

**CITY OF NORTHPORT
NORTHPORT, ALABAMA**

DECEMBER 31, 2010

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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ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

September 30, 2011

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of and for the year ended December 31, 2010, and the individual fund financial statements of the City as of and for the year ended December 31, 2010, 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 December 31, 2010, 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 September 30, 2011, 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying statement of net assets and statement of activities of the governmental activities and the business-type activities of the City of Northport, Alabama, as of and for the three month period ended December 31, 2009, the introductory section, combining and individual non major fund financial statements for the year ended December 31, 2010, and statistical section 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 basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. 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
DECEMBER 31, 2010

Within this section of the City of Northport's annual financial report, the City of Northport's management provides narrative discussion and analysis of the financial activities of the City of Northport for the fiscal year ended December 31, 2010. The City of Northport's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

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 \$65,661,492 at December 31, 2010.

The largest portion of the City of Northport's net assets (\$51,808,353) 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 (\$7,231,865) 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 decreased the City of Northport's net assets by \$1,307,718. The decrease is due solely to the change in net assets. Below is a summarized version of the statement of net assets and statement of activities for governmental activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

Summary of Statement of Net Assets for Governmental Type Activities

	<u>12/31/09</u>	<u>12/31/10</u>
Current Assets	\$ 3,148,272	\$ 3,281,535
Restricted Assets	\$ 8,888,025	\$ 5,585,162
Capital Assets	\$ 46,996,978	\$ 47,525,715
Other Assets	\$ 179,158	\$ 166,851
<u>Total Assets</u>	<u>\$ 59,212,433</u>	<u>\$ 56,559,263</u>
Current Liabilities	\$ 2,038,011	\$ 1,995,258
Long-Term Liabilities	\$ 16,938,390	\$ 15,635,690
<u>Total Liabilities</u>	<u>\$ 18,976,401</u>	<u>\$ 17,630,948</u>
Invested in Capital Assets, net of related debt	\$ 33,625,408	\$ 35,116,791
Restricted	\$ 7,516,717	\$ 4,305,714
Unrestricted	\$ (906,093)	\$ (494,190)
<u>Total Net Assets</u>	<u>\$ 40,236,032</u>	<u>\$ 38,928,315</u>
Total Liabilities and Net Assets	<u>\$ 59,212,434</u>	<u>\$ 56,559,263</u>

Summary of Statement of Activities for Governmental Type Activities

	<u>12/31/09 *</u>	<u>12/31/10</u>
<u>Revenues</u>		
<u>Tax Revenue</u>		
Property Tax	\$ 1,402,927	\$ 2,803,682
Sales Tax	\$ 1,764,467	\$ 7,279,153
Shared Tax Revenue	\$ 937,354	\$ 3,224,044
Other Tax Revenue	\$ 83,452	\$ 451,210
<u>Total Tax Revenue</u>	<u>\$ 4,188,200</u>	<u>\$ 13,758,089</u>
Charges for Service	\$ 397,735	\$ 6,101,606
Grant Revenues	\$ 13,900	\$ 735,096
Shared Licenses Revenue	\$ 45,019	\$ 106,073
Rental and Lease Income	\$ 22,772	\$ 123,530
Investment Earnings	\$ 3,087	\$ 16,378
Transfers	\$ 58,052	\$ 23,835
<u>Total Revenues</u>	<u>\$ 4,728,765</u>	<u>\$ 20,864,607</u>
<u>Expenses</u>		
General and Administrative	\$ 950,940	\$ 3,813,254
Public Works and Safety	\$ 4,256,062	\$ 17,248,367
Inspection Services	\$ 44,755	\$ -
Planning and Development Services	\$ 60,165	\$ 579,178
Interest Expense	\$ 119,114	\$ 531,526
<u>Total Expenses</u>	<u>\$ 5,431,036</u>	<u>\$ 22,172,325</u>
Increase (Decrease) in Net Assets	\$ (702,271)	\$ (1,307,718)
Contributed Capital	\$ -	\$ -
Net Assets, Beginning	\$ 40,938,304	\$ 40,236,033
Prior Period Adjustment, Correction of an Error	\$ -	\$ -
Net Assets, Beginning restated	<u>\$ 40,938,305</u>	<u>\$ 40,236,033</u>
Net Assets, Ending	<u>\$ 40,236,033</u>	<u>\$ 38,928,315</u>

***Period is for three months ended 12/31/09 (See Note 22)**

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

Business-type activities increased the City of Northport's net assets by \$2,128,046. Key elements of this increase are an increase in net assets of \$913,496 and an increase in net assets of \$1,214,550 from the merger of Sand Springs. Below is a summarized version of the statement of net assets and statement of activities for business-type activities.

Summary of Statement of Net Assets for Business Type Activities

	<u>12/31/09</u>	<u>12/31/10</u>
Current Assets and Other Assets	\$ 1,098,574	\$ 1,678,218
Restricted Assets	\$ 5,018,287	\$ 2,926,151
Capital Assets	\$ 49,510,618	\$ 51,580,364
<u>Total Assets</u>	<u>\$ 55,627,479</u>	<u>\$ 56,184,733</u>
Current Liabilities	\$ 2,741,881	\$ 2,993,021
Long-Term Liabilities	\$ 28,278,448	\$ 26,456,516
<u>Total Liabilities</u>	<u>\$ 31,020,329</u>	<u>\$ 29,449,537</u>
Invested in Capital Assets, net of related debt	\$ 15,834,006	\$ 16,691,562
Restricted	\$ 5,018,287	\$ 2,926,151
Unrestricted	\$ 3,754,857	\$ 7,117,483
<u>Total Net Assets</u>	<u>\$ 24,607,150</u>	<u>\$ 26,735,196</u>
Total Liabilities and Net Assets	<u>\$ 55,627,479</u>	<u>\$ 56,184,733</u>

Summary of Statement of Activities for Business Type Activities

	<u>12/31/09 *</u>	<u>12/31/10</u>
<u>Revenues</u>		
Charges for Service	\$ 1,717,746	\$ 7,757,742
Investment Earnings	\$ 3,469	\$ 17,278
Transfer In	\$ -	\$ -
<u>Total Revenues</u>	<u>\$ 1,721,215</u>	<u>\$ 7,775,020</u>
<u>Expenses</u>		
Operating Expense	\$ 1,508,736	\$ 5,998,858
Interest Expense	\$ 219,907	\$ 838,831
Transfer Out	\$ 58,052	\$ 23,835
<u>Total Expenses</u>	<u>\$ 1,786,695</u>	<u>\$ 6,861,524</u>
Increase (Decrease) in Net Assets	\$ (65,480)	\$ 913,496
Contributed Capital	\$ -	\$ -
Net Assets, Beginning	\$ 24,674,723	\$ 24,607,150
Merger of Sand Springs	\$ -	\$ 1,214,550
Prior Period Adjustment, Correction of an Error	\$ (2,093)	\$ -
Net Assets, Beginning restated	\$ 24,672,630	\$ 25,821,700
Net Assets, Ending	<u>\$ 24,607,150</u>	<u>\$ 26,735,196</u>

***Period is for three months ended 12/31/09 (See Note 22)**

Financial Analysis of the City of Northport's Funds

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

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

Governmental Funds

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

As of the fiscal year ending December 31, 2010, the City of Northport's governmental funds reported combined ending fund balances of \$9,029,961 a decrease of (\$3,163,666) in comparison with the prior year. The decrease in fund balance consists of a net change from operations of (\$3,203,323). Approximately 35.66%, or \$3,219,924, 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 \$2,705,673 in receivables net of current liabilities that once collected would represent cash available for spending at the City of Northport's discretion. The remainder of the fund balance, \$5,810,037, 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 December 31, 2010, unreserved and total fund balances of the general fund were \$3,219,924 and \$7,098,377, respectively. The general fund balance decreased by \$(1,916,262).

I. General Fund Budgetary Highlights from pages 62-63

Actual total revenues exceeded the budgeted amount by \$287,429. Total expenditures during the year were \$244,846 below the budget amount. The favorable variances consist of \$15,338 from operating, \$218,635 from capital, and \$10,873 from debt service. The capital expenditure variance represents primarily capital projects that were included in the budget which have not been completed or were not started by the end of the December 31, 2010 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 December 31, 2010, was \$47,525,715. During the year 2010, the city did not acquire any contributed infrastructure. The City of Northport's investment in capital assets, net of accumulated depreciation, for business type activities as of December 31, 2010, was \$51,580,364. During the year 2010, the city did not acquire any contributed infrastructure. The following table is a comparative presentation of non-depreciable and depreciable assets for both governmental and business type activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/09</u>	<u>12/31/10</u>
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 353,342	\$ 396,017	\$ 2,672,043	\$ 2,714,718
Construction in Progress	\$ 563,243	\$ 2,365,904	\$ 206,751	\$ 1,984,708	\$ 769,994	\$ 4,350,612
Total Non-Depreciable Assets	\$ 2,881,944	\$ 4,684,605	\$ 560,093	\$ 2,380,725	\$ 3,442,037	\$ 7,065,330
Depreciable Assets						
Buildings	\$ 12,546,016	\$ 12,582,861	\$ 28,029,694	\$ 28,043,445	\$ 40,575,710	\$ 40,626,306
Improvements Other Than Buildings	\$ 1,936,402	\$ 1,936,402	\$ -	\$ -	\$ 1,936,402	\$ 1,936,402
Furniture, Machinery, and Equipment	\$ 8,045,805	\$ 6,938,232	\$ 1,149,609	\$ 1,181,892	\$ 9,195,414	\$ 8,120,124
Infrastructure	\$ 62,890,503	\$ 63,428,979	\$ 36,517,764	\$ 39,235,970	\$ 99,408,267	\$ 102,664,949
Total Depreciable Assets	\$ 85,418,726	\$ 84,886,474	\$ 65,697,067	\$ 68,461,307	\$ 151,115,793	\$ 153,347,781
Less: Accumulated Depreciation	\$ (41,303,692)	\$ (42,045,364)	\$ (16,746,542)	\$ (19,261,668)	\$ (58,050,234)	\$ (61,307,032)
Net Depreciable Assets	\$ 44,115,034	\$ 42,841,110	\$ 48,950,525	\$ 49,199,639	\$ 93,065,559	\$ 92,040,749
Total Assets	\$ 46,996,978	\$ 47,525,715	\$ 49,510,618	\$ 51,580,364	\$ 96,507,596	\$ 99,106,079

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

Governmental Activities

- The city completed a renovation of city hall during the year ended December 31, 2010 at total cost of \$2,216,035.
- Vehicles were sold/disposed at a total gain of \$3,090. Police and fire vehicles were purchased during the year at a total cost of \$266,210.

Business-type Activities

- The City completed a raw waterline project at a total cost of \$1,625,954 and sewer project at a total cost of \$501,824.

Long-Term Debt

At December 31, 2010, the City of Northport had total debt outstanding of \$45,490,037. The major portion of the debt, \$40,769,079, represents bonds and warrants payable.

The City of Northport decreased its total debt by \$7,390,627 of principal repayments during the fiscal year ended December 31, 2010. The City of Northport increased its total debt by \$268,314.

State law limits the amount of long-term debt of the City to 20% of the assessed property value within the City of Northport. Certain obligations of the City secured by system revenues, such as water and sewer warrants and state revolving loans secured by system revenues are excluded from the legal borrowing limit of the City. As of December 31, 2010, our outstanding debt was below this amount, which is \$45,092,860. The amount available for future indebtedness is \$32,008,853.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2010

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.
- A comprehensive review and revision of the city's banking services.
- Monthly and annual budget reporting of revenue on a cash basis.
- Establishing a more detailed general ledger to improve expense reporting accuracy.
- Including no anticipated revenue increases in the general fund budget.
- Periodically amending the budgets, by City Council Resolution, to adjust and control spending.
- Increasing training for personnel responsible for purchasing in the various departments.
- Infrastructure improvements needs and obligations.
- Physical asset and equipment needs for all city departments.
- The establishment of a five year business plan considering future operating expenditures and obligations.
- The consideration of budgeted mandatory reserve fund accounts for the general fund and water/sewer system.
- Reducing worker's compensation insurance expenses.
- Establishing a fuel expense management plan.
- Establishing standardized rates and distributions for the control of employee health care expenses.
- Long term planning for annexations of parcels into the city.
- Cost/benefit analysis of future growth and service needs.
- The merger of the City of Northport Water System with the Sand Spring Water Authority.
- Municipal Ordinances establishing standardized water and sewer rate increases.
- Anticipated retail and commercial growth along Highway 43 North and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district.

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

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

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ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

September 30, 2011

**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 December 31, 2010, and have issued our report thereon, dated September 30, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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*.

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 September 30, 2011.

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

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 968,519	\$ 326,603	\$ 1,295,122
Accounts Receivable, net	45,521	641,096	686,617
Assessment Receivable - Current	-	11,687	11,687
Other Receivables, net	359,275	10,477	369,752
Internal Balances	1,879,870	(1,879,870)	-
Inventories	28,350	62,829	91,179
Restricted Assets - Noncurrent	5,585,162	2,926,151	8,511,313
Capital Assets			
Land and Construction in Progress	4,684,605	2,380,725	7,065,330
Buildings, net	12,582,861	28,043,445	40,626,306
Improvements Other Than Buildings, net	1,936,402	-	1,936,402
Infrastructure, net	63,428,979	39,235,970	102,664,949
Furniture & Equipment, net	1,924,662	631,544	2,556,206
Vehicles, net	5,013,570	550,348	5,563,918
Less: Accumulated Depreciation	(42,045,364)	(19,261,668)	(61,307,032)
Abeysance Receivable	-	2,061,720	2,061,720
Bond Issue Costs	166,851	443,676	610,527
<u>TOTAL ASSETS</u>	<u>\$ 56,559,263</u>	<u>\$ 56,184,733</u>	<u>\$ 112,743,996</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 135,659	\$ 8,287	\$ 143,946
Accrued Payroll	160,338	37,544	197,882
Other Current Liabilities	131,090	-	131,090
Interest Payable	130,192	264,704	394,896
Refundable Deposits	-	722,634	722,634
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	935,000	1,959,852	2,894,852
Long-term Commitments	465,050	-	465,050
Compensated Absences	37,929	-	37,929
Portion Due or Payable After One Year:			
Commitment to TCHS	1,750,000	-	1,750,000
Commitment to IDA Automotive Corridor	214,105	-	214,105
Bonds and Warrants Payable	11,640,775	26,233,452	37,874,227
Net OPEB Liability	279,802	45,825	325,627
Compensated Absences	1,751,008	177,239	1,928,247
<u>TOTAL LIABILITIES</u>	<u>\$ 17,630,948</u>	<u>\$ 29,449,537</u>	<u>\$ 47,080,485</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 35,116,791	\$ 16,691,562	\$ 51,808,353
Restricted for:			
Capital Projects	3,420,948	2,669,897	6,090,845
Debt Service	884,766	256,254	1,141,020
Unrestricted	(494,190)	7,117,483	6,623,293
<u>TOTAL NET ASSETS</u>	<u>\$ 38,928,315</u>	<u>\$ 26,735,196</u>	<u>\$ 65,663,511</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2010

	<u>Program Revenues</u>				<u>Net (Expense) Revenues & Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES:</u>							
Finance and Administration	\$ 2,576,847	\$ 4,296,766	\$ -	\$ -	\$ 1,719,919	\$ -	\$ 1,719,919
General Government	1,236,407	645,484	-	-	(590,923)	-	(590,923)
Planning and Development	579,178	-	-	-	(579,178)	-	(579,178)
Public Safety	10,260,482	14,409	13,900	-	(10,232,173)	-	(10,232,173)
Public Works	6,987,885	1,144,947	227,398	493,798	(5,121,742)	-	(5,121,742)
Interest and Fiscal Charges	531,526	-	-	-	(531,526)	-	(531,526)
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 22,172,325</u>	<u>\$ 6,101,606</u>	<u>\$ 241,298</u>	<u>\$ 493,798</u>	<u>\$ (15,335,623)</u>	<u>\$ -</u>	<u>\$ (15,335,623)</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 6,837,689	\$ 7,757,742	\$ -	\$ -	\$ -	\$ 920,053	\$ 920,053
<u>TOTAL BUSINESS TYPE ACTIVITIES</u>	<u>\$ 6,837,689</u>	<u>\$ 7,757,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 920,053</u>	<u>\$ 920,053</u>
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 29,010,014</u>	<u>\$ 13,859,348</u>	<u>\$ 241,298</u>	<u>\$ 493,798</u>	<u>\$ (15,335,623)</u>	<u>\$ 920,053</u>	<u>\$ (14,415,570)</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Net (Expense) Revenues & Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<u>GENERAL REVENUES:</u>			
Taxes:			
Property Taxes Levied for General Purposes	\$ 2,149,018	\$ -	\$ 2,149,018
Property Taxes Levied for Education & Public Safety	654,664	-	654,664
Sales Taxes	7,279,153	-	7,279,153
Other Taxes	451,210	-	451,210
Shared Taxes:			
Taxes Levied for General Purposes	2,757,578	-	2,757,578
Taxes Levied for Resurfacing Projects	335,342	-	335,342
Taxes Levied for Public Safety	129,679	-	129,679
Shared License Fees Levied for General Purposes	106,073	-	106,073
Rental and Land Lease Income	123,530	-	123,530
Earnings on Investments	14,733	14,083	28,816
Gain on Sale of City Property	3,090	3,195	6,285
Transfers	23,835	(23,835)	-
	<u>\$ 14,027,905</u>	<u>\$ (6,557)</u>	<u>\$ 14,021,348</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ (1,307,718)</u>	<u>\$ 913,496</u>	<u>\$ (394,222)</u>
<u>NET ASSETS - BEGINNING</u>	40,236,033	24,607,150	64,843,183
<u>SAND SPRINGS MERGER (NOTE 23)</u>	-	1,214,550	1,214,550
<u>CAPITAL CONTRIBUTIONS</u>	-	-	-
<u>NET ASSETS - ENDING</u>	<u>\$ 38,928,315</u>	<u>\$ 26,735,196</u>	<u>\$ 65,663,511</u>

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	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	\$ 968,519	\$ -	\$ -	\$ 968,519	\$ -	\$ 968,519
Accounts Receivable						
Police Dockets Receivable - Net	45,521	-	-	45,521	-	45,521
Other Receivables	359,275	-	-	359,275	-	359,275
Due From Other Funds	2,821,413	-	1,000,634	3,822,047	(1,232,427)	2,589,620
Inventories	28,350	-	-	28,350	-	28,350
<u>TOTAL CURRENT ASSETS</u>	\$ 4,223,078	\$ -	\$ 1,000,634	\$ 5,223,712	\$ (1,232,427)	\$ 3,991,285
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 4,260,103	\$ 884,766	\$ 327,512	\$ 5,472,381	\$ -	\$ 5,472,381
<u>TOTAL ASSETS</u>	\$ 8,483,181	\$ 884,766	\$ 1,328,146	\$ 10,696,093	\$ (1,232,427)	\$ 9,463,666
<u>LIABILITIES</u>						
Accounts Payable	\$ 85,116	\$ -	\$ 50,543	\$ 135,659	\$ -	\$ 135,659
Due to Other Funds	1,001,642	-	230,785	1,232,427	(1,232,427)	-
Accrued Payroll	160,338	-	-	160,338	-	160,338
Cash Bonds, Restitution and Other Deposits	99,779	-	-	99,779	-	99,779
Compensated Absences - Current	37,929	-	-	37,929	-	37,929
<u>TOTAL LIABILITIES</u>	\$ 1,384,804	\$ -	\$ 281,328	\$ 1,666,132	\$ (1,232,427)	\$ 433,705
<u>FUND BALANCE</u>						
Reserve for Inventory	\$ 28,350	\$ -	\$ -	\$ 28,350	\$ -	\$ 28,350
Reserve for Capital Projects	3,850,103	-	454,217	4,304,320	-	4,304,320
Reserve for Education and Public Safety	-	-	592,601	592,601	-	592,601
Reserve for Debt Service	-	884,766	-	884,766	-	884,766
Unreserved Fund Balance	3,219,924	-	-	3,219,924	-	3,219,924
<u>TOTAL FUND BALANCE</u>	\$ 7,098,377	\$ 884,766	\$ 1,046,818	\$ 9,029,961	\$ -	\$ 9,029,961
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 8,483,181	\$ 884,766	\$ 1,328,146	\$ 10,696,093	\$ (1,232,427)	\$ 9,463,666

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS **\$ 9,029,961**

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	\$	4,684,605	
Building, net of \$3,969,096 of accumulated depreciation		8,613,765	
Improvements other than buildings, net of \$630,644 accumulated depreciation		1,305,758	
Infrastructure, net of \$31,428,197 accumulated depreciation		32,000,783	
Furniture and equipment, net of \$1,717,105 accumulated depreciation		207,556	
Vehicles, net of \$4,300,322 accumulated depreciation		713,248	
			47,525,715

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	\$	(12,555,000)	
Discounts on Bonds and Warrants Payable		74,603	
Bond and Warrant Issue Cost		166,851	
Premium on Bonds Payable		(95,378)	
Noncurrent portion of Compensated Absences		(1,751,008)	
Long-Term Commitments		(2,429,155)	
OPEB Liability		(279,802)	
Accrued Interest Payable		(130,192)	
			(16,999,081)
Total Long-Term Liabilities			(16,999,081)

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	\$	(628,280)	
			(628,280)
Net Adjustment			(628,280)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 38,928,315**

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 7,279,153	\$ -	\$ -	\$ 7,279,153
Business Licenses and Permits	4,176,820	-	-	4,176,820
Intergovernmental Revenues	3,032,218	-	372,935	3,405,153
Property Tax	2,149,018	-	654,664	2,803,682
Charges for Services	1,144,947	-	-	1,144,947
Fines, Forfeitures, and Penalties	531,759	-	-	531,759
Other Taxes	358,571	-	-	358,571
Grant Proceeds	721,196	-	13,900	735,096
Rental and Lease Income	123,530	-	-	123,530
Other Licenses and Permits	119,947	-	-	119,947
Other Income	74,342	-	69,949	144,291
Interest Income	8,247	1,169	5,197	14,613
<u>TOTAL REVENUES</u>	\$ 19,719,748	\$ 1,169	\$ 1,116,645	\$ 20,837,562
<u>EXPENDITURES</u>				
Public Safety	\$ 9,334,009	\$ -	\$ 477,122	\$ 9,811,131
Public Works	4,208,275	-	-	4,208,275
Finance and Administration	2,076,382	-	165,488	2,241,870
General Government	770,778	-	-	770,778
Local Agency Support	395,535	-	-	395,535
Planning and Community Development	548,817	-	67	548,884
Civic Center	4,854	-	-	4,854
Capital Outlay				
Public Safety	37,248	-	271,528	308,776
Public Works	855,765	-	503,055	1,358,820
General Government	35,581	-	-	35,581
Finance and Administration	2,365,746	-	-	2,365,746
Planning and Community Development	555	-	-	555
Debt Service				
Payments on Bonds & Notes Payable	-	1,196,096	-	1,196,096
Interest Paid	-	540,672	-	540,672
Finance and Administration	-	250,000	-	250,000
Agency Fees	-	3,312	-	3,312
<u>TOTAL EXPENSES</u>	\$ 20,633,545	\$ 1,990,080	\$ 1,417,260	\$ 24,040,885
<u>EXCESS REVENUES / (EXPENDITURES)</u>	\$ (913,797)	\$ (1,988,911)	\$ (300,615)	\$ (3,203,323)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (Out)	\$ (1,676,372)	\$ -	\$ (1,005,740)	\$ (2,682,112)
Transfer In	658,085	2,047,862	-	2,705,947
Sales Proceeds	15,822	-	-	15,822
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	\$ (1,002,465)	\$ 2,047,862	\$ (1,005,740)	\$ 39,657

(continued)

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>NET CHANGE IN FUND BALANCES</u>	\$ (1,916,262)	\$ 58,951	\$ (1,306,355)	\$ (3,163,666)
<u>FUND BALANCE - JANUARY 1, 2010</u>	\$ 9,014,639	\$ 825,815	\$ 2,353,173	\$ 12,193,627
<u>FUND BALANCE - DECEMBER 31, 2010</u>	<u>\$ 7,098,377</u>	<u>\$ 884,766</u>	<u>\$ 1,046,818</u>	<u>\$ 9,029,961</u>

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2010

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ (3,163,666)**

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

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess depreciation expense over capital outlay purchases. 512,849

Governmental funds report the proceeds from sale of capital assets. The statement of activities reports the gain or loss on sale of capital assets which represents the sales proceeds less adjusted basis in the asset. This amount represents the reduction in sale proceeds by the adjusted basis in the assets sold. (12,732)

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

Repayments:			
Principle Repayments		<u>\$ 1,446,096</u>	
Net Adjustment			1,446,096

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	\$ (5,629)	
Amortization of Bond Issue Cost	(12,307)	
OPEB Liability Expense	(142,418)	
Change in Long-Term Estimated Compensated Absences	47,912	
Change in Accrued Expenses	<u>30,394</u>	
Net Adjustment		(82,048)

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>\$ (8,217)</u>	
Net Adjustment		<u>(8,217)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (1,307,718)**

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>ENTERPRISE FUNDS</u>				
	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUND</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 326,603	\$ -	\$ 326,603	\$ -	\$ 326,603
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$218,515	641,096	-	641,096	-	641,096
Assessments Receivable - Current	-	11,687	11,687	-	11,687
Interest Receivable	2,588	7,889	10,477	-	10,477
Due from Other Propriety Funds	1,643,991	-	1,643,991	-	1,643,991
Due from Other Funds	305,083	-	305,083	-	305,083
Inventory	62,829	-	62,829	-	62,829
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 2,982,190</u>	<u>\$ 19,576</u>	<u>\$ 3,001,766</u>	<u>\$ -</u>	<u>\$ 3,001,766</u>
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,669,897	\$ -	\$ 2,669,897	\$ 112,781	\$ 2,782,678
Investments - Warrant Payments Temporarily Invested	256,254	-	256,254	-	256,254
<u>TOTAL RESTRICTED ASSETS</u>	<u>\$ 2,926,151</u>	<u>\$ -</u>	<u>\$ 2,926,151</u>	<u>\$ 112,781</u>	<u>\$ 3,038,932</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 1,984,708	\$ -	\$ 1,984,708	\$ -	\$ 1,984,708
Land	396,017	-	396,017	-	396,017
Treatment Plants and Pump Stations	28,043,445	-	28,043,445	-	28,043,445
Distribution and Disposal System	39,235,970	-	39,235,970	-	39,235,970
Machinery and Equipment	501,685	-	501,685	-	501,685
Vehicles	550,348	-	550,348	-	550,348
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	<u>\$ 70,842,032</u>	<u>\$ -</u>	<u>\$ 70,842,032</u>	<u>\$ -</u>	<u>\$ 70,842,032</u>
Less: Accumulated Depreciation	(19,261,668)	-	(19,261,668)	-	(19,261,668)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	<u>\$ 51,580,364</u>	<u>\$ -</u>	<u>\$ 51,580,364</u>	<u>\$ -</u>	<u>\$ 51,580,364</u>
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,061,720	\$ 2,061,720	\$ -	\$ 2,061,720
Bond Issue Costs	443,676	-	443,676	-	443,676
<u>TOTAL OTHER ASSETS</u>	<u>\$ 443,676</u>	<u>\$ 2,061,720</u>	<u>\$ 2,505,396</u>	<u>\$ -</u>	<u>\$ 2,505,396</u>
<u>TOTAL ASSETS</u>	<u>\$ 57,932,381</u>	<u>\$ 2,081,296</u>	<u>\$ 60,013,677</u>	<u>\$ 112,781</u>	<u>\$ 60,126,458</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	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	\$ 8,287	\$ -	\$ 8,287	\$ -	\$ 8,287
Due to Other Funds	2,184,953	-	2,184,953	405,675	2,590,628
Due to Other Propriety Funds	-	1,643,991	1,643,991	304,075	1,948,066
Accrued Payroll	37,544	-	37,544	-	37,544
Notes Payable - Current	99,852	-	99,852	-	99,852
Accrued Expenses	-	-	-	31,311	31,311
	<u>\$ 2,330,636</u>	<u>\$ 1,643,991</u>	<u>\$ 3,974,627</u>	<u>\$ 741,061</u>	<u>\$ 4,715,688</u>
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 264,704	\$ -	\$ 264,704	\$ -	\$ 264,704
Warrants Payable - Current	1,860,000	-	1,860,000	-	1,860,000
Customer and Waterline Extension					
Deposits	722,634	-	722,634	-	722,634
	<u>\$ 2,847,338</u>	<u>\$ -</u>	<u>\$ 2,847,338</u>	<u>\$ -</u>	<u>\$ 2,847,338</u>
	<u>\$ 5,177,974</u>	<u>\$ 1,643,991</u>	<u>\$ 6,821,965</u>	<u>\$ 741,061</u>	<u>\$ 7,563,026</u>
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 26,233,452	\$ -	\$ 26,233,452	\$ -	\$ 26,233,452
Net OPEB Liability	45,825	-	45,825	-	45,825
Estimated Liability for Compensated Absences - Noncurrent	177,239	-	177,239	-	177,239
	<u>\$ 26,456,516</u>	<u>\$ -</u>	<u>\$ 26,456,516</u>	<u>\$ -</u>	<u>\$ 26,456,516</u>
	<u>\$ 31,634,490</u>	<u>\$ 1,643,991</u>	<u>\$ 33,278,481</u>	<u>\$ 741,061</u>	<u>\$ 34,019,542</u>
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 16,477,097	\$ 214,465	\$ 16,691,562	\$ -	\$ 16,691,562
Restricted for Capital Projects	2,669,897	-	2,669,897	-	2,669,897
Restricted for Debt Service	256,254	-	256,254	-	256,254
Unrestricted	6,894,643	222,840	7,117,483	(628,280)	6,489,203
	<u>\$ 26,297,891</u>	<u>\$ 437,305</u>	<u>\$ 26,735,196</u>	<u>\$ (628,280)</u>	<u>\$ 26,106,916</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 7,545,490	\$ -	\$ 7,545,490	\$ 1,730,886	\$ 9,276,376
Miscellaneous	212,252	-	212,252	-	212,252
<u>TOTAL OPERATING REVENUES</u>	\$ 7,757,742	\$ -	\$ 7,757,742	\$ 1,730,886	\$ 9,488,628
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,087,645	\$ -	\$ 2,087,645	\$ -	\$ 2,087,645
Insurance Claims and Expenses	-	-	-	1,739,223	1,739,223
Depreciation and Amortization	1,338,975	-	1,338,975	-	1,338,975
Utilities and Telephone	625,421	-	625,421	-	625,421
Materials and Supplies	534,748	-	534,748	-	534,748
Miscellaneous Expense	547,837	-	547,837	-	547,837
Maintenance and Repairs	196,376	-	196,376	-	196,376
Water and Sewer Purchases	255,654	-	255,654	-	255,654
Insurance	53,416	-	53,416	-	53,416
Bad Debt Expense	244,764	-	244,764	-	244,764
Professional Fees	45,384	-	45,384	-	45,384
Other Post Employment Expense	25,369	-	25,369	-	25,369
<u>TOTAL OPERATING EXPENSES</u>	\$ 5,955,589	\$ -	\$ 5,955,589	\$ 1,739,223	\$ 7,694,812
<u>OPERATING INCOME (LOSS)</u>	\$ 1,802,153	\$ -	\$ 1,802,153	\$ (8,337)	\$ 1,793,816
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 13,913	\$ 170	\$ 14,083	\$ 120	\$ 14,203
Gain on Sale of Property	3,195	-	3,195	-	3,195
Operating Transfers In / (Out)	(23,835)	-	(23,835)	-	(23,835)
Interest Expense	(838,831)	-	(838,831)	-	(838,831)
Issue Cost	(40,506)	-	(40,506)	-	(40,506)
Agency Fees	(2,763)	-	(2,763)	-	(2,763)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (888,827)	\$ 170	\$ (888,657)	\$ 120	\$ (888,537)
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>					
	\$ 913,326	\$ 170	\$ 913,496	\$ (8,217)	\$ 905,279
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
<u>CHANGE IN NET ASSETS</u>	\$ 913,326	\$ 170	\$ 913,496	\$ (8,217)	\$ 905,279
<u>NET ASSETS, JANUARY 1</u>	24,170,015	437,135	24,607,150	(620,063)	23,987,087
SANDS SPRING MERGER (NOTE 23)	1,214,550	-	1,214,550	-	1,214,550
<u>NET ASSETS, DECEMBER 31</u>	\$ 26,297,891	\$ 437,305	\$ 26,735,196	\$ (628,280)	\$ 26,106,916

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2010

	<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	\$ 7,589,186	\$ 11,753	\$ 7,600,939	\$ 1,730,886	\$ 9,331,825
Cash Paid for Personnel Cost	(2,074,615)	-	(2,074,615)	-	(2,074,615)
Cash Paid for Operations	(2,145,372)	-	(2,145,372)	(1,773,887)	(3,919,259)
<u>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 3,369,199</u>	<u>\$ 11,753</u>	<u>\$ 3,380,952</u>	<u>\$ (43,001)</u>	<u>\$ 3,337,951</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ (599,348)	\$ (25,378)	\$ (624,726)	\$ 28,500	\$ (624,726)
Operating Transfers In / (Out)	(23,835)	-	(23,835)	-	(23,835)
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ (623,183)</u>	<u>\$ (25,378)</u>	<u>\$ (648,561)</u>	<u>\$ 28,500</u>	<u>\$ (648,561)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (2,545,769)	\$ -	\$ (2,545,769)	\$ -	\$ (2,545,769)
Repayment of Bond Principal	(1,694,019)	-	(1,694,019)	-	(1,694,019)
Proceeds from the Sale of City Property	3,195	-	3,195	-	3,195
Cash Received in Sand Springs Merger	350,908	-	350,908	-	350,908
Repayment of Interest on Bonds and Other Debt	(842,024)	-	(842,024)	-	(842,024)
Payments to Escrow Agents	(2,763)	-	(2,763)	-	(2,763)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (4,730,472)</u>	<u>\$ -</u>	<u>\$ (4,730,472)</u>	<u>\$ -</u>	<u>\$ (4,730,472)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 12,016	\$ 4,347	\$ 16,363	\$ 120	\$ 16,483
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 12,016</u>	<u>\$ 4,347</u>	<u>\$ 16,363</u>	<u>\$ 120</u>	<u>\$ 16,483</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ (1,972,440)	\$ (9,278)	\$ (1,981,718)	\$ (14,381)	\$ (2,024,599)
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>4,968,940</u>	<u>9,278</u>	<u>4,978,218</u>	<u>127,162</u>	<u>5,105,380</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 2,996,500</u>	<u>\$ -</u>	<u>\$ 2,996,500</u>	<u>\$ 112,781</u>	<u>\$ 3,080,781</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2010

ENTERPRISE FUNDS

	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,802,153	\$ -	\$ 1,802,153	\$ (8,337)	\$ 1,793,816
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,338,975	-	1,338,975	-	1,338,975
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	76,208	11,753	87,961	-	87,961
Inventory	48,779	-	48,779	-	48,779
Accounts Payable	3,802	-	3,802	(34,664)	(30,862)
Estimated Liabilities for OPEB Liability	25,369	-	25,369	-	25,369
Estimated Liabilities for Compensated Absences	(6,766)	-	(6,766)	-	(6,766)
Accrued Payroll	13,030	-	13,030	-	13,030
Customer Deposits	67,649	-	67,649	-	67,649
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	<u>\$ 3,369,199</u>	<u>\$ 11,753</u>	<u>\$ 3,380,952</u>	<u>\$ (43,001)</u>	<u>\$ 3,337,951</u>
<u>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES ASSUMED FROM SANDS SPRINGS</u>					
<u>WATER AUTHORITY</u>					
Accounts Receivable	\$ 51,254	\$ -	\$ 51,254	\$ -	\$ 51,254
Fixed Assets, Net of Accumulated Depreciation	964,056	-	964,056	-	964,056
Accrued Liabilities	(5,180)	-	(5,180)	-	(5,180)
Meter Deposits	(46,786)	-	(46,786)	-	(46,786)
Notes Payable	(99,852)	-	(99,852)	-	(99,852)
<u>NET NONCASH FLOWS PROVIDED (USED) BY NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ 863,492</u>	<u>\$ -</u>	<u>\$ 863,492</u>	<u>\$ -</u>	<u>\$ 863,492</u>

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Basis of Presentation

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government–Wide Financial Statements

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

Proprietary Funds

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

Fiduciary Funds

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

Internal Service Funds

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

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

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

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

Use of Estimates

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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	\$ 90,749
Water and Sewer Fund	218,515

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4: INVENTORIES

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

NOTE 5: FIXED ASSETS

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

Government-Wide Statements

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

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

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

Fund Financial Statements

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5: FIXED ASSETS (continued)

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

FIXED ASSET SCHEDULE:

Governmental Activities:	Balance 12/31/09	Increases	Decreases	Balance 12/31/10
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Progress	563,243	2,297,251	(494,590)	2,365,904
Total Capital Assets Not Depreciated	\$ 2,881,944	\$ 2,297,251	\$ (494,590)	\$ 4,684,605
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 12,546,016	\$ 36,845	\$ -	\$ 12,582,861
Improvements other than Buildings	1,936,402	-	-	1,936,402
Vehicles	6,128,057	266,210	(1,380,697)	5,013,570
Equipment & Furniture	1,917,748	31,148	(24,234)	1,924,662
Infrastructure	62,890,503	538,476	-	63,428,979
Total Other Capital Assets	\$ 85,418,726	\$ 872,679	\$ (1,404,931)	\$ 84,886,474
Less: Accumulated Depreciation				
Buildings	\$ 3,650,617	\$ 318,479	\$ -	\$ 3,969,096
Improvements other than Buildings	582,130	48,514	-	630,644
Vehicles	5,303,603	364,683	(1,367,964)	4,300,322
Equipment & Furniture	1,687,721	53,618	(24,234)	1,717,105
Infrastructure	30,079,621	1,348,576	-	31,428,197
Total Accumulated Depreciation	\$ 41,303,692	\$ 2,133,870	\$ (1,392,198)	\$ 42,045,364
Other Capital Assets, Net of Accumulated Depreciation	\$ 44,115,034			\$ 42,841,110
Total Governmental Assets, Net	\$ 46,996,978			\$ 47,525,715

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 5: FIXED ASSETS (continued)

	<u>Allocation</u>	<u>Percentage</u>	<u>Allocation of Depreciation on Capital Assets</u>	<u>Allocation of Depreciation on Infrastructure</u>
Finance and Administration	\$ 2,241,870	12.74%	\$ 100,125	\$ -
General Government	770,778	4.38%	34,396	-
Planning and Development	553,738	3.15%	24,737	-
Public Safety	9,811,131	55.79%	438,116	-
Public Works	4,208,275	23.94%	187,920	1,348,576
	<u>\$ 17,585,792</u>	<u>100.00%</u>	<u>\$ 785,294</u>	<u>\$ 1,348,576</u>

<u>Business-Type Activities:</u>	<u>Balance 12/31/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/10</u>
Analysis of Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 206,751	\$ 1,801,082	\$ (23,125)	\$ 1,984,708
Land	353,342	42,675	-	396,017
	<u>\$ 560,093</u>	<u>\$ 1,843,757</u>	<u>\$ (23,125)</u>	<u>\$ 2,380,725</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 28,029,694	\$ 13,751	\$ -	\$ 28,043,445
Distribution and Disposal System	36,517,764	2,718,206	-	39,235,970
Machinery and Equipment	467,854	33,831	-	501,685
Vehicles	551,896	27,210	(28,758)	550,348
Computer Equipment	129,859	-	-	129,859
	<u>\$ 65,697,067</u>	<u>\$ 2,792,998</u>	<u>\$ (28,758)</u>	<u>\$ 68,461,307</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 7,178,207	\$ 594,753	\$ -	\$ 7,772,960
Distribution and Disposal System	8,450,789	1,882,624	-	10,333,413
Machinery and Equipment	439,350	36,785	-	476,135
Vehicles	548,337	29,722	(28,758)	549,301
Computer Equipment	129,859	-	-	129,859
	<u>\$ 16,746,542</u>	<u>\$ 2,543,884</u>	<u>\$ (28,758)</u>	<u>\$ 19,261,668</u>
	<u>\$ 48,950,525</u>			<u>\$ 49,199,639</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 49,510,618</u>			<u>\$ 51,580,364</u>

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 6: BOND DISCOUNTS / ISSUANCE COSTS

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds or warrants payable whereas, issuance costs are recorded as other intangible assets. As of December 31, 2010, the remaining discounts and issuance costs in the City's proprietary fund are \$102,252 and \$443,676, respectively.

NOTE 7: LONG-TERM OBLIGATIONS

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

Changes in long-term obligations for the year ended December 31, 2010 are as follows:

Analysis of Long-Term Liabilities

	Balance 12/31/09	Additions	Decreases	Balance 12/31/10	Amount Due Within One Year
Governmental Activities:					
Bonds and Notes Payable					
2009-A G.O. Warrants	\$ 7,755,000	\$ -	\$ -	\$ 7,755,000	\$ -
2002-A G.O. Warrants	3,195,000	-	420,000	2,775,000	450,000
2004-A G.O. Warrants	2,490,000	-	465,000	2,025,000	485,000
Cadence Bank	-	-	-	-	-
Cadence Bank	-	-	-	-	-
RBC Centura Bank	95,583	-	95,583	-	-
Total Bonds and Notes Payable	\$ 13,535,583	\$ -	\$ 980,583	\$ 12,555,000	\$ 935,000
Other Liabilities					
Tuscaloosa County High School	\$ 2,250,000	\$ -	\$ 250,000	\$ 2,000,000	\$ 250,000
IDA Automotive Corridor	644,668	-	215,513	429,155	215,050
Estimated Liabilities for					
Compensated Absences	1,798,920	-	47,912	1,751,008	-
OPEB Liability	137,384	142,418	-	279,802	-
Premium on Warrants	99,143	-	3,765	95,378	-
Less: Discounts on Bonds	(83,998)	-	9,395	(74,603)	-
Total Other Liabilities	\$ 4,846,117	\$ 142,418	\$ 526,585	\$ 4,480,740	\$ 465,050
Total Governmental Activities	\$ 18,381,700	\$ 142,418	\$ 1,507,168	\$ 17,035,740	\$ 1,400,050

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Business -Type Activities:	Balance 12/31/09	Additions	Decreases	Balance 12/31/10	Amount Due Within One Year
Bonds, Notes and Other Liabilities					
1998 S.R.F. G.O. Warrants	\$ 1,785,000	\$ -	\$ 145,000	\$ 1,640,000	\$ 150,000
1999 S.R.F. G.O. Warrants	2,245,000	-	190,000	2,055,000	195,000
2002 S.R.F. G.O. Warrants	3,380,000	-	200,000	3,180,000	210,000
2003 S.R.F. G.O. Warrants	3,110,000	-	570,000	2,540,000	595,000
2005 S.R.F. G.O. Warrants	2,565,000	-	115,000	2,450,000	120,000
2002-B G.O. Warrants	7,922,733	-	420,000	7,502,733	435,000
2004-B G.O. Warrants	2,250,000	-	150,000	2,100,000	155,000
2009-B G.O. Warrants	6,690,000	-	-	6,690,000	
West Alabama Bank & Trust	-	100,527	675	99,852	99,852
Estimated Liabilities for					
Compensated Absences	184,005	-	6,766	177,239	-
Premium on Warrants	85,527	-	3,247	82,280	-
Less: Discounts on Bonds	(109,232)	-	6,981	(102,251)	-
Less: Deferred Loss on Bond					
Refundings	(60,041)	-	15,731	(44,310)	-
OPEB Liability	20,456	25,369	-	45,825	-
Total Bonds, Notes and Other Liabilities	\$ 30,068,448	\$ 125,896	\$ 1,823,400	\$ 28,416,368	\$ 1,959,852

GENERAL CITY DEBT:	Due Date	Amount Due	Amount Outstanding
<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.	2011	\$ 450,000	
	2012	465,000	
	2013	150,000	
	2014	155,000	
	Thereafter	<u>1,555,000</u>	\$ 2,775,000
<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.	2011	\$ 485,000	
	2012	130,000	
	2013	130,000	
	2014	135,000	
	Thereafter	<u>1,145,000</u>	\$ 2,025,000
<u>2009 A General Obligation Warrants</u>			
Series dated October 1, 2009 payable semi-annually at a variable interest rate between 2% and 4% depending on the maturity date.	2011	\$ -	
	2012	30,000	
	2013	30,000	
	2014	20,000	
	Thereafter	<u>7,675,000</u>	\$ 7,755,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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>Tuscaloosa County High School</u>	2011	\$ 250,000	
Long-term commitment of \$250,000	2012	250,000	
per year to Tuscaloosa County	2013	250,000	
High School.	2014	250,000	
	Thereafter	<u>1,000,000</u>	
			\$ 2,000,000
<u>IDA Automotive Corridor</u>	2011	\$ 215,050	
Long-term commitment of \$215,050	2012	214,105	
per year.	2013	-	
	2014	-	
	Thereafter	<u>-</u>	
			\$ 429,155
<u>WATER AND SEWER DEBT:</u>			
<u>Alabama Water Pollution Control Authority</u>			
Series 1998 Warrants awarded to the	2011	\$ 140,000	
City from the State Revolving Loan Fund	2012	145,000	
for the Two-Mile Creek Sewer Replacement	2013	155,000	
Project, payable semi-annually at an	2014	160,000	
interest rate of 3.75%.	Thereafter	<u>890,000</u>	
			\$ 1,490,000
Series 1998 Warrants awarded to the	2011	\$ 10,000	
City from the State Revolving Loan Fund	2012	15,000	
for the Two-Mile Creek Sewer Replacement	2013	15,000	
Project, payable semi-annually at an	2014	15,000	
interest rate of 3.75%.	Thereafter	<u>95,000</u>	
			\$ 150,000
Series 1999 Warrants awarded to the	2011	\$ 135,000	
City from the State Revolving Loan Fund	2012	140,000	
for the Water Treatment Plant Expansion	2013	145,000	
Project, payable semi-annually at an	2014	150,000	
interest rate of 3.95%.	Thereafter	<u>855,000</u>	
			\$ 1,425,000
Series 1999 Warrants awarded to the	2011	\$ 60,000	
City from the State Revolving Loan Fund	2012	60,000	
for the Water Treatment Plant Expansion	2013	65,000	
Project, payable semi-annually at an	2014	65,000	
interest rate of 3.95%.	Thereafter	<u>380,000</u>	
			\$ 630,000

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 7: LONG-TERM OBLIGATIONS (continued)

<u>WATER AND SEWER DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
Series 2002 Warrants awarded to the City from the State Revolving Loan Fund for the Smith Creek & Carroll's Creek Sewer Systems, payable semi-annually at an interest rate of 3.50%.	2011	\$ 195,000	
	2012	200,000	
	2013	205,000	
	2014	215,000	
	Thereafter	<u>2,020,000</u>	
Series 2002 Warrants awarded to the City from the State Revolving Loan Fund for the Smith Creek & Carroll's Creek Sewer Systems, payable semi-annually at an interest rate of 3.50%.	2011	\$ 15,000	
	2012	15,000	
	2013	20,000	
	2014	20,000	
	Thereafter	<u>275,000</u>	
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%.	2011	\$ 120,000	
	2012	120,000	
	2013	125,000	
	2014	130,000	
	Thereafter	<u>1,955,000</u>	
Series 2003 Warrants received from the State Revolving Loan Fund for Northern Water Storage Tank, payable semi-annually at 2.98%.	2011	\$ 595,000	
	2012	620,000	
	2013	650,000	
	2014	675,000	
	Thereafter	<u>-</u>	
<u>2002 B General Obligation Water & Sewer Warrants</u> Series dated May 1, 2002, interest rate between 1.75% and 5.9% depending on the maturity date.	2011	\$ 435,000	
	2012	460,000	
	2013	475,000	
	2014	422,424	
	Thereafter	<u>5,710,309</u>	
<u>2004 B General Obligation Water & Sewer Warrants</u> Series dated December 22, 2004, payable semi-annually at a variable interest rate between 2.15% and 4.1% depending on the maturity date.	2011	\$ 155,000	
	2012	165,000	
	2013	170,000	
	2014	175,000	
	Thereafter	<u>1,435,000</u>	

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See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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>			
<u>2009 A General Obligation Water & Sewer</u>			
<u>Warrants</u>	2011	\$ -	
Series dated October 1, 2009	2012	-	
payable semi-annually at a variable	2013	-	
interest rate between 2% and 4%	2014	145,000	
depending on the maturity date.	Thereafter	<u>6,545,000</u>	
			\$ 6,690,000
<u>West Alabama Bank & Trust</u>	2011	\$ 99,852	
Note collateralized by infrastructure and	2012	-	
improvements. The note was included in the	2013	-	
merger of Sands Springs Water Authority.	2014	-	
Payable monthly at an interest rate of 4.45%.	Thereafter	<u>-</u>	
			\$ 99,852

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.

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 9: PROPERTY TAX

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

NOTE 10: COMPENSATED ABSENCES

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

At December 31, 2010, 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 \$1,788,937 and \$177,239, respectively.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS

Deposits at year-end were held by financial institutions in the State of Alabama's Security of Alabama Funds Enhancement (SAFE) program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

These cash and investment balances are classified into the following categories in accordance with GASBS No. 3, paragraph 67.

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

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

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

Deposits categorized by level of risk are:

	BANK BALANCE	CATEGORY			CARRYING AMOUNT	TOTAL
		1	2	3		
Categorized Deposits	<u>\$ 9,804,684</u>	<u>\$ 1,740,511</u>	<u>\$ 8,064,173</u>	<u>\$ -0-</u>	<u>\$ 9,804,684</u>	<u>\$ 9,804,684</u>

The City had the following cash at December 31, 2010:

CASH

Governmental - Unrestricted:

Regions Bank – Payroll Clearing Fund	\$ 567
Regions Bank – General Fund	110,523
Cadence Bank – General Fund	820,966
Regions Bank – Accounts Payable Clearing	35,363
Petty Cash	<u>1,100</u>
<u>Total Unrestricted Cash</u>	<u>\$ 968,519</u>

(continued)
See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Governmental - Restricted:

Cadence Bank – Corrections Fund	\$ 420,985
Regions Bank – Municipal Court	83,004
Cadence Bank – Restitution Recovery Fund	24,227
BBVA Compass Bank – Recreational Tax Fund	37,810
Cadence Bank – Downtown Redevelopment	3,956
Cadence Bank – P.D. Seizures and Evidence	1,967
First Commercial Bank – 2002 A Improvement	250,749
First Commercial Bank – 2002 A Warrant Fund	322,945
Regions Bank – Accounts Payable Clearing	1,545
Cadence Bank – Capital Improvement Fund	30,287
BBVA Compass Bank – Seven Cent Gas Tax	99,153
Cadence Bank – CDBG Rental	662
Cadence Bank – P.D. Justice Assistance	16,255
BBVA Compass Bank – Four Cent Gas Tax	103,548
Cadence Bank – Employee’s Beer Tax	75,472
Wells Fargo – Employee Benefit Fund	590
Cadence Bank – Employee Insurance Fund	16,287
Regions Bank – Employee Insurance Fund	<u>96,494</u>

Total Restricted Cash **\$ 1,585,936**

Enterprise – Unrestricted:

Regions Bank - Accounts Payable Clearing	\$ 32,987
Cadence Bank - Gross Revenue	290,721
Wells Fargo - Capital Improvement	2,245
Petty Cash	<u>650</u>

Total Unrestricted Cash **\$ 326,603**

Enterprise – Restricted:

Cadence Bank - Meter Deposit	\$ 114,384
Capstone Bank - Development Fees	661,628
Wells Fargo - SRF Debt Service Escrow	365,116
Cadence Bank – SRF Debt Service Escrow	121,203
Bank of Tuscaloosa – Certificate of Deposit	166,177
Bank of Tuscaloosa – Certificate of Deposit	312,413
Regions Bank - Certificate of Deposit	103,329
Wells Fargo - Certificate of Deposit	4,109
Regions Bank – Certificate of Deposit	23,598
Regions Bank – Certificate of Deposit	87,779
First Commercial Bank – 2002 B Warrant Fund	42,331
First Commercial Bank - 2002 B Capital Imp	<u>20,882</u>

Total Restricted Cash **\$ 2,022,949**

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

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

<u>INVESTMENTS</u>	<u>Carrying</u>	<u>Market</u>	<u>S & P Bank</u>
	<u>Amount</u>	<u>Value</u>	<u>Rating</u>
<u>Governmental – Restricted:</u>			
Regions Bank – Treasury Money Market	\$ 3,999,225	\$ 3,999,225	BBB-
<u>Total Governmental Investments</u>	<u>\$ 3,999,225</u>	<u>\$ 3,999,225</u>	
<u>Enterprise - Restricted:</u>			
Regions Bank – Treasury Money Market	\$ 903,202	\$ 903,202	BBB-
<u>Total Enterprise Investments</u>	<u>\$ 903,202</u>	<u>\$ 903,202</u>	

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

- 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

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 December 31, 2010, the City had restricted certain deposits and investments for capital projects, debt service and refundable customer deposits. These amounts have been disclosed in statement of net assets under restricted assets.

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS

At December 31, 2010, 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</u> <u>Receivable</u>	<u>Interfund</u> <u>Payable</u>	
General Fund	\$ 2,821,413	\$ 1,001,642	
Special Revenue Funds	1,000,634	230,785	
Proprietary	<u>1,949,074</u>	<u>4,538,694</u>	
Total	<u>\$ 5,771,121</u>	<u>\$ 5,771,121</u>	

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 14: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers between funds for December 31, 2010 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 658,085	\$ 1,676,372
Special Revenue Funds	-0-	1,005,740
Debt Service Funds	2,047,862	-0-
Proprietary	<u>-0-</u>	<u>23,835</u>
Total	<u>\$ 2,705,947</u>	<u>\$ 2,705,947</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.

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

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, 2010 and 2009 is listed below:

	<u>2010</u>	<u>2009</u>
Total Assets	\$ 27,979,344	\$ 27,690,380
Total Liabilities	<u>18,250,832</u>	<u>18,301,195</u>
Fund Balance	<u>\$ 9,728,512</u>	<u>\$ 9,389,185</u>
Total Revenues	\$ 5,413,427	\$ 5,385,846
Total Expenses	<u>5,074,100</u>	<u>5,473,732</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 339,327</u>	<u>\$ (87,886)</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.

Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project will be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At December 31, 2010 the remaining liability for the City of Northport is \$429,155.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 16: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Northport contributes to the Employee's Retirement System of the State of Alabama, a single-employer public employee retirement system that acts as a common investment and administrative agent for public employees. The Employees' Retirement System was established October 1, 1945, for the purpose of providing retirement allowances and other specific benefits for State employees, State police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operations of the employees' Retirement System is vested in the Board of Control (currently 11 members). Benefit provisions are established by the Code of Alabama 1975, Section 36-27-103, as amended, and Sections 37-27B-1 through 36-27B-6, as amended. The authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the authority to the City to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees. The City contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for state agencies and departments. The City's payroll for employees covered by the System for the year ended December 31, 2010, was \$11,658,274. At September 30, 2009, the date of the most recent actuarial valuation, membership in the system was comprised of the following:

* <u>GROUP</u> *	
Retirees and beneficiaries	
currently receiving benefits	74
Active employees	298

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/04	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%
9/30/09	25,511,003	36,525,296	11,014,293	69.8%	11,920,315	92.4%

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/09	\$ 1,045,233	100%	\$ -
9/30/08	1,007,736	100%	-
9/30/07	843,629	100%	-
9/30/06	720,193	100%	-
9/30/05	642,946	100%	-

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the City's employee group as a whole has tended to remain level as a percentage of annual covered payrolls. The contribution rate for normal cost is determined using the entry

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

age normal actuarial cost method with proration based on service. The unfunded liability contributions are determined by subtracting the present value of prospective employer assets held from the present value of expected benefits to be paid by the System.

The contribution to the System for fiscal year ended December 31, 2010 of \$1,705,764 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of September 30, 2009. The total employer contributions of \$1,060,671 represented 9.10% of current year covered payroll, and the total employee contributions of \$645,093 represented 5.00% and 6.00% of current year covered payroll. The employee contributions were a component of normal cost. The employer contributions consisted of \$450,009 for normal cost (3.86% of current year covered payroll), \$572,190 for amortization of the actuarial accrued liability (4.74% of current year covered payroll), \$17,487 for death benefits (.15% of current year covered payroll), and \$20,985 for administrative expenses of the system (.18% of current year covered payroll).

The last valuation was September 30, 2009. The System has informed the City that no significant changes have occurred during fiscal year 2010. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

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
DECEMBER 31, 2010

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.

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 January 1, 2010 is \$326,554, as set forth below:

	<u>Medical</u>
Normal Cost	\$ 141,351
30-year UAL amortization amount	<u>185,203</u>
Annual required contribution (ARC)	<u>\$ 326,554</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 December 31, 2010:

	<u>Medical</u>
Beginning Net OPEB Obligation (Asset) 1/1/2010	\$ 157,840
Annual required contribution	326,554
Interest on Net OPEB Obligation (Asset)	-0-
ARC Adjustment	<u>-0-</u>
OPEB Cost	484,394
Contribution	-0-
Current year retiree premium	<u>(158,767)</u>
Change in Net OPEB Obligation	<u>325,627</u>
Ending Net OPEB Obligation (Asset) 12/31/2010	<u>\$ 325,627</u>
Net OPEB Liability:	
Governmental Funds	\$ 279,802
Proprietary Funds	<u>45,825</u>
Total	<u>\$ 325,627</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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	December 31, 2010	\$ 167,787	51.53%	\$ 325,627

Funded Status and Funding Progress - In the fiscal year ending December 31, 2010, the City of Northport made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of 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 ended September 30, 2009 and December 31, 2010, 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)	\$ 11,658,274
UAAL as a percentage of covered payroll	25.1%

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

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Northport and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Northport and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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
DECEMBER 31, 2010

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
DECEMBER 31, 2010

NOTE 18: DEFERRED COMPENSATION PLAN

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

NOTE 19: COMMITMENTS AND CONTINGENCIES

Industrial Park Land

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

Tuscaloosa County High School Pledge

The City is contingently liable for \$5,000,000 of the bond issue offered by the Tuscaloosa County School Board to construct a new high school. The City has committed an annual pledge of \$250,000 for a 20-year period. Any infrastructure cost incurred by the City may be used to offset the annual pledge. At December 31, 2010, the outstanding commitment was \$2,000,000.

Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project will be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At December 31, 2010, the outstanding commitment was \$429,155.

Capital Improvements

The City has an obligation to complete ADEM requirements for the Disinfection By-Product Rule before 2012. This project will cost the City approximately \$1,500,000. Also, the City has an obligation to replace the water treatment plant lagoon pump at a cost of approximately \$400,000.

Pending or Threatened Litigation

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 20: DEBT DEFEASANCE

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

NOTE 21: SELF-INSURANCE

During the year ended December 31, 2010, employees of the City of Northport were covered by the City's medical self-insurance plan (the "Plan"). Retirees are also eligible for medical insurance coverage through the self-insurance plan. No dental coverage was available to retirees through the plan. Claims were paid by Blue Cross and Blue Shield of Alabama acting on behalf of the City. The Plan is documented by a contractual agreement.

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

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

NOTE 22: CHANGE IN FISCAL YEAR END

During the prior fiscal year, the City changed its fiscal year end for financial statement reporting purposes to December 31. The three month period ending December 31, 2009 is included as supplementary information on pages 93-95.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 23: SANDS SPRINGS MERGER

On November 19, 2010, the City agreed to merge and assume the assets and liabilities of the Sands Springs Water Authority, Inc. into the City's water system. No cash or debt was issued by the City in the merger. The following is a summary of the assets, liabilities, and net assets transferred to the City:

Assets:		
Cash and Cash Equivalents	\$	351,059
Accounts Receivable		51,254
Land		42,675
Water Treatment Plant		13,752
Water Distributions System		2,051,498
Machinery and Equipment		33,830
Vehicles		27,210
Accumulated Depreciation		(1,204,910)
Total Assets		<u>\$ 1,366,368</u>
Liabilities:		
Accounts Payable	\$	5,180
Meter Deposits		46,786
Note Payable		99,852
Total Liabilities		<u>\$ 151,818</u>
Net Assets		<u>1,214,550</u>
Total Liabilities and Net Assets		<u>\$ 1,366,368</u>

NOTE 24: SUBSEQUENT EVENTS

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of December 31, 2010 and subsequent to that date through the date of our report to determine if any events or transactions have occurred which would have a material effect on the financial statements as of December 31, 2010. No events or transactions have occurred which would have a material effect on the financial statements as of December 31, 2010.

NOTE 25: INTANGIBLE ASSETS

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

FEDERAL FINANCIAL ASSISTANCE

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

September 30, 2011

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Northport, Alabama, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2010. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on City of Northport, Alabama's, compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Northport, Alabama, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

The management of the City of Northport, Alabama is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

LeCroy, Hunter & Company, P.C.

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES	MAJOR PROGRAM
Department of Transportation:				
Highway Planning and Construction	20.205	STMOA 9642	\$ 131,942	Yes
Highway Planning and Construction	20.205	STMOA 9628	<u>361,856</u>	Yes
<u>Total Department of Transportation</u>			<u>\$ 493,798</u>	
Department of Justice:				
Public Safety Partnership and Community Policing	16.710	N/A	\$ 15,444	No
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	6,545	No
Recovery Act - Edward Byrne Memorial Competitive Grant	16.808	N/A	60,417	No
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	<u>13,851</u>	No
<u>Total Department of Transportation</u>			<u>\$ 96,257</u>	
<u>TOTAL FINANCIAL EXPENDITURES</u>			<u>\$ 590,055</u>	

CITY OF NORTHPORT, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2010

NOTE 1: **SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the City's Federal awards programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

- A. The auditor's report expresses an unqualified opinion on the financial statements of the **City of Northport, Alabama**.
- B. An examination of the internal control over financial reporting of the **City of Northport, Alabama**, did not identify reportable conditions that are considered to be material weaknesses.
- C. An examination of the internal control over financial reporting of the **City of Northport, Alabama**, did not identify reportable conditions that are considered to be significant deficiencies.
- D. No instances of noncompliance material to the financial statements of the **City of Northport, Alabama**, were disclosed during the audit.
- E. An examination of the internal control over major federal programs of the **City of Northport, Alabama** did not identify significant deficiencies.
- F. An examination of the internal control over major federal programs of the **City of Northport, Alabama**, did not identify material internal control weaknesses.
- G. The Major Programs' Compliance Opinion was unqualified.
- H. There were not any findings to be reported in accordance with Section 510(a) of Circular A-133.
- I. The programs tested as major programs include the following:
- | <u>DESCRIPTION</u> | <u>CATALOG NO.</u> |
|---|--------------------|
| Highway Planning and Construction Grant | 20.205 |
- J. The threshold for distinguishing Types A and B programs was \$300,000.
- K. The **City of Northport, Alabama**, was not considered a low-risk auditee.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported for the **City of Northport, Alabama**.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported for the **City of Northport, Alabama**.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<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	\$ 7,450,000	\$ (100,000)	\$ 7,350,000	\$ 7,279,153	\$ (70,847)
Property Taxes	2,550,000	-	2,550,000	2,803,682	253,682
Other Taxes	262,300	(4,000)	258,300	183,626	(74,674)
<u>Total Taxes</u>	<u>\$ 10,262,300</u>	<u>\$ (104,000)</u>	<u>\$ 10,158,300</u>	<u>\$ 10,266,461</u>	<u>\$ 108,161</u>
Licenses and Permits					
Business License	\$ 4,100,000	\$ -	\$ 4,100,000	\$ 4,176,820	\$ 76,820
Other Licenses and Permits	122,000	-	122,000	99,584	(22,416)
<u>Total Licenses and Permits</u>	<u>\$ 4,222,000</u>	<u>\$ -</u>	<u>\$ 4,222,000</u>	<u>\$ 4,276,404</u>	<u>\$ 54,404</u>
Charges for Services					
Fines and Penalties	\$ 1,070,000	\$ -	\$ 1,070,000	\$ 1,144,947	\$ 74,947
Intergovernmental Revenues	485,000	5,000	490,000	531,759	41,759
Other Revenue	3,448,500	(15,500)	3,433,000	3,363,019	(69,981)
	241,000	(12,000)	229,000	307,139	78,139
<u>Total Revenues</u>	<u>\$ 19,728,800</u>	<u>\$ (126,500)</u>	<u>\$ 19,602,300</u>	<u>\$ 19,889,729</u>	<u>\$ 287,429</u>
<u>Expenditures</u>					
Operating					
Finance and Administration	\$ 2,429,911	\$ (453,639)	\$ 1,976,272	\$ 2,095,984	\$ (119,712)
General Government	826,269	(68,219)	758,050	770,778	(12,728)
Planning and Development	483,301	31,982	515,283	553,738	(38,455)
Public Safety	9,857,652	(99,764)	9,757,888	9,667,545	90,343
Public Works	4,115,585	178,815	4,294,400	4,208,275	86,125
Local Agency Funding	323,300	82,000	405,300	395,535	9,765
<u>Total Operating Expenditures</u>	<u>\$ 18,036,018</u>	<u>\$ (328,825)</u>	<u>\$ 17,707,193</u>	<u>\$ 17,691,855</u>	<u>\$ 15,338</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>ORIGINAL BUDGET</u>	<u>CHANGE IN BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Capital					
Finance and Administration	\$ 200,000	\$ (108,500)	\$ 91,500	\$ 86,453	\$ 5,047
General Government	50,000	(25,000)	25,000	35,581	(10,581)
Planning and Development	5,000	-	5,000	555	4,445
Public Safety	595,000	(120,500)	474,500	333,774	140,726
Public Works	510,000	137,500	647,500	568,502	78,998
<u>Total Capital Expenditures</u>	<u>\$ 1,360,000</u>	<u>\$ (116,500)</u>	<u>\$ 1,243,500</u>	<u>\$ 1,024,865</u>	<u>\$ 218,635</u>
Debt Service	\$ 2,034,900	\$ -	\$ 2,034,900	\$ 2,024,027	\$ 10,873
<u>Total Debt Service</u>	<u>\$ 2,034,900</u>	<u>\$ -</u>	<u>\$ 2,034,900</u>	<u>\$ 2,024,027</u>	<u>\$ 10,873</u>
<u>Total Expenditures</u>	<u>\$ 21,430,918</u>	<u>\$ (445,325)</u>	<u>\$ 20,985,593</u>	<u>\$ 20,740,747</u>	<u>\$ 244,846</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ (1,702,118)</u>	<u>\$ 318,825</u>	<u>\$ (1,383,293)</u>	<u>\$ (851,018)</u>	<u>\$ 532,275</u>
Fund Balance Allocation	1,702,118	(318,825)	1,383,293	-	(1,383,293)
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (851,018)</u>	<u>\$ (851,018)</u>
<u>Fund Balance - January 1, 2010, Budgetary Basis</u>				<u>\$ 12,193,627</u>	
<u>Fund Balance - December 31, 2010, Budgetary Basis</u>				\$ 11,342,609	
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>					
Capital Outlays Financed Not Included in Budget				(2,320,314)	
Shirley Place Expenses Not Included in Budget				(50,252)	
Earnings of Debt Service Escrow Accounts Not Included in Budget				33,947	
Grant Proceeds not included in Budget				735,096	
Grant Expenses not included in Budget				(721,196)	
Operating Transfer from Water and Sewer Fund				23,835	
Proceeds from Sale of City Property Not Included in Budget				15,822	
Operating and Capital Expenditures Not Included in Budget				24,998	
Operating and Capital Outlays Paid with Grant Funds Not Included in Budget				(286,817)	
Revenue Collected Not Included in Budget				226,637	
Current Portion of Compensated Absences Not Included in Budgeted Expenses				5,596	
<u>Fund Balance - December 31, 2010 (GAAP Basis)</u>				<u>\$ 9,029,961</u>	

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

CITY OF NORTHPORT, ALABAMA
PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

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 December 31, 2010, the required pension contributions were determined as part of the September 30, 2009 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, 2009 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, 2009 was 27 years.

Trend Information and Required Supplemental Information

As of the September 30, 2009 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, 2009 was \$-0-. The following table shows the NPO for the year ended September 30, 2009.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/09	\$ 1,045,233	100%	\$ -
9/30/08	1,007,736	100%	-
9/30/07	843,629	100%	-
9/30/06	720,193	100%	-
9/30/05	642,946	100%	-

As of the September 30, 2009 valuation report provided by RSA, the following table illustrates the funding progress of the City’s employee plan.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/04	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%
9/30/09	25,511,003	36,525,296	11,014,293	69.8%	11,920,315	92.4%

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 year ended December 31, 2010, three month period ended December 31, 2009 and the years ended September 30, 2009 and 2008.
- Schedule of General Fund Revenues for the year ended December 31, 2010 and the years ended September 30, 2009 and 2008.
- Water and Sewer Statistical Information for the year ended December 31, 2010 and the years ended September 30, 1996 – 2009.
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended December 31, 2010
- Schedule of Water and Sewer Fund Debt Service for the year ended December 31, 2010
- Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the year ended December 31, 2010
- Schedule of Legal Debt Margin

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2010
THREE MONTH PERIOD ENDED DECEMBER 31, 2009
YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	YEAR ENDED DECEMBER 31 2010	THREE MONTHS ENDED DECEMBER 31 2009	YEAR ENDED SEPTEMBER 30 2009	YEAR ENDED SEPTEMBER 30 2008
<u>Revenues</u>				
<u>Taxes:</u>				
City Sales and Use Taxes	\$ 7,279,153	\$ 1,764,467	\$ 7,272,351	\$ 7,251,370
Property Taxes	2,149,018	792,959	1,428,321	1,329,101
Other	358,571	83,452	354,100	437,375
<u>Total Taxes</u>	\$ 9,786,742	\$ 2,640,878	\$ 9,054,772	\$ 9,017,846
<u>Licenses and Permits:</u>				
Business Licenses & Permits	\$ 4,176,820	\$ 20,760	\$ 4,207,595	\$ 4,293,579
Other Licenses and Permits	119,947	17,096	134,473	190,074
<u>Total Licenses and Permits</u>	\$ 4,296,767	\$ 37,856	\$ 4,342,068	\$ 4,483,653
Intergovernmental	\$ 3,032,218	\$ 903,124	\$ 3,212,893	\$ 3,266,559
Charges for Services	1,144,947	268,646	1,066,089	1,048,792
Other Revenues	927,315	43,664	523,565	380,620
Fines and Penalties	531,759	102,281	475,295	505,370
<u>Total Revenues</u>	\$ 19,719,748	\$ 3,996,449	\$ 18,674,682	\$ 18,702,840
<u>Expenditures</u>				
Public Safety	\$ 9,334,009	\$ 2,475,758	\$ 9,093,501	\$ 8,869,612
Public Works	4,208,275	1,030,052	4,793,812	5,063,443
Capital Outlay	3,294,895	726,303	2,430,916	1,900,305
Finance and Administration	2,076,382	272,839	1,722,765	1,698,524
General Government	770,778	165,684	786,978	781,227
Local Agency Support	395,535	297	433,416	444,100
Planning and Development	548,817	55,962	279,313	312,969
Inspection Services	-	40,863	175,143	189,353
Civic Center	4,854	-	-	-
<u>Total Expenditures</u>	\$ 20,633,545	\$ 4,767,758	\$ 19,715,844	\$ 19,259,533
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ (913,797)	\$ (771,309)	\$ (1,041,162)	\$ (556,693)
<u>Other Financing Sources and (Uses)</u>				
Transfer (Out) to Debt Service Fund	\$ (1,676,372)	\$ (2,455,760)	\$ (1,407,800)	\$ (1,512,841)
Transfer In (Out) from Other Funds	658,085	-	-	-
Loan Proceeds	-	7,884,017	-	-
Other Sources	15,822	-	1,159,893	566,676
<u>Total Other Financing Sources and (Uses)</u>	\$ (1,002,465)	\$ 5,428,257	\$ (247,907)	\$ (946,165)
<u>Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses</u>	\$ (1,916,262)	\$ 4,656,948	\$ (1,289,069)	\$ (1,502,858)
<u>FUND BALANCE - BEGINNING OF YEAR</u>	9,014,639	4,357,691	5,742,666	7,245,524
PRIOR PERIOD ADJUSTMENT	-	-	(95,906)	-
<u>FUND BALANCE - END OF YEAR</u>	\$ 7,098,377	\$ 9,014,639	\$ 4,357,691	\$ 5,742,666

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2010 AND SEPTEMBER 30, 2009 AND 2008

	<u>DECEMBER 31, 2010</u>		<u>SEPTEMBER 30, 2009</u>		<u>SEPTEMBER 30, 2008</u>	
	<u>PERCENT</u>	<u>TOTAL</u>	<u>PERCENT</u>	<u>TOTAL</u>	<u>PERCENT</u>	<u>TOTAL</u>
<u>Revenues</u>						
Taxes:						
City Sales and Use Taxes	36.9%	\$ 7,279,153	38.9%	\$ 7,272,351	38.8%	\$ 7,251,370
Property Taxes	10.9%	2,149,018	7.6%	1,428,321	7.1%	1,329,101
Other	1.8%	358,571	1.9%	354,100	2.3%	437,375
<u>Total Taxes</u>	<u>49.6%</u>	<u>\$ 9,786,742</u>	<u>48.5%</u>	<u>\$ 9,054,772</u>	<u>48.2%</u>	<u>\$ 9,017,846</u>
Licenses and Permits:						
Business Licenses & Permits	21.2%	\$ 4,176,820	22.5%	\$ 4,207,595	23.0%	\$ 4,293,579
Other Licenses and Permits	0.6%	119,947	0.7%	134,473	1.0%	190,074
<u>Total Licenses and Permits</u>	<u>21.8%</u>	<u>\$ 4,296,767</u>	<u>23.3%</u>	<u>\$ 4,342,068</u>	<u>24.0%</u>	<u>\$ 4,483,653</u>
Fines and Penalties	2.7%	\$ 531,759	2.5%	\$ 475,295	2.7%	\$ 505,370
Charges for Services	5.8%	1,144,947	5.7%	1,066,089	5.6%	1,048,792
Intergovernmental	15.4%	3,032,218	17.2%	3,212,893	17.5%	3,266,559
Other Revenues	4.7%	927,315	2.8%	523,565	2.0%	380,620
<u>Total Other Revenue</u>	<u>28.6%</u>	<u>5,636,239</u>	<u>28.3%</u>	<u>5,277,842</u>	<u>27.8%</u>	<u>5,201,341</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 19,719,748</u>	<u>100.0%</u>	<u>\$ 18,674,682</u>	<u>100.0%</u>	<u>\$ 18,702,840</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND
THE YEARS ENDED SEPTEMBER 30, 1995 THROUGH 2009

<u>Water System Statistics</u>			
<u>Fiscal Year</u>	<u>Number of Customers *</u>	<u>Total Volume (Gallons)</u>	<u>Gross Revenue</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
2010	11,832	902,190,889	3,919,693

Ten Largest Water System Customers

	<u>2010 Gallons</u>	<u>2010 Fees</u>
Sand Springs Water Authority	87,895,500	\$ 241,968
DCH Health Care Authority	16,284,000	62,114
Northport Health Services Park Manor	9,805,580	35,628
Northport Housing Authority West Circle	9,680,920	35,856
Forest Manor	7,913,630	29,250
Northport Health Services Glen Haven	7,033,300	25,758
Northport Housing Authority Valley Hills	6,836,580	24,858
Presbyterian Apartments	6,454,700	23,884
Northport Housing Authority Knoll Circle	5,290,360	19,419

Water Rates - Effective October 1, 2010

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

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

* - Customers as of fiscal year end

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND
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
2010	10,182	3,169,687

Rate Schedule: Effective October 1, 2010, the rate for all waste water customers is \$3.69 per 1,000 gallons of metered water. No residential sewer customer shall be charged more than \$39.00 per month for sewer service. This rate cap shall not apply to nonresidential customers and shall not affect any other administrative or sewer charges. In addition, each customer is charged the following monthly minimum rates:

<u>Meter Diameter</u>	<u>Minimum Monthly Charge</u>
5/8"	\$ 8.48
3/4"	9.32
1"	11.34
1 1/2"	15.52
2"	30.53
3"	57.23
4"	73.94
6"	115.72
8"	165.84

* - Customers as of fiscal year end

(continued)

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEAR ENDED DECEMBER 31, 2010 AND
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 DECEMBER 31, 2010

OPERATING REVENUES

Charges for Services and Fees \$ 7,757,742

TOTAL OPERATING REVENUES **\$ 7,757,742**

OPERATING EXPENSES

Salaries and Benefits \$ 2,087,645

Other Expense 792,601

Utilities and Telephone 625,421

Materials and Supplies 534,748

Water and Sewer Purchases 255,654

Maintenance and Repairs 196,376

Insurance 53,416

Professional Fees 45,384

Other Post Employment Expense 25,369

TOTAL OPERATING EXPENSES **\$ 4,616,614**

Interest Income \$ 13,913

NET INCOME AVAILABLE FOR DEBT SERVICE **\$ 3,155,041**

Actual Maximum Annual Debt Service \$ 3,010,233

Actual Maximum Debt Service Coverage 1.05

Actual Maximum Debt Service Specifically Pledged \$ 1,844,566

Actual Maximum Debt Service Coverage Specifically Pledged 1.71

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2010

Fiscal Year	1998 SRF		1999 SRF		2002 SRF		2002 SRF	2002 B	2004 B	2005 SRF	2005 SRF	2009 B	Total
	1998 SRF	Extension	1999 SRF	Extension	2002 SRF	(Refinancing of 1993 SRF)	Warrants	Warrants	Warrants	Extension	Warrants		
2010	\$ 195,938	\$ 15,968	\$ 188,313	\$ 87,255	\$ 290,700	\$ 662,678	\$ 496,723	\$ 234,100	\$ 198,363	\$ 26,212	\$ 241,932	\$ 2,638,182	
2011	195,875	15,583	188,438	84,885	294,225	670,692	494,398	234,600	199,625	25,725	263,924	2,667,970	
2012	195,625	20,101	188,375	82,515	292,400	677,961	500,910	239,407	195,725	30,238	263,925	2,687,182	
2013	200,188	19,524	188,125	85,145	290,400	689,485	495,900	238,715	196,825	29,588	263,925	2,697,820	
2014	199,375	18,946	187,688	82,578	293,225	695,115	805,000	237,680	197,763	28,938	263,925	3,010,233 *	
2015	198,375	18,369	192,063	85,010	295,700	-	805,000	236,292	198,538	28,288	408,925	2,466,560	
2016	197,188	17,791	191,063	87,245	292,825	-	805,000	239,542	199,150	27,638	410,300	2,467,742	
2017	200,813	17,214	189,875	84,283	294,775	-	810,000	242,322	199,600	26,988	405,050	2,470,920	
2018	199,063	16,636	188,500	86,320	291,375	-	815,000	239,622	199,888	26,338	409,800	2,472,542	
2019	197,125	16,059	191,938	83,160	292,800	-	1,280,000	236,525	200,013	30,688	243,400	2,771,708	
2020	-	20,385	-	-	293,875	-	1,295,000	238,230	199,975	29,875	388,400	2,465,740	
2021	-	-	-	-	294,600	-	1,545,000	239,430	199,775	29,062	357,600	2,665,467	
2022	-	-	-	-	294,975	-	1,842,743	-	199,413	28,250	232,800	2,598,181	
2023	-	-	-	-	-	-	1,844,566	-	198,888	27,438	397,800	2,468,692	
2024	-	-	-	-	-	-	1,840,000	-	198,200	26,625	401,200	2,466,025	
2025	-	-	-	-	-	-	1,843,608	-	197,350	25,808	404,200	2,470,966	
2026	-	-	-	-	-	-	1,842,775	-	201,338	-	426,800	2,470,913	
2027	-	-	-	-	-	-	1,840,000	-	-	-	628,200	2,468,200	
2028	-	-	-	-	-	-	-	-	-	-	2,466,200	2,466,200	
2029	-	-	-	-	-	-	-	-	-	-	2,470,000	2,470,000	
Total	\$ 1,979,565	\$ 196,576	\$ 1,894,378	\$ 848,396	\$ 3,811,875	\$ 3,395,931	\$ 21,201,623	\$ 2,856,465	\$ 3,380,429	\$ 447,699	\$ 11,348,306	\$ 51,361,243	

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND SPECIFICALLY PLEDGED DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2010

Fiscal Year	1999 SRF	2002 B Warrants	Total
2010	\$ 188,313	\$ 496,723	\$ 685,036
2011	188,438	494,398	682,836
2012	188,375	500,910	689,285
2013	188,125	495,900	684,025
2014	187,688	805,000	992,688
2015	192,063	805,000	997,063
2016	191,063	805,000	996,063
2017	189,875	810,000	999,875
2018	188,500	815,000	1,003,500
2019	191,938	1,280,000	1,471,938
2020	-	1,295,000	1,295,000
2021	-	1,545,000	1,545,000
2022	-	1,842,743	1,842,743
2023	-	1,844,566	1,844,566 *
2024	-	1,840,000	1,840,000
2025	-	1,843,608	1,843,608
2026	-	1,842,775	1,842,775
2027	-	1,840,000	1,840,000
Total	\$ 1,894,378	\$ 21,201,623	\$ 23,096,001

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Assessed Value</u>		<u>\$ 225,464,300</u>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 45,092,860
Notes Payable	\$ 99,852	
Long-Term Commitment to TCHS	2,000,000	
Long-Term Commitment - Automotive Corridor	429,155	
SRF Loans	11,865,000	
Warrants Payable	<u>28,847,733</u>	
<u>Total Debt</u>	\$ 43,241,740	
<u>Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama</u>		
School Construction	2,000,000	
<u>Items Excluded from Limit by Section 11-81-166 of the 1975 State of Alabama Code</u>		
Revenue Bonds:		
Water and Sewer Warrants	\$ 16,292,733	
SRF Loans Secured by Revenues	<u>11,865,000</u>	
Net Debt Coming Within Legal Debt Limit		<u>13,084,007</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 32,008,853</u>

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

SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT
GENERAL FUND
DECEMBER 31, 2010

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

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	968,519
Accounts Receivable		
Police Dockets Receivable - Net		45,521
Other Receivables		359,275
Due from Other Funds		2,821,413
Inventories		28,350
		<hr/>

TOTAL CURRENT ASSETS \$ 4,223,078

RESTRICTED ASSETS

Cash and Cash Equivalents	\$	4,260,103
		<hr/>

TOTAL ASSETS **\$ 8,483,181**

LIABILITIES

Accounts Payable	\$	85,116
Due to Other Funds		1,001,642
Accrued Payroll		160,338
Cash Bonds, Restitution and Other Deposits		99,779
Compensated Absences - Current		37,929
		<hr/>

TOTAL LIABILITIES \$ 1,384,804

FUND BALANCE

Reserve for Inventory	\$	28,350
Reserve for Capital Projects		3,850,103
Unreserved		3,219,924
		<hr/>

TOTAL FUND BALANCE \$ 7,098,377

TOTAL LIABILITIES AND FUND EQUITY **\$ 8,483,181**

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUES

TAXES:

City Sales and Use Taxes	\$ 7,279,153
Property Taxes	2,149,018
Other	358,571

<u>TOTAL TAXES</u>	<u>\$ 9,786,742</u>
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LICENSES AND PERMITS:

Business Licenses & Permits	\$ 4,176,820
Other Licenses and Permits	119,947

<u>TOTAL LICENSES AND PERMITS</u>	<u>\$ 4,296,767</u>
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INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 2,280,900
Tobacco Tax	299,621
County Gasoline Tax	233,293
Liquor Tax	92,639
County Vehicle License	56,505
A.B.C. 2-Percent Sales Tax	25,871
Oil and Gas Production	17,605
Motor Vehicle Registration	10,140
Bank Excise Tax	9,597
State Vehicle License	4,082
Manufactured Homes Registration	1,584
A.B.C. Profits Tax	381

<u>TOTAL INTERGOVERNMENTAL REVENUE</u>	<u>\$ 3,032,218</u>
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CHARGES FOR SERVICES:

Garbage Fees	\$ 1,144,947
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FINES AND PENALTIES:

Court Costs and Fines	\$ 435,233
Court Costs - Corrections	96,526

<u>TOTAL FINES AND PENALTIES</u>	<u>\$ 531,759</u>
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MISCELLANEOUS REVENUE:

Grant Proceeds	\$ 721,196
Rental and Lease Income	123,530
Housing Authority Lease	14,409
Other Income	59,933
Interest Income	8,247

<u>TOTAL MISCELLANEOUS REVENUE</u>	<u>\$ 927,315</u>
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<u>TOTAL REVENUES</u>	<u>\$ 19,719,748</u>
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(continued)

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 9,334,009
Public Works	4,208,275
Finance and Administration	2,076,382
General Government	770,778
Planning and Development	548,817
Local Agency Support	395,535
Civic Center	4,854
	<hr/>

TOTAL OPERATING EXPENDITURES **\$ 17,338,650**

CAPITAL EXPENDITURES:

Finance and Administration	\$ 2,365,746
Public Works	855,765
Public Safety	37,248
General Government	35,581
Planning and Development	555
	<hr/>

TOTAL CAPITAL EXPENDITURES **\$ 3,294,895**

TOTAL EXPENDITURES **\$ 20,633,545**

EXCESS REVENUES / (EXPENDITURES) **\$ (913,797)**

OTHER FINANCING SOURCES (USES):

Transfer (Out) to Debt Service Fund	\$ (1,676,372)
Transfer In from Other Funds	658,085
Sale Proceeds	15,822
	<hr/>

TOTAL FINANCING SOURCES (USES) **\$ (1,002,465)**

EXCESS REVENUES AND SOURCES
OVER EXPENDITURES AND USES **\$ (1,916,262)**

FUND BALANCE - JANUARY 1, 2010 **9,014,639**

FUND BALANCE - DECEMBER 31, 2010 **\$ 7,098,377**

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
DECEMBER 31, 2010

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

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

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
BALANCE SHEET
DECEMBER 31, 2010

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 884,766

TOTAL RESTRICTED ASSETS \$ 884,766

TOTAL ASSETS \$ 884,766

FUND BALANCE

Reserved for Debt Service \$ 884,766

TOTAL FUND BALANCE \$ 884,766

TOTAL LIABILITIES AND FUND BALANCE \$ 884,766

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

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
DECEMBER 31, 2010

REVENUES

Interest on Investments	\$	1,169
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<u>TOTAL REVENUES</u>		\$ 1,169
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EXPENDITURES

Interest Paid	\$	540,672
Other Fees		3,312
Payments on Bonds, Warrants, and Notes Payable		1,446,096

<u>TOTAL EXPENDITURES</u>		\$ 1,990,080
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**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

\$ (1,988,911)

OTHER FINANCING SOURCES (USES)

Transfers In	\$	2,047,862
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<u>TOTAL OTHER FINANCING SOURCES (USES)</u>		\$ 2,047,862
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**EXCESS (DEFICIENCY) OF REVENUES AND OTHER
SOURCES AND USES**

\$ 58,951

FUND BALANCE - JANUARY 1, 2010

825,815

FUND BALANCE - DECEMBER 31, 2010

\$ 884,766

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
DECEMBER 31, 2010

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

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

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

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	<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	\$ 872,384	\$ 164,250	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ (144,000)	\$ 1,000,634
<u>TOTAL CURRENT ASSETS</u>	\$ 872,384	\$ 164,250	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ -	\$ 1,000,634
<u>RESTRICTED ASSETS</u>									
Cash and Cash Equivalents	\$ 1,545	\$ 30,287	\$ 99,153	\$ 16,917	\$ 103,548	\$ 75,472	\$ 590	\$ -	\$ 327,512
<u>TOTAL RESTRICTED ASSETS</u>	\$ 1,545	\$ 30,287	\$ 99,153	\$ 16,917	\$ 103,548	\$ 75,472	\$ 590	\$ -	\$ 327,512
<u>TOTAL ASSETS</u>	\$ 873,929	\$ 194,537	\$ 99,153	\$ 16,917	\$ 211,548	\$ 75,472	\$ 590	\$ (144,000)	\$ 1,328,146
LIABILITIES & FUND BALANCE									
<u>CURRENT LIABILITIES</u>									
Accounts Payable	\$ 50,543	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,543
Due to Other Funds	230,785	-	144,000	-	-	-	-	(144,000)	230,785
<u>TOTAL LIABILITIES</u>	\$ 281,328	\$ -	\$ 144,000	\$ -	\$ -	\$ -	\$ -	\$ (144,000)	\$ 281,328
<u>FUND BALANCE</u>									
Reserved	\$ 592,601	\$ 194,537	\$ (44,847)	\$ 16,917	\$ 211,548	\$ 75,472	\$ 590	\$ -	\$ 1,046,818
<u>TOTAL FUND BALANCE</u>	\$ 592,601	\$ 194,537	\$ (44,847)	\$ 16,917	\$ 211,548	\$ 75,472	\$ 590	\$ -	\$ 1,046,818
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 873,929	\$ 194,537	\$ 99,153	\$ 16,917	\$ 211,548	\$ 75,472	\$ 590	\$ (144,000)	\$ 1,328,146

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<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	\$ -	\$ -	\$ 49,242	\$ -	\$ 44,721	\$ -	\$ -	\$ 93,963
Petroleum Inspection Fee	-	-	8,087	-	-	-	-	8,087
Share of Beer Tax	-	-	-	-	-	141,206	-	141,206
Municipal Government Tax	-	129,679	-	-	-	-	-	129,679
Other Operating Revenues:								
Interest	2,469	1,590	299	266	372	201	-	5,197
Property Taxes	654,664	-	-	-	-	-	-	654,664
Grant Proceeds	-	-	-	13,900	-	-	-	13,900
Other	-	-	-	69,320	-	-	629	69,949
<u>TOTAL REVENUE</u>	<u>\$ 657,133</u>	<u>\$ 131,269</u>	<u>\$ 57,628</u>	<u>\$ 83,486</u>	<u>\$ 45,093</u>	<u>\$ 141,407</u>	<u>\$ 629</u>	<u>\$ 1,116,645</u>
<u>EXPENDITURES</u>								
Finance and Administration	\$ 24,130	\$ -	\$ -	\$ -	\$ -	\$ 140,798	\$ 560	\$ 165,488
Planning and Development	-	-	-	67	-	-	-	67
Public Safety	679,007	-	-	69,643	-	-	-	748,650
Public Works	-	393,018	40,485	-	69,552	-	-	503,055
<u>TOTAL EXPENDITURES</u>	<u>\$ 703,137</u>	<u>\$ 393,018</u>	<u>\$ 40,485</u>	<u>\$ 69,710</u>	<u>\$ 69,552</u>	<u>\$ 140,798</u>	<u>\$ 560</u>	<u>\$ 1,417,260</u>
<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>(46,004)</u>	<u>(261,749)</u>	<u>17,143</u>	<u>13,776</u>	<u>(24,459)</u>	<u>609</u>	<u>69</u>	<u>(300,615)</u>
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfer In (Out)	\$ (978,544)	\$ -	\$ -	\$ (27,196)	\$ -	\$ -	\$ -	\$ (1,005,740)
<u>Excess (Deficit) of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>\$ (1,024,548)</u>	<u>\$ (261,749)</u>	<u>\$ 17,143</u>	<u>\$ (13,420)</u>	<u>\$ (24,459)</u>	<u>\$ 609</u>	<u>\$ 69</u>	<u>\$ (1,306,355)</u>
<u>FUND BALANCE - JANUARY 1, 2010</u>	<u>1,617,149</u>	<u>456,286</u>	<u>(61,990)</u>	<u>30,337</u>	<u>236,007</u>	<u>74,863</u>	<u>521</u>	<u>2,353,173</u>
<u>FUND BALANCE - DECEMBER 31, 2010</u>	<u>\$ 592,601</u>	<u>\$ 194,537</u>	<u>\$ (44,847)</u>	<u>\$ 16,917</u>	<u>\$ 211,548</u>	<u>\$ 75,472</u>	<u>\$ 590</u>	<u>\$ 1,046,818</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
DECEMBER 31, 2010

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

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

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	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	\$ 326,603	\$ -	\$ 326,603	\$ -	\$ 326,603
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$218,515	641,096	-	641,096	-	641,096
Assessments Receivable - Current	-	11,687	11,687	-	11,687
Interest Receivable	2,588	7,889	10,477	-	10,477
Due from Other Propriety Funds	1,643,991	-	1,643,991	-	1,643,991
Due from Other Funds	305,083	-	305,083	-	305,083
Inventory	62,829	-	62,829	-	62,829
<u>TOTAL CURRENT ASSETS</u>	\$ 2,982,190	\$ 19,576	\$ 3,001,766	\$ -	\$ 3,001,766
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 2,669,897	\$ -	\$ 2,669,897	\$ 112,781	\$ 2,782,678
Investments - Warrant Payments Temporarily Invested	256,254	-	256,254	-	256,254
<u>TOTAL RESTRICTED ASSETS</u>	\$ 2,926,151	\$ -	\$ 2,926,151	\$ 112,781	\$ 3,038,932
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Construction In Progress	\$ 1,984,708	\$ -	\$ 1,984,708	\$ -	\$ 1,984,708
Land	396,017	-	396,017	-	396,017
Treatment Plants and Pump Stations	28,043,445	-	28,043,445	-	28,043,445
Distribution and Disposal System	39,235,970	-	39,235,970	-	39,235,970
Machinery and Equipment	501,685	-	501,685	-	501,685
Vehicles	550,348	-	550,348	-	550,348
Computer Equipment	129,859	-	129,859	-	129,859
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 70,842,032	\$ -	\$ 70,842,032	\$ -	\$ 70,842,032
Less: Accumulated Depreciation	(19,261,668)	-	(19,261,668)	-	(19,261,668)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 51,580,364	\$ -	\$ 51,580,364	\$ -	\$ 51,580,364
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,061,720	\$ 2,061,720	\$ -	\$ 2,061,720
Bond Issue Costs	443,676	-	443,676	-	443,676
<u>TOTAL OTHER ASSETS</u>	\$ 443,676	\$ 2,061,720	\$ 2,505,396	\$ -	\$ 2,505,396
<u>TOTAL ASSETS</u>	\$ 57,932,381	\$ 2,081,296	\$ 60,013,677	\$ 112,781	\$ 60,126,458

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	ENTERPRISE FUNDS				TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 8,287	\$ -	\$ 8,287	\$ -	\$ 8,287
Due to Other Funds	2,184,953	-	2,184,953	405,675	2,590,628
Due to Other Proprietary Funds	-	1,643,991	1,643,991	304,075	1,948,066
Accrued Payroll	37,544	-	37,544	-	37,544
Notes Payable - Current	99,852	-	99,852	-	99,852
Accrued Expenses	-	-	-	31,311	31,311
	<u>\$ 2,330,636</u>	<u>\$ 1,643,991</u>	<u>\$ 3,974,627</u>	<u>\$ 741,061</u>	<u>\$ 4,715,688</u>
<u>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 264,704	\$ -	\$ 264,704	\$ -	\$ 264,704
Warrants Payable - Current	1,860,000	-	1,860,000	-	1,860,000
Customer and Waterline Extension Deposits	722,634	-	722,634	-	722,634
	<u>\$ 2,847,338</u>	<u>\$ -</u>	<u>\$ 2,847,338</u>	<u>\$ -</u>	<u>\$ 2,847,338</u>
<u>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>					
	<u>\$ 5,177,974</u>	<u>\$ 1,643,991</u>	<u>\$ 6,821,965</u>	<u>\$ 741,061</u>	<u>\$ 7,563,026</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Discounts)	\$ 26,233,452	\$ -	\$ 26,233,452	\$ -	\$ 26,233,452
Net OPEB Liability	45,825	-	45,825	-	45,825
Estimated Liability for Compensated Absences - Noncurrent	177,239	-	177,239	-	177,239
	<u>\$ 26,456,516</u>	<u>\$ -</u>	<u>\$ 26,456,516</u>	<u>\$ -</u>	<u>\$ 26,456,516</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
	<u>\$ 31,634,490</u>	<u>\$ 1,643,991</u>	<u>\$ 33,278,481</u>	<u>\$ 741,061</u>	<u>\$ 34,019,542</u>
<u>TOTAL LIABILITIES</u>					
<u>NET ASSETS</u>					
Invested in Capital Assets, Net of Related Debt	\$ 16,477,097	\$ 214,465	\$ 16,691,562	\$ -	\$ 16,691,562
Restricted for Capital Projects	2,669,897	-	2,669,897	-	2,669,897
Restricted for Debt Service	256,254	-	256,254	-	256,254
Unrestricted	6,894,643	222,840	7,117,483	(628,280)	6,489,203
	<u>\$ 26,297,891</u>	<u>\$ 437,305</u>	<u>\$ 26,735,196</u>	<u>\$ (628,280)</u>	<u>\$ 26,106,916</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 DECEMBER 31, 2010

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>OPERATING REVENUES</u>					
Water Sales	\$ 3,919,693	\$ -	\$ 3,919,693	\$ -	\$ 3,919,693
Sewer Fees	3,169,687	-	3,169,687	-	3,169,687
Charges for Services	-	-	-	1,730,886	1,730,886
Development Fees	250,847	-	250,847	-	250,847
Late Charges	212,252	-	212,252	-	212,252
Service Fees	178,646	-	178,646	-	178,646
Tappage and Meter Fees	26,617	-	26,617	-	26,617
<u>TOTAL OPERATING REVENUES</u>	<u>\$ 7,757,742</u>	<u>\$ -</u>	<u>\$ 7,757,742</u>	<u>\$ 1,730,886</u>	<u>\$ 9,488,628</u>
<u>OPERATING EXPENSES</u>					
<u>Utilities and Distribution:</u>					
Salaries and Benefits	\$ 845,396	\$ -	\$ 845,396	\$ -	\$ 845,396
Other Fringe Benefits	164,124	-	164,124	-	164,124
Payroll Taxes	63,077	-	63,077	-	63,077
Insurance	53,416	-	53,416	-	53,416
Professional Fees	45,384	-	45,384	-	45,384
Solid Waste Authority Contract	29,429	-	29,429	-	29,429
Miscellaneous Expense	24,702	-	24,702	-	24,702
Maintenance and Repairs	10,159	-	10,159	-	10,159
Utilities and Telephone	20	-	20	-	20
<u>Total Utilities and Distribution Expense</u>	<u>\$ 1,235,707</u>	<u>\$ -</u>	<u>\$ 1,235,707</u>	<u>\$ -</u>	<u>\$ 1,235,707</u>
<u>Water Treatment:</u>					
Utilities and Telephone	\$ 625,401	\$ -	\$ 625,401	\$ -	\$ 625,401
Chemicals, Supplies and Materials	415,382	-	415,382	-	415,382
Salaries and Wages	354,527	-	354,527	-	354,527
Miscellaneous Expense	339,787	-	339,787	-	339,787
Raw Water Purchases	255,654	-	255,654	-	255,654
Maintenance and Repairs	71,486	-	71,486	-	71,486
Other Fringe Benefits	61,213	-	61,213	-	61,213
Payroll Tax	26,279	-	26,279	-	26,279
<u>Total Water Treatment Expenses</u>	<u>\$ 2,149,729</u>	<u>\$ -</u>	<u>\$ 2,149,729</u>	<u>\$ -</u>	<u>\$ 2,149,729</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	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	\$ 442,000	\$ -	\$ 442,000	\$ -	\$ 442,000
Miscellaneous Expense	190,114	-	190,114	-	190,114
Maintenance and Repairs	114,731	-	114,731	-	114,731
Other Fringe Benefits	98,670	-	98,670	-	98,670
Chemicals, Supplies and Materials	89,937	-	89,937	-	89,937
Payroll Tax	32,359	-	32,359	-	32,359
<u>Total Waste Water Treatment Expense</u>	<u>\$ 967,811</u>	<u>\$ -</u>	<u>\$ 967,811</u>	<u>\$ -</u>	<u>\$ 967,811</u>
<u>Other Operating Expenses:</u>					
Insurance Claims and Expense	\$ -	\$ -	\$ -	\$ 1,739,223	\$ 1,739,223
Depreciation	1,338,975	-	1,338,975	-	1,338,975
Bad Debt Expense	244,764	-	244,764	-	244,764
Compensated Absences	18,603	-	18,603	-	18,603
<u>Total Other Operating Expenses</u>	<u>\$ 1,602,342</u>	<u>\$ -</u>	<u>\$ 1,602,342</u>	<u>\$ 1,739,223</u>	<u>\$ 3,341,565</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 5,955,589</u>	<u>\$ -</u>	<u>\$ 5,955,589</u>	<u>\$ 1,739,223</u>	<u>\$ 7,694,812</u>
<u>OPERATING INCOME (LOSS)</u>	<u>\$ 1,802,153</u>	<u>\$ -</u>	<u>\$ 1,802,153</u>	<u>\$ (8,337)</u>	<u>\$ 1,793,816</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 13,913	\$ 170	\$ 14,083	\$ 120	\$ 14,203
Gain on Sale of Property	3,195	-	3,195	-	3,195
Operating Transfers In / (Out)	(23,835)	-	(23,835)	-	(23,835)
Interest Expense	(838,831)	-	(838,831)	-	(838,831)
Issue Cost	(40,506)	-	(40,506)	-	(40,506)
Agency Fees	(2,763)	-	(2,763)	-	(2,763)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	<u>\$ (888,827)</u>	<u>\$ 170</u>	<u>\$ (888,657)</u>	<u>\$ 120</u>	<u>\$ (888,537)</u>
<u>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</u>	<u>\$ 913,326</u>	<u>\$ 170</u>	<u>\$ 913,496</u>	<u>\$ (8,217)</u>	<u>\$ 905,279</u>
Capital Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
<u>CHANGE IN NET ASSETS</u>	<u>\$ 913,326</u>	<u>\$ 170</u>	<u>\$ 913,496</u>	<u>\$ (8,217)</u>	<u>\$ 905,279</u>
<u>NET ASSETS, JANUARY 1</u>	<u>24,170,015</u>	<u>437,135</u>	<u>24,607,150</u>	<u>(620,063)</u>	<u>23,987,087</u>
SAND SPRINGS MERGER (NOTE 23)	1,214,550	-	1,214,550	-	1,214,550
<u>NET ASSETS, DECEMBER 31, 2010</u>	<u>\$ 26,297,891</u>	<u>\$ 437,305</u>	<u>\$ 26,735,196</u>	<u>\$ (628,280)</u>	<u>\$ 26,106,916</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2010

	<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	\$ 7,589,186	\$ 11,753	\$ 7,600,939	\$ 1,730,886	\$ 9,331,825
Cash Paid for Personnel Cost	(2,074,615)	-	(2,074,615)	-	(2,074,615)
Cash Paid for Operations	(2,145,372)	-	(2,145,372)	(1,773,887)	(3,919,259)
<u>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 3,369,199</u>	<u>\$ 11,753</u>	<u>\$ 3,380,952</u>	<u>\$ (43,001)</u>	<u>\$ 3,337,951</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ (599,348)	\$ (25,378)	\$ (624,726)	\$ 28,500	\$ (624,726)
Operating Transfers In / (Out)	(23,835)	-	(23,835)	-	(23,835)
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ (623,183)</u>	<u>\$ (25,378)</u>	<u>\$ (648,561)</u>	<u>\$ 28,500</u>	<u>\$ (648,561)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (2,545,769)	\$ -	\$ (2,545,769)	\$ -	\$ (2,545,769)
Repayment of Bond Principal	(1,694,019)	-	(1,694,019)	-	(1,694,019)
Proceeds from the Sale of City Property	3,195	-	3,195	-	3,195
Cash Received in Sand Springs Merger	350,908	-	350,908	-	350,908
Repayment of Interest on Bonds and Other Debt	(842,024)	-	(842,024)	-	(842,024)
Payments to Escrow Agents	(2,763)	-	(2,763)	-	(2,763)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (4,730,472)</u>	<u>\$ -</u>	<u>\$ (4,730,472)</u>	<u>\$ -</u>	<u>\$ (4,730,472)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 12,016	\$ 4,347	\$ 16,363	\$ 120	\$ 16,483
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 12,016</u>	<u>\$ 4,347</u>	<u>\$ 16,363</u>	<u>\$ 120</u>	<u>\$ 16,483</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ (1,972,440)	\$ (9,278)	\$ (1,981,718)	\$ (14,381)	\$ (2,024,599)
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>4,968,940</u>	<u>9,278</u>	<u>4,978,218</u>	<u>127,162</u>	<u>5,105,380</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 2,996,500</u>	<u>\$ -</u>	<u>\$ 2,996,500</u>	<u>\$ 112,781</u>	<u>\$ 3,080,781</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2010

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING</u>					
<u>INCOME TO NET CASH PROVIDED (USED)</u>					
<u>BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,802,153	\$ -	\$ 1,802,153	\$ (8,337)	\$ 1,793,816
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,338,975	-	1,338,975	-	1,338,975
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	76,208	11,753	87,961	-	87,961
Inventory	48,779	-	48,779	-	48,779
Accounts Payable	3,802	-	3,802	(34,664)	(30,862)
Estimated Liabilities for OPEB Liability	25,369	-	25,369	-	25,369
Estimated Liabilities for Compensated Absences	(6,766)	-	(6,766)	-	(6,766)
Accrued Payroll	13,030	-	13,030	-	13,030
Customer Deposits	67,649	-	67,649	-	67,649
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 3,369,199	\$ 11,753	\$ 3,380,952	\$ (43,001)	\$ 3,337,951
<u>NONCASH CAPITAL AND RELATED FINANCING</u>					
<u>ACTIVITIES ASSUMED FROM SANDS SPRINGS</u>					
<u>WATER AUTHORITY</u>					
Accounts Receivable	\$ 51,254	\$ -	\$ 51,254	\$ -	\$ 51,254
Fixed Assets, Net of Accumulated Depreciation	964,056	-	964,056	-	964,056
Accrued Liabilities	(5,180)	-	(5,180)	-	(5,180)
Meter Deposits	(46,786)	-	(46,786)	-	(46,786)
Notes Payable	(99,852)	-	(99,852)	-	(99,852)
<u>NET NONCASH FLOWS PROVIDED (USED) BY</u>					
<u>NONCASH CAPITAL AND RELATED</u>					
<u>FINANCING ACTIVITIES</u>	\$ 863,492	\$ -	\$ 863,492	\$ -	\$ 863,492

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF INSURANCE
DECEMBER 31, 2010

INSUROR	LIMITS	DATE	TYPE OF COVERAGE	PROPERTY INSURED
Alabama Municipal	\$ 7,000,000	12/15/2011	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	12/15/2011	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	50,760,104	12/15/2011	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	12/15/2011	Public Officials Liability	Wrongful acts rendered in discharging of public entity duties
Cincinnati	500,000	10/11/2011	Public Employees Dishonesty	All employees
Alabama Municipal	Included in Property	12/15/2011	Equipment Breakdown	
Alabama Municipal	7,000,000	12/15/2011	Law Enforcement Professional Liability	Police personnel
Alabama Municipal	Included in General Liability	12/15/2011	EMT Professional Liability	EMTs
Alabama Municipal	8,084,336	12/15/2011	Business income and extra expense	
Indian Harbor Insurance Co.	1,000,000	4/30/2011	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	7/14/2011	Right of Way Bond	
Zurich North America	50,000	9/3/2011	Right of Way Bond	

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 339,245	\$ 207,890	\$ 547,135
Accounts Receivable, net	64,580	717,304	781,884
Assessment Receivable - Current	-	23,440	23,440
Other Receivables, net	3,528	12,757	16,285
Internal Balances	2,504,596	(2,504,596)	-
Inventories	27,324	111,608	138,932
Restricted Assets - Noncurrent	9,097,025	5,018,287	14,115,312
Capital Assets			
Land and Construction in Progress	2,881,944	560,093	3,442,037
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	36,517,764	99,408,267
Furniture & Equipment, net	1,917,748	597,713	2,515,461
Vehicles, net	6,128,057	551,896	6,679,953
Less: Accumulated Depreciation	(41,303,692)	(16,746,542)	(58,050,234)
Abeysance Receivable	-	2,061,720	2,061,720
Bond Issue Costs	179,158	468,451	647,609
<u>TOTAL ASSETS</u>	<u>\$ 59,212,434</u>	<u>\$ 55,627,479</u>	<u>\$ 114,839,913</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 62,477	\$ 4,485	\$ 66,962
Accrued Payroll	138,892	24,514	163,406
Other Current Liabilities	229,392	-	229,392
Interest Payable	131,966	267,897	399,863
Refundable Deposits	-	654,985	654,985
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	980,583	1,790,000	2,770,583
Long-term Commitments	465,050	-	465,050
Compensated Absences	31,974	-	31,974
Portion Due or Payable After One Year:			
Commitment to TCHS	2,000,000	-	2,000,000
Commitment to IDA Automotive Corridor	429,618	-	429,618
Bonds and Warrants Payable	12,570,145	28,073,987	40,644,132
Net OPEB Liability	137,384	20,456	157,840
Compensated Absences	1,798,920	184,005	1,982,925
<u>TOTAL LIABILITIES</u>	<u>\$ 18,976,401</u>	<u>\$ 31,020,329</u>	<u>\$ 49,996,730</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 33,625,408	\$ 15,834,006	\$ 49,459,414
Restricted for:			
Capital Projects	6,690,902	4,769,638	11,460,540
Debt Service	825,815	248,649	1,074,464
Unrestricted	(906,092)	3,754,857	2,848,765
<u>TOTAL NET ASSETS</u>	<u>\$ 40,236,033</u>	<u>\$ 24,607,150</u>	<u>\$ 64,843,183</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2009

	<u>Program Revenues</u>			<u>Net (Expense) Revenues & Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES:</u>							
Finance and Administration	\$ 774,130	\$ 37,856	\$ -	\$ -	\$ (736,274)	\$ -	\$ (736,274)
General Government	176,810	91,233	-	-	(85,577)	-	(85,577)
Planning and Development	60,165	-	-	-	(60,165)	-	(60,165)
Public Safety	2,753,107	-	13,900	-	(2,739,207)	-	(2,739,207)
Inspection Services	44,755	-	-	-	(44,755)	-	(44,755)
Public Works	1,502,956	268,646	-	-	(1,234,310)	-	(1,234,310)
Interest and Fiscal Charges	119,114	-	-	-	(119,114)	-	(119,114)
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 5,431,037</u>	<u>\$ 397,735</u>	<u>\$ 13,900</u>	<u>\$ -</u>	<u>\$ (5,019,402)</u>	<u>\$ -</u>	<u>\$ (5,019,402)</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 1,728,643	\$ 1,717,746	\$ -	\$ -	\$ -	\$ (10,897)	\$ (10,897)
<u>TOTAL BUSINESS TYPE ACTIVITIES</u>	<u>\$ 1,728,643</u>	<u>\$ 1,717,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,897)</u>	<u>\$ (10,897)</u>
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 7,159,680</u>	<u>\$ 2,115,481</u>	<u>\$ 13,900</u>	<u>\$ -</u>	<u>\$ (5,019,402)</u>	<u>\$ (10,897)</u>	<u>\$ (5,030,299)</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 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	\$ 792,959	\$ -	\$ 792,959
Property Taxes Levied for Education & Public Safety	609,968	-	609,968
Sales Taxes	1,764,467	-	1,764,467
Other Taxes	83,452	-	83,452
Shared Taxes:			
Taxes Levied for General Purposes	701,211	-	701,211
Taxes Levied for Resurfacing Projects	234,610	-	234,610
Taxes Levied for Public Safety	1,533	-	1,533
Shared License Fees Levied for General Purposes	45,019	-	45,019
Rental and Land Lease Income	22,772	-	22,772
Earnings on Investments	3,088	3,469	6,557
Transfers	58,052	(58,052)	-
	<u>\$ 4,317,131</u>	<u>\$ (54,583)</u>	<u>\$ 4,262,548</u>
<u>CHANGE IN NET ASSETS</u>	<u>\$ (702,271)</u>	<u>\$ (65,480)</u>	<u>\$ (767,751)</u>
<u>NET ASSETS - BEGINNING</u>	40,938,304	24,674,723	65,613,027
<u>PRIOR PERIOD ADJUSTMENT</u>	-	(2,093)	(2,093)
<u>CAPITAL CONTRIBUTIONS</u>	-	-	-
<u>NET ASSETS - ENDING</u>	<u>\$ 40,236,033</u>	<u>\$ 24,607,150</u>	<u>\$ 64,843,183</u>

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