ 112,978</u>	<u>\$ -</u>	<u>\$ (13,862,101)</u>	<u>\$ 1,518,429</u>	<u>\$ (12,343,672)</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Net (Expense) Revenues & Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<u>GENERAL REVENUES:</u>			
Taxes:			
Property Taxes Levied for General Purposes	\$ 2,883,400	\$ -	\$ 2,883,400
Sales Taxes	7,771,712	-	7,771,712
Other Taxes	386,670	-	386,670
Shared Taxes:			
Taxes Levied for General Purposes	2,998,825	-	2,998,825
Taxes Levied for Resurfacing Projects	497,204	-	497,204
Taxes Levied for Public Safety	123,046	-	123,046
Shared License Fees Levied for General Purposes	83,330	-	83,330
Rental and Land Lease Income	56,320	-	56,320
Earnings on Investments	6,169	22,861	29,030
Gain on Sale of City Property	39,868	2,700	42,568
	\$ 14,846,544	\$ 25,561	\$ 14,872,105
<u>TOTAL GENERAL REVENUES AND TRANSFERS</u>			
<u>CHANGE IN NET ASSETS</u>	\$ 984,443	\$ 1,543,990	\$ 2,528,433
<u>NET ASSETS - BEGINNING</u>	38,928,316	26,735,197	65,663,513
<u>NET ASSETS - ENDING</u>	\$ 39,912,759	\$ 28,279,187	\$ 68,191,946

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	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	\$ 1,589,292	\$ -	\$ -	\$ 1,589,292	\$ -	\$ 1,589,292
Accounts Receivable						
Police Dockets Receivable - Net	71,096	-	-	71,096	-	71,096
Other Receivables	26,250	-	-	26,250	-	26,250
Due From Other Funds	2,603,029	-	128,250	2,731,279	(165,259)	2,566,020
Inventories	17,023	-	-	17,023	-	17,023
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 4,306,690</u>	<u>\$ -</u>	<u>\$ 128,250</u>	<u>\$ 4,434,940</u>	<u>\$ (165,259)</u>	<u>\$ 4,269,681</u>
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 4,326,232	\$ 592,984	\$ 451,467	\$ 5,370,683	\$ -	\$ 5,370,683
<u>TOTAL ASSETS</u>	<u>\$ 8,632,922</u>	<u>\$ 592,984</u>	<u>\$ 579,717</u>	<u>\$ 9,805,623</u>	<u>\$ (165,259)</u>	<u>\$ 9,640,364</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 97,263	\$ -	\$ -	\$ 97,263	\$ -	\$ 97,263
Due to Other Funds	129,259	-	-	129,259	(165,259)	(36,000)
Deferred Revenue	125,000	-	-	125,000	-	125,000
Accrued Payroll	198,300	-	-	198,300	-	198,300
Cash Bonds, Restitution and Other Deposits	107,335	-	-	107,335	-	107,335
Compensated Absences - Current	656	-	-	656	-	656
<u>TOTAL LIABILITIES</u>	<u>\$ 657,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,813</u>	<u>\$ (165,259)</u>	<u>\$ 492,554</u>
<u>FUND BALANCE</u>						
Nonspendable	\$ 17,023	\$ -	\$ -	\$ 17,023	\$ -	\$ 17,023
Restricted	3,125,829	592,984	579,603	4,298,416	-	4,298,416
Committed	1,200,360	-	-	1,200,360	-	1,200,360
Unrestricted	3,631,897	-	114	3,632,011	-	3,632,011
<u>TOTAL FUND BALANCE</u>	<u>\$ 7,975,109</u>	<u>\$ 592,984</u>	<u>\$ 579,717</u>	<u>\$ 9,147,810</u>	<u>\$ -</u>	<u>\$ 9,147,810</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 8,632,922</u>	<u>\$ 592,984</u>	<u>\$ 579,717</u>	<u>\$ 9,805,623</u>	<u>\$ (165,259)</u>	<u>\$ 9,640,364</u>

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
DECEMBER 31, 2011

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS **\$ 9,147,810**

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	\$	5,678,418	
Building, net of \$4,287,575 of accumulated depreciation		8,295,286	
Improvements other than buildings, net of \$679,158 accumulated depreciation		1,257,244	
Infrastructure, net of \$32,780,343 accumulated depreciation		30,648,636	
Furniture and equipment, net of \$1,699,728 accumulated depreciation		210,965	
Vehicles, net of \$4,407,984 accumulated depreciation		558,125	
			46,648,674

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	\$	(11,620,000)	
Discounts on Bonds and Warrants Payable		64,783	
Bond and Warrant Issue Cost		154,309	
Premium on Bonds Payable		(90,358)	
Noncurrent portion of Compensated Absences		(1,576,741)	
Long-Term Commitments		(1,963,874)	
OPEB Liability		(368,832)	
Accrued Interest Payable		(126,991)	
			(15,527,704)
Total Long-Term Liabilities			(15,527,704)

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	\$	(356,021)	
			(356,021)
Net Adjustment			(356,021)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 39,912,759**

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 7,771,712	\$ -	\$ -	\$ 7,771,712
Business Licenses and Permits	4,376,480	-	-	4,376,480
Intergovernmental Revenues	3,339,981	-	362,424	3,702,405
Property Tax	2,883,400	-	-	2,883,400
Charges for Services	1,255,092	-	-	1,255,092
Fines, Forfeitures, and Penalties	702,432	-	-	702,432
Other Taxes	386,670	-	-	386,670
Other Licenses and Permits	210,664	-	-	210,664
Other Income	128,682	-	127	128,809
Grant Proceeds	26,915	-	86,063	112,978
Rental and Lease Income	56,320	-	-	56,320
Interest Income	5,008	543	429	5,980
<u>TOTAL REVENUES</u>	\$ 21,143,356	\$ 543	\$ 449,043	\$ 21,592,942
<u>EXPENDITURES</u>				
Public Safety	\$ 10,295,295	\$ -	\$ 17,112	\$ 10,312,407
Public Works	3,782,686	-	4,544	3,787,230
Finance and Administration	1,554,626	-	148,927	1,703,553
General Government	1,537,044	-	25,715	1,562,759
Planning and Community Development	517,011	-	1,417	518,428
Local Agency Support	65,000	-	-	65,000
Inspection Services	-	-	10,852	10,852
Capital Outlay				
Finance and Administration	950,781	-	-	950,781
Public Works	574,287	-	25,378	599,665
Public Safety	103,652	-	-	103,652
Debt Service				
Payments on Bonds & Notes Payable	-	1,400,281	-	1,400,281
Interest Paid	-	510,470	-	510,470
Agency Fees	-	3,313	-	3,313
<u>TOTAL EXPENSES</u>	\$ 19,380,382	\$ 1,914,064	\$ 233,945	\$ 21,528,391
<u>EXCESS REVENUES / (EXPENDITURES)</u>	\$ 1,762,974	\$ (1,913,521)	\$ 215,098	\$ 64,551
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (Out)	\$ (1,621,739)	\$ -	\$ (893,746)	\$ (2,515,485)
Transfer In	682,198	1,621,739	211,548	2,515,485
Sales Proceeds	53,301	-	-	53,301
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	\$ (886,240)	\$ 1,621,739	\$ (682,198)	\$ 53,301

(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 DECEMBER 31, 2011

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>NET CHANGE IN FUND BALANCES</u>	\$ 876,734	\$ (291,782)	\$ (467,100)	\$ 117,852
<u>FUND BALANCE - JANUARY 1, 2011</u>	\$ 7,098,375	\$ 884,766	\$ 1,046,817	\$ 9,029,958
<u>FUND BALANCE - DECEMBER 31, 2011</u>	<u>\$ 7,975,109</u>	<u>\$ 592,984</u>	<u>\$ 579,717</u>	<u>\$ 9,147,810</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
DECEMBER 31, 2011

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ 117,852**

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 over capital outlay purchases. (863,609)

Governmental funds report the proceeds from sale of capital assets. The statement of activities reports the gain or loss on sale of capital assets which represents the sales proceeds less adjusted basis in the asset. This amount represents the reduction in sale proceeds by the adjusted basis in the assets sold. (13,433)

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.

Repayments:		
Principle Repayments	\$ 1,400,281	
Net Adjustment		1,400,281

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	\$ (4,800)	
Amortization of Bond Issue Cost	(12,542)	
OPEB Liability Expense	(89,030)	
Change in Long-Term Estimated Compensated Absences	174,267	
Change in Accrued Expenses	<u>3,197</u>	
Net Adjustment		71,092

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>\$ 272,260</u>	
Net Adjustment		<u>272,260</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 984,443**

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	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	\$ 1,055,956	\$ -	\$ 1,055,956	\$ -	\$ 1,055,956
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$203,416	722,091	-	722,091	-	722,091
Assessments Receivable - Current	-	11,687	11,687	-	11,687
Interest Receivable	2,622	7,889	10,511	-	10,511
Due from Other Propriety Funds	1,643,991	-	1,643,991	-	1,643,991
Due from Other Funds	304,444	-	304,444	-	304,444
Inventory	69,424	-	69,424	-	69,424
<u>TOTAL CURRENT ASSETS</u>	\$ 3,798,528	\$ 19,576	\$ 3,818,104	\$ -	\$ 3,818,104
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,581,824	\$ -	\$ 2,581,824	\$ 390,803	\$ 2,972,627
Investments - Warrant Payments Temporarily Invested	303,688	-	303,688	-	303,688
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,885,512	\$ -	\$ 2,885,512	\$ 390,803	\$ 3,276,315
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 1,015,128	\$ -	\$ 1,015,128	\$ -	\$ 1,015,128
Land	396,017	-	396,017	-	396,017
Treatment Plants and Pump Stations	28,043,445	-	28,043,445	-	28,043,445
Distribution and Disposal System	41,084,009	-	41,084,009	-	41,084,009
Machinery and Equipment	572,505	-	572,505	-	572,505
Vehicles	617,730	-	617,730	-	617,730
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 71,858,693	\$ -	\$ 71,858,693	\$ -	\$ 71,858,693
Less: Accumulated Depreciation	(20,650,459)	-	(20,650,459)	-	(20,650,459)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 51,208,234	\$ -	\$ 51,208,234	\$ -	\$ 51,208,234
<u>OTHER ASSETS</u>					
Abyance Receivable	\$ -	\$ 2,061,720	\$ 2,061,720	\$ -	\$ 2,061,720
Bond Issue Costs	505,051	-	505,051	-	505,051
<u>TOTAL OTHER ASSETS</u>	\$ 505,051	\$ 2,061,720	\$ 2,566,771	\$ -	\$ 2,566,771
<u>TOTAL ASSETS</u>	\$ 58,397,325	\$ 2,081,296	\$ 60,478,621	\$ 390,803	\$ 60,869,424

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	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	\$ 73,831	\$ -	\$ 73,831	\$ -	\$ 73,831
Due to Other Funds	2,196,714	-	2,196,714	405,675	2,602,389
Due to Other Proprietary Funds	-	1,643,991	1,643,991	304,075	1,948,066
Accrued Payroll	40,237	-	40,237	-	40,237
Deferred Revenues	156,194	-	156,194	-	156,194
Notes Payable - Current	8,900	-	8,900	-	8,900
Accrued Expenses	-	-	-	37,074	37,074
	<u>\$ 2,475,876</u>	<u>\$ 1,643,991</u>	<u>\$ 4,119,867</u>	<u>\$ 746,824</u>	<u>\$ 4,866,691</u>
<u>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 255,192	\$ -	\$ 255,192	\$ -	\$ 255,192
Warrants Payable - Current	1,580,000	-	1,580,000	-	1,580,000
Customer and Waterline Extension Deposits	749,374	-	749,374	-	749,374
	<u>\$ 2,584,566</u>	<u>\$ -</u>	<u>\$ 2,584,566</u>	<u>\$ -</u>	<u>\$ 2,584,566</u>
<u>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>					
	<u>\$ 5,060,442</u>	<u>\$ 1,643,991</u>	<u>\$ 6,704,433</u>	<u>\$ 746,824</u>	<u>\$ 7,451,257</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 25,084,825	\$ -	\$ 25,084,825	\$ -	\$ 25,084,825
Notes Payable	81,841	-	81,841	-	81,841
Net OPEB Liability	64,463	-	64,463	-	64,463
Estimated Liability for Compensated Absences - Noncurrent	263,872	-	263,872	-	263,872
	<u>\$ 25,495,001</u>	<u>\$ -</u>	<u>\$ 25,495,001</u>	<u>\$ -</u>	<u>\$ 25,495,001</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
	<u>\$ 30,555,443</u>	<u>\$ 1,643,991</u>	<u>\$ 32,199,434</u>	<u>\$ 746,824</u>	<u>\$ 32,946,258</u>
<u>TOTAL LIABILITIES</u>					
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 16,477,097	\$ 214,465	\$ 16,691,562	\$ -	\$ 16,691,562
Restricted for Capital Projects	1,981,691	-	1,981,691	-	1,981,691
Restricted for Debt Service	303,688	-	303,688	-	303,688
Unrestricted	9,079,406	222,840	9,302,246	(356,021)	8,946,225
	<u>\$ 27,841,882</u>	<u>\$ 437,305</u>	<u>\$ 28,279,187</u>	<u>\$ (356,021)</u>	<u>\$ 27,923,166</u>
<u>TOTAL NET ASSETS</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 DECEMBER 31, 2011

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 8,922,403	\$ -	\$ 8,922,403	\$ 2,154,941	\$ 11,077,344
Miscellaneous	258,947	-	258,947	-	258,947
<u>TOTAL OPERATING REVENUES</u>	\$ 9,181,350	\$ -	\$ 9,181,350	\$ 2,154,941	\$ 11,336,291
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,492,439	\$ -	\$ 2,492,439	\$ -	\$ 2,492,439
Insurance Claims and Expenses	-	-	-	1,882,870	1,882,870
Depreciation and Amortization	1,445,173	-	1,445,173	-	1,445,173
Utilities and Telephone	574,959	-	574,959	-	574,959
Materials and Supplies	604,096	-	604,096	-	604,096
Miscellaneous Expense	675,874	-	675,874	-	675,874
Maintenance and Repairs	425,150	-	425,150	-	425,150
Water and Sewer Purchases	266,569	-	266,569	-	266,569
Insurance	59,271	-	59,271	-	59,271
Professional Fees	50,580	-	50,580	-	50,580
<u>TOTAL OPERATING EXPENSES</u>	\$ 6,594,111	\$ -	\$ 6,594,111	\$ 1,882,870	\$ 8,476,981
<u>OPERATING INCOME (LOSS)</u>	\$ 2,587,239	\$ -	\$ 2,587,239	\$ 272,071	\$ 2,859,310
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 22,861	\$ -	\$ 22,861	\$ 188	\$ 23,049
Gain on Sale of Property	2,700	-	2,700	-	2,700
Operating Transfers In / (Out)	-	-	-	-	-
Interest Expense	(932,129)	-	(932,129)	-	(932,129)
Issue Cost	(130,432)	-	(130,432)	-	(130,432)
Agency Fees	(6,888)	-	(6,888)	-	(6,888)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (1,043,888)	\$ -	\$ (1,043,888)	\$ 188	\$ (1,043,700)
<u>CHANGE IN NET ASSETS</u>	\$ 1,543,351	\$ -	\$ 1,543,351	\$ 272,259	\$ 1,815,610
<u>NET ASSETS, JANUARY 1</u>	26,297,892	437,305	26,735,197	(628,280)	26,106,917
<u>NET ASSETS, DECEMBER 31</u>	\$ 27,841,243	\$ 437,305	\$ 28,278,548	\$ (356,021)	\$ 27,922,527

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2011

	<u>ENTERPRISE FUNDS</u>				
	<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>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 9,256,549	\$ -	\$ 9,256,549	\$ 2,154,941	\$ 11,411,490
Cash Paid for Personnel Cost	(2,384,474)	-	(2,384,474)	-	(2,384,474)
Cash Paid for Operations	(2,570,810)	-	(2,570,810)	(1,877,107)	(4,447,917)
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 4,301,265</u>	<u>\$ -</u>	<u>\$ 4,301,265</u>	<u>\$ 277,834</u>	<u>\$ 4,579,099</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ 13,039	\$ -	\$ 13,039	\$ -	\$ 13,039
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ 13,039</u>	<u>\$ -</u>	<u>\$ 13,039</u>	<u>\$ -</u>	<u>\$ 13,039</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (1,073,043)	\$ -	\$ (1,073,043)	\$ -	\$ (1,073,043)
Repayment of Bond Principal	(1,676,979)	-	(1,676,979)	-	(1,676,979)
Proceeds from the Sale of City Property	2,700	-	2,700	-	2,700
Repayment of Interest on Bonds and Other Debt	(941,641)	-	(941,641)	-	(941,641)
Payments to Escrow Agents	(6,888)	-	(6,888)	-	(6,888)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (3,695,851)</u>	<u>\$ -</u>	<u>\$ (3,695,851)</u>	<u>\$ -</u>	<u>\$ (3,695,851)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 22,827	\$ -	\$ 22,827	\$ 188	\$ 23,015
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 22,827</u>	<u>\$ -</u>	<u>\$ 22,827</u>	<u>\$ 188</u>	<u>\$ 23,015</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ 641,280	\$ -	\$ 641,280	\$ 278,022	\$ 919,302
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>2,996,500</u>	<u>-</u>	<u>2,996,500</u>	<u>112,781</u>	<u>3,109,281</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 3,637,780</u>	<u>\$ -</u>	<u>\$ 3,637,780</u>	<u>\$ 390,803</u>	<u>\$ 4,028,583</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2011

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 2,587,239	\$ -	\$ 2,587,239	\$ 272,071	\$ 2,859,310
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,445,173	-	1,445,173	-	1,445,173
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(80,995)	-	(80,995)	-	(80,995)
Inventory	(6,595)	-	(6,595)	-	(6,595)
Accounts Payable	65,544	-	65,544	-	65,544
Estimated Liabilities for OPEB Liability	105,272	-	105,272	-	105,272
Accrued Expenses	-	-	-	5,763	5,763
Deferred Revenue	156,194	-	156,194	-	156,194
Accrued Payroll	2,693	-	2,693	-	2,693
Customer Deposits	26,740	-	26,740	-	26,740
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 4,301,265	\$ -	\$ 4,301,265	\$ 277,834	\$ 4,579,099

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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
DECEMBER 31, 2011

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
DECEMBER 31, 2011

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
DECEMBER 31, 2011

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
DECEMBER 31, 2011

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	\$ 33,848
Water and Sewer Fund	203,416

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 is 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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:

Governmental Activities:	Balance 12/31/10	Increases	Decreases	Balance 12/31/11
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Progress	2,365,904	993,813	-	3,359,717
Total Capital Assets Not Depreciated	<u>\$ 4,684,605</u>	<u>\$ 993,813</u>	<u>\$ -</u>	<u>\$ 5,678,418</u>
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 12,582,861	\$ -	\$ -	\$ 12,582,861
Improvements other than Buildings	1,936,402	-	-	1,936,402
Vehicles	5,013,570	140,296	(187,756)	4,966,110
Equipment & Furniture	1,924,662	77,984	(91,954)	1,910,692
Infrastructure	63,428,979	-	-	63,428,979
Total Other Capital Assets	<u>\$ 84,886,474</u>	<u>\$ 218,280</u>	<u>\$ (279,710)</u>	<u>\$ 84,825,044</u>
Less: Accumulated Depreciation				
Buildings	\$ 3,969,096	\$ 318,479	\$ -	\$ 4,287,575
Improvements other than Buildings	630,644	48,514	-	679,158
Vehicles	4,300,322	295,419	-	4,595,741
Equipment & Furniture	1,717,105	74,575	(91,954)	1,699,726
Infrastructure	31,428,197	1,352,147	(187,756)	32,592,588
Total Accumulated Depreciation	<u>\$ 42,045,364</u>	<u>\$ 2,089,134</u>	<u>\$ (279,710)</u>	<u>\$ 43,854,788</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 42,841,110</u>			<u>\$ 40,970,256</u>
Total Governmental Assets, Net	<u><u>\$ 47,525,715</u></u>			<u><u>\$ 46,648,674</u></u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 5: FIXED ASSETS (continued)

	<u>Allocation</u>	<u>Percentage</u>	<u>Allocation of Depreciation on Capital Assets</u>	<u>Allocation of Depreciation on Infrastructure</u>
Finance and Administration	\$ 1,703,553	9.51%	\$ 70,162	\$ -
General Government	1,562,759	8.73%	64,339	-
Planning and Development	518,428	2.90%	21,373	-
Public Safety	10,312,407	57.63%	424,726	-
Inspection Services	10,852	0.06%	442	-
Public Works	3,787,230	21.17%	155,946	1,352,147
	<u>\$ 17,895,229</u>	<u>100.00%</u>	<u>\$ 736,988</u>	<u>\$ 1,352,147</u>

<u>Business-Type Activities:</u>	<u>Balance 12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/11</u>
Analysis of Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 2,126,467	\$ 619,366	\$ (1,730,705)	\$ 1,015,128
Land	396,017	-	-	396,017
Total Capital Assets Not Depreciated	<u>\$ 2,522,484</u>	<u>\$ 619,366</u>	<u>\$ (1,730,705)</u>	<u>\$ 1,411,145</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 28,043,445	\$ -	\$ -	\$ 28,043,445
Distribution and Disposal System	39,094,212	1,989,797	-	41,084,009
Machinery and Equipment	501,685	70,820	-	572,505
Vehicles	550,348	123,764	(56,382)	617,730
Computer Equipment	129,859	-	-	129,859
Total Other Capital Assets	<u>\$ 68,319,549</u>	<u>\$ 2,184,381</u>	<u>\$ (56,382)</u>	<u>\$ 70,447,548</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 7,772,960	\$ 589,135	\$ -	\$ 8,362,095
Distribution and Disposal System	10,333,413	829,539	-	11,162,952
Machinery and Equipment	476,135	15,139	-	491,274
Vehicles	549,301	11,360	(56,382)	504,279
Computer Equipment	129,859	-	-	129,859
Total Accumulated Depreciation	<u>\$ 19,261,668</u>	<u>\$ 1,445,173</u>	<u>\$ (56,382)</u>	<u>\$ 20,650,459</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,057,881</u>			<u>\$ 49,797,089</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 51,580,365</u>			<u>\$ 51,208,234</u>

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 December 31, 2011, the remaining discounts and issuance costs in the City's proprietary fund are \$30,040 and \$462,655, 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 December 31, 2011 are as follows:

Analysis of Long-Term Liabilities

	Balance 12/31/10	Additions	Decreases	Balance 12/31/11	Amount Due Within One Year
Governmental Activities:					
Bonds and Notes Payable					
2009-A G.O. Warrants	\$ 7,755,000	\$ -	\$ -	\$ 7,755,000	\$ 30,000
2002-A G.O. Warrants	2,775,000	-	450,000	2,325,000	465,000
2004-A G.O. Warrants	2,025,000	-	485,000	1,540,000	130,000
Premium on Warrants	95,378	-	5,020	90,358	-
Less: Bond Issue Costs	(166,851)	-	12,542	(154,309)	-
Less: Discounts on Bonds	(74,603)	-	9,820	(64,783)	-
Total Bonds and Notes Payable	\$ 12,408,924	\$ -	\$ 962,382	\$ 11,491,266	\$ 625,000
Other Liabilities					
Tuscaloosa County High School	\$ 2,000,000	\$ -	\$ 250,000	\$ 1,750,000	\$ 250,000
IDA Automotive Corridor	429,155	-	215,281	213,874	213,874
Estimated Liabilities for Compensated Absences	1,751,008	-	174,267	1,576,741	-
OPEB Liability	279,802	89,030	-	368,832	-
Total Other Liabilities	\$ 4,459,965	\$ 89,030	\$ 639,548	\$ 3,909,447	\$ 463,874
Total Governmental Activities	\$ 16,868,889	\$ 89,030	\$ 1,601,930	\$ 15,400,713	\$ 1,088,874

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Business -Type Activities:	Balance 12/31/10	Additions	Decreases	Balance 12/31/11	Amount Due Within One Year
Bonds, Notes and Other Liabilities					
1998 S.R.F. G.O. Warrants	\$ 1,640,000	\$ -	\$ 150,000	\$ 1,490,000	\$ 160,000
1999 S.R.F. G.O. Warrants	2,055,000	-	195,000	1,860,000	200,000
2002 S.R.F. G.O. Warrants	3,180,000	-	210,000	2,970,000	215,000
2003 S.R.F. G.O. Warrants	2,540,000	-	2,540,000	-	-
2005 S.R.F. G.O. Warrants	2,450,000	-	120,000	2,330,000	120,000
2002-B G.O. Warrants	7,502,733	-	6,567,733	935,000	460,000
2004-B G.O. Warrants	2,100,000	-	155,000	1,945,000	165,000
2009-B G.O. Warrants	6,690,000	-	-	6,690,000	-
2011 G.O. Warrants	-	9,005,000	-	9,005,000	260,000
West Alabama Bank & Trust	99,852	-	9,110	90,742	8,900
Estimated Liabilities for					
Compensated Absences	177,239	86,633	-	263,872	-
Premium on Warrants	82,280	152,736	4,331	230,685	-
Less: Discounts on Bonds	(102,251)	-	72,211	(30,040)	-
Less: Deferred Loss on Bond					
Refundings	(44,310)	716,510	-	(760,820)	-
OPEB Liability	45,825	18,638	-	64,463	-
Total Bonds, Notes and Other Liabilities	\$ 28,416,368	\$ 9,979,517	\$ 10,023,385	\$ 27,083,902	\$ 1,588,900

GENERAL CITY DEBT:	Due Date	Amount Due	Amount Outstanding
<u>2002 A General Obligation Warrants</u>			
Series dated May 1, 2002, payable	2012	\$ 465,000	
semi-annually at a variable	2013	150,000	
interest rate between 2.0% and 5.2%	2014	155,000	
depending on the maturity date.	2015	165,000	
	Thereafter	<u>1,390,000</u>	\$ 2,325,000
<u>2004 A General Obligation Warrants</u>			
Series dated December 22, 2004,	2012	\$ 130,000	
payable semi-annually at a variable	2013	130,000	
interest rate between 2.5% and 4.1%	2014	135,000	
depending on the maturity date.	2015	140,000	
	Thereafter	<u>1,005,000</u>	\$ 1,540,000
<u>2009 A General Obligation Warrants</u>			
Series dated October 1, 2009	2012	\$ 30,000	
payable semi-annually at a variable	2013	30,000	
interest rate between 2% and 4%	2014	20,000	
depending on the maturity date.	2015	25,000	
	Thereafter	<u>7,650,000</u>	\$ 7,755,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 7: LONG-TERM OBLIGATIONS (continued)

	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>GENERAL CITY DEBT (continued):</u>			
<u>Tuscaloosa County High School</u>	2012	\$ 250,000	
Long-term commitment of \$250,000	2013	250,000	
per year to Tuscaloosa County	2014	250,000	
High School.	2015	250,000	
	Thereafter	<u>750,000</u>	
			\$ 1,750,000
 <u>IDA Automotive Corridor</u>	2012	\$ 213,874	
Long-term commitment of \$215,050	2013	-	
per year.	2014	-	
	2015	-	
	Thereafter	<u>-</u>	
			\$ 213,874
 <u>WATER AND SEWER DEBT:</u>			
<u>Alabama Water Pollution Control Authority</u>			
Series 1998 Warrants awarded to the	2012	\$ 145,000	
City from the State Revolving Loan Fund	2013	155,000	
for the Two-Mile Creek Sewer Replacement	2014	160,000	
Project, payable semi-annually at an	2015	165,000	
interest rate of 3.75%.	Thereafter	<u>725,000</u>	
			\$ 1,350,000
Series 1998 Warrants awarded to the	2012	\$ 15,000	
City from the State Revolving Loan Fund	2013	15,000	
for the Two-Mile Creek Sewer Replacement	2014	15,000	
Project, payable semi-annually at an	2015	15,000	
interest rate of 3.75%.	Thereafter	<u>80,000</u>	
			\$ 140,000
Series 1999 Warrants awarded to the	2012	\$ 140,000	
City from the State Revolving Loan Fund	2013	145,000	
for the Water Treatment Plant Expansion	2014	150,000	
Project, payable semi-annually at an	2015	160,000	
interest rate of 3.95%.	Thereafter	<u>695,000</u>	
			\$ 1,290,000
Series 1999 Warrants awarded to the	2012	\$ 60,000	
City from the State Revolving Loan Fund	2013	65,000	
for the Water Treatment Plant Expansion	2014	65,000	
Project, payable semi-annually at an	2015	70,000	
interest rate of 3.95%.	Thereafter	<u>310,000</u>	
			\$ 570,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 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%.	2012	\$ 200,000	
	2013	205,000	
	2014	215,000	
	2015	225,000	
	Thereafter	<u>1,795,000</u>	\$ 2,640,000
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%.	2012	\$ 15,000	
	2013	20,000	
	2014	20,000	
	2015	20,000	
	Thereafter	<u>255,000</u>	\$ 330,000
Series 2005 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 3.25%.	2012	\$ 120,000	
	2013	125,000	
	2014	130,000	
	2015	135,000	
	Thereafter	<u>1,820,000</u>	\$ 2,330,000
<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.	2012	\$ 460,000	
	2013	475,000	
	2014	-	
	2015	-	
	Thereafter	<u>-</u>	\$ 935,000
<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.	2012	\$ 165,000	
	2013	170,000	
	2014	175,000	
	2015	180,000	
	Thereafter	<u>1,255,000</u>	\$ 1,945,000

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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>
<u>2009 A General Obligation Water & Sewer Warrants</u>			
Series dated October 1, 2009	2012	\$ -	
payable semi-annually at a variable	2013	-	
interest rate between 2% and 4%	2014	145,000	
depending on the maturity date.	2015	150,000	
	Thereafter	<u>6,395,000</u>	
			\$ 6,690,000
<u>2011 General Obligation Water & Sewer Warrants</u>			
Series dated June 21, 2011	2012	\$ 260,000	
payable semi-annually at a variable	2013	260,000	
interest rate between 2% and 8%	2014	765,000	
depending on the maturity date.	2015	635,000	
	Thereafter	<u>7,085,000</u>	
			\$ 9,005,000
<u>West Alabama Bank & Trust</u>			
Note collateralized by infrastructure and	2012	\$ 8,900	
improvements. The note was included in the	2013	9,450	
merger of Sands Springs Water Authority.	2014	9,878	
Payable monthly at an interest rate of 4.45%.	2015	10,329	
	Thereafter	<u>52,185</u>	
			\$ 90,742

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 8: EQUITY CLASSIFICATIONS *(continued)*

Government-Wide Statements

- 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 non-spendable, restricted, committed, assigned and unassigned. 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.

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;

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 10: COMPENSATED ABSENCES (continued)

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 December 31, 2011, the amount of vacation and sick leave accrued in the financial statements is \$1,841,269. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$1,577,397 and \$263,872, 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 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:

	BANK BALANCE	CATEGORY			CARRYING AMOUNT	TOTAL
		1	2	3		
Categorized Deposits	\$ 11,290,496	\$ 1,019,793	\$ 10,270,003	\$ -0-	\$ 11,290,496	\$11,290,496

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

The City had the following cash at December 31, 2011:

CASH

Governmental - Unrestricted:

Cadence Bank – Payroll Clearing Fund	\$ 1,112
Cadence Bank – General Fund	1,562,577
Cadence Bank – Accounts Payable Clearing	24,503
Petty Cash	<u>1,100</u>
<u>Total Unrestricted Cash</u>	<u>\$ 1,589,292</u>

Governmental - Restricted:

Cadence Bank – Corrections Fund	\$ 309,657
Cadence Bank – Municipal Court	92,535
Cadence Bank – Restitution Recovery Fund	27,126
Cadence Bank – Downtown Redevelopment	3,956
Cadence Bank – P.D. Seizures and Evidence	1,967
Synovus – 2002 A Improvement	219,685
Synovus – 2002 A Warrant Fund	329,170
Cadence Bank – Community Events and Contr.	2
Cadence Bank – Capital Improvement Fund	96,673
Cadence Bank – Gasoline Excise Tax Fund	279,518
Cadence Bank – CDBG Rental	663
Cadence Bank – Employee’s Beer Tax	74,499
Cadence Bank – Employee Benefit Fund	114
Cadence Bank – Employee Insurance Fund	390,803
Cadence Bank – Reserve Fund	<u>1,200,360</u>

Total Restricted Cash **\$ 3,026,728**

Enterprise – Unrestricted:

Cadence Bank - Accounts Payable Clearing	\$ 29,855
Cadence Bank - Gross Revenue	757,482
Cadence Bank – Water Capital Fund	248,176
Regions Bank – Sands Springs Water	19,793
Petty Cash	<u>650</u>

Total Unrestricted Cash **\$ 1,055,956**

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Enterprise – Restricted:

Cadence Bank - Meter Deposit	\$ 141,384
Capstone Bank - Development Fees	805,778
Cadence Bank – SRF Debt Service Escrow	368,432
Bank of Tuscaloosa – Certificate of Deposit	166,672
Bank of Tuscaloosa – Certificate of Deposit	318,296
Synovus – 2002 B Warrant Fund	41,781
Synovus - 2002 B Capital Imp	20,925
Cadence Bank – Water and Sewer Reserve	<u>600,133</u>

Total Restricted Cash **\$ 2,463,401**

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>			
Regions Bank – Treasury Money Market	<u>\$ 2,734,758</u>	<u>\$ 2,734,758</u>	BBB-
<u>Total Governmental Investments</u>	<u>\$ 2,734,758</u>	<u>\$ 2,734,758</u>	
<u>Enterprise - Restricted:</u>			
Regions Bank – Treasury Money Market	<u>\$ 422,111</u>	<u>\$ 422,111</u>	BBB-
<u>Total Enterprise Investments</u>	<u>\$ 422,111</u>	<u>\$ 422,111</u>	

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:

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

- 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 December 31, 2011, 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.

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS

At December 31, 2011, 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS (continued)

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,603,029	\$ 129,259
Special Revenue Funds	128,250	-0-
Proprietary	<u>1,948,435</u>	<u>4,550,455</u>
Total	<u>\$ 4,679,714</u>	<u>\$ 4,679,714</u>

NOTE 14: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers between funds for December 31, 2011 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 682,198	\$ 1,621,739
Special Revenue Funds	-0-	682,198
Debt Service Funds	1,621,739	-0-
Proprietary	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 2,303,937</u>	<u>\$ 2,303,937</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
DECEMBER 31, 2011

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, 2011 and 2010 is listed below:

	<u>2011</u>	<u>2010</u>
Total Assets	\$ 28,997,322	\$ 27,979,344
Total Liabilities	<u>17,403,864</u>	<u>18,250,832</u>
Fund Balance	<u>\$ 11,593,458</u>	<u>\$ 9,728,512</u>
Total Revenues	\$ 8,179,851	\$ 5,413,427
Total Expenses	<u>6,314,905</u>	<u>5,074,100</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 1,864,946</u>	<u>\$ 339,327</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
DECEMBER 31, 2011

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 December 31, 2011 the remaining liability for the City of Northport is \$213,874.

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 authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the authority to the City to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees. The City contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for state agencies and departments. The City's payroll for employees covered by the System for the year ended December 31, 2011, was \$11,521,992. At September 30, 2010, the date of the most recent actuarial valuation, membership in the system was comprised of the following:

* GROUP *	
Retirees and beneficiaries	
currently receiving benefits	77
Active employees	274

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Northport. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60, or after 25 years of service.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

Plan Description

Retirement benefits are calculated by two methods, with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

FUNDING STATUS AND PROGRESS - The amount shown on the following page as the Schedule of Funding Progress is a standardized disclosure measure of the funding of the actuarial accrued liability, adjusted for cost-of-living benefit increases granted on or after October 1, 1978. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the funding status of the System on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employees' retirement plans. This measure is independent of the funding method used to determine contributions to the System.

The Schedule of Funding Progress was determined as part of the most recent actuarial assumptions used in determining the Funding Progress include: (a) a rate of return on investments of 8% compounded annually; (b) projected annual salary increases of 4.61% to 7.75%, including inflation at 4.5%; (c) no cost-of-living adjustments; and (d) market value asset valuation method. Total Funded Actuarial Accrued Liability applicable to the City's for the previous five years as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%
9/30/08	24,928,509	34,155,091	9,226,582	73.0%	11,969,438	77.1%
9/30/09	25,511,003	36,525,296	11,014,293	69.8%	11,920,315	92.4%
9/30/10	25,393,169	39,377,711	13,984,542	64.5%	11,521,992	121.4%
9/30/10	25,393,169	39,542,699	14,149,530	64.2%	11,521,992	122.8%

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/10	\$ 1,053,904	100%	\$ -
9/30/09	1,045,233	100%	-
9/30/08	1,007,736	100%	-
9/30/07	843,629	100%	-
9/30/06	720,193	100%	-

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payrolls. The contribution rate for normal cost is determined using the entry age normal actuarial cost method with proration based on service. The unfunded liability contributions are determined by subtracting the present value of prospective employer assets held from the present value of expected benefits to be paid by the System.

The contribution to the System for fiscal year ended December 31, 2011 of \$1,720,155 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of September 30, 2010. The total employer contributions of \$1,105,449 represented 9.60% of current year covered payroll, and the total employee contributions of \$614,706 represented 5.34% of current year covered payroll. The employee contributions were a component of normal cost. The employer contributions consisted of \$464,310 for normal cost (4.03% of current year covered payroll), \$596,942 for amortization of the actuarial accrued liability (5.18% of current year covered payroll), \$22,109 for death benefits (.19% of current year covered payroll), and \$22,088 for administrative expenses of the system (.19% of current year covered payroll).

The last valuation was September 30, 2010. The System has informed the City that no significant changes have occurred during fiscal year 2011. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 17: POSTEMPLOYMENT BENEFITS

Plan Description - The City of Northport's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. Those eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age. Complete plan provisions are included in the official plan documents.

Contribution Rates - Employees do not contribute to their post-employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy - Until 2009, the City of Northport recognized the cost of providing post-employment medical benefits (the City of Northport's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2011 and 2010, the City's portion of health care funding cost for retired employees totaled \$140,215 and \$158,767, respectively.

Effective with the Fiscal Year beginning January 1, 2009, the City of Northport implemented Government Accounting Standards Board Statement Number 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

Annual Required Contribution - The City of Northport's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2011</u>	<u>2010</u>
Normal Cost	\$ 107,090	\$ 141,351
30-year UAL amortization amount	<u>146,599</u>	<u>185,203</u>
Annual required contribution (ARC)	<u>\$ 253,689</u>	<u>\$ 326,554</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 17: POSTEMPLOYMENT BENEFITS (continued)

Net Post-Employment Benefit Obligation (Asset) - The table below shows the City of Northport's Net Other Post-Employment Benefit (OPEB) Obligation (Asset) for fiscal years ending December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Beginning Net OPEB Obligation (Asset) 1/1/2011	\$ 325,627	\$ 157,840
Annual required contribution	253,689	326,554
Interest on Net OPEB Obligation (Asset)	13,025	-0-
ARC Adjustment	<u>(18,831)</u>	<u>-0-</u>
OPEB Cost	247,883	326,554
Contribution	-0-	-0-
Current year retiree premium	<u>(140,215)</u>	<u>(158,767)</u>
	<u>107,668</u>	<u>167,787</u>
Change in Net OPEB Obligation		
Ending Net OPEB Obligation (Asset) 12/31/2011	\$ <u>433,295</u>	\$ <u>325,627</u>
Net OPEB Liability:		
Governmental Funds	\$ 368,832	\$ 279,802
Proprietary Funds	<u>64,463</u>	<u>45,825</u>
Total	\$ <u>433,295</u>	\$ <u>325,627</u>

The following table shows the City of Northport's annual post-employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post-employment benefits (PEB) liability (asset) for last year and this year:

Post- Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	December 31, 2011	\$ 247,883	56.56%	\$ 433,295
Medical	December 31, 2010	\$ 167,787	51.53%	\$ 325,627

Funded Status and Funding Progress - In the fiscal years ending December 31, 2011 and 2010, the City of Northport made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2011 actuarial valuation, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) at the end of December 31, 2011 was \$2,535,099, which is defined as that portion, as determined by a particular actuarial cost method (the City of Northport uses the Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 17: POSTEMPLOYMENT BENEFITS (continued)

	<u>2011</u>	<u>2010</u>
Actuarial Accrued Liability (AAL)	\$ 2,535,099	\$ 2,929,093
Actuarial Value of Plan Assets	<u>-0-</u>	<u>-0-</u>
Unfunded Act. Accrued Liability (UAAL)	<u>2,535,099</u>	<u>2,929,093</u>
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 11,978,000	\$ 11,658,274
UAAL as a percentage of covered payroll	25.1%	25.1%

Actuarial Methods and Assumptions - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post-employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Northport and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Northport and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Northport and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method - The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 17: POSTEMPLOYMENT BENEFITS *(continued)*

Actuarial Value of Plan Assets - Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate - An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 12%. The rates for each age are below:

Age	Percent Turnover
18 - 25	20.0%
26 - 40	12.0%
41 - 54	10.0%
55+	8.0%

Post-Employment Benefit Plan Eligibility Requirements - Based on past experience, it has been assumed that entitlement to benefits will commence three years after retiree coverage eligibility. Medical benefits are provided to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. Those eligibility provisions are as follows: 10 years of consecutive service and attainment of age 60; or, 25 years of service at any age.

Investment Return Assumption (Discount Rate) - GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate - The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 17: POSTEMPLOYMENT BENEFITS *(continued)*

Administration (www.cms.hhs.gov). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

Mortality Rate - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

Method of Determining Value of Benefits - The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The retiree pays for a portion of the "cost" of the medical insurance for the retiree and dependents, but it is based on the active/retiree blended rate. There is therefore an implicit employer subsidy since a portion of the active/retiree blended rate is attributable to the retiree coverage. Since use of "unblended" rates is required by GASB 45 for valuation purposes, we have estimated the unblended retiree total rate before age 65 to be 130% of the blended rate. The employer cost is then the difference between this total "unblended" rate and the portion paid by the retiree. Retiree coverage ceases at age 65.

Inflation Rate - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 17: POSTEMPLOYMENT BENEFITS (continued)

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

OPEB Costs and Contributions						
		FY 2009		FY 2010		FY 2011
OPEB Cost	\$	300,321	\$	326,554	\$	247,883
Contribution		-		-		-
Retiree premium		142,481		158,767		140,215
Total contribution and premium		142,481		158,767		140,215
Change in net OPEB obligation	\$	157,840	\$	167,787	\$	107,668
% of contribution to cost		0.00%		0.00%		0.00%
% of contribution plus premium to cost		47.44%		48.62%		56.56%

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

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 December 31, 2011, the outstanding commitment was \$1,750,000.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 19: COMMITMENTS AND CONTINGENCIES (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 December 31, 2011, the outstanding commitment was \$213,874.

Capital Improvements

The City has an obligation to complete ADEM requirements for the Disinfection By-Product Rule before 2012. This project will cost the City approximately \$1,500,000. Additionally, the City has obligations and commitments for capital improvements related to the Water and Sewer Department's Five Year Plan in the amount of \$5,146,500.

Pending or Threatened Litigation

The City is currently in the process of defending a Fair Housing Act violation lawsuit and two discrimination lawsuits. No evaluation of the likelihood of a settlement or favorable outcome can be made at this time. In addition, the City has had flood claims submitted to its insurance carrier. These flood claims appear to be covered by the City's insurance carrier and any liability would be immaterial.

During internal audit procedures performed by the City, it was determined that a possible discrepancy was found in the accrual of compensated absences. As of the date of this report, this matter has not yet been resolved.

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 20: DEBT DEFEASANCE *(continued)*

During the current year, the City defeased the Series 2003 SRF Warrant issues and partially defeased the Series 2002-B Warrants issue by issuing new debt, the proceeds of which were placed in trust with The Depository Trust Company. The investments and fixed earnings from the deposits in trust 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 21: SELF-INSURANCE

During the year ended December 31, 2011, employees of the City of Northport were covered by the City's medical self-insurance plan (the "Plan"). Retirees are also eligible for medical insurance coverage through the self-insurance plan. No dental coverage was available to retirees through the plan. 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.

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.

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 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 22: SUBSEQUENT EVENTS

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of December 31, 2011 and subsequent to that date through the date of our report to determine if any events or transactions have occurred which would have a material effect on the financial statements as of December 31, 2011.

In March of 2012, The City issued Series 2012 Warrants in the amount of \$11,430,000. The purpose of Series 2012 is for the refunding of prior year issuances in the amount of \$11,270,532 and the acquisition of capital assets in the amount of \$150,000. The remainder of Series 2012 proceeds will be paid as issuance costs.

NOTE 23: INTANGIBLE ASSETS

In accordance with GASB 51, the City has considered its assets that are considered to be intangible assets under the guidance put forward by GASB 51. These assets are computer software, land use rights and other capital intangible assets. Based upon the criteria of this standard, the City believes it has properly accounted for these intangible assets and any related depreciation and/or amortization thereof.

NOTE 24: FUND BALANCES – GOVERNMENTAL FUND

The City of Northport elected to implement GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions, in fiscal year 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2011, by City of Northport are nonspendable in form. City of Northport has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 24: FUND BALANCES – GOVERNMENTAL FUND (continued)

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City of Northport Council, the City’s highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Northport Council.

<u>Committed for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
General Fund Reserve Fund	\$ <u>1,200,360</u>	<u>-0-</u>	\$ <u>1,200,360</u>
Committed Fund Balance	\$ <u>1,200,360</u>	<u>-0-</u>	\$ <u>1,200,360</u>

Assigned – includes amounts that City of Northport intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under City of Northport Council’s adopted policy, amounts may be assigned by the City Administrator under the authorization of the Mayor’s Office.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. City of Northport reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, City of Northport considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, City of Northport considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City of Northport Council has provided otherwise in its commitment or assignment actions.

LeCroy, Hunter & Company, P.C.

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PUBLIC ACCOUNTANTS

August 20, 2012

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 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 December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon, dated August 20, 2012. 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 City's internal control over financial reporting as a basis for designing audit procedures for the purpose of expressing our opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, 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 non-compliance or other matters that are required to be reported under *Government Auditing Standard*.

We noted other certain matters that we have reported to the management of the City of Northport, Alabama, in a separate letter dated August 20, 2012.

The City of Northport, Alabama's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended for the information of the audit committee, management, the Alabama Department of Economic and Community Development, 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 & Co., P.C.
Certified Public Accountants

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 DECEMBER 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>CHANGE IN BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Revenues</u>					
Taxes					
City Sales and Use Taxes	\$ 7,250,000	\$ -	\$ 7,250,000	\$ 7,785,999	\$ 535,999
Property Taxes	2,550,000	-	2,550,000	2,883,400	333,400
Other Taxes	257,000	-	257,000	372,381	115,381
<u>Total Taxes</u>	<u>\$ 10,057,000</u>	<u>\$ -</u>	<u>\$ 10,057,000</u>	<u>\$ 11,041,780</u>	<u>\$ 984,780</u>
Licenses and Permits					
Business License	\$ 4,250,000	\$ -	\$ 4,250,000	\$ 4,376,480	\$ 126,480
Other Licenses and Permits	110,000	-	110,000	210,664	100,664
<u>Total Licenses and Permits</u>	<u>\$ 4,360,000</u>	<u>\$ -</u>	<u>\$ 4,360,000</u>	<u>\$ 4,587,144</u>	<u>\$ 227,144</u>
Charges for Services	\$ 1,100,000	\$ -	\$ 1,100,000	\$ 1,240,341	\$ 140,341
Fines and Penalties	370,000	(60,000)	310,000	702,433	392,433
Intergovernmental Revenues	3,450,000	(81,000)	3,369,000	3,564,946	195,946
Other Revenue	392,950	(117,000)	275,950	283,041	7,091
<u>Total Revenues</u>	<u>\$ 19,729,950</u>	<u>\$ (258,000)</u>	<u>\$ 19,471,950</u>	<u>\$ 21,419,685</u>	<u>\$ 1,947,735</u>
<u>Expenditures</u>					
Operating					
Finance and Administration	\$ 1,411,388	\$ 105,228	\$ 1,516,616	\$ 1,546,630	\$ (30,014)
General Government	1,277,958	50,084	1,328,042	1,190,078	137,964
Planning and Development	529,684	(72)	529,612	522,346	7,266
Public Safety	10,576,816	(318,252)	10,258,564	10,275,032	(16,468)
Public Works	3,840,455	(236,761)	3,603,694	3,685,616	(81,922)
Local Agency Funding	65,000	-	65,000	65,000	-
<u>Total Operating Expenditures</u>	<u>\$ 17,701,301</u>	<u>\$ (399,773)</u>	<u>\$ 17,301,528</u>	<u>\$ 17,284,702</u>	<u>\$ 16,826</u>

(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 DECEMBER 31, 2011

	<u>ORIGINAL BUDGET</u>	<u>CHANGE IN BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Capital					
Finance and Administration	\$ -	\$ 10,000	\$ 10,000	\$ 5,007	\$ 4,993
General Government	99,800	(74,800)	25,000	-	25,000
Public Safety	319,000	318,872	637,872	82,948	554,924
Public Works	920,600	(29,500)	891,100	577,409	313,691
<u>Total Capital Expenditures</u>	<u>\$ 1,339,400</u>	<u>\$ 224,572</u>	<u>\$ 1,563,972</u>	<u>\$ 665,364</u>	<u>\$ 898,608</u>
Debt Service	\$ 1,624,850	\$ -	\$ 1,624,850	\$ 1,621,739	\$ 3,111
<u>Total Debt Service</u>	<u>\$ 1,624,850</u>	<u>\$ -</u>	<u>\$ 1,624,850</u>	<u>\$ 1,621,739</u>	<u>\$ 3,111</u>
<u>Total Expenditures</u>	<u>\$ 20,665,551</u>	<u>\$ (175,201)</u>	<u>\$ 20,490,350</u>	<u>\$ 19,571,805</u>	<u>\$ 918,545</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ (935,601)</u>	<u>\$ (82,799)</u>	<u>\$ (1,018,400)</u>	<u>\$ 1,847,880</u>	<u>\$ 2,866,280</u>
Fund Balance Allocation	935,601	82,799	1,018,400	-	(1,018,400)
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,847,880</u>	<u>\$ 1,847,880</u>
<u>Fund Balance - January 1, 2011, Budgetary Basis</u>				<u>\$ 9,029,961</u>	
<u>Fund Balance - December 31, 2011, Budgetary Basis</u>				<u>\$ 10,877,841</u>	
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>					
Earnings of Debt Service Escrow Accounts Not Included in Budget				543	
Debt Service Paid by Escrow Accounts				(292,325)	
Operating Expenses Not Included in Budget Covered by Nonbudgeted Revenues				(149,479)	
Compensation Expense Not Included In Budget Offset by County Beer Tax				(137,459)	
Capital Projects Funded Through Bond Issues, Other Borrowings or Sale Proceeds				(1,042,035)	
Change in Compensated Absence Liability				37,274	
Accrued Expenses Not Included In Operating Expenses on a Budgetary Basis				(146,550)	
<u>Fund Balance - December 31, 2011 (GAAP Basis)</u>				<u>\$ 9,147,810</u>	

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

CITY OF NORTHPORT, ALABAMA
PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

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 2.194 for 5% employee contributions or 1.828 for 6% employee contributors times the annual payroll as determined by Retirement Systems of Alabama (RSA). This rate was based on the September 30, 2010 actuarial valuation reported provided by RSA.

For December 31, 2011, the required pension contributions were determined as part of the September 30, 2010 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, 2010 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, 2010 was 30 years.

Trend Information and Required Supplemental Information

As of the September 30, 2010 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, 2010 was \$-0-. The following table shows the NPO for the year ended September 30, 2010.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/10	\$ 1,053,904	100%	\$ -
9/30/09	1,045,233	100%	-
9/30/08	1,007,736	100%	-
9/30/07	843,629	100%	-
9/30/06	720,193	100%	-

As of the September 30, 2010 valuation report provided by RSA, the following table illustrates the funding progress of the City’s employee plan.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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%
9/30/08	24,928,509	34,155,091	9,226,582	73.0%	11,969,438	77.1%
9/30/09	25,511,003	36,525,296	11,014,293	69.8%	11,920,315	92.4%
9/30/10	25,393,169	39,377,711	13,984,542	64.5%	11,521,992	121.4%
9/30/10	25,393,169	39,542,699	14,149,530	64.2%	11,521,992	122.8%

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 December 31, 2011, 2010, the three month period ended December 31, 2009 and the year ended September 30, 2009
- Schedule of General Fund Revenues for the years ended December 31, 2011, 2010 and the year ended September 30, 2009
- Water and Sewer Statistical Information for the years ended December 31, 2011, 2010 and the years ended September 30, 1996 – 2009
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended December 31, 2011
- Schedule of Water and Sewer Fund Debt Service for the year ended December 31, 2011
- Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the year ended December 31, 2011
- Schedule of Legal Debt Margin

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2011 AND 2010
THREE MONTH PERIOD ENDED DECEMBER 31, 2009
YEAR ENDED SEPTEMBER 30, 2009

	YEAR ENDED DECEMBER 31 2011	YEAR ENDED DECEMBER 31 2010	THREE MONTHS ENDED DECEMBER 31 2009	YEAR ENDED SEPTEMBER 30 2009
<u>Revenues</u>				
Taxes:				
City Sales and Use Taxes	\$ 7,771,712	\$ 7,279,153	\$ 1,764,467	\$ 7,272,351
Property Taxes	2,883,400	2,149,018	792,959	1,428,321
Other	388,970	358,571	83,452	354,100
Total Taxes	\$ 11,044,082	\$ 9,786,742	\$ 2,640,878	\$ 9,054,772
Licenses and Permits:				
Business Licenses & Permits	\$ 4,376,480	\$ 4,176,820	\$ 20,760	\$ 4,207,595
Other Licenses and Permits	210,664	119,947	17,096	134,473
Total Licenses and Permits	\$ 4,587,144	\$ 4,296,767	\$ 37,856	\$ 4,342,068
Intergovernmental				
Charges for Services	\$ 3,339,981	\$ 3,032,218	\$ 903,124	\$ 3,212,893
Fines and Penalties	1,240,341	1,144,947	268,646	1,066,089
Other Revenues	702,432	531,759	102,281	475,295
	229,376	927,315	43,664	523,565
Total Revenues	\$ 21,143,356	\$ 19,719,748	\$ 3,996,449	\$ 18,674,682
<u>Expenditures</u>				
Public Safety	\$ 10,295,295	\$ 9,334,009	\$ 2,475,758	\$ 9,093,501
Public Works	3,782,686	4,208,275	1,030,052	4,793,812
Capital Outlay	1,708,070	3,294,895	726,303	2,430,916
General Government	1,537,044	770,778	165,684	786,978
Finance and Administration	1,475,276	2,076,382	272,839	1,722,765
Planning and Development	516,931	548,817	55,962	279,313
Local Agency Support	65,000	395,535	297	433,416
Civic Center	80	4,854	-	-
Inspection Services	-	-	40,863	175,143
Total Expenditures	\$ 19,380,382	\$ 20,633,545	\$ 4,767,758	\$ 19,715,844
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,762,974	\$ (913,797)	\$ (771,309)	\$ (1,041,162)
<u>Other Financing Sources and (Uses)</u>				
Transfer (Out) to Debt Service Fund	\$ (1,621,739)	\$ (1,676,372)	\$ (2,455,760)	\$ (1,407,800)
Transfer In (Out) from Other Funds	682,198	658,085	-	-
Other Sources	53,301	15,822	-	1,159,893
Loan Proceeds	-	-	7,884,017	-
Total Other Financing Sources and (Uses)	\$ (886,240)	\$ (1,002,465)	\$ 5,428,257	\$ (247,907)
Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses	\$ 876,734	\$ (1,916,262)	\$ 4,656,948	\$ (1,289,069)
FUND BALANCE - BEGINNING OF YEAR	7,098,375	9,014,637	4,357,689	5,742,664
PRIOR PERIOD ADJUSTMENT	-	-	-	(95,906)
FUND BALANCE - END OF YEAR	\$ 7,975,109	\$ 7,098,375	\$ 9,014,637	\$ 4,357,689

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010 AND SEPTEMBER 30, 2009

	<u>DECEMBER 31, 2011</u>		<u>DECEMBER 31, 2010</u>		<u>SEPTEMBER 30, 2009</u>	
	<u>PERCENT</u>	<u>TOTAL</u>	<u>PERCENT</u>	<u>TOTAL</u>	<u>PERCENT</u>	<u>TOTAL</u>
<u>Revenues</u>						
Taxes:						
City Sales and Use Taxes	36.8%	\$ 7,771,712	36.9%	\$ 7,279,153	38.9%	\$ 7,272,351
Property Taxes	13.6%	2,883,400	10.9%	2,149,018	7.6%	1,428,321
Other	1.8%	388,970	1.8%	358,571	1.9%	354,100
<u>Total Taxes</u>	<u>52.2%</u>	<u>\$ 11,044,082</u>	<u>49.6%</u>	<u>\$ 9,786,742</u>	<u>48.5%</u>	<u>\$ 9,054,772</u>
Licenses and Permits:						
Business Licenses & Permits	20.7%	\$ 4,376,480	21.2%	\$ 4,176,820	22.5%	\$ 4,207,595
Other Licenses and Permits	1.0%	210,664	0.6%	119,947	0.7%	134,473
<u>Total Licenses and Permits</u>	<u>21.7%</u>	<u>\$ 4,587,144</u>	<u>21.8%</u>	<u>\$ 4,296,767</u>	<u>23.3%</u>	<u>\$ 4,342,068</u>
Fines and Penalties	3.3%	\$ 702,432	2.7%	\$ 531,759	2.5%	\$ 475,295
Charges for Services	5.9%	1,240,341	5.8%	1,144,947	5.7%	1,066,089
Intergovernmental	15.8%	3,339,981	15.4%	3,032,218	17.2%	3,212,893
Other Revenues	1.1%	229,376	4.7%	927,315	2.8%	523,565
<u>Total Other Revenue</u>	<u>26.1%</u>	<u>5,512,130</u>	<u>28.6%</u>	<u>5,636,239</u>	<u>28.3%</u>	<u>5,277,842</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 21,143,356</u>	<u>100.0%</u>	<u>\$ 19,719,748</u>	<u>100.0%</u>	<u>\$ 18,674,682</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 DECEMBER 31, 2011, 2010 AND
SEPTEMBER 30, 1996 THROUGH 2009

<u>Fiscal Year</u>	<u>Number of Customers *</u>	<u>Total Volume (Gallons)</u>	<u>Gross Revenue</u>
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
2009	11,746	897,990,571	3,597,280
2010	11,832	902,190,889	3,919,693
2011	12,989	899,985,608	4,671,142

Ten Largest Water System Customers

	<u>2011 Gallons</u>	<u>2011 Fees</u>
Tuscaloosa County Board of Education	21,941,718	\$ 86,772
DCH Health Care Authority	18,736,550	74,284
Northport Housing Authority West Circle	10,447,460	40,206
Forest Manor	8,046,000	30,931
Northport Health Services Park Manor	7,810,200	29,522
Northport Health Services Glen Haven	6,646,003	26,342
Northport Housing Authority Valley Hills	6,903,900	25,985
Northport Housing Authority Knoll Circle	5,565,000	21,221
Presbyterian Apartments	4,374,326	17,335
Deerfield Apartments	4,241,839	16,399

Water Rates - Effective October 1, 2010

0 to 400,000 Gallons	\$3.69 per 1,000 Gallons
Over 400,000 Gallons	\$2.65 per 1,000 Gallons

<u>Meter Diameter</u>	<u>Minimum Monthly Charge</u>
5/8"	\$ 7.71
3/4"	8.55
1"	10.34
1 1/2"	16.52
2"	25.53
3"	42.23
4"	73.94
6"	115.72
8"	235.85

* - Customers as of fiscal year end

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010 AND
THE YEARS ENDED SEPTEMBER 30, 1996 THROUGH 2009

<u>Fiscal Year</u>	<u>Sewer System Statistics</u>	
	<u>Number of Customers *</u>	<u>Gross Revenue</u>
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
2009	10,050	2,655,155
2010	10,182	3,169,687
2011	10,319	3,554,782

Rate Schedule: Effective October 1, 2010, the rate for all waste water customers is \$3.69 per 1,000 gallons of metered water. No residential sewer customer shall be charged more than \$39.00 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"	\$ 8.48
3/4"	9.32
1"	11.34
1 1/2"	15.52
2"	30.53
3"	57.23
4"	73.94
6"	115.72
8"	165.84

* - Customers as of fiscal year end

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010 AND
THE YEARS ENDED SEPTEMBER 30, 1996 THROUGH 2009

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 DECEMBER 31, 2011

OPERATING REVENUES

Charges for Services and Fees	\$ 9,181,350
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<u>TOTAL OPERATING REVENUES</u>	<u>\$ 9,181,350</u>
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OPERATING EXPENSES

Salaries and Benefits	\$ 2,492,439
Other Expense	675,874
Utilities and Telephone	574,959
Materials and Supplies	604,096
Water and Sewer Purchases	266,569
Maintenance and Repairs	425,150
Insurance	59,271
Professional Fees	50,580

<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 5,148,938</u>
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Interest Income	\$ 22,861
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<u>NET INCOME AVAILABLE FOR DEBT SERVICE</u>	<u>\$ 4,055,273</u>
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<u>Actual Maximum Annual Debt Service</u>	<u>\$ 2,545,546</u>
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<u>Actual Maximum Debt Service Coverage</u>	<u>1.59</u>
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<u>Actual Maximum Debt Service Specifically Pledged</u>	<u>\$ 689,047</u>
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<u>Actual Maximum Debt Service Coverage Specifically Pledged</u>	<u>5.89</u>
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* - 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 DECEMBER 31, 2011

Fiscal Year	1998 SRF		1999 SRF		2002 SRF	2002 B	2004 B	2005 SRF	2005 SRF	2009 B	2011	Total
	1998 SRF	Extension	1999 SRF	Extension		Warrants	Warrants	Warrants	Extension	Warrants	Warrants	
2011	\$ 195,875	\$ 15,583	\$ 188,438	\$ 84,885	\$ 294,225	\$ 494,398	\$ 234,600	\$ 199,625	\$ 25,725	\$ 263,924	\$ 525,617	\$ 2,522,895
2012	195,625	20,101	188,375	82,515	292,400	500,672	239,407	195,725	30,238	263,925	534,638	2,543,621
2013	200,188	19,524	188,125	85,145	290,400	480,010	238,715	196,825	29,588	263,925	529,438	2,521,883
2014	199,375	18,946	187,688	82,578	293,225	-	237,680	197,763	28,938	263,925	1,029,238	2,539,356
2015	198,375	18,369	192,063	85,010	295,700	-	236,292	198,538	28,288	408,925	876,288	2,537,848
2016	197,188	17,791	191,063	87,245	292,825	-	239,542	199,150	27,638	410,300	873,588	2,536,330
2017	200,813	17,214	189,875	84,283	294,775	-	242,322	199,600	26,988	405,050	875,688	2,536,608
2018	199,063	16,636	188,500	86,320	291,375	-	239,622	199,888	26,338	409,800	880,838	2,538,380
2019	197,125	16,059	191,938	83,160	292,800	-	236,525	200,013	30,688	243,400	1,053,838	2,545,546 *
2020	-	20,385	-	-	293,875	-	238,230	199,975	29,875	388,400	1,367,738	2,538,478
2021	-	-	-	-	294,600	-	239,430	199,775	29,062	357,600	1,419,338	2,539,805
2022	-	-	-	-	294,975	-	-	199,413	28,250	232,800	1,778,400	2,533,838
2023	-	-	-	-	-	-	-	198,888	27,438	397,800	-	624,126
2024	-	-	-	-	-	-	-	198,200	26,625	401,200	-	626,025
2025	-	-	-	-	-	-	-	197,350	25,808	404,200	-	627,358
2026	-	-	-	-	-	-	-	201,338	-	426,800	-	628,138
2027	-	-	-	-	-	-	-	-	-	628,200	-	628,200
2028	-	-	-	-	-	-	-	-	-	2,466,200	-	2,466,200
2029	-	-	-	-	-	-	-	-	-	2,470,000	-	2,470,000
Total	\$ 1,783,627	\$ 180,608	\$ 1,706,065	\$ 761,141	\$ 3,521,175	\$ 1,475,080	\$ 2,622,365	\$ 3,182,066	\$ 421,487	\$ 11,106,374	\$ 11,744,647	\$ 38,504,635

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND SPECIFICALLY PLEDGED DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2011

Fiscal Year	1999 SRF	2002 B Warrants	Total
2011	\$ 188,438	\$ 494,398	\$ 682,836
2012	188,375	500,672	689,047 *
2013	188,125	480,010	668,135
2014	187,688	-	187,688
2015	192,063	-	192,063
2016	191,063	-	191,063
2017	189,875	-	189,875
2018	188,500	-	188,500
2019	191,938	-	191,938
Total	\$ 1,706,065	\$ 1,475,080	\$ 3,181,145

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED DECEMBER 31, 2011

<u>Assessed Value</u>		<u>\$ 236,093,960</u>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 47,218,792
Notes Payable	\$ 90,742	
Long-Term Commitment to TCHS	1,750,000	
Long-Term Commitment - Automotive Corridor	213,874	
SRF Loans	8,650,000	
Warrants Payable	<u>30,195,000</u>	
<u>Total Debt</u>	\$ 40,899,616	
<u>Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama</u>		
School Construction	1,750,000	
<u>Items Excluded from Limit by Section 11-81-166 of the 1975 State of Alabama Code</u>		
Revenue Bonds:		
Water and Sewer Warrants	\$ 18,575,000	
SRF Loans Secured by Revenues	<u>8,650,000</u>	
Net Debt Coming Within Legal Debt Limit		<u>11,924,616</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 35,294,176</u>

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

SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT
GENERAL FUND
DECEMBER 31, 2011

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
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	1,589,292
Accounts Receivable		
Police Dockets Receivable - Net		71,096
Other Receivables		26,250
Due from Other Funds		2,603,029
Inventories		17,023
		<hr/>

TOTAL CURRENT ASSETS \$ 4,306,690

RESTRICTED ASSETS

Cash and Cash Equivalents	\$	<u>4,326,232</u>
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TOTAL ASSETS **\$ 8,632,922**

LIABILITIES

Accounts Payable	\$	97,263
Due to Other Funds		129,259
Accrued Payroll		198,300
Deferred Revenue		125,000
Cash Bonds, Restitution and Other Deposits		107,335
Compensated Absences - Current		656
		<hr/>

TOTAL LIABILITIES \$ 657,813

FUND BALANCE

Nonspendable	\$	17,023
Restricted		3,125,829
Committed		1,200,360
Unrestricted		3,631,897
		<hr/>

TOTAL FUND BALANCE \$ 7,975,109

TOTAL LIABILITIES AND FUND EQUITY **\$ 8,632,922**

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
FOR THE YEAR ENDED DECEMBER 31, 2011

REVENUES

TAXES:

City Sales and Use Taxes	\$ 7,771,712
Property Taxes	2,883,400
Other	388,970

TOTAL TAXES **\$ 11,044,082**

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 4,376,480
Other Licenses and Permits	210,664

TOTAL LICENSES AND PERMITS **\$ 4,587,144**

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 2,410,300
Tobacco Tax	322,096
County Gasoline Tax	240,746
County Road And Bridge Tax	154,539
Liquor Tax	93,258
County Vehicle License	57,701
A.B.C. 2-Percent Sales Tax	29,041
Oil and Gas Production	14,264
Motor Vehicle Registration	5,986
A.B.C. Profits Tax	5,400
State Vehicle License	4,177
Bank Excise Tax	1,271
Manufactured Homes Registration	1,202

TOTAL INTERGOVERNMENTAL REVENUE **\$ 3,339,981**

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,240,341
--------------	--------------

FINES AND PENALTIES:

Court Costs and Fines	\$ 583,566
Court Costs - Corrections	118,866

TOTAL FINES AND PENALTIES **\$ 702,432**

MISCELLANEOUS REVENUE:

Other Income	\$ 126,382
Rental and Lease Income	56,320
Grant Proceeds	26,915
Housing Authority Lease	14,751
Interest Income	5,008

TOTAL MISCELLANEOUS REVENUE **\$ 229,376**

TOTAL REVENUES **\$ 21,143,356**

(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
FOR THE YEAR ENDED DECEMBER 31, 2011

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 10,295,295
Public Works	3,782,686
General Government	1,537,044
Finance and Administration	1,475,276
Planning and Development	516,931
Local Agency Support	65,000
Civic Center	<u>80</u>

TOTAL OPERATING EXPENDITURES **\$ 17,672,312**

CAPITAL EXPENDITURES:

Finance and Administration	\$ 1,030,131
Public Works	574,287
Public Safety	<u>103,652</u>

TOTAL CAPITAL EXPENDITURES **\$ 1,708,070**

TOTAL EXPENDITURES **\$ 19,380,382**

EXCESS REVENUES / (EXPENDITURES) **\$ 1,762,974**

OTHER FINANCING SOURCES (USES):

Transfer (Out) to Debt Service Fund	\$ (1,621,739)
Transfer In from Other Funds	682,198
Sale Proceeds	<u>53,301</u>

TOTAL FINANCING SOURCES (USES) **\$ (886,240)**

EXCESS REVENUES AND SOURCES
OVER EXPENDITURES AND USES **\$ 876,734**

FUND BALANCE - JANUARY 1, 2011 **7,098,375**

FUND BALANCE - DECEMBER 31, 2011 **\$ 7,975,109**

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
DECEMBER 31, 2011

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
DECEMBER 31, 2011

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 592,984

TOTAL RESTRICTED ASSETS \$ 592,984

TOTAL ASSETS **\$ 592,984**

FUND BALANCE

Restricted \$ 592,984

TOTAL FUND BALANCE \$ 592,984

TOTAL LIABILITIES AND FUND BALANCE **\$ 592,984**

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
DECEMBER 31, 2011

REVENUES

Interest on Investments	\$	543
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<u>TOTAL REVENUES</u>		\$ 543
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EXPENDITURES

Interest Paid	\$	510,470
Other Fees		3,313
Payments on Bonds, Warrants, and Notes Payable		1,400,281

<u>TOTAL EXPENDITURES</u>		\$ 1,914,064
----------------------------------	--	--------------

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

\$ (1,913,521)

OTHER FINANCING SOURCES (USES)

Transfers In	\$	1,621,739
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<u>TOTAL OTHER FINANCING SOURCES (USES)</u>		\$ 1,621,739
--	--	--------------

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

\$ (291,782)

FUND BALANCE - JANUARY 1, 2011

884,766

FUND BALANCE - DECEMBER 31, 2011

\$ 592,984

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
DECEMBER 31, 2011

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
DECEMBER 31, 2011

	<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>ELIMINATE INTERFUND BALANCES</u>	<u>TOTAL (MEMO ONLY)</u>
ASSETS									
<u>CURRENT ASSETS</u>									
Due From Other Funds	\$ -	\$ 164,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (36,000)	\$ 128,250
<u>TOTAL CURRENT ASSETS</u>	\$ -	\$ 164,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (36,000)	\$ 128,250
<u>RESTRICTED ASSETS</u>									
Cash and Cash Equivalents	\$ -	\$ 96,673	\$ 279,518	\$ 663	\$ -	\$ 74,499	\$ 114	\$ -	\$ 451,467
<u>TOTAL RESTRICTED ASSETS</u>	\$ -	\$ 96,673	\$ 279,518	\$ 663	\$ -	\$ 74,499	\$ 114	\$ -	\$ 451,467
<u>TOTAL ASSETS</u>	\$ -	\$ 260,923	\$ 279,518	\$ 663	\$ -	\$ 74,499	\$ 114	\$ (36,000)	\$ 579,717
LIABILITIES & FUND BALANCE									
<u>CURRENT LIABILITIES</u>									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	36,000	-	-	-	-	(36,000)	-
<u>TOTAL LIABILITIES</u>	\$ -	\$ -	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ (36,000)	\$ -
<u>FUND BALANCE</u>									
Restricted	\$ -	\$ 260,923	\$ 243,518	\$ 663	\$ -	\$ 74,499	\$ -	\$ -	\$ 579,603
Unrestricted	-	-	-	-	-	-	114	-	114
<u>TOTAL FUND BALANCE</u>	\$ -	\$ 260,923	\$ 243,518	\$ 663	\$ -	\$ 74,499	\$ 114	\$ -	\$ 579,717
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ -	\$ 260,923	\$ 279,518	\$ 663	\$ -	\$ 74,499	\$ 114	\$ (36,000)	\$ 579,717

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 DECEMBER 31, 2011

	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	TOTAL (MEMO ONLY)
REVENUES								
Intergovernmental Revenue:								
Gas Tax	\$ -	\$ -	\$ 93,731	\$ -	\$ -	\$ -	\$ -	\$ 93,731
Petroleum Inspection Fee	-	-	8,188	-	-	-	-	8,188
Share of Beer Tax	-	-	-	-	-	137,459	-	137,459
Municipal Government Tax	-	123,046	-	-	-	-	-	123,046
Other Operating Revenues:								
Interest	-	89	276	1	-	63	-	429
Grant Proceeds	-	-	-	86,063	-	-	-	86,063
Other	-	-	-	-	-	-	127	127
TOTAL REVENUE	\$ -	\$ 123,135	\$ 102,195	\$ 86,064	\$ -	\$ 137,522	\$ 127	\$ 449,043
EXPENDITURES								
Finance and Administration	\$ -	\$ 9,829	\$ -	\$ -	\$ -	\$ 138,495	\$ 603	\$ 148,927
General Government	-	19,665	-	-	-	-	-	19,665
Planning and Development	-	1,417	-	-	-	-	-	1,417
Public Safety	-	4,392	-	12,720	-	-	-	17,112
Inspection Services	-	10,852	-	-	-	-	-	10,852
Operating	-	6,050	-	-	-	-	-	6,050
Public Works	-	4,544	25,378	-	-	-	-	29,922
TOTAL EXPENDITURES	\$ -	\$ 56,749	\$ 25,378	\$ 12,720	\$ -	\$ 138,495	\$ 603	\$ 233,945
Excess (Deficit) of Revenues over Expenditures	-	66,386	76,817	73,344	-	(973)	(476)	215,098
OTHER FINANCING SOURCES (USES)								
Transfer In (Out)	\$ (592,600)	\$ -	\$ 211,548	\$ (89,598)	\$ (211,548)	\$ -	\$ -	\$ (682,198)
Excess (Deficit) of Revenues & Other Sources Over Expenditures & Other Uses	\$ (592,600)	\$ 66,386	\$ 288,365	\$ (16,254)	\$ (211,548)	\$ (973)	\$ (476)	\$ (467,100)
FUND BALANCE - JANUARY 1, 2011	592,600	194,537	(44,847)	16,917	211,548	75,472	590	1,046,817
FUND BALANCE - DECEMBER 31, 2011	\$ -	\$ 260,923	\$ 243,518	\$ 663	\$ -	\$ 74,499	\$ 114	\$ 579,717

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
DECEMBER 31, 2011

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
DECEMBER 31, 2011

	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	\$ 1,055,956	\$ -	\$ 1,055,956	\$ -	\$ 1,055,956
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$203,416	722,091	-	722,091	-	722,091
Assessments Receivable - Current	-	11,687	11,687	-	11,687
Interest Receivable	2,622	7,889	10,511	-	10,511
Due from Other Propriety Funds	1,643,991	-	1,643,991	-	1,643,991
Due from Other Funds	304,444	-	304,444	-	304,444
Inventory	69,424	-	69,424	-	69,424
<u>TOTAL CURRENT ASSETS</u>	\$ 3,798,528	\$ 19,576	\$ 3,818,104	\$ -	\$ 3,818,104
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,581,824	\$ -	\$ 2,581,824	\$ 390,803	\$ 2,972,627
Investments - Warrant Payments Temporarily Invested	303,688	-	303,688	-	303,688
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,885,512	\$ -	\$ 2,885,512	\$ 390,803	\$ 3,276,315
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 1,015,128	\$ -	\$ 1,015,128	\$ -	\$ 1,015,128
Land	396,017	-	396,017	-	396,017
Treatment Plants and Pump Stations	28,043,445	-	28,043,445	-	28,043,445
Distribution and Disposal System	41,084,009	-	41,084,009	-	41,084,009
Machinery and Equipment	572,505	-	572,505	-	572,505
Vehicles	617,730	-	617,730	-	617,730
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 71,858,693	\$ -	\$ 71,858,693	\$ -	\$ 71,858,693
Less: Accumulated Depreciation	(20,650,459)	-	(20,650,459)	-	(20,650,459)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 51,208,234	\$ -	\$ 51,208,234	\$ -	\$ 51,208,234
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,061,720	\$ 2,061,720	\$ -	\$ 2,061,720
Bond Issue Costs	505,051	-	505,051	-	505,051
<u>TOTAL OTHER ASSETS</u>	\$ 505,051	\$ 2,061,720	\$ 2,566,771	\$ -	\$ 2,566,771
<u>TOTAL ASSETS</u>	\$ 58,397,325	\$ 2,081,296	\$ 60,478,621	\$ 390,803	\$ 60,869,424

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 73,831	\$ -	\$ 73,831	\$ -	\$ 73,831
Due to Other Funds	2,196,714	-	2,196,714	405,675	2,602,389
Due to Other Propriety Funds	-	1,643,991	1,643,991	304,075	1,948,066
Accrued Payroll	40,237	-	40,237	-	40,237
Deferred Revenues	156,194	-	156,194	-	156,194
Notes Payable - Current	8,900	-	8,900	-	8,900
Accrued Expenses	-	-	-	37,074	37,074
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>	\$ 2,475,876	\$ 1,643,991	\$ 4,119,867	\$ 746,824	\$ 4,866,691
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 255,192	\$ -	\$ 255,192	\$ -	\$ 255,192
Warrants Payable - Current	1,580,000	-	1,580,000	-	1,580,000
Customer and Waterline Extension Deposits	749,374	-	749,374	-	749,374
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>	\$ 2,584,566	\$ -	\$ 2,584,566	\$ -	\$ 2,584,566
<u>TOTAL CURRENT LIABILITIES</u>	\$ 5,060,442	\$ 1,643,991	\$ 6,704,433	\$ 746,824	\$ 7,451,257
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 25,084,825	\$ -	\$ 25,084,825	\$ -	\$ 25,084,825
Notes Payable	81,841	-	81,841	-	81,841
Net OPEB Liability	64,463	-	64,463	-	64,463
Estimated Liability for Compensated Absences - Noncurrent	263,872	-	263,872	-	263,872
<u>TOTAL LONG-TERM LIABILITIES</u>	\$ 25,495,001	\$ -	\$ 25,495,001	\$ -	\$ 25,495,001
<u>TOTAL LIABILITIES</u>	\$ 30,555,443	\$ 1,643,991	\$ 32,199,434	\$ 746,824	\$ 32,946,258
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 16,477,097	\$ 214,465	\$ 16,691,562	\$ -	\$ 16,691,562
Restricted for Capital Projects	1,981,691	-	1,981,691	-	1,981,691
Restricted for Debt Service	303,688	-	303,688	-	303,688
Unrestricted	9,079,406	222,840	9,302,246	(356,021)	8,946,225
<u>TOTAL NET ASSETS</u>	\$ 27,841,882	\$ 437,305	\$ 28,279,187	\$ (356,021)	\$ 27,923,166

(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 DECEMBER 31, 2011

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>OPERATING REVENUES</u>					
Water Sales	\$ 4,793,100	\$ -	\$ 4,793,100	\$ -	\$ 4,793,100
Sewer Fees	3,689,382	-	3,689,382	-	3,689,382
Charges for Services	-	-	-	2,154,941	2,154,941
Development Fees	276,602	-	276,602	-	276,602
Late Charges	258,947	-	258,947	-	258,947
Service Fees	116,738	-	116,738	-	116,738
Tappage and Meter Fees	46,581	-	46,581	-	46,581
<u>TOTAL OPERATING REVENUES</u>	\$ 9,181,350	\$ -	\$ 9,181,350	\$ 2,154,941	\$ 11,336,291
<u>OPERATING EXPENSES</u>					
<u>Utilities and Distribution:</u>					
Salaries and Benefits	\$ 926,785	\$ -	\$ 926,785	\$ -	\$ 926,785
Other Fringe Benefits	209,702	-	209,702	-	209,702
Payroll Taxes	65,628	-	65,628	-	65,628
Insurance	59,271	-	59,271	-	59,271
Utilities and Telephone	1,785	-	1,785	-	1,785
Miscellaneous Expense	1,643	-	1,643	-	1,643
Supplies and Materials	599	-	599	-	599
<u>Total Utilities and Distribution Expense</u>	<u>\$ 1,265,413</u>	<u>\$ -</u>	<u>\$ 1,265,413</u>	<u>\$ -</u>	<u>\$ 1,265,413</u>
<u>Water Treatment:</u>					
Utilities and Telephone	\$ 573,174	\$ -	\$ 573,174	\$ -	\$ 573,174
Chemicals, Supplies and Materials	554,167	-	554,167	-	554,167
Salaries and Wages	433,700	-	433,700	-	433,700
Miscellaneous Expense	364,913	-	364,913	-	364,913
Raw Water Purchases	266,569	-	266,569	-	266,569
Maintenance and Repairs	179,131	-	179,131	-	179,131
Other Fringe Benefits	106,356	-	106,356	-	106,356
Payroll Tax	40,544	-	40,544	-	40,544
Professional Fees	29,520	-	29,520	-	29,520
<u>Total Water Treatment Expenses</u>	<u>\$ 2,548,074</u>	<u>\$ -</u>	<u>\$ 2,548,074</u>	<u>\$ -</u>	<u>\$ 2,548,074</u>

(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 DECEMBER 31, 2011

	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	\$ 401,428	\$ -	\$ 401,428	\$ -	\$ 401,428
Miscellaneous Expense	309,318	-	309,318	-	309,318
Maintenance and Repairs	246,019	-	246,019	-	246,019
Other Fringe Benefits	169,183	-	169,183	-	169,183
Chemicals, Supplies and Materials	49,330	-	49,330	-	49,330
Professional Fees	21,060	-	21,060	-	21,060
Payroll Tax	33,843	-	33,843	-	33,843
<u>Total Waste Water Treatment Expense</u>	<u>\$ 1,230,181</u>	<u>\$ -</u>	<u>\$ 1,230,181</u>	<u>\$ -</u>	<u>\$ 1,230,181</u>
<u>Other Operating Expenses:</u>					
Insurance Claims and Expense	\$ -	\$ -	\$ -	\$ 1,882,870	\$ 1,882,870
Depreciation	1,445,173	-	1,445,173	-	1,445,173
Compensated Absences	105,270	-	105,270	-	105,270
<u>Total Other Operating Expenses</u>	<u>\$ 1,550,443</u>	<u>\$ -</u>	<u>\$ 1,550,443</u>	<u>\$ 1,882,870</u>	<u>\$ 3,433,313</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 6,594,111</u>	<u>\$ -</u>	<u>\$ 6,594,111</u>	<u>\$ 1,882,870</u>	<u>\$ 8,476,981</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 2,587,239</u>	<u>\$ -</u>	<u>\$ 2,587,239</u>	<u>\$ 272,071</u>	<u>\$ 2,859,310</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 22,861	\$ -	\$ 22,861	\$ 188	\$ 23,049
Gain on Sale of Property	2,700	-	2,700	-	2,700
Operating Transfers In / (Out)	-	-	-	-	-
Interest Expense	(932,129)	-	(932,129)	-	(932,129)
Issue Cost	(130,432)	-	(130,432)	-	(130,432)
Agency Fees	(6,888)	-	(6,888)	-	(6,888)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	<u>\$ (1,043,888)</u>	<u>\$ -</u>	<u>\$ (1,043,888)</u>	<u>\$ 188</u>	<u>\$ (1,043,700)</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ 1,543,351</u>	<u>\$ -</u>	<u>\$ 1,543,351</u>	<u>\$ 272,259</u>	<u>\$ 1,815,610</u>
<u>NET ASSETS, JANUARY 1</u>	<u>26,297,892</u>	<u>437,305</u>	<u>26,735,197</u>	<u>(628,280)</u>	<u>26,106,917</u>
<u>NET ASSETS, DECEMBER 31, 2010</u>	<u>\$ 27,841,243</u>	<u>\$ 437,305</u>	<u>\$ 28,278,548</u>	<u>\$ (356,021)</u>	<u>\$ 27,922,527</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2011

	<u>ENTERPRISE FUNDS</u>				
	<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>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 9,256,549	\$ -	\$ 9,256,549	\$ 2,154,941	\$ 11,411,490
Cash Paid for Personnel Cost	(2,384,474)	-	(2,384,474)	-	(2,384,474)
Cash Paid for Operations	(2,570,810)	-	(2,570,810)	(1,877,107)	(4,447,917)
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 4,301,265</u>	<u>\$ -</u>	<u>\$ 4,301,265</u>	<u>\$ 277,834</u>	<u>\$ 4,579,099</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ 13,039	\$ -	\$ 13,039	\$ -	\$ 13,039
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ 13,039</u>	<u>\$ -</u>	<u>\$ 13,039</u>	<u>\$ -</u>	<u>\$ 13,039</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (1,073,043)	\$ -	\$ (1,073,043)	\$ -	\$ (1,073,043)
Repayment of Bond Principal	(1,676,979)	-	(1,676,979)	-	(1,676,979)
Proceeds from the Sale of City Property	2,700	-	2,700	-	2,700
Repayment of Interest on Bonds and Other Debt	(941,641)	-	(941,641)	-	(941,641)
Payments to Escrow Agents	(6,888)	-	(6,888)	-	(6,888)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (3,695,851)</u>	<u>\$ -</u>	<u>\$ (3,695,851)</u>	<u>\$ -</u>	<u>\$ (3,695,851)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 22,827	\$ -	\$ 22,827	\$ 188	\$ 23,015
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 22,827</u>	<u>\$ -</u>	<u>\$ 22,827</u>	<u>\$ 188</u>	<u>\$ 23,015</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ 641,280	\$ -	\$ 641,280	\$ 278,022	\$ 919,302
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>2,996,500</u>	<u>-</u>	<u>2,996,500</u>	<u>112,781</u>	<u>3,109,281</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 3,637,780</u>	<u>\$ -</u>	<u>\$ 3,637,780</u>	<u>\$ 390,803</u>	<u>\$ 4,028,583</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2011

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 2,587,239	\$ -	\$ 2,587,239	\$ 272,071	\$ 2,859,310
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,445,173	-	1,445,173	-	1,445,173
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(80,995)	-	(80,995)	-	(80,995)
Inventory	(6,595)	-	(6,595)	-	(6,595)
Accounts Payable	65,544	-	65,544	-	65,544
Estimated Liabilities for OPEB Liability	105,272	-	105,272	-	105,272
Accrued Expenses	-	-	-	5,763	5,763
Deferred Revenue	156,194	-	156,194	-	156,194
Accrued Payroll	2,693	-	2,693	-	2,693
Customer Deposits	26,740	-	26,740	-	26,740
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 4,301,265	\$ -	\$ 4,301,265	\$ 277,834	\$ 4,579,099

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF INSURANCE
DECEMBER 31, 2011

INSUROR	LIMITS	DATE	TYPE OF COVERAGE	PROPERTY INSURED
Alabama Municipal	\$ 7,000,000	12/15/2012	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	12/15/2012	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	52,759,792	12/15/2012	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	12/15/2012	Public Officials Liability	Wrongful acts rendered in discharging of public entity duties
Cincinnati	500,000	10/11/2012	Public Employees Dishonesty	All employees
Alabama Municipal	Included in Property	12/15/2012	Equipment Breakdown	
Alabama Municipal	7,000,000	12/15/2012	Law Enforcement Professional Liability	Police personnel
Alabama Municipal	Included in General Liability	12/15/2012	EMT Professional Liability	EMTs
Alabama Municipal	6,523,866	12/15/2012	Business income and extra expense	
Indian Harbor Insurance Co.	1,000,000	4/30/2012	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	7/14/2012	Right of Way Bond	
Zurich North America	50,000	9/3/2012	Right of Way Bond	

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