

**CITY OF NORTHPORT
NORTHPORT, ALABAMA
SEPTEMBER 30, 2009**

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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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

June 21, 2010

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of and for the year ended September 30, 2009, and the individual fund financial statements of the City as of and for the years ended September 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the City of Northport's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of September 30, 2009, 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 June 21, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

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

LeCroy, Hunter & Company, P.C.

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Certified Public Accountants

MANAGEMENT DISCUSSION & ANALYSIS

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

Within this section of the City of Northport's annual financial report, the City of Northport's management provides narrative discussion and analysis of the financial activities of the City of Northport for the fiscal year ended September 30, 2009. The City of Northport's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

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 \$65,613,027 at September 30, 2009.

The largest portion of the City of Northport's net assets (\$55,715,261) 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 (\$3,488,086) 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 \$1,689,452. Key elements of this increase are a decrease in net assets of \$284,042, a decrease in net assets due to a prior period adjustment of \$95,906 (see notes to financial statement), and an increase in capital contributions to the City of \$2,069,400. 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
SEPTEMBER 30, 2009

Summary of Statement of Net Assets for Governmental Type Activities

	<u>9/30/08</u>	<u>9/30/09</u>
Current Assets	\$ 3,940,111	\$ 3,370,906
Restricted Assets	\$ 3,795,900	\$ 3,617,107
Capital Assets	\$ 44,831,814	\$ 47,275,064
Other Assets	\$ 70,236	\$ 58,178
<u>Total Assets</u>	<u>\$ 52,638,061</u>	<u>\$ 54,321,255</u>
Current Liabilities	\$ 2,530,841	\$ 2,277,027
Long-Term Liabilities	\$ 10,858,368	\$ 11,105,924
<u>Total Liabilities</u>	<u>\$ 13,389,209</u>	<u>\$ 13,382,951</u>
Invested in Capital Assets, net of related debt	\$ 37,555,466	\$ 39,881,255
Restricted	\$ 2,875,863	\$ 770,876
Unrestricted	\$ (1,182,477)	\$ 286,173
<u>Total Net Assets</u>	<u>\$ 39,248,852</u>	<u>\$ 40,938,304</u>
Total Liabilities and Net Assets	<u>\$ 52,638,061</u>	<u>\$ 54,321,255</u>

Summary of Statement of Activities for Governmental Type Activities

	<u>9/30/08</u>	<u>9/30/09</u>
<u>Revenues</u>		
<u>Tax Revenue</u>		
Property Tax	\$ 2,351,487	\$ 2,527,029
Sales Tax	\$ 7,251,370	\$ 7,272,351
Shared Tax Revenue	\$ 3,647,259	\$ 3,693,745
Other Tax Revenue	\$ 437,375	\$ 354,100
<u>Total Tax Revenue</u>	<u>\$ 13,687,491</u>	<u>\$ 13,847,225</u>
Charges for Service	\$ 6,120,600	\$ 6,025,152
Grant Revenues	\$ 33,303	\$ 345,003
Shared Licenses Revenue	\$ 13,556	\$ 16,157
Rental and Lease Income	\$ 157,934	\$ 145,925
Investment Earnings	\$ 126,263	\$ 29,462
Transfers	\$ (12,233)	\$ -
<u>Total Revenues</u>	<u>\$ 20,126,914</u>	<u>\$ 20,408,924</u>
<u>Expenses</u>		
General and Administrative	\$ 3,262,783	\$ 3,545,408
Public Works and Safety	\$ 16,887,271	\$ 16,272,977
Inspection Services	\$ 199,386	\$ 182,763
Planning and Development Services	\$ 606,471	\$ 307,449
Interest Expense	\$ 379,160	\$ 384,369
Total Expenses	<u>\$ 21,335,071</u>	<u>\$ 20,692,966</u>
Increase (Decrease) in Net Assets	\$ (1,208,157)	\$ (284,042)
Contributed Capital	\$ 1,946,391	\$ 2,069,400
Net Assets, Beginning	<u>\$ 38,510,618</u>	<u>\$ 39,248,852</u>
Prior Period Adjustment, Correction of an Error	\$ -	\$ (95,906)
Net Assets, Beginning restated	<u>\$ 38,510,618</u>	<u>\$ 39,152,946</u>
Net Assets, Ending	<u>\$ 39,248,852</u>	<u>\$ 40,938,304</u>

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

Business-type activities increased the City of Northport's net assets by \$868,982. Key elements of this increase are an increase in net assets of \$147,355, a decrease in net assets due to a prior period adjustment of \$69,773 (see notes to financial statement), and an increase in capital contributions to the City of \$791,400. Below is a summarized version of the statement of net assets and statement of activities for business-type activities.

	<u>9/30/08</u>	<u>9/30/09</u>
Current Assets and Other Assets	\$ 1,075,374	\$ 832,752
Restricted Assets	\$ 2,838,160	\$ 2,717,210
Capital Assets	<u>\$ 50,136,770</u>	<u>\$ 49,737,782</u>
<u>Total Assets</u>	<u>\$ 54,050,304</u>	<u>\$ 53,287,744</u>
Current Liabilities	\$ 6,603,358	\$ 2,604,479
Long-Term Liabilities	<u>\$ 23,641,205</u>	<u>\$ 26,008,542</u>
<u>Total Liabilities</u>	<u>\$ 30,244,563</u>	<u>\$ 28,613,021</u>
Invested in Capital Assets, net of related debt	\$ 15,042,606	\$ 15,834,006
Restricted	\$ 2,838,160	\$ 2,717,210
Unrestricted	<u>\$ 5,924,975</u>	<u>\$ 6,123,507</u>
<u>Total Net Assets</u>	<u>\$ 23,805,741</u>	<u>\$ 24,674,723</u>
Total Liabilities and Net Assets	<u>\$ 54,050,304</u>	<u>\$ 53,287,744</u>

Summary of Statement of Activities for Business Type Activities

	<u>9/30/08</u>	<u>9/30/09</u>
<u>Revenues</u>		
Charges for Service	\$ 6,769,764	\$ 7,284,066
Investment Earnings	\$ 156,041	\$ 62,020
Transfer In	<u>\$ 12,233</u>	<u>\$ -</u>
<u>Total Revenues</u>	<u>\$ 6,938,038</u>	<u>\$ 7,346,086</u>
<u>Expenses</u>		
Operating Expense	\$ 5,651,731	\$ 6,293,740
Interest Expense	<u>\$ 917,237</u>	<u>\$ 904,991</u>
<u>Total Expenses</u>	<u>\$ 6,568,968</u>	<u>\$ 7,198,731</u>
Increase (Decrease) in Net Assets	\$ 369,070	\$ 147,355
Contributed Capital	\$ 1,225,661	\$ 791,400
Net Assets, Beginning	<u>\$ 22,211,010</u>	<u>\$ 23,805,741</u>
Prior Period Adjustment, Correction of an Error	<u>\$ -</u>	<u>\$ (69,773)</u>
Net Assets, Beginning restated	<u>\$ 22,211,010</u>	<u>\$ 23,735,968</u>
Net Assets, Ending	<u>\$ 23,805,741</u>	<u>\$ 24,674,723</u>

Financial Analysis of the City of Northport's Funds

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

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

Governmental Funds

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

As of the fiscal year ending September 30, 2009, the City of Northport's governmental funds reported combined ending fund balances of \$6,681,647 a decrease of (\$869,569) in comparison with the prior year. The decrease in fund balance consists of a prior period adjustment of \$95,906 (see notes to financial statement) and a net change from operations of \$773,663. Approximately 46.84%, or \$3,129,695, of the total fund balance constitutes unreserved fund balance of which \$514,251 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 \$2,615,444 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, \$3,551,952, is reserved to indicate that it is not available for new spending because it has already been restricted to service the City's debt and specific capital projects.

The general fund is the chief operating fund of the City of Northport. At fiscal year ending September 30, 2009, unreserved and total fund balances of the general fund were \$3,129,695 and \$4,357,691, respectively. The general fund balance decreased by \$(1,384,985) of which \$95,906 of the decrease was a prior period adjustment (see notes to financial statement).

I. General Fund Budgetary Highlights from pages 57-58

Total expenditures during the year were \$1,806,913 below the budgeted amount. The most significant favorable variance, \$1,378,740, occurred in the City of Northport's public works expenditures. This significant variance represents primarily capital projects that were included in the budget which have not been completed or were not started by the end of the September 30, 2009 year due to a lack of funding resulting from the current economy.

II. Capital Assets and Debt Administration

Capital Assets

The City of Northport's investment in capital assets, net of accumulated depreciation, for governmental activities as of September 30, 2009, was \$47,275,064. During the year various contractors completed infrastructure improvements that, once completed, are the City's responsibility to maintain. These improvements were added to the capital assets based on values prepared by the City's engineer. The total value infrastructure contributed to the City was \$2,069,400. The City of Northport's investment in capital assets, net of accumulated depreciation, for business type activities as of September 30, 2009, was \$49,737,782. During the year, various contractors completed water and sewer lines for subdivisions that once complete, are the City's responsibility to maintain. These improvements were added to the capital assets based on values prepared by the City's engineer. The total value of water and sewer lines contributed to the City was \$791,400. 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
SEPTEMBER 30, 2009

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/08</u>	<u>9/30/09</u>
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 289,685	\$ 353,342	\$ 2,608,386	\$ 2,672,043
Construction in Progress	\$ 1,330,456	\$ 305,057	\$ 98,000	\$ 179,729	\$ 1,428,456	\$ 484,786
Total Non-Depreciable Assets	\$ 3,649,157	\$ 2,623,758	\$ 387,685	\$ 533,071	\$ 4,036,842	\$ 3,156,829
Depreciable Assets						
Buildings	\$ 9,904,691	\$ 12,546,016	\$ 28,029,694	\$ 28,029,694	\$ 37,934,385	\$ 40,575,710
Improvements Other Than Buildings	\$ 1,936,402	\$ 1,936,402	\$ -	\$ -	\$ 1,936,402	\$ 1,936,402
Furniture, Machinery, and Equipment	\$ 7,936,321	\$ 8,080,664	\$ 1,149,609	\$ 1,149,609	\$ 9,085,930	\$ 9,230,273
Infrastructure	\$ 60,100,876	\$ 62,890,503	\$ 35,628,945	\$ 36,439,141	\$ 95,729,821	\$ 99,329,644
Total Depreciable Assets	\$ 79,878,290	\$ 85,453,585	\$ 64,808,248	\$ 65,618,444	\$ 144,686,538	\$ 151,072,029
Less: Accumulated Depreciation	\$ (38,695,316)	\$ (40,802,279)	\$ (15,059,163)	\$ (16,413,733)	\$ (53,754,479)	\$ (57,216,012)
Net Depreciable Assets	\$ 41,182,974	\$ 44,651,306	\$ 49,749,085	\$ 49,204,711	\$ 90,932,059	\$ 93,856,017
Total Assets	\$ 44,832,131	\$ 47,275,064	\$ 50,136,770	\$ 49,737,782	\$ 94,968,901	\$ 97,012,846

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

Governmental Activities

- Several projects were completed during the year ended September 30, 2009 reducing construction in process from \$1,330,456 to \$305,057. The most significant project was the completion of the new fire station located on Martin Luther King Boulevard.
- Addition of infrastructure from residential development was \$2,069,400.

Business-type Activities

- The City completed water and sewer distribution lines in various locations totaling \$810,196 for the year ended September 30, 2009
- Contractors contributed \$791,400 in water and sewer lines for residential and commercial developments to the City during the year ended September 30, 2009

Long-Term Debt

At September 30, 2009, the City of Northport had total debt outstanding of \$38,167,949. The major portion of the debt, \$32,322,654, represents bonds and warrants payable.

The City of Northport decreased its total debt by \$3,295,440 of principal repayments during the fiscal year ended September 30, 2009. The City of Northport increased its total debt by \$1,182,307.

State law limits the amount of long-term debt of the City to 20% of the assessed property value within the City of Northport. Certain obligations of the City secured by system revenues, such as water and sewer warrants and state revolving loans secured by system revenues are excluded from the legal borrowing limit of the City. As of September 30, 2009, our outstanding debt was below this amount, which is \$46,000,248. The amount available for future indebtedness is \$33,546,261.

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

Economic Factors and the Next Year's Budget

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

- The current economic conditions facing local, state and federal governments.
- Limited cash reserves on hand in the city's general fund and water/sewer funds.
- Anticipated declines and sales tax and business license revenues.
- The establishment of standard periodic water and sewer rate increases.
- An examination of the current water and sewer system rate structure.
- An examination of garbage collection fees and program costs.
- Declining residential growth throughout the city.
- Infrastructure improvement needs and obligations.
- Physical asset and equipment needs for all city departments.
- Increasing personnel salary and benefits expenses as a percentage of total budget.
- The examination of the city's purchasing and procurement policies and guidelines.
- A comprehensive review and restructuring of city services and operations.
- The possible annexation of the Sand Springs Water Authority service area.
- Development and expenses associated with the riverfront development district.
- Political stability and the creation of an overall business plan for the city.

Amounts available for appropriation in the Fiscal 2010 budget for governmental activities are \$ 22.4 million, a decrease of five percent from the Fiscal 2009 approved budget. Amounts available for appropriations in the Fiscal 2010 budget for business-type activities are \$ 7.75 million, a decrease of two percent over the Fiscal 2009 approved budget.

Budgeted expenditures for governmental activities are expected to decrease five percent below the prior year's budget to \$ 21.36 million. Budgeted expenses for business-type activities are expected to decrease five percent below the prior year's budget of \$ 7.86 million.

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PUBLIC ACCOUNTANTS

June 21, 2010

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

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

We have audited the financial statements of the City of Northport, Alabama, as of and for the year ended September 30, 2009, and have issued our report thereon, dated June 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, 09-1.

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

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

Compliance and Other Matters

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

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City of Northport, Alabama, in a separate letter dated June 21, 2010.

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

LeCroy, Hunter & Company, P.C.

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2009

FINANCIAL STATEMENT FINDINGS

REF. NO.	TYPE OF FINDING	FINDING/NONCOMPLIANCE
09-1	Internal Control	<p>Significant Deficiency</p> <p>Condition: As of September 30, 2009, the City failed to have a written internal control document addressing the accounting functions and procedures as well as the personnel responsible.</p> <p>Effect: Lack of documented internal control procedures and policies could result in personnel failing to follow proper internal control procedures, allowing intentional and/ or unintentional errors in the financial reporting function to go undetected for an extended period.</p> <p>Cause: The City does not have written internal control procedures related to the cash disbursements and receipts functions.</p> <p>Recommendation: The City should create an internal control document addressing all areas of the accounting function, including the cash disbursements and receipts function.</p> <p>Management's Response: Management agrees with the finding.</p>

FINANCIAL STATEMENTS

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

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 514,251	\$ 240,113	\$ 754,364
Accounts Receivable, net	64,580	807,624	872,204
Assessment Receivable - Current	-	24,412	24,412
Other Receivables, net	17,443	69,751	87,194
Internal Balances	2,747,308	(2,747,308)	-
Inventories	27,324	111,608	138,932
Other Current Assets	-	11,540	11,540
Restricted Assets - Noncurrent	3,617,107	2,717,210	6,334,317
Capital Assets			
Land and Construction in Progress	2,623,758	533,071	3,156,829
Buildings, net	12,546,016	28,029,694	40,575,710
Improvements Other Than Buildings, net	1,936,402	-	1,936,402
Infrastructure, net	62,890,503	36,439,141	99,329,644
Furniture & Equipment, net	1,917,748	597,713	2,515,461
Vehicles, net	6,162,916	551,896	6,714,812
Less: Accumulated Depreciation	(40,802,279)	(16,413,733)	(57,216,012)
Abeysance Receivable	-	2,061,720	2,061,720
Bond Issue Costs	58,178	253,292	311,470
<u>TOTAL ASSETS</u>	<u>\$ 54,321,255</u>	<u>\$ 53,287,744</u>	<u>\$ 107,608,999</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 205,254	\$ 61,564	\$ 266,818
Accrued Payroll	322,605	55,618	378,223
Other Current Liabilities	175,421	-	175,421
Interest Payable	78,385	96,168	174,553
Refundable Deposits	-	649,799	649,799
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	980,080	1,741,330	2,721,410
Long-term Commitments	465,050	-	465,050
Compensated Absences	50,232	-	50,232
Portion Due or Payable After One Year:			
Commitment to TCHS	2,062,500	-	2,062,500
Commitment to IDA Automotive Corridor	644,668	-	644,668
Bonds and Warrants Payable	4,722,973	21,750,496	26,473,469
Notes Payable	1,748,934	4,051,918	5,800,852
Net OPEB Liability	137,384	20,456	157,840
Compensated Absences	1,789,465	185,672	1,975,137
<u>TOTAL LIABILITIES</u>	<u>\$ 13,382,951</u>	<u>\$ 28,613,021</u>	<u>\$ 41,995,972</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 39,881,255	\$ 15,834,006	\$ 55,715,261
Restricted for:			
Capital Projects	305,656	2,199,332	2,504,988
Debt Service	465,220	517,878	983,098
Unrestricted	286,173	6,123,507	6,409,680
<u>TOTAL NET ASSETS</u>	<u>\$ 40,938,304</u>	<u>\$ 24,674,723</u>	<u>\$ 65,613,027</u>

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

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

	PROGRAM REVENUES			Net (Expense) Revenues & Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES:</u>							
Finance and Administration	\$ 2,292,875	\$ 4,342,068	\$ -	\$ -	\$ 2,049,193	\$ -	\$ 2,049,193
General Government	1,252,533	540,575	-	-	(711,958)	-	(711,958)
Planning and Development	307,449	-	-	-	(307,449)	-	(307,449)
Public Safety	9,946,155	76,420	345,003	-	(9,524,732)	-	(9,524,732)
Inspection Services	182,763	-	-	-	(182,763)	-	(182,763)
Public Works	6,326,822	1,066,089	-	-	(5,260,733)	-	(5,260,733)
Interest and Fiscal Charges	384,369	-	-	-	(384,369)	-	(384,369)
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	\$ 20,692,966	\$ 6,025,152	\$ 345,003	\$ -	\$ (14,322,811)	\$ -	\$ (14,322,811)
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 7,198,731	\$ 7,284,066	\$ -	\$ -	\$ -	\$ 85,335	\$ 85,335
<u>TOTAL BUSINESS TYPE ACTIVITIES</u>	\$ 7,198,731	\$ 7,284,066	\$ -	\$ -	\$ -	\$ 85,335	\$ 85,335
<u>TOTAL PRIMARY GOVERNMENT</u>	\$ 27,891,697	\$ 13,309,218	\$ 345,003	\$ -	\$ (14,322,811)	\$ 85,335	\$ (14,237,476)

(continued)

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

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

	Net (Expense) Revenues & Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<u>GENERAL REVENUES:</u>			
Taxes:			
Property Taxes Levied for General Purposes	\$ 1,428,321	\$ -	\$ 1,428,321
Property Taxes Levied for Education & Public Safety	1,098,708	-	1,098,708
Sales Taxes	7,272,351	-	7,272,351
Other Taxes	354,100	-	354,100
Shared Taxes:			
Taxes Levied for General Purposes	3,356,211	-	3,356,211
Taxes Levied for Resurfacing Projects	100,275	-	100,275
Taxes Levied for Public Safety	237,259	-	237,259
Shared License Fees Levied for General Purposes	16,157	-	16,157
Rental and Land Lease Income	145,925	-	145,925
Earnings on Investments	28,547	62,020	90,567
Gain on Sale of City Property	915	-	915
	<u>\$ 14,038,769</u>	<u>\$ 62,020</u>	<u>\$ 14,100,789</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ (284,042)</u>	<u>\$ 147,355</u>	<u>\$ (136,687)</u>
<u>NET ASSETS - BEGINNING</u>	39,248,852	23,805,741	63,054,593
<u>PRIOR PERIOD ADJUSTMENT (NOTE 23)</u>	(95,906)	(69,773)	(165,679)
<u>CAPITAL CONTRIBUTIONS</u>	2,069,400	791,400	2,860,800
<u>NET ASSETS - ENDING</u>	<u>\$ 40,938,304</u>	<u>\$ 24,674,723</u>	<u>\$ 65,613,027</u>

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

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

	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	\$ 514,251	\$ -	\$ -	\$ 514,251	\$ -	\$ 514,251
Accounts Receivable						
Police Dockets Receivable - Net	64,580	-	-	64,580	-	64,580
Other Receivables	17,443	-	-	17,443	-	17,443
Due From Other Funds	3,568,153	-	501,402	4,069,555	(501,402)	3,568,153
Inventories	27,324	-	-	27,324	-	27,324
<u>TOTAL CURRENT ASSETS</u>	\$ 4,191,751	\$ -	\$ 501,402	\$ 4,693,153	\$ (501,402)	\$ 4,191,751
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 1,227,996	\$ 465,220	\$ 1,607,051	\$ 3,300,267	\$ -	\$ 3,300,267
<u>TOTAL ASSETS</u>	\$ 5,419,747	\$ 465,220	\$ 2,108,453	\$ 7,993,420	\$ (501,402)	\$ 7,492,018
<u>LIABILITIES</u>						
Accounts Payable	\$ 94,124	\$ -	\$ 111,130	\$ 205,254	\$ -	\$ 205,254
Due to Other Funds	502,410	-	138,587	640,997	(501,402)	139,595
Accrued Payroll	322,605	-	-	322,605	-	322,605
Cash Bonds, Restitution and Other Deposits	92,685	-	-	92,685	-	92,685
Compensated Absences - Current	50,232	-	-	50,232	-	50,232
<u>TOTAL LIABILITIES</u>	\$ 1,062,056	\$ -	\$ 249,717	\$ 1,311,773	\$ (501,402)	\$ 810,371
<u>FUND BALANCE</u>						
Reserve for Inventory	\$ 27,324	\$ -	\$ -	\$ 27,324	\$ -	\$ 27,324
Reserve for Capital Projects	1,227,996	-	688,335	1,916,331	-	1,916,331
Reserve for Education and Public Safety	-	-	1,170,401	1,170,401	-	1,170,401
Reserve for Debt Service	-	465,220	-	465,220	-	465,220
Unreserved Fund Balance	3,102,371	-	-	3,102,371	-	3,102,371
<u>TOTAL FUND BALANCE</u>	\$ 4,357,691	\$ 465,220	\$ 1,858,736	\$ 6,681,647	\$ -	\$ 6,681,647
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 5,419,747	\$ 465,220	\$ 2,108,453	\$ 7,993,420	\$ (501,402)	\$ 7,492,018

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS **\$ 6,681,647**

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	\$	2,623,758	
Building, net of \$3,571,228 of Accumulated Depreciation		8,974,788	
Improvements other than Buildings, net of \$570,002 Accumulated Depreciation		1,366,400	
Infrastructure, net of \$29,744,225 Accumulated Depreciation		33,146,278	
Furniture and equipment, net of \$1,670,551 Accumulated Depreciation		247,197	
Vehicles, net of \$5,246,273 Accumulated Depreciation		<u>916,643</u>	
			47,275,064

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	\$	(5,685,000)	
Discounts on Bonds and Warrants Payable		86,321	
Bond and Warrant Issue Cost		58,178	
Noncurrent portion of Compensated Absences		(1,789,465)	
Long-Term Commitments		(3,172,218)	
Notes Payable		(1,853,308)	
OPEB Liability		(137,384)	
Accrued Interest Payable		<u>(78,385)</u>	
Total Long-Term Liabilities			<u>(12,571,261)</u>

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

Internal Service Fund Net Assets	\$	<u>(447,146)</u>	
Net Adjustment			<u>(447,146)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 40,938,304**

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

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 7,272,351	\$ -	\$ -	\$ 7,272,351
Business Licenses and Permits	4,207,595	-	-	4,207,595
Intergovernmental Revenues	3,212,893	-	480,851	3,693,744
Property Tax	1,428,321	-	1,098,708	2,527,029
Charges for Services	1,142,509	-	-	1,142,509
Fines, Forfeitures, and Penalties	475,295	-	-	475,295
Other Taxes	354,100	-	-	354,100
Grant Proceeds	209,932	-	135,071	345,003
Rental and Lease Income	145,925	-	-	145,925
Other Licenses and Permits	134,473	-	-	134,473
Other Income	74,066	-	7,371	81,437
Interest Income	17,222	2,547	8,228	27,997
<u>TOTAL REVENUES</u>	\$ 18,674,682	\$ 2,547	\$ 1,730,229	\$ 20,407,458
<u>EXPENDITURES</u>				
Public Safety	\$ 9,093,501	\$ -	\$ 431,810	\$ 9,525,311
Public Works	4,793,812	-	-	4,793,812
Finance and Administration	1,722,765	-	170,691	1,893,456
General Government	783,848	-	-	783,848
Local Agency Support	433,416	-	-	433,416
Planning and Community Development	282,443	-	-	282,443
Inspection Services	175,143	-	-	175,143
Capital Outlay				
Public Safety	1,811,166	-	114,893	1,926,059
Public Works	553,506	-	17,592	571,098
Finance and Administration	53,915	-	-	53,915
Planning and Community Development	12,329	-	-	12,329
Debt Service				
Payments on Bonds & Notes Payable	-	1,269,948	-	1,269,948
Interest Paid	-	365,612	-	365,612
Finance and Administration	-	250,000	-	250,000
Agency Fees	-	4,625	-	4,625
<u>TOTAL EXPENSES</u>	\$ 19,715,844	\$ 1,890,185	\$ 734,986	\$ 22,341,015
<u>EXCESS REVENUES / (EXPENDITURES)</u>	\$ (1,041,162)	\$ (1,887,638)	\$ 995,243	\$ (1,933,557)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (Out)	\$ (1,407,800)	\$ -	\$ (471,610)	\$ (1,879,410)
Transfer In	-	1,879,410	-	1,879,410
Sales Proceeds	915	-	-	915
Loan Proceeds	1,158,978	-	-	1,158,978
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	\$ (247,907)	\$ 1,879,410	\$ (471,610)	\$ 1,159,893

(continued)

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

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

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>NET CHANGE IN FUND BALANCES</u>	\$ (1,289,069)	\$ (8,228)	\$ 523,633	\$ (773,664)
<u>FUND BALANCE - OCTOBER 1, 2008</u>	\$ 5,742,666	\$ 473,448	\$ 1,335,103	\$ 7,551,217
<u>PRIOR PERIOD ADJUSTMENT (NOTE 23)</u>	\$ (95,906)	\$ -	\$ -	\$ (95,906)
<u>FUND BALANCE - SEPTEMBER 30, 2009</u>	<u>\$ 4,357,691</u>	<u>\$ 465,220</u>	<u>\$ 1,858,736</u>	<u>\$ 6,681,647</u>

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

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

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ (773,664)**

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 capital outlay purchases \$2,465,581 over depreciation expense (\$2,106,963). 358,618

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

Debt Issued:			
Loan Proceeds	\$	(1,158,977)	
Repayments:			
Principle Repayments		<u>1,537,372</u>	
Net Adjustment			378,395

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	\$	(9,294)	
Amortization of Bond Issue Cost		(6,049)	
OPEB Liability Expense		(137,384)	
Change in Long-Term Estimated Compensated Absences		(130,776)	
Change in Accrued Expenses		<u>1,211</u>	
Net Adjustment			(282,292)

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>34,901</u>	
Net Adjustment			<u>34,901</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (284,042)**

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	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	\$ 231,816	\$ 8,297	\$ 240,113	\$ -	\$ 240,113
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$64,968	807,624	-	807,624	-	807,624
Assessments Receivable - Current	-	24,412	24,412	-	24,412
Interest Receivable	57,685	12,066	69,751	-	69,751
Due from Other Propriety Funds	1,973,444	-	1,973,444	-	1,973,444
Due from Other Funds	1,008	-	1,008	-	1,008
Inventory	111,608	-	111,608	-	111,608
Prepaid Expense	11,540	-	11,540	-	11,540
<u>TOTAL CURRENT ASSETS</u>	\$ 3,194,725	\$ 44,775	\$ 3,239,500	\$ -	\$ 3,239,500
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,199,332	\$ -	\$ 2,199,332	\$ 316,840	\$ 2,516,172
Investments - Warrant Payments Temporarily Invested	517,878	-	517,878	-	517,878
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,717,210	\$ -	\$ 2,717,210	\$ 316,840	\$ 3,034,050
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 179,729	\$ -	\$ 179,729	\$ -	\$ 179,729
Land	353,342	-	353,342	-	353,342
Treatment Plants and Pump Stations	28,029,694	-	28,029,694	-	28,029,694
Distribution and Disposal System	36,439,141	-	36,439,141	-	36,439,141
Machinery and Equipment	467,854	-	467,854	-	467,854
Vehicles	551,896	-	551,896	-	551,896
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 66,151,515	\$ -	\$ 66,151,515	\$ -	\$ 66,151,515
Less: Accumulated Depreciation	(16,413,733)	-	(16,413,733)	-	(16,413,733)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 49,737,782	\$ -	\$ 49,737,782	\$ -	\$ 49,737,782
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,061,720	\$ 2,061,720	\$ -	\$ 2,061,720
Bond Issue Costs	253,292	-	253,292	-	253,292
<u>TOTAL OTHER ASSETS</u>	\$ 253,292	\$ 2,061,720	\$ 2,315,012	\$ -	\$ 2,315,012
<u>TOTAL ASSETS</u>	\$ 55,903,009	\$ 2,106,495	\$ 58,009,504	\$ 316,840	\$ 58,326,344

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	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	\$ 61,564	\$ -	\$ 61,564	\$ -	\$ 61,564
Due to Other Funds	3,052,391	-	3,052,391	377,175	3,429,566
Due to Other Propriety Funds	-	1,669,369	1,669,369	304,075	1,973,444
Accrued Payroll	55,618	-	55,618	-	55,618
Notes Payable - Current	4,043	-	4,043	-	4,043
Accrued Expenses	-	-	-	82,736	82,736
	<u>\$ 3,173,616</u>	<u>\$ 1,669,369</u>	<u>\$ 4,842,985</u>	<u>\$ 763,986</u>	<u>\$ 5,606,971</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>					
	<u>\$ 3,173,616</u>	<u>\$ 1,669,369</u>	<u>\$ 4,842,985</u>	<u>\$ 763,986</u>	<u>\$ 5,606,971</u>
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 96,168	\$ -	\$ 96,168	\$ -	\$ 96,168
Warrants Payable - Current	1,760,000	-	1,760,000	-	1,760,000
Customer and Waterline Extension Deposits	649,799	-	649,799	-	649,799
	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>
<u>TOTAL CURRENT LIABILITIES</u>					
	<u>\$ 5,679,583</u>	<u>\$ 1,669,369</u>	<u>\$ 7,348,952</u>	<u>\$ 763,986</u>	<u>\$ 8,112,938</u>
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 21,727,783	\$ -	\$ 21,727,783	\$ -	\$ 21,727,783
Notes Payable	4,051,918	-	4,051,918	-	4,051,918
Net OPEB Liability	20,456	-	20,456	-	20,456
Estimated Liability for Compensated Absences - Noncurrent	185,672	-	185,672	-	185,672
	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>
<u>TOTAL LIABILITIES</u>					
	<u>\$ 31,665,412</u>	<u>\$ 1,669,369</u>	<u>\$ 33,334,781</u>	<u>\$ 763,986</u>	<u>\$ 34,098,767</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 15,619,541	\$ 214,465	\$ 15,834,006	\$ -	\$ 15,834,006
Restricted for Capital Projects	2,199,332	-	2,199,332	-	2,199,332
Restricted for Debt Service	517,878	-	517,878	-	517,878
Unrestricted	5,900,846	222,661	6,123,507	(447,146)	5,676,361
	<u>\$ 24,237,597</u>	<u>\$ 437,126</u>	<u>\$ 24,674,723</u>	<u>\$ (447,146)</u>	<u>\$ 24,227,577</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 SEPTEMBER 30, 2009

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 6,947,482	\$ -	\$ 6,947,482	\$ 1,833,258	\$ 8,780,740
Miscellaneous	336,584	-	336,584	102	336,686
<u>TOTAL OPERATING REVENUES</u>	\$ 7,284,066	\$ -	\$ 7,284,066	\$ 1,833,360	\$ 9,117,426
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,364,074	\$ -	\$ 2,364,074	\$ -	\$ 2,364,074
Insurance Claims and Expenses	-	-	-	1,799,009	1,799,009
Depreciation and Amortization	1,354,570	-	1,354,570	-	1,354,570
Utilities and Telephone	742,638	-	742,638	-	742,638
Materials and Supplies	439,409	-	439,409	-	439,409
Miscellaneous Expense	352,672	-	352,672	-	352,672
Maintenance and Repairs	345,910	-	345,910	-	345,910
Water and Sewer Purchases	273,599	-	273,599	-	273,599
Insurance	256,103	-	256,103	-	256,103
Bad Debt Expense	106,149	-	106,149	-	106,149
Professional Fees	80,696	-	80,696	-	80,696
Other Post Employment Expense	20,456	-	20,456	-	20,456
<u>TOTAL OPERATING EXPENSES</u>	\$ 6,336,276	\$ -	\$ 6,336,276	\$ 1,799,009	\$ 8,135,285
<u>OPERATING INCOME (LOSS)</u>	\$ 947,790	\$ -	\$ 947,790	\$ 34,351	\$ 982,141
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 61,641	\$ 379	\$ 62,020	\$ 550	\$ 62,570
Interest Expense	(830,416)	-	(830,416)	-	(830,416)
Issue Cost	(29,438)	-	(29,438)	-	(29,438)
Agency Fees	(2,601)	-	(2,601)	-	(2,601)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (800,814)	\$ 379	\$ (800,435)	\$ 550	\$ (799,885)
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>					
	\$ 146,976	\$ 379	\$ 147,355	\$ 34,901	\$ 182,256
Capital Contributions	\$ 791,400	\$ -	\$ 791,400	\$ -	\$ 791,400
<u>CHANGE IN NET ASSETS</u>	\$ 938,376	\$ 379	\$ 938,755	\$ 34,901	\$ 973,656
<u>NET ASSETS, OCTOBER 1</u>	23,371,013	434,728	23,805,741	(482,047)	23,323,694
PRIOR PERIOD ADJUSTMENT (NOTE 23)	(71,792)	2,019	(69,773)	-	(69,773)
<u>NET ASSETS, SEPTEMBER 30</u>	\$ 24,237,597	\$ 437,126	\$ 24,674,723	\$ (447,146)	\$ 24,227,577

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2009

	<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	\$ 7,029,045	\$ 6,998	\$ 7,036,043	\$ 1,833,360	\$ 8,869,403
Cash Paid for Personnel Cost	(2,340,864)	-	(2,340,864)	-	(2,340,864)
Cash Paid for Operations	(2,566,535)	-	(2,566,535)	(1,773,923)	(4,340,458)
	<u>\$ 2,121,646</u>	<u>\$ 6,998</u>	<u>\$ 2,128,644</u>	<u>\$ 59,437</u>	<u>\$ 2,188,081</u>
<u>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
	<u>\$ 2,121,646</u>	<u>\$ 6,998</u>	<u>\$ 2,128,644</u>	<u>\$ 59,437</u>	<u>\$ 2,188,081</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ 139,127	\$ (98,650)	\$ 40,477	\$ -	\$ 40,477
	<u>\$ 139,127</u>	<u>\$ (98,650)</u>	<u>\$ 40,477</u>	<u>\$ -</u>	<u>\$ 40,477</u>
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>					
	<u>\$ 139,127</u>	<u>\$ (98,650)</u>	<u>\$ 40,477</u>	<u>\$ -</u>	<u>\$ 40,477</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from Borrowing	\$ 40,266	\$ -	\$ 40,266	\$ -	\$ 40,266
Capital Acquisition Payments	(164,182)	-	(164,182)	-	(164,182)
Repayment of Bond Principal	(1,771,136)	-	(1,771,136)	-	(1,771,136)
Repayment of Interest on Bonds and Other Debt	(843,463)	-	(843,463)	-	(843,463)
Payments to Escrow Agents	(2,601)	-	(2,601)	-	(2,601)
	<u>\$ (2,741,116)</u>	<u>\$ -</u>	<u>\$ (2,741,116)</u>	<u>\$ -</u>	<u>\$ (2,741,116)</u>
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
	<u>\$ (2,741,116)</u>	<u>\$ -</u>	<u>\$ (2,741,116)</u>	<u>\$ -</u>	<u>\$ (2,741,116)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 18,627	\$ 300	\$ 18,927	\$ 550	\$ 19,477
	<u>\$ 18,627</u>	<u>\$ 300</u>	<u>\$ 18,927</u>	<u>\$ 550</u>	<u>\$ 19,477</u>
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>					
	<u>\$ 18,627</u>	<u>\$ 300</u>	<u>\$ 18,927</u>	<u>\$ 550</u>	<u>\$ 19,477</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	<u>\$ (461,716)</u>	<u>\$ (91,352)</u>	<u>\$ (553,068)</u>	<u>\$ 59,987</u>	<u>\$ (493,081)</u>
<u>CASH & CASH EQUIVALENTS - OCTOBER 1</u>	<u>2,892,864</u>	<u>99,649</u>	<u>2,992,513</u>	<u>256,853</u>	<u>3,249,366</u>
<u>CASH & CASH EQUIVALENTS - SEPTEMBER 30</u>	<u>\$ 2,431,148</u>	<u>\$ 8,297</u>	<u>\$ 2,439,445</u>	<u>\$ 316,840</u>	<u>\$ 2,756,285</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2009

ENTERPRISE FUNDS

	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>RECONCILIATION OF OF NET OPERATING</u>					
<u>INCOME TO NET CASH PROVIDED (USED)</u>					
<u>BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 947,790	\$ -	\$ 947,790	\$ 34,351	\$ 982,141
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,354,570	-	1,354,570	-	1,354,570
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(148,872)	6,998	(141,874)	-	(141,874)
Inventory	(44,056)	-	(44,056)	-	(44,056)
Accounts Payable	31,041	-	31,041	25,086	56,127
Net Retiree Healthcare Obligation	(20,456)	-	(20,456)	-	(20,456)
Estimated Liabilities for Compensated Absences	11,556	-	11,556	-	11,556
Accrued Payroll	11,654	-	11,654	-	11,654
Accrued Expenses	(27,709)	-	(27,709)	-	(27,709)
Customer Deposits	6,128	-	6,128	-	6,128
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	<u>\$ 2,121,646</u>	<u>\$ 6,998</u>	<u>\$ 2,128,644</u>	<u>\$ 59,437</u>	<u>\$ 2,188,081</u>

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Basis of Presentation

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government–Wide Financial Statements

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

Proprietary Funds

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

Fiduciary Funds

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

Internal Service Funds

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

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

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

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

Use of Estimates

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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	\$ 99,152
Water and Sewer Fund	64,968

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 4: INVENTORIES

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

NOTE 5: FIXED ASSETS

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

Government-Wide Statements

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

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

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

Fund Financial Statements

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5: FIXED ASSETS (continued)

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

FIXED ASSET SCHEDULE:

<u>Governmental Activities:</u>	<u>Balance</u> <u>9/30/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/09</u>
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Progress	1,330,456	305,057	(1,330,456)	305,057
Total Capital Assets Not Depreciated	<u>\$ 3,649,157</u>	<u>\$ 305,057</u>	<u>\$ (1,330,456)</u>	<u>\$ 2,623,758</u>
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 9,904,691	\$ 2,641,325	\$ -	\$ 12,546,016
Improvements other than Buildings	1,936,402	-	-	1,936,402
Vehicles	6,050,774	112,142	-	6,162,916
Equipment & Furniture	1,885,547	32,201	-	1,917,748
Infrastructure	60,100,876	2,789,627	-	62,890,503
Total Other Capital Assets	<u>\$ 79,878,290</u>	<u>\$ 5,575,295</u>	<u>\$ -</u>	<u>\$ 85,453,585</u>
Less: Accumulated Depreciation				
Buildings	\$ 3,299,157	\$ 272,071	\$ -	\$ 3,571,228
Improvements other than Buildings	521,489	48,513	-	570,002
Vehicles	4,832,284	413,989	-	5,246,273
Equipment & Furniture	1,602,625	67,926	-	1,670,551
Infrastructure	28,439,761	1,304,464	-	29,744,225
Total Accumulated Depreciation	<u>\$ 38,695,316</u>	<u>\$ 2,106,963</u>	<u>\$ -</u>	<u>\$ 40,802,279</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,182,974</u>			<u>\$ 44,651,306</u>
Total Governmental Assets, Net	<u><u>\$ 44,832,131</u></u>			<u><u>\$ 47,275,064</u></u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 5: FIXED ASSETS (continued)

Allocation of Depreciation on Fixed Assets for Governmental Activities

	<u>Allocation</u>	<u>Percentage</u>	<u>Allocation of Depreciation on Capital Assets</u>	<u>Allocation of Depreciation on Infrastructure</u>
Finance and Administration	\$ 1,893,456	10.84%	\$ 87,152	\$ -
General Government	783,848	4.49%	36,032	-
Planning and Development	282,443	1.62%	13,000	-
Public Safety	9,525,311	54.57%	437,844	-
Inspection Services	175,143	1.00%	8,025	-
Public Works	4,793,812	27.48%	220,446	1,304,464
	<u>\$ 17,454,013</u>	<u>100.00%</u>	<u>\$ 802,499</u>	<u>\$ 1,304,464</u>

<u>Business-Type Activities:</u>	<u>Balance 9/30/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/09</u>
Analysis of Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 98,000	\$ 105,060	\$ (23,331)	\$ 179,729
Land	289,685	63,657	-	353,342
	<u>\$ 387,685</u>	<u>\$ 168,717</u>	<u>\$ (23,331)</u>	<u>\$ 533,071</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 28,029,694	\$ -	\$ -	\$ 28,029,694
Distribution and Disposal System	35,628,945	841,588	31,392	36,439,141
Machinery and Equipment	467,854	-	-	467,854
Vehicles	551,896	-	-	551,896
Computer Equipment	129,859	-	-	129,859
	<u>\$ 64,808,248</u>	<u>\$ 841,588</u>	<u>\$ 31,392</u>	<u>\$ 65,618,444</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 6,442,898	\$ 588,247	\$ -	\$ 7,031,145
Distribution and Disposal System	7,549,806	719,232	-	8,269,038
Machinery and Equipment	422,510	13,472	-	435,982
Vehicles	514,090	33,619	-	547,709
Computer Equipment	129,859	-	-	129,859
	<u>\$ 15,059,163</u>	<u>\$ 1,354,570</u>	<u>\$ -</u>	<u>\$ 16,413,733</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,749,085</u>			<u>\$ 49,204,711</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 50,136,770</u>			<u>\$ 49,737,782</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 6: BOND DISCOUNTS / ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds or warrants payable whereas, issuance costs are recorded as other intangible assets. As of September 30, 2009, the remaining discounts and issuance costs in the City's proprietary fund are \$110,978 and \$253,292, respectively.

NOTE 7: LONG-TERM OBLIGATIONS

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

Changes in long-term obligations for the year ended September 30, 2009 are as follows:

Analysis of Long-Term Liabilities

Governmental Activities:	Balance 9/30/08	Additions	Decreases	Balance 9/30/09	Amount Due Within One Year
Bonds and Notes Payable					
2002-A G.O. Warrants	\$ 3,595,000	\$ -	\$ 400,000	\$ 3,195,000	\$ 420,000
2004-A G.O. Warrants	2,950,000	-	460,000	2,490,000	465,000
Cadence Bank	131,897	-	121,663	10,234	10,234
Cadence Bank	565,327	1,158,977	-	1,724,304	-
RBC Centura Bank	209,197	-	90,427	118,770	94,140
Total Bonds and Notes Payable	\$ 7,451,421	\$ 1,158,977	\$ 1,072,090	\$ 7,538,308	\$ 989,374
Other Liabilities					
Tuscaloosa County High School	\$ 2,562,500	\$ -	\$ 250,000	\$ 2,312,500	\$ 250,000
IDA Automotive Corridor	1,075,000	-	215,282	859,718	215,050
Estimated Liabilities for					
Compensated Absences	1,658,689	181,008	-	1,839,697	50,232
OPEB Liability	-	137,384	-	137,384	-
Less: Discounts on Bonds	(95,615)	-	9,294	(86,321)	(9,294)
Total Other Liabilities	\$ 5,200,574	\$ 318,392	\$ 474,576	\$ 5,062,978	\$ 505,988
Total Governmental Activities	\$ 12,651,995	\$ 1,477,369	\$ 1,546,666	\$ 12,601,286	\$ 1,495,362

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Business -Type Activities:	Balance 9/30/08	Additions	Decreases	Balance 9/30/09	Amount Due Within One Year
Bonds, Notes and Other Liabilities					
1998 S.R.F. G.O. Warrants	\$ 1,925,000	\$ -	\$ 140,000	\$ 1,785,000	\$ 145,000
1999 S.R.F. G.O. Warrants	2,425,000	-	180,000	2,245,000	190,000
2002 S.R.F. G.O. Warrants	3,575,000	-	195,000	3,380,000	200,000
2003 S.R.F. G.O. Warrants	3,655,000	-	545,000	3,110,000	570,000
2005 S.R.F. G.O. Warrants	2,675,000	-	110,000	2,565,000	115,000
2002-B G.O. Warrants	8,717,733	-	390,000	8,327,733	390,000
2004-B G.O. Warrants	2,400,000	-	150,000	2,250,000	150,000
Cadence Bank	4,028,588	23,330	-	4,051,918	-
Cadence Bank	52,111	-	48,068	4,043	4,043
Estimated Liabilities for					
Compensated Absences	174,116	11,556	-	185,672	-
Less: Discounts on Bonds	(117,958)	-	6,982	(110,976)	(6,981)
Less: Deferred Loss on Bond Refundings	(79,706)	-	15,732	(63,974)	(15,732)
OPEB Liability	-	20,456	-	20,456	-
Total Bonds, Notes and Other Liabilities	\$ 29,429,884	\$ 55,342	\$ 1,780,782	\$ 27,749,872	\$ 1,741,330

<u>GENERAL CITY DEBT:</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>2002 A General Obligation Warrants</u>			
Series dated May 1, 2002, payable semi-annually at a variable interest rate between 2.0% and 5.2% depending on the maturity date.	2010	\$ 420,000	
	2011	450,000	
	2012	465,000	
	2013	150,000	
	Thereafter	<u>1,710,000</u>	
			\$ 3,195,000
<u>2004 A General Obligation Warrants</u>			
Series dated December 22, 2004, payable semi-annually at a variable interest rate between 2.5% and 4.1% depending on the maturity date.	2010	\$ 465,000	
	2011	485,000	
	2012	130,000	
	2013	130,000	
	Thereafter	<u>1,280,000</u>	
			\$ 2,490,000
<u>Cadence Bank</u>			
Note collateralized by vehicles and equipment, payable monthly at an interest rate of 3.10%, maturing March 2010.	2010	<u>\$ 10,234</u>	
			\$ 10,234

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7: LONG-TERM OBLIGATIONS (continued)

<u>GENERAL CITY DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>Cadence Bank</u>			
Unsecured line of credit for wooden bridge replacement and for design for new Kentuck Pavilion payable interest only for 24 months at 4%. This was refinanced in October 2009 with the 2009 Bond Issue in which principle payments begin on 9/1/13 (See Subsequent Event Note 22)	2010	\$ -	
	2011	-	
	2012	-	
	2013	30,000	
	Thereafter	<u>1,694,304</u>	\$ 1,724,304
<u>RBC Centura Bank</u>			
Note collateralized by fire rescue vehicles, payable monthly at an interest rate of 3.96%, maturing December 2011.	2010	\$ 94,140	
	2011	24,630	
	2012	-	
	2013	-	
	Thereafter	<u>-</u>	\$ 118,770
<u>Tuscaloosa County High School</u>			
Long-term commitment of \$250,000 per year to Tuscaloosa County High School.	2010	\$ 250,000	
	2011	250,000	
	2012	250,000	
	2013	250,000	
	Thereafter	<u>1,312,500</u>	\$ 2,312,500
<u>IDA Automotive Corridor</u>			
Long-term commitment of \$215,050 per year.	2010	\$ 215,050	
	2011	215,050	
	2012	215,050	
	2013	214,568	
	Thereafter	<u>-</u>	\$ 859,718
<u>WATER AND SEWER DEBT:</u>			
<u>Alabama Water Pollution Control Authority</u>			
Series 1998 Warrants awarded to the City from the State Revolving Loan Fund for the Two-Mile Creek Sewer Replacement Project, payable semi-annually at an interest rate of 3.75%.	2010	\$ 135,000	
	2011	140,000	
	2012	145,000	
	2013	155,000	
	Thereafter	<u>1,050,000</u>	\$ 1,625,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7: LONG-TERM OBLIGATIONS (continued)

<u>WATER AND SEWER DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
Series 1998 Warrants awarded to the City from the State Revolving Loan Fund for the Two-Mile Creek Sewer Replacement Project, payable semi-annually at an interest rate of 3.75%.	2010	\$ 10,000	
	2011	10,000	
	2012	15,000	
	2013	15,000	
	Thereafter	<u>110,000</u>	\$ 160,000
Series 1999 Warrants awarded to the City from the State Revolving Loan Fund for the Water Treatment Plant Expansion Project, payable semi-annually at an interest rate of 3.95%.	2010	\$ 130,000	
	2011	135,000	
	2012	140,000	
	2013	145,000	
	Thereafter	<u>1,005,000</u>	\$ 1,555,000
Series 1999 Warrants awarded to the City from the State Revolving Loan Fund for the Water Treatment Plant Expansion Project, payable semi-annually at an interest rate of 3.95%.	2010	\$ 60,000	
	2011	60,000	
	2012	60,000	
	2013	65,000	
	Thereafter	<u>445,000</u>	\$ 690,000
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%.	2010	\$ 185,000	
	2011	195,000	
	2012	200,000	
	2013	205,000	
	Thereafter	<u>2,235,000</u>	\$ 3,020,000
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%.	2010	\$ 15,000	
	2011	15,000	
	2012	15,000	
	2013	20,000	
	Thereafter	<u>295,000</u>	\$ 360,000
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%.	2010	\$ 115,000	
	2011	120,000	
	2012	120,000	
	2013	125,000	
	Thereafter	<u>2,085,000</u>	\$ 2,565,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 7: LONG-TERM OBLIGATIONS (continued)

	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>WATER AND SEWER DEBT (continued):</u>			
Series 2003 Warrants received from the State Revolving Loan Fund for Northern Water Storage Tank, payable semi-annually at 2.98%.	2010 2011 2012 2013 Thereafter	\$ 570,000 595,000 620,000 650,000 <u>675,000</u>	\$ 3,110,000
<u>2002 B General Obligation Water & Sewer Warrants</u>	2010 2011 2012 2013 Thereafter	\$ 390,000 405,000 420,000 435,000 <u>6,677,733</u>	\$ 8,327,733
Series dated May 1, 2002, interest rate between 1.75% and 5.9% depending on the maturity date.			
<u>2004 B General Obligation Water & Sewer Warrants</u>	2010 2011 2012 2013 Thereafter	\$ 150,000 155,000 165,000 170,000 <u>1,610,000</u>	\$ 2,250,000
Series dated December 22, 2004, payable semi-annually at a variable interest rate between 2.15% and 4.1% depending on the maturity date.			
<u>Cadence Bank</u>	2010 2011 2012 2013 Thereafter	\$ - - - - <u>4,051,918</u>	\$ 4,051,918
Unsecured line of credit for water & sewer expansion payable interest only for 24 months at 4%. This was refinanced in October 2009 with the 2009 Bond Issue in which principle payments begin on 9/1/13 (See Subsequent Event Note 22)			
<u>Cadence Bank</u>	2010	\$ <u>4,043</u>	\$ 4,043
Note collateralized by vehicles and equipment, payable monthly at an interest rate of 3.10%, maturing March 2010.			

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 8: EQUITY CLASSIFICATIONS

Government-Wide Statements

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

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

Fund Statements

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

NOTE 9: PROPERTY TAX

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 10: COMPENSATED ABSENCES

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

At September 30, 2009, the amount of vacation and sick leave accrued in the financial statements is \$2,025,369. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$1,839,697 and \$185,672, respectively.

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

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

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

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

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

Deposits categorized by level of risk are:

	BANK <u>BALANCE</u>	CATEGORY			CARRYING <u>AMOUNT</u>	<u>TOTAL</u>
		<u>1</u>	<u>2</u>	<u>3</u>		
Categorized Deposits	<u>\$ 7,087,081</u>	<u>\$ 1,384,720</u>	<u>\$ 5,702,361</u>	<u>\$ -0-</u>	<u>\$ 7,087,081</u>	<u>\$ 7,087,081</u>

The City had the following cash at September 30, 2009:

CASH

Governmental - Unrestricted:

Regions Bank – Payroll Clearing Fund	\$ 1,733
Regions Bank – General Fund	374,124
Regions Bank – Properties Account	88,046
Regions Bank – Accounts Payable Clearing	49,248
Petty Cash	<u>1,100</u>

Total Unrestricted Cash **\$ 514,251**

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Governmental - Restricted:

Regions Bank – Corrections Fund	\$ 566,316
Regions Bank – Crime Prevention	142
Regions Bank – Municipal Court	80,260
Regions Bank – EMS Grant Fund	5,424
Regions Bank – Federal Seizure Fund	82
Regions Bank – 2005 Justice Assistance Grant	841
Regions Bank – Police Training Fund	2,379
Regions Bank – Restitution Recovery Fund	21,154
Compass Bank – Recreational Tax Fund	63,795
Regions Bank - Special Operations Awarded	5,550
Regions Bank - Police Special Operations	1,885
Regions Bank – Williamson Cemetery	3,131
Regions Bank – Downtown Redevelopment	3,956
Regions Bank – Accounts Payable Clearing	25
Regions Bank – Shirley Place Fund	3,198
First Commercial Bank – 2002 A Improvement	259,368
Regions Bank – Certificate of Deposits	210,490
Bank of Tuscaloosa – Education & Public Safety	1,045,966
Regions Bank – Accounts Payable Clearing	1,000
Cadence Bank – Capital Improvement Fund	290,504
Compass Bank – Seven Cent Gas Excise Tax	83,491
Cadence Bank – Northport Tree Commission	15,770
Cadence Bank – CDBG Rental	659
Regions Bank – 2007 Justice Assistance	13,900
Compass Bank – Four Cent Gas Excise Tax	116,911
Bank of Tuscaloosa – Employee’s Beer Tax	38,238
Wachovia Bank – Employee Benefit Fund	612
Regions Bank – Employees Insurance Fund	<u>316,840</u>

Total Restricted Cash **\$ 3,151,887**

Enterprise – Unrestricted:

Regions Bank - Accounts Payable Clearing	\$ 9,965
Cadence Bank - Gross Revenue	218,816
Wachovia Bank - Capital Improvement	2,535
RBC Bank - Public Improvement	8,297
Petty Cash	<u>500</u>

Total Unrestricted Cash **\$ 240,113**

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Enterprise – Restricted:

Cadence Bank - Meter Deposit	\$ 184,160
Cadence Bank - Development Fees	111,137
Wachovia Bank - SRF Debt Service Escrow	123,276
Compass Bank - Certificate of Deposit	160,000
Cadence Bank - Certificate of Deposit	300,000
Cadence Bank - Certificate of Deposit	1,300,000
First Commercial Bank - 2002 B Capital Imp	<u>20,759</u>

Total Restricted Cash **\$ 2,199,332**

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

<u>INVESTMENTS</u>	<u>Carrying</u>	<u>Market</u>	<u>S & P Bank</u>
	<u>Amount</u>	<u>Value</u>	<u>Rating</u>
<u>Governmental – Restricted:</u>			
First Commercial Bank – Money Market	\$ 239,249	\$ 239,249	BB+
Regions Bank – Treasury Money Market	<u>225,971</u>	<u>225,971</u>	BBB
<u>Total Governmental Investments</u>	<u>\$ 465,220</u>	<u>\$ 465,220</u>	
<u>Enterprise - Restricted:</u>			
First Commercial Bank – Money Market	\$ 370,652	\$ 370,652	BB+
Regions Bank – Treasury Money Market	<u>147,226</u>	<u>147,226</u>	BBB
<u>Total Enterprise Investments</u>	<u>\$ 517,878</u>	<u>\$ 517,878</u>	

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

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

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

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

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

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

U.S. Treasury Notes	<u>100.0</u> %
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Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the City's investments over \$250,000 are collateralized under the SAFE program through the State of Alabama.

NOTE 12: RESTRICTED ASSETS

At September 30, 2009, the City had restricted certain deposits and investments for capital projects, debt service and refundable customer deposits. These amounts have been disclosed in statement of net assets under restricted assets.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS

At September 30, 2009, several interfund receivables and payables were outstanding. The following schedule is a detailed listing of the interfund receivables and payables as shown in the Statement of Net Assets.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,568,153	\$ 502,410
Special Revenue Funds	501,402	138,587
Proprietary	<u>1,974,452</u>	<u>5,403,010</u>
Total	<u>\$ 6,044,007</u>	<u>\$ 6,044,007</u>

NOTE 14: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers between funds for September 30, 2009 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ -0-	\$ 1,407,800
Special Revenue Funds	-0-	471,610
Debt Service Funds	1,879,410	-0-
Proprietary	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 1,879,410</u>	<u>\$ 1,879,410</u>

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

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

Black Warrior Solid Waste Disposal Authority

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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, 2009 and 2008 is listed below:

	<u>2009</u>	<u>2008</u>
Total Assets	\$ 27,690,380	\$ 25,463,866
Total Liabilities	<u>18,301,195</u>	<u>15,986,795</u>
Fund Balance	<u>\$ 9,389,185</u>	<u>\$ 9,477,071</u>
Total Revenues	\$ 5,385,846	\$ 5,473,701
Total Expenses	<u>5,473,732</u>	<u>5,239,430</u>
Net Increase (Decrease) in Fund Balance	<u>\$ (87,886)</u>	<u>\$ 234,271</u>

Industrial Park Land

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

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

Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project will be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At September 30, 2009 the remaining liability for the City of Northport is \$859,718.

NOTE 16: DEFINED BENEFIT PENSION PLAN

Plan Description

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

NOTE 17: POSTEMPLOYMENT BENEFITS

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 17: POSTEMPLOYMENT BENEFITS (continued)

Fund Policy - Until 2008, 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 2008/2009, the City of Northport's portion of health care funding cost for retired employees totaled \$142,481.

Effective with the Fiscal Year beginning October 1, 2008, 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).

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 total ARC for the fiscal year beginning October 1, 2008 is \$300,321, as set forth below:

	<u>Medical</u>
Normal Cost	\$ 130,941
30-year UAL amortization amount	<u>169,380</u>
Annual required contribution (ARC)	<u>\$ 300,321</u>

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 year ending September 30, 2009:

	<u>Medical</u>
Beginning Net OPEB Obligation (Asset) 10/1/2008	\$ -0-
Annual required contribution	300,321
Interest on Net OPEB Obligation (Asset)	-0-
ARC Adjustment	<u>-0-</u>
OPEB Cost	300,321
Contribution	-0-
Current year retiree premium	<u>(142,481)</u>
Change in Net OPEB Obligation	<u>157,840</u>
Ending Net OPEB Obligation (Asset) 9/30/2009	<u>\$ 157,840</u>
Net OPEB Liability:	
Governmental Funds	\$ 137,384
Proprietary Funds	<u>20,456</u>
Total	<u>\$ 157,840</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 17: POSTEMPLOYMENT BENEFITS (continued)

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):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	September 30, 2009	\$ 300,321	47.4%	\$ 157,840

Funded Status and Funding Progress - In the fiscal year ending September 30, 2009, 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 October 1, 2008, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$2,929,093, 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. Since the plan was not funded in fiscal year 2008, the entire actuarial accrued liability of \$2,929,093 was unfunded.

	<u>Medical</u>
Actuarial Accrued Liability (AAL)	\$ 2,929,093
Actuarial Value of Plan Assets	-0-
Unfunded Act. Accrued Liability (UAAL)	<u>2,929,093</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	\$ 11,145,369
UAAL as a percentage of covered payroll	26%

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 17: POSTEMPLOYMENT BENEFITS *(continued)*

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.

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 17: POSTEMPLOYMENT BENEFITS *(continued)*

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. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

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 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 the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans. Since GASB 45 requires the use of "unblended" rates, we have used the 94GAR mortality table described above to "unblend" the rates so as to reproduce the composite blended rate overall as the rate structure to calculate the actuarial valuation results for life insurance.

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 18: DEFERRED COMPENSATION PLAN

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

NOTE 19: COMMITMENTS AND CONTINGENCIES

Contingent Liabilities

Industrial Park Land

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

Tuscaloosa County High School Pledge

The City is contingently liable for \$5,000,000 of the bond issue offered by the Tuscaloosa County School Board to construct a new high school. The City has committed an annual pledge of \$250,000 for a 20-year period. Any infrastructure cost incurred by the City may be used to offset the annual pledge. At September 30, 2009, the outstanding commitment was \$2,312,500.

Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project will be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At September 30, 2009, the outstanding commitment was \$859,718.

Capital Improvements

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

NOTE 20: DEBT DEFEASANCE

In prior years, the City defeased the 1992 A&B Warrant issues by creating a separate irrevocable trust fund and defeased the 1996 A&B warrant issue by issuing new debt and the proceeds were used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 20: DEBT DEFEASANCE *(continued)*

from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the City's Proprietary Fund and the governmental funds.

NOTE 21: SELF-INSURANCE

During the year ended September 30, 2009, 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 (\$82,736) 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.

NOTE 22: SUBSEQUENT EVENT

On October 19, 2009, the City issued 2009 General Obligation Warrants which were used to retire the twenty four month line of credit with Cadence Bank that was due on October 19, 2009 and to fund the City's construction fund. As a result of this bond issue, the line of credit due to Cadence Bank at September 30, 2009 was reclassified to long term debt. The amortization presented in Note 7 is based on the amortization table by fund listed below. The proceeds funding the construction fund will be used to pay for specific projects identified in the bond issue. Two tables are presented below that illustrate the disbursement of funds on October 19, 2009 and the amortization of the bond principal by fund.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 22: SUBSEQUENT EVENT (continued)

2009 Amount Due at Closing

Par Amount of Bonds	\$ 14,445,000
Net Reoffering Premium	187,009
Underwriting Discount	(144,450)
Accrued Interest	28,619
Purchase Price of Bonds (including accrued interest)	<u>\$ 14,516,178</u>

2009 Transfer of Funds

Financial Guaranty Insurance Premium	\$ (160,746)
Pay-off of Principal & Interest on Cadence Line of Credit	(5,787,411)
Construction Fund Proceeds	(8,497,380)
Accrued Interest	(28,619)
Closing Cost	(42,022)
Total Proceeds	<u>\$(14,516,178)</u>

Debt Service on 2009 Bond Issue

	<u>2009 Bond Issue</u>		
	<u>Paying Agent</u>	<u>Water Sewer</u>	<u>Total</u>
September 1, 2010	\$ -	\$ -	\$ -
September 1, 2011	-	-	-
September 1, 2012	-	-	-
September 1, 2013	30,000	-	30,000
September 1, 2014	30,000	-	30,000
September 1, 2015	20,000	145,000	165,000
September 1, 2016	25,000	150,000	175,000
September 1, 2017	30,000	150,000	180,000
September 1, 2018	25,000	160,000	185,000
September 1, 2019	280,000	-	280,000
September 1, 2020	285,000	145,000	430,000
September 1, 2021	460,000	120,000	580,000
September 1, 2022	510,000	-	510,000
September 1, 2023	765,000	165,000	930,000
September 1, 2024	800,000	175,000	975,000
September 1, 2025	830,000	185,000	1,015,000
September 1, 2026	865,000	215,000	1,080,000
September 1, 2027	895,000	425,000	1,320,000
September 1, 2028	935,000	2,280,000	3,215,000
September 1, 2029	970,000	2,375,000	3,345,000
	<u>\$ 7,755,000</u>	<u>\$ 6,690,000</u>	<u>\$ 14,445,000</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

NOTE 23: PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2009, a prior period adjustment in the amount of \$95,906 was made to the General Fund. This adjustment increased accounts payable, decreased fund balance and had no effect on current year net income. Also, an adjustment in the amount of \$71,792 was made to the Water and Sewer Fund. This adjustment increased accounts payable, decreased net assets and had no effect on current year net income.

During the year ended September 30, 2009, a prior period adjustment in the amount of \$2,019 was made to the Special Assessment Fund. This adjustment decreased warrants payable, increased net assets and had no effect on current year net income.

NOTE 24: CHANGE IN FISCAL YEAR END

During the current fiscal year, the City changed its fiscal year end for financial statement reporting purposes to December 31. The subsequent three month period ending December 31, 2009 will be included as supplementary information in the December 31, 2010 audited financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30 , 2009

	<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	\$ 7,700,000	\$ -	\$ 7,700,000	\$ 7,295,605	\$ (404,395)
Property Taxes	2,500,000	-	2,500,000	2,527,028	27,028
Other Taxes	271,500	(5,000)	266,500	259,993	(6,507)
<u>Total Taxes</u>	\$ 10,471,500	\$ (5,000)	\$ 10,466,500	\$ 10,082,626	\$ (383,874)
Licenses and Permits					
Business License	\$ 4,345,000	\$ -	\$ 4,345,000	\$ 4,235,457	\$ (109,543)
Other Licenses and Permits	155,000	-	155,000	122,420	(32,580)
<u>Total Licenses and Permits</u>	\$ 4,500,000	\$ -	\$ 4,500,000	\$ 4,357,877	\$ (142,123)
Charges for Services					
Fines and Penalties	\$ 1,065,500	\$ -	\$ 1,065,500	\$ 1,066,089	\$ 589
Intergovernmental Revenues	510,000	-	510,000	477,096	(32,904)
Other Revenue	3,655,300	-	3,655,300	3,569,124	(86,176)
	342,200	(31,100)	311,100	255,947	(55,153)
<u>Total Revenues</u>	\$ 20,544,500	\$ (36,100)	\$ 20,508,400	\$ 19,808,759	\$ (699,641)
<u>Expenditures</u>					
Operating					
Finance and Administration	\$ 1,641,000	\$ 10,850	\$ 1,651,850	\$ 1,705,896	\$ (54,046)
General Government	756,800	-	756,800	782,400	(25,600)
Inspection Services	185,150	(4,000)	181,150	177,521	3,629
Planning and Development	469,500	(139,550)	329,950	292,650	37,300
Public Safety	9,468,100	50,350	9,518,450	9,337,086	181,364
Public Works	4,825,950	(56,250)	4,769,700	4,602,815	166,885
Local Agency Funding	527,525	(10,000)	517,525	433,416	84,109
<u>Total Operating Expenditures</u>	\$ 17,874,025	\$ (148,600)	\$ 17,725,425	\$ 17,331,784	\$ 393,641

(continued)

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

CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30 , 2009

	ORIGINAL BUDGET	CHANGE IN BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Capital					
Finance and Administration	\$ 7,000	\$ -	\$ 7,000	\$ 21,561	\$ (14,561)
General Government	62,500	-	62,500	64,037	(1,537)
Planning and Development	50,700	(47,700)	3,000	-	3,000
Public Safety	519,800	583,300	1,103,100	1,031,460	71,640
Public Works	1,564,550	100,000	1,664,550	285,810	1,378,740
<u> Total Capital Expenditures</u>	<u>\$ 2,204,550</u>	<u>\$ 635,600</u>	<u>\$ 2,840,150</u>	<u>\$ 1,402,868</u>	<u>\$ 1,437,282</u>
Debt Service	\$ 1,855,400	\$ -	\$ 1,855,400	\$ 1,879,410	\$ (24,010)
<u> Total Debt Service</u>	<u>\$ 1,855,400</u>	<u>\$ -</u>	<u>\$ 1,855,400</u>	<u>\$ 1,879,410</u>	<u>\$ (24,010)</u>
<u> Total Expenditures</u>	<u>\$ 21,933,975</u>	<u>\$ 487,000</u>	<u>\$ 22,420,975</u>	<u>\$ 20,614,062</u>	<u>\$ 1,806,913</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ (1,389,475)</u>	<u>\$ (523,100)</u>	<u>\$ (1,912,575)</u>	<u>\$ (805,303)</u>	<u>\$ 1,107,272</u>
Fund Balance Allocation	1,389,475	523,100	1,912,575	-	(1,912,575)
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (805,303)</u>	<u>\$ (805,303)</u>
<u>Fund Balance - September 30, 2008, Budgetary Basis</u>				<u>\$ 7,551,216</u>	
<u>Fund Balance - September 30, 2009, Budgetary Basis</u>				<u>\$ 6,745,913</u>	
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>					
Capital Outlays Financed Not Included in Budget				(1,160,533)	
Shirley Place Expenses Not Included in Budget				(49,223)	
Earnings of Debt Service Escrow Accounts Not Included in Budget				(10,775)	
Compensation Funded through County Beer Tax not Included in Budget				143,318	
Proceeds from Sale of City Property Not Included in Budget				915	
Operating and Capital Outlays Paid with Grant Funds Not Included in Budget				(345,811)	
Loan Proceeds Collected on for Capital Outlays Not Included in Budget				1,158,978	
Current Portion of Compensated Absences Not Included in Budgeted Expenses				(50,232)	
Prior Period Adjustment				(95,906)	
Grant Proceeds Not Included in Budget				345,003	
<u>Fund Balance - September 30, 2009 (GAAP Basis)</u>				<u>\$ 6,681,647</u>	

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER FUND
STATEMENT OF OPERATIONS - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30 , 2009

	<u>ORIGINAL BUDGET</u>	<u>CHANGE IN BUDGET</u>	<u>FINAL BUDGET</u>	<u>BUDGETARY BASIS ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Operating Revenues</u>					
Water Sales	\$ 3,964,950	\$ (5,000)	\$ 3,959,950	\$ 3,674,494	\$ (285,456)
Sewer Fees	2,836,650	-	2,836,650	2,838,448	1,798
Tappage and Meter Fees	65,000	(5,000)	60,000	48,333	(11,667)
Service Fees and Late Charges	257,000	-	257,000	424,105	167,105
<u>Total Operating Revenues</u>	<u>\$ 7,123,600</u>	<u>\$ (10,000)</u>	<u>\$ 7,113,600</u>	<u>\$ 6,985,380</u>	<u>\$ (128,220)</u>
<u>Operating Expenses</u>					
Water Treatment	\$ 2,997,043	\$ (45,643)	\$ 2,951,400	\$ 3,042,516	\$ (91,116)
Waste Water Treatment	2,019,507	5,993	2,025,500	1,814,451	211,049
Total Operating Expenses	<u>\$ 5,016,550</u>	<u>\$ (39,650)</u>	<u>\$ 4,976,900</u>	<u>\$ 4,856,967</u>	<u>\$ 119,933</u>
<u>Operating Income (Loss) Before</u>	<u>\$ 2,107,050</u>	<u>\$ 29,650</u>	<u>\$ 2,136,700</u>	<u>\$ 2,128,413</u>	<u>\$ (8,287)</u>
<u>Non-Operating Revenues (Expenses)</u>					
Interest Earned on Investments	\$ 50,000	\$ (24,000)	\$ 26,000	\$ 61,622	\$ 35,622
Debt Service:					
Principal & Interest Payments - Warrants & Notes	(2,607,300)	-	(2,607,300)	(2,596,529)	10,771
<u>Total Non-Operating Revenues (Expenses)</u>	<u>\$ (2,557,300)</u>	<u>\$ (24,000)</u>	<u>\$ (2,581,300)</u>	<u>\$ (2,534,907)</u>	<u>\$ 46,393</u>
<u>Operating Income (Loss) Before Capital Expenses</u>	<u>\$ (450,250)</u>	<u>\$ 5,650</u>	<u>\$ (444,600)</u>	<u>\$ (406,494)</u>	<u>\$ 38,106</u>
<u>Capital Expenses</u>					
Water Treatment	\$ 105,700	-	\$ 105,700	\$ 8,625	\$ 97,075
Waste Water Treatment	126,800	68,100	194,900	4,712	190,188
<u>Total Capital Expenses</u>	<u>\$ 232,500</u>	<u>\$ 68,100</u>	<u>\$ 300,600</u>	<u>\$ 13,337</u>	<u>\$ 287,263</u>
<u>Net Income (Loss)</u>	<u>\$ (682,750)</u>	<u>\$ (62,450)</u>	<u>\$ (745,200)</u>	<u>\$ (419,831)</u>	<u>\$ 325,369</u>
Net Asset Allocation	682,750	62,450	745,200	-	(745,200)
<u>Net Income (Loss)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (419,831)</u>	<u>\$ (419,831)</u>
<u>Net Assets - September 30, 2008</u>				<u>23,371,013</u>	
<u>Net Assets - September 30, 2009 (Budgetary Basis)</u>				<u>\$ 22,951,182</u>	

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER FUND
STATEMENT OF OPERATIONS - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30 , 2009

	BUDGETARY BASIS ACTUAL
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>	
Development Fees Not Included in Budget	\$ 298,686
Donated Fixed Assets	791,400
Reclassification of Capital Outlay to Balance Sheet	13,337
Depreciation	(1,325,132)
Amortization	(29,438)
Compensated Absences	(32,012)
Principal Payments	1,734,468
Change in Accrued Interest Expense	13,047
Bad Debt	(106,149)
Prior Period Adjustment	(71,792)
<u>Net Assets, September 30, 2009 (GAAP)</u>	<u>\$ 24,237,597</u>

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

CITY OF NORTHPORT, ALABAMA
PENSION INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Fund Policy

The City of Northport follows GASB No. 27, *Accounting for Pensions by State and Local Government Employers*. Retirement contributions were based on a factor of 1.918 for 5% employee contributions or 1.598 for 6% employee contributors times the annual payroll as determined by Retirement Systems of Alabama (RSA). This rate was based on the September 30, 2008 actuarial valuation reported provided by RSA.

For September 30, 2009, the required pension contributions were determined as part of the September 30, 2008 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, 2008 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, 2008 was 20 years.

Trend Information and Required Supplemental Information

As of the September 30, 2008 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, 2008 was \$-0-. The following table shows the NPO for the year ended September 30, 2008.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/08	\$ 1,007,736	100%	\$ -
9/30/07	843,629	100%	-
9/30/06	720,193	100%	-
9/30/05	642,946	100%	-
9/30/04	554,209	100%	-

As of the September 30, 2008 valuation report provided by RSA, the following table illustrates the funding progress of the City’s employee plan.

Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/03	\$ 17,725,075	\$ 20,666,060	\$ 2,940,985	85.8%	\$ 8,296,282	35.4%
9/30/04	18,978,543	22,025,828	3,047,285	86.2%	9,101,262	33.5%
9/30/05	20,156,117	24,468,316	4,312,199	82.4%	9,287,631	46.4%
9/30/06	21,700,547	28,582,390	6,881,843	75.9%	10,343,798	66.5%
9/30/07	23,779,555	31,339,526	7,559,971	75.9%	11,062,750	68.3%
9/30/08	24,928,509	34,155,091	9,226,582	73.0%	11,969,438	77.1%

(continued)

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

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

- Summary of General Fund Revenues, Expenditures and Changes in Fund Balance for the years ended September 30, 2009, 2008, and 2007
- Schedule of General Fund Revenues for the years ended September 30, 2009, 2008, and 2007
- Water and Sewer Statistical Information for the years ended September 30, 1995 – 2009.
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended September 30, 2009
- Schedule of Water and Sewer Fund Debt Service for the year ended September 30, 2009
- Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the year ended September 30, 2009
- Schedule of Legal Debt Margin

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Revenues</u>			
Taxes:			
City Sales and Use Taxes	\$ 7,272,351	\$ 7,251,370	\$ 7,553,165
Property Taxes	1,428,321	1,329,101	1,231,459
Other	354,100	437,375	473,391
<u>Total Taxes</u>	<u>\$ 9,054,772</u>	<u>\$ 9,017,846</u>	<u>\$ 9,258,015</u>
Licenses and Permits:			
Business Licenses & Permits	\$ 4,207,595	\$ 4,293,579	\$ 4,331,287
Other Licenses and Permits	134,473	190,074	265,624
<u>Total Licenses and Permits</u>	<u>\$ 4,342,068</u>	<u>\$ 4,483,653</u>	<u>\$ 4,596,911</u>
Intergovernmental	\$ 3,212,893	\$ 3,266,559	\$ 3,217,553
Charges for Services	1,066,089	1,048,792	1,044,385
Other Revenues	523,565	380,620	446,578
Fines and Penalties	475,295	505,370	401,732
<u>Total Revenues</u>	<u>\$ 18,674,682</u>	<u>\$ 18,702,840</u>	<u>\$ 18,965,174</u>
<u>Expenditures</u>			
Public Safety	\$ 9,093,501	\$ 8,869,612	\$ 8,509,491
Public Works	4,793,812	5,063,443	4,293,706
Capital Outlay	2,430,916	1,900,305	1,463,668
Finance and Administration	1,722,765	1,698,524	1,650,930
General Government	786,978	781,227	718,748
Local Agency Support	433,416	444,100	392,300
Planning and Development	279,313	312,969	301,084
Inspection Services	175,143	189,353	134,099
Debt Service	-	-	994
<u>Total Expenditures</u>	<u>\$ 19,715,844</u>	<u>\$ 19,259,533</u>	<u>\$ 17,465,020</u>
<u>Excess (Deficiency) of Revenues</u>			
<u>Over Expenditures</u>	<u>\$ (1,041,162)</u>	<u>\$ (556,693)</u>	<u>\$ 1,500,154</u>
<u>Other Financing Sources and (Uses)</u>			
Transfer (Out) to Debt Service Fund	\$ (1,407,800)	\$ (1,512,841)	\$ (1,727,067)
Other Sources	1,159,893	566,676	48,524
<u>Total Other Financing Sources and (Uses)</u>	<u>\$ (247,907)</u>	<u>\$ (946,165)</u>	<u>\$ (1,678,543)</u>
<u>Excess (Deficiency) of Revenue and</u>			
<u>Other Sources over Expenditures and</u>			
<u>Other Uses</u>	<u>\$ (1,289,069)</u>	<u>\$ (1,502,858)</u>	<u>\$ (178,389)</u>
<u>FUND BALANCE - OCTOBER 1</u>	<u>5,742,666</u>	<u>7,245,524</u>	<u>7,423,913</u>
PRIOR PERIOD ADJUSTMENT (NOTE 23)	(95,906)	-	-
<u>FUND BALANCE - SEPTEMBER 30</u>	<u>\$ 4,357,691</u>	<u>\$ 5,742,666</u>	<u>\$ 7,245,524</u>

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEARS ENDED SEPTEMBER 30, 2009, 2008, AND 2007

	2009		2008		2007	
	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL
<u>Revenues</u>						
Taxes:						
City Sales and Use Taxes	38.9%	\$ 7,272,351	38.8%	\$ 7,251,370	39.8%	\$ 7,553,165
Property Taxes	7.6%	1,428,321	7.1%	1,329,101	6.5%	1,231,459
Other	1.9%	354,100	2.3%	437,375	2.5%	473,391
<u>Total Taxes</u>	<u>48.5%</u>	<u>\$ 9,054,772</u>	<u>48.2%</u>	<u>\$ 9,017,846</u>	<u>48.8%</u>	<u>\$ 9,258,015</u>
Licenses and Permits:						
Business Licenses & Permits	22.5%	\$ 4,207,595	23.0%	\$ 4,293,579	22.8%	\$ 4,331,287
Other Licenses and Permits	0.7%	134,473	1.0%	190,074	1.4%	265,624
<u>Total Licenses and Permits</u>	<u>23.3%</u>	<u>\$ 4,342,068</u>	<u>24.0%</u>	<u>\$ 4,483,653</u>	<u>24.2%</u>	<u>\$ 4,596,911</u>
Fines and Penalties	2.5%	\$ 475,295	2.7%	\$ 505,370	2.1%	\$ 401,732
Charges for Services	5.7%	1,066,089	5.6%	1,048,792	5.5%	1,044,385
Intergovernmental	17.2%	3,212,893	17.5%	3,266,559	17.0%	3,217,553
Other Revenues	2.8%	523,565	2.0%	380,620	2.4%	446,578
<u>Total Other Revenue</u>	<u>28.3%</u>	<u>5,277,842</u>	<u>27.8%</u>	<u>5,201,341</u>	<u>27.0%</u>	<u>5,110,248</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 18,674,682</u>	<u>100.0%</u>	<u>\$ 18,702,840</u>	<u>100.0%</u>	<u>\$ 18,965,174</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 2009

<u>Fiscal Year</u>	<u>Water System Statistics</u>		<u>Gross Revenue</u>
	<u>Number of Customers *</u>	<u>Total Volume (Gallons)</u>	
1995	7,758	804,073,870	\$ 1,914,400
1996	8,103	857,013,170	2,047,088
1997	8,472	896,647,000	2,114,295
1998	8,428	761,089,310	2,040,042
1999	8,650	841,750,623	2,138,339
2000	8,873	876,367,187	2,375,356
2001	9,140	838,950,378	2,382,134
2002	9,298	863,813,177	2,525,335
2003	9,487	815,308,663	2,499,027
2004	9,897	826,518,006	2,608,510
2005	10,314	817,393,029	2,634,989
2006	10,850	935,617,119	3,150,875
2007	11,412	1,016,899,157	3,503,425
2008	11,671	968,527,572	3,390,997
2009	11,746	897,990,571	3,597,280

Ten Largest Water System Customers

	<u>2009 Gallons</u>	<u>2009 Fees</u>
Sand Springs Water Authority	108,081,250	\$ 290,214
Tuscaloosa County Board of Education	18,374,260	68,864
DCH Health Care Authority	17,060,630	62,302
Northport Health Services Park Manor	13,447,060	47,188
Northport Housing Authority West Circle	9,878,870	35,110
Northport Health Services Glen Haven	8,144,800	28,631
Forest Manor	7,479,760	26,674
Northport Housing Authority Valley Hills	7,386,370	25,876
Presbyterian Apartments	6,788,500	24,109
Northport Housing Authority Knoll Circle	5,906,660	20,999

Water Rates - Effective December 5, 2008

0 to 400,000 Gallons	\$3.57 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"	\$ 1.67
3/4"	2.51
1"	4.18
1 1/2"	8.36
2"	13.37
3"	25.07
4"	41.78
6"	83.56
8"	133.69

* - Customers as of fiscal year end 9/30

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 2009

<u>Fiscal Year</u>	<u>Sewer System Statistics</u> <u>Number of</u> <u>Customers *</u>	<u>Gross</u> <u>Revenue</u>
1995	6,695	\$ 1,151,509
1996	7,021	1,148,560
1997	7,261	1,467,849
1998	7,249	1,780,131
1999	7,464	1,805,733
2000	7,607	1,930,496
2001	7,741	1,863,868
2002	7,846	1,903,043
2003	7,968	1,934,159
2004	8,333	2,019,366
2005	8,657	2,051,856
2006	9,112	2,285,399
2007	9,631	2,474,002
2008	9,924	2,462,513
2009	10,050	2,655,155

Rate Schedule: Effective December 5, 2008, the rate for all waste water customers is \$3.56 per 1,000 gallons of metered water. No residential sewer customer shall be charged more than \$35.00 per month for sewer service. This rate cap shall not apply to nonresidential customers and shall not affect any other administrative or sewer charges. In addition, each customer is charged the following monthly minimum rates:

<u>Meter Diameter</u>	<u>Minimum Monthly Charge</u>
5/8"	\$ 1.67
3/4"	2.51
1"	4.18
1 1/2"	8.36
2"	13.37
3"	25.07
4"	41.78
6"	83.56
8"	133.69

* - Customers as of fiscal year end 9/30

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 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 SEPTEMBER 30, 2009

OPERATING REVENUES

Charges for Services and Fees	\$ 7,284,066
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<u>TOTAL OPERATING REVENUES</u>	<u>\$ 7,284,066</u>
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OPERATING EXPENSES

Salaries and Benefits	\$ 2,364,074
Water and Sewer Purchases	273,599
Materials and Supplies	439,409
Insurance	256,103
Maintenance and Repairs	345,910
Utilities and Telephone	742,638
Professional Fees	80,696
Other Post Employment Expense	20,456
Other Expense	458,821

<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 4,981,706</u>
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Interest Income	\$ 61,641
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<u>NET INCOME AVAILABLE FOR DEBT SERVICE</u>	<u>\$ 2,364,001</u>
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<u>Actual Maximum Annual Debt Service</u>	<u>\$ 2,399,312</u>
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<u>Actual Maximum Debt Service Coverage</u>	<u>0.99</u>
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<u>Actual Maximum Debt Service Specifically Pledged</u>	<u>\$ 1,844,565</u>
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<u>Actual Maximum Debt Service Coverage Specifically Pledged</u>	<u>1.28</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 SEPTEMBER 30, 2009

Fiscal Year	1998 SRF	1998 SRF Extension	1999 SRF	1999 SRF Extension	2002 SRF	2002 SRF (Refinancing of 1993 SRF)	2002 B Warrants	2004 B Warrants	2005 SRF Warrants	2005 SRF Extension	Total
2009	\$ 195,813	\$ 16,353	\$ 188,000	\$ 84,428	\$ 292,000	\$ 653,919	\$ 490,528	\$ 238,600	\$ 196,938	\$ 26,700	\$ 2,356,579
2010	195,938	15,968	188,313	87,255	290,700	662,678	489,823	234,100	198,363	26,212	2,363,138
2011	195,875	15,583	188,438	84,885	294,225	670,692	488,060	234,600	199,625	25,725	2,371,983
2012	195,625	20,101	188,375	82,515	292,400	677,961	485,154	239,407	195,725	30,238	2,377,263
2013	200,188	19,524	188,125	85,145	290,400	689,485	490,905	238,715	196,825	29,588	2,399,312 *
2014	199,375	18,946	187,688	82,578	293,225	695,115	485,450	237,680	197,763	28,938	2,397,820
2015	198,375	18,369	192,063	85,010	295,700	-	805,000	236,292	198,538	28,288	2,029,347
2016	197,188	17,791	191,063	87,245	292,825	-	805,000	239,542	199,150	27,638	2,029,804
2017	200,813	17,214	189,875	84,283	294,775	-	805,000	242,322	199,600	26,988	2,033,882
2018	199,063	16,636	188,500	86,320	291,375	-	810,000	239,622	199,888	26,338	2,031,404
2019	197,125	16,059	191,938	83,160	292,800	-	815,000	236,525	200,013	30,688	2,032,620
2020	-	20,385	-	-	293,875	-	1,280,000	238,230	199,975	29,875	2,032,465
2021	-	-	-	-	294,600	-	1,295,000	239,430	199,775	29,062	2,028,805
2022	-	-	-	-	294,975	-	1,545,000	-	199,413	28,250	2,039,388
2023	-	-	-	-	-	-	1,842,743	-	198,888	27,438	2,041,631
2024	-	-	-	-	-	-	1,844,565	-	198,200	26,625	2,042,765
2025	-	-	-	-	-	-	1,840,000	-	197,350	25,808	2,037,350
2026	-	-	-	-	-	-	1,843,608	-	201,338	-	2,044,946
2027	-	-	-	-	-	-	1,842,774	-	-	-	1,842,774
2028	-	-	-	-	-	-	1,840,000	-	-	-	1,840,000
Total	\$2,175,378	\$ 212,929	\$ 2,082,378	\$ 932,824	\$ 4,103,875	\$ 4,049,850	\$ 22,143,610	\$ 3,095,065	\$ 3,577,367	\$ 474,399	\$ 42,373,276

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND SPECIFICALLY PLEDGED DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Fiscal Year	1999 SRF	2002 B Warrants	Total
2009	\$ 188,000	\$ 490,528	\$ 678,528
2010	188,313	489,823	678,136
2011	188,438	488,060	676,498
2012	188,375	485,154	673,529
2013	188,125	490,905	679,030
2014	187,688	485,450	673,138
2015	192,063	805,000	997,063
2016	191,063	805,000	996,063
2017	189,875	805,000	994,875
2018	188,500	810,000	998,500
2019	191,938	815,000	1,006,938
2020	-	1,280,000	1,280,000
2021	-	1,295,000	1,295,000
2022	-	1,545,000	1,545,000
2023	-	1,842,743	1,842,743
2024	-	1,844,565	1,844,565 *
2025	-	1,840,000	1,840,000
2026	-	1,843,608	1,843,608
2027	-	1,842,774	1,842,774
2028	-	1,840,000	1,840,000
Total	\$ 2,082,378	\$ 22,143,610	\$ 24,225,988

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED SEPTEMBER 30, 2009

<u>Assessed Value</u>		\$ 230,001,240
		<hr style="border-top: 3px double black;"/>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 46,000,248
Notes Payable	\$ 5,909,269	
Long-Term Commitment to TCHS	2,312,500	
Long-Term Commitment - Automotive Corridor	859,718	
SRF Loans	13,085,000	
Warrants Payable	<u>16,262,733</u>	
 <u>Total Debt</u>	 \$ 38,429,220	
 <u>Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama</u>		
School Construction	2,312,500	
 <u>Items Excluded from Limit by Section 11-81-166 of the 1975 State of Alabama Code</u>		
Revenue Bonds:		
Water and Sewer Warrants	\$ 10,577,733	
SRF Loans Secured by Revenues	<u>13,085,000</u>	
Net Debt Coming Within Legal Debt Limit		<u>12,453,987</u>
 <u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		 <u>\$ 33,546,261</u>

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

SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT
GENERAL FUND
SEPTEMBER 30, 2009

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

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2009

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	514,251
Accounts Receivable		
Police Dockets Receivable - Net		64,580
Other Receivables		17,443
Due from Other Funds		3,568,153
Inventories		27,324

TOTAL CURRENT ASSETS **\$** **4,191,751**

RESTRICTED ASSETS

Cash and Cash Equivalents	\$	1,227,996
---------------------------	----	-----------

TOTAL ASSETS **\$** **5,419,747**

LIABILITIES

Accounts Payable	\$	94,124
Due to Other Funds		502,410
Accrued Payroll		322,605
Cash Bonds, Restitution and Other Deposits		92,685
Compensated Absences - Current		50,232

TOTAL LIABILITIES **\$** **1,062,056**

FUND BALANCE

Reserve for Inventory	\$	27,324
Reserve for Capital Projects		1,227,996
Unreserved		3,102,371

TOTAL FUND BALANCE **\$** **4,357,691**

TOTAL LIABILITIES AND FUND EQUITY **\$** **5,419,747**

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2009

REVENUES

TAXES:

City Sales and Use Taxes	\$ 7,272,351
Property Taxes	1,428,321
Other	354,100
	<hr/>

TOTAL TAXES **\$ 9,054,772**

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 4,207,595
Other Licenses and Permits	134,473
	<hr/>

TOTAL LICENSES AND PERMITS **\$ 4,342,068**

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 2,290,050
Tobacco Tax	312,202
County Gasoline Tax	223,763
County Road and Bridge Tax	104,931
Liquor Tax	85,360
Bank Excise Tax	73,847
County Vehicle License	55,337
Oil and Gas Production	27,927
A.B.C. 2-Percent Sales Tax	24,821
A.B.C. Profits Tax	6,291
Motor Vehicle Registration	4,242
State Vehicle License	3,942
Manufactured Homes Registration	180
	<hr/>

TOTAL INTERGOVERNMENTAL REVENUE **\$ 3,212,893**

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,066,089
	<hr/>

FINES AND PENALTIES:

Court Costs and Fines	\$ 390,134
Court Costs - Corrections	85,161
	<hr/>

TOTAL FINES AND PENALTIES **\$ 475,295**

MISCELLANEOUS REVENUE:

Grant Proceeds	\$ 209,932
Rental and Lease Income	145,925
Housing Authority Lease	76,420
Other Income	74,066
Interest Income	17,222
	<hr/>

TOTAL MISCELLANEOUS REVENUE **\$ 523,565**

TOTAL REVENUES **\$ 18,674,682**

(continued)

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2009

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 9,093,501
Public Works	4,793,812
Finance and Administration	1,722,765
General Government	783,848
Local Agency Support	433,416
Planning and Development	279,313
Inspection Services	175,143
Civic Center	3,130

TOTAL OPERATING EXPENDITURES **\$ 17,284,928**

CAPITAL EXPENDITURES:

Public Safety	\$ 1,811,166
Public Works	553,506
Finance and Administration	53,915
Planning and Development	12,329

TOTAL CAPITAL EXPENDITURES **\$ 2,430,916**

TOTAL EXPENDITURES **\$ 19,715,844**

EXCESS REVENUES / (EXPENDITURES) **\$ (1,041,162)**

OTHER FINANCING SOURCES (USES):

Transfer (Out) to Debt Service Fund	\$ (1,407,800)
Sale Proceeds	915
Loan Proceeds	1,158,978

TOTAL FINANCING SOURCES (USES) **\$ (247,907)**

EXCESS REVENUES AND SOURCES
OVER EXPENDITURES AND USES **\$ (1,289,069)**

FUND BALANCE - OCTOBER 1 **5,742,666**

PRIOR PERIOD ADJUSTMENT (NOTE 23) **(95,906)**

FUND BALANCE - SEPTEMBER 30 **\$ 4,357,691**

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
SEPTEMBER 30, 2009

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

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

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
BALANCE SHEET
SEPTEMBER 30, 2009

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 465,220

TOTAL RESTRICTED ASSETS **\$ 465,220**

TOTAL ASSETS **\$ 465,220**

FUND BALANCE

Reserved for Debt Service \$ 465,220

TOTAL FUND BALANCE **\$ 465,220**

TOTAL LIABILITIES AND FUND BALANCE **\$ 465,220**

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

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
SEPTEMBER 30, 2009

REVENUES

Interest on Investments \$ 2,547

TOTAL REVENUES

\$ 2,547

EXPENDITURES

Interest Paid \$ 365,612
Other Fees 4,625
Payment on Pledge to TCHS 250,000
Payments on Bonds, Warrants,
and Notes Payable 1,269,948

TOTAL EXPENDITURES

\$ 1,890,185

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

\$ (1,887,638)

OTHER FINANCING SOURCES (USES)

Transfers In \$ 1,879,410

TOTAL OTHER FINANCING SOURCES (USES)

\$ 1,879,410

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

\$ (8,228)

FUND BALANCE - OCTOBER 1, 2008

473,448

FUND BALANCE - SEPTEMBER 30, 2009

\$ 465,220

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2009

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

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

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

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2009

	<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	\$ 373,152	\$ 164,250	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ (144,000)	\$ 501,402
<u>TOTAL CURRENT ASSETS</u>	\$ 373,152	\$ 164,250	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ -	\$ 501,402
<u>RESTRICTED ASSETS</u>									
Cash and Cash Equivalents	\$ 1,046,966	\$ 290,504	\$ 83,492	\$ 30,329	\$ 116,910	\$ 38,238	\$ 612	\$ -	\$ 1,607,051
<u>TOTAL RESTRICTED ASSETS</u>	\$ 1,046,966	\$ 290,504	\$ 83,492	\$ 30,329	\$ 116,910	\$ 38,238	\$ 612	\$ -	\$ 1,607,051
<u>TOTAL ASSETS</u>	\$ 1,420,118	\$ 454,754	\$ 83,492	\$ 30,329	\$ 224,910	\$ 38,238	\$ 612	\$ (144,000)	\$ 2,108,453
LIABILITIES & FUND BALANCE									
<u>CURRENT LIABILITIES</u>									
Accounts Payable	\$ 111,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,130
Due to Other Funds	138,587	-	144,000	-	-	-	-	(144,000)	138,587
<u>TOTAL LIABILITIES</u>	\$ 249,717	\$ -	\$ 144,000	\$ -	\$ -	\$ -	\$ -	\$ (144,000)	\$ 249,717
<u>FUND BALANCE</u>									
Reserved	\$ 1,170,401	\$ 454,754	\$ (60,508)	\$ 30,329	\$ 224,910	\$ 38,238	\$ 612	\$ -	\$ 1,858,736
<u>TOTAL FUND BALANCE</u>	\$ 1,170,401	\$ 454,754	\$ (60,508)	\$ 30,329	\$ 224,910	\$ 38,238	\$ 612	\$ -	\$ 1,858,736
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 1,420,118	\$ 454,754	\$ 83,492	\$ 30,329	\$ 224,910	\$ 38,238	\$ 612	\$ (144,000)	\$ 2,108,453

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>EDUCATION & PUBLIC SAFETY</u>	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>GASOLINE 4 CENT TAX FUND</u>	<u>EMPLOYEE BEER TAX FUND</u>	<u>EMPLOYEE BENEFIT FUND</u>	<u>TOTAL (MEMO ONLY)</u>
<u>REVENUES</u>								
Intergovernmental Revenue:								
Gas Tax	\$ -	\$ -	\$ 48,398	\$ -	\$ 43,827	\$ -	\$ -	\$ 92,225
Petroleum Inspection Fee	-	-	8,050	-	-	-	-	8,050
Share of Beer Tax	-	-	-	-	-	143,318	-	143,318
Municipal Government Tax	-	237,259	-	-	-	-	-	237,259
Other Operating Revenues:								
Interest	2,485	3,487	717	27	1,241	269	1	8,227
Property Taxes	1,098,708	-	-	-	-	-	-	1,098,708
Grant Proceeds	121,171	-	-	13,900	-	-	-	135,071
Other	-	-	-	6,800	-	-	571	7,371
<u>TOTAL REVENUE</u>	<u>\$ 1,222,364</u>	<u>\$ 240,746</u>	<u>\$ 57,165</u>	<u>\$ 20,727</u>	<u>\$ 45,068</u>	<u>\$ 143,587</u>	<u>\$ 572</u>	<u>\$ 1,730,229</u>
<u>EXPENDITURES</u>								
Finance and Administration	\$ 26,623	\$ -	\$ -	\$ -	\$ -	\$ 143,500	\$ 568	\$ 170,691
Public Safety	546,703	-	-	-	-	-	-	546,703
Public Works	-	-	17,292	-	300	-	-	17,592
<u>TOTAL EXPENDITURES</u>	<u>\$ 573,326</u>	<u>\$ -</u>	<u>\$ 17,292</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 143,500</u>	<u>\$ 568</u>	<u>\$ 734,986</u>
<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>649,038</u>	<u>240,746</u>	<u>39,873</u>	<u>20,727</u>	<u>44,768</u>	<u>87</u>	<u>4</u>	<u>995,243</u>
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfer In (Out)	\$ (471,220)	\$ -	\$ -	\$ (390)	\$ -	\$ -	\$ -	\$ (471,610)
<u>Excess (Deficit) of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>\$ 177,818</u>	<u>\$ 240,746</u>	<u>\$ 39,873</u>	<u>\$ 20,337</u>	<u>\$ 44,768</u>	<u>\$ 87</u>	<u>\$ 4</u>	<u>\$ 523,633</u>
<u>FUND BALANCE - OCTOBER 1, 2008</u>	<u>992,583</u>	<u>214,008</u>	<u>(100,381)</u>	<u>9,992</u>	<u>180,142</u>	<u>38,151</u>	<u>608</u>	<u>1,335,103</u>
<u>FUND BALANCE - SEPTEMBER 30, 2009</u>	<u>\$ 1,170,401</u>	<u>\$ 454,754</u>	<u>\$ (60,508)</u>	<u>\$ 30,329</u>	<u>\$ 224,910</u>	<u>\$ 38,238</u>	<u>\$ 612</u>	<u>\$ 1,858,736</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

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

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

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
ASSETS					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 231,816	\$ 8,297	\$ 240,113	\$ -	\$ 240,113
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$64,968	807,624	-	807,624	-	807,624
Assessments Receivable - Current	-	24,412	24,412	-	24,412
Interest Receivable	57,685	12,066	69,751	-	69,751
Due from Other Propriety Funds	1,973,444	-	1,973,444	-	1,973,444
Due from Other Funds	1,008	-	1,008	-	1,008
Inventory	111,608	-	111,608	-	111,608
Prepaid Expense	11,540	-	11,540	-	11,540
<u>TOTAL CURRENT ASSETS</u>	\$ 3,194,725	\$ 44,775	\$ 3,239,500	\$ -	\$ 3,239,500
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,199,332	\$ -	\$ 2,199,332	\$ 316,840	\$ 2,516,172
Investments - Warrant Payments Temporarily Invested	517,878	-	517,878	-	517,878
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,717,210	\$ -	\$ 2,717,210	\$ 316,840	\$ 3,034,050
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 179,729	\$ -	\$ 179,729	\$ -	\$ 179,729
Land	353,342	-	353,342	-	353,342
Treatment Plants and Pump Stations	28,029,694	-	28,029,694	-	28,029,694
Distribution and Disposal System	36,439,141	-	36,439,141	-	36,439,141
Machinery and Equipment	467,854	-	467,854	-	467,854
Vehicles	551,896	-	551,896	-	551,896
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 66,151,515	\$ -	\$ 66,151,515	\$ -	\$ 66,151,515
Less: Accumulated Depreciation	(16,413,733)	-	(16,413,733)	-	(16,413,733)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 49,737,782	\$ -	\$ 49,737,782	\$ -	\$ 49,737,782
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,061,720	\$ 2,061,720	\$ -	\$ 2,061,720
Bond Issue Costs	253,292	-	253,292	-	253,292
<u>TOTAL OTHER ASSETS</u>	\$ 253,292	\$ 2,061,720	\$ 2,315,012	\$ -	\$ 2,315,012
<u>TOTAL ASSETS</u>	\$ 55,903,009	\$ 2,106,495	\$ 58,009,504	\$ 316,840	\$ 58,326,344

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	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	\$ 61,564	\$ -	\$ 61,564	\$ -	\$ 61,564
Due to Other Funds	3,052,391	-	3,052,391	377,175	3,429,566
Due to Other Propriety Funds	-	1,669,369	1,669,369	304,075	1,973,444
Accrued Payroll	55,618	-	55,618	-	55,618
Notes Payable - Current	4,043	-	4,043	-	4,043
Accrued Expenses	-	-	-	82,736	82,736
	<u>\$ 3,173,616</u>	<u>\$ 1,669,369</u>	<u>\$ 4,842,985</u>	<u>\$ 763,986</u>	<u>\$ 5,606,971</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>					
	<u>\$ 3,173,616</u>	<u>\$ 1,669,369</u>	<u>\$ 4,842,985</u>	<u>\$ 763,986</u>	<u>\$ 5,606,971</u>
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 96,168	\$ -	\$ 96,168	\$ -	\$ 96,168
Warrants Payable - Current	1,760,000	-	1,760,000	-	1,760,000
Customer and Waterline Extension Deposits	649,799	-	649,799	-	649,799
	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>	<u>\$ -</u>	<u>\$ 2,505,967</u>
<u>TOTAL CURRENT LIABILITIES</u>					
	<u>\$ 5,679,583</u>	<u>\$ 1,669,369</u>	<u>\$ 7,348,952</u>	<u>\$ 763,986</u>	<u>\$ 8,112,938</u>
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 21,727,783	\$ -	\$ 21,727,783	\$ -	\$ 21,727,783
Notes Payable	4,051,918	-	4,051,918	-	4,051,918
Net OPEB Liability	20,456	-	20,456	-	20,456
Estimated Liability for Compensated Absences - Noncurrent	185,672	-	185,672	-	185,672
	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>	<u>\$ -</u>	<u>\$ 25,985,829</u>
<u>TOTAL LIABILITIES</u>					
	<u>\$ 31,665,412</u>	<u>\$ 1,669,369</u>	<u>\$ 33,334,781</u>	<u>\$ 763,986</u>	<u>\$ 34,098,767</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 15,619,541	\$ 214,465	\$ 15,834,006	\$ -	\$ 15,834,006
Restricted for Capital Projects	2,199,332	-	2,199,332	-	2,199,332
Restricted for Debt Service	517,878	-	517,878	-	517,878
Unrestricted	5,900,846	222,661	6,123,507	(447,146)	5,676,361
	<u>\$ 24,237,597</u>	<u>\$ 437,126</u>	<u>\$ 24,674,723</u>	<u>\$ (447,146)</u>	<u>\$ 24,227,577</u>
<u>TOTAL NET ASSETS</u>					

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>OPERATING REVENUES</u>					
Water Sales	\$ 3,674,494	\$ -	\$ 3,674,494	\$ -	\$ 3,674,494
Sewer Fees	2,838,448	-	2,838,448	-	2,838,448
Charges for Services	-	-	-	1,833,360	1,833,360
Late Charges	336,584	-	336,584	-	336,584
Development Fees	298,686	-	298,686	-	298,686
Service Fees	87,521	-	87,521	-	87,521
Tappage and Meter Fees	48,333	-	48,333	-	48,333
<u>TOTAL OPERATING REVENUES</u>	\$ 7,284,066	\$ -	\$ 7,284,066	\$ 1,833,360	\$ 9,117,426
<u>OPERATING EXPENSES</u>					
<u>Utilities and Distribution:</u>					
Salaries and Benefits	\$ 1,083,469	\$ -	\$ 1,083,469	\$ -	\$ 1,083,469
Insurance	256,103	-	256,103	-	256,103
Other Fringe Benefits	124,457	-	124,457	-	124,457
Miscellaneous Expense	100,684	-	100,684	-	100,684
Maintenance and Repairs	85,261	-	85,261	-	85,261
Professional Fees	75,446	-	75,446	-	75,446
Utilities and Telephone	62,804	-	62,804	-	62,804
Payroll Taxes	40,991	-	40,991	-	40,991
Supplies and Materials	13,526	-	13,526	-	13,526
<u>Total Utilities and Distribution Expense</u>	\$ 1,842,741	\$ -	\$ 1,842,741	\$ -	\$ 1,842,741
<u>Water Treatment:</u>					
Utilities and Telephone	\$ 679,834	\$ -	\$ 679,834	\$ -	\$ 679,834
Chemicals, Supplies and Materials	356,533	-	356,533	-	356,533
Salaries and Wages	356,251	-	356,251	-	356,251
Raw Water Purchases	273,599	-	273,599	-	273,599
Miscellaneous Expense	255,465	-	255,465	-	255,465
Maintenance and Repairs	76,348	-	76,348	-	76,348
Other Fringe Benefits	67,949	-	67,949	-	67,949
Payroll Tax	25,916	-	25,916	-	25,916
Professional Fees	5,250	-	5,250	-	5,250
<u>Total Water Treatment Expenses</u>	\$ 2,097,145	\$ -	\$ 2,097,145	\$ -	\$ 2,097,145

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	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	\$ 492,869	\$ -	\$ 492,869	\$ -	\$ 492,869
Maintenance and Repairs	184,301	-	184,301	-	184,301
Other Fringe Benefits	104,689	-	104,689	-	104,689
Chemicals, Supplies and Materials	69,350	-	69,350	-	69,350
Payroll Tax	35,471	-	35,471	-	35,471
Miscellaneous Expense	16,979	-	16,979	-	16,979
<u>Total Waste Water Treatment Expense</u>	<u>\$ 903,659</u>	<u>\$ -</u>	<u>\$ 903,659</u>	<u>\$ -</u>	<u>\$ 903,659</u>
<u>Other Operating Expenses:</u>					
Insurance Claims and Expense	\$ -	\$ -	\$ -	\$ 1,799,009	\$ 1,799,009
Depreciation	1,354,570	-	1,354,570	-	1,354,570
Bad Debt Expense	106,149	-	106,149	-	106,149
Compensated Absences	32,012	-	32,012	-	32,012
<u>Total Other Operating Expenses</u>	<u>\$ 1,492,731</u>	<u>\$ -</u>	<u>\$ 1,492,731</u>	<u>\$ 1,799,009</u>	<u>\$ 3,291,740</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 6,336,276</u>	<u>\$ -</u>	<u>\$ 6,336,276</u>	<u>\$ 1,799,009</u>	<u>\$ 8,135,285</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 947,790</u>	<u>\$ -</u>	<u>\$ 947,790</u>	<u>\$ 34,351</u>	<u>\$ 982,141</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 61,641	\$ 379	\$ 62,020	\$ 550	\$ 62,570
Interest Expense	(830,416)	-	(830,416)	-	(830,416)
Issue Cost	(29,438)	-	(29,438)	-	(29,438)
Agency Fees	(2,601)	-	(2,601)	-	(2,601)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	<u>\$ (800,814)</u>	<u>\$ 379</u>	<u>\$ (800,435)</u>	<u>\$ 550</u>	<u>\$ (799,885)</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>	<u>\$ 146,976</u>	<u>\$ 379</u>	<u>\$ 147,355</u>	<u>\$ 34,901</u>	<u>\$ 182,256</u>
Capital Contributions	\$ 791,400	\$ -	\$ 791,400	\$ -	\$ 791,400
<u>CHANGE IN NET ASSETS</u>	<u>\$ 938,376</u>	<u>\$ 379</u>	<u>\$ 938,755</u>	<u>\$ 34,901</u>	<u>\$ 973,656</u>
<u>NET ASSETS, OCTOBER 1</u>	<u>23,371,013</u>	<u>434,728</u>	<u>23,805,741</u>	<u>(482,047)</u>	<u>23,323,694</u>
PRIOR PERIOD ADJUSTMENT (NOTE 23)	(71,792)	2,019	(69,773)	-	(69,773)
<u>NET ASSETS, SEPTEMBER 30</u>	<u>\$ 24,237,597</u>	<u>\$ 437,126</u>	<u>\$ 24,674,723</u>	<u>\$ (447,146)</u>	<u>\$ 24,227,577</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2009

ENTERPRISE FUNDS

	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 7,029,045	\$ 6,998	\$ 7,036,043	\$ 1,833,360	\$ 8,869,403
Cash Paid for Personnel Cost	(2,340,864)	-	(2,340,864)	-	(2,340,864)
Cash Paid for Operations	(2,566,535)	-	(2,566,535)	(1,773,923)	(4,340,458)
<u>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 2,121,646</u>	<u>\$ 6,998</u>	<u>\$ 2,128,644</u>	<u>\$ 59,437</u>	<u>\$ 2,188,081</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ 139,127	\$ (98,650)	\$ 40,477	\$ -	\$ 40,477
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ 139,127</u>	<u>\$ (98,650)</u>	<u>\$ 40,477</u>	<u>\$ -</u>	<u>\$ 40,477</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from Borrowing	\$ 40,266	\$ -	\$ 40,266	\$ -	\$ 40,266
Capital Acquisition Payments	(164,182)	-	(164,182)	-	(164,182)
Repayment of Bond Principal	(1,771,136)	-	(1,771,136)	-	(1,771,136)
Repayment of Interest on Bonds and Other Debt	(843,463)	-	(843,463)	-	(843,463)
Payments to Escrow Agents	(2,601)	-	(2,601)	-	(2,601)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (2,741,116)</u>	<u>\$ -</u>	<u>\$ (2,741,116)</u>	<u>\$ -</u>	<u>\$ (2,741,116)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 18,627	\$ 300	\$ 18,927	\$ 550	\$ 19,477
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 18,627</u>	<u>\$ 300</u>	<u>\$ 18,927</u>	<u>\$ 550</u>	<u>\$ 19,477</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ (461,716)	\$ (91,352)	\$ (553,068)	\$ 59,987	\$ (493,081)
<u>CASH AND CASH EQUIVALENTS - OCTOBER 1</u>	<u>2,892,864</u>	<u>99,649</u>	<u>2,992,513</u>	<u>256,853</u>	<u>3,249,366</u>
<u>CASH AND CASH EQUIVALENTS - SEPTEMBER 30</u>	<u>\$ 2,431,148</u>	<u>\$ 8,297</u>	<u>\$ 2,439,445</u>	<u>\$ 316,840</u>	<u>\$ 2,756,285</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2009

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING</u>					
<u>INCOME TO NET CASH PROVIDED (USED)</u>					
<u>BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 947,790	\$ -	\$ 947,790	\$ 34,351	\$ 982,141
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,354,570	-	1,354,570	-	1,354,570
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(148,872)	6,998	(141,874)	-	(141,874)
Inventory	(44,056)	-	(44,056)	-	(44,056)
Accounts Payable	31,041	-	31,041	25,086	56,127
Net Retiree Healthcare Obligation	(20,456)	-	(20,456)	-	(20,456)
Estimated Liabilities for Compensated Absences	11,556	-	11,556	-	11,556
Accrued Payroll	11,654	-	11,654	-	11,654
Accrued Expenses	(27,709)	-	(27,709)	-	(27,709)
Customer Deposits	6,128	-	6,128	-	6,128
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 2,121,646	\$ 6,998	\$ 2,128,644	\$ 59,437	\$ 2,188,081

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF INSURANCE
SEPTEMBER 30, 2009

INSUROR	LIMITS	DATE	TYPE OF COVERAGE	PROPERTY INSURED
Alabama Municipal	\$ 7,000,000	12/15/2009	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	12/15/2009	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	47,460,503	12/15/2009	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	12/15/2009	Public Officials Liability	Wrongful acts rendered in discharging of public entity duties
Cincinnati	500,000	10/11/2009	Public Employees Dishonesty	All employees
Alabama Municipal	Included in Property	12/15/2009	Equipment Breakdown	
Alabama Municipal	7,000,000	12/15/2009	Law Enforcement Professional Liability	Police personnel
Alabama Municipal	Included in General Liability	12/15/2009	EMT Professional Liability	EMTs
Alabama Municipal	5,970,261	12/15/2009	Business income and extra expense	
Indian Harbor Insurance Co.	1,000,000	4/30/2010	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	7/14/2010	Right of Way Bond	
Zurich North America	50,000	9/3/2010	Right of Way Bond	