

**CITY OF NORTHPORT
NORTHPORT, ALABAMA
DECEMBER 31, 2014**

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

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
DECEMBER 31, 2014

<u>DESCRIPTION</u>	<u>PAGE</u>
Chart of City Government.....	1
Independent Auditor’s Report.....	2-3
Management’s Discussion and Analysis.....	4-10
 <u>FINANCIAL STATEMENTS</u>	
Government Wide Statement of Net Position as of December 31, 2014.....	11
Government Wide Statement of Activities for the Year Ended December 31, 2014.....	12-13
Governmental Funds Balance Sheet as of December 31, 2014.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets as of December 31, 2014.....	15
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the Year Ended December 31, 2014.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities the Year Ended December 31, 2014.....	17
Proprietary Fund Statement of Net Position as of December 31, 2014.....	18-19
Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position for the Year Ended December 31, 2014.....	20
Proprietary Fund Statement of Cash Flows for the Year Ended December 31, 2014.....	21-22
Notes to Financial Statements.....	23-57
Report on Compliance and Internal Controls	58-59

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
DECEMBER 31, 2014

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds for the Year Ended December 31, 2014.....	60-61
Pension Information.....	62
Continuing Disclosure Requirement to the Nationally Recognized Municipal Securities Information Repositories.....	63
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance – General Fund For the Years Ended December 31, 2014, 2013 and 2012.....	64
Schedule of General Fund Revenues for the Years Ended December 31, 2014, 2013 and 2012.....	65
Water and Sewer System Statistics for the Years Ended December 31, 2014- 2011 and September 30, 2003 – 2010.....	66-68
Schedule of Water and Sewer Revenues, Expenditures and Debt Coverage for the Year Ended December 31, 2014.....	69
Schedule of Water and Sewer Fund Debt Service for the Year Ended December 31, 2014.....	70
Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the Year Ended December 31, 2014.....	71
Schedule of Legal Debt Margin for the Year Ended December 31, 2014.....	72
<u>SUPPLEMENTARY INFORMATION</u>	
<u>GOVERNMENTAL FUND STATEMENTS</u>	
General Fund.....	73
Balance Sheet as of December 31, 2014.....	74
Statement of Revenues, Expenditures and Fund Balance for the year ended December 31, 2014.....	75-76
Debt Service Fund.....	77
Balance Sheet as of December 31, 2014.....	78
Statement of Revenues, Expenditures and Fund Balance for the year ended December 31, 2014.....	79
Special Revenue Funds.....	80

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
DECEMBER 31, 2014

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>SUPPLEMENTARY INFORMATION (continued)</u>	
<u>GOVERNMENTAL FUND STATEMENTS (continued)</u>	
Combining Balance Sheets – Special Revenue Funds as of December 31, 2014.....	81
Combining Statements of Revenues, Expenditures and Fund Balance – Special Revenue Funds for the year ended December 31, 2014.....	82
<u>PROPRIETARY FUNDS</u>	
Proprietary Funds.....	83
Combining Statement of Net Position – Enterprise Funds as of December 31, 2014.....	84-85
Combining Statement of Revenues, Expenses, and Changes in Net Position for the year Ended December 31, 2014.....	86
Combining Statement of Cash Flows for the year ended December 31, 2014.....	87-88

CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Bobby Herndon

CITY COUNCIL

Jay Logan - President
Steve Acker – President Pro Tem
Bart Harper
Judy Hayes
Rodney Sullivan

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5710 WATERMELON ROAD, SUITE 400

NORTHPORT, ALABAMA 35473

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

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

RICHARD D. LECROY, C.P.A.
KELLIE HUNTER-SUTE, C.P.A.
MATTHEW W. RICHARDSON, C.P.A.
R. COURTNEY LECROY, C.P.A.
W. RYAN ALEXANDER, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

June 30, 2015

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 City of Northport, Alabama as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 60-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northport, Alabama's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

LeCroy, Hunter & Company, P.C.

Northport, Alabama
June 30, 2015

MANAGEMENT DISCUSSION & ANALYSIS

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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, 2014. 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 Position*. This statement presents information on all the City of Northport's assets and liabilities, with the difference between the two reported as Net Positions. Net Positions 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 Positions 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 Positions changed during the current fiscal year. All changes in the Net Positions 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, 2014

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 Positions 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 and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$69,216,239 at December 31, 2014.

The largest portion of the City of Northport's Net Positions (\$45,540,648) 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 Positions (\$12,896,659) represents resources that are subject to external restrictions that require them to be used for specific capital and debt expenditures.

Summary of Net Positions – 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 Positions by \$(2,521,634). Below is a summarized version of the statement of Net Positions and statement of activities for governmental activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

Summary of Statements of Net Position for Governmental Activities

	<u>12/31/2013</u>	<u>12/31/2014</u>
Current Assets	\$ 3,238,754	\$ 2,588,380
Restricted Assets	4,930,191	13,720,778
Capital Assets	48,608,803	51,949,143
<u>Total Assets</u>	<u>\$ 56,777,748</u>	<u>\$ 68,258,301</u>
Deferred Outflows of Resources	\$ 63,034	\$ 58,534
Total Assets and Deferred Outflows of Resources	<u>\$ 56,840,782</u>	<u>\$ 68,316,835</u>
Current Liabilities	\$ 1,884,117	\$ 2,416,671
Long-Term Liabilities	13,308,492	26,773,625
<u>Total Liabilities</u>	<u>\$ 15,192,609</u>	<u>\$ 29,190,296</u>
Invested In Capital Assets, Net of Related Debt	\$ 37,142,807	\$ 25,809,899
Restricted	2,176,563	10,910,451
Unrestricted	2,328,803	2,406,189
<u>Total Net Position</u>	<u>\$ 41,648,173</u>	<u>\$ 39,126,539</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 56,840,782</u>	<u>\$ 68,316,835</u>

Summary Statement of Activities for Governmental Type Activities

	<u>12/31/2013</u>	<u>12/31/2014</u>
<u>Revenues</u>		
<u>Tax Revenues</u>		
Property Tax	\$ 3,029,356	\$ 3,063,056
Sales Tax	8,418,814	8,670,445
Shared Tax Revenue	4,586,312	4,121,193
Other Tax Revenue	369,397	448,368
<u>Total Tax Revenue</u>	<u>\$ 16,403,879</u>	<u>\$ 16,303,062</u>
Charges for Service	\$ 7,230,338	\$ 7,361,448
Grant Revenues	35,873	77,917
Shared License Revenue	83,621	102,062
Rental and Lease Income	49,625	44,067
Investment Earnings	3,581	3,833
Gain on Sale	70,581	12,240
Transfers	4	45,578
<u>Total Revenues</u>	<u>\$ 23,877,502</u>	<u>\$ 23,950,207</u>
<u>Expenses</u>		
General and Administrative	\$ 3,687,048	\$ 4,758,559
Public Works and Safety	19,468,710	20,619,676
Planning and Inspection Services	1,135,228	668,713
Interest Expense	433,103	424,893
<u>Total Expenses</u>	<u>\$ 24,724,089</u>	<u>\$ 26,471,841</u>
Increase (Decrease) in Net Position	\$ (846,587)	\$ (2,521,634)
Net Assets, Beginning	\$ 42,272,838	\$ 41,648,173
Prior Period Adjustment	221,922	-
Net Assets, Beginning (Restated)	<u>\$ 42,494,760</u>	<u>\$ 41,648,173</u>
Net Assets, Ending	<u>\$ 41,648,173</u>	<u>\$ 39,126,539</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

Business-type activities increased the City of Northport's Net Positions by \$754,231. Below is a summarized version of the statement of Net Positions and statement of activities for business-type activities.

Summary of Statements of Net Position for Business Type Activities

	<u>12/31/2013</u>	<u>12/31/2014</u>
Current Assets and Other Assets	\$ 4,604,148	\$ 5,311,367
Restricted Assets	2,121,827	1,986,208
Capital Assets	49,685,726	48,840,099
<u>Total Assets</u>	<u>\$ 56,411,701</u>	<u>\$ 56,137,674</u>
Deferred Outflows of Resources	\$ 4,577,688	\$ 4,237,601
Total Assets and Deferred Outflows of Resources	<u>\$ 60,989,389</u>	<u>\$ 60,375,275</u>
Current Liabilities	\$ 2,467,422	\$ 2,526,122
Long-Term Liabilities	29,186,498	27,759,453
<u>Total Liabilities</u>	<u>\$ 31,653,920</u>	<u>\$ 30,285,575</u>
Invested In Capital Assets, Net of Related Debt	\$ 19,433,147	\$ 19,730,749
Restricted	2,121,827	1,986,208
Unrestricted	7,780,495	8,372,743
<u>Total Net Position</u>	<u>\$ 29,335,469</u>	<u>\$ 30,089,700</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 60,989,389</u>	<u>\$ 60,375,275</u>

Summary Statement of Activities for Business Type Activities

	<u>12/31/2013</u>	<u>12/31/2014</u>
<u>Revenues</u>		
Charges for Service	\$ 8,867,734	\$ 9,070,341
Investment Earnings	3,851	2,963
Gain on Sale of Assets	22,318	25,120
Other Revenues	112,342	350,664
<u>Total Revenues</u>	<u>\$ 9,006,245</u>	<u>\$ 9,449,088</u>
<u>Expenses</u>		
Operating Expense	\$ 7,371,542	\$ 8,603,701
Interest Expense	1,023,033	45,578
Transfer Out	4	45,578
<u>Total Expenses</u>	<u>\$ 8,394,579</u>	<u>\$ 8,694,857</u>
Increase (Decrease) in Net Position	\$ 611,666	\$ 754,231
Net Assets, Beginning	\$ 29,042,207	\$ 29,335,469
Prior Period Adjustment	(318,404)	-
Net Assets, Beginning (Restated)	<u>\$ 28,723,803</u>	<u>\$ 29,335,469</u>
Net Assets, Ending	<u>\$ 29,335,469</u>	<u>\$ 30,089,700</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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.

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, 2014, the City of Northport's governmental funds reported combined ending fund balances of \$14,539,518, an increase of \$7,507,328 in comparison with the prior year. The increase in fund balance was primarily due to receipt of bond proceeds less increases in capital improvements and purchases for the City. Those improvements are discussed in the capital asset section of this report. Approximately 8.52%, or \$1,238,704, of the total fund balance constitutes unreserved fund balance of which \$618,013 is cash and cash equivalents available for spending at the City of Northport's discretion. The remaining Net Positions included in nonspendable fund balance consists of \$88,013 in inventory on hand at year end. The remainder of the fund balance, \$13,212,801, is segregated into restricted (\$10,910,481), and committed (\$2,302,320) to indicate that it is not available for new spending because it has already been classified to service the City's debt, specific capital projects and reserves set aside by City ordinance.

The general fund is the chief operating fund of the City of Northport. At fiscal year ending December 31, 2014, unrestricted and total fund balances of the general fund were \$1,234,948 and \$13,482,666, respectively. The general fund balance increased by \$7,397,734.

I. Governmental Fund Budgetary Highlights from pages 60-61

Actual total revenues exceeded the budgeted amount by \$387,469. Total expenditures during the year were \$8,172,363 above the budget amount. The negative variances consists of (\$809,837) from operating, (\$4,875,680) from capital, and (\$2,486,846) from debt service, respectively. The capital expenditure variance represents primarily capital projects that were not included in the budget for the December 31, 2014 year.

II. Capital Assets and Debt Administration

Capital Assets

The City of Northport's investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2014, was \$51,949,143. During the year 2014, the city did not acquire any contributed infrastructure for its governmental activities. The City of Northport's investment in capital assets, net of accumulated depreciation, for business type activities as of December 31, 2014, was \$48,840,097. During the year 2014, the city did not acquire any contributed infrastructure for its business type activities. The following table is a comparative presentation of non-depreciable and depreciable assets for both governmental and business type activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

	Governmental Activities		Business Activities		Total	
	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 396,017	\$ 396,017	\$ 2,714,718	\$ 2,714,718
Construction in Progress	1,086,656	5,610,751	12,500	-	1,099,156	5,610,751
Total Non-Depreciable Assets	\$ 3,405,357	\$ 7,929,452	\$ 408,517	\$ 396,017	\$ 3,813,874	\$ 8,325,469
Depreciable Assets						
Buildings	\$ 15,888,616	\$ 15,963,511	\$ 28,310,712	\$ 28,340,363	\$ 44,199,328	\$ 44,303,874
Improvements Other Than Buildings	1,982,410	2,076,202	-	-	1,982,410	2,076,202
Furniture, Machinery and Equipment	8,989,743	10,122,675	1,484,177	1,843,804	10,473,920	11,966,479
Infrastructure	65,354,824	65,655,471	43,303,674	43,656,106	108,658,498	109,311,577
Total Non-Depreciable Assets	\$ 92,215,593	\$ 93,817,859	\$ 73,098,563	\$ 73,840,273	\$ 165,314,156	\$ 167,658,132
Less: Accumulated Depreciation	(47,012,147)	(49,798,168)	(23,821,354)	(25,396,191)	(70,833,501)	(75,194,359)
Net Depreciable Assets	\$ 45,203,446	\$ 44,019,691	\$ 49,277,209	\$ 48,444,082	\$ 94,480,655	\$ 92,463,773
Total Capital Assets, Net	\$ 48,608,803	\$ 51,949,143	\$ 49,685,726	\$ 48,840,099	\$ 98,294,529	\$ 100,789,242

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

Governmental Activities

- Machinery and Vehicles were sold or disposed at a total gain of \$12,240. Fire, Police and Public Works vehicles were purchased during the year at a total cost of \$361,913. Construction in progress purchases totaled \$5,167,031 which consisted of road and bridge replacement projects at a total cost of \$90,003, communication system upgrades for the entire city at a total cost of \$1,818,801, construction of a new fire station at a cost of \$2,960,341, and a road widening project at a cost of \$297,886.

Business-type Activities

- The City completed various water and sewer extension projects totaling \$352,431. The City purchased vehicles and machinery and equipment for a total cost of \$354,262.

Long-Term Debt

At December 31, 2014, the City of Northport had total debt outstanding of \$54,982,201. The major portion of the debt, \$52,772,412 represents bonds and warrants payable. While the City paid down sum \$4,320,000 in existing debt, an additional \$16,520,000 was borrowed to finance upcoming capital projects.

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, 2014, our outstanding debt was below this amount, which is \$49,127,400. The amount available for future indebtedness is \$24,208,115.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

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.
- Continued residential growth throughout the city.
- Infrastructure improvements needs and obligations.
- Physical asset and equipment needs for all city departments.
- Increasing personnel salary and benefits expenses.
- Implementation and ongoing improvements to the City's IT infrastructure.
- A comprehensive review and restructuring of city services and operations.
- Anticipated retail and commercial growth along Highway 43 North and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district.

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 618,013	\$ 2,751,523	\$ 3,369,536
Accounts Receivable, net	1,208,564	859,915	2,068,479
Assessment Receivable - Current	-	11,688	11,688
Other Receivables, net	168,851	29,598	198,449
Internal Balances	504,939	(504,939)	-
Inventories	88,013	107,652	195,665
Restricted Assets - Noncurrent	13,720,778	1,986,208	15,706,986
Capital Assets			
Land and Construction in Progress	7,929,452	396,017	8,325,469
Buildings	15,963,511	28,340,363	44,303,874
Improvements Other Than Buildings	2,076,202	-	2,076,202
Infrastructure	65,655,471	43,656,106	109,311,577
Furniture & Equipment	2,847,706	842,916	3,690,622
Vehicles	7,274,969	1,000,888	8,275,857
Less: Accumulated Depreciation	(49,798,168)	(25,396,191)	(75,194,359)
Abeyance Receivable	-	2,055,930	2,055,930
<u>TOTAL ASSETS</u>	<u>\$ 68,258,301</u>	<u>\$ 56,137,674</u>	<u>\$ 124,395,975</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Interest Cost on Bond Refundings	\$ 58,534	\$ 4,210,913	\$ 4,269,447
Prepaid Expenses	-	26,688	26,688
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 58,534</u>	<u>\$ 4,237,601</u>	<u>\$ 4,296,135</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 472,315	\$ 43,193	\$ 515,508
Accrued Payroll	368,556	58,735	427,291
Other Current Liabilities	283,828	-	283,828
Interest Payable	364,893	266,393	631,286
Refundable Deposits	-	820,443	820,443
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	677,014	1,330,298	2,007,312
Long-term Commitments	250,000	-	250,000
Compensated Absences	65	7,060	7,125
Portion Due or Payable After One Year:			
Commitment to TCHS	750,000	-	750,000
Bonds and Warrants Payable	23,304,726	27,460,374	50,765,100
Notes Payable	1,157,504	52,285	1,209,789
Net OPEB Liability	746,128	135,564	881,692
Compensated Absences	815,267	111,230	926,497
<u>TOTAL LIABILITIES</u>	<u>\$ 29,190,296</u>	<u>\$ 30,285,575</u>	<u>\$ 59,475,871</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 25,809,899	\$ 19,730,749	\$ 45,540,648
Restricted for:			
Capital Projects	9,751,398	1,683,179	11,434,577
Debt Service	670,343	303,029	973,372
Other Purposes	416,379	-	416,379
Grants and Entitlements	72,331	-	72,331
Unrestricted	2,406,189	8,372,743	10,778,932
<u>TOTAL NET POSITION</u>	<u>\$ 39,126,539</u>	<u>\$ 30,089,700</u>	<u>\$ 69,216,239</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Revenues</u>			<u>Net (Expense) Revenues & Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Fees, Fines and Charges for Service</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES:</u>							
Finance and Administration	\$ 1,783,363	\$ 4,855,257	\$ -	\$ -	\$ 3,071,894	\$ -	\$ 3,071,894
General Government	2,975,196	979,371	-	-	(1,995,825)	-	(1,995,825)
Planning and Inspection	668,713	-	-	-	(668,713)	-	(668,713)
Public Safety	13,891,633	174,741	77,917	-	(13,638,975)	-	(13,638,975)
Public Works	6,728,043	1,352,079	-	-	(5,375,964)	-	(5,375,964)
Interest and Fiscal Charges	424,893	-	-	-	(424,893)	-	(424,893)
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>\$ 26,471,841</u>	<u>\$ 7,361,448</u>	<u>\$ 77,917</u>	<u>\$ -</u>	<u>\$ (19,032,476)</u>	<u>\$ -</u>	<u>\$ (19,032,476)</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 8,649,279	\$ 9,070,341	\$ -	\$ -	\$ -	\$ 421,062	\$ 421,062
<u>TOTAL BUSINESS TYPE ACTIVITIES</u>	<u>\$ 8,649,279</u>	<u>\$ 9,070,341</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,062</u>	<u>\$ 421,062</u>
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 35,121,120</u>	<u>\$ 16,431,789</u>	<u>\$ 77,917</u>	<u>\$ -</u>	<u>\$ (19,032,476)</u>	<u>\$ 421,062</u>	<u>\$ (18,611,414)</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, 2014

	Net (Expense) Revenues & Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
<u>GENERAL REVENUES:</u>			
Taxes:			
Property Taxes Levied for General Purposes	\$ 3,063,056	\$ -	\$ 3,063,056
Sales Taxes	8,670,445	-	8,670,445
Other Taxes	448,368	-	448,368
Shared Taxes:			
Taxes Levied for General Purposes	3,352,049	-	3,352,049
Taxes Levied for Resurfacing Projects	569,090	-	569,090
Taxes Levied for Public Safety	200,054	-	200,054
Shared License Fees Levied for General Purposes	102,062	-	102,062
Rental and Land Lease Income	44,067	-	44,067
Earnings on Investments	3,833	2,963	6,796
Gain on Sale of City Property	12,240	25,120	37,360
Development Fees	-	350,664	350,664
Transfers	45,578	(45,578)	-
	\$ 16,510,842	\$ 333,169	\$ 16,844,011
<u>CHANGE IN NET ASSETS</u>			
	\$ (2,521,634)	\$ 754,231	\$ (1,767,403)
<u>NET ASSETS - BEGINNING</u>			
	\$ 41,648,173	\$ 29,335,469	\$ 70,983,642
<u>NET ASSETS - ENDING</u>			
	\$ 39,126,539	\$ 30,089,700	\$ 69,216,239

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	<u>ELIMINATION OF INTERFUND BALANCES</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 614,257	\$ -	\$ 3,756	\$ 618,013	\$ -	\$ 618,013
Accounts Receivable						
Property Taxes Receivable	1,096,647	-	-	1,096,647	-	1,096,647
Police Dockets Receivable - Net	111,917	-	-	111,917	-	111,917
Other Receivables	168,851	-	-	168,851	-	168,851
Due From Other Funds	678,091	-	131,059	809,150	(549,797)	259,353
Inventories	88,013	-	-	88,013	-	88,013
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 2,757,776</u>	<u>\$ -</u>	<u>\$ 134,815</u>	<u>\$ 2,892,591</u>	<u>\$ (549,797)</u>	<u>\$ 2,342,794</u>
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 12,159,705	\$ 670,373	\$ 687,233	\$ 13,517,311	\$ -	\$ 13,517,311
<u>TOTAL ASSETS</u>	<u>\$ 14,917,481</u>	<u>\$ 670,373</u>	<u>\$ 822,048</u>	<u>\$ 16,409,902</u>	<u>\$ (549,797)</u>	<u>\$ 15,860,105</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 461,176	\$ -	\$ 11,139	\$ 472,315	\$ -	\$ 472,315
Due to Other Funds	338,699	-	424,430	763,129	(549,797)	213,332
Accrued Payroll	368,556	-	-	368,556	-	368,556
Accrued Expenses	23,333	-	-	23,333	-	23,333
Cash Bonds, Restitution and Other Deposits	242,986	-	-	242,986	-	242,986
Compensated Absences - Current	65	-	-	65	-	65
<u>TOTAL LIABILITIES</u>	<u>\$ 1,434,815</u>	<u>\$ -</u>	<u>\$ 435,569</u>	<u>\$ 1,870,384</u>	<u>\$ (549,797)</u>	<u>\$ 1,320,587</u>
<u>FUND BALANCE</u>						
Nonspendable	\$ 88,013	\$ -	\$ -	\$ 88,013	\$ -	\$ 88,013
Restricted	9,857,385	670,373	382,723	10,910,481	-	10,910,481
Committed	2,302,320	-	-	2,302,320	-	2,302,320
Unrestricted	1,234,948	-	3,756	1,238,704	-	1,238,704
<u>TOTAL FUND BALANCE</u>	<u>\$ 13,482,666</u>	<u>\$ 670,373</u>	<u>\$ 386,479</u>	<u>\$ 14,539,518</u>	<u>\$ -</u>	<u>\$ 14,539,518</u>
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 14,917,481</u>	<u>\$ 670,373</u>	<u>\$ 822,048</u>	<u>\$ 16,409,902</u>	<u>\$ (549,797)</u>	<u>\$ 15,860,105</u>

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2014

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS **\$ 14,539,518**

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	\$	7,929,452	
Building, net of \$5,545,368 of accumulated depreciation		10,418,143	
Improvements other than buildings, net of \$825,835 accumulated depreciation		1,250,367	
Infrastructure, net of \$36,997,789 accumulated depreciation		28,657,682	
Furniture and equipment, net of \$1,939,748 accumulated depreciation		907,958	
Vehicles, net of \$4,489,428 accumulated depreciation		<u>2,785,541</u>	
			51,949,143

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	\$	(23,480,000)	
Premium on Bonds Payable		(282,542)	
Noncurrent portion of Compensated Absences		(815,267)	
Long-Term Commitments		(1,000,000)	
Notes Payable		(1,376,702)	
Deferred Interest Cost on 2012 D Warrant Refunding		58,534	
OPEB Liability		(746,128)	
Accrued Interest Payable		<u>(364,893)</u>	
Total Long-Term Liabilities			(28,006,998)

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

Internal Service Fund Net Assets	\$	<u>644,876</u>	
Net Adjustment			<u>644,876</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 39,126,539**

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 8,670,445	\$ -	\$ -	\$ 8,670,445
Business Licenses and Permits	4,717,937	-	-	4,717,937
Intergovernmental Revenues	3,785,850	-	437,405	4,223,255
Property Tax	3,063,056	-	-	3,063,056
Charges for Services	1,352,079	-	-	1,352,079
Fines, Forfeitures, and Penalties	970,761	-	-	970,761
Other Taxes	440,108	-	-	440,108
Other Licenses and Permits	137,320	-	-	137,320
Other Income	487,759	-	1,132	488,891
Grant Proceeds	77,917	-	-	77,917
Rental and Lease Income	44,067	-	-	44,067
Interest Income	3,437	94	302	3,833
<u>TOTAL REVENUES</u>	<u>\$ 23,750,736</u>	<u>\$ 94</u>	<u>\$ 438,839</u>	<u>\$ 24,189,669</u>
<u>EXPENDITURES</u>				
Public Safety	\$ 12,531,715	\$ -	\$ -	\$ 12,531,715
Public Works	4,990,173	-	-	4,990,173
Finance and Administration	1,553,831	-	130,985	1,684,816
General Government	2,205,644	-	11,262	2,216,906
Planning and Inspection	672,132	-	2,061	674,193
Local Agency Support	394,401	-	-	394,401
Capital Outlay				
Finance and Administration	-	-	219,988	219,988
Public Works	1,047,135	-	176,355	1,223,490
Public Safety	5,468,126	-	54,827	5,522,953
General Government	25,976	-	-	25,976
Debt Service				
Payments on Bonds & Notes Payable	-	2,061,953	-	2,061,953
Interest Paid	-	421,770	-	421,770
Agency Fees	-	3,123	-	3,123
<u>TOTAL EXPENSES</u>	<u>\$ 28,889,133</u>	<u>\$ 2,486,846</u>	<u>\$ 595,478</u>	<u>\$ 31,971,457</u>
<u>EXCESS REVENUES / (EXPENDITURES)</u>	<u>\$ (5,138,397)</u>	<u>\$ (2,486,752)</u>	<u>\$ (156,639)</u>	<u>\$ (7,781,788)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (Out)	\$ (2,707,407)	\$ -	\$ -	\$ (2,707,407)
Bond Proceeds	15,227,629	-	-	15,227,629
Transfer In	-	2,752,985	-	2,752,985
Sales Proceeds	15,909	-	-	15,909
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>\$ 12,536,131</u>	<u>\$ 2,752,985</u>	<u>\$ -</u>	<u>\$ 15,289,116</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>\$ 7,397,734</u>	<u>\$ 266,233</u>	<u>\$ (156,639)</u>	<u>\$ 7,507,328</u>
<u>FUND BALANCE - JANUARY 1, 2014</u>	<u>\$ 6,084,932</u>	<u>\$ 404,140</u>	<u>\$ 543,118</u>	<u>\$ 7,032,190</u>
<u>FUND BALANCE - DECEMBER 31, 2014</u>	<u>\$ 13,482,666</u>	<u>\$ 670,373</u>	<u>\$ 386,479</u>	<u>\$ 14,539,518</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, 2014

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ 7,507,328**

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

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess capital outlay purchases \$6,176,769 over depreciation expense (\$2,836,430). 3,340,339

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. (3,669)

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

Debt Issued		
Loan Proceeds		\$ (15,227,629)
Repayments:		
Principle Repayments		<u>2,061,953</u>
Net Adjustment		(13,165,676)

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		\$ (21,175)
OPEB Liability Expense		(105,836)
Change in Long-Term Estimated Compensated Absences		88
Change in Accrued Expenses		<u>(413,406)</u>
Net Adjustment		(540,329)

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>\$ 340,373</u>
Net Adjustment		<u>340,373</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (2,521,634)**

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	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	\$ 2,751,523	\$ -	\$ 2,751,523	\$ -	\$ 2,751,523
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$45,601	859,915	-	859,915	-	859,915
Receivables - Other	21,709	-	21,709	-	21,709
Assessments Receivable - Current	-	11,688	11,688	-	11,688
Interest Receivable	-	7,889	7,889	-	7,889
Due from Other Funds	2,809	-	2,809	210,523	213,332
Due from Other Propriety Funds	1,638,202	-	1,638,202	248,395	1,886,597
Inventory	107,652	-	107,652	-	107,652
<u>TOTAL CURRENT ASSETS</u>	\$ 5,381,810	\$ 19,577	\$ 5,401,387	\$ 458,918	\$ 5,860,305
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 1,683,179	\$ -	\$ 1,683,179	\$ 203,467	\$ 1,886,646
Investments - Warrant Payments Temporarily Invested	303,029	-	303,029	-	303,029
<u>TOTAL RESTRICTED ASSETS</u>	\$ 1,986,208	\$ -	\$ 1,986,208	\$ 203,467	\$ 2,189,675
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Land	\$ 396,017	\$ -	\$ 396,017	\$ -	\$ 396,017
Treatment Plants and Pump Stations	28,340,363	-	28,340,363	-	28,340,363
Distribution and Disposal System	43,656,106	-	43,656,106	-	43,656,106
Machinery and Equipment	682,142	-	682,142	-	682,142
Vehicles	1,000,888	-	1,000,888	-	1,000,888
Computer Equipment	160,774	-	160,774	-	160,774
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 74,236,290	\$ -	\$ 74,236,290	\$ -	\$ 74,236,290
Less: Accumulated Depreciation	(25,396,191)	-	(25,396,191)	-	(25,396,191)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 48,840,099	\$ -	\$ 48,840,099	\$ -	\$ 48,840,099
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL OTHER ASSETS</u>	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL ASSETS</u>	\$ 56,208,117	\$ 2,075,507	\$ 58,283,624	\$ 662,385	\$ 58,946,009
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Deferred Interest Cost on Refunding Issues	\$ 4,210,913	\$ -	\$ 4,210,913	\$ -	\$ 4,210,913
Prepaid Expenses	26,688	-	26,688	-	26,688
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	\$ 4,237,601	\$ -	\$ 4,237,601	\$ -	\$ 4,237,601

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 43,193	\$ -	\$ 43,193	\$ -	\$ 43,193
Due to Other Funds	259,353	-	259,353	-	259,353
Due to Other Propriety Funds	248,395	1,638,202	1,886,597	-	1,886,597
Accrued Payroll	58,735	-	58,735	-	58,735
Estimated Liability for Compensated Absences - Current	7,060	-	7,060	-	7,060
Notes Payable - Current	10,298	-	10,298	-	10,298
Accrued Expenses	-	-	-	17,509	17,509
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>	\$ 627,034	\$ 1,638,202	\$ 2,265,236	\$ 17,509	\$ 2,282,745
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 266,393	\$ -	\$ 266,393	\$ -	\$ 266,393
Warrants Payable - Current	1,320,000	-	1,320,000	-	1,320,000
Customer and Waterline Extension Deposits	820,443	-	820,443	-	820,443
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>	\$ 2,406,836	\$ -	\$ 2,406,836	\$ -	\$ 2,406,836
<u>TOTAL CURRENT LIABILITIES</u>	\$ 3,033,870	\$ 1,638,202	\$ 4,672,072	\$ 17,509	\$ 4,689,581
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Premiums)	\$ 27,460,374	\$ -	\$ 27,460,374	\$ -	\$ 27,460,374
Notes Payable	52,285	-	52,285	-	52,285
Net Retiree Healthcare Obligation	135,564	-	135,564	-	135,564
Estimated Liability for Compensated Absences - Noncurrent	111,230	-	111,230	-	111,230
<u>TOTAL LONG-TERM LIABILITIES</u>	\$ 27,759,453	\$ -	\$ 27,759,453	\$ -	\$ 27,759,453
<u>TOTAL LIABILITIES</u>	\$ 30,793,323	\$ 1,638,202	\$ 32,431,525	\$ 17,509	\$ 32,449,034
<u>NET POSITION</u>					
Invested in Capital Assets, Net of Related Debt	\$ 19,730,749	\$ -	\$ 19,730,749	\$ -	\$ 19,730,749
Restricted for Capital Projects	1,683,179	-	1,683,179	-	1,683,179
Restricted for Debt Service	303,029	-	303,029	-	303,029
Unrestricted	7,935,438	437,305	8,372,743	644,876	9,017,619
<u>TOTAL NET POSITION</u>	\$ 29,652,395	\$ 437,305	\$ 30,089,700	\$ 644,876	\$ 30,734,576

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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 8,807,945	\$ -	\$ 8,807,945	\$ 2,577,915	\$ 11,385,860
Miscellaneous	262,396	-	262,396	-	262,396
<u>TOTAL OPERATING REVENUES</u>	\$ 9,070,341	\$ -	\$ 9,070,341	\$ 2,577,915	\$ 11,648,256
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,934,867	\$ -	\$ 2,934,867	\$ -	\$ 2,934,867
Insurance Claims and Expenses	-	-	-	2,237,758	2,237,758
Depreciation and Amortization	1,949,574	-	1,949,574	-	1,949,574
Utilities and Telephone	657,068	-	657,068	-	657,068
Maintenance and Repairs	472,562	-	472,562	-	472,562
Materials and Supplies	459,760	-	459,760	-	459,760
Insurance	388,074	-	388,074	-	388,074
Miscellaneous Expense	347,816	-	347,816	-	347,816
Water and Sewer Purchases	318,320	-	318,320	-	318,320
Professional Fees	121,116	-	121,116	-	121,116
<u>TOTAL OPERATING EXPENSES</u>	\$ 7,649,157	\$ -	\$ 7,649,157	\$ 2,237,758	\$ 9,886,915
<u>OPERATING INCOME (LOSS)</u>	\$ 1,421,184	\$ -	\$ 1,421,184	\$ 340,157	\$ 1,761,341
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 2,963	\$ -	\$ 2,963	\$ 216	\$ 3,179
Gain on Sale of Property	25,120	-	25,120	-	25,120
Development Fees	350,664	-	350,664	-	350,664
Operating Transfers In / (Out)	(45,578)	-	(45,578)	-	(45,578)
Interest Expense	(1,000,122)	-	(1,000,122)	-	(1,000,122)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (666,953)	\$ -	\$ (666,953)	\$ 216	\$ (666,737)
<u>CHANGE IN NET POSITION</u>	\$ 754,231	\$ -	\$ 754,231	\$ 340,373	\$ 1,094,604
<u>NET POSITION, JANUARY 1</u>	28,898,164	437,305	29,335,469	304,503	29,639,972
<u>NET POSITION, DECEMBER 31, 2014</u>	\$ 29,652,395	\$ 437,305	\$ 30,089,700	\$ 644,876	\$ 30,734,576

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2014

	<u>ENTERPRISE FUNDS</u>				
	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 9,014,010	\$ -	\$ 9,014,010	\$ 2,577,915	\$ 11,591,925
Cash Paid for Personnel Cost	(2,921,961)	-	(2,921,961)	-	(2,921,961)
Cash Paid for Operations	(2,769,356)	-	(2,769,356)	(2,256,088)	(5,025,444)
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 3,322,693</u>	<u>\$ -</u>	<u>\$ 3,322,693</u>	<u>\$ 321,827</u>	<u>\$ 3,644,520</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ (389,374)	\$ -	\$ (389,374)	\$ (458,918)	\$ (848,292)
(Additions)/ Reduction to Investments	131,324	-	131,324	-	131,324
Operating transfers in (out)	(45,478)	-	(45,478)	-	(45,478)
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ (303,528)</u>	<u>\$ -</u>	<u>\$ (303,528)</u>	<u>\$ (458,918)</u>	<u>\$ (762,446)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (754,758)	\$ -	\$ (754,758)	\$ -	\$ (754,758)
Repayment of Debt Principal	(1,418,522)	-	(1,418,522)	-	(1,418,522)
Proceeds from the Sale of City Property	25,120	-	25,120	-	25,120
Developer Fees	350,564	-	350,564	-	350,564
Repayment of Interest on Bonds and Other Debt	(1,000,122)	-	(1,000,122)	-	(1,000,122)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (2,797,718)</u>	<u>\$ -</u>	<u>\$ (2,797,718)</u>	<u>\$ -</u>	<u>\$ (2,797,718)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 2,963	\$ -	\$ 2,963	\$ 216	\$ 3,179
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 2,963</u>	<u>\$ -</u>	<u>\$ 2,963</u>	<u>\$ 216</u>	<u>\$ 3,179</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ 224,410	\$ -	\$ 224,410	\$ (136,875)	\$ 87,535
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>4,210,292</u>	<u>-</u>	<u>4,210,292</u>	<u>340,342</u>	<u>4,550,634</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 4,434,702</u>	<u>\$ -</u>	<u>\$ 4,434,702</u>	<u>\$ 203,467</u>	<u>\$ 4,638,169</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2014

	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	\$ 1,421,184	\$ -	\$ 1,421,184	\$ 340,157	\$ 1,761,341
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,949,574	-	1,949,574	-	1,949,574
Estimated Liabilities for Compensated Absences and OPEB Liability	16,709	-	16,709	-	16,709
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(31,648)	-	(31,648)	-	(31,648)
Receivable - Other	(21,709)	-	(21,709)	-	(21,709)
Inventory	(35,277)	-	(35,277)	-	(35,277)
Prepaid Expenses	(9,100)	-	(9,100)	-	(9,100)
Accounts Payable	20,225	-	20,225	-	20,225
Accrued Payroll	(16,197)	-	(16,197)	(18,330)	(34,527)
Accrued Compensated Absences	12,394	-	12,394	-	12,394
Accrued Interest Payable	(9,789)	-	(9,789)	-	(9,789)
Customer Deposits	26,327	-	26,327	-	26,327
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 3,322,693	\$ -	\$ 3,322,693	\$ 321,827	\$ 3,644,520

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Northport, Alabama (the City), founded in 1813, has a population of approximately 23,000 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 October 20, 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 No. 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, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government–Wide Financial Statements

The statement of net position 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 position 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, 2014

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, 2014

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, 2014

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.

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	\$ 10,829
Water and Sewer Fund	45,601

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, 2014

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, 2014

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 12/31/13	Increases	Decreases	Balance 12/31/14
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Progress	1,086,656	5,167,031	(642,936)	5,610,751
Total Capital Assets Not Depreciated	<u>\$ 3,405,357</u>	<u>\$ 5,167,031</u>	<u>\$ (642,936)</u>	<u>\$ 7,929,452</u>
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 15,888,616	\$ 74,895	\$ -	\$ 15,963,511
Improvements other than Buildings	1,982,410	93,792	-	2,076,202
Vehicles	6,958,061	361,913	(45,005)	7,274,969
Equipment & Furniture	2,031,682	821,429	(5,405)	2,847,706
Infrastructure	65,354,824	300,647	-	65,655,471
Total Other Capital Assets	<u>\$ 92,215,593</u>	<u>\$ 1,652,676</u>	<u>\$ (50,410)</u>	<u>\$ 93,817,859</u>
Less: Accumulated Depreciation				
Buildings	\$ 5,144,030	\$ 401,338	\$ -	\$ 5,545,368
Improvements other than Buildings	776,186	49,649	-	825,835
Vehicles	3,766,353	768,080	(45,005)	4,489,428
Equipment & Furniture	1,743,609	201,544	(5,405)	1,939,748
Infrastructure	35,581,969	1,415,820	-	36,997,789
Total Accumulated Depreciation	<u>\$ 47,012,147</u>	<u>\$ 2,836,431</u>	<u>\$ (50,410)</u>	<u>\$ 49,798,168</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 45,203,446</u>			<u>\$ 44,019,691</u>
Total Governmental Assets, Net	<u>\$ 48,608,803</u>			<u>\$ 51,949,143</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 5: FIXED ASSETS (continued)

	<u>Allocation</u>	<u>Percentage</u>	<u>Allocation of Depreciation on Capital Assets</u>	<u>Allocation of Depreciation on Infrastructure</u>
Finance and Administration	\$ 1,734,803	6.16%	\$ 87,510	\$ -
General Government	2,193,850	7.79%	110,666	-
Planning and Development	1,472,893	5.23%	74,298	-
Public Safety	16,449,651	58.41%	829,779	-
Public Works	6,311,191	22.41%	318,359	1,415,820
	<u>\$ 28,162,388</u>	<u>100.00%</u>	<u>\$ 1,420,611</u>	<u>\$ 1,415,820</u>

<u>Business-Type Activities:</u>	<u>Balance 12/31/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/14</u>
Analysis of Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 12,500	\$ -	\$ (12,500)	\$ -
Land	396,017	-	-	396,017
Total Capital Assets Not Depreciated	<u>\$ 408,517</u>	<u>\$ -</u>	<u>\$ (12,500)</u>	<u>\$ 396,017</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 28,310,713	\$ 29,650	\$ -	\$ 28,340,363
Distribution and Disposal System	43,303,675	352,431	-	43,656,106
Machinery and Equipment	594,438	113,254	(25,550)	682,142
Vehicles	759,880	241,008	-	1,000,888
Computer Equipment	129,859	30,915	-	160,774
Total Other Capital Assets	<u>\$ 73,098,563</u>	<u>\$ 767,258</u>	<u>\$ (25,550)</u>	<u>\$ 73,840,273</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 9,639,869	\$ 604,884	\$ -	\$ 10,244,753
Distribution and Disposal System	12,917,462	904,185	-	13,821,647
Machinery and Equipment	520,275	23,836	(25,550)	518,561
Vehicles	613,889	66,853	-	680,742
Computer Equipment	129,859	629	-	130,488
Total Accumulated Depreciation	<u>\$ 23,821,354</u>	<u>\$ 1,600,387</u>	<u>\$ (25,550)</u>	<u>\$ 25,396,191</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,277,209</u>			<u>\$ 48,444,082</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 49,685,726</u>			<u>\$ 48,840,099</u>

See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6: 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, 2014 are as follows:

Analysis of Long-Term Liabilities

Governmental Activities:	Balance 12/31/13	Additions	Decreases	Balance 12/31/14	Amount Due Within One Year
Bonds and Notes Payable					
2009-A G.O. Warrants	\$ 7,725,000	\$ -	\$ 30,000	\$ 7,695,000	\$ 20,000
2004-A G.O. Warrants	1,280,000	-	1,280,000	-	-
2012-D G.O. Warrants	880,000	-	290,000	590,000	300,000
2014-A G.O. Warrants	-	15,195,000	-	15,195,000	125,000
Tuscaloosa County High School	1,250,000	-	250,000	1,000,000	250,000
Notes Payable - Capstone Bank	419,569	-	100,345	319,224	103,406
Suntrust Capital Lease Obligation	1,169,085	-	111,607	1,057,478	115,792
Premium on Warrants	80,319	210,491	8,268	282,542	12,816
Less: Discounts on Bonds	(24,943)	-	24,943	-	-
Total Bonds and Notes Payable	\$ 12,779,030	\$ 15,405,491	\$ 2,095,163	\$ 26,139,244	\$ 927,014
Other Liabilities					
OPEB Liability	\$ 640,292	\$ 105,836	\$ -	\$ 746,128	\$ -
Less: Deferred Outflow on 2012 D Refunding	(63,034)	-	4,500	(58,534)	-
Estimated Liabilities for Compensated Absences	815,420	-	88	815,332	65
Total Other Liabilities	\$ 1,392,678	\$ 105,836	\$ 4,588	\$ 1,502,926	\$ 65
Total Governmental Activities	\$ 14,171,708	\$ 15,511,327	\$ 2,099,751	\$ 27,642,170	\$ 927,079

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6: LONG-TERM OBLIGATIONS (continued)

Business -Type Activities:	Balance			Balance	Amount Due
	12/31/13	Additions	Decreases	12/31/14	Within One Year
Bonds, Notes and Other Liabilities					
1999 S.R.F. G.O. Warrants	\$ 1,450,000	\$ -	\$ 215,000	\$ 1,235,000	\$ 230,000
2005 S.R.F. G.O. Warrants	2,085,000	-	130,000	1,955,000	135,000
2004-B G.O. Warrants	1,610,000	-	1,610,000	-	-
2009-B G.O. Warrants	6,690,000	-	-	6,690,000	145,000
2011 G.O. Warrants	8,485,000	-	765,000	7,720,000	635,000
2012-C Warrants Payable	9,535,000	-	-	9,535,000	-
2014-A G.O. Warrants	-	1,325,000	-	1,325,000	175,000
West Alabama Bank & Trust	72,433	-	9,850	62,583	10,298
Estimated Liabilities for					
Compensated Absences	105,896	12,394	-	118,290	7,060
Premium on Warrants	349,675	-	29,301	320,374	-
Less: Discounts on Bonds	(15,629)	-	(15,629)	-	-
Less: Deferred Outflow On Bond					
Refundings	(596,525)	-	66,240	(530,285)	-
Less: Deferred Outflow On 2012-C					
Bond Refundings	(3,963,574)	-	282,946	(3,680,628)	-
OPEB Liability	118,855	16,709	-	135,564	-
Total Bonds, Notes and					
Other Liabilities	<u>\$ 25,926,130</u>	<u>\$ 1,354,103</u>	<u>\$ 3,092,708</u>	<u>\$ 24,885,898</u>	<u>\$ 1,337,358</u>

GENERAL CITY DEBT:	Due Date	Amount Due	Amount Outstanding
<u>2009 A General Obligation Warrants</u>			
Series dated October 1, 2009	2015	\$ 20,000	
payable semi-annually at a variable	2016	25,000	
interest rate between 2% and 4%	2017	30,000	
depending on the maturity date.	2018	25,000	
	Thereafter	<u>7,595,000</u>	\$ 7,695,000
<u>2012 D General Obligation Warrants</u>			
Series dated March 29, 2012	2015	\$ 300,000	
payable semi-annually at a variable	2016	290,000	
interest rate between .55% and 1.7%	2017	-	
depending on the maturity date.	2017	-	
	Thereafter	<u>-</u>	\$ 590,000
<u>2014 A General Obligation Warrants</u>			
Series dated August 5, 2014	2015	\$ 125,000	
payable semi-annually at a variable	2016	110,000	
interest rate between 2.00% and 4.00%	2017	110,000	
depending on the maturity date.	2018	110,000	
	Thereafter	<u>14,740,000</u>	\$ 15,195,000

See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6: LONG-TERM OBLIGATIONS (continued)

<u>GENERAL CITY DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>Capstone Bank</u>	2015	\$ 103,406	
Note collateralized by vehicles	2016	106,560	
and equipment, payable annually	2017	109,258	
at an interest rate of 3.05%,	2018	-	
maturing January 2017.	Thereafter	<u>-</u>	\$ 319,224
<u>Tuscaloosa County High School</u>	2015	\$ 250,000	
Long-term commitment of \$250,000	2016	250,000	
per year to Tuscaloosa County	2017	250,000	
High School.	2018	250,000	
	Thereafter	<u>-</u>	\$ 1,000,000
<u>SunTrust Capital</u>	2015	\$ 115,792	
Long-term commitment of \$155,448	2016	120,134	
per year to SunTrust Capital to satisfy	2017	124,639	
capital lease obligation. Lease matures	2018	129,313	
Apr-22	Thereafter	<u>567,600</u>	\$ 1,057,478
<u>WATER AND SEWER DEBT:</u>			
<u>Alabama Water Pollution Control Authority</u>			
Series 1999 Warrants awarded to the	2015	\$ 160,000	
City from the State Revolving Loan Fund	2016	165,000	
for the Water Treatment Plant Expansion	2017	170,000	
Project, payable semi-annually at an	2018	175,000	
interest rate of 3.95%.	Thereafter	<u>185,000</u>	\$ 855,000
Series 1999 Warrants awarded to the	2015	\$ 70,000	
City from the State Revolving Loan Fund	2016	75,000	
for the Water Treatment Plant Expansion	2017	75,000	
Project, payable semi-annually at an	2018	80,000	
interest rate of 3.95%.	Thereafter	<u>80,000</u>	\$ 380,000
Series 2005 Warrants received from the	2015	\$ 135,000	
State Revolving Loan Fund to refinance	2016	140,000	
the Series 1993 Warrants. The 1993	2017	145,000	
Warrants were used for construction of	2018	150,000	
the new waste water treatment plant,	Thereafter	<u>1,385,000</u>	\$ 1,955,000
payable semi-annually at 3.25%.			

See Independent Auditors' Report.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6: LONG-TERM OBLIGATIONS (continued)

<u>WATER AND SEWER DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>2009 A General Obligation Water & Sewer Warrants</u>			
Series dated October 1, 2009	2015	\$ 145,000	
payable semi-annually at a variable	2016	150,000	
interest rate between 2% and 4%	2017	150,000	
depending on the maturity date.	2018	160,000	
	Thereafter	<u>6,085,000</u>	
			\$ 6,690,000
<u>2011 General Obligation Water & Sewer Warrants</u>			
Series dated June 21, 2011	2015	\$ 635,000	
payable semi-annually at a variable	2016	645,000	
interest rate between 2% and 8%	2017	660,000	
depending on the maturity date.	2018	680,000	
	Thereafter	<u>5,100,000</u>	
			\$ 7,720,000
<u>2012 C General Obligation Water & Sewer Warrants</u>			
Series dated March 29, 2012	2015	\$ -	
payable semi-annually at a variable	2016	-	
interest rate between 2.00% and 4.00%	2017	-	
depending on the maturity date.	2018	300,000	
	Thereafter	<u>9,235,000</u>	
			\$ 9,535,000
<u>2014 A General Obligation Warrants</u>			
Series dated August 5, 2014	2015	\$ 175,000	
payable semi-annually at a variable	2016	190,000	
interest rate between 2.00% and 4.00%	2017	190,000	
depending on the maturity date.	2018	190,000	
	Thereafter	<u>580,000</u>	
			\$ 1,325,000
<u>West Alabama Bank & Trust</u>			
Note collateralized by infrastructure and	2015	\$ 10,298	
improvements. The note was included in the	2016	10,765	
merger of Sands Springs Water Authority.	2017	11,254	
Payable monthly at an interest rate of 4.45%.	2018	11,765	
	Thereafter	<u>18,501</u>	
			\$ 62,583

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 7: 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 non-spendable, restricted, committed, assigned and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 8: PROPERTY TAX

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 9: 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 up to a maximum of 280 hours with the exception of firemen who may be compensated for annual leave time up to a maximum of 380 hours. 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 but are not entitled to compensation for unused sick leave.

At December 31, 2014, the amount of vacation and sick leave accrued in the financial statements is \$933,622. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$815,332 and \$118,290, respectively.

NOTE 10: DEPOSITS AND INVESTMENTS

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 10: DEPOSIT AND INVESTMENTS (continued)

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

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

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

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

Deposits categorized by level of risk are:

	<u>BANK BALANCE</u>	<u>CATEGORY</u>			<u>CARRYING AMOUNT</u>	<u>TOTAL</u>
		<u>1</u>	<u>2</u>	<u>3</u>		
Categorized Deposits	<u>\$ 8,660,213</u>	<u>\$ 500,000</u>	<u>\$ 8,160,213</u>	<u>\$ -0-</u>	<u>\$ 8,660,213</u>	<u>\$8,660,213</u>

The City had the following cash at December 31, 2014:

CASH

Governmental - Unrestricted:

Cadence Bank – Payroll Clearing Fund	\$ (1,896)
Cadence Bank – General Fund	478,737
Cadence Bank – Accounts Payable Clearing	(480)
Cadence Bank – Unrestricted Other	426
Cadence Bank – Community Events and Contr.	75,632
Cadence Bank – Indigent Treatment Fund	45,139
Cadence Bank – P.D. Seizures and Evidence	1,967
Cadence Bank – Training Tech Fund	13,332
Cadence Bank – Employee Benefit Fund	3,756
Petty Cash	<u>1,400</u>

Total Unrestricted Cash \$ 618,013

Governmental - Restricted:

Cadence Bank – Corrections Fund	\$ 192,419
Cadence Bank – Municipal Court	93,742
Cadence Bank – Reserve Fund	2,302,320
Cadence Bank – Municipal Court Admin. Fund	81,063
Cadence Bank – Restitution Recovery Fund	49,154

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 10: DEPOSITS AND INVESTMENTS (continued)

The City had the following cash at December 31, 2014:

CASH (continued from previous page)

Governmental - Restricted:

Cadence Bank – Capital Improvement Fund	157,281
Cadence Bank – Gasoline Excise Tax Fund	457,585
Cadence Bank – Community Development Fund	2,322
Cadence Bank – Employee’s Beer Tax	70,045
Cadence Bank – Employee’s Insurance Fund	<u>203,467</u>

Total Restricted Cash **\$ 3,609,398**

Enterprise – Unrestricted:

Cadence Bank - Accounts Payable Clearing	\$ 43,518
Cadence Bank - Unrestricted	500,000
Cadence Bank - Gross Revenue	701,254
Cadence Bank – Water Capital Fund	253,411
Cadence Bank – Water & Sewer Reserve	1,252,840
Petty Cash	<u>500</u>

Total Unrestricted Cash **\$ 2,751,523**

Enterprise – Restricted:

Cadence Bank - Meter Deposit	\$ 333,728
Capstone Bank - Development Fees	803,711
Cadence Bank – SRF Debt Service Escrow	51,003
Bank of Tuscaloosa – Meter Deposit Money Mkt	<u>494,737</u>

Total Restricted Cash **\$ 1,683,179**

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 10: DEPOSITS AND INVESTMENTS (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	<u>\$ 10,111,380</u>	<u>\$ 10,111,380</u>	BBB
<u>Total Governmental Investments</u>	<u>\$ 10,111,380</u>	<u>\$ 10,111,380</u>	
<u>Enterprise - Restricted:</u>			
Regions Bank – Treasury Money Market	<u>\$ 303,029</u>	<u>\$ 303,029</u>	BBB
<u>Total Enterprise Investments</u>	<u>\$ 303,029</u>	<u>\$ 303,029</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, 2014

NOTE 10: DEPOSITS AND INVESTMENTS (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> %
---------------------	----------------

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 11: RESTRICTED ASSETS

At December 31, 2014, 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 position under restricted assets.

NOTE 12: BALANCE OF DUE TO/FROM OTHER FUNDS

At December 31, 2014, several interfund receivables and payables were outstanding. The following schedule is a detailed listing of the interfund receivables and payables as shown in the Statement of Net Assets.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	
General Fund	\$ 678,091	\$ 338,699	
Special Revenue Funds	131,059	424,430	
Proprietary	<u>2,099,929</u>	<u>2,145,950</u>	
Total	<u>\$ 2,909,079</u>	<u>\$ 2,909,079</u>	

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 13: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers between funds for December 31, 2014 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ -0-	\$ 2,707,407
Debt Service Funds	2,752,985	-0-
Proprietary	-0-	45,578
Total	\$ 2,752,985	\$ 2,752,985

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

As defined in GASB No. 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, 2014

NOTE 14: 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, Dewitt and Palm CPAs, LLC. A summary of the auditing financial statements for the year ended September 30, 2014 and 2013 is listed below:

	<u>2014</u>	<u>2013</u>
Total Assets	\$ 31,702,746	\$ 30,495,738
Total Liabilities	<u>12,050,240</u>	<u>12,095,664</u>
Net Assets	<u>\$ 19,652,506</u>	<u>\$ 18,400,074</u>
Total Revenues	\$ 5,306,600	\$ 4,949,198
Total Expenses	<u>4,054,168</u>	<u>4,661,663</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 1,252,432</u>	<u>\$ 287,535</u>

Industrial Park Land

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 15: 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, 2014, was \$13,749,762. At September 30, 2014, 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	90
Active employees	320

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.

Plan Description

Retirement benefits are calculated by two methods, with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed and (2) Formula, of

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

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

The Schedule of Funding Progress was determined as part of the most recent actuarial assumptions used in determining the Funding Progress include: (a) a rate of return on investments of 8% compounded annually; (b) projected annual salary increases of 3.75% to 7.25%, including inflation at 3.0%; (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 Liability¹	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/08	25,078,846	34,309,563	9,230,717	73.1%	12,079,691	76.4%
9/30/09	25,664,322	36,699,294	11,034,972	69.9%	12,040,377	91.6%
9/30/10 ²	25,550,179	39,586,538	14,036,359	64.5%	11,653,363	120.4%
9/30/11 ⁴	25,206,267	39,718,580	14,512,313	63.5%	11,448,662	126.8%
9/30/12 ⁵	25,485,395	38,581,587	13,096,192	66.1%	11,164,255	117.3%
9/30/13 ⁶	27,701,720	42,735,210	15,033,490	64.8%	12,741,238	118.0%
9/30/13 ^{3,6}	27,701,720	42,858,540	15,156,820	64.6%	12,741,238	119.0%

¹ - Reflects liability for cost of living benefit increases granted after October 1, 1978

² - Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011

³ - Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

⁴ - Reflects changes in actuarial assumptions

⁵ - Reflects changes to interest smoothing methodology

⁶ - Reflects implementation of Board Funding Policy

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$ 1,090,535	100%	\$ -
9/30/12	1,084,960	100%	-
9/30/13	1,275,375	100%	-

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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

The contribution to the System for fiscal year ended December 31, 2014 of \$2,275,067 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of September 30, 2013. The total employer contributions of \$1,438,225 represented 10.46% of current year covered payroll, and the total employee contributions of \$771,577 represented 5.65% of current year covered payroll. The employee contributions were a component of normal cost. The employer contributions consisted of \$336,869 for normal cost (2.45% of current year covered payroll), \$1,050,482 for amortization of the actuarial accrued liability (7.64% of current year covered payroll), \$2,750 for death benefits (.02% of current year covered payroll), and \$48,124 for administrative expenses of the system (.35% of current year covered payroll).

The last valuation was September 30, 2013. The System has informed the City that no significant changes have occurred during fiscal year 2014. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the pension benefit obligation.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16: POSTEMPLOYMENT BENEFITS

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

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

Fund Policy - Until 2009, the City of Northport recognized the cost of providing post-employment medical benefits (the City of Northport's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2014 and 2013, the City's portion of health care funding cost for retired employees totaled \$250,886 and \$136,426, respectively.

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

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

	<u>2014</u>	<u>2013</u>
Normal Cost	\$ 127,411	\$ 127,411
30-year UAL amortization amount	<u>152,691</u>	<u>152,691</u>
Annual required contribution (ARC)	<u>\$ 280,102</u>	<u>\$ 280,102</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16: POSTEMPLOYMENT BENEFITS (continued)

Net Post-Employment Benefit Obligation (Asset) - The table below shows the City of Northport's Net Other Post-Employment Benefit (OPEB) Obligation (Asset) for fiscal years ending December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beginning Net OPEB Obligation (Asset) - Jan. 1	\$ 757,501	\$ 624,968
Annual required contribution	280,102	280,102
Interest on Net OPEB Obligation (Asset)	30,300	24,999
ARC Adjustment	<u>(36,142)</u>	<u>(36,142)</u>
OPEB Cost	274,260	268,959
Contribution	-0-	-0-
Current year retiree premium	<u>(150,069)</u>	<u>(136,426)</u>
	<u>124,191</u>	<u>132,533</u>
Change in Net OPEB Obligation		
Ending Net OPEB Obligation (Asset) - Dec. 31	<u>\$ 881,692</u>	<u>\$ 757,501</u>
Net OPEB Liability:		
Governmental Funds	\$ 746,128	\$ 639,154
Proprietary Funds	<u>135,564</u>	<u>118,347</u>
Total	<u>\$ 881,692</u>	<u>\$ 757,501</u>

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

Post- Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	December 31, 2014	\$ 274,260	50.72%	\$ 881,692
Medical	December 31, 2013	\$ 268,959	50.72%	\$ 757,501

Funded Status and Funding Progress - In the fiscal years ending December 31, 2014 and 2013, 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 December 31, 2013 actuarial valuation, the most recent actuarial valuation, the estimated Actuarial Accrued Liability (AAL) at the end of December 31, 2013 was \$2,640,522, which is defined as that portion, as determined by a particular actuarial cost method (the City of Northport uses the Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16: POSTEMPLOYMENT BENEFITS (continued)

	<u>2013</u>	<u>2012</u>
Actuarial Accrued Liability (AAL)	\$ 2,640,522	\$ 2,726,773
Actuarial Value of Plan Assets	<u>-0-</u>	<u>-0-</u>
Unfunded Act. Accrued Liability (UAAL)	<u>2,640,522</u>	<u>2,726,773</u>
Funded Ratio (Act. Val. Assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 12,741,238	\$ 11,164,255
UAAL as a percentage of covered payroll	20.72%	24.42%

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

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16: POSTEMPLOYMENT BENEFITS *(continued)*

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

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16: POSTEMPLOYMENT BENEFITS *(continued)*

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

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 16: POSTEMPLOYMENT BENEFITS (continued)

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

OPEB Costs and Contributions						
		FY 2012		FY 2013		FY 2014
OPEB Cost	\$	274,307	\$	268,959	\$	274,260
Contribution		-		-		-
Retiree premium		82,634		136,426		150,069
Total contribution and premium		82,634		136,426		150,069
Change in net OPEB obligation	\$	191,673	\$	132,533	\$	124,191
% of contribution to cost		0.00%		0.00%		0.00%
% of contribution plus premium to cost		30.12%		50.72%		54.72%

NOTE 17: 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 18: 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, 2014, the outstanding commitment was \$1,000,000.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 18: COMMITMENTS AND CONTINGENCIES *(continued)*

Capital Improvements

City has obligations and commitments for capital improvements related to the Water and Sewer Department's Five Year Plan in the amount of \$15,104,000.

Pending or Threatened Litigation

The City is currently in the process of defending various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City. The claims appear to be covered by the City's insurance carrier and any liability would be immaterial.

Water and Sewer Operational Permits

The Water and Sewer department operates under permits issued by the Alabama Department of Environmental Management (ADEM). As of the date of this report, the City has timely submitted the application for renewal of these permits and the final issuance of these permits has not been completed by ADEM.

NOTE 19: DEBT DEFEASANCE

During the year ended December 31, 2011, the City defeased the Series 2003 SRF Warrant issues and partially defeased the Series 2002-B Warrants issue by issuing new debt, the proceeds of which were placed in trust with The Depository Trust Company. The investments and fixed earnings from the deposits in trust are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the City's Proprietary Fund and the governmental funds.

During the year ended December 31, 2012, the City defeased the Series 1998 SRF, 2002 SRF, 2002-A, and 2002-B Warrant issues by issuing new debt, the proceeds of which were placed in trust with The Depository Trust Company. The investments and fixed earnings from the deposits in trust are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the City's Proprietary Fund and the governmental funds.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 20: SELF-INSURANCE

During the year ended December 31, 2014, 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 21: SUBSEQUENT EVENTS

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of December 31, 2014, 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, 2014. The following events have been determined to have a possible material effect:

During the year, the City submitted match funds of twenty percent of the total expected project cost to the Alabama Department of Transportation for a bridge replacement project. The total expected cost of the bridge replacement is \$450,014. Eighty percent of the funding will be provided by a federal grant.

Effective June 2, 2016, the State of Alabama restructured the existing sales tax distribution for Tuscaloosa County. Under the new legislation, the temporary one-cent sales tax was made permanent and was combined with the existing two-cent sales tax. The City of Northport will receive five percent of the new

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 21: SUBSEQUENT EVENTS

three-cent sales tax, which is estimated at \$1,400,000. The additional funds will be used for capital improvements and retail development.

The City will be accepting bids for a road widening and resurfacing project in early fall 2015. The cost of the project will be approximately \$6,000,000. The funds for this project will be disbursed from the 2014 Bond Issue Acquisition Fund. The City is expected to be reimbursed for the cost of this project through the establishment of the Tuscaloosa County Road Improvement Authority and redistribution of the three-cent sales tax. The reimbursed funds will be applied as an early extinguishment of a portion of the outstanding 2014 bonds payable.

In June 2015, the City submitted a plan to the State of Alabama and West Alabama Chamber of Commerce to assume operational ownership (including capital improvements) of Lake Lurleen State Park. If this proposal is approved by the State of Alabama Legislature and West Alabama Chamber of Commerce, the City of Northport will assume the operational ownership for an indefinite time period. The property will be required to be maintained and operated as a park.

NOTE 22: 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 23: FUND BALANCES – GOVERNMENTAL FUND

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

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2014, by City of Northport are nonspendable in form. City of Northport has not reported any amounts that are legally or contractually required to be maintained intact.

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

<u>Restricted for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Capital Projects	\$ 9,441,006	\$ 310,392	\$ -	\$ 9,751,398
Municipal Court	416,379	-	-	416,379
Grant Programs	-	2,322	-	2,322
Special Compensation for Employees	-	70,009	-	70,009
Debt Service	-	-	670,373	670,373
	<hr/>	<hr/>	<hr/>	<hr/>
Restricted Fund Balance	<u>\$ 9,857,385</u>	<u>\$ 382,723</u>	<u>\$ 670,373</u>	<u>\$ 10,910,481</u>

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

<u>Committed for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
General Fund Reserve Fund	\$ 2,302,320	\$ -0-	\$ 2,302,320
Committed Fund Balance	<u>\$ 2,302,320</u>	<u>\$ -0-</u>	<u>\$ 2,302,320</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 23: FUND BALANCES – GOVERNMENTAL FUND (continued)

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

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

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

NOTE 24: CAPITAL LEASE OBLIGATION

The City entered in agreements to lease three fire trucks. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. Capital lease obligations are reported for those leases where the fair market value of the leased asset as inception of the lease is \$25,000 or more.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 26: CAPITAL LEASE OBLIGATION(continued)

The following schedule presents future minimum lease payments as of December 31, 2014:

<u>Year</u>	<u>Minimum Lease Payments</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payments</u>
2015	\$ 155,448	\$ 39,656	\$ 115,792
2016	155,448	35,314	120,134
2017	155,448	30,809	124,639
2018	155,448	26,135	129,313
2019	155,448	21,285	134,163
2020	155,448	16,254	139,194
2021	155,448	11,034	144,414
2022	155,448	5,619	149,829
			<u>\$ 1,057,478</u>

Leased land, buildings, equipment and vehicles under capital leases in capital assets at December 31, 2014 were as follows:

Vehicles	\$ 1,276,658
Less: Accumulated Depreciation	<u>(351,081)</u>
Net Capital Leased Assets	<u>\$ 925,577</u>

Amortization of leased vehicles under capital assets is included with depreciation expense.

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5710 WATERMELON ROAD, SUITE 400

NORTHPORT, ALABAMA 35473

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

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

RICHARD D. LECROY, C.P.A.
KELLIE HUNTER-SUTE, C.P.A.
MATTHEW W. RICHARDSON, C.P.A.
R. COURTNEY LECROY, C.P.A.
W. RYAN ALEXANDER, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

June 30, 2015

INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Northport, Alabama, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise City of Northport, Alabama's basic financial statements and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Northport, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Northport, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Northport, Alabama's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LeCroy, Hunter & Company, P.C.

Northport, Alabama
June 30, 2015

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, 2014

	<u>FINAL</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAVORABLE)</u>
<u>Revenues</u>			
Taxes			
City Sales and Use Taxes	\$ 8,500,000	\$ 8,670,445	\$ 170,445
Property Taxes	3,150,000	3,063,056	(86,944)
Other Taxes	340,000	440,108	100,108
<u>Total Taxes</u>	<u>\$ 11,990,000</u>	<u>\$ 12,173,609</u>	<u>\$ 183,609</u>
Licenses and Permits			
Business License	\$ 4,825,000	\$ 4,717,937	\$ (107,063)
Other Licenses and Permits	125,000	137,320	12,320
<u>Total Licenses and Permits</u>	<u>\$ 4,950,000</u>	<u>\$ 4,855,257</u>	<u>\$ (94,743)</u>
Charges for Services			
Fines and Penalties	\$ 1,300,000	\$ 1,352,079	\$ 52,079
Intergovernmental Revenues	926,000	970,761	44,761
Other Revenue	4,089,000	4,223,255	134,255
	547,200	614,708	67,508
<u>Total Revenues</u>	<u>\$ 23,802,200</u>	<u>\$ 24,189,669</u>	<u>\$ 387,469</u>
<u>Expenditures</u>			
Operating			
Finance and Administration	\$ 1,425,478	\$ 1,684,816	\$ 259,338
General Government	2,052,155	2,216,906	164,751
Planning and Inspection	721,047	674,193	(46,854)
Public Safety	12,187,322	12,531,715	344,393
Public Works	4,928,365	4,990,173	61,808
Local Agency Funding	368,000	394,401	26,401
<u>Total Operating Expenditures</u>	<u>\$ 21,682,367</u>	<u>\$ 22,492,204</u>	<u>\$ (809,837)</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, 2014

	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Capital			
Finance and Administration	\$ 381,500	\$ 219,988	\$ (161,512)
General Government	79,827	25,976	(53,851)
Planning and Inspection	3,000	-	(3,000)
Public Safety	519,900	5,522,953	5,003,053
Public Works	1,132,500	1,223,490	90,990
<u> Total Capital Expenditures</u>	<u>\$ 2,116,727</u>	<u>\$ 6,992,407</u>	<u>\$ (4,875,680)</u>
Debt Service			
Payments on Bonds & Notes Payable	\$ -	\$ 2,061,953	\$ 2,061,953
Interest Paid	-	421,770	421,770
Agency Fees	-	3,123	3,123
<u> Total Debt Service</u>	<u>\$ -</u>	<u>\$ 2,486,846</u>	<u>\$ (2,486,846)</u>
<u> Total Expenditures</u>	<u>\$ 23,799,094</u>	<u>\$ 31,971,457</u>	<u>\$ (8,172,363)</u>
Other Financing Sources (Uses)			
Transfer Out	\$ (1,740,000)	\$ (2,707,407)	\$ (967,407)
Bond Proceeds	-	15,227,629	15,227,629
Transfer In	-	2,752,985	2,752,985
Sales Proceeds	-	15,909	15,909
<u> Total Other Financing Sources (Uses)</u>	<u>\$ (1,740,000)</u>	<u>\$ 15,289,116</u>	<u>\$ 17,029,116</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ (1,736,894)</u>	<u>\$ 7,507,328</u>	<u>\$ 9,244,222</u>
<u>Fund Balance Allocation</u>	<u>1,736,894</u>	<u>-</u>	<u>1,736,894</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ -</u>	<u>\$ 7,507,328</u>	<u>\$ 10,981,116</u>
<u>Fund Balance - January 1, 2014</u>		<u>\$ 7,032,190</u>	
<u>Fund Balance - December 31, 2014</u>		<u>\$ 14,539,518</u>	

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

CITY OF NORTHPORT, ALABAMA
PENSION INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

Fund Policy

The City of Northport follows GASB No. 27, *Accounting for Pensions by State and Local Government Employers*. Retirement contributions for Tier I were based on a factor of 2.23 for 5% employee contributions or 1.86 for 6% employee contributors times the annual payroll as determined by Retirement Systems of Alabama (RSA). Retirement contributions for Tier II were based on a factor of 1.48 for 6% employee contributions or 1.27 for 7% employee contributors times the annual payroll as determined by Retirement Systems of Alabama (RSA). These rates were based on the September 30, 2013, actuarial valuation reported provided by RSA.

For December 31, 2014, the required pension contributions were determined as part of the September 30, 2013, 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 3.75% to 7.25% and (c) no cost of living adjustments. Both (a) and (b) for the year ended September 30, 2013 required contributions included an inflation component of 3.00%. 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, 2013 was 30 years.

Trend Information and Required Supplemental Information

As of the September 30, 2013 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, 2013 was \$-0-. The following table shows the NPO for the year ended September 30, 2013.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$ 1,090,535	100%	\$ -
9/30/12	1,084,960	100%	-
9/30/13	1,275,375	100%	-

As of the September 30, 2013 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 Liability¹	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/08	25,078,846	34,309,563	9,230,717	73.1%	12,079,691	76.4%
9/30/09	25,664,322	36,699,294	11,034,972	69.9%	12,040,377	91.6%
9/30/10 ²	25,550,179	39,586,538	14,036,359	64.5%	11,653,363	120.4%
9/30/11 ⁴	25,206,267	39,718,580	14,512,313	63.5%	11,448,662	126.8%
9/30/12 ⁵	25,485,395	38,581,587	13,096,192	66.1%	11,164,255	117.3%
9/30/13 ⁶	27,701,720	42,735,210	15,033,490	64.8%	12,741,238	118.0%
9/30/13 ^{3,6}	27,701,720	42,858,540	15,156,820	64.6%	12,741,238	119.0%

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

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

- Summary of General Fund Revenues, Expenditures and Changes in Fund Balance for the years ended December 31, 2014, 2013, 2012, and 2011.
- Schedule of General Fund Revenues for the years ended December 31, 2014, 2013, and 2012
- Water and Sewer Statistical Information for the years ended December 31, 2010 - 2014 and the years ended September 30, 2004 – 2009
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended December 31, 2014
- Schedule of Water and Sewer Fund Debt Service for the year ended December 31, 2014
- Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the year ended December 31, 2014
- Schedule of Legal Debt Margin

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2014, 2013, 2012, AND 2011

	<u>YEAR ENDED DECEMBER 31 2014</u>	<u>YEAR ENDED DECEMBER 31 2013</u>	<u>YEAR ENDED DECEMBER 31 2012</u>	<u>YEAR ENDED DECEMBER 31 2011</u>
<u>Revenues</u>				
Taxes:				
City Sales and Use Taxes	\$ 8,670,445	\$ 8,418,814	\$ 8,349,583	\$ 7,771,712
Property Taxes	3,063,056	3,029,356	2,887,020	2,883,400
Other	440,108	369,397	397,323	388,970
<u>Total Taxes</u>	<u>\$ 12,173,609</u>	<u>\$ 11,817,567</u>	<u>\$ 11,633,926</u>	<u>\$ 11,044,082</u>
Licenses and Permits:				
Business Licenses & Permits	\$ 4,717,937	\$ 4,566,687	\$ 4,726,744	\$ 4,376,480
Other Licenses and Permits	137,320	213,936	186,163	210,664
<u>Total Licenses and Permits</u>	<u>\$ 4,855,257</u>	<u>\$ 4,780,623</u>	<u>\$ 4,912,907</u>	<u>\$ 4,587,144</u>
Intergovernmental	\$ 3,785,850	\$ 3,906,390	\$ 3,579,144	\$ 3,339,981
Charges for Services	1,352,079	1,299,965	1,310,600	1,240,341
Fines and Penalties	970,761	816,171	652,825	702,432
Other Revenues	613,180	418,449	280,751	229,376
<u>Total Revenues</u>	<u>\$ 23,750,736</u>	<u>\$ 23,039,165</u>	<u>\$ 22,370,153</u>	<u>\$ 21,143,356</u>
<u>Expenditures</u>				
Public Safety	\$ 12,531,715	\$ 12,045,468	\$ 11,108,835	\$ 10,295,295
Public Works	4,990,173	4,620,157	4,115,814	3,782,686
Capital Outlay	6,541,237	2,427,748	4,555,893	1,708,070
General Government	2,205,644	1,606,563	1,393,353	1,537,044
Finance and Administration	1,553,831	1,136,669	1,463,353	1,475,276
Planning and Development	672,132	1,078,888	651,752	516,931
Local Agency Support	394,401	271,750	425,000	65,000
Civic Center	-	-	-	80
<u>Total Expenditures</u>	<u>\$ 28,889,133</u>	<u>\$ 23,187,243</u>	<u>\$ 23,714,000</u>	<u>\$ 19,380,382</u>
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	<u>\$ (5,138,397)</u>	<u>\$ (148,078)</u>	<u>\$ (1,343,847)</u>	<u>\$ 1,762,974</u>
<u>Other Financing Sources and (Uses)</u>				
Transfer (Out) to Debt Service Fund	\$ (2,707,407)	\$ (1,649,781)	\$ (3,634,836)	\$ (1,621,739)
Transfer In (Out) from Other Funds	-	358,204	-	682,198
Other Sources	15,909	82,559	148,082	53,301
Loan Proceeds	15,227,629	-	3,854,025	-
<u>Total Other Financing Sources and (Uses)</u>	<u>\$ 12,536,131</u>	<u>\$ (1,209,018)</u>	<u>\$ 367,271</u>	<u>\$ (886,240)</u>
<u>Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses</u>	<u>\$ 7,397,734</u>	<u>\$ (1,357,096)</u>	<u>\$ (976,576)</u>	<u>\$ 876,734</u>
<u>Fund Balance - Beginning of Year</u>	<u>6,084,932</u>	<u>7,929,856</u>	<u>7,975,109</u>	<u>7,098,375</u>
Cumulative Effect of Change in Accounting Principle	-	-	(25,575)	-
Prior Period Adjustment	-	(487,828)	956,898	-
<u>Fund Balance - End of Year</u>	<u>\$ 13,482,666</u>	<u>\$ 6,084,932</u>	<u>\$ 7,929,856</u>	<u>\$ 7,975,109</u>

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012

	<u>DECEMBER 31, 2014</u>		<u>DECEMBER 31, 2013</u>		<u>DECEMBER 31, 2012</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	36.5%	\$ 8,670,445	36.5%	\$ 8,418,814	37.3%	\$ 8,349,583
Property Taxes	12.9%	3,063,056	13.1%	3,029,356	12.9%	2,887,020
Other	1.9%	440,108	1.6%	369,397	1.8%	397,323
<u>Total Taxes</u>	<u>51.3%</u>	<u>\$ 12,173,609</u>	<u>51.3%</u>	<u>\$ 11,817,567</u>	<u>52.0%</u>	<u>\$ 11,633,926</u>
Licenses and Permits:						
Business Licenses & Permits	19.9%	\$ 4,717,937	19.8%	\$ 4,566,687	21.1%	\$ 4,726,744
Other Licenses and Permits	0.6%	137,320	0.9%	213,936	0.8%	186,163
<u>Total Licenses and Permits</u>	<u>20.4%</u>	<u>\$ 4,855,257</u>	<u>20.7%</u>	<u>\$ 4,780,623</u>	<u>22.0%</u>	<u>\$ 4,912,907</u>
Fines and Penalties	4.1%	\$ 970,761	3.5%	\$ 816,171	2.9%	\$ 652,825
Charges for Services	5.7%	1,352,079	5.6%	1,299,965	5.9%	1,310,600
Intergovernmental	15.9%	3,785,850	17.0%	3,906,390	16.0%	3,579,144
Other Revenues	2.6%	613,180	1.8%	418,449	1.3%	280,751
<u>Total Other Revenue</u>	<u>28.3%</u>	<u>6,721,870</u>	<u>28.0%</u>	<u>6,440,975</u>	<u>26.0%</u>	<u>5,823,320</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 23,750,736</u>	<u>100.0%</u>	<u>\$ 23,039,165</u>	<u>100.0%</u>	<u>\$ 22,370,153</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED DECEMBER 31, 2014 THROUGH 2010 AND
SEPTEMBER 30, 2004 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>
2004	9,897	826,518,006	\$ 2,608,510
2005	10,314	817,393,029	2,634,989
2006	10,850	935,617,119	3,150,875
2007	11,412	1,016,899,157	3,503,425
2008	11,671	968,527,572	3,390,997
2009	11,746	897,990,571	3,597,280
2010	11,832	902,190,889	3,919,693
2011	12,989	899,985,608	4,671,142
2012	13,178	891,299,233	4,775,028
2013	13,345	829,476,094	4,647,254
2014	13,435	843,445,786	4,811,248

Ten Largest Water System Customers

	<u>2014 Gallons</u>	<u>2014 Fees</u>
DCH Health Care Authority	19,878,914	\$ 87,189
Tuscaloosa County Board of Education	17,496,079	84,931
Northport Housing Authority Knoll Circle	10,276,609	43,278
Northport Housing Authority West Circle	10,054,171	42,438
Northport Housing Authority Valley Hills	9,876,796	40,683
Forest Manor	7,865,910	33,166
Northport Health Services Glen Haven	7,242,772	30,250
Northport Health Services Park Manor	6,913,840	28,769
Deerfield Apartments	3,859,702	21,923
Presbyterian Apartments	3,316,735	16,407

Water Rates - Effective October 1, 2014

All water purchases are \$4.19 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 YEARS ENDED DECEMBER 31, 2014 THROUGH 2010 AND
SEPTEMBER 30, 2004 THROUGH 2009

<u>Fiscal Year</u>	<u>Sewer System Statistics</u> <u>Number of</u> <u>Customers *</u>	<u>Gross</u> <u>Revenue</u>
2004	8,333	\$ 2,019,366
2005	8,657	2,051,856
2006	9,112	2,285,399
2007	9,631	2,474,002
2008	9,924	2,462,513
2009	10,050	2,655,155
2010	10,182	3,169,687
2011	10,319	3,554,782
2012	10,473	3,639,671
2013	10,646	3,661,106
2014	10,749	3,740,572

Rate Schedule: Effective October 1, 2013, the rate for all waste water customers is \$4.19 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 YEARS ENDED DECEMBER 31, 2014 THROUGH 2010 AND
SEPTEMBER 30, 2004 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, 2014

OPERATING REVENUES

Charges for Services and Fees	\$ 9,070,341
-------------------------------	--------------

<u>TOTAL OPERATING REVENUES</u>	<u>\$ 9,070,341</u>
----------------------------------------	----------------------------

OPERATING EXPENSES

Salaries and Benefits	\$ 2,934,867
Utilities and Telephone	657,068
Maintenance and Repairs	472,562
Materials and Supplies	459,760
Insurance	388,074
Other Expense	347,816
Water and Sewer Purchases	318,320
Professional Fees	121,116

<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 5,699,583</u>
----------------------------------------	----------------------------

Interest Income	\$ 2,963
-----------------	----------

<u>NET INCOME AVAILABLE FOR DEBT SERVICE</u>	<u>\$ 3,373,721</u>
-----------------------------------------------------	----------------------------

<u>Actual Maximum Annual Debt Service</u>	<u>\$ 2,747,463</u>
-------------------------------------------	---------------------

<u>Actual Maximum Debt Service Coverage</u>	<u>1.23</u>
---------------------------------------------	-------------

<u>Actual Maximum Debt Service Specifically Pledged</u>	<u>\$ 192,063</u>
---------------------------------------------------------	-------------------

<u>Actual Maximum Debt Service Coverage Specifically Pledged</u>	<u>17.57</u>
------------------------------------------------------------------	--------------

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2014

Fiscal Year	1999 SRF	1999 SRF Extension	2005 SRF Warrants	2005 SRF Extension	2009 B Warrants	2011 Warrants	2012 C Warrants	2014 A Warrants	Total
2015	\$ 192,063	\$ 85,010	\$ 198,538	\$ 28,288	\$ 408,925	\$ 876,288	\$ 312,650	\$ 208,820	\$ 2,101,762
2016	191,063	87,245	199,150	27,638	410,300	873,588	312,650	220,700	2,101,634
2017	189,875	84,283	199,600	26,988	405,050	875,688	612,650	216,900	2,394,134
2018	188,500	86,320	199,888	26,338	409,800	880,838	606,650	213,100	2,398,334
2019	191,938	83,160	200,013	30,688	243,400	1,053,838	600,650	202,400	2,403,687
2020	-	-	199,975	29,875	388,400	1,367,738	501,650	216,850	2,487,638
2021	-	-	199,775	29,062	357,600	1,419,338	510,350	195,700	2,516,125
2022	-	-	199,413	28,250	232,800	1,778,400	508,600	-	2,747,463 *
2023	-	-	198,888	27,438	397,800	-	1,771,700	-	2,395,826
2024	-	-	198,200	26,625	401,200	-	1,761,700	-	2,387,725
2025	-	-	197,350	25,808	404,200	-	1,759,700	-	2,387,058
2026	-	-	201,338	-	426,800	-	1,731,400	-	2,359,538
2027	-	-	-	-	628,200	-	1,732,500	-	2,360,700
2028	-	-	-	-	2,466,200	-	-	-	2,466,200
2029	-	-	-	-	2,470,000	-	-	-	2,470,000
Total	\$ 953,439	\$ 426,018	\$ 2,392,128	\$ 306,998	\$ 10,050,675	\$ 9,125,716	\$ 12,722,850	\$ 1,474,470	\$ 35,977,824

(continued)

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND SPECIFICALLY PLEDGED DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Fiscal Year</u>	<u>1999 SRF</u>	<u>Total</u>
2013	\$ 188,125	\$ 188,125
2014	187,688	187,688
2015	192,063	192,063 *
2016	191,063	191,063
2017	189,875	189,875
2018	188,500	188,500
2019	191,938	191,938
<u>Total</u>	<u>\$ 1,329,252</u>	<u>\$ 1,329,252</u>

* - Annual Maximum

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Assessed Value</u>		<u>\$ 245,637,000</u>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 49,127,400
Notes Payable	\$ 381,807	
Long-Term Commitment to TCHS	1,000,000	
Long-Term Commitment - Suntrust Lease Obligation	1,057,478	
SRF Loans	3,190,000	
Warrants Payable	<u>48,750,000</u>	
<u>Total Debt</u>	\$ 54,379,285	
<u>Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama</u>		
School Construction	1,000,000	
<u>Items Excluded from Limit by Section 11-81-166 of the 1975 State of Alabama Code</u>		
Revenue Bonds:		
Water and Sewer Warrants	\$ 25,270,000	
SRF Loans Secured by Revenues	<u>3,190,000</u>	
Net Debt Coming Within Legal Debt Limit		<u>24,919,285</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 24,208,115</u>

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

SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT
GENERAL FUND
DECEMBER 31, 2014

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, 2014

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 614,257
Property Tax Receivable	1,096,647
Accounts Receivable	
Police Dockets Receivable - Net	111,917
Other Receivables	168,851
Due from Other Funds	678,091
Inventories	88,013
	<hr/>

TOTAL CURRENT ASSETS **\$ 2,757,776**

RESTRICTED ASSETS

Cash and Cash Equivalents	<u>\$ 12,159,705</u>
---------------------------	----------------------

TOTAL ASSETS **\$ 14,917,481**

LIABILITIES

Accounts Payable	\$ 461,176
Due to Other Funds	338,699
Accrued Payroll	368,556
Accrued Expenses	23,333
Cash Bonds, Restitution and Other Deposits	242,986
Compensated Absences - Current	65
	<hr/>

TOTAL LIABILITIES **\$ 1,434,815**

FUND BALANCE

Nonspendable	\$ 88,013
Restricted	9,857,385
Committed	2,302,320
Unrestricted	1,234,948
	<hr/>

TOTAL FUND BALANCE **\$ 13,482,666**

TOTAL LIABILITIES AND FUND EQUITY **\$ 14,917,481**

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, 2014

REVENUES

TAXES:

City Sales and Use Taxes	\$ 8,670,445
Property Taxes	3,063,056
Other	440,108

<u>TOTAL TAXES</u>	<u>\$ 12,173,609</u>
---------------------------	-----------------------------

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 4,717,937
Other Licenses and Permits	137,320

<u>TOTAL LICENSES AND PERMITS</u>	<u>\$ 4,855,257</u>
------------------------------------------	----------------------------

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 2,637,901
Tobacco Tax	298,456
County Gasoline Tax	271,779
County Road And Bridge Tax	190,362
E-911 Funds	105,000
Liquor Tax	99,130
Bank Excise Tax	41,523
County Vehicle License	77,932
A.B.C. 2-Percent Sales Tax	39,637
Oil and Gas Production	11,907
State of Alabama Right of Way Maintenance	12,223

<u>TOTAL INTERGOVERNMENTAL REVENUE</u>	<u>\$ 3,785,850</u>
-----------------------------------------------	----------------------------

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,284,886
Other Charges	67,193

<u>TOTAL CHARGES FOR SERVICES</u>	<u>\$ 1,352,079</u>
------------------------------------------	----------------------------

FINES AND PENALTIES:

Court Costs and Fines	\$ 807,510
Court Costs - Corrections	163,251

<u>TOTAL FINES AND PENALTIES</u>	<u>\$ 970,761</u>
-----------------------------------------	--------------------------

MISCELLANEOUS REVENUE:

Other Income	\$ 479,499
Housing Authority Payments in Lieu of Taxes	8,260
Rental and Lease Income	44,067
Grant Proceeds	77,917
Interest Income	3,437

<u>TOTAL MISCELLANEOUS REVENUE</u>	<u>\$ 613,180</u>
-------------------------------------------	--------------------------

<u>TOTAL REVENUES</u>	<u>\$ 23,750,736</u>
------------------------------	-----------------------------

(continued)

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 12,531,715
Public Works	4,990,173
General Government	2,205,644
Finance and Administration	1,553,831
Planning and Development	672,132
Local Agency Support	394,401
	<hr/>

TOTAL OPERATING EXPENDITURES **\$ 22,347,896**

CAPITAL EXPENDITURES:

Public Works	\$ 1,047,135
Public Safety	5,468,126
General Government	25,976
	<hr/>

TOTAL CAPITAL EXPENDITURES **\$ 6,541,237**

TOTAL EXPENDITURES **\$ 28,889,133**

EXCESS REVENUES / (EXPENDITURES) **\$ (5,138,397)**

OTHER FINANCING SOURCES (USES):

Transfer (Out) to Debt Service Fund	\$ (2,707,407)
Bond Proceeds	15,227,629
Sale Proceeds	15,909
	<hr/>

TOTAL FINANCING SOURCES (USES) **\$ 12,536,131**

EXCESS REVENUES AND SOURCES
OVER EXPENDITURES AND USES **\$ 7,397,734**

FUND BALANCE - JANUARY 1, 2014 **6,084,932**

FUND BALANCE - DECEMBER 31, 2014 **\$ 13,482,666**

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
DECEMBER 31, 2014

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, 2014

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 670,373

TOTAL RESTRICTED ASSETS \$ 670,373

TOTAL ASSETS **\$ 670,373**

FUND BALANCE

Restricted for debt service \$ 670,373

TOTAL FUND BALANCE \$ 670,373

TOTAL LIABILITIES AND FUND BALANCE **\$ 670,373**

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, 2014

REVENUES

Interest on Investments	\$	94
		94

<u>TOTAL REVENUES</u>		<u>\$ 94</u>
------------------------------	--	---------------------

EXPENDITURES

Interest Paid	\$	421,770
Other Fees		3,123
Payments on Pledge to TCHS		250,000
Payments on Bonds, Warrants, and Notes Payable		1,811,953
		1,811,953

<u>TOTAL EXPENDITURES</u>		<u>\$ 2,486,846</u>
----------------------------------	--	----------------------------

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

		\$ (2,486,752)
--	--	----------------

OTHER FINANCING SOURCES (USES)

Transfers In - General Fund	\$	2,707,407
Transfers In - Water and Sewer		45,578
		45,578

<u>TOTAL OTHER FINANCING SOURCES (USES)</u>		<u>\$ 2,752,985</u>
----------------------------------------------------	--	----------------------------

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

		\$ 266,233
--	--	------------

FUND BALANCE - JANUARY 1, 2014

		404,140
		404,140

FUND BALANCE - DECEMBER 31, 2014

		\$ 670,373
		670,373

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
DECEMBER 31, 2014

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.

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

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.

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

Employee Benefit Fund accounts for vending commission revenues for the benefit of City employees.

- 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, 2014

	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>COMMUNITY DEVELOPMENT 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>							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 3,756	\$ -	\$ 3,756
Due From General Fund	131,059	-	-	-	-	-	131,059
Due from Other Funds	36,000	-	-	-	-	(36,000)	-
<u>TOTAL CURRENT ASSETS</u>	\$ 167,059	\$ -	\$ -	\$ -	\$ 3,756	\$ (36,000)	\$ 134,815
<u>RESTRICTED ASSETS</u>							
Cash and Cash Equivalents	\$ 157,281	\$ 457,585	\$ 2,322	\$ 70,045	\$ -	\$ -	\$ 687,233
<u>TOTAL RESTRICTED ASSETS</u>	\$ 157,281	\$ 457,585	\$ 2,322	\$ 70,045	\$ -	\$ -	\$ 687,233
<u>TOTAL ASSETS</u>	\$ 324,340	\$ 457,585	\$ 2,322	\$ 70,045	\$ 3,756	\$ (36,000)	\$ 822,048
LIABILITIES & FUND BALANCE							
<u>CURRENT LIABILITIES</u>							
Accounts Payable	\$ -	\$ 11,139	\$ -	\$ -	\$ -	\$ -	\$ 11,139
Due to Other Funds	2,809	457,585	-	36	-	(36,000)	424,430
<u>TOTAL LIABILITIES</u>	\$ 2,809	\$ 468,724	\$ -	\$ 36	\$ -	\$ (36,000)	\$ 435,569
<u>FUND BALANCE</u>							
Restricted	\$ 321,531	\$ (11,139)	\$ 2,322	\$ 70,009	\$ -	\$ -	\$ 382,723
Unrestricted	-	-	-	-	3,756	-	3,756
<u>TOTAL FUND BALANCE</u>	\$ 321,531	\$ (11,139)	\$ 2,322	\$ 70,009	\$ 3,756	\$ -	\$ 386,479
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 324,340	\$ 457,585	\$ 2,322	\$ 70,045	\$ 3,756	\$ (36,000)	\$ 822,048

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, 2014

	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>COMMUNITY DEVELOPMENT 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	\$ -	\$ 98,304	\$ -	\$ -	\$ -	\$ 98,304
Petroleum Inspection Fee	-	8,645	-	-	-	8,645
Share of Beer Tax	-	-	-	130,402	-	130,402
Municipal Government Tax	200,054	-	-	-	-	200,054
Other Operating Revenues:						
Interest	101	171	-	30	-	302
Other	-	-	-	-	1,132	1,132
	<u>\$ 200,155</u>	<u>\$ 107,120</u>	<u>\$ -</u>	<u>\$ 130,432</u>	<u>\$ 1,132</u>	<u>\$ 438,839</u>
<u>EXPENDITURES</u>						
Finance and Administration	\$ 219,988	\$ -	\$ -	\$ 130,985	\$ -	\$ 350,973
Information Technology	11,262	-	-	-	-	11,262
Planning and Inspections	2,061	-	-	-	-	2,061
Public Safety	54,827	-	-	-	-	54,827
Public Works	58,096	118,259	-	-	-	176,355
	<u>\$ 346,234</u>	<u>\$ 118,259</u>	<u>\$ -</u>	<u>\$ 130,985</u>	<u>\$ -</u>	<u>\$ 595,478</u>
Excess (Deficit) of Revenues over Expenditures	(146,079)	(11,139)	-	(553)	1,132	(156,639)
<u>Excess (Deficit) of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>\$ (146,079)</u>	<u>\$ (11,139)</u>	<u>\$ -</u>	<u>\$ (553)</u>	<u>\$ 1,132</u>	<u>\$ (156,639)</u>
<u>FUND BALANCE - JANUARY 1, 2014</u>	<u>467,610</u>	<u>-</u>	<u>2,322</u>	<u>70,562</u>	<u>2,624</u>	<u>543,118</u>
<u>FUND BALANCE - DECEMBER 31, 2014</u>	<u>\$ 321,531</u>	<u>\$ (11,139)</u>	<u>\$ 2,322</u>	<u>\$ 70,009</u>	<u>\$ 3,756</u>	<u>\$ 386,479</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
DECEMBER 31, 2014

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 Statement of Net Position
- Combining Statement of Revenues, Expenses, and Changes in Net Position
- Combining Statement of Cash Flows

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	<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	\$ 2,751,523	\$ -	\$ 2,751,523	\$ -	\$ 2,751,523
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$45,601	859,915	-	859,915	-	859,915
Receivables - Other	21,709	-	21,709	-	21,709
Assessments Receivable - Current	-	11,688	11,688	-	11,688
Interest Receivable	-	7,889	7,889	-	7,889
Due from Other Funds	2,809	-	2,809	210,523	213,332
Due from Other Propriety Funds	1,638,202	-	1,638,202	248,395	1,886,597
Inventory	107,652	-	107,652	-	107,652
<u>TOTAL CURRENT ASSETS</u>	<u>\$ 5,381,810</u>	<u>\$ 19,577</u>	<u>\$ 5,401,387</u>	<u>\$ 458,918</u>	<u>\$ 5,860,305</u>
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 1,683,179	\$ -	\$ 1,683,179	\$ 203,467	\$ 1,886,646
Investments - Warrant Payments Temporarily Invested	303,029	-	303,029	-	303,029
<u>TOTAL RESTRICTED ASSETS</u>	<u>\$ 1,986,208</u>	<u>\$ -</u>	<u>\$ 1,986,208</u>	<u>\$ 203,467</u>	<u>\$ 2,189,675</u>
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Land	\$ 396,017	\$ -	\$ 396,017	\$ -	\$ 396,017
Treatment Plants and Pump Stations	28,340,363	-	28,340,363	-	28,340,363
Distribution and Disposal System	43,656,106	-	43,656,106	-	43,656,106
Machinery and Equipment	682,142	-	682,142	-	682,142
Vehicles	1,000,888	-	1,000,888	-	1,000,888
Computer Equipment	160,774	-	160,774	-	160,774
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	<u>\$ 74,236,290</u>	<u>\$ -</u>	<u>\$ 74,236,290</u>	<u>\$ -</u>	<u>\$ 74,236,290</u>
Less: Accumulated Depreciation	(25,396,191)	-	(25,396,191)	-	(25,396,191)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	<u>\$ 48,840,099</u>	<u>\$ -</u>	<u>\$ 48,840,099</u>	<u>\$ -</u>	<u>\$ 48,840,099</u>
<u>OTHER ASSETS</u>					
Abevance Receivable	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL OTHER ASSETS</u>	<u>\$ -</u>	<u>\$ 2,055,930</u>	<u>\$ 2,055,930</u>	<u>\$ -</u>	<u>\$ 2,055,930</u>
<u>TOTAL ASSETS</u>	<u>\$ 56,208,117</u>	<u>\$ 2,075,507</u>	<u>\$ 58,283,624</u>	<u>\$ 662,385</u>	<u>\$ 58,946,009</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Deferred Interest Cost on Refunding Issues	\$ 4,210,913	\$ -	\$ 4,210,913	\$ -	\$ 4,210,913
Prepaid Expenses	26,688	-	26,688	-	26,688
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 4,237,601</u>	<u>\$ -</u>	<u>\$ 4,237,601</u>	<u>\$ -</u>	<u>\$ 4,237,601</u>

(continued)

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 43,193	\$ -	\$ 43,193	\$ -	\$ 43,193
Due to Other Funds	259,353	-	259,353	-	259,353
Due to Other Propriety Funds	248,395	1,638,202	1,886,597	-	1,886,597
Accrued Payroll	58,735	-	58,735	-	58,735
Estimated Liability for Compensated Absences - Current	7,060	-	7,060	-	7,060
Notes Payable - Current	10,298	-	10,298	-	10,298
Accrued Expenses	-	-	-	17,509	17,509
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>	\$ 627,034	\$ 1,638,202	\$ 2,265,236	\$ 17,509	\$ 2,282,745
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Interest Payable	\$ 266,393	\$ -	\$ 266,393	\$ -	\$ 266,393
Warrants Payable - Current	1,320,000	-	1,320,000	-	1,320,000
Customer and Waterline Extension Deposits	820,443	-	820,443	-	820,443
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>	\$ 2,406,836	\$ -	\$ 2,406,836	\$ -	\$ 2,406,836
<u>TOTAL CURRENT LIABILITIES</u>	\$ 3,033,870	\$ 1,638,202	\$ 4,672,072	\$ 17,509	\$ 4,689,581
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Premiums)	\$ 27,460,374	\$ -	\$ 27,460,374	\$ -	\$ 27,460,374
Notes Payable	52,285	-	52,285	-	52,285
Net Retiree Healthcare Obligation	135,564	-	135,564	-	135,564
Estimated Liability for Compensated Absences - Noncurrent	111,230	-	111,230	-	111,230
<u>TOTAL LONG-TERM LIABILITIES</u>	\$ 27,759,453	\$ -	\$ 27,759,453	\$ -	\$ 27,759,453
<u>TOTAL LIABILITIES</u>	\$ 30,793,323	\$ 1,638,202	\$ 32,431,525	\$ 17,509	\$ 32,449,034
<u>NET POSITION</u>					
Invested in Capital Assets, Net of Related Debt	\$ 19,730,749	\$ -	\$ 19,730,749	\$ -	\$ 19,730,749
Restricted for Capital Projects	1,683,179	-	1,683,179	-	1,683,179
Restricted for Debt Service	303,029	-	303,029	-	303,029
Unrestricted	7,935,438	437,305	8,372,743	644,876	9,017,619
<u>TOTAL NET POSITION</u>	\$ 29,652,395	\$ 437,305	\$ 30,089,700	\$ 644,876	\$ 30,734,576

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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 8,807,945	\$ -	\$ 8,807,945	\$ 2,577,915	\$ 11,385,860
Miscellaneous	262,396	-	262,396	-	262,396
<u>TOTAL OPERATING REVENUES</u>	\$ 9,070,341	\$ -	\$ 9,070,341	\$ 2,577,915	\$ 11,648,256
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,934,867	\$ -	\$ 2,934,867	\$ -	\$ 2,934,867
Insurance Claims and Expenses	-	-	-	2,237,758	2,237,758
Depreciation and Amortization	1,949,574	-	1,949,574	-	1,949,574
Utilities and Telephone	657,068	-	657,068	-	657,068
Maintenance and Repairs	472,562	-	472,562	-	472,562
Materials and Supplies	459,760	-	459,760	-	459,760
Insurance	388,074	-	388,074	-	388,074
Miscellaneous Expense	347,816	-	347,816	-	347,816
Water and Sewer Purchases	318,320	-	318,320	-	318,320
Professional Fees	121,116	-	121,116	-	121,116
<u>TOTAL OPERATING EXPENSES</u>	\$ 7,649,157	\$ -	\$ 7,649,157	\$ 2,237,758	\$ 9,886,915
<u>OPERATING INCOME (LOSS)</u>	\$ 1,421,184	\$ -	\$ 1,421,184	\$ 340,157	\$ 1,761,341
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 2,963	\$ -	\$ 2,963	\$ 216	\$ 3,179
Gain on Sale of Property	25,120	-	25,120	-	25,120
Development Fees	350,664	-	350,664	-	350,664
Operating Transfers In / (Out)	(45,578)	-	(45,578)	-	(45,578)
Interest Expense	(1,000,122)	-	(1,000,122)	-	(1,000,122)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (666,953)	\$ -	\$ (666,953)	\$ 216	\$ (666,737)
<u>CHANGE IN NET POSITION</u>	\$ 754,231	\$ -	\$ 754,231	\$ 340,373	\$ 1,094,604
<u>NET POSITION, JANUARY 1</u>	28,898,164	437,305	29,335,469	304,503	29,639,972
<u>NET POSITION, DECEMBER 31, 2014</u>	\$ 29,652,395	\$ 437,305	\$ 30,089,700	\$ 644,876	\$ 30,734,576

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2014

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 9,014,010	\$ -	\$ 9,014,010	\$ 2,577,915	\$ 11,591,925
Cash Paid for Personnel Cost	(2,921,961)	-	(2,921,961)	-	(2,921,961)
Cash Paid for Operations	(2,769,356)	-	(2,769,356)	(2,256,088)	(5,025,444)
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>\$ 3,322,693</u>	<u>\$ -</u>	<u>\$ 3,322,693</u>	<u>\$ 321,827</u>	<u>\$ 3,644,520</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loans Received from and (Repaid To) Other Funds	\$ (389,374)	\$ -	\$ (389,374)	\$ (458,918)	\$ (848,292)
(Additions)/ Reduction to Investments	131,324	-	131,324	-	131,324
Operating transfers in (out)	(45,478)	-	(45,478)	-	(45,478)
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>	<u>\$ (303,528)</u>	<u>\$ -</u>	<u>\$ (303,528)</u>	<u>\$ (458,918)</u>	<u>\$ (762,446)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (754,758)	\$ -	\$ (754,758)	\$ -	\$ (754,758)
Repayment of Debt Principal	(1,418,522)	-	(1,418,522)	-	(1,418,522)
Proceeds from the Sale of City Property	25,120	-	25,120	-	25,120
Developer Fees	350,564	-	350,564	-	350,564
Repayment of Interest on Bonds and Other Debt	(1,000,122)	-	(1,000,122)	-	(1,000,122)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>	<u>\$ (2,797,718)</u>	<u>\$ -</u>	<u>\$ (2,797,718)</u>	<u>\$ -</u>	<u>\$ (2,797,718)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 2,963	\$ -	\$ 2,963	\$ 216	\$ 3,179
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>	<u>\$ 2,963</u>	<u>\$ -</u>	<u>\$ 2,963</u>	<u>\$ 216</u>	<u>\$ 3,179</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ 224,410	\$ -	\$ 224,410	\$ (136,875)	\$ 87,535
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>	<u>4,210,292</u>	<u>-</u>	<u>4,210,292</u>	<u>340,342</u>	<u>4,550,634</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>	<u>\$ 4,434,702</u>	<u>\$ -</u>	<u>\$ 4,434,702</u>	<u>\$ 203,467</u>	<u>\$ 4,638,169</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2014

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,421,184	\$ -	\$ 1,421,184	\$ 340,157	\$ 1,761,341
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,949,574	-	1,949,574	-	1,949,574
Estimated Liabilities for Compensated Absences and OPEB Liability	16,709	-	16,709	-	16,709
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(31,648)	-	(31,648)	-	(31,648)
Receivable - Other	(21,709)	-	(21,709)	-	(21,709)
Inventory	(35,277)	-	(35,277)	-	(35,277)
Prepaid Expenses	(9,100)	-	(9,100)	-	(9,100)
Accounts Payable	20,225	-	20,225	-	20,225
Accrued Payroll	(16,197)	-	(16,197)	(18,330)	(34,527)
Accrued Compensated Absences	12,394	-	12,394	-	12,394
Accrued Interest Payable	(9,789)	-	(9,789)	-	(9,789)
Customer Deposits	26,327	-	26,327	-	26,327
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 3,322,693	\$ -	\$ 3,322,693	\$ 321,827	\$ 3,644,520

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