

**CITY OF NORTHPORT  
NORTHPORT, ALABAMA**

**DECEMBER 31, 2013**

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

**CITY OF NORTHPORT, ALABAMA**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2013**

<b><u>DESCRIPTION</u></b>	<b><u>PAGE</u></b>
Chart of City Government.....	1
Independent Auditor’s Report.....	2-3
Management’s Discussion and Analysis.....	4-10
 <b><u>FINANCIAL STATEMENTS</u></b>	
Government Wide Statement of Net Position as of December 31, 2013.....	11
Government Wide Statement of Activities for the Year Ended December 31, 2013.....	12-13
Governmental Funds Balance Sheet as of December 31, 2013.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets as of December 31, 2013.....	15
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the Year Ended December 31, 2013.....	16-17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities the Year Ended December 31, 2013.....	18
Proprietary Fund Statement of Net Position as of December 31, 2013.....	19-20
Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position for the Year Ended December 31, 2013.....	21
Proprietary Fund Statement of Cash Flows for the Year Ended December 31, 2013.....	22-23
Notes to Financial Statements.....	24-57
Report on Compliance and Internal Controls .....	58-59

**CITY OF NORTHPORT, ALABAMA**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2013**

<b><u>DESCRIPTION</u></b>	<b><u>PAGE</u></b>
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds for the Year Ended December 31, 2013.....	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, 2013, 2012 and 2011.....	64
Schedule of General Fund Revenues for the Years Ended December 31, 2013, 2012 and 2011.....	65
Water and Sewer System Statistics for the Years Ended December 31, 2013- 2010 and September 30, 2003 – 2009.....	66-68
Schedule of Water and Sewer Revenues, Expenditures and Debt Coverage for the Year Ended December 31, 2013.....	69
Schedule of Water and Sewer Fund Debt Service for the Year Ended December 31, 2013.....	70
Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the Year Ended December 31, 2013.....	71
Schedule of Legal Debt Margin for the Year Ended December 31, 2013.....	72
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
<b><u>GOVERNMENTAL FUND STATEMENTS</u></b>	
General Fund.....	73
Balance Sheet as of December 31, 2013.....	74
Statement of Revenues, Expenditures and Fund Balance for the year ended December 31, 2013.....	75-76
Debt Service Fund.....	77
Balance Sheet as of December 31, 2013.....	78
Statement of Revenues, Expenditures and Fund Balance for the year ended December 31, 2013.....	79
Special Revenue Funds.....	80

**CITY OF NORTHPORT, ALABAMA**  
**TABLE OF CONTENTS**  
**DECEMBER 31, 2013**

<b><u>DESCRIPTION</u></b>	<b><u>PAGE</u></b>
<b><u>SUPPLEMENTARY INFORMATION (continued)</u></b>	
<b><u>GOVERNMENTAL FUND STATEMENTS (continued)</u></b>	
Combining Balance Sheets – Special Revenue Funds as of December 31, 2013.....	81
Combining Statements of Revenues, Expenditures and Fund Balance – Special Revenue Funds for the year ended December 31, 2013.....	82
<b><u>PROPRIETARY FUNDS</u></b>	
Proprietary Funds.....	83
Combining Statement of Net Position – Enterprise Funds as of December 31, 2013.....	84-85
Combining Statement of Revenues, Expenses, and Changes in Net Position for the year Ended December 31, 2013.....	86
Combining Statement of Cash Flows for the year ended December 31, 2013.....	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*

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AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

October 20, 2014

## 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, 2013, 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, 2013, 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  
October 20, 2014

# **MANAGEMENT DISCUSSION & ANALYSIS**



**CITY OF NORTHPORT, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2013**

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, 2013. 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, 2013**

**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 \$70,983,642 at December 31, 2013.

The largest portion of the City of Northport's Net Positions (\$56,575,954) 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 (\$4,298,390) 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 \$(846,587). 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, 2013**

Summary of Statements of Net Position for Governmental Activities

	<u>12/31/2012</u>	<u>12/31/2013</u>
Current Assets	\$ 4,138,301	\$ 3,238,754
Restricted Assets	5,224,461	4,930,191
Capital Assets	48,957,514	48,608,803
<u>Total Assets</u>	<u>\$ 58,320,276</u>	<u>\$ 56,777,748</u>
Deferred Outflows of Resources	\$ 67,534	\$ 63,034
Total Assets and Deferred Outflows of Resources	<u>\$ 58,387,810</u>	<u>\$ 56,840,782</u>
Current Liabilities	\$ 2,133,091	\$ 1,884,117
Long-Term Liabilities	13,901,768	13,308,492
<u>Total Liabilities</u>	<u>\$ 16,034,859</u>	<u>\$ 15,192,609</u>
Deferred Inflows of Resources	\$ 80,113	\$ -
Invested In Capital Assets, Net of Related Debt	\$ 36,322,385	\$ 37,142,807
Restricted	2,421,507	2,176,563
Unrestricted	3,528,946	2,328,803
<u>Total Net Position</u>	<u>\$ 42,272,838</u>	<u>\$ 41,648,173</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 58,387,810</u>	<u>\$ 56,840,782</u>

Summary Statement of Activities for Governmental Type Activities

	<u>12/31/2012</u>	<u>12/31/2013</u>
<u>Revenues</u>		
<u>Tax Revenues</u>		
Property Tax	\$ 2,887,020	\$ 3,029,356
Sales Tax	8,349,583	8,418,814
Shared Tax Revenue	3,937,659	4,586,312
Other Tax Revenue	397,323	369,397
<u>Total Tax Revenue</u>	<u>\$ 15,571,585</u>	<u>\$ 16,403,879</u>
Charges for Service	\$ 7,068,132	\$ 7,230,338
Grant Revenues	350	35,873
Shared License Revenue	83,551	83,621
Rental and Lease Income	84,563	49,625
Investment Earnings	6,248	3,581
Gain on Sale	88,175	70,581
Transfers	153,691	4
<u>Total Revenues</u>	<u>\$ 23,056,295</u>	<u>\$ 23,877,502</u>
<u>Expenses</u>		
General and Administrative	\$ 3,911,036	\$ 3,687,048
Public Works and Safety	18,005,450	19,468,710
Planning and Development Services	699,533	1,135,228
Interest Expense	494,661	433,103
<u>Total Expenses</u>	<u>\$ 23,110,680</u>	<u>\$ 24,724,089</u>
Increase (Decrease) in Net Position	\$ (54,385)	\$ (846,587)
Contributed Capital	-	-
Net Assets, Beginning	\$ 39,855,377	\$ 42,272,838
Prior Period Adjustment	2,651,730	221,922
Cumulative Change in Accounting Principle	(179,884)	-
Net Assets, Beginning (Restated)	<u>\$ 42,327,223</u>	<u>\$ 42,494,760</u>
Net Assets, Ending	<u>\$ 42,272,838</u>	<u>\$ 41,648,173</u>

**CITY OF NORTHPORT, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2013**

Business-type activities increased the City of Northport's Net Positions by \$611,666. 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>12/31/2012</u>	<u>12/31/2013</u>
Current Assets and Other Assets	\$ 3,077,927	\$ 4,604,148
Restricted Assets	2,428,246	2,121,827
Capital Assets	51,013,706	49,685,726
<u>Total Assets</u>	<u>\$ 56,519,879</u>	<u>\$ 56,411,701</u>
Deferred Outflows of Resources	\$ 4,926,709	\$ 4,577,688
Total Assets and Deferred Outflows of Resources	<u>\$ 61,446,588</u>	<u>\$ 60,989,389</u>
Current Liabilities	\$ 2,725,107	\$ 2,467,422
Long-Term Liabilities	29,679,274	29,186,498
<u>Total Liabilities</u>	<u>\$ 32,404,381</u>	<u>\$ 31,653,920</u>
Deferred Inflows of Resources	\$ -	\$ -
Invested In Capital Assets, Net of Related Debt	\$ 16,733,133	\$ 19,433,147
Restricted	2,428,246	2,121,827
Unrestricted	9,880,828	7,780,495
<u>Total Net Position</u>	<u>\$ 29,042,207</u>	<u>\$ 29,335,469</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 61,446,588</u>	<u>\$ 60,989,389</u>

Summary Statement of Activities for Business Type Activities

	<u>12/31/2012</u>	<u>12/31/2013</u>
<u>Revenues</u>		
Charges for Service	\$ 9,700,405	\$ 8,980,076
Investment Earnings	10,640	3,851
Gain on Sale of Assets	1,723	22,318
<u>Total Revenues</u>	<u>\$ 9,712,768</u>	<u>\$ 9,006,245</u>
<u>Expenses</u>		
Operating Expense	\$ 7,053,242	\$ 7,371,542
Interest Expense	1,445,996	1,023,033
Transfer Out	153,691	4
<u>Total Expenses</u>	<u>\$ 8,652,929</u>	<u>\$ 8,394,579</u>
Increase (Decrease) in Net Position	\$ 1,059,839	\$ 611,666
Contributed Capital	41,571	-
Net Assets, Beginning	\$ 28,279,190	\$ 29,042,207
Prior Period Adjustment	166,658	(318,404)
Cumulative Change in Accounting Principle	(505,051)	-
Net Assets, Beginning (Restated)	<u>\$ 27,940,797</u>	<u>\$ 28,723,803</u>
Net Assets, Ending	<u>\$ 29,042,207</u>	<u>\$ 29,335,469</u>

**CITY OF NORTHPORT, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2013**

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, 2013, the City of Northport's governmental funds reported combined ending fund balances of \$7,032,190, a decrease of (\$1,403,386) in comparison with the prior year. The beginning fund balance was also restated as a result of a correction of an error decreasing the beginning fund balance (\$487,828). The decrease in fund balance was primarily due to significant increases in capital improvements and purchases for the City. Those improvements are discussed in the capital asset section of this report. Approximately 14.60%, or \$1,026,730, of the total fund balance constitutes unreserved fund balance of which \$1,026,730 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 \$1,527,541 in receivables net of current liabilities that once collected would represent cash available for spending at the City of Northport's discretion. The remainder of the fund balance, \$4,477,919, is segregated into restricted (\$2,176,563), and committed (\$2,301,356) to indicate that it is not available for new spending because it has already been classified to service the City's debt and specific capital projects.

The general fund is the chief operating fund of the City of Northport. At fiscal year ending December 31, 2013, unrestricted and total fund balances of the general fund were \$1,024,106 and \$6,084,932, respectively. The general fund balance decreased by (\$1,375,096).

I. Governmental Fund Budgetary Highlights from pages

Actual total revenues exceeded the budgeted amount by \$1,523,954. Total expenditures during the year were \$550,548 above the budget amount. The negative variances consist of (\$751,285) from operating, and positive variances of \$196,739 from capital, and \$3,998 from debt service, respectively. The capital expenditure variance represents primarily capital projects that were included in the budget which have not been completed or were not started by the end of the December 31, 2013 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, 2013, was \$48,608,803. During the year 2013, 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, 2013, was \$49,685,726. During the year 2013, 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, 2013**

	Governmental Activities		Business Activities		Total	
	12/31/2012	12/31/2013	12/31/2012	12/31/2013	12/31/2012	12/31/2013
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 396,017	\$ 396,017	\$ 2,714,718	\$ 2,714,718
Construction in Progress	83,560	1,086,656	12,500	12,500	96,060	1,099,156
Total Non-Depreciable Assets	\$ 2,402,261	\$ 3,405,357	\$ 408,517	\$ 408,517	\$ 2,810,778	\$ 3,813,874
Depreciable Assets						
Buildings	\$ 15,831,883	\$ 15,888,616	\$ 28,140,994	\$ 28,310,712	\$ 43,972,877	\$ 44,199,328
Improvements Other Than Buildings	1,982,410	1,982,410	-	-	1,982,410	1,982,410
Furniture, Machinery and Equipment	8,427,676	8,989,743	1,467,787	1,484,177	9,895,463	10,473,920
Infrastructure	65,354,824	65,354,824	43,183,841	43,303,674	108,538,665	108,658,498
Total Non-Depreciable Assets	\$ 91,596,793	\$ 92,215,593	\$ 72,792,622	\$ 73,098,563	\$ 164,389,415	\$ 165,314,156
Less: Accumulated Depreciation	(45,041,540)	(47,012,147)	(22,187,433)	(23,821,354)	(67,228,973)	(70,833,501)
Net Depreciable Assets	\$ 46,555,253	\$ 45,203,446	\$ 50,605,189	\$ 49,277,209	\$ 97,160,442	\$ 94,480,655
Total Capital Assets, Net	\$ 48,957,514	\$ 48,608,803	\$ 51,013,706	\$ 49,685,726	\$ 99,971,220	\$ 98,294,529

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 \$70,581. Fire, Police and Public Works vehicles were purchased during the year at a total cost of \$1,085,212. Construction in progress purchases totaled \$1,003,096 which consisted of road and bridge replacement projects at a total cost of \$207,175, and communication and software system upgrades for the entire city at a total cost of \$795,921.

Business-type Activities

- The City completed various water and sewer extension projects totaling \$119,833 and water and waste water treatment plant improvements totaling \$169,718. The City purchased vehicles and machinery and equipment for a total cost of \$111,796.

Long-Term Debt

At December 31, 2013, the City of Northport had total debt outstanding of \$43,040,509. The major portion of the debt, \$41,379,422 represents bonds and warrants payable. The City reduced its outstanding debt by \$2,236,402 for the year ended December 31, 2013.

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, 2013, our outstanding debt was below this amount, which is \$49,127,400. The amount available for future indebtedness is \$37,581,313.

**CITY OF NORTHPORT, ALABAMA**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2013**

**Economic Factors and the Next Year's Budget**

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

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

# **FINANCIAL STATEMENTS**



**CITY OF NORTHPORT, ALABAMA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$ 1,026,730	\$ 2,522,818	\$ 3,549,548
Accounts Receivable, net	1,201,456	828,267	2,029,723
Assessment Receivable - Current	-	11,688	11,688
Other Receivables, net	33,238	7,889	41,127
Internal Balances	894,313	(894,313)	-
Inventories	83,017	71,869	154,886
Restricted Assets - Noncurrent	4,930,191	2,121,827	7,052,018
Capital Assets			
Land and Construction in Progress	3,405,357	408,517	3,813,874
Buildings	15,888,616	28,310,712	44,199,328
Improvements Other Than Buildings	1,982,410	-	1,982,410
Infrastructure	65,354,824	43,303,674	108,658,498
Furniture & Equipment	2,031,682	724,297	2,755,979
Vehicles	6,958,061	759,880	7,717,941
Less: Accumulated Depreciation	(47,012,147)	(23,821,354)	(70,833,501)
Abeyance Receivable	-	2,055,930	2,055,930
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 56,777,748</u></b>	<b><u>\$ 56,411,701</u></b>	<b><u>\$ 113,189,449</u></b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>			
Deferred Interest Cost on Bond Refundings	\$ 63,034	\$ 4,560,100	\$ 4,623,134
Prepaid Expenses	-	17,588	17,588
<b><u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u></b>	<b><u>\$ 63,034</u></b>	<b><u>\$ 4,577,688</u></b>	<b><u>\$ 4,640,722</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable	\$ 183,679	\$ 22,968	\$ 206,647
Accrued Payroll	373,887	74,932	448,819
Other Current Liabilities	264,224	-	264,224
Interest Payable	137,215	276,182	413,397
Refundable Deposits	-	794,116	794,116
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	663,512	1,293,900	1,957,412
Long-term Commitments	250,000	-	250,000
Compensated Absences	11,600	5,324	16,924
Portion Due or Payable After One Year:			
Commitment to TCHS	1,000,000	-	1,000,000
Bonds and Warrants Payable	9,488,817	28,904,046	38,392,863
Notes Payable	1,376,701	63,533	1,440,234
Net OPEB Liability	639,154	118,347	757,501
Compensated Absences	803,820	100,572	904,392
<b><u>TOTAL LIABILITIES</u></b>	<b><u>\$ 15,192,609</u></b>	<b><u>\$ 31,653,920</u></b>	<b><u>\$ 46,846,529</u></b>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	\$ 37,142,807	\$ 19,433,147	\$ 56,575,954
Restricted for:			
Capital Projects	1,772,423	1,687,474	3,459,897
Debt Service	404,140	434,353	838,493
Unrestricted	2,328,803	7,780,495	10,109,298
<b><u>TOTAL NET POSITION</u></b>	<b><u>\$ 41,648,173</u></b>	<b><u>\$ 29,335,469</u></b>	<b><u>\$ 70,983,642</u></b>

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

**CITY OF NORTHPORT, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Program Revenues</u>				<u>Net (Expense) Revenues &amp; 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>
<b>PRIMARY GOVERNMENT</b>							
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>							
Finance and Administration	\$ 1,720,520	\$ 4,780,623	\$ -	\$ -	\$ 3,060,103	\$ -	\$ 3,060,103
General Government	1,966,528	1,038,974	-	-	(927,554)	-	(927,554)
Planning and Development	1,135,228	-	-	-	(1,135,228)	-	(1,135,228)
Public Safety	12,997,811	120,245	1,307	-	(12,876,259)	-	(12,876,259)
Public Works	6,470,899	1,290,496	34,566	-	(5,145,837)	-	(5,145,837)
Interest and Fiscal Charges	433,103	-	-	-	(433,103)	-	(433,103)
<b><u>TOTAL GOVERNMENTAL ACTIVITIES</u></b>	<b><u>\$ 24,724,089</u></b>	<b><u>\$ 7,230,338</u></b>	<b><u>\$ 35,873</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (17,457,878)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (17,457,878)</u></b>
<b><u>BUSINESS-TYPE ACTIVITIES:</u></b>							
Water and Sewer	\$ 8,394,575	\$ 8,980,076	\$ -	\$ -	\$ -	\$ 585,501	\$ 585,501
<b><u>TOTAL BUSINESS TYPE ACTIVITIES</u></b>	<b><u>\$ 8,394,575</u></b>	<b><u>\$ 8,980,076</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 585,501</u></b>	<b><u>\$ 585,501</u></b>
<b><u>TOTAL PRIMARY GOVERNMENT</u></b>	<b><u>\$ 33,118,664</u></b>	<b><u>\$ 16,210,414</u></b>	<b><u>\$ 35,873</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (17,457,878)</u></b>	<b><u>\$ 585,501</u></b>	<b><u>\$ (16,872,377)</u></b>

(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, 2013**

	<b>Net (Expense) Revenues &amp; Changes in Net Assets</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>GENERAL REVENUES:</u></b>			
Taxes:			
Property Taxes Levied for General Purposes	\$ 3,029,356	\$ -	\$ 3,029,356
Sales Taxes	8,418,814	-	8,418,814
Other Taxes	369,397	-	369,397
Shared Taxes:			
Taxes Levied for General Purposes	3,497,083	-	3,497,083
Taxes Levied for Resurfacing Projects	562,557	-	562,557
Taxes Levied for Public Safety	526,672	-	526,672
Shared License Fees Levied for General Purposes	83,621	-	83,621
Rental and Land Lease Income	49,625	-	49,625
Earnings on Investments	3,581	3,851	7,432
Gain on Sale of City Property	70,581	22,318	92,899
Transfers	4	(4)	-
	<b><u>\$ 16,611,291</u></b>	<b><u>\$ 26,165</u></b>	<b><u>\$ 16,637,456</u></b>
	<b><u>\$ (846,587)</u></b>	<b><u>\$ 611,666</u></b>	<b><u>\$ (234,921)</u></b>
	<b><u>\$ 42,272,838</u></b>	<b><u>\$ 29,042,207</u></b>	<b><u>\$ 71,315,045</u></b>
Prior Period Adjustment - Note 25	<b><u>\$ 221,922</u></b>	<b><u>\$ (318,404)</u></b>	<b><u>\$ (96,482)</u></b>
	<b><u>\$ 42,494,760</u></b>	<b><u>\$ 28,723,803</u></b>	<b><u>\$ 71,218,563</u></b>
	<b><u>\$ 41,648,173</u></b>	<b><u>\$ 29,335,469</u></b>	<b><u>\$ 70,983,642</u></b>

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

**CITY OF NORTHPORT, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2013**

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>ELIMINATION OF INTERFUND BALANCES</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>CURRENT ASSETS</u></b>						
Cash and Cash Equivalents	\$ 1,024,106	\$ -	\$ 2,624	\$ 1,026,730	\$ -	\$ 1,026,730
Accounts Receivable						
Property Taxes Receivable	1,087,893	-	-	1,087,893	-	1,087,893
Police Dockets Receivable - Net	113,563	-	-	113,563	-	113,563
Other Receivables	33,238	-	-	33,238	-	33,238
Due From Other Funds	1,049,094	-	128,250	1,177,344	(283,031)	894,313
Inventories	83,017	-	-	83,017	-	83,017
<b><u>TOTAL CURRENT ASSETS</u></b>	<b>\$ 3,390,911</b>	<b>\$ -</b>	<b>\$ 130,874</b>	<b>\$ 3,521,785</b>	<b>\$ (283,031)</b>	<b>\$ 3,238,754</b>
<b><u>RESTRICTED ASSETS</u></b>						
Cash and Cash Equivalents	\$ 3,616,858	\$ 404,140	\$ 568,851	\$ 4,589,849	\$ -	\$ 4,589,849
<b><u>TOTAL ASSETS</u></b>	<b>\$ 7,007,769</b>	<b>\$ 404,140</b>	<b>\$ 699,725</b>	<b>\$ 8,111,634</b>	<b>\$ (283,031)</b>	<b>\$ 7,828,603</b>
<b><u>LIABILITIES</u></b>						
Accounts Payable	\$ 180,715	\$ -	\$ 1,826	\$ 182,541	\$ -	\$ 182,541
Due to Other Funds	128,250	-	154,781	283,031	(283,031)	-
Accrued Payroll	373,887	-	-	373,887	-	373,887
Accrued Expenses	33	-	-	33	-	33
Cash Bonds, Restitution and Other Deposits	228,352	-	-	228,352	-	228,352
Compensated Absences - Current	11,600	-	-	11,600	-	11,600
<b><u>TOTAL LIABILITIES</u></b>	<b>\$ 922,837</b>	<b>\$ -</b>	<b>\$ 156,607</b>	<b>\$ 1,079,444</b>	<b>\$ (283,031)</b>	<b>\$ 796,413</b>
<b><u>FUND BALANCE</u></b>						
Nonspendable	\$ 2,224,891	\$ -	\$ -	\$ 2,224,891	\$ -	\$ 2,224,891
Restricted	1,231,929	404,140	540,494	2,176,563	-	2,176,563
Committed	2,301,356	-	-	2,301,356	-	2,301,356
Unrestricted	326,756	-	2,624	329,380	-	329,380
<b><u>TOTAL FUND BALANCE</u></b>	<b>\$ 6,084,932</b>	<b>\$ 404,140</b>	<b>\$ 543,118</b>	<b>\$ 7,032,190</b>	<b>\$ -</b>	<b>\$ 7,032,190</b>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b>\$ 7,007,769</b>	<b>\$ 404,140</b>	<b>\$ 699,725</b>	<b>\$ 8,111,634</b>	<b>\$ (283,031)</b>	<b>\$ 7,828,603</b>

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, 2013**

**TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS** **\$ 7,032,190**

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

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

Land and Construction in Progress	\$	3,405,357	
Building, net of \$5,144,030 of accumulated depreciation		10,744,586	
Improvements other than buildings, net of \$776,186 accumulated depreciation		1,206,224	
Infrastructure, net of \$35,581,969 accumulated depreciation		29,772,855	
Furniture and equipment, net of \$1,743,609 accumulated depreciation		288,073	
Vehicles, net of \$3,766,353 accumulated depreciation		3,191,708	
			48,608,803

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	\$	(9,885,000)	
Discounts on Bonds and Warrants Payable		24,943	
Premium on Bonds Payable		(80,319)	
Noncurrent portion of Compensated Absences		(803,820)	
Long-Term Commitments		(1,250,000)	
Notes Payable		(1,588,654)	
Deferred Interest Cost on 2012 D Warrant Refunding		63,034	
OPEB Liability		(640,292)	
Accrued Interest Payable		(137,215)	
			(14,297,323)
Total Long-Term Liabilities			(14,297,323)

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	\$	304,503	
			304,503
Net Adjustment			304,503

**TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 41,648,173**

**CITY OF NORTHPORT, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>REVENUES</u></b>				
Sales and Use Taxes	\$ 8,418,814	\$ -	\$ -	\$ 8,418,814
Business Licenses and Permits	4,566,687	-	-	4,566,687
Intergovernmental Revenues	3,906,390	-	763,543	4,669,933
Property Tax	3,029,356	-	-	3,029,356
Charges for Services	1,299,965	-	-	1,299,965
Fines, Forfeitures, and Penalties	816,171	-	-	816,171
Other Taxes	369,397	-	-	369,397
Other Licenses and Permits	213,936	-	-	213,936
Other Income	263,275	-	2,055	265,330
Grant Proceeds	34,566	-	1,307	35,873
Rental and Lease Income	117,874	-	-	117,874
Interest Income	2,734	146	395	3,275
<b><u>TOTAL REVENUES</u></b>	<b>\$ 23,039,165</b>	<b>\$ 146</b>	<b>\$ 767,300</b>	<b>\$ 23,806,611</b>
<b><u>EXPENDITURES</u></b>				
Public Safety	\$ 12,045,468	\$ -	\$ -	\$ 12,045,468
Public Works	4,620,157	-	-	4,620,157
Finance and Administration	1,136,669	-	133,255	1,269,924
General Government	1,606,563	-	-	1,606,563
Planning and Community Development	1,078,888	-	-	1,078,888
Local Agency Support	271,750	-	-	271,750
Capital Outlay				
Finance and Administration	44,532	-	220,608	265,140
Planning and Community Development	425	-	-	425
Public Works	1,778,552	-	182,937	1,961,489
Public Safety	604,239	-	65,732	669,971
Debt Service				
Payments on Bonds & Notes Payable	-	1,422,054	-	1,422,054
Interest Paid	-	436,680	-	436,680
Agency Fees	-	2,251	-	2,251
<b><u>TOTAL EXPENSES</u></b>	<b>\$ 23,187,243</b>	<b>\$ 1,860,985</b>	<b>\$ 602,532</b>	<b>\$ 25,650,760</b>
<b><u>EXCESS REVENUES / (EXPENDITURES)</u></b>	<b>\$ (148,078)</b>	<b>\$ (1,860,839)</b>	<b>\$ 164,768</b>	<b>\$ (1,844,149)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfer (Out)	\$ (1,649,781)	\$ -	\$ -	\$ (1,649,781)
Transfer In	358,204	1,649,781	-	2,007,985
Sales Proceeds	82,559	-	-	82,559
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b>\$ (1,209,018)</b>	<b>\$ 1,649,781</b>	<b>\$ -</b>	<b>\$ 440,763</b>

(continued)

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

**CITY OF NORTHPORT, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b><u>\$ (1,357,096)</u></b>	<b><u>\$ (211,058)</u></b>	<b><u>\$ 164,768</u></b>	<b><u>\$ (1,403,386)</u></b>
<b><u>FUND BALANCE - JANUARY 1, 2013</u></b>	\$ 7,929,856	\$ 615,198	\$ 378,350	\$ 8,923,404
Prior Period Adjustment - Note 25	\$ (487,828)	\$ -	\$ -	\$ (487,828)
<b><u>FUND BALANCE - JANUARY 1, 2013 (RESTATED)</u></b>	\$ 7,442,028	\$ 615,198	\$ 378,350	\$ 8,435,576
<b><u>FUND BALANCE - DECEMBER 31, 2013</u></b>	<b><u>\$ 6,084,932</u></b>	<b><u>\$ 404,140</u></b>	<b><u>\$ 543,118</u></b>	<b><u>\$ 7,032,190</u></b>

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, 2013**

**NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS** **\$ (1,403,386)**

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

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess depreciation expense (\$2,582,561) over capital outlay purchases \$2,305,294. (277,267)

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. (11,978)

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

Repayments:		
Principle Repayments	\$ 1,422,054	
Net Adjustment		1,422,054

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	\$ (2,921)	
OPEB Liability Expense	(112,964)	
Change in Long-Term Estimated Compensated Absences	(205,078)	
Change in Accrued Expenses	(55,508)	
Net Adjustment		(376,471)

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	\$ (199,539)	
Net Adjustment		(199,539)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ (846,587)**



**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

	<b>ENTERPRISE FUNDS</b>				
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>ASSETS</b>					
<b><u>CURRENT ASSETS</u></b>					
Cash and Cash Equivalents	\$ 2,522,818	\$ -	\$ 2,522,818	\$ -	\$ 2,522,818
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$203,416	828,267	-	828,267	-	828,267
Assessments Receivable - Current	-	11,688	11,688	-	11,688
Interest Receivable	-	7,889	7,889	-	7,889
Due from Other Propriety Funds	1,638,202	-	1,638,202	-	1,638,202
Inventory	71,869	-	71,869	-	71,869
<b><u>TOTAL CURRENT ASSETS</u></b>	<b>\$ 5,061,156</b>	<b>\$ 19,577</b>	<b>\$ 5,080,733</b>	<b>\$ -</b>	<b>\$ 5,080,733</b>
<b><u>RESTRICTED ASSETS</u></b>					
Cash and Cash Equivalents	\$ 1,687,474	\$ -	\$ 1,687,474	\$ 340,342	\$ 2,027,816
Investments - Warrant Payments Temporarily Invested	434,353	-	434,353	-	434,353
<b><u>TOTAL RESTRICTED ASSETS</u></b>	<b>\$ 2,121,827</b>	<b>\$ -</b>	<b>\$ 2,121,827</b>	<b>\$ 340,342</b>	<b>\$ 2,462,169</b>
<b><u>PROPERTY, PLANT AND EQUIPMENT</u></b>					
Construction In Progress	\$ 12,500	\$ -	\$ 12,500	\$ -	\$ 12,500
Land	396,017	-	396,017	-	396,017
Treatment Plants and Pump Stations	28,310,712	-	28,310,712	-	28,310,712
Distribution and Disposal System	43,303,674	-	43,303,674	-	43,303,674
Machinery and Equipment	594,438	-	594,438	-	594,438
Vehicles	759,880	-	759,880	-	759,880
Computer Equipment	129,859	-	129,859	-	129,859
<b><u>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</u></b>	<b>\$ 73,507,080</b>	<b>\$ -</b>	<b>\$ 73,507,080</b>	<b>\$ -</b>	<b>\$ 73,507,080</b>
Less: Accumulated Depreciation	(23,821,354)	-	(23,821,354)	-	(23,821,354)
<b><u>NET PROPERTY, PLANT &amp; EQUIPMENT</u></b>	<b>\$ 49,685,726</b>	<b>\$ -</b>	<b>\$ 49,685,726</b>	<b>\$ -</b>	<b>\$ 49,685,726</b>
<b><u>OTHER ASSETS</u></b>					
Abeyance Receivable	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<b><u>TOTAL OTHER ASSETS</u></b>	<b>\$ -</b>	<b>\$ 2,055,930</b>	<b>\$ 2,055,930</b>	<b>\$ -</b>	<b>\$ 2,055,930</b>
<b><u>TOTAL ASSETS</u></b>	<b>\$ 56,868,709</b>	<b>\$ 2,075,507</b>	<b>\$ 58,944,216</b>	<b>\$ 340,342</b>	<b>\$ 59,284,558</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>					
Deferred Interest Cost on Refunding Issues	\$ 4,560,100	\$ -	\$ 4,560,100	\$ -	\$ 4,560,100
Prepaid Expenses	17,588	-	17,588	-	17,588
<b><u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u></b>	<b>\$ 4,577,688</b>	<b>-</b>	<b>\$ 4,577,688</b>	<b>\$ -</b>	<b>\$ 4,577,688</b>

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUND</b>	<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>		
<b>LIABILITIES AND NET ASSETS</b>					
<b><u>CURRENT LIABILITIES</u></b>					
Payable from Current Assets					
Accounts Payable	\$ 22,968	\$ -	\$ 22,968	\$ -	\$ 22,968
Due to Other Funds	894,313	-	894,313	-	894,313
Due to Other Propriety Funds	-	1,638,202	1,638,202	-	1,638,202
Accrued Payroll	74,932	-	74,932	-	74,932
Estimated Liability for Compensated Absences - Current	5,324	-	5,324	-	5,324
Notes Payable - Current	8,900	-	8,900	-	8,900
Accrued Expenses	-	-	-	35,839	35,839
	<b><u>\$ 1,006,437</u></b>	<b><u>\$ 1,638,202</u></b>	<b><u>\$ 2,644,639</u></b>	<b><u>\$ 35,839</u></b>	<b><u>\$ 2,680,478</u></b>
<b><u>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</u></b>					
<b><u>PAYABLE FROM RESTRICTED ASSETS</u></b>					
Interest Payable	\$ 276,182	\$ -	\$ 276,182	\$ -	\$ 276,182
Warrants Payable - Current	1,285,000	-	1,285,000	-	1,285,000
Customer and Waterline Extension Deposits	794,116	-	794,116	-	794,116
	<b><u>\$ 2,355,298</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,355,298</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,355,298</u></b>
<b><u>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u></b>					
	<b><u>\$ 3,361,735</u></b>	<b><u>\$ 1,638,202</u></b>	<b><u>\$ 4,999,937</u></b>	<b><u>\$ 35,839</u></b>	<b><u>\$ 5,035,776</u></b>
<b><u>TOTAL CURRENT LIABILITIES</u></b>					
<b><u>LONG-TERM LIABILITIES</u></b>					
Bonds and Warrants Payable (Including Discounts)	\$ 28,904,046	\$ -	\$ 28,904,046	\$ -	\$ 28,904,046
Notes Payable	63,533	-	63,533	-	63,533
Net Retiree Healthcare Obligation	118,347	-	118,347	-	118,347
Estimated Liability for Compensated Absences - Noncurrent	100,572	-	100,572	-	100,572
	<b><u>\$ 29,186,498</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,186,498</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 29,186,498</u></b>
<b><u>TOTAL LONG-TERM LIABILITIES</u></b>					
	<b><u>\$ 32,548,233</u></b>	<b><u>\$ 1,638,202</u></b>	<b><u>\$ 34,186,435</u></b>	<b><u>\$ 35,839</u></b>	<b><u>\$ 34,222,274</u></b>
<b><u>TOTAL LIABILITIES</u></b>					
<b><u>NET POSITION</u></b>					
Invested in Capital Assets, Net of Related Debt	\$ 19,433,147	\$ -	\$ 19,433,147	\$ -	\$ 19,433,147
Restricted for Capital Projects	1,687,474	-	1,687,474	-	1,687,474
Restricted for Debt Service	434,353	-	434,353	-	434,353
Unrestricted	7,343,190	437,305	7,780,495	304,503	8,084,998
	<b><u>\$ 28,898,164</u></b>	<b><u>\$ 437,305</u></b>	<b><u>\$ 29,335,469</u></b>	<b><u>\$ 304,503</u></b>	<b><u>\$ 29,639,972</u></b>
<b><u>TOTAL NET POSITION</u></b>					

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, 2013**

	<b>ENTERPRISE FUNDS</b>			<b>INTERNAL SERVICE FUNDS</b>	<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>		
<b><u>OPERATING REVENUES</u></b>					
Charges for Services	\$ 8,630,938	\$ -	\$ 8,630,938	\$ 2,308,607	\$ 10,939,545
Miscellaneous	349,138	-	349,138	-	349,138
<b><u>TOTAL OPERATING REVENUES</u></b>	<b>\$ 8,980,076</b>	<b>\$ -</b>	<b>\$ 8,980,076</b>	<b>\$ 2,308,607</b>	<b>\$ 11,288,683</b>
<b><u>OPERATING EXPENSES</u></b>					
Salaries and Benefits	\$ 2,324,641	\$ -	\$ 2,324,641	\$ -	\$ 2,324,641
Insurance Claims and Expenses	-	-	-	2,150,251	2,150,251
Depreciation and Amortization	1,711,452	-	1,711,452	-	1,711,452
Utilities and Telephone	654,243	-	654,243	-	654,243
Materials and Supplies	525,452	-	525,452	-	525,452
Miscellaneous Expense	693,152	-	693,152	-	693,152
Maintenance and Repairs	807,056	-	807,056	-	807,056
Water and Sewer Purchases	294,383	-	294,383	-	294,383
Insurance	2,162	-	2,162	-	2,162
Professional Fees	30,922	-	30,922	-	30,922
<b><u>TOTAL OPERATING EXPENSES</u></b>	<b>\$ 7,043,463</b>	<b>\$ -</b>	<b>\$ 7,043,463</b>	<b>\$ 2,150,251</b>	<b>\$ 9,193,714</b>
<b><u>OPERATING INCOME (LOSS)</u></b>	<b>\$ 1,936,613</b>	<b>\$ -</b>	<b>\$ 1,936,613</b>	<b>\$ 158,356</b>	<b>\$ 2,094,969</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>					
Investment Earnings	\$ 3,851	\$ -	\$ 3,851	\$ 306	\$ 4,157
Gain on Sale of Property	22,318	-	22,318	-	22,318
Operating Transfers In / (Out)	(4)	-	(4)	(358,200)	(358,204)
Interest Expense	(1,023,033)	-	(1,023,033)	-	(1,023,033)
Issue Cost	(322,118)	-	(322,118)	-	(322,118)
Agency Fees	(5,961)	-	(5,961)	-	(5,961)
<b><u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u></b>	<b>\$ (1,324,947)</b>	<b>\$ -</b>	<b>\$ (1,324,947)</b>	<b>\$ (357,894)</b>	<b>\$ (1,682,841)</b>
<b><u>CHANGE IN NET POSITION</u></b>	<b>\$ 611,666</b>	<b>\$ -</b>	<b>\$ 611,666</b>	<b>\$ (199,538)</b>	<b>\$ 412,128</b>
<b><u>NET POSITION, JANUARY 1</u></b>	<b>28,604,902</b>	<b>437,305</b>	<b>29,042,207</b>	<b>(205,709)</b>	<b>28,836,498</b>
Prior Period Adjustment - Note 25	\$ (318,404)	\$ -	\$ (318,404)	\$ 709,750	\$ 391,346
<b><u>NET POSITION, DECEMBER 31, 2013</u></b>	<b>\$ 28,898,164</b>	<b>\$ 437,305</b>	<b>\$ 29,335,469</b>	<b>\$ 304,503</b>	<b>\$ 29,639,972</b>

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2013**

	<b>ENTERPRISE FUNDS</b>				
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUNDS</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Cash Collected from Customers	\$ 8,969,744	\$ -	\$ 8,969,744	\$ 2,308,607	\$ 11,278,351
Cash Paid for Personnel Cost	(2,595,722)	-	(2,595,722)	-	(2,595,722)
Cash Paid for Operations	(3,018,143)	-	(3,018,143)	(2,143,132)	(5,161,275)
<b><u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>	<b><u>\$ 3,355,879</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,355,879</u></b>	<b><u>\$ 165,475</u></b>	<b><u>\$ 3,521,354</u></b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>					
Loans Received from and (Repaid To) Other Funds	\$ (769,095)	\$ -	\$ (769,095)	\$ -	\$ (769,095)
Operating transfers in (out)	(4)	-	(4)	(358,200)	(358,204)
<b><u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u></b>	<b><u>\$ (769,099)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (769,099)</u></b>	<b><u>\$ (358,200)</u></b>	<b><u>\$ (1,127,299)</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Warrant Costs Paid	\$ (322,118)	\$ -	\$ (322,118)	\$ -	\$ (322,118)
Capital Acquisition Payments	(401,347)	-	(401,347)	-	(401,347)
Repayment of Bond Principal	(774,352)	-	(774,352)	-	(774,352)
Proceeds from the Sale of City Property	40,193	-	40,193	-	40,193
Repayment of Interest on Bonds and Other Debt	(706,440)	-	(706,440)	-	(706,440)
Payments to Escrow Agents	(5,961)	-	(5,961)	-	(5,961)
Payments to Escrow Accounts	(41,769)	-	(41,769)	-	(41,769)
<b><u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>	<b><u>\$ (2,211,794)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,211,794)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,211,794)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Receipt of Interest Income	\$ 5,070	\$ -	\$ 5,070	\$ 306	\$ 5,376
<b><u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u></b>	<b><u>\$ 5,070</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,070</u></b>	<b><u>\$ 306</u></b>	<b><u>\$ 5,376</u></b>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>					
	\$ 380,056	\$ -	\$ 380,056	\$ (192,419)	\$ 187,637
<b><u>CASH AND CASH EQUIVALENTS - JANUARY 1</u></b>	<b><u>3,830,236</u></b>	<b><u>-</u></b>	<b><u>3,830,236</u></b>	<b><u>532,761</u></b>	<b><u>4,362,997</u></b>
<b><u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u></b>	<b><u>\$ 4,210,292</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,210,292</u></b>	<b><u>\$ 340,342</u></b>	<b><u>\$ 4,550,634</u></b>

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2013**

	<b>ENTERPRISE FUNDS</b>				
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUNDS</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b><u>RECONCILIATION OF OF NET OPERATING</u></b>					
<b><u>INCOME TO NET CASH PROVIDED (USED)</u></b>					
<b><u>BY OPERATING ACTIVITIES</u></b>					
Operating Income	\$ 1,936,613	\$ -	\$ 1,936,613	\$ 158,356	\$ 2,094,969
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,711,452	-	1,711,452	-	1,711,452
Prior Period Adjustment	(318,404)	-	(318,404)	-	(318,404)
Estimated Liabilities for Compensated Absences and OPEB Liability	19,477	-	19,477	-	19,477
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(10,332)	-	(10,332)	-	(10,332)
Inventory	(19,770)	-	(19,770)	-	(19,770)
Prepaid Expenses	(165)	-	(165)	-	(165)
Accounts Payable	(12,624)	-	(12,624)	-	(12,624)
Accrued Payroll	27,846	-	27,846	7,119	34,965
Customer Deposits	21,786	-	21,786	-	21,786
<b><u>NET CASH PROVIDED (USED) BY OPERATIONS</u></b>	<b>\$ 3,355,879</b>	<b>\$ -</b>	<b>\$ 3,355,879</b>	<b>\$ 165,475</b>	<b>\$ 3,521,354</b>

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

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements of the city of Northport are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before October 31, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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

**The Basis of Presentation**

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

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**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, 2013**

**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, 2013**

**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, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Budgetary Policy

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

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

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

**NOTE 2: CASH & CASH EQUIVILANTS**

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

**NOTE 3: ACCOUNTS RECEIVABLE**

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

General Fund	\$ 27,278
Water and Sewer Fund	203,416

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

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**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, 2013**

**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:**

<b>Governmental Activities:</b>	<b>Balance 12/31/12</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/13</b>
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Progress	83,560	1,003,096	-	1,086,656
Total Capital Assets Not Depreciated	<u>\$ 2,402,261</u>	<u>\$ 1,003,096</u>	<u>\$ -</u>	<u>\$ 3,405,357</u>
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 15,831,883	\$ 56,733	\$ -	\$ 15,888,616
Improvements other than Buildings	1,982,410	-	-	1,982,410
Vehicles	6,411,583	1,085,212	(538,734)	6,958,061
Equipment & Furniture	2,016,093	160,253	(144,664)	2,031,682
Infrastructure	65,354,824	-	-	65,354,824
Total Other Capital Assets	<u>\$ 91,596,793</u>	<u>\$ 1,302,198</u>	<u>\$ (683,398)</u>	<u>\$ 92,215,593</u>
Less: Accumulated Depreciation				
Buildings	\$ 4,744,326	\$ 399,704	\$ -	\$ 5,144,030
Improvements other than Buildings	727,672	48,514	-	776,186
Vehicles	3,650,254	642,856	(526,757)	3,766,353
Equipment & Furniture	1,745,382	83,424	(85,197)	1,743,609
Infrastructure	34,173,906	1,408,063	-	35,581,969
Total Accumulated Depreciation	<u>\$ 45,041,540</u>	<u>\$ 2,582,561</u>	<u>\$ (611,954)</u>	<u>\$ 47,012,147</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 46,555,253</u>			<u>\$ 45,203,446</u>
Total Governmental Assets, Net	<u>\$ 48,957,514</u>			<u>\$ 48,608,803</u>

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 5: FIXED ASSETS (continued)**

	<b>Allocation</b>	<b>Percentage</b>	<b>Allocation of Depreciation on Capital Assets</b>	<b>Allocation of Depreciation on Infrastructure</b>
Finance and Administration	\$ 1,269,924	6.16%	\$ 72,349	\$ -
General Government	1,606,563	7.79%	91,493	-
Planning and Development	1,078,888	5.23%	61,426	-
Public Safety	12,045,468	58.41%	686,024	-
Public Works	4,620,157	22.41%	263,206	1,408,063
	<u>\$ 20,621,000</u>	<u>100.00%</u>	<u>\$ 1,174,498</u>	<u>\$ 1,408,063</u>

<b>Business-Type Activities:</b>	<b>Balance 12/31/12</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/13</b>
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>\$ -</u>	<u>\$ 408,517</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 28,140,994	\$ 169,718	\$ -	\$ 28,310,712
Distribution and Disposal System	43,183,841	119,833	-	43,303,674
Machinery and Equipment	572,504	63,924	(41,990)	594,438
Vehicles	765,424	47,872	(53,416)	759,880
Computer Equipment	129,859	-	-	129,859
Total Other Capital Assets	<u>\$ 72,792,622</u>	<u>\$ 401,347</u>	<u>\$ (95,406)</u>	<u>\$ 73,098,563</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 8,952,005	\$ 687,864	\$ -	\$ 9,639,869
Distribution and Disposal System	12,020,992	896,470	-	12,917,462
Machinery and Equipment	509,598	52,667	(41,990)	520,275
Vehicles	574,979	74,452	(35,542)	613,889
Computer Equipment	129,859	-	-	129,859
Total Accumulated Depreciation	<u>\$ 22,187,433</u>	<u>\$ 1,711,453</u>	<u>\$ (77,532)</u>	<u>\$ 23,821,354</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 50,605,189</u>			<u>\$ 49,277,209</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 51,013,706</u>			<u>\$ 49,685,726</u>

See Independent Auditors' Report.

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 6: BOND DISCOUNTS / ISSUANCE COSTS**

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bond discounts are presented as a reduction of the face amount of the bonds or warrants payable whereas. As of December 31, 2013, the remaining discounts in the City's proprietary fund are \$15,629.

**NOTE 7: LONG-TERM OBLIGATIONS**

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

Changes in long-term obligations for the year ended December 31, 2013 are as follows:

**Analysis of Long-Term Liabilities**

<b>Governmental Activities:</b>	<b>Balance 12/31/12</b>	<b>Additions</b>	<b>Decreases</b>	<b>Balance 12/31/13</b>	<b>Amount Due Within One Year</b>
Bonds and Notes Payable					
2009-A G.O. Warrants	\$ 7,755,000	\$ -	\$ 30,000	\$ 7,725,000	\$ 30,000
2004-A G.O. Warrants	1,410,000	-	130,000	1,280,000	135,000
2012-D G.O. Warrants	1,680,000	-	800,000	880,000	290,000
Tuscaloosa County High School	1,500,000	-	250,000	1,250,000	250,000
Notes Payable - Capstone Bank	524,050	-	104,481	419,569	100,346
Suntrust Capital Lease Obligation	1,276,658	-	107,573	1,169,085	111,607
Premium on Warrants	85,339	-	5,020	80,319	5,020
Less: Discounts on Bonds	(28,384)	-	3,441	(24,943)	(3,441)
<b>Total Bonds and Notes Payable</b>	<b>\$ 14,202,663</b>	<b>\$ -</b>	<b>\$ 1,430,515</b>	<b>\$ 12,779,030</b>	<b>\$ 918,532</b>
Other Liabilities					
OPEB Liability	\$ 527,327	\$ 112,965	\$ -	\$ 640,292	\$ -
Less: Deferred Outflow on 2012					
D Refunding	(67,534)	-	4,500	(63,034)	-
Estimated Liabilities for					
Compensated Absences	610,342	205,078	-	815,420	11,600
<b>Total Other Liabilities</b>	<b>\$ 1,070,135</b>	<b>\$ 318,043</b>	<b>\$ 4,500</b>	<b>\$ 1,392,678</b>	<b>\$ 11,600</b>
<b>Total Governmental Activities</b>	<b>\$ 15,272,798</b>	<b>\$ 318,043</b>	<b>\$ 1,435,015</b>	<b>\$ 14,171,708</b>	<b>\$ 930,132</b>

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 7: LONG-TERM OBLIGATIONS** (continued)

<b>Business -Type Activities:</b>	<b>Balance</b>			<b>Balance</b>	<b>Amount Due</b>
	<b>12/31/12</b>	<b>Additions</b>	<b>Decreases</b>	<b>12/31/13</b>	<b>Within One Year</b>
<b>Bonds, Notes and Other Liabilities</b>					
1999 S.R.F. G.O. Warrants	\$ 1,660,000	\$ -	\$ 210,000	\$ 1,450,000	\$ 215,000
2005 S.R.F. G.O. Warrants	2,210,000	-	125,000	2,085,000	130,000
2004-B G.O. Warrants	1,780,000	-	170,000	1,610,000	175,000
2009-B G.O. Warrants	6,690,000	-	-	6,690,000	-
2011 G.O. Warrants	8,745,000	-	260,000	8,485,000	765,000
2012-C Warrants Payable	9,535,000	-	-	9,535,000	-
West Alabama Bank & Trust	81,786	-	9,353	72,433	8,900
<b>Estimated Liabilities for</b>					
Compensated Absences	107,633	-	1,737	105,896	5,324
Premium on Warrants	378,976	-	29,301	349,675	-
Less: Discounts on Bonds	(17,862)	-	(2,233)	(15,629)	-
<b>Less: Deferred Outflow On Bond</b>					
Refundings	(662,766)	-	66,240	(596,526)	-
<b>Less: Deferred Outflow On 2012-C</b>					
Bond Refundings	(4,246,520)	-	282,946	(3,963,574)	-
OPEB Liability	97,641	21,214	-	118,855	-
<hr/>					
Total Bonds, Notes and Other Liabilities	\$ 26,358,888	\$ 21,214	\$ 1,152,344	\$ 25,926,130	\$ 1,299,224

<b>GENERAL CITY DEBT:</b>	<b>Due Date</b>	<b>Amount Due</b>	<b>Amount Outstanding</b>
<b><u>2004 A General Obligation Warrants</u></b>			
Series dated December 22, 2004,	2014	\$ 135,000	
payable semi-annually at a variable	2015	140,000	
interest rate between 2.5% and 4.1%	2016	155,000	
depending on the maturity date.	2017	155,000	
	Thereafter	<u>695,000</u>	
			\$ 1,280,000
<b><u>2009 A General Obligation Warrants</u></b>			
Series dated October 1, 2009	2014	\$ 30,000	
payable semi-annually at a variable	2015	20,000	
interest rate between 2% and 4%	2016	25,000	
depending on the maturity date.	2017	30,000	
	Thereafter	<u>7,620,000</u>	
			\$ 7,725,000
<b><u>2012 D General Obligation Warrants</u></b>			
Series dated March 29, 2012	2014	\$ 290,000	
payable semi-annually at a variable	2015	300,000	
interest rate between .55% and 1.7%	2016	290,000	
depending on the maturity date.	2017	-	
	Thereafter	<u>-</u>	
			\$ 880,000

See Independent Auditors' Report.

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 7: LONG-TERM OBLIGATIONS** (continued)

	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<b><u>GENERAL CITY DEBT (continued):</u></b>			
<b><u>Capstone Bank</u></b>	2014	\$ 100,346	
Note collateralized by vehicles	2015	103,406	
and equipment, payable annually	2016	106,560	
at an interest rate of 3.05%,	2017	109,257	
maturing January 2017.	Thereafter	<u>-</u>	
			\$ 419,569
<b><u>Tuscaloosa County High School</u></b>	2014	\$ 250,000	
Long-term commitment of \$250,000	2015	250,000	
per year to Tuscaloosa County	2016	250,000	
High School.	2017	250,000	
	Thereafter	<u>250,000</u>	
			\$ 1,250,000
<b><u>SunTrust Capital</u></b>	2014	\$ 111,607	
Long-term commitment of \$155,448	2015	115,792	
per year to SunTrust Capital to satisfy	2016	120,134	
capital lease obligation. Lease matures	2017	124,639	
Apr-22	Thereafter	<u>696,913</u>	
			\$ 1,169,085
<b><u>WATER AND SEWER DEBT:</u></b>			
<b><u>Alabama Water Pollution Control Authority</u></b>			
Series 1999 Warrants awarded to the	2014	\$ 150,000	
City from the State Revolving Loan Fund	2015	160,000	
for the Water Treatment Plant Expansion	2016	165,000	
Project, payable semi-annually at an	2017	170,000	
interest rate of 3.95%.	Thereafter	<u>360,000</u>	
			\$ 1,005,000
Series 1999 Warrants awarded to the	2014	\$ 65,000	
City from the State Revolving Loan Fund	2015	70,000	
for the Water Treatment Plant Expansion	2016	75,000	
Project, payable semi-annually at an	2017	75,000	
interest rate of 3.95%.	Thereafter	<u>160,000</u>	
			\$ 445,000
Series 2005 Warrants received from the	2014	\$ 130,000	
State Revolving Loan Fund to refinance	2015	135,000	
the Series 1993 Warrants. The 1993	2016	140,000	
Warrants were used for construction of	2017	145,000	
the new waste water treatment plant,	Thereafter	<u>1,535,000</u>	
payable semi-annually at 3.25%.			\$ 2,085,000

See Independent Auditors' Report.



**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 7: LONG-TERM OBLIGATIONS** (continued)

<b><u>WATER AND SEWER DEBT (continued):</u></b>	<b><u>Due Date</u></b>	<b><u>Amount Due</u></b>	<b><u>Amount Outstanding</u></b>
<b><u>2004 B General Obligation Water &amp; Sewer Warrants</u></b>			
Series dated December 22, 2004, payable semi-annually at a variable interest rate between 2.15% and 4.1% depending on the maturity date.	2014	\$ 175,000	
	2015	180,000	
	2016	190,000	
	2017	200,000	
	Thereafter	<u>865,000</u>	
			\$ 1,610,000
<b><u>2009 A General Obligation Water &amp; Sewer Warrants</u></b>			
Series dated October 1, 2009 payable semi-annually at a variable interest rate between 2% and 4% depending on the maturity date.	2014	\$ -	
	2015	145,000	
	2016	150,000	
	2017	150,000	
	Thereafter	<u>6,245,000</u>	
			\$ 6,690,000
<b><u>2011 General Obligation Water &amp; Sewer Warrants</u></b>			
Series dated June 21, 2011 payable semi-annually at a variable interest rate between 2% and 8% depending on the maturity date.	2014	\$ 765,000	
	2015	635,000	
	2016	645,000	
	2017	660,000	
	Thereafter	<u>5,780,000</u>	
			\$ 8,485,000
<b><u>2012 C General Obligation Water &amp; Sewer Warrants</u></b>			
Series dated March 29, 2012 payable semi-annually at a variable interest rate between 2.00% and 4.00% depending on the maturity date.	2014	\$ -	
	2015	-	
	2016	-	
	2017	-	
	Thereafter	<u>9,535,000</u>	
			\$ 9,535,000
<b><u>West Alabama Bank &amp; Trust</u></b>			
Note collateralized by infrastructure and improvements. The note was included in the merger of Sands Springs Water Authority. Payable monthly at an interest rate of 4.45%.	2014	\$ 8,900	
	2015	10,329	
	2016	10,879	
	2017	11,328	
	Thereafter	<u>30,997</u>	
			\$ 72,433

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 8: EQUITY CLASSIFICATIONS**

Government-Wide Statements

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

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

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

**NOTE 9: PROPERTY TAX**

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

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 10: COMPENSATED ABSENCES**

GASB No. 16 requires the accrual of unpaid vacation and sick leave when it has been earned by the employees and it is probable that it will be paid in the future. Full-time city employees earn annual leave based on years of employment with the City. New employees receive one week of annual leave after completing one year of employment with the City. Employees with two to seven years of employment receive two weeks of annual leave on their employment anniversary date. Employees with eight to seventeen years of employment receive three weeks of annual leave on their employment anniversary date. Employees with eighteen years of employment with the City receive four weeks of annual leave on their employment anniversary date. Employees are allowed to carry over a maximum of three weeks of accumulated vacation leave. Employees who retire or leave the City are paid for their accumulated annual leave 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, 2013, the amount of vacation and sick leave accrued in the financial statements is \$921,316. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$815,420 and \$105,896, respectively.

**NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS** (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>\$ 8,728,159</u>	<u>\$ 500,000</u>	<u>\$ 8,228,159</u>	<u>\$ -0-</u>	<u>\$ 8,728,159</u>	<u>\$8,728,159</u>

The City had the following cash at December 31, 2013:

**CASH**

**Governmental - Unrestricted:**

Cadence Bank – Payroll Clearing Fund	\$ 1,112
Cadence Bank – General Fund	637,397
Cadence Bank – Accounts Payable Clearing	24,503
Cadence Bank – Unrestricted Other	300,291
Cadence Bank – Community Events and Contr.	1,054
Cadence Bank – Indigent Treatment Fund	30,488
Cadence Bank – P.D. Seizures and Evidence	1,967
Cadence Bank – Training Tech Fund	25,894
Cadence Bank – Employee Benefit Fund	2,624
Petty Cash	<u>1,400</u>

**Total Unrestricted Cash** **\$ 1,026,730**

**Governmental - Restricted:**

Cadence Bank – Corrections Fund	\$ 96,781
Cadence Bank – Municipal Court	81,556
Cadence Bank – Reserve Fund	2,301,356
Cadence Bank – Municipal Court Admin. Fund	66,165
Cadence Bank – Restitution Recovery Fund	37,987

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS** (continued)

The City had the following cash at December 31, 2013:

**CASH** (continued from previous page)

**Governmental - Restricted:**

Cadence Bank – Capital Improvement Fund	305,186
Cadence Bank – Gasoline Excise Tax Fund	190,748
Cadence Bank – Community Development Fund	2,322
Cadence Bank – Employee’s Beer Tax	70,595
Cadence Bank – Employee’s Insurance Fund	<u>340,342</u>

**Total Restricted Cash** **\$ 3,493,038**

**Enterprise – Unrestricted:**

Cadence Bank - Accounts Payable Clearing	\$ 29,855
Cadence Bank - Gross Revenue	1,124,879
Cadence Bank – Water Capital Fund	266,154
Cadence Bank – Water & Sewer Reserve	1,101,430
Petty Cash	<u>500</u>

**Total Unrestricted Cash** **\$ 2,522,818**

**Enterprise – Restricted:**

Cadence Bank - Meter Deposit	\$ 307,160
Capstone Bank - Development Fees	683,535
Cadence Bank – SRF Debt Service Escrow	202,965
Bank of Tuscaloosa – Meter Deposit Money Mkt	<u>493,814</u>

**Total Restricted Cash** **\$ 1,687,474**

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS** (continued)

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

<b><u>INVESTMENTS</u></b>	<b><u>Carrying</u></b>	<b><u>Market</u></b>	<b><u>S &amp; P Bank</u></b>
	<b><u>Amount</u></b>	<b><u>Value</u></b>	<b><u>Rating</u></b>
<b><u>Governmental – Restricted:</u></b>			
Regions Bank – Treasury Money Market	\$ <u>1,437,152</u>	\$ <u>1,437,152</u>	BBB-
<b><u>Total Governmental Investments</u></b>	<b><u>\$ 1,437,152</u></b>	<b><u>\$ 1,437,152</u></b>	
<b><u>Enterprise - Restricted:</u></b>			
Regions Bank – Treasury Money Market	\$ <u>434,353</u>	\$ <u>434,353</u>	BBB-
<b><u>Total Enterprise Investments</u></b>	<b><u>\$ 434,353</u></b>	<b><u>\$ 434,353</u></b>	

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, 2013**

**NOTE 11: CATEGORIZED DEPOSITS WITH FINANCIAL INSTITUTIONS** (continued)

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

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

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

**NOTE 12: RESTRICTED ASSETS**

At December 31, 2013, 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 13: BALANCE OF DUE TO/FROM OTHER FUNDS**

At December 31, 2013, 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.

	<b><u>Interfund</u></b> <b><u>Receivable</u></b>	<b><u>Interfund</u></b> <b><u>Payable</u></b>
General Fund	\$ 1,049,094	\$ 128,250
Special Revenue Funds	128,250	154,781
Proprietary	<u>1,638,202</u>	<u>2,532,515</u>
<b>Total</b>	<b><u>\$ 2,815,546</u></b>	<b><u>\$ 2,815,546</u></b>

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 14: TRANSFERS TO/FROM OTHER FUNDS**

Operating transfers between funds for December 31, 2013 were as follows:

	<b><u>Operating Transfers In</u></b>	<b><u>Operating Transfers Out</u></b>
General Fund	\$ 358,204	\$ 1,649,781
Debt Service Funds	1,649,781	-0-
Proprietary	-0-	358,204
<b>Total</b>	<b>\$ 2,007,985</b>	<b>\$ 2,007,985</b>

**NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

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

**Black Warrior Solid Waste Disposal Authority**

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

Effective February 1, 1994, the authority assumed the assets, liabilities and capital accounts of the Solid Waste Disposal Authority of the City of Tuscaloosa. The contributed capital represents the cash grants originally contributed by the governmental entities in 1982 for construction and start-up costs of the predecessor authority's waste disposal facility. The amount of contributed capital transferred was \$45,625 (City of Tuscaloosa - \$27,300, city of Northport - \$5,200 and Tuscaloosa County - \$13,125). The Solid Waste Authority of Tuscaloosa converted waste to energy at its incinerator facility and managed the Coker landfill. The new authority assumed operating responsibilities of the Coker Sanitary landfill and continues to pursue plans to expand the landfill under federal Subtitle D regulations. During 1993, in conjunction with their agreement to form the Authority, each of the participating governments executed a ten year



**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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

contract providing for all municipal waste collected by them or their agents to be disposed of at the Authority's landfill facility. The agreement allows succeeding ten year renewal periods and provides for its participating governments to operate the landfill facility, and set commercial and governmental fees annually. This information was obtained from the audited financial statements of Carver and Dewitt CPAs, LLC. A summary of the auditing financial statements for the year ended September 30, 2013 and 2012 is listed below:

	<u>2013</u>	<u>2012</u>
Total Assets	\$ 30,672,357	\$ 29,872,755
Total Liabilities	<u>12,095,664</u>	<u>11,823,707</u>
Net Assets	<u>\$ 18,576,693</u>	<u>\$ 18,049,048</u>
Total Revenues	\$ 5,114,526	\$ 5,964,315
Total Expenses	<u>4,586,881</u>	<u>4,472,272</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 527,645</u>	<u>\$ 1,492,043</u>

**Industrial Park Land**

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

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

**Automotive Corridor Industrial Development Authority of Tuscaloosa County (ACIDA)**

In September 2003, the City Council agreed to participate in a funding agreement with the ACIDA. The funds will be used to assist the current expansion of the Mercedes Plant by providing funds for site preparation. The project was be funded by a \$14,645,000 bond issue in October 2002. The City of Northport's share is \$2,152,815. At December 31, 2013 the remaining liability for the City of Northport is \$-0-.

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 16: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City of Northport contributes to the Employee’s Retirement System of the State of Alabama, a single-employer public employee retirement system that acts as a common investment and administrative agent for public employees. The Employees’ Retirement System was established October 1, 1945, for the purpose of providing retirement allowances and other specific benefits for State employees, State police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for general administration and operations of the employees’ Retirement System is vested in the Board of Control (currently 11 members). Benefit provisions are established by the Code of Alabama 1975, Section 36-27-103, as amended, and Sections 37-27B-1 through 36-27B-6, as amended. The authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the authority to the City to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees. The City contributes to the Employees' Retirement System of Alabama (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for state agencies and departments. The City's payroll for employees covered by the System for the year ended December 31, 2013, was \$12,741,238. At September 30, 2013, 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	299

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, 2013**

**NOTE 16: 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:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability<sup>1</sup></b>	<b>Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
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 <sup>2</sup>	25,550,179	39,586,538	14,036,359	64.5%	11,653,363	120.4%
9/30/11 <sup>4</sup>	25,206,267	39,718,580	14,512,313	63.5%	11,448,662	126.8%
9/30/12 <sup>5</sup>	25,485,395	38,581,587	13,096,192	66.1%	11,164,255	117.3%
9/30/13 <sup>6</sup>	27,701,720	42,735,210	15,033,490	64.8%	12,741,238	118.0%
9/30/13 <sup>3,6</sup>	27,701,720	42,858,540	15,156,820	64.6%	12,741,238	119.0%

<sup>1</sup> - Reflects liability for cost of living benefit increases granted after October 1, 1978

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

<sup>3</sup> - 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.

<sup>4</sup> - Reflects changes in actuarial assumptions

<sup>5</sup> - Reflects changes to interest smoothing methodology

<sup>6</sup> - Reflects implementation of Board Funding Policy

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 16: DEFINED BENEFIT PENSION PLAN** (continued)

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
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, 2013 of \$2,025,091 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of September 30, 2012. The total employer contributions of \$1,332,745 represented 10.46% of current year covered payroll, and the total employee contributions of \$719,346 represented 5.65% of current year covered payroll. The employee contributions were a component of normal cost. The employer contributions consisted of \$312,160 for normal cost (2.45% of current year covered payroll), \$973,431 for amortization of the actuarial accrued liability (7.64% of current year covered payroll), \$2,548 for death benefits (.02% of current year covered payroll), and \$44,606 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 2013. 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, 2013**

**NOTE 17: POSTEMPLOYMENT BENEFITS**

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

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

**Fund Policy** - Until 2009, the City of Northport recognized the cost of providing post-employment medical benefits (the City of Northport's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2013 and 2012, the City's portion of health care funding cost for retired employees totaled \$136,426 and \$82,634, 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>2013</u>	<u>2012</u>
Normal Cost	\$ 127,411	\$ 115,793
30-year UAL amortization amount	<u>152,691</u>	<u>158,514</u>
Annual required contribution (ARC)	<u>\$ 280,102</u>	<u>\$ 274,307</u>

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 17: POSTEMPLOYMENT BENEFITS** (continued)

**Net Post-Employment Benefit Obligation (Asset)** - The table below shows the City of Northport's Net Other Post-Employment Benefit (OPEB) Obligation (Asset) for fiscal years ending December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Beginning Net OPEB Obligation (Asset) - Jan. 1	\$ 624,968	\$ 433,295
Annual required contribution	280,102	274,307
Interest on Net OPEB Obligation (Asset)	24,999	-0-
ARC Adjustment	<u>(36,142)</u>	<u>-0-</u>
OPEB Cost	268,959	274,307
Contribution	-0-	-0-
Current year retiree premium	<u>(136,426)</u>	<u>(82,634)</u>
	<u>132,533</u>	<u>191,673</u>
Change in Net OPEB Obligation		
Ending Net OPEB Obligation (Asset) - Dec. 31	<u>\$ 757,501</u>	<u>\$ 624,968</u>
Net OPEB Liability:		
Governmental Funds	\$ 639,154	\$ 527,327
Proprietary Funds	<u>118,347</u>	<u>97,641</u>
Total	<u>\$ 757,501</u>	<u>\$ 624,968</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, 2013	\$ 268,959	50.72%	\$ 757,501
Medical	December 31, 2012	\$ 274,307	30.12%	\$ 624,968

**Funded Status and Funding Progress** - In the fiscal years ending December 31, 2013 and 2012, the City of Northport made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2011 actuarial valuation, the most recent actuarial valuation, the 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, 2013**

**NOTE 17: 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, 2013**

**NOTE 17: POSTEMPLOYMENT BENEFITS** *(continued)*

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

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

<u>Age</u>	<u>Percent Turnover</u>
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, 2013**

**NOTE 17: POSTEMPLOYMENT BENEFITS** *(continued)*

Administration ([www.cms.hhs.gov](http://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, 2013**

**NOTE 17: POSTEMPLOYMENT BENEFITS** (continued)

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

OPEB Costs and Contributions						
		FY 2011		FY 2012		FY 2013
OPEB Cost	\$	247,883	\$	274,307	\$	268,959
Contribution		-		-		-
Retiree premium		140,215		82,634		136,426
Total contribution and premium		140,215		82,634		136,426
Change in net OPEB obligation	\$	107,668	\$	191,673	\$	132,533
% of contribution to cost		0.00%		0.00%		0.00%
% of contribution plus premium to cost		56.56%		30.12%		50.72%

**NOTE 18: DEFERRED COMPENSATION PLAN**

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

**NOTE 19: COMMITMENTS AND CONTINGENCIES**

Industrial Park Land

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

Tuscaloosa County High School Pledge

The City is contingently liable for \$5,000,000 of the bond issue offered by the Tuscaloosa County School Board to construct a new high school. The City has committed an annual pledge of \$250,000 for a 20-year period. Any infrastructure cost incurred by the City may be used to offset the annual pledge. At December 31, 2013, the outstanding commitment was \$1,250,000.

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 19: COMMITMENTS AND CONTENGENCIES** *(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 \$6,363,500.

Pending or Threatened Litigation

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

**NOTE 20: 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, 2013**

**NOTE 21: SELF-INSURANCE**

During the year ended December 31, 2013, employees of the City of Northport were covered by the City's medical self-insurance plan (the "Plan"). Retirees are also eligible for medical insurance coverage through the self-insurance plan. No dental coverage was available to retirees through the plan. Claims were paid by Blue Cross and Blue Shield of Alabama acting on behalf of the City. The Plan is documented by a contractual agreement.

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

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

**NOTE 22: SUBSEQUENT EVENTS**

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of December 31, 2013, 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, 2013. As of the date of this report, no events have occurred that would be deemed to have a material effect on the financial statements as of December 31, 2013.

**NOTE 23: INTANGIBLE ASSETS**

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

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 24: FUND BALANCES – GOVERNMENTAL FUND**

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

*Non-spendable* – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2013, 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.

<b><u>Restricted for:</u></b>	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Debt Service Fund</u></b>	<b><u>Total</u></b>
Capital Projects	\$ 1,033,013	\$ -	\$ -	\$ 1,033,013
Municipal Court	198,916	467,610	-	666,526
Grant Programs	-	2,322	-	2,322
Special Compensation for Employees	-	70,562	-	70,562
Debt Service	-	-	404,140	404,140
Restricted Fund Balance	<u>\$ 1,231,929</u>	<u>\$ 540,494</u>	<u>\$ 404,140</u>	<u>\$ 2,176,563</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.

<b><u>Committed for:</u></b>	<b><u>General Fund</u></b>	<b><u>Special Revenue Fund</u></b>	<b><u>Total</u></b>
General Fund Reserve Fund	<u>\$ 2,301,356</u>	<u>\$ -0-</u>	<u>\$ 2,301,356</u>
Committed Fund Balance	<u>\$ 2,301,356</u>	<u>\$ -0-</u>	<u>\$ 2,301,356</u>

**CITY OF NORTHPORT, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**NOTE 24: 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 25: PRIOR PERIOD ADJUSTMENT**

During the current year the City recorded a prior period adjustment for the improper recognition of the prior year’s liability for retirement plan contributions as well as prior years transfers made for the initial funding of the Self Insurance Fund. The amount of the prior period adjustments were \$221,922 for Governmental Activities and (\$318,404) for Business-Type Activities.

**NOTE 26: 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, 2013**

**NOTE 26: CAPITAL LEASE OBLIGATION**(continued)

The following schedule presents future minimum lease payments as of December 31, 2013:

<u>Year</u>	<u>Minimum Lease Payments</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payments</u>
2014	\$ 155,448	\$ 43,841	\$ 111,607
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>\$ 1,169,085</u>

Leased land, buildings, equipment and vehicles under capital leases in capital assets at December 31, 2013 were as follows:

Vehicles	\$ 1,276,658
Less: Accumulated Depreciation	<u>(223,415)</u>
Net Capital Leased Assets	<u>\$ 1,053,243</u>

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

**LeCroy, Hunter & Company, P.C.**  
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W. RYAN ALEXANDER, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
ALABAMA SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

October 20, 2014

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLAINE 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, 2013, 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 October 20, 2014.

**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  
October 20, 2014

## **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, 2013**

	<b><u>ORIGINAL BUDGET</u></b>	<b><u>CHANGE IN BUDGET</u></b>	<b><u>FINAL BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE FAVORABLE (UNFAVORABLE)</u></b>
<b><u>Revenues</u></b>					
<b>Taxes</b>					
City Sales and Use Taxes	\$ 7,750,000	\$ 100,000	\$ 7,850,000	\$ 8,418,814	\$ 568,814
Property Taxes	1,850,000	1,000,000	2,850,000	3,049,411	199,411
Other Taxes	350,000	15,000	365,000	369,397	4,397
<b><u>Total Taxes</u></b>	<b><u>\$ 9,950,000</u></b>	<b><u>\$ 1,115,000</u></b>	<b><u>\$ 11,065,000</u></b>	<b><u>\$ 11,837,622</u></b>	<b><u>\$ 772,622</u></b>
<b>Licenses and Permits</b>					
Business License	\$ 4,800,000	\$ 25,000	\$ 4,825,000	\$ 4,564,332	\$ (260,668)
Other Licenses and Permits	176,000	10,000	186,000	216,291	30,291
<b><u>Total Licenses and Permits</u></b>	<b><u>\$ 4,976,000</u></b>	<b><u>\$ 35,000</u></b>	<b><u>\$ 5,011,000</u></b>	<b><u>\$ 4,780,623</u></b>	<b><u>\$ (230,377)</u></b>
<b>Charges for Services</b>					
Fines and Penalties	\$ 1,250,000	\$ (50,000)	\$ 1,200,000	\$ 1,368,214	\$ 168,214
Intergovernmental Revenues	210,000	90,000	300,000	773,703	473,703
Other Revenue	3,634,000	575,000	4,209,000	4,803,139	594,139
	680,450	178,000	858,450	604,103	(254,347)
<b><u>Total Revenues</u></b>	<b><u>\$ 20,700,450</u></b>	<b><u>\$ 1,943,000</u></b>	<b><u>\$ 22,643,450</u></b>	<b><u>\$ 24,167,404</u></b>	<b><u>\$ 1,523,954</u></b>
<b><u>Expenditures</u></b>					
<b>Operating</b>					
Finance and Administration	\$ 1,245,184	\$ 101,912	\$ 1,347,096	\$ 1,280,910	\$ 66,186
General Government	1,185,090	80,959	1,266,049	1,606,563	(340,514)
Planning and Development	1,009,145	(32,631)	976,514	1,080,330	(103,816)
Public Safety	11,418,928	(110,289)	11,308,639	11,885,245	(576,606)
Public Works	4,613,375	199,876	4,813,251	4,654,536	158,715
Local Agency Funding	316,500	-	316,500	271,750	44,750
<b><u>Total Operating Expenditures</u></b>	<b><u>\$ 19,788,222</u></b>	<b><u>\$ 239,827</u></b>	<b><u>\$ 20,028,049</u></b>	<b><u>\$ 20,779,334</u></b>	<b><u>\$ (751,285)</u></b>

(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, 2013**

	<u>ORIGINAL BUDGET</u>	<u>CHANGE IN BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Capital					
Finance and Administration	\$ 50,000	\$ 432,000	\$ 482,000	\$ 265,140	\$ 216,860
General Government	-	-	-	-	-
Planning and Development	-	-	-	-	-
Public Safety	222,900	190,500	413,400	669,971	(256,571)
Public Works	1,330,000	368,500	1,698,500	1,462,050	236,450
<u>Total Capital Expenditures</u>	<u>\$ 1,602,900</u>	<u>\$ 991,000</u>	<u>\$ 2,593,900</u>	<u>\$ 2,397,161</u>	<u>\$ 196,739</u>
Debt Service	\$ 1,378,700	\$ (96,700)	\$ 1,282,000	\$ 1,278,002	\$ 3,998
<u>Total Debt Service</u>	<u>\$ 1,378,700</u>	<u>\$ (96,700)</u>	<u>\$ 1,282,000</u>	<u>\$ 1,278,002</u>	<u>\$ 3,998</u>
<u>Total Expenditures</u>	<u>\$ 22,769,822</u>	<u>\$ 1,134,127</u>	<u>\$ 23,903,949</u>	<u>\$ 24,454,497</u>	<u>\$ (550,548)</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	\$ (2,069,372)	\$ 808,873	\$ (1,260,499)	\$ (287,093)	\$ 973,406
Fund Balance Allocation	2,069,372	(808,873)	1,260,499	-	(1,260,499)
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (287,093)</u>	<u>\$ (287,093)</u>
<u>Fund Balance - January 1, 2013, Budgetary Basis</u>				<u>\$ 9,339,643</u>	
<u>Fund Balance - December 31, 2013, Budgetary Basis</u>				\$ 9,052,550	
<u>Reconciliation of Budgetary Basis to GAAP Basis</u>					
Accrued Revenue not included in budget				22,412	
Compensated Absences				4,790	
Accrued Expenses not included in budget				(112,582)	
Loan Repayment from Water & Sewer				(250,000)	
Clearing Account				(358,200)	
Funded Through Previous Bond Issues				(141,239)	
Debt Service Paid through Escrow Funds				(327,028)	
Debt Service Covered by Transfer from Water & Sewer Funds				(370,685)	
Prior Period Adjustment				(487,828)	
<u>Fund Balance - December 31, 2013 (GAAP Basis)</u>				<u>\$ 7,032,190</u>	

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

**CITY OF NORTHPORT, ALABAMA**  
**PENSION INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Fund Policy**

The City of Northport follows GASB No. 27, *Accounting for Pensions by State and Local Government Employers*. Retirement contributions were based on a factor of 2.216 for 5% employee contributions or 1.847 for 6% employee contributors times the annual payroll as determined by Retirement Systems of Alabama (RSA). This rate was based on the September 30, 2013, actuarial valuation reported provided by RSA.

For December 31, 2013, the required pension contributions were determined as part of the September 30, 2012, 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, 2012 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, 2012 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.

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
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.

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability<sup>1</sup></b>	<b>Unfunded AAL</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
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 <sup>2</sup>	25,550,179	39,586,538	14,036,359	64.5%	11,653,363	120.4%
9/30/11 <sup>4</sup>	25,206,267	39,718,580	14,512,313	63.5%	11,448,662	126.8%
9/30/12 <sup>5</sup>	25,485,395	38,581,587	13,096,192	66.1%	11,164,255	117.3%
9/30/13 <sup>6</sup>	27,701,720	42,735,210	15,033,490	64.8%	12,741,238	118.0%
9/30/13 <sup>3,6</sup>	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, 2013, 2012, 2011, and 2010.
- Schedule of General Fund Revenues for the years ended December 31, 2013, 2012, and 2011
- Water and Sewer Statistical Information for the years ended December 31, 2010 - 2013 and the years ended September 30, 2003 – 2009
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended December 31, 2013
- Schedule of Water and Sewer Fund Debt Service for the year ended December 31, 2013
- Schedule of Water and Sewer Fund Specifically Pledged Debt Service for the year ended December 31, 2013
- Schedule of Legal Debt Margin

**CITY OF NORTHPORT, ALABAMA**  
**GENERAL FUND**  
**SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEARS ENDED DECEMBER 31, 2013, 2012, 2011 AND 2010**

	<b>YEAR ENDED DECEMBER 31 2013</b>	<b>YEAR ENDED DECEMBER 31 2012</b>	<b>YEAR ENDED DECEMBER 31 2011</b>	<b>YEAR ENDED DECEMBER 31 2010</b>
<b>Revenues</b>				
<b>Taxes:</b>				
City Sales and Use Taxes	\$ 8,418,814	\$ 8,349,583	\$ 7,771,712	\$ 7,279,153
Property Taxes	3,029,356	2,887,020	2,883,400	2,149,018
Other	369,397	397,323	388,970	358,571
<b>Total Taxes</b>	<b>\$ 11,817,567</b>	<b>\$ 11,633,926</b>	<b>\$ 11,044,082</b>	<b>\$ 9,786,742</b>
<b>Licenses and Permits:</b>				
Business Licenses & Permits	\$ 4,566,687	\$ 4,726,744	\$ 4,376,480	\$ 4,176,820
Other Licenses and Permits	213,936	186,163	210,664	119,947
<b>Total Licenses and Permits</b>	<b>\$ 4,780,623</b>	<b>\$ 4,912,907</b>	<b>\$ 4,587,144</b>	<b>\$ 4,296,767</b>
Intergovernmental	\$ 3,906,390	\$ 3,579,144	\$ 3,339,981	\$ 3,032,218
Charges for Services	1,299,965	1,310,600	1,240,341	1,144,947
Fines and Penalties	816,171	652,825	702,432	531,759
Other Revenues	418,449	280,751	229,376	927,315
<b>Total Revenues</b>	<b>\$ 23,039,165</b>	<b>\$ 22,370,153</b>	<b>\$ 21,143,356</b>	<b>\$ 19,719,748</b>
<b>Expenditures</b>				
Public Safety	\$ 12,045,468	\$ 11,108,835	\$ 10,295,295	\$ 9,334,009
Public Works	4,620,157	4,115,814	3,782,686	4,208,275
Capital Outlay	2,427,748	4,555,893	1,708,070	3,294,895
General Government	1,606,563	1,393,353	1,537,044	770,778
Finance and Administration	1,136,669	1,463,353	1,475,276	2,076,382
Planning and Development	1,078,888	651,752	516,931	548,817
Local Agency Support	271,750	425,000	65,000	395,535
Civic Center	-	-	80	4,854
<b>Total Expenditures</b>	<b>\$ 23,187,243</b>	<b>\$ 23,714,000</b>	<b>\$ 19,380,382</b>	<b>\$ 20,633,545</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (148,078)</b>	<b>\$ (1,343,847)</b>	<b>\$ 1,762,974</b>	<b>\$ (913,797)</b>
<b>Other Financing Sources and (Uses)</b>				
Transfer (Out) to Debt Service Fund	\$ (1,649,781)	\$ (3,634,836)	\$ (1,621,739)	\$ (1,676,372)
Transfer In (Out) from Other Funds	358,204	-	682,198	658,085
Other Sources	82,559	148,082	53,301	15,822
Loan Proceeds	-	3,854,025	-	-
<b>Total Other Financing Sources and (Uses)</b>	<b>\$ (1,209,018)</b>	<b>\$ 367,271</b>	<b>\$ (886,240)</b>	<b>\$ (1,002,465)</b>
<b>Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses</b>	<b>\$ (1,357,096)</b>	<b>\$ (976,576)</b>	<b>\$ 876,734</b>	<b>\$ (1,916,262)</b>
<b>Fund Balance - Beginning of Year</b>	<b>7,929,856</b>	<b>7,975,109</b>	<b>7,098,375</b>	<b>9,014,637</b>
Cumulative Effect of Change in Accounting Principle	-	(25,575)	-	-
Prior Period Adjustment	(487,828)	956,898	-	-
<b>Fund Balance - End of Year</b>	<b>\$ 6,084,932</b>	<b>\$ 7,929,856</b>	<b>\$ 7,975,109</b>	<b>\$ 7,098,375</b>

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, 2013, 2012 AND 2011**

	<u>DECEMBER 31, 2013</u>		<u>DECEMBER 31, 2012</u>		<u>DECEMBER 31, 2011</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%	\$ 8,418,814	37.3%	\$ 8,349,583	36.8%	\$ 7,771,712
Property Taxes	13.1%	3,029,356	12.9%	2,887,020	13.6%	2,883,400
Other	1.6%	369,397	1.8%	397,323	1.8%	388,970
<u>Total Taxes</u>	<u>51.3%</u>	<u>\$ 11,817,567</u>	<u>52.0%</u>	<u>\$ 11,633,926</u>	<u>52.2%</u>	<u>\$ 11,044,082</u>
Licenses and Permits:						
Business Licenses & Permits	19.8%	\$ 4,566,687	21.1%	\$ 4,726,744	20.7%	\$ 4,376,480
Other Licenses and Permits	0.9%	213,936	0.8%	186,163	1.0%	210,664
<u>Total Licenses and Permits</u>	<u>20.7%</u>	<u>\$ 4,780,623</u>	<u>22.0%</u>	<u>\$ 4,912,907</u>	<u>21.7%</u>	<u>\$ 4,587,144</u>
Fines and Penalties	3.5%	\$ 816,171	2.9%	\$ 652,825	3.3%	\$ 702,432
Charges for Services	5.6%	1,299,965	5.9%	1,310,600	5.9%	1,240,341
Intergovernmental	17.0%	3,906,390	16.0%	3,579,144	15.8%	3,339,981
Other Revenues	1.8%	418,449	1.3%	280,751	1.1%	229,376
<u>Total Other Revenue</u>	<u>28.0%</u>	<u>6,440,975</u>	<u>26.0%</u>	<u>5,823,320</u>	<u>26.1%</u>	<u>5,512,130</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 23,039,165</u>	<u>100.0%</u>	<u>\$ 22,370,153</u>	<u>100.0%</u>	<u>\$ 21,143,356</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, 2013 THROUGH 2010 AND**  
**SEPTEMBER 30, 2003 THROUGH 2009**

<u>Fiscal Year</u>	<u>Number of Customers *</u>	<u>Total Volume (Gallons)</u>	<u>Gross Revenue</u>
2003	9,487	815,308,663	2,499,027
2004	9,897	826,518,006	2,608,510
2005	10,314	817,393,029	2,634,989
2006	10,850	935,617,119	3,150,875
2007	11,412	1,016,899,157	3,503,425
2008	11,671	968,527,572	3,390,997
2009	11,746	897,990,571	3,597,280
2010	11,832	902,190,889	3,919,693
2011	12,989	899,985,608	4,671,142
2012	13,178	891,299,233	4,775,028
2013	13,345	829,476,094	4,647,254

**Ten Largest Water System Customers**

	<u>2013 Gallons</u>	<u>2013 Fees</u>
DCH Health Care Authority	21,089,320	\$ 88,933
Tuscaloosa County Board of Education	14,671,678	71,352
Northport Housing Authority Knoll Circle	11,078,690	45,215
Northport Housing Authority West Circle	10,545,120	45,757
Forest Manor	8,590,930	35,039
Northport Health Services Glen Haven	7,089,178	28,921
Northport Housing Authority Valley Hills	6,747,095	27,040
Northport Health Services Park Manor	6,133,236	24,909
Deerfield Apartments	3,897,460	16,051
Presbyterian Apartments	3,062,022	13,648

**Water Rates - Effective October 1, 2013**

All water purchases are \$4.06 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, 2013 THROUGH 2010 AND**  
**SEPTEMBER 30, 2003 THROUGH 2009**

<u>Fiscal Year</u>	<u>Sewer System Statistics</u> Number of Customers *	<u>Gross Revenue</u>
2003	7,968	1,934,159
2004	8,333	2,019,366
2005	8,657	2,051,856
2006	9,112	2,285,399
2007	9,631	2,474,002
2008	9,924	2,462,513
2009	10,050	2,655,155
2010	10,182	3,169,687
2011	10,319	3,554,782
2012	10,473	3,639,671
2013	10,646	3,661,106

Rate Schedule: Effective October 1, 2013, the rate for all waste water customers is \$4.06 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, 2013 THROUGH 2010 AND**  
**SEPTEMBER 30, 2003 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:

<b>Water Meter Size</b>	<b>Water Development Fee</b>	<b>Sewer Development Fee</b>
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, 2013**

**OPERATING REVENUES**

Charges for Services and Fees	\$ 8,980,076
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<b><u>TOTAL OPERATING REVENUES</u></b>	<b><u>\$ 8,980,076</u></b>
----------------------------------------	----------------------------

**OPERATING EXPENSES**

Salaries and Benefits	\$ 2,324,641
Maintenance and Repairs	807,056
Other Expense	695,314
Utilities and Telephone	654,243
Materials and Supplies	525,452
Water and Sewer Purchases	294,383
Professional Fees	30,922

<b><u>TOTAL OPERATING EXPENSES</u></b>	<b><u>\$ 5,332,011</u></b>
----------------------------------------	----------------------------

Interest Income	\$ 3,851
-----------------	----------

<b><u>NET INCOME AVAILABLE FOR DEBT SERVICE</u></b>	<b><u>\$ 3,651,916</u></b>
-----------------------------------------------------	----------------------------

<u>Actual Maximum Annual Debt Service</u>	<u>\$ 2,755,555</u>
-------------------------------------------	---------------------

<u>Actual Maximum Debt Service Coverage</u>	<u>1.33</u>
---------------------------------------------	-------------

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

<u>Actual Maximum Debt Service Coverage Specifically Pledged</u>	<u>19.01</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, 2013**

<b>Fiscal Year</b>	<b>1999 SRF</b>	<b>1999 SRF Extension</b>	<b>2004 B Warrants</b>	<b>2005 SRF Warrants</b>	<b>2005 SRF Extension</b>	<b>2009 B Warrants</b>	<b>2011 Warrants</b>	<b>2012 C Warrants</b>	<b>Total</b>
2013	\$ 188,125	\$ 85,145	\$ 238,715	\$ 196,825	\$ 29,588	\$ 263,925	\$ 529,438	\$ 312,650	\$ 1,844,411
2014	187,688	82,578	237,680	197,763	28,938	263,925	1,029,238	312,650	2,340,460
2015	192,063	85,010	236,292	198,538	28,288	408,925	876,288	312,650	2,338,054
2016	191,063	87,245	239,542	199,150	27,638	410,300	873,588	312,650	2,341,176
2017	189,875	84,283	242,322	199,600	26,988	405,050	875,688	612,650	2,636,456
2018	188,500	86,320	239,622	199,888	26,338	409,800	880,838	606,650	2,637,956
2019	191,938	83,160	236,525	200,013	30,688	243,400	1,053,838	600,650	2,640,212
2020	-	-	238,230	199,975	29,875	388,400	1,367,738	501,650	2,725,868
2021	-	-	239,430	199,775	29,062	357,600	1,419,338	510,350	2,755,555 *
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
<b>Total</b>	<b>\$ 1,329,252</b>	<b>\$ 593,741</b>	<b>\$ 2,148,358</b>	<b>\$ 2,786,716</b>	<b>\$ 365,524</b>	<b>\$ 10,578,525</b>	<b>\$ 10,684,392</b>	<b>\$ 13,348,150</b>	<b>\$ 41,834,658</b>

(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, 2013**

<b><u>Fiscal</u></b> <b><u>Year</u></b>	<b><u>1999 SRF</u></b>	<b><u>Total</u></b>
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
<b><u>Total</u></b>	<b><u>\$ 1,329,252</u></b>	<b><u>\$ 1,329,252</u></b>

\* - Annual Maximum



## **SUPPLEMENTARY INFORMATION**



**CITY OF NORTHPORT**  
**GENERAL FUND**  
**DECEMBER 31, 2013**

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, 2013**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 1,024,106
Property Tax Receivable	1,087,893
Accounts Receivable	
Police Dockets Receivable - Net	113,563
Other Receivables	33,238
Due from Other Funds	1,049,094
Inventories	83,017
	<hr/>

**TOTAL CURRENT ASSETS** **\$ 3,390,911**

**RESTRICTED ASSETS**

Cash and Cash Equivalents	<u>\$ 3,616,858</u>
---------------------------	---------------------

**TOTAL ASSETS** **\$ 7,007,769**

**LIABILITIES**

Accounts Payable	\$ 180,715
Due to Other Funds	128,250
Accrued Payroll	373,887
Accrued Expenses	33
Cash Bonds, Restitution and Other Deposits	228,352
Compensated Absences - Current	11,600
	<hr/>

**TOTAL LIABILITIES** **\$ 922,837**

**FUND BALANCE**

Nonspendable	\$ 2,224,891
Restricted	1,231,929
Committed	2,301,356
Unrestricted	326,756
	<hr/>

**TOTAL FUND BALANCE** **\$ 6,084,932**

**TOTAL LIABILITIES AND FUND EQUITY** **\$ 7,007,769**

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, 2013**

**REVENUES**

**TAXES:**

City Sales and Use Taxes	\$ 8,418,814
Property Taxes	3,029,356
Other	369,397
	<hr/>

<b><u>TOTAL TAXES</u></b>	<b>\$ 11,817,567</b>
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**LICENSES AND PERMITS:**

Business Licenses & Permits	\$ 4,566,687
Other Licenses and Permits	213,936
	<hr/>

<b><u>TOTAL LICENSES AND PERMITS</u></b>	<b>\$ 4,780,623</b>
------------------------------------------	---------------------

**INTERGOVERNMENTAL REVENUE:**

County Sales Tax	\$ 2,727,875
Tobacco Tax	321,362
County Gasoline Tax	267,919
County Road And Bridge Tax	188,214
E-911 Funds	105,000
Liquor Tax	95,726
Bank Excise Tax	71,240
County Vehicle License	60,597
A.B.C. 2-Percent Sales Tax	32,720
A.B.C. Profits Tax	12,714
Oil and Gas Production	11,272
Motor Vehicle Registration	6,307
State Vehicle License	4,396
Manufactured Homes Registration	1,048
	<hr/>

<b><u>TOTAL INTERGOVERNMENTAL REVENUE</u></b>	<b>\$ 3,906,390</b>
-----------------------------------------------	---------------------

**CHARGES FOR SERVICES:**

Garbage Fees	\$ 1,299,965
	<hr/>

**FINES AND PENALTIES:**

Court Costs and Fines	\$ 701,057
Court Costs - Corrections	115,114
	<hr/>

<b><u>TOTAL FINES AND PENALTIES</u></b>	<b>\$ 816,171</b>
-----------------------------------------	-------------------

**MISCELLANEOUS REVENUE:**

Other Income	\$ 263,275
Housing Authority Lease	68,249
Rental and Lease Income	49,625
Grant Proceeds	34,566
Interest Income	2,734
	<hr/>

<b><u>TOTAL MISCELLANEOUS REVENUE</u></b>	<b>\$ 418,449</b>
-------------------------------------------	-------------------

<b><u>TOTAL REVENUES</u></b>	<b>\$ 23,039,165</b>
------------------------------	----------------------

(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, 2013**

**EXPENDITURES**

**OPERATING EXPENDITURES:**

Public Safety	\$ 12,045,468
Public Works	4,620,157
General Government	1,606,563
Finance and Administration	1,136,669
Planning and Development	1,078,888
Local Agency Support	<u>271,750</u>

**TOTAL OPERATING EXPENDITURES** **\$ 20,759,495**

**CAPITAL EXPENDITURES:**

Public Works	\$ 1,778,552
Public Safety	604,239
Finance and Administration	44,532
Planning and Community Development	<u>425</u>

**TOTAL CAPITAL EXPENDITURES** **\$ 2,427,748**

**TOTAL EXPENDITURES** **\$ 23,187,243**

**EXCESS REVENUES / (EXPENDITURES)** **\$ (148,078)**

**OTHER FINANCING SOURCES (USES):**

Transfer (Out) to Debt Service Fund	\$ (1,649,781)
Transfer In	358,204
Sale Proceeds	<u>82,559</u>

**TOTAL FINANCING SOURCES (USES)** **\$ (1,209,018)**

**EXCESS REVENUES AND SOURCES**  
**OVER EXPENDITURES AND USES** **\$ (1,357,096)**

**FUND BALANCE - JANUARY 1, 2013** **7,929,856**

Prior Period Adjustment - Note 25 **\$ (487,828)**

**FUND BALANCE - DECEMBER 31, 2013** **\$ 6,084,932**

**CITY OF NORTHPORT, ALABAMA**  
**DEBT SERVICE FUND**  
**DECEMBER 31, 2013**

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, 2013**

**ASSETS**

Restricted Assets		
Cash and Cash Equivalents	\$ 404,140	
	<u>                    </u>	
<b><u>TOTAL RESTRICTED ASSETS</u></b>	<b><u>\$ 404,140</u></b>	
<b><u>TOTAL ASSETS</u></b>		<b><u>\$ 404,140</u></b>

**FUND BALANCE**

Restricted for debt service	\$ 404,140	
	<u>                    </u>	
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>\$ 404,140</u></b>	
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>		<b><u>\$ 404,140</u></b>

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, 2013**

**REVENUES**

Interest on Investments \$ 146

**TOTAL REVENUES** \$ 146

**EXPENDITURES**

Interest Paid \$ 436,680  
Other Fees 2,251  
Payments on Pledge to TCHS 250,000  
Payments on Bonds, Warrants,  
and Notes Payable 1,172,054

**TOTAL EXPENDITURES** \$ 1,860,985

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

\$ (1,860,839)

**OTHER FINANCING SOURCES (USES)**

Transfers In \$ 1,649,781

**TOTAL OTHER FINANCING SOURCES (USES)** \$ 1,649,781

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

\$ (211,058)

**FUND BALANCE - JANUARY 1, 2013**

615,198

**FUND BALANCE - DECEMBER 31, 2013**

\$ 404,140

**CITY OF NORTHPORT, ALABAMA**  
**SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2013**

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, 2013**

	<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>
<b>ASSETS</b>							
<b><u>CURRENT ASSETS</u></b>							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 2,624	\$ -	\$ 2,624
Due From General Fund	128,250	-	-	-	-	-	128,250
Due from Other Funds	36,000	-	-	-	-	(36,000)	-
<b><u>TOTAL CURRENT ASSETS</u></b>	<b>\$ 164,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,624</b>	<b>\$ (36,000)</b>	<b>\$ 130,874</b>
<b><u>RESTRICTED ASSETS</u></b>							
Cash and Cash Equivalents	\$ 305,186	\$ 190,748	\$ 2,322	\$ 70,595	\$ -	\$ -	\$ 568,851
<b><u>TOTAL RESTRICTED ASSETS</u></b>	<b>\$ 305,186</b>	<b>\$ 190,748</b>	<b>\$ 2,322</b>	<b>\$ 70,595</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 568,851</b>
<b><u>TOTAL ASSETS</u></b>	<b>\$ 469,436</b>	<b>\$ 190,748</b>	<b>\$ 2,322</b>	<b>\$ 70,595</b>	<b>\$ 2,624</b>	<b>\$ (36,000)</b>	<b>\$ 699,725</b>
<b>LIABILITIES &amp; FUND BALANCE</b>							
<b><u>CURRENT LIABILITIES</u></b>							
Accounts Payable	\$ 1,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,826
Due to Other Funds	-	190,748	-	33	-	(36,000)	154,781
<b><u>TOTAL LIABILITIES</u></b>	<b>\$ 1,826</b>	<b>\$ 190,748</b>	<b>\$ -</b>	<b>\$ 33</b>	<b>\$ -</b>	<b>\$ (36,000)</b>	<b>\$ 156,607</b>
<b><u>FUND BALANCE</u></b>							
Restricted	\$ 467,610	\$ -	\$ 2,322	\$ 70,562	\$ -	\$ -	\$ 540,494
Unrestricted	-	-	-	-	2,624	-	2,624
<b><u>TOTAL FUND BALANCE</u></b>	<b>\$ 467,610</b>	<b>\$ -</b>	<b>\$ 2,322</b>	<b>\$ 70,562</b>	<b>\$ 2,624</b>	<b>\$ -</b>	<b>\$ 543,118</b>
<b><u>TOTAL LIABILITIES &amp; FUND BALANCE</u></b>	<b>\$ 469,436</b>	<b>\$ 190,748</b>	<b>\$ 2,322</b>	<b>\$ 70,595</b>	<b>\$ 2,624</b>	<b>\$ (36,000)</b>	<b>\$ 699,725</b>

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, 2013**

	<b><u>CAPITAL IMPROVEMENT</u></b>	<b><u>GASOLINE 7 CENT TAX FUND</u></b>	<b><u>COMMUNITY DEVELOPMENT FUND</u></b>	<b><u>EMPLOYEE BEER TAX FUND</u></b>	<b><u>EMPLOYEE BENEFIT FUND</u></b>	<b><u>TOTAL (MEMO ONLY)</u></b>
<b><u>REVENUES</u></b>						
Intergovernmental Revenue:						
Gas Tax	\$ -	\$ 98,205	\$ -	\$ -	\$ -	\$ 98,205
Petroleum Inspection Fee	-	8,220	-	-	-	8,220
Share of Beer Tax	-	-	-	130,446	-	130,446
Municipal Government Tax	526,672	-	-	-	-	526,672
Other Operating Revenues:						
Interest	204	156	1	33	1	395
Grant Proceeds	-	-	1,307	-	-	1,307
Other	-	-	-	-	2,055	2,055
	<b><u>\$ 526,876</u></b>	<b><u>\$ 106,581</u></b>	<b><u>\$ 1,308</u></b>	<b><u>\$ 130,479</u></b>	<b><u>\$ 2,056</u></b>	<b><u>\$ 767,300</u></b>
<b><u>EXPENDITURES</u></b>						
Finance and Administration	\$ 220,608	\$ -	\$ -	\$ 133,206	\$ 49	\$ 353,863
Public Safety	65,732	-	-	-	-	65,732
Public Works	66,182	116,755	-	-	-	182,937
	<b><u>\$ 352,522</u></b>	<b><u>\$ 116,755</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 133,206</u></b>	<b><u>\$ 49</u></b>	<b><u>\$ 602,532</u></b>
<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>174,354</u>	<u>(10,174)</u>	<u>1,308</u>	<u>(2,727)</u>	<u>2,007</u>	<u>164,768</u>
<b><u>Excess (Deficit) of Revenues &amp; Other Sources Over Expenditures &amp; Other Uses</u></b>	<b><u>\$ 174,354</u></b>	<b><u>\$ (10,174)</u></b>	<b><u>\$ 1,308</u></b>	<b><u>\$ (2,727)</u></b>	<b><u>\$ 2,007</u></b>	<b><u>\$ 164,768</u></b>
<b><u>FUND BALANCE - JANUARY 1, 2013</u></b>	<b><u>293,256</u></b>	<b><u>10,174</u></b>	<b><u>1,014</u></b>	<b><u>73,289</u></b>	<b><u>617</u></b>	<b><u>378,350</u></b>
<b><u>FUND BALANCE - DECEMBER 31, 2013</u></b>	<b><u>\$ 467,610</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,322</u></b>	<b><u>\$ 70,562</u></b>	<b><u>\$ 2,624</u></b>	<b><u>\$ 543,118</u></b>

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2013**

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

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

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**COMBINING STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

	<b><u>ENTERPRISE FUNDS</u></b>				
	<b><u>WATER AND SEWER FUND</u></b>	<b><u>SPECIAL ASSESSMENT FUND</u></b>	<b><u>TOTAL ENTERPRISE FUNDS</u></b>	<b><u>INTERNAL SERVICE FUND</u></b>	<b><u>TOTAL PROPRIETARY FUNDS</u></b>
<b>ASSETS</b>					
<b><u>CURRENT ASSETS</u></b>					
Cash and Cash Equivalents	\$ 2,522,818	\$ -	\$ 2,522,818	\$ -	\$ 2,522,818
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$203,416	828,267	-	828,267	-	828,267
Assessments Receivable - Current	-	11,688	11,688	-	11,688
Interest Receivable	-	7,889	7,889	-	7,889
Due from Other Propriety Funds	1,638,202	-	1,638,202	-	1,638,202
Inventory	71,869	-	71,869	-	71,869
<b><u>TOTAL CURRENT ASSETS</u></b>	<b><u>\$ 5,061,156</u></b>	<b><u>\$ 19,577</u></b>	<b><u>\$ 5,080,733</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,080,733</u></b>
<b><u>RESTRICTED ASSETS</u></b>					
Cash and Cash Equivalents	\$ 1,687,474	\$ -	\$ 1,687,474	\$ 340,342	\$ 2,027,816
Investments - Warrant Payments Temporarily Invested	434,353	-	434,353	-	434,353
<b><u>TOTAL RESTRICTED ASSETS</u></b>	<b><u>\$ 2,121,827</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,121,827</u></b>	<b><u>\$ 340,342</u></b>	<b><u>\$ 2,462,169</u></b>
<b><u>PROPERTY, PLANT AND EQUIPMENT</u></b>					
Construction In Progress	\$ 12,500	\$ -	\$ 12,500	\$ -	\$ 12,500
Land	396,017	-	396,017	-	396,017
Treatment Plants and Pump Stations	28,310,712	-	28,310,712	-	28,310,712
Distribution and Disposal System	43,303,674	-	43,303,674	-	43,303,674
Machinery and Equipment	594,438	-	594,438	-	594,438
Vehicles	759,880	-	759,880	-	759,880
Computer Equipment	129,859	-	129,859	-	129,859
<b><u>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</u></b>	<b><u>\$ 73,507,080</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 73,507,080</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 73,507,080</u></b>
Less: Accumulated Depreciation	(23,821,354)	-	(23,821,354)	-	(23,821,354)
<b><u>NET PROPERTY, PLANT &amp; EQUIPMENT</u></b>	<b><u>\$ 49,685,726</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 49,685,726</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 49,685,726</u></b>
<b><u>OTHER ASSETS</u></b>					
Abeyance Receivable	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,055,930</u></b>	<b><u>\$ 2,055,930</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,055,930</u></b>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 56,868,709</u></b>	<b><u>\$ 2,075,507</u></b>	<b><u>\$ 58,944,216</u></b>	<b><u>\$ 340,342</u></b>	<b><u>\$ 59,284,558</u></b>
<b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>					
Deferred Interest Cost on Refunding Issues	\$ 4,560,100	\$ -	\$ 4,560,100	\$ -	\$ 4,560,100
Prepaid Expenses	17,588	-	17,588	-	17,588
<b><u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u></b>	<b><u>\$ 4,577,688</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,577,688</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,577,688</u></b>

(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, 2013**

	<b>ENTERPRISE FUNDS</b>				
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUND</b>	
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b><u>CURRENT LIABILITIES</u></b>					
Payable from Current Assets					
Accounts Payable	\$ 22,968	\$ -	\$ 22,968	\$ -	\$ 22,968
Due to Other Funds	894,313	-	894,313	-	894,313
Due to Other Propriety Funds	-	1,638,202	1,638,202	-	1,638,202
Accrued Payroll	74,932	-	74,932	-	74,932
Estimated Liability for Compensated Absences - Current	5,324	-	5,324	-	5,324
Notes Payable - Current	8,900	-	8,900	-	8,900
Accrued Expenses	-	-	-	35,839	35,839
<b><u>TOTAL CURRENT LIABILITIES</u></b>					
<b><u>PAYABLE FROM CURRENT ASSETS</u></b>	\$ 1,006,437	\$ 1,638,202	\$ 2,644,639	\$ 35,839	\$ 2,680,478
<b><u>PAYABLE FROM RESTRICTED ASSETS</u></b>					
Interest Payable	\$ 276,182	\$ -	\$ 276,182	\$ -	\$ 276,182
Warrants Payable - Current	1,285,000	-	1,285,000	-	1,285,000
Customer and Waterline Extension Deposits	794,116	-	794,116	-	794,116
<b><u>TOTAL CURRENT LIABILITIES</u></b>					
<b><u>PAYABLE FROM RESTRICTED ASSETS</u></b>	\$ 2,355,298	\$ -	\$ 2,355,298	\$ -	\$ 2,355,298
<b><u>TOTAL CURRENT LIABILITIES</u></b>	\$ 3,361,735	\$ 1,638,202	\$ 4,999,937	\$ 35,839	\$ 5,035,776
<b><u>LONG-TERM LIABILITIES</u></b>					
Bonds and Warrants Payable (Including Discounts)	\$ 28,904,046	\$ -	\$ 28,904,046	\$ -	\$ 28,904,046
Notes Payable	63,533	-	63,533	-	63,533
Net Retiree Healthcare Obligation	118,347	-	118,347	-	118,347
Estimated Liability for Compensated Absences - Noncurrent	100,572	-	100,572	-	100,572
<b><u>TOTAL LONG-TERM LIABILITIES</u></b>	\$ 29,186,498	\$ -	\$ 29,186,498	\$ -	\$ 29,186,498
<b><u>TOTAL LIABILITIES</u></b>	\$ 32,548,233	\$ 1,638,202	\$ 34,186,435	\$ 35,839	\$ 34,222,274
<b><u>NET POSITION</u></b>					
Invested in Capital Assets, Net of Related Debt	\$ 19,433,147	\$ -	\$ 19,433,147	\$ -	\$ 19,433,147
Restricted for Capital Projects	1,687,474	-	1,687,474	-	1,687,474
Restricted for Debt Service	434,353	-	434,353	-	434,353
Unrestricted	7,343,190	437,305	7,780,495	304,503	8,084,998
<b><u>TOTAL NET POSITION</u></b>	<b>\$ 28,898,164</b>	<b>\$ 437,305</b>	<b>\$ 29,335,469</b>	<b>\$ 304,503</b>	<b>\$ 29,639,972</b>

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, 2013**

	<b>ENTERPRISE FUNDS</b>				<b>TOTAL PROPRIETARY FUNDS</b>
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUNDS</b>	
<b><u>OPERATING REVENUES</u></b>					
Charges for Services	\$ 8,630,938	\$ -	\$ 8,630,938	\$ 2,308,607	\$ 10,939,545
Miscellaneous	349,138	-	349,138	-	349,138
<b><u>TOTAL OPERATING REVENUES</u></b>	<b>\$ 8,980,076</b>	<b>\$ -</b>	<b>\$ 8,980,076</b>	<b>\$ 2,308,607</b>	<b>\$ 11,288,683</b>
<b><u>OPERATING EXPENSES</u></b>					
Salaries and Benefits	\$ 2,324,641	\$ -	\$ 2,324,641	\$ -	\$ 2,324,641
Insurance Claims and Expenses	-	-	-	2,150,251	2,150,251
Depreciation and Amortization	1,711,452	-	1,711,452	-	1,711,452
Utilities and Telephone	654,243	-	654,243	-	654,243
Materials and Supplies	525,452	-	525,452	-	525,452
Miscellaneous Expense	693,152	-	693,152	-	693,152
Maintenance and Repairs	807,056	-	807,056	-	807,056
Water and Sewer Purchases	294,383	-	294,383	-	294,383
Insurance	2,162	-	2,162	-	2,162
Professional Fees	30,922	-	30,922	-	30,922
<b><u>TOTAL OPERATING EXPENSES</u></b>	<b>\$ 7,043,463</b>	<b>\$ -</b>	<b>\$ 7,043,463</b>	<b>\$ 2,150,251</b>	<b>\$ 9,193,714</b>
<b><u>OPERATING INCOME (LOSS)</u></b>	<b>\$ 1,936,613</b>	<b>\$ -</b>	<b>\$ 1,936,613</b>	<b>\$ 158,356</b>	<b>\$ 2,094,969</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>					
Investment Earnings	\$ 3,851	\$ -	\$ 3,851	\$ 306	\$ 4,157
Gain on Sale of Property	22,318	-	22,318	-	22,318
Operating Transfers In / (Out)	(4)	-	(4)	(358,200)	(358,204)
Interest Expense	(1,023,033)	-	(1,023,033)	-	(1,023,033)
Issue Cost	(322,118)	-	(322,118)	-	(322,118)
Agency Fees	(5,961)	-	(5,961)	-	(5,961)
<b><u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u></b>	<b>\$ (1,324,947)</b>	<b>\$ -</b>	<b>\$ (1,324,947)</b>	<b>\$ (357,894)</b>	<b>\$ (1,682,841)</b>
<b><u>CHANGE IN NET POSITION</u></b>	<b>\$ 611,666</b>	<b>\$ -</b>	<b>\$ 611,666</b>	<b>\$ (199,538)</b>	<b>\$ 412,128</b>
<b><u>NET POSITION, JANUARY 1</u></b>	<b>28,604,902</b>	<b>437,305</b>	<b>29,042,207</b>	<b>(205,709)</b>	<b>28,836,498</b>
Prior Period Adjustment - Note 25	\$ (318,404)	\$ -	\$ (318,404)	\$ 709,750	\$ 391,346
<b><u>NET POSITION, DECEMBER 31, 2013</u></b>	<b>\$ 28,898,164</b>	<b>\$ 437,305</b>	<b>\$ 29,335,469</b>	<b>\$ 304,503</b>	<b>\$ 29,639,972</b>

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2013**

	<b><u>ENTERPRISE FUNDS</u></b>				
	<b><u>WATER AND SEWER FUND</u></b>	<b><u>SPECIAL ASSESSMENT FUND</u></b>	<b><u>TOTAL ENTERPRISE FUNDS</u></b>	<b><u>INTERNAL SERVICE FUNDS</u></b>	<b><u>TOTAL PROPRIETARY FUNDS</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Cash Collected from Customers	\$ 8,969,744	\$ -	\$ 8,969,744	\$ 2,308,607	\$ 11,278,351
Cash Paid for Personnel Cost	(2,595,722)	-	(2,595,722)	-	(2,595,722)
Cash Paid for Operations	(3,018,143)	-	(3,018,143)	(2,143,132)	(5,161,275)
	<b><u>\$ 3,355,879</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,355,879</u></b>	<b><u>\$ 165,475</u></b>	<b><u>\$ 3,521,354</u></b>
<b><u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>					
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>					
Loans Received from and (Repaid To) Other Funds	\$ (769,095)	\$ -	\$ (769,095)	\$ -	\$ (769,095)
Operating transfers in (out)	(4)	-	(4)	(358,200)	(358,204)
	<b><u>\$ (769,099)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (769,099)</u></b>	<b><u>\$ (358,200)</u></b>	<b><u>\$ (1,127,299)</u></b>
<b><u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u></b>					
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Warrant Costs Paid	\$ (322,118)	\$ -	\$ (322,118)	\$ -	\$ (322,118)
Capital Acquisition Payments	(401,347)	-	(401,347)	-	(401,347)
Repayment of Bond Principal	(774,352)	-	(774,352)	-	(774,352)
Proceeds from the Sale of City Property	40,193	-	40,193	-	40,193
Repayment of Interest on Bonds and Other Debt	(706,440)	-	(706,440)	-	(706,440)
Payments to Escrow Agents	(5,961)	-	(5,961)	-	(5,961)
Payments to Escrow Accounts	(41,769)	-	(41,769)	-	(41,769)
	<b><u>\$ (2,211,794)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,211,794)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,211,794)</u></b>
<b><u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Receipt of Interest Income	\$ 5,070	\$ -	\$ 5,070	\$ 306	\$ 5,376
	<b><u>\$ 5,070</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,070</u></b>	<b><u>\$ 306</u></b>	<b><u>\$ 5,376</u></b>
<b><u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u></b>					
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>					
	\$ 380,056	\$ -	\$ 380,056	\$ (192,419)	\$ 187,637
<b><u>CASH AND CASH EQUIVALENTS - JANUARY 1</u></b>					
	3,830,236	-	3,830,236	532,761	4,362,997
<b><u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u></b>					
	<b><u>\$ 4,210,292</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,210,292</u></b>	<b><u>\$ 340,342</u></b>	<b><u>\$ 4,550,634</u></b>

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

**CITY OF NORTHPORT, ALABAMA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**DECEMBER 31, 2013**

	<b>ENTERPRISE FUNDS</b>				
	<b>WATER AND SEWER FUND</b>	<b>SPECIAL ASSESSMENT FUND</b>	<b>TOTAL ENTERPRISE FUNDS</b>	<b>INTERNAL SERVICE FUNDS</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b><u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u></b>					
Operating Income	\$ 1,936,613	\$ -	\$ 1,936,613	\$ 158,356	\$ 2,094,969
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,711,452	-	1,711,452	-	1,711,452
Prior Period Adjustment	(318,404)	-	(318,404)	-	(318,404)
Estimated Liabilities for Compensated Absences and OPEB Liability	19,477	-	19,477	-	19,477
Changes In Receivables, Inventory & Payables:					
Accounts Receivable and Assessment Receivables	(10,332)	-	(10,332)	-	(10,332)
Inventory	(19,770)	-	(19,770)	-	(19,770)
Prepaid Expenses	(165)	-	(165)	-	(165)
Accounts Payable	(12,624)	-	(12,624)	-	(12,624)
Accrued Payroll	27,846	-	27,846	7,119	34,965
Customer Deposits	21,786	-	21,786	-	21,786
<b><u>NET CASH PROVIDED (USED) BY OPERATIONS</u></b>	<b>\$ 3,355,879</b>	<b>\$ -</b>	<b>\$ 3,355,879</b>	<b>\$ 165,475</b>	<b>\$ 3,521,354</b>

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