

**CITY OF NORTHPORT
NORTHPORT, ALABAMA
DECEMBER 31, 2015**

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

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
DECEMBER 31, 2015

<u>DESCRIPTION</u>	<u>PAGE</u>
Chart of City Government.....	1
Independent Auditor’s Report.....	2-3
Management’s Discussion and Analysis.....	4-10
 <u>FINANCIAL STATEMENTS</u>	
Government Wide Statement of Net Position as of December 31, 2015.....	11
Government Wide Statement of Activities for the Year Ended December 31, 2015.....	12
Governmental Funds Balance Sheet as of December 31, 2015.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position as of December 31, 2015.....	14
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the Year Ended December 31, 2015.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities for the Year Ended December 31, 2015.....	16
Proprietary Funds Combining Statement of Net Position as of December 31, 2015.....	17-18
Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position for the Year Ended December 31, 2015.....	19
Proprietary Funds Statement of Cash Flows for the Year Ended December 31, 2015.....	20-21
Notes to Financial Statements.....	22-59
Report on Compliance and Internal Controls	60-61
Schedule of Findings and Recommendations	62-70

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
DECEMBER 31, 2015

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds for the Year Ended December 31, 2015.....	71-72
Schedule of Changes in Net Pension Liability.....	73
Schedule of Employer Contributions.....	74
Schedule of Funding Progress.....	75
General Fund Summary of Revenues, Expenditures and Changes in Fund Balance for the Years Ended December 31, 2015, 2014, 2013 and 2012.....	76
Schedule of General Fund Revenues for the Years Ended December 31, 2015, 2014 and 2013.....	77
Water and Sewer System Statistics for the Years Ended December 31, 2015- 2010 and September 30, 2004 – 2009.....	78-80
Schedule of Water and Sewer Revenues, Expenditures and Debt Coverage for the Year Ended December 31, 2015.....	81
Schedule of Water and Sewer Fund Debt Service for the Year Ended December 31, 2015.....	82
Schedule of Legal Debt Margin for the Year Ended December 31, 2015.....	83
<u>SUPPLEMENTARY INFORMATION</u>	
<u>GOVERNMENTAL FUND STATEMENTS</u>	
General Fund Balance Sheet as of December 31, 2015.....	84
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the year ended December 31, 2015.....	85-86
Debt Service Fund Balance Sheet as of December 31, 2015.....	87
Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the year ended December 31, 2015.....	88
Combining Balance Sheets – Special Revenue Funds as of December 31, 2015.....	89

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
DECEMBER 31, 2015

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>SUPPLEMENTARY INFORMATION (continued)</u>	
<u>GOVERNMENTAL FUND STATEMENTS (continued)</u>	
Combining Statements of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Funds for the year ended December 31, 2015.....	90
<u>PROPRIETARY FUNDS</u>	
Combining Statement of Net Position – Enterprise Funds as of December 31, 2015.....	91-92
Combining Statement of Revenues, Expenses, and Changes in Net Position for the year Ended December 31, 2015.....	93
Combining Statement of Cash Flows for the year ended December 31, 2015.....	94-95

CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Bobby Herndon

CITY COUNCIL

Jay Logan - President

Steve Acker – President Pro Tempore (thru September 2015)

Rodney Sullivan – President Pro Tempore (September 2015 thru December 2015)

Bart Harper

Judy Hayes

Bert Sims (serving unexpired term for former councilman Acker since September 2015)

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

5710 WATERMELON ROAD, SUITE 400

NORTHPORT, ALABAMA 35473

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

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

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor and 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, 2015, 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, 2015, 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 the required supplementary information as listed in the table of contents 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

August 15, 2016

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015. 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'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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-term 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 \$52,610,811 at December 31, 2015.

The largest portion of the City of Northport's Net Positions (\$49,472,512) reflects its investment in capital assets (land, building, equipment, 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 (\$10,027,766) 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 statements present the summarized version of the City's governmental and business type activities. Governmental activities decreased the City of Northport's Net Positions by \$2,314,030. Following is a summarized version of the statement of Net Positions and statement of activities for governmental activities.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Summary of Statements of Net Position for Governmental Activities

	<u>12/31/2014</u>	<u>12/31/2015</u>
Current Assets	\$ 2,588,380	\$ 4,464,187
Restricted Assets	13,720,778	7,101,012
Capital Assets	51,949,143	53,876,014
<u>Total Assets</u>	<u>\$ 68,258,301</u>	<u>\$ 65,441,213</u>
Deferred Outflows of Resources	\$ 58,534	\$ 1,690,921
Total Assets and Deferred Outflows of Resources	<u>\$ 68,316,835</u>	<u>\$ 67,132,134</u>
Current Liabilities	\$ 2,416,671	\$ 2,315,125
Long-Term Liabilities	26,773,625	40,838,644
<u>Total Liabilities</u>	<u>\$ 29,190,296</u>	<u>\$ 43,153,769</u>
Invested In Capital Assets, Net of Related Debt	\$ 25,809,899	\$ 28,538,784
Restricted	10,910,451	7,749,686
Unrestricted	2,406,189	(12,310,105)
<u>Total Net Position</u>	<u>\$ 39,126,539</u>	<u>\$ 23,978,365</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 68,316,835</u>	<u>\$ 67,132,134</u>

Summary Statement of Activities for Governmental Type Activities

	<u>12/31/2014</u>	<u>12/31/2015</u>
<u>Revenues</u>		
<u>Tax Revenues</u>		
Property Tax	\$ 3,063,056	\$ 3,101,735
Sales Tax	8,670,445	8,961,317
Shared Tax Revenue	4,121,193	4,338,385
Other Tax Revenue	448,368	593,950
<u>Total Tax Revenue</u>	<u>\$ 16,303,062</u>	<u>\$ 16,995,387</u>
Charges for Service	\$ 7,361,448	\$ 7,173,847
Grant Revenues	77,917	1,546,825
Shared License Revenue	102,062	90,440
Rental and Lease Income	44,067	55,692
Investment Earnings	3,833	5,822
Gain on Sale	12,240	14,085
Transfers	45,578	-
<u>Total Revenues</u>	<u>\$ 23,950,207</u>	<u>\$ 25,882,098</u>
<u>Expenses</u>		
General and Administrative	\$ 4,758,559	\$ 5,458,154
Public Works and Safety	20,619,676	21,147,424
Planning and Inspection Services	668,713	631,862
Interest Expense	424,893	958,688
<u>Total Expenses</u>	<u>\$ 26,471,841</u>	<u>\$ 28,196,128</u>
Increase (Decrease) in Net Position	\$ (2,521,634)	\$ (2,314,030)
Net Assets, Beginning	\$ 41,648,173	\$ 39,126,539
Prior Period Adjustment - Note 23	-	(12,834,144)
Net Assets, Beginning (Restated)	<u>\$ 41,648,173</u>	<u>\$ 26,292,395</u>
Net Assets, Ending	<u>\$ 39,126,539</u>	<u>\$ 23,978,365</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Business-type activities increased the City of Northport's Net Positions by \$882,377. 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>12/31/2014</u>	<u>12/31/2015</u>
Current Assets and Other Assets	\$ 4,604,148	\$ 4,380,543
Restricted Assets	2,121,827	3,531,546
Capital Assets	49,685,726	48,255,079
<u>Total Assets</u>	<u>\$ 56,411,701</u>	<u>\$ 56,167,168</u>
Deferred Outflows of Resources	\$ 4,577,688	\$ 4,163,891
Total Assets and Deferred Outflows of Resources	<u>\$ 60,989,389</u>	<u>\$ 60,331,059</u>
Current Liabilities	\$ 2,467,422	\$ 2,597,641
Long-Term Liabilities	29,186,498	29,100,972
<u>Total Liabilities</u>	<u>\$ 31,653,920</u>	<u>\$ 31,698,613</u>
Invested In Capital Assets, Net of Related Debt	\$ 19,433,147	\$ 20,933,728
Restricted	2,121,827	2,278,080
Unrestricted	7,780,495	5,420,638
<u>Total Net Position</u>	<u>\$ 29,335,469</u>	<u>\$ 28,632,446</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 60,989,389</u>	<u>\$ 60,331,059</u>

Summary Statement of Activities for Business Type Activities

	<u>12/31/2014</u>	<u>12/31/2015</u>
<u>Revenues</u>		
Charges for Service	\$ 8,867,734	\$ 9,426,909
Investment Earnings	3,851	2,270
Gain on Sale of Assets	22,318	28,031
Other Revenues	112,342	388,322
<u>Total Revenues</u>	<u>\$ 9,006,245</u>	<u>\$ 9,845,532</u>
<u>Expenses</u>		
Operating Expense	\$ 7,371,542	\$ 8,018,109
Interest Expense	1,023,033	945,046
Transfer Out	4	-
<u>Total Expenses</u>	<u>\$ 8,394,579</u>	<u>\$ 8,963,155</u>
Increase (Decrease) in Net Position	\$ 611,666	\$ 882,377
Net Assets, Beginning	\$ 29,042,207	\$ 30,089,700
Prior Period Adjustment - Note 23	(318,404)	(2,339,631)
Net Assets, Beginning (Restated)	<u>\$ 28,723,803</u>	<u>\$ 27,750,069</u>
Net Assets, Ending	<u>\$ 29,335,469</u>	<u>\$ 28,632,446</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015, the City of Northport's governmental funds reported combined ending fund balances of \$8,765,406, a decrease of \$5,774,110 in comparison with the prior year. The decrease in fund balance was primarily due to the expenditure of prior years' bond proceeds for the purchase and construction of capital assets. Those purchases are discussed in the capital asset section of this report. Approximately 17.36%, or \$1,522,218, of the total fund balance constitutes unreserved fund balance. Unreserved fund balance includes \$1,827,827 in 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 \$83,093 in inventory on hand at year end. The remainder of the fund balance, \$7,160,098, is segregated into restricted (\$6,306,661), and committed (\$853,437) to indicate that it is not available for new spending because it has already been classified to service the City's debt, specific capital projects and reserves set aside by City ordinance.

The general fund is the chief operating fund of the City of Northport. At fiscal year ending December 31, 2015, unrestricted and total fund balances of the general fund were \$1,517,483 and \$7,577,905, respectively. The general fund balance decreased by \$5,904,762.

I. Governmental Fund Budgetary Highlights from pages 70-71

Actual total revenues fell short of budgeted revenues by \$134,677. Total expenditures exceeded budgeted expenditures by \$6,021,998. The negative variances consists of (\$303,504) from operating, (\$3,840,214) from capital, and (\$1,878,280) from debt service, respectively. The capital expenditure variance represents primarily capital projects that were not included in the budget for the December 31, 2015 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, 2015, was \$53,876,014. The City of Northport's investment in capital assets, net of accumulated depreciation, for business type activities as of December 31, 2015, was \$47,859,062. 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'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

	Governmental Activities		Business Activities		Total	
	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015
Non-Depreciable Assets						
Land	\$ 2,318,701	\$ 2,318,701	\$ 396,017	\$ 396,017	\$ 2,714,718	\$ 2,714,718
Construction in Progress	5,610,751	1,763,051	-	-	5,610,751	1,763,051
Total Non-Depreciable Assets	\$ 7,929,452	\$ 4,081,752	\$ 396,017	\$ 396,017	\$ 8,325,469	\$ 4,477,769
Depreciable Assets						
Buildings	\$ 15,963,511	\$ 19,962,881	\$ 28,340,363	\$ 28,433,738	\$ 44,303,874	\$ 48,396,619
Improvements Other Than Buildings	2,076,202	2,076,202	-	-	2,076,202	2,076,202
Furniture, Machinery and Equipment	10,122,675	14,728,840	1,843,804	1,871,553	11,966,479	16,600,393
Infrastructure	65,655,471	65,821,804	43,656,106	44,561,569	109,311,577	110,383,373
Total Depreciable Assets	\$ 93,817,859	\$ 102,589,727	\$ 73,840,273	\$ 74,866,860	\$ 167,658,132	\$ 177,456,587
Less: Accumulated Depreciation	(49,798,168)	(52,795,465)	(25,396,191)	(27,007,798)	(75,194,359)	(79,803,263)
Net Depreciable Assets	\$ 44,019,691	\$ 49,794,262	\$ 48,444,082	\$ 47,859,062	\$ 92,463,773	\$ 97,653,324
Total Capital Assets, Net	\$ 51,949,143	\$ 53,876,014	\$ 48,840,099	\$ 48,255,079	\$ 100,789,242	\$ 102,131,093

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

Governmental Activities

- Fire, Police, Public Works and Administrative vehicles were purchased during the year at a total cost of \$338,525. Construction in progress purchases totaled \$1,379,646, and were related to the widening of Mitt Lary Road. In addition the City expended \$1,039,029 for the construction and improvement of buildings and \$2,070,838 for the purchase of equipment used in City operations.

Business-type Activities

- The City completed various water and sewer extension projects totaling \$998,840. The City purchased vehicles and machinery and equipment for a total cost of \$78,460.

Long-Term Debt

At December 31, 2015, the City of Northport had total debt outstanding of \$52,259,790. The major portion of the debt, \$50,300,000 represents bonds and warrants payable. During the year the City paid down \$1,640,000 in existing debt.

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, 2015, our outstanding debt was below this amount, which is \$50,237,628. The amount available for future indebtedness is \$25,867,838.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Economic Factors and the Next Year's Budget

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

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

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,827,827	\$ 1,523,553	\$ 3,351,380
Accounts Receivable, net	660,589	884,590	1,545,179
Assessment Receivable - Current	-	11,688	11,688
Other Receivables, net	1,579,991	8,450	1,588,441
Prepaid Insurance	-	27,437	27,437
Internal Balances	312,687	(312,687)	-
Inventories	83,093	181,582	264,675
Restricted Assets - Noncurrent	7,101,012	3,531,546	10,632,558
Capital Assets			
Land and Construction in Progress	4,081,752	396,017	4,477,769
Buildings	19,962,881	28,433,738	48,396,619
Improvements Other Than Buildings	2,076,202	-	2,076,202
Infrastructure	65,821,804	44,561,569	110,383,373
Furniture & Equipment	7,270,867	862,233	8,133,100
Vehicles	7,457,973	1,009,320	8,467,293
Less: Accumulated Depreciation	(52,795,465)	(27,007,798)	(79,803,263)
Abeyance Receivable	-	2,055,930	2,055,930
<u>TOTAL ASSETS</u>	<u>\$ 65,441,213</u>	<u>\$ 56,167,168</u>	<u>\$ 121,608,381</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Deferred Outflows from Pensions	\$ 1,636,887	\$ 302,165	\$ 1,939,052
Deferred Interest Cost on Bond Refundings	54,034	3,861,726	3,915,760
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	<u>\$ 1,690,921</u>	<u>\$ 4,163,891</u>	<u>\$ 5,854,812</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 253,515	\$ 56,573	\$ 310,088
Accrued Payroll	470,534	58,298	528,832
Other Current Liabilities	269,433	-	269,433
Interest Payable	359,500	257,201	616,701
Refundable Deposits	-	848,625	848,625
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	664,510	1,375,765	2,040,275
Long-term Commitments	250,000	-	250,000
Compensated Absences	47,633	1,179	48,812
Portion Due or Payable After One Year:			
Commitment to TCHS	500,000	-	500,000
Warrants and Notes Payable	23,922,720	26,107,593	50,030,313
Compensated Absences	857,206	125,783	982,989
Net OPEB Liability	923,429	165,959	1,089,388
Net Pension Liability	14,635,289	2,701,637	17,336,926
<u>TOTAL LIABILITIES</u>	<u>\$ 43,153,769</u>	<u>\$ 31,698,613</u>	<u>\$ 74,852,382</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	\$ 28,538,784	\$ 20,933,728	\$ 49,472,512
Restricted for:			
Capital Projects	6,657,823	1,987,360	8,645,183
Debt Service	669,143	290,720	959,863
Other Purposes	350,662	-	350,662
Grants and Entitlements	72,058	-	72,058
Unrestricted	(12,310,105)	5,420,638	(6,889,467)
<u>TOTAL NET POSITION</u>	<u>\$ 23,978,365</u>	<u>\$ 28,632,446</u>	<u>\$ 52,610,811</u>

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Revenues				Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES:							
Finance and Administration	\$ 2,370,185	\$ 5,024,589	\$ -	\$ -	\$ 2,654,404	\$ -	\$ 2,654,404
General Government	3,087,969	717,141	-	-	(2,370,828)	-	(2,370,828)
Planning and Development	631,862	-	-	-	(631,862)	-	(631,862)
Public Safety	13,776,698	130,480	108,535	1,438,290	(12,099,393)	-	(12,099,393)
Public Works	7,370,726	1,301,637	-	-	(6,069,089)	-	(6,069,089)
Interest and Fiscal Charges	958,688	-	-	-	(958,688)	-	(958,688)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 28,196,128	\$ 7,173,847	\$ 108,535	\$ 1,438,290	\$ (19,475,456)	\$ -	\$ (19,475,456)
BUSINESS-TYPE ACTIVITIES:							
Water and Sewer	\$ 8,963,155	\$ 9,426,909	\$ -	\$ -	\$ -	\$ 463,754	\$ 463,754
TOTAL BUSINESS TYPE ACTIVITIES	\$ 8,963,155	\$ 9,426,909	\$ -	\$ -	\$ -	\$ 463,754	\$ 463,754
TOTAL PRIMARY GOVERNMENT	\$ 37,159,283	\$ 16,600,756	\$ 108,535	\$ 1,438,290	\$ (19,475,456)	\$ 463,754	\$ (19,011,702)
GENERAL REVENUES:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 3,101,735	\$ -	\$ 3,101,735
Sales Taxes					8,961,317	-	8,961,317
Other Taxes					593,950	-	593,950
Shared Taxes:							
Taxes Levied for General Purposes					3,581,255	-	3,581,255
Taxes Levied for Resurfacing Projects					557,497	-	557,497
Taxes Levied for Public Safety					199,633	-	199,633
Shared License Fees Levied for General Purposes					90,440	-	90,440
Rental and Land Lease Income					55,692	-	55,692
Earnings on Investments					5,822	2,270	8,092
Gain on Sale of City Property					14,085	28,031	42,116
Development Fees					-	388,322	388,322
TOTAL GENERAL REVENUES AND TRANSFERS					\$ 17,161,426	\$ 418,623	\$ 17,580,049
CHANGE IN NET POSITION					\$ (2,314,030)	\$ 882,377	\$ (1,431,653)
NET POSITION - BEGINNING					39,126,539	30,089,700	69,216,239
Prior Period Adjustment - Note 23					(12,834,144)	(2,339,631)	(15,173,775)
NET POSITION - BEGINNING (RESTATED)					\$ 26,292,395	\$ 27,750,069	\$ 54,042,464
NET POSITION - ENDING					\$ 23,978,365	\$ 28,632,446	\$ 52,610,811

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	ELIMINATION OF INTERFUND BALANCES	TOTAL GOVERNMENTAL FUNDS
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 1,823,092	\$ -	\$ 4,735	\$ 1,827,827	\$ -	\$ 1,827,827
Accounts Receivable						
Property Taxes Receivable	559,583	-	-	559,583	-	559,583
Police Dockets Receivable - Net	101,006	-	-	101,006	-	101,006
Other Receivables	141,701	-	-	141,701	-	141,701
Due From Other Funds	141,261	-	242,365	383,626	(262,771)	120,855
Inventories	83,093	-	-	83,093	-	83,093
<u>TOTAL CURRENT ASSETS</u>	\$ 2,849,736	\$ -	\$ 247,100	\$ 3,096,836	\$ (262,771)	\$ 2,834,065
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 5,977,329	\$ 669,143	\$ 389,704	\$ 7,036,176	\$ -	\$ 7,036,176
<u>TOTAL ASSETS</u>	\$ 8,827,065	\$ 669,143	\$ 636,804	\$ 10,133,012	\$ (262,771)	\$ 9,870,241
<u>LIABILITIES</u>						
Accounts Payable	\$ 158,287	\$ -	\$ 95,228	\$ 253,515	\$ -	\$ 253,515
Due to Other Funds	357,946	-	23,215	381,161	(262,771)	118,390
Accrued Payroll	470,534	-	-	470,534	-	470,534
Accrued Expenses	2,484	-	-	2,484	-	2,484
Cash Bonds, Restitution and Other Deposits	212,276	-	-	212,276	-	212,276
Compensated Absences - Current	47,633	-	-	47,633	-	47,633
<u>TOTAL LIABILITIES</u>	\$ 1,249,160	\$ -	\$ 118,443	\$ 1,367,603	\$ (262,771)	\$ 1,104,832
<u>FUND BALANCE</u>						
Nonspendable	\$ 83,093	\$ -	\$ -	\$ 83,093	\$ -	\$ 83,093
Restricted	5,123,892	669,143	513,626	6,306,661	-	6,306,661
Committed	853,437	-	-	853,437	-	853,437
Unrestricted	1,517,483	-	4,735	1,522,218	-	1,522,218
<u>TOTAL FUND BALANCE</u>	\$ 7,577,905	\$ 669,143	\$ 518,361	\$ 8,765,409	\$ -	\$ 8,765,409
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 8,827,065	\$ 669,143	\$ 636,804	\$ 10,133,012	\$ (262,771)	\$ 9,870,241

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2015

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS **\$ 8,765,409**

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

Certain receivables are not available to pay for current period expenditures and, therefore, are not recognized at the fund level.

Receivable - Tuscaloosa County Road Improvement Authority	1,438,290
---	-----------

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

Land and Construction in Progress	\$ 4,081,752	
Building, net of \$6,026,014 of accumulated depreciation	13,936,867	
Improvements other than buildings, net of \$876,567 accumulated depreciation	1,199,635	
Infrastructure, net of \$38,422,827 accumulated depreciation	27,398,977	
Furniture and equipment, net of \$2,340,160 accumulated depreciation	4,930,707	
Vehicles, net of \$5,129,897 accumulated depreciation	2,328,076	
Net Capital Assets		53,876,014

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.

320,385

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not recognized as fund liabilities. Interest on long-term debt is not accrued in government funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are recognized in the statement of net assets. Discounts and bond issue cost are also reflected in net assets.

Bonds and Warrants Payable	\$ (23,160,000)	
Premium on Bonds Payable	(269,726)	
Deferred Interest Cost on 2012 D Warrant Refunding	54,034	
Notes Payable	(1,157,504)	
Accrued Interest Payable	(359,500)	
Long-Term Commitments	(750,000)	
Noncurrent portion of Compensated Absences	(857,206)	
OPEB Liability	(923,429)	
Total Long-Term Liabilities		(27,423,331)

Net pension liability and deferred outflows not reported at the fund level	(12,998,402)
--	--------------

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 23,978,365**

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, 2015

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 8,961,317	\$ -	\$ -	\$ 8,961,317
Business Licenses and Permits	4,862,820	-	-	4,862,820
Intergovernmental Revenues	3,543,018	-	885,807	4,428,825
Property Tax	3,101,735	-	-	3,101,735
Charges for Services	1,365,182	-	-	1,365,182
Fines, Forfeitures, and Penalties	784,076	-	-	784,076
Other Taxes	451,391	-	-	451,391
Other Licenses and Permits	161,769	-	-	161,769
Other Income	141,582	-	977	142,559
Grant Proceeds	108,535	-	-	108,535
Rental and Lease Income	55,692	-	-	55,692
Interest Income	5,319	155	348	5,822
<u>TOTAL REVENUES</u>	\$ 23,542,436	\$ 155	\$ 887,132	\$ 24,429,723
<u>EXPENDITURES</u>				
Public Safety	\$ 12,486,567	\$ -	\$ -	\$ 12,486,567
Public Works	5,274,609	-	-	5,274,609
Finance and Administration	1,898,034	-	128,984	2,027,018
General Government	2,029,037	-	-	2,029,037
Planning and Community Development	526,080	-	7,139	533,219
Local Agency Support	445,547	-	-	445,547
Capital Outlay				
Public Safety	3,060,097	-	108,708	3,168,805
Public Works	1,618,616	-	411,639	2,030,255
Finance and Administration	187,451	-	98,780	286,231
General Government	40,833	-	-	40,833
Planning and Community Development	20,590	-	-	20,590
Debt Service				
Payments on Bonds & Notes Payable	-	914,198	-	914,198
Interest Paid	-	961,084	-	961,084
Agency Fees	-	2,998	-	2,998
<u>TOTAL EXPENDITURES</u>	\$ 27,587,461	\$ 1,878,280	\$ 755,250	\$ 30,220,991
<u>EXCESS REVENUES / (EXPENDITURES)</u>	\$ (4,045,025)	\$ (1,878,125)	\$ 131,882	\$ (5,791,268)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer (Out)	\$ (1,876,895)	\$ -	\$ -	\$ (1,876,895)
Transfer In	-	1,876,895	-	1,876,895
Sales Proceeds	17,158	-	-	17,158
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	\$ (1,859,737)	\$ 1,876,895	\$ -	\$ 17,158
<u>NET CHANGE IN FUND BALANCES</u>	\$ (5,904,762)	\$ (1,230)	\$ 131,882	\$ (5,774,110)
FUND BALANCE - JANUARY 1, 2015	\$ 13,482,667	\$ 670,373	\$ 386,479	\$ 14,539,519
<u>FUND BALANCE - DECEMBER 31, 2015</u>	\$ 7,577,905	\$ 669,143	\$ 518,361	\$ 8,765,409

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
FOR THE YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS **\$ (5,774,110)**

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

Governmental funds are reported using the current financial resources measurement focus. This measurement focus excludes revenues that do not provide current financial resources.

Grant Revenue - Tuscaloosa County Road Improvement Authority 1,438,290

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess capital outlay purchases \$5,096,100 over depreciation expense (\$3,169,228). 1,926,872

Governmental funds report the proceeds from sale of capital assets. The statement of activities reports the gain or loss on sale of capital assets which represents the sales proceeds less adjusted basis in the asset. This amount represents the reduction in sale proceeds by the adjusted basis in the assets sold. (3,073)

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 914,198

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 recognize 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 Premiums	\$ 12,816	
Amortization of Deferred Loss on Bond Refundings	(4,500)	
OPEB Liability Expense	(177,301)	
Change in Interest Payable	<u>5,394</u>	
Net Adjustment		(163,591)

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. (324,491)

Amount by which the City's net pension liability (\$2,428,780) increased, deferred inflows from pensions (\$781,716) decreased, and deferred outflows from pensions (\$1,318,939) increased compared to the prior fiscal year. (328,125)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (2,314,030)**

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
ASSETS					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 1,523,553	\$ -	\$ 1,523,553	\$ -	\$ 1,523,553
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$54,533	884,590	-	884,590	-	884,590
Receivables - Other	561	-	561	-	561
Assessments Receivable - Current	-	11,688	11,688	-	11,688
Interest Receivable	-	7,889	7,889	-	7,889
Due from Other Funds	50,279	-	50,279	68,111	118,390
Due from Other Proprietary Funds	1,638,202	-	1,638,202	242,111	1,880,313
Prepaid Insurance	27,437	-	27,437	-	27,437
Inventory	181,581	-	181,581	-	181,581
<u>TOTAL CURRENT ASSETS</u>	\$ 4,306,203	\$ 19,577	\$ 4,325,780	\$ 310,222	\$ 4,636,002
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 3,531,546	\$ -	\$ 3,531,546	\$ 64,836	\$ 3,596,382
<u>TOTAL RESTRICTED ASSETS</u>	\$ 3,531,546	\$ -	\$ 3,531,546	\$ 64,836	\$ 3,596,382
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Land	\$ 396,017	\$ -	\$ 396,017	\$ -	\$ 396,017
Treatment Plants and Pump Stations	28,433,738	-	28,433,738	-	28,433,738
Distribution and Disposal System	44,561,570	-	44,561,570	-	44,561,570
Machinery and Equipment	680,459	-	680,459	-	680,459
Vehicles	1,009,320	-	1,009,320	-	1,009,320
Computer Equipment	181,774	-	181,774	-	181,774
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 75,262,878	\$ -	\$ 75,262,878	\$ -	\$ 75,262,878
Less: Accumulated Depreciation	(27,007,798)	-	(27,007,798)	-	(27,007,798)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 48,255,080	\$ -	\$ 48,255,080	\$ -	\$ 48,255,080
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL OTHER ASSETS</u>	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL ASSETS</u>	\$ 56,092,829	\$ 2,075,507	\$ 58,168,336	\$ 375,058	\$ 58,543,394
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Deferred Interest Cost on Refunding Issues	\$ 3,861,726	\$ -	\$ 3,861,726	\$ -	\$ 3,861,726
Deferred Outflows from Pension	302,165	-	302,165	-	302,165
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	\$ 4,163,891	\$ -	\$ 4,163,891	\$ -	\$ 4,163,891

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 56,573	\$ -	\$ 56,573	\$ -	\$ 56,573
Due to Other Funds	120,855	-	120,855	-	120,855
Due to Other Proprietary Funds	242,111	1,638,202	1,880,313	-	1,880,313
Accrued Payroll	58,298	-	58,298	-	58,298
Estimated Liability for Compensated Absences - Current	1,179	-	1,179	-	1,179
Interest Payable	257,201	-	257,201	-	257,201
Notes Payable - Current	10,765	-	10,765	-	10,765
Accrued Expenses	-	-	-	54,673	54,673
	<u>746,982</u>	<u>1,638,202</u>	<u>2,385,184</u>	<u>54,673</u>	<u>2,439,857</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>					
	\$ 746,982	\$ 1,638,202	\$ 2,385,184	\$ 54,673	\$ 2,439,857
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Warrants Payable - Current	\$ 1,365,000	\$ -	\$ 1,365,000	\$ -	\$ 1,365,000
Customer and Waterline Extension Deposits	848,625	-	848,625	-	848,625
	<u>2,213,625</u>	<u>-</u>	<u>2,213,625</u>	<u>-</u>	<u>2,213,625</u>
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
	\$ 2,213,625	\$ -	\$ 2,213,625	\$ -	\$ 2,213,625
<u>TOTAL CURRENT LIABILITIES</u>					
	\$ 2,960,607	\$ 1,638,202	\$ 4,598,809	\$ 54,673	\$ 4,653,482
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Premiums)	\$ 26,066,072	\$ -	\$ 26,066,072	\$ -	\$ 26,066,072
Notes Payable	41,521	-	41,521	-	41,521
Net Retiree Healthcare Obligation	165,959	-	165,959	-	165,959
Estimated Liability for Compensated Absences - Noncurrent	125,783	-	125,783	-	125,783
Net Pension Liability	2,701,637	-	2,701,637	-	2,701,637
	<u>29,100,972</u>	<u>-</u>	<u>29,100,972</u>	<u>-</u>	<u>29,100,972</u>
<u>TOTAL LONG-TERM LIABILITIES</u>					
<u>TOTAL LIABILITIES</u>					
	\$ 32,061,579	\$ 1,638,202	\$ 33,699,781	\$ 54,673	\$ 33,754,454
<u>NET POSITION</u>					
Invested in Capital Assets, Net of Related Debt	\$ 20,933,728	\$ -	\$ 20,933,728	\$ -	\$ 20,933,728
Restricted for Capital Projects	1,987,360	-	1,987,360	-	1,987,360
Restricted for Debt Service	290,720	-	290,720	-	290,720
Unrestricted	4,983,333	437,305	5,420,638	320,385	5,741,023
	<u>28,195,141</u>	<u>437,305</u>	<u>28,632,446</u>	<u>320,385</u>	<u>28,952,831</u>
<u>TOTAL NET POSITION</u>					

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 9,192,843	\$ -	\$ 9,192,843	\$ 2,358,725	\$ 11,551,568
Miscellaneous	234,066	-	234,066	-	234,066
<u>TOTAL OPERATING REVENUES</u>	\$ 9,426,909	\$ -	\$ 9,426,909	\$ 2,358,725	\$ 11,785,634
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 3,059,158	\$ -	\$ 3,059,158	\$ -	\$ 3,059,158
Insurance Claims and Expenses	-	-	-	2,683,306	2,683,306
Depreciation and Amortization	1,982,203	-	1,982,203	-	1,982,203
Utilities and Telephone	710,586	-	710,586	-	710,586
Maintenance and Repairs	608,178	-	608,178	-	608,178
Materials and Supplies	491,871	-	491,871	-	491,871
Insurance	412,058	-	412,058	-	412,058
Miscellaneous Expense	337,670	-	337,670	-	337,670
Water and Sewer Purchases	314,785	-	314,785	-	314,785
Professional Fees	101,600	-	101,600	-	101,600
<u>TOTAL OPERATING EXPENSES</u>	\$ 8,018,109	\$ -	\$ 8,018,109	\$ 2,683,306	\$ 10,701,415
<u>OPERATING INCOME (LOSS)</u>	\$ 1,408,800	\$ -	\$ 1,408,800	\$ (324,581)	\$ 1,084,219
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 2,270	\$ -	\$ 2,270	\$ 90	\$ 2,360
Gain on Sale of Property	28,031	-	28,031	-	28,031
Development Fees	388,322	-	388,322	-	388,322
Interest Expense	(945,046)	-	(945,046)	-	(945,046)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (526,423)	\$ -	\$ (526,423)	\$ 90	\$ (526,333)
<u>CHANGE IN NET POSITION</u>	\$ 882,377	\$ -	\$ 882,377	\$ (324,491)	\$ 557,886
<u>NET POSITION, JANUARY 1</u>	29,652,395	437,305	30,089,700	644,876	30,734,576
Prior Period Adjustment - Note 23	(2,339,631)	-	(2,339,631)	-	(2,339,631)
<u>NET POSITION, DECEMBER 31, 2015</u>	\$ 28,195,141	\$ 437,305	\$ 28,632,446	\$ 320,385	\$ 28,952,831

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

	<u>ENTERPRISE FUNDS</u>				
	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers and Users	\$ 9,451,564	\$ -	\$ 9,451,564	\$ 2,358,725	\$ 11,810,289
Cash Paid for Personnel Cost	(2,960,687)	-	(2,960,687)	-	(2,960,687)
Cash Paid for Operations	(3,047,238)	-	(3,047,238)	(2,646,142)	(5,693,380)
	<u>\$ 3,443,639</u>	<u>\$ -</u>	<u>\$ 3,443,639</u>	<u>\$ (287,417)</u>	<u>\$ 3,156,222</u>
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loan to General Fund	\$ (47,470)	\$ -	\$ (47,470)	\$ -	\$ (47,470)
Repayment of Loan from General Fund	(138,498)	-	(138,498)	142,412	3,914
Repayment of Loan to Internal Service Fund	(6,284)	-	(6,284)	6,284	-
Garbage Fees Collected for General Fund	1,301,637	-	1,301,637	-	1,301,637
Garbage Fees Remitted to General Fund	(1,301,637)	-	(1,301,637)	-	(1,301,637)
(Additions)/ Reduction to Investments	12,309	-	12,309	-	12,309
	<u>\$ (179,943)</u>	<u>\$ -</u>	<u>\$ (179,943)</u>	<u>\$ 148,696</u>	<u>\$ (31,247)</u>
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>					
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (1,077,299)	\$ -	\$ (1,077,299)	\$ -	\$ (1,077,299)
Repayment of Debt Principal	(1,330,298)	-	(1,330,298)	-	(1,330,298)
Proceeds from the Sale of City Property	28,031	-	28,031	-	28,031
Developer Fees	388,322	-	388,322	-	388,322
Decrease in Restricted Investments	290,720	-	290,720	-	290,720
Repayment of Interest on Bonds and Other Debt	(945,046)	-	(945,046)	-	(945,046)
	<u>\$ (2,645,570)</u>	<u>\$ -</u>	<u>\$ (2,645,570)</u>	<u>\$ -</u>	<u>\$ (2,645,570)</u>
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 2,271	\$ -	\$ 2,271	\$ 90	\$ 2,361
	<u>\$ 2,271</u>	<u>\$ -</u>	<u>\$ 2,271</u>	<u>\$ 90</u>	<u>\$ 2,361</u>
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>					
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	\$ 620,397	\$ -	\$ 620,397	\$ (138,631)	\$ 481,766
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>					
	4,434,702	-	4,434,702	203,467	4,638,169
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>					
	<u>\$ 5,055,099</u>	<u>\$ -</u>	<u>\$ 5,055,099</u>	<u>\$ 64,836</u>	<u>\$ 5,119,935</u>
CLASSIFIED AS:					
Current Assets	\$ 1,523,553	\$ -	\$ 1,523,553	\$ -	\$ 1,523,553
Restricted Assets	3,531,546	-	3,531,546	64,836	3,596,382
Total Cash and Cash Equivalents	<u>\$ 5,055,099</u>	<u>\$ -</u>	<u>\$ 5,055,099</u>	<u>\$ 64,836</u>	<u>\$ 5,119,935</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF NET OPERATING</u>					
<u>INCOME TO NET CASH PROVIDED (USED)</u>					
<u>BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,408,800	\$ -	\$ 1,408,800	\$ (324,581)	\$ 1,084,219
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,982,203	-	1,982,203	-	1,982,203
(Increase) Decrease in Operating Assets:					
Accounts Receivable and Assessment Receivables	(24,675)	-	(24,675)	-	(24,675)
Receivable - Other	21,148	-	21,148	-	21,148
Prepaid Expenses	(749)	-	(749)	-	(749)
Inventory	(73,929)	-	(73,929)	-	(73,929)
Changes in Deferred Outflows Related to Pensions	(244,203)	-	(244,203)	-	(244,203)
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	13,380	-	13,380	37,164	50,544
Accrued Payroll	(437)	-	(437)	-	(437)
Accrued Compensated Absences	8,672	-	8,672	-	8,672
Accrued Interest Payable	(9,192)	-	(9,192)	-	(9,192)
Customer Deposits	28,182	-	28,182	-	28,182
Net OPEB Obligation	30,395	-	30,395	-	30,395
Net Change in Pension Liability	448,347	-	448,347	-	448,347
Changes in Deferred Inflows Related to Pensions	(144,303)	-	(144,303)	-	(144,303)
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	\$ 3,443,639	\$ -	\$ 3,443,639	\$ (287,417)	\$ 3,156,222

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Northport, Alabama (the City), founded in 1813, has a population of approximately 24,500 people living within an area of 15 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.

Reporting Entity

The financial statements of the city of Northport are prepared in accordance with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before October 20, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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. The City's basic financial statements consist of government-wide statements of net position and a statement of activities as well as fund financial statements, which provide a more detailed level of financial information. This reporting model is set forth in GASB Statement No. 34.

The City has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires that the net pension liability (asset) as well as deferred inflows and outflows from pension activities be reflected on the Statement of Net Position. The City's December 31, 2015 statement of net position reflects a net pension liability due to the fair value of pension obligations at the measurement date exceeding pension assets. In accordance with GASB Statement No. 68, the City has restated Net Position as of December 31, 2014.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 legislation.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2015

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, 2015

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.

Pensions

The Employees' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

NOTE 2: CASH & CASH EQUIVALENTS

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 25,252
Water and Sewer Fund	54,533

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

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.

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:

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5: FIXED ASSETS (continued)

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. GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance, the city developed and implemented a plan to determine the value of infrastructure costs and has included the value of all infrastructure in the basic financial statements.

FIXED ASSET SCHEDULE:

Governmental Activities:	Balance 12/31/14	Increases	Decreases	Balance 12/31/15
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,318,701	\$ -	\$ -	\$ 2,318,701
Construction in Progress	5,610,751	1,379,645	(5,227,345)	1,763,051
Total Capital Assets Not Depreciated	\$ 7,929,452	\$ 1,379,645	\$ (5,227,345)	\$ 4,081,752
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 15,963,511	\$ 3,999,370	\$ -	\$ 19,962,881
Improvements other than Buildings	2,076,202	-	-	2,076,202
Vehicles	7,274,969	338,525	(155,521)	7,457,973
Equipment & Furniture	2,847,706	4,439,571	(16,410)	7,270,867
Infrastructure	65,655,471	358,065	(191,732)	65,821,804
Total Other Capital Assets	\$ 93,817,859	\$ 9,135,531	\$ (363,663)	\$ 102,589,727
Less: Accumulated Depreciation				
Buildings	\$ 5,545,368	\$ 480,646	\$ -	\$ 6,026,014
Improvements other than Buildings	825,835	50,732	-	876,567
Vehicles	4,489,428	795,990	(155,521)	5,129,897
Equipment & Furniture	1,939,748	416,822	(16,410)	2,340,160
Infrastructure	36,997,789	1,425,038	-	38,422,827
Total Accumulated Depreciation	\$ 49,798,168	\$ 3,169,228	\$ (171,931)	\$ 52,795,465
Other Capital Assets, Net of Accumulated Depreciation	\$ 44,019,691			\$ 49,794,262
Total Governmental Assets, Net	\$ 51,949,143			\$ 53,876,014

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5: FIXED ASSETS (continued)

Allocation of Depreciation on Fixed Assets for Governmental Activities

	Allocation	Percentage	Allocation of Depreciation on Capital Assets	Allocation of Depreciation on Infrastructure
Finance and Administration	\$ 2,264,904	6.16%	\$ 107,442	\$ -
General Government	2,864,221	7.79%	135,872	-
Planning and Development	1,922,962	5.23%	91,221	-
Public Safety	21,476,144	58.41%	1,018,781	-
Public Works	8,239,692	22.41%	390,873	1,425,038
	<u>\$ 36,767,923</u>	<u>100.00%</u>	<u>\$ 1,744,190</u>	<u>\$ 1,425,038</u>

Business-Type Activities:	Balance 12/31/14	Increases	Decreases	Balance 12/31/15
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 396,017	\$ -	\$ -	\$ 396,017
Total Capital Assets Not Depreciated	<u>\$ 396,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,017</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 28,340,363	\$ 93,375	\$ -	\$ 28,433,738
Distribution and Disposal System	43,656,106	905,463	-	44,561,569
Machinery and Equipment	682,142	23,868	(25,551)	680,459
Vehicles	1,000,888	33,592	(25,160)	1,009,320
Computer Equipment	160,774	21,000	-	181,774
Total Other Capital Assets	<u>\$ 73,840,273</u>	<u>\$ 1,077,298</u>	<u>\$ (50,711)</u>	<u>\$ 74,866,860</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 10,244,753	\$ 603,177	\$ -	\$ 10,847,930
Distribution and Disposal System	13,821,647	931,284	-	14,752,931
Machinery and Equipment	518,561	32,316	(25,551)	525,326
Vehicles	680,742	88,775	(25,160)	744,357
Computer Equipment	130,488	6,766	-	137,254
Total Accumulated Depreciation	<u>\$ 25,396,191</u>	<u>\$ 1,662,318</u>	<u>\$ (50,711)</u>	<u>\$ 27,007,798</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 48,444,082</u>			<u>\$ 47,859,062</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 48,840,099</u>			<u>\$ 48,255,079</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6: LONG-TERM OBLIGATIONS

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

Changes in long-term obligations for the year ended December 31, 2015 are as follows:

Analysis of Long-Term Liabilities

Governmental Activities:	Balance 12/31/14	Additions	Decreases	Balance 12/31/15	Amount Due Within One Year
Bonds and Notes Payable					
2009-A G.O. Warrants	\$ 7,695,000	\$ -	\$ 20,000	\$ 7,675,000	\$ 25,000
2012-D G.O. Warrants	590,000	-	300,000	290,000	290,000
2014-A G.O. Warrants	15,195,000	-	-	15,195,000	110,000
Tuscaloosa County High School	1,000,000	-	250,000	750,000	250,000
Notes Payable - Capstone Bank	319,224	-	103,406	215,818	106,560
Suntrust Capital Lease Obligation	1,057,478	-	115,792	941,686	120,134
Premium on Warrants	282,542	-	12,816	269,726	12,816
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Bonds and Notes Payable	\$ 26,139,244	\$ -	\$ 802,014	\$ 25,337,230	\$ 914,510
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Liabilities					
OPEB Liability	\$ 746,128	\$ 177,301	\$ -	\$ 923,429	\$ -
Less: Deferred Outflow on 2012D					
Refunding	(58,534)	-	4,500	(54,034)	-
Estimated Liabilities for					
Compensated Absences	815,332	41,874	-	857,206	47,633
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Liabilities	\$ 1,502,926	\$ 219,175	\$ 4,500	\$ 1,726,601	\$ 47,633
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Governmental Activities	\$ 41,002,384	\$ 219,175	\$ 806,514	\$ 27,063,831	\$ 962,143
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6: LONG-TERM OBLIGATIONS (continued)

Business -Type Activities:	Balance 12/31/14	Additions	Decreases	Balance 12/31/15	Amount Due Within One Year
Bonds, Notes and Other Liabilities					
2005 S.R.F. G.O. Warrants	\$ 1,955,000	\$ -	\$ 135,000	\$ 1,820,000	\$ 140,000
2009-B G.O. Warrants	6,690,000	-	145,000	6,545,000	150,000
2011 G.O. Warrants	7,720,000	-	635,000	7,085,000	645,000
2012-A Warrants Payable	380,000	-	70,000	310,000	75,000
2012-B Warrants Payable	855,000	-	160,000	695,000	165,000
2012-C Warrants Payable	9,535,000	-	-	9,535,000	-
2014-A G.O. Warrants	1,325,000	-	175,000	1,150,000	190,000
West Alabama Bank & Trust	62,583	-	10,297	52,286	10,765
Estimated Liabilities for					
Compensated Absences	111,230	14,553	-	125,783	1,179
Premium on Warrants	320,374	-	29,302	291,072	29,302
Less: Deferred Outflow On Bond					
Refundings	(530,285)	-	66,240	(464,045)	-
Less: Deferred Outflow On 2012-C					
Bond Refundings	(3,680,628)	-	282,947	(3,397,681)	-
OPEB Liability	135,564	-	30,395	165,959	-
Total Bonds, Notes and Other Liabilities	\$ 24,885,898	\$ 14,553	\$ 1,739,181	\$ 23,913,374	\$ 1,406,246

GENERAL CITY DEBT:	Due Date	Amount Due	Amount Outstanding
<u>2009 A General Obligation Warrants</u>			
Series dated October 1, 2009	2016	\$ 25,000	
payable semi-annually at a variable	2017	30,000	
interest rate between 2% and 4%	2018	25,000	
depending on the maturity date.	2019	280,000	
	2020	285,000	
	Thereafter	<u>7,030,000</u>	\$ 7,675,000
<u>2012 D General Obligation Warrants</u>			
Series dated March 29, 2012	2016	\$ 290,000	
payable semi-annually at a variable	2017	-	
interest rate between .55% and 1.7%	2018	-	
depending on the maturity date.	2019	-	
	2020	-	
	Thereafter	<u>-</u>	\$ 290,000
<u>2014 A General Obligation Warrants</u>			
Series dated August 5, 2014	2016	\$ 110,000	
payable semi-annually at a variable	2017	110,000	
interest rate between 2.00% and 4.00%	2018	110,000	
depending on the maturity date.	2019	115,000	
	2020	125,000	
	Thereafter	<u>14,625,000</u>	\$ 15,195,000

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6: LONG-TERM OBLIGATIONS (continued)

<u>GENERAL CITY DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>Capstone Bank</u>	2016	\$ 106,560	
Note collateralized by vehicles	2017	109,258	
and equipment, payable annually	2018	-	
at an interest rate of 3.05%,	2019	-	
maturing January 2017.	2020	-	
	Thereafter	-	
		<hr/>	\$ 215,818
<u>Tuscaloosa County High School</u>	2016	\$ 250,000	
Long-term commitment of \$250,000	2017	250,000	
per year to Tuscaloosa County	2018	250,000	
High School.	2019	-	
	2020	-	
	Thereafter	-	
		<hr/>	\$ 750,000
<u>SunTrust Capital</u>	2016	\$ 120,134	
Long-term commitment of \$155,448	2017	124,639	
per year to SunTrust Capital to satisfy	2018	129,313	
capital lease obligation. Lease matures	2019	134,163	
Apr-22	2020	139,194	
	Thereafter	294,243	
		<hr/>	\$ 941,686
<u>WATER AND SEWER DEBT:</u>			
<u>2005 State Revolving Fund Warrants</u>			
State Revolving Loan Fund to refinance	2016	\$ 140,000	
the Series 1993 Warrants. The 1993	2017	145,000	
Warrants were used for construction of	2018	150,000	
the new waste water treatment plant,	2019	155,000	
payable semi-annually at 3.25%.	2020	160,000	
	Thereafter	1,070,000	
		<hr/>	\$ 1,820,000
<u>2009 B General Obligation Water & Sewer Warrants</u>			
Series dated October 1, 2009	2016	\$ 150,000	
payable semi-annually at a variable	2017	150,000	
interest rate between 2% and 4%	2018	160,000	
depending on the maturity date.	2019	-	
	2020	145,000	
	Thereafter	5,940,000	
		<hr/>	\$ 6,545,000
<u>2011 General Obligation Water & Sewer Warrants</u>			
Series dated June 21, 2011	2016	\$ 645,000	
payable semi-annually at a variable	2017	660,000	
interest rate between 2% and 8%	2018	680,000	
depending on the maturity date.	2019	870,000	
	2020	1,210,000	
	Thereafter	3,020,000	
		<hr/>	\$ 7,085,000

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6: LONG-TERM OBLIGATIONS (continued)

<u>WATER AND SEWER DEBT (continued):</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>2012 A General Obligation Water & Sewer Warrants</u>			
Series dated March 29, 2012	2016	\$ 75,000	
payable semi-annually at a fixed	2017	75,000	
interest rate 2.50%.	2018	80,000	
	2019	80,000	
	2020	-	
	Thereafter	-	
		<u> </u>	\$ 310,000
<u>2012 B General Obligation Water & Sewer Warrants</u>			
Series dated March 29, 2012	2016	\$ 165,000	
payable semi-annually at a fixed	2017	170,000	
interest rate 2.50%.	2018	175,000	
	2019	185,000	
	2020	-	
	Thereafter	-	
		<u> </u>	\$ 695,000
<u>2012 C General Obligation Water & Sewer Warrants</u>			
Series dated March 29, 2012	2016	\$ -	
payable semi-annually at a variable	2017	-	
interest rate between 2.00% and 4.00%	2018	300,000	
depending on the maturity date.	2019	300,000	
	2020	300,000	
	Thereafter	8,635,000	
		<u> </u>	\$ 9,535,000
<u>2014 A General Obligation Warrants</u>			
Series dated August 5, 2014	2016	\$ 190,000	
payable semi-annually at a variable	2017	190,000	
interest rate between 2.00% and 4.00%	2018	190,000	
depending on the maturity date.	2019	185,000	
	2020	205,000	
	Thereafter	190,000	
		<u> </u>	\$ 1,150,000
<u>West Alabama Bank & Trust</u>			
Note collateralized by infrastructure and	2016	\$ 10,765	
improvements. The note was included in the	2017	11,254	
merger of Sands Springs Water Authority.	2018	11,765	
Payable monthly at an interest rate of 4.45%.	2019	12,300	
	2020	6,202	
	Thereafter	-	
		<u> </u>	\$ 52,286

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7: EQUITY CLASSIFICATIONS

Government-Wide Statements

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

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

Fund Statements

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

NOTE 8: PROPERTY TAX

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 9: COMPENSATED ABSENCES

GASB Statement 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, 2015, the amount of vacation and sick leave accrued in the financial statements is \$1,031,801. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$904,839 and \$126,962, respectively.

NOTE 10: DEPOSITS AND INVESTMENTS

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10: DEPOSIT AND INVESTMENTS *(continued)*

The City had the following cash at December 31, 2015:

Governmental - Unrestricted:

Cadence Bank – General Fund	\$ 1,653,318
Cadence Bank – Community Events and Contr.	87,211
Cadence Bank – Indigent Treatment Fund	55,742
Cadence Bank – Accounts Payable Clearing	22,469
Cadence Bank – Employee Benefit Fund	4,735
Cadence Bank – P.D. Seizures and Evidence	1,967
Cadence Bank – Unrestricted Other	426
Cadence Bank – Payroll Clearing Fund	(291)
Petty Cash	2,250

Total Unrestricted Cash	<u><u>\$ 1,827,827</u></u>
--------------------------------	-----------------------------------

Governmental - Restricted:

Regions Bank - Series 2014A Acquisition Fund	\$ 4,671,032
Cadence Bank – Reserve Fund	853,437
Regions Bank - Series 2014 A Warrants Fund	298,904
Regions Bank - Series 2009 Warrants Fund	247,347
Cadence Bank – Gasoline Excise Tax Fund	217,284
Regions Bank - Series 2012D Warrants Fund	122,892
Regions Bank - Series 2009 Acquisition Fund	106,933
Cadence Bank – Municipal Court	105,924
Cadence Bank – Capital Improvement Fund	100,326
Cadence Bank – Municipal Court Admin. Fund	88,426
Cadence Bank – Corrections Fund	85,402
Cadence Bank – Employee’s Beer Tax	69,772
Cadence Bank – Employee’s Insurance Fund	64,836
Cadence Bank – Restitution Recovery Fund	60,361
Cadence Bank – Training Tech Fund	5,814
Cadence Bank – Community Development Fund	2,322

Total Restricted Cash	<u><u>\$ 7,101,012</u></u>
------------------------------	-----------------------------------

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10: DEPOSITS AND INVESTMENTS (continued)

Enterprise – Unrestricted:

Cadence Bank - Gross Revenue	\$ 878,182
Cadence Bank - Unrestricted	500,000
Cadence Bank - Accounts Payable Clearing	143,869
Cadence Bank – Water Capital Fund	1,002
Petty Cash	<u>500</u>

<u>Total Unrestricted Cash</u>	<u>\$ 1,523,553</u>
---------------------------------------	----------------------------

Enterprise – Restricted:

Cadence Bank – Water & Sewer Reserve	\$ 1,253,467
Cadence Bank - Development Fees	979,287
Bank of Tuscaloosa – Meter Deposit Money Mkt	495,051
Cadence Bank - Meter Deposit	361,964
Cadence Bank – SRF Debt Service Escrow	151,057
Regions Bank - Series 2012 C Warrant Fund	130,276
Regions Bank - Series 2014 A Warrant Fund	87,645
Regions Bank - Series 2011 Warrant Fund	<u>72,799</u>

<u>Total Restricted Cash</u>	<u>\$ 3,531,546</u>
-------------------------------------	----------------------------

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 10: DEPOSITS AND INVESTMENTS (continued)

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

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

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.

U.S. Treasury Notes	<u>100.0</u> %
---------------------	----------------

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

NOTE 11: RESTRICTED ASSETS

At December 31, 2015, 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 12: BALANCE OF DUE TO/FROM OTHER FUNDS

At December 31, 2015, 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 Position.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 120,855	\$ 47,470
Internal Service Fund	242,111	-0-
Special Revenue Funds	-0-	2,809
Proprietary	<u>50,279</u>	<u>362,966</u>
Total	<u>\$ 413,245</u>	<u>\$ 413,245</u>

NOTE 13: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers between funds for December 31, 2015 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ -0-	\$ 1,876,895
Debt Service Funds	<u>1,876,895</u>	<u>-0-</u>
Total	<u>\$ 1,876,895</u>	<u>\$ 1,876,895</u>

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

As defined in GASB Statement No. 14, a joint venture is a legal entity or other organization that results from a contractual agreement (or inter-local agreement) and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) an on-going financial responsibility. The City participates in the following joint ventures.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 14: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS (continued)

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 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 financial statements audited by Lawrence Hitt & Pugh, L.L.P. A summary of the audited financial statements for the year ended September 30, 2014 and 2013 is listed below:

	<u>2015</u>	<u>2014</u>
Total Assets and Deferred Outflows	\$ 33,231,243	\$ 31,732,877
Total Liabilities and Deferred Inflows	<u>12,684,145</u>	<u>12,177,458</u>
Net Position	<u>\$ 20,547,098</u>	<u>\$ 19,555,419</u>
Total Revenues	\$ 5,099,407	\$ 5,306,600
Total Expenses	<u>4,107,728</u>	<u>4,054,168</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 991,679</u>	<u>\$ 1,252,432</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama, an agency multiple-employer plan, was established October 1, 1945 under the provisions of Act 515 of the Legislature of 1945 for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN *(continued)*

BENEFITS PROVIDED

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

BENEFITS PROVIDED (continued)

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries	
Currently receiving benefits	21,691
Terminated employees entitled to	
but not yet receiving benefits	1,252
Terminated employees not	
entitled to a benefit	5,048
Active Members	<u>55,883</u>
Total	<u>83,874</u>

CONTRIBUTIONS

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

CONTRIBUTIONS (continued)

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2015, the City's active employee contribution rate was 10.51 percent of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 6.88 percent of covered employee payroll.

The City's contractually required contribution rate for the year ended December 31, 2015 was 5% of pensionable pay for Tier 1 employees, and 6% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$1,549,548 for the year ended December 31, 2015.

NET PENSION LIABILITY

The Authority's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2014	\$ 46,799,775	\$ 47,327,565
(b) Entry Age Normal Cost for October 1, 2014 - September 30, 2015	1,193,185	1,193,185
(c) Actual Benefit Payments and Refunds for October 1, 2014 - September 30, 2015	<u>(2,550,033)</u>	<u>(2,550,033)</u>
(d) Total Pension Liability as of September 30, 2015 [(a) x (1.08)] + [(c) x (1.04)]	<u>\$ 49,084,908</u>	<u>\$ 49,654,921</u>
(e) Difference between Expected and Actual Experience (Gain)/ Loss		\$ 570,013

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

ACTUARIAL ASSUMPTIONS

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75% - 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

ACTUARIAL ASSUMPTIONS (continued)

	<u>Target</u>	<u>Long-Term</u>
	<u>Allocation</u>	<u>Expected Rate of</u>
		<u>Return*</u>
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

DISCOUNT RATE

The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		Net Pension Liability (a) -(b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at September 30, 2014	\$ 46,799,775	\$ 32,339,976	\$ 14,459,799
Changes for the year:			
Service Cost	1,193,185	-	1,193,185
Interest	3,641,981	-	3,641,981
Difference between expected and actual experience	570,013	-	570,013
Contributions - Employer	-	1,478,577	(1,478,577)
Contributions - Employee	-	845,896	(845,896)
Net Investment Income	-	381,282	(381,282)
Benefit Payments, Including Refunds of Employee Contributions	(2,550,033)	(2,550,033)	-
Transfers Among Employers	-	(177,703)	177,703
Net Changes	<u>2,855,146</u>	<u>(21,981)</u>	<u>2,877,127</u>
Balances at September 30, 2015	<u>\$ 49,654,921</u>	<u>\$ 32,317,995</u>	<u>\$ 17,336,926</u>

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	Current		
	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability (Asset)	<u>\$ 23,626,442</u>	<u>\$ 17,336,926</u>	<u>\$ 12,066,598</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 15: DEFINED BENEFIT PENSION PLAN (continued)

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

PENSION EXPENSE AND DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

For the year ended December 31, 2015, the City recognized pension expense of \$1,878,359. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 494,011	\$ -
Net difference between projected and actual earnings on pension plan investments	1,057,315	-
Employer contributions subsequent to measurement date	387,726	-
Total	\$ 1,939,052	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$231,505
2017	282,454
2018	282,454
2019	282,455
2020	513,960
Thereafter	190,003

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 16: POSTEMPLOYMENT BENEFITS

Plan Description - The City of Northport's medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions for employees hired prior to January 1, 2013 are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I members). Employees hired on and after January 1, 2013 (called "Tier II" members) are eligible to retire only after attainment of age 62 or later completion of 10 years of service.

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 2015 and 2014, the City's portion of health care funding cost for retired employees totaled \$148,785 and \$136,426, respectively.

Effective January 1, 2009, the City of Northport implemented Government Accounting Standards Board Codification Section P50, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB Codification Section P50). 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 Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2015</u>	<u>2014</u>
Normal Cost	\$ 150,023	\$ 136,727
30-year UAL amortization amount	<u>201,768</u>	<u>158,179</u>
Annual required contribution (ARC)	<u>\$ 351,791</u>	<u>\$ 294,906</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 16: POSTEMPLOYMENT BENEFITS (continued)

Net Post-Employment Benefit Obligation (Asset) - The table below shows the City of Northport's Net Other Post-Employment Benefit (OPEB) Obligation (Asset) for fiscal years ending December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Beginning Net OPEB Obligation (Asset) - Jan. 1	\$ 902,474	\$ 757,501
Annual required contribution	351,791	294,906
Interest on Net OPEB Obligation (Asset)	36,099	30,300
ARC Adjustment	<u>(52,190)</u>	<u>(43,806)</u>
OPEB Cost	335,700	281,400
Contribution	-0-	-0-
Current year retiree premium	<u>(148,786)</u>	<u>(136,426)</u>
	<u>186,914</u>	<u>144,974</u>
Change in Net OPEB Obligation		
Ending Net OPEB Obligation (Asset) - Dec. 31	<u>\$ 1,089,388</u>	<u>\$ 902,474</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, 2015	\$ 335,700	44.32%	\$ 1,089,388
Medical	December 31, 2014	\$ 281,400	48.48%	\$ 902,474

Funded Status and Funding Progress – In 2015, the City of Northport made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2015 was \$3,628,491 which is defined as that portion, as determined by a particular actuarial cost method (the City of Northport uses the Projected 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, 2015

NOTE 16: POSTEMPLOYMENT BENEFITS (continued)

	<u>2015</u>
Actuarial Accrued Liability (AAL)	\$ 3,628,491
Actuarial Value of Plan Assets	-0-
Unfunded Act. Accrued Liability (UAAL)	<u>3,628,491</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	\$ 15,202,281
UAAL as a percentage of covered payroll	23.87%

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 Projected 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, 2015

NOTE 16: POSTEMPLOYMENT BENEFITS *(continued)*

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

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

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, as described above under "Plan Description". In addition, "Tier II" retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate) – GASB Codification Section P50 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 a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out 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 rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 16: POSTEMPLOYMENT BENEFITS (continued)

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 retirees, not dependents) after retirement, but it is based on the active/retiree blended rate. There is therefore an implicit employer subsidy since a portion of the active/retired 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 medical 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.

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

OPEB Costs and Contributions						
		FY 2013		FY 2014		FY 2015
OPEB Cost	\$	268,959	\$	281,400	\$	335,700
Contribution		-		-		-
Retiree premium		<u>136,426</u>		<u>136,426</u>		<u>148,785</u>
Total contribution and premium		<u>136,426</u>		<u>136,426</u>		<u>148,785</u>
Change in net OPEB obligation	\$	<u>132,533</u>	\$	<u>144,974</u>	\$	<u>186,915</u>
% of contribution to cost		0.00%		0.00%		0.00%
% of contribution plus premium to cost		50.72%		48.48%		44.32%

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 17: DEFERRED COMPENSATION PLAN

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

NOTE 18: SELF-INSURANCE

During the year ended December 31, 2015, 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. 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 19: INTANGIBLE ASSETS

In accordance with GASB 51, the City has considered its 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, 2015

NOTE 20: 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 at inception of the lease is \$25,000 or more.

The following schedule presents future minimum lease payments as of December 31, 2015:

<u>Year</u>	<u>Minimum Lease Payments</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payments</u>
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>\$ 941,686</u>

Leased land, buildings, equipment and vehicles under capital leases in capital assets at December 31, 2015 were as follows:

Vehicles	\$ 1,276,658
Less: Accumulated Depreciation	<u>(477,746)</u>
Net Capital Leased Assets	<u>\$ 798,912</u>

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 21: 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, 2015, by City of Northport are nonspendable in form. The City of Northport has not reported any amounts that are legally or contractually required to be maintained intact.

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

<u>Restricted for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Capital Projects	\$ 6,216,255	\$ 441,568	\$ -	\$ 6,657,823
Municipal Court	345,927	-	-	345,927
Grant Programs	-	2,322	-	2,322
Special Compensation for Employees	-	69,736	-	69,736
Debt Service	-	-	669,143	669,143
	<hr/>	<hr/>	<hr/>	<hr/>
Restricted Fund Balance	<u>\$ 6,562,182</u>	<u>\$ 513,626</u>	<u>\$ 669,143</u>	<u>\$ 7,744,951</u>

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

<u>Committed for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
General Fund Reserve Fund	\$ 853,437	\$ -0-	\$ 853,437
Committed Fund Balance	<u>\$ 853,437</u>	<u>\$ -0-</u>	<u>\$ 853,437</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 21: 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 22: COMMITMENTS AND CONTINGENCIES

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, 2015, the outstanding commitment was \$750,000.

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 \$28,000,000.

Additionally, the City is in the process of widening Mitt Lary Road. Estimated additional costs to complete this project approximate \$5,000,000.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 22: COMMITMENTS AND CONTINGENCIES *(continued)*

Pending or Threatened Litigation

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

Water and Sewer Operational Permits

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

NOTE 23: PRIOR PERIOD ADJUSTMENT

During the current year the City adopted GASB Statement No. 68, which required a net pension liability to be reported on the Statement of Net Position. The net pension liability represents the unfunded pension obligation the City has with Retirement Systems of Alabama for employee participants. The recognition of a current year liability requires a beginning liability to be recognized. The prior period adjustment recognizes the beginning net pension liability as provided by Retirement Systems of Alabama.

NOTE 24: RELATED PARTY

During the year ended December 31, 2015, a Council member began employment with Tuscaloosa Park and Recreation Authority (PARA). The City of Northport currently provides agency funding to help support PARA operations.

NOTE 25: SUBSEQUENT EVENTS

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of December 31, 2015, and subsequent to that date through the date of our report to determine if any events or transactions have occurred that would have a material effect on the financial statements as of December 31, 2015. The following events have been determined to have a possible material effect:

CITY OF NORTHPORT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 25: SUBSEQUENT EVENTS *(continued)*

Effective April 15, 2016, the City Administrator resigned his position of eight years. However, the Council approved the former City Administrator remaining in the employ of the City as a representative on City of Northport retail and economic development projects from April 15, 2016 until April 15, 2017. The former City Administrator also agreed to assist the City of Northport with matters related to the Tuscaloosa County Road Improvement Authority. The terms of this arrangement included (1) normal compensation through the date of resignation as City Administrator; (2) payment for all accumulated vacation leave time; (3) continued family medical coverage for the one year beginning April 15, 2016 and ending April 15, 2017 and; (4) lump sum payment of one year's salary in advance.

Effective May 2, 2016, the City Council elected to terminate the City's Finance Director who began employment with the City on February 1, 2016.

Effective June 1, 2016, the Tuscaloosa County wide sales tax that consisted of a 2% permanent tax and a 1% temporary school tax became a 3% permanent tax. The City of Northport will receive an allocation of 5% of the 3% tax. In addition, 10% of the 3% tax will be allocated to the Tuscaloosa County Road Improvement Authority which is obligated by legislation to reimburse the City of Northport for the costs associated with the Mitt Lary Road Improvement Project. Estimates for the amounts to be allocated to the City of Northport related to the 3% tax are \$1,400,000 annually for the 5% allocation and \$6,000,000 for the reimbursement of the Mitt Lary Road Improvement Project to be received from the Tuscaloosa County Road Improvement Authority.

In July 2016, the City of Northport issued Series 2016 General Obligation Warrants. The 2016 Series warrants were issued at a par value of \$8,530,000 with an original issue premium of \$1,024,253 generating \$9,554,253 cash proceeds. The purpose of issuing the 2016 Series warrants was to refund on an advance basis \$9,500,100 of the Series 2009 General Obligation Warrants. According to underwriters the net present value of interest savings associated with refunding the Series 2009 Warrants was approximately \$590,000.

In July 2016, the City entered into a \$5,000,000 line of credit with Cadence Bank. The line of credit will be used to complete two ongoing capital projects. Repayment of a portion of the line of credit is expected to be made from future monies received from the Tuscaloosa County Road Improvement Authority.

LeCroy, Hunter & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
5710 WATERMELON ROAD, SUITE 400
NORTHPORT, ALABAMA 35473
P.O. BOX 462 NORTHPORT, AL 35476-0462
(205) 349-3840 FAX: (205) 349-3848

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

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

ALABAMA SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2015, 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 August 15, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the combination of deficiencies described in the accompanying schedule of findings and recommendations as items 2015-001 to 2015-007 to be material weaknesses.

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and recommendations as item 2015-008 to be a significant deficiency.

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 Standards*.

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

August 15, 2016

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-001: MONITORING

Failure of the City to perform overall monitoring of the accounting operations and to provide adequate personnel to properly perform accounting functions in a timely manner.

Condition: The City Council failed to obtain the necessary financial information from the Finance Department during the year to allow for adequate monitoring.

Criteria: Monthly financial reports should be prepared and presented to the Council so as to allow for proper monitoring and informed decision making. Additionally, the Council approved budget along with any proposed amendments and associated reasons for proposed amendments should be presented monthly.

Effect: Because proper financial reports were not obtained by the Council, numerous decisions were made without regard to the current financial position of the City and its budget. No comparison of actual expenditures to budgeted expenditures was performed on a monthly basis to determine the need for budget amendments or future cash flow needs.

Cause: Inadequate staffing within the Finance Department prevented accounting functions from being timely performed. In addition, certain key accounting procedures were not performed throughout the year. Therefore, timely and accurate reports were not generated and presented to the Council to allow for informed decision making.

Recommendations: Without sufficient accounting staff to allow for the timely completion of accounting procedures, reports with accurate information cannot be produced to allow the Council to make informed decisions. We recommend that additional accounting staff be hired within the Finance Department to segregate responsibilities and allow for more timely completion of necessary accounting procedures and therefore adequate reporting to the Council for decision making purposes.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-002: CONTROL ACTIVITIES

Controls within the revenue cycle were not followed in such a way as to allow for proper documentation of transactions.

Condition: The collection and receipting of rental fees related to the Civic Center was not adequately documented during the audit period.

Criteria: In any area of the revenue cycle documentation should be maintained that supports amounts received. Documentation of the renter, the date the Civic Center was rented, the amount of time for which it was rented and the agreed upon rental fee should all be maintained to support monies collected.

Affect: Failure to maintain proper supporting documentation could allow for the misstatement of reported revenues and misappropriation of assets.

Cause: Proper revenue receipting procedures were not in place that allowed for oversight within the Civic Center rental function.

Recommendation: Documentation should be maintained to substantiate monies received for the rental of the Civic Center. Personnel involved in this process should receive annual training related to proper documentation, internal controls and safeguarding of assets. In addition, Finance Department personnel should have access to rental receipt records and perform periodic reviews of the rental receipting procedures. The periodic review would consist of vouching received monies to supporting documentation.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-003: CONTROL ACTIVITIES

Controls within the revenue cycle were not followed in such a way as to allow for proper safeguarding of assets.

Condition: Monies receipted within the Revenue Department were held unsecured in desk drawers rather than being timely batched and deposited.

Criteria: Internal controls should be designed to ensure safeguarding of assets. Cash and checks received by the City should not be held in personnel desk drawers rather than being deposited in the bank.

Effect: Money held in desk drawers for extended periods of time does not constitute a safeguarding of City property. Improper safeguarding of City property lends itself to misappropriation of assets and improper reporting of revenues. Under-reporting of revenues impacts the accuracy of reports used in making financial decisions for the City. Additionally, not batching receipted monies within the month received prevents the bank reconciliation process from being timely performed.

Cause: Proper revenue receipting controls were not in place that allowed for adequate safeguarding of assets.

Recommendation: Monies receipted within the Revenue Department should be batched and deposited on a more frequent basis. In addition, monies should not be held in unsecured desk drawers for extended periods of time. Batches should include only monies receipted during the current month and should not include receipts from multiple months.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-004: CONTROL ACTIVITIES

Controls within the revenue cycle were not designed in such a way as to allow for adequate independent checks.

Condition: Independent checks of Revenue Department receipts were not performed by the Finance Department during the year.

Criteria: Within the COSO Framework, control activities provide for independent checks and verification of work performed by personnel involved in the accounting and reporting function.

Effect: Nonperformance of independent checks and verifications by Finance Department personnel of work performed within the Revenue Department allows for the misstatement of reported revenues to go undetected and uncorrected.

Cause: Responsible personnel failed to design controls between the Finance Department and Revenue Department that provided independent checks and verifications be performed.

Recommendation: Control activities should include independent checks and verification by Finance Department personnel on work performed within the Revenue Department. Independent checks and verification of work performed serves to ensure that documentation supporting transactions is adequate, procedures are followed and misstatements or errors are discovered and corrected in a timely manner. Additionally, independent checks provide for oversight and the prevention of one person being held responsible for errors or misstatements.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-005: CONTROL ACTIVITIES

Controls within the disbursement cycle did not allow for adequate information processing related to bond acquisition fund disbursements.

Condition: Payment requisitions were submitted to bond acquisition fund trustees for payment to third party vendors without Finance Department personnel being made aware. Invoices to third parties were paid by the bond acquisition funds but not timely recorded in the general ledger system.

Criteria: Within the COSO Framework, control activities provide for information processing controls to ensure that transactions are valid, properly authorized and completely and accurately recorded.

Effect: By not following information procession controls, bond acquisition expenditures were not properly recorded during the year. This understated expenditures at the fund level and overstated bond acquisition cash balances. Management agreed with proposed adjusting journal entries to correct this.

Cause: Responsible personnel did not design controls to ensure information related disbursements from bond acquisition funds were accurately and timely captured within the accounting system.

Recommendation: Control activities should include information processing controls to timely capture and record appropriate expenditures. The Finance Department should be given copies of the invoices to be submitted to bond acquisition fund trustees when they are submitted so transactions can be timely recorded in the general ledger system.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-006: CONTROL ACTIVITIES

Controls within the disbursement cycle did not allow for adequate documentation related to the payment of credit card bills.

Condition: Receipts related to credit card payments were not obtained and reconciled to monthly credit card statements prior to payment on a consistent basis.

Criteria: Within the COSO Framework, control activities provide for proper documentation to provide evidence of the underlying transactions. Additionally, documentation serves to establish responsibility for the execution and recording of transactions.

Effect: Payment of credit card bills prior to reconciling supporting documentation to the statements allows the opportunity for City resources to be misappropriated and City expenditures to be misstated.

Cause: Controls in place were not followed by responsible personnel.

Recommendation: Control activities should include procedures for obtaining all supporting documentation related to credit card purchases before the payment of a credit card bill is made. Any charges to a City credit card not supported by receipts should be investigated prior to payment.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

MATERIAL WEAKNESSES

2015-007: CONTROL ACTIVITIES

Bank reconciliations were not performed on a timely basis during the audit period.

Condition: During the audit period bank reconciliations were not performed in a timely manner to allow for accurate reporting of the City's financial position, revenues and expenditures.

Criteria: Within the COSO Framework, control activities provide for adequate information processing controls. Bank reconciliations serve as a foundational information processing control that ensures information related to financial positions, revenues and expenditures are accurately and timely captured within the accounting and reporting system.

Effect: Financial decisions were made without adequate information related to City resources. Additionally, misstatements related to revenues and expenditures reporting might not have been discovered and corrected during the audit period. All bank accounts were reconciled prior to the commencement of the audit.

Cause: Adequate accounting staff was not present during the year to perform the necessary accounting functions. In addition, performance reviews were not conducted to determine that available personnel were performing respective duties as part of their job descriptions.

Recommendation: Bank reconciliations should be performed monthly.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

SIGNIFICANT DEFICIENCY

2015-008: IT SECURITY

Passwords to access the accounting and reporting function were not changed periodically.

Condition: During the audit period passwords to access the accounting and reporting software were not changed periodically to prevent unauthorized access.

Criteria: Internal controls should include security related to the access of accounting and reporting software. Preventing unauthorized access to such applications includes periodically changing user passwords.

Effect: Financial accounting and reporting information was vulnerable to unauthorized access during the audit year.

Cause: Controls were not designed to include periodic changing of passwords.

Recommendation: Passwords related to the access of accounting and reporting software should be changed periodically during the year.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
DECEMBER 31, 2015

SIGNIFICANT DEFICIENCY

2015-009: DOCUMENTATION OF INTERFUND LOANS

Transfers of Reserve Funds were made without required documentation.

Condition: During the audit period transfers of monies from the General Fund Reserve bank account were made to the operating account without written documentation.

Criteria: Within the COSO Framework, control activities provide for adequate documentation of transactions. Adequate documentation provides evidence of the underlying transaction as is the basis for establishing responsibility for the execution and recording of a transaction. Additionally, City Ordinance 1764 requires that written documentation of the purpose of a transfer and the terms of repayment made from the Reserve Fund be presented to the Council for approval prior to transfer.

Effect: Transfers of General Fund Reserve monies were made out of the Reserve Fund bank account not in accordance with City Ordinance 1764, which requires documentation of the purpose for which the funds are being transferred as well as the terms of repayment.

Cause: Responsible personnel did not follow the requirements of City Ordinance 1764.

Recommendation: Future transfers of Reserve Fund monies to supplement operations should be documented in accordance with City Ordinance 1764. The Council should approve the documentation specify the purpose of the transfer and the terms of repayment prior to the transfer having been made.

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, 2015

	<u>FINAL</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAVORABLE)</u>
<u>Revenues</u>			
Taxes			
City Sales and Use Taxes	\$ 9,050,000	\$ 8,961,317	\$ (88,683)
Property Taxes	3,150,000	3,101,735	(48,265)
Other Taxes	554,500	451,391	(103,109)
<u>Total Taxes</u>	<u>\$ 12,754,500</u>	<u>\$ 12,514,443</u>	<u>\$ (240,057)</u>
Licenses and Permits			
Business License	\$ 4,800,000	\$ 4,862,820	\$ 62,820
Other Licenses and Permits	175,000	161,769	(13,231)
<u>Total Licenses and Permits</u>	<u>\$ 4,975,000</u>	<u>\$ 5,024,589</u>	<u>\$ 49,589</u>
Charges for Services	\$ 1,400,000	\$ 1,365,182	\$ (34,818)
Fines and Penalties	685,000	784,076	99,076
Intergovernmental Revenues	4,382,000	4,428,825	46,825
Other Revenue	367,900	312,608	(55,292)
<u>Total Revenues</u>	<u>\$ 24,564,400</u>	<u>\$ 24,429,723</u>	<u>\$ (134,677)</u>
<u>Expenditures</u>			
Operating			
Finance and Administration	\$ 1,994,316	\$ 2,027,018	\$ 32,702
General Government	2,126,424	2,029,037	(97,387)
Planning and Development	568,235	533,219	(35,016)
Public Safety	12,417,871	12,486,567	68,696
Public Works	4,975,647	5,274,609	298,962
Local Agency Funding	410,000	445,547	35,547
<u>Total Operating Expenditures</u>	<u>\$ 22,492,493</u>	<u>\$ 22,795,997</u>	<u>\$ (303,504)</u>

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, 2015

	<u>FINAL</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE</u>
			<u>(UNFAVORABLE)</u>
Capital			
Finance and Administration	\$ 261,500	\$ 286,231	\$ 24,731
General Government	85,000	40,833	(44,167)
Planning and Development	31,000	20,590	(10,410)
Public Safety	579,000	3,168,805	2,589,805
Public Works	750,000	2,030,255	1,280,255
	<u>\$ 1,706,500</u>	<u>\$ 5,546,714</u>	<u>\$ (3,840,214)</u>
<u>Total Capital Expenditures</u>			
Debt Service			
Payments on Bonds & Notes Payable	\$ -	\$ 914,198	\$ 914,198
Interest Paid	-	961,084	961,084
Agency Fees	-	2,998	2,998
	<u>\$ -</u>	<u>\$ 1,878,280</u>	<u>\$ (1,878,280)</u>
<u>Total Debt Service</u>			
<u>Total Expenditures</u>	<u>\$ 24,198,993</u>	<u>\$ 30,220,991</u>	<u>\$ (6,021,998)</u>
Other Financing Sources (Uses)			
Transfer Out	\$ (1,816,000)	\$ (1,876,895)	\$ (60,895)
Transfer In	-	1,876,895	1,876,895
Sales Proceeds	-	17,158	17,158
	<u>\$ (1,816,000)</u>	<u>\$ 17,158</u>	<u>\$ 1,833,158</u>
<u>Total Other Financing Sources (Uses)</u>			
<u>Excess (Deficiency) of Revenues and</u>			
<u>Other Sources over Expenditures and</u>			
<u>Other Uses</u>	<u>\$ (1,450,593)</u>	<u>\$ (5,774,110)</u>	<u>\$ (4,323,517)</u>
<u>Fund Balance Allocation</u>	<u>1,450,593</u>	<u>-</u>	<u>1,450,593</u>
<u>Excess (Deficiency) of Revenues and</u>			
<u>Other Sources over Expenditures and</u>			
<u>Other Uses</u>	<u>\$ -</u>	<u>\$ (5,774,110)</u>	<u>\$ (2,872,924)</u>
<u>Fund Balance - January 1, 2015</u>		<u>\$ 14,539,519</u>	
<u>Fund Balance - December 31, 2015</u>		<u>\$ 8,765,409</u>	

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30, 2015¹

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability											
Service Cost	\$ 1,193,185	\$ 1,115,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,641,981	3,470,171	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	570,013	-	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,550,033)	(2,325,846)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	2,855,146	2,259,712	-	-	-	-	-	-	-	-	-
Total pension liability - beginning	46,799,775	44,540,063	-	-	-	-	-	-	-	-	-
Total pension liability - ending (a)	\$ 49,654,921	\$ 46,799,775	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position											
Contributions - employer	\$ 1,478,577	\$ 1,450,492	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - member	845,896	779,985	-	-	-	-	-	-	-	-	-
Net Investment Income	381,282	3,473,386	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(2,550,033)	(2,325,846)	-	-	-	-	-	-	-	-	-
Transfer to employers	(177,703)	(67,994)	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(21,981)	3,310,023	-	-	-	-	-	-	-	-	-
Plan net position - beginning	32,339,976	29,029,954	-	-	-	-	-	-	-	-	-
Plan net position - ending (b)	\$ 32,317,995	\$ 32,339,977	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan net liability (asset) - ending (a) - (b)	\$ 17,336,926	\$ 14,459,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	65.09%	69.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll²	\$ 14,069,518	\$ 13,659,188	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered-employee payroll	123.22%	105.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

¹ - GASB No. 68 requires the disclosure to depict the last 10 fiscal years. However, the Employee's Retirement System of Alabama has only provided the 2014 and 2015 fiscal years figures. More years will be disclosed as the information is provided.

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING DECEMBER 31 2015¹

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contributions	\$ 1,500,170	\$ 1,455,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	1,500,170	1,455,507	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,270,878	\$ 13,749,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	10.51%	10.59%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Notes to Schedule

Actuarially determined contributions rates were calculated as of September 30, two years prior to the end of the fiscal year in which contributions were reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25 years
Asset valuation method	Five year smoothed market
Inflation	3%
Salary increases	3.75 - 7.25, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

¹ - GASB No. 68 requires the disclosure to depict the last 10 fiscal years. However, the Employee's Retirement System of Alabama has only provided the most recent fiscal years figures. More years will be disclosed as the information is provided.

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2015

Employee's Retirement System of Alabama

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability¹	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
9/30/09	25,664,322	36,699,294	11,034,972	69.9%	12,040,377	91.6%
9/30/10 ²	25,550,179	39,586,538	14,036,359	64.5%	11,653,363	120.4%
9/30/11 ⁴	25,206,267	39,718,580	14,512,313	63.5%	11,448,662	126.8%
9/30/12 ⁵	25,485,395	38,581,587	13,096,192	66.1%	11,164,255	117.3%
9/30/13 ⁶	27,701,720	42,735,210	15,033,490	64.8%	12,741,238	118.0%
9/30/14	30,422,953	46,046,346	15,623,393	66.1%	13,796,963	113.2%
9/30/14 ³	30,422,953	46,176,015	15,753,062	65.9%	13,796,963	114.2%

- ¹ - Reflects liability for cost of living benefit increases granted after October 1, 1978
- ² - Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011
- ³ - Reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.
- ⁴ - Reflects changes in actuarial assumptions
- ⁵ - Reflects changes to interest smoothing methodology
- ⁶ - Reflects implementation of Board Funding Policy

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, 2015, 2014, 2013, and 2012.
- Schedule of General Fund Revenues for the years ended December 31, 2015, 2014, and 2013
- Water and Sewer Statistical Information for the years ended December 31, 2010 - 2015 and the years ended September 30, 2005 – 2009
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended December 31, 2015
- Schedule of Water and Sewer Fund Debt Service for the year ended December 31, 2015
- Schedule of Legal Debt Margin

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2015, 2014, 2013, AND 2012

	<u>YEAR ENDED DECEMBER 31 2015</u>	<u>YEAR ENDED DECEMBER 31 2014</u>	<u>YEAR ENDED DECEMBER 31 2013</u>	<u>YEAR ENDED DECEMBER 31 2012</u>
<u>Revenues</u>				
Taxes:				
City Sales and Use Taxes	\$ 8,961,317	\$ 8,670,446	\$ 8,418,814	\$ 8,349,583
Property Taxes	3,101,735	3,063,056	3,029,356	2,887,020
Other	451,391	440,108	369,397	397,323
Total Taxes	\$ 12,514,443	\$ 12,173,610	\$ 11,817,567	\$ 11,633,926
Licenses and Permits:				
Business Licenses & Permits	\$ 4,862,820	\$ 4,717,937	\$ 4,566,687	\$ 4,726,744
Other Licenses and Permits	161,769	137,320	213,936	186,163
Total Licenses and Permits	\$ 5,024,589	\$ 4,855,257	\$ 4,780,623	\$ 4,912,907
Intergovernmental				
Charges for Services	\$ 3,543,018	\$ 3,785,850	\$ 3,906,390	\$ 3,579,144
Fines and Penalties	1,365,182	1,352,079	1,299,965	1,310,600
Other Revenues	784,076	970,761	816,171	652,825
Other Revenues	311,128	613,180	418,449	280,751
Total Revenues	\$ 23,542,436	\$ 23,750,737	\$ 23,039,165	\$ 22,370,153
<u>Expenditures</u>				
Public Safety	\$ 12,486,567	\$ 12,531,715	\$ 12,045,468	\$ 11,108,835
Public Works	5,274,609	4,990,173	4,620,157	4,115,814
Capital Outlay	4,927,587	6,541,237	2,427,748	4,555,893
General Government	2,029,037	2,205,644	1,606,563	1,393,353
Finance and Administration	1,898,034	1,553,831	1,136,669	1,463,353
Planning and Development	526,080	672,132	1,078,888	651,752
Local Agency Support	445,547	394,401	271,750	425,000
Total Expenditures	\$ 27,587,461	\$ 28,889,133	\$ 23,187,243	\$ 23,714,000
<u>Excess (Deficiency) of Revenues Over Expenditures</u>				
	\$ (4,045,025)	\$ (5,138,396)	\$ (148,078)	\$ (1,343,847)
<u>Other Financing Sources and (Uses)</u>				
Transfer (Out) to Debt Service Fund	\$ (1,876,895)	\$ (2,707,407)	\$ (1,649,781)	\$ (3,634,836)
Transfer In (Out) from Other Funds	-	-	358,204	-
Other Sources	17,158	15,909	82,559	148,082
Loan Proceeds	-	15,227,629	-	3,854,025
Total Other Financing Sources and (Uses)	\$ (1,859,737)	\$ 12,536,131	\$ (1,209,018)	\$ 367,271
<u>Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses</u>				
	\$ (5,904,762)	\$ 7,397,735	\$ (1,357,096)	\$ (976,576)
Fund Balance - Beginning of Year	13,482,667	6,084,932	7,929,856	7,975,109
Cumulative Effect of Change in				
Accounting Principle	-	-	-	(25,575)
Prior Period Adjustment	-	-	(487,828)	956,898
Fund Balance - End of Year	\$ 7,577,905	\$ 13,482,667	\$ 6,084,932	\$ 7,929,856

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, 2015, 2014 AND 2013

	<u>DECEMBER 31, 2015</u>		<u>DECEMBER 31, 2014</u>		<u>DECEMBER 31, 2013</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	38.1%	\$ 8,961,317	36.5%	\$ 8,670,445	36.5%	\$ 8,418,814
Property Taxes	13.2%	3,101,735	12.9%	3,063,056	13.1%	3,029,356
Other	1.9%	451,391	1.9%	440,108	1.6%	369,397
<u>Total Taxes</u>	<u>53.2%</u>	<u>\$ 12,514,443</u>	<u>51.3%</u>	<u>\$ 12,173,609</u>	<u>51.3%</u>	<u>\$ 11,817,567</u>
Licenses and Permits:						
Business Licenses & Permits	20.7%	\$ 4,862,820	19.9%	\$ 4,717,937	19.8%	\$ 4,566,687
Other Licenses and Permits	0.7%	161,769	0.6%	137,320	0.9%	213,936
<u>Total Licenses and Permits</u>	<u>21.3%</u>	<u>\$ 5,024,589</u>	<u>20.4%</u>	<u>\$ 4,855,257</u>	<u>20.7%</u>	<u>\$ 4,780,623</u>
Intergovernmental	15.0%	3,543,018	15.9%	3,785,850	17.0%	3,906,390
Charges for Services	5.8%	1,365,182	5.7%	1,352,079	5.6%	1,299,965
Fines and Penalties	3.3%	\$ 784,076	4.1%	\$ 970,761	3.5%	\$ 816,171
Other Revenues	1.3%	311,128	2.6%	613,180	1.8%	418,449
<u>Total Other Revenue</u>	<u>25.5%</u>	<u>6,003,404</u>	<u>28.3%</u>	<u>6,721,870</u>	<u>28.0%</u>	<u>6,440,975</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 23,542,436</u>	<u>100.0%</u>	<u>\$ 23,750,736</u>	<u>100.0%</u>	<u>\$ 23,039,165</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 THROUGH 2009 AND
DECEMBER 31, 2010 THROUGH 2015

<u>Water System Statistics</u>			
<u>Fiscal Year</u>	<u>Number of Customers *</u>	<u>Total Volume (Gallons)</u>	<u>Gross Revenue</u>
2005	10,314	817,393,029	2,634,989
2006	10,850	935,617,119	3,150,875
2007	11,412	1,016,899,157	3,503,425
2008	11,671	968,527,572	3,390,997
2009	11,746	897,990,571	3,597,280
2010	11,832	902,190,889	3,919,693
2011	12,989	899,985,608	4,671,142
2012	13,178	891,299,233	4,775,028
2013	13,345	829,476,094	4,647,254
2014	13,435	843,445,786	4,811,248
2015	13,628	858,529,172	4,999,250

Ten Largest Water System Customers

	<u>2015 Gallons</u>	<u>2015 Fees</u>
DCH Health Care Authority	19,460,174	\$ 88,092
Tuscaloosa County Board of Education	17,879,141	88,102
Northport Housing Authority West Circle	9,942,100	43,318
Northport Housing Authority Valley Hills	9,158,953	38,989
Forest Manor	8,710,090	37,710
Northport Housing Authority Knoll Circle	8,090,535	35,464
Northport Health Services Glen Haven	7,036,492	30,354
Northport Health Services Park Manor	6,157,426	26,528
Presbyterian Apartments	3,809,543	17,611
Deerfield Apartments	3,764,539	16,517

Water Rates - Effective October 1, 2015

All water purchases are \$4.33 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 SEPTEMBER 30, 2005 THROUGH 2009 AND
DECEMBER 31, 2010 THROUGH 2015

<u>Fiscal Year</u>	<u>Sewer System Statistics</u> Number of Customers *	<u>Gross Revenue</u>
2005	8,657	2,051,856
2006	9,112	2,285,399
2007	9,631	2,474,002
2008	9,924	2,462,513
2009	10,050	2,655,155
2010	10,182	3,169,687
2011	10,319	3,554,782
2012	10,473	3,639,671
2013	10,646	3,661,106
2014	10,749	3,740,572
2015	10,890	3,867,546

Rate Schedule: Effective October 1, 2015, the rate for all waste water customers is \$4.33 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 SEPTEMBER 30, 2005 THROUGH 2009 AND
DECEMBER 31, 2010 THROUGH 2015

Development Fee: The development fee is based upon the water meter size, it shall be charged for each new water and/or sewer connection. The fee will be collected during the building permit process or upon application for services. The development fee is in addition to Assessments. There will be no charge for sprinkler meters. Changes in meter size will result in an increase/decrease of fees as applicable. The development fee charge is based upon the following schedule:

Water Meter Size	Water Development Fee	Sewer Development Fee
5/8" or 3/4"	\$ 1,254	\$ 1,453
1"	2,132	2,470
1 1/2"	3,624	4,199
2"	6,161	7,139
3"	10,474	12,136
4"	17,806	20,631
6"	30,269	35,072
8"	51,457	65,340

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER REVENUES,
EXPENDITURES AND DEBT COVERAGE
FOR THE YEAR ENDED DECEMBER 31, 2015

OPERATING REVENUES

Charges for Services and Fees	\$ 9,426,909
-------------------------------	--------------

TOTAL OPERATING REVENUES

	\$ 9,426,909
--	--------------

OPERATING EXPENSES

Salaries and Benefits	\$ 3,059,158
Utilities and Telephone	710,586
Maintenance and Repairs	608,178
Materials and Supplies	491,871
Insurance	412,058
Other Expense	337,670
Water and Sewer Purchases	314,785
Professional Fees	101,600

TOTAL OPERATING EXPENSES

	\$ 6,035,906
--	--------------

Interest Income

	\$ 2,270
--	----------

NET INCOME AVAILABLE FOR DEBT SERVICE

	\$ 3,393,273
--	--------------

Actual Maximum Annual Debt Service

	\$ 2,719,213
--	--------------

Actual Maximum Debt Service Coverage

	1.25
--	------

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND DEBT SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2015

Fiscal Year	2005 SRF Warrants	2009 B Warrants	2011 Warrants	2012 A Warrants	2012 B Warrants	2012 C Warrants	2014 A Warrants	Total
2016	199,150	410,300	873,588	82,750	182,375	312,650	220,700	2,281,513
2017	199,600	405,050	875,688	80,875	183,250	612,650	216,900	2,574,013
2018	199,888	409,800	880,838	84,000	184,000	606,650	213,100	2,578,276
2019	200,013	243,400	1,053,838	82,000	189,625	600,650	202,400	2,571,926
2020	199,975	388,400	1,367,738	-	-	501,650	216,850	2,674,613
2021	199,775	357,600	1,419,338	-	-	510,350	195,700	2,682,763
2022	199,413	232,800	1,778,400	-	-	508,600	-	2,719,213 *
2023	198,888	397,800	-	-	-	1,771,700	-	2,368,388
2024	198,200	401,200	-	-	-	1,761,700	-	2,361,100
2025	197,350	404,200	-	-	-	1,759,700	-	2,361,250
2026	201,338	426,800	-	-	-	1,731,400	-	2,359,538
2027	-	628,200	-	-	-	1,732,500	-	2,360,700
2028	-	2,466,200	-	-	-	-	-	2,466,200
2029	-	2,470,000	-	-	-	-	-	2,470,000
Total	\$ 2,193,590	\$ 9,641,750	\$ 8,249,428	\$ 329,625	\$ 739,250	\$ 12,410,200	\$ 1,265,650	\$ 34,829,493

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Assessed Value</u>		<u>\$ 251,188,140</u>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 50,237,628
Notes Payable	\$ 268,104	
Long-Term Commitment to TCHS	750,000	
Long-Term Commitment - Suntrust Lease Obligation	941,686	
Warrants Payable	<u>50,300,000</u>	
<u>Total Debt</u>	\$ 52,259,790	
 <u>Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama</u>		
School Construction	750,000	
 <u>Items Excluded from Limit by Section 11-81-166 of the 1975 State of Alabama Code</u>		
Revenue Bonds:		
Water and Sewer Warrants	<u>\$ 27,140,000</u>	
Net Debt Coming Within Legal Debt Limit		<u>24,369,790</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 25,867,838</u>

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

SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT
GENERAL FUND
DECEMBER 31, 2015

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, 2015

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,823,092
Property Tax Receivable	559,583
Accounts Receivable	
Police Dockets Receivable - Net	101,006
Other Receivables	141,701
Due from Other Funds	141,261
Inventories	83,093
	<hr/>

TOTAL CURRENT ASSETS **\$ 2,849,736**

RESTRICTED ASSETS

Cash and Cash Equivalents	<u>\$ 5,977,329</u>
---------------------------	----------------------------

TOTAL ASSETS **\$ 8,827,065**

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 158,287
Due to Other Funds	357,946
Accrued Payroll	470,534
Accrued Expenses	2,484
Cash Bonds, Restitution and Other Deposits	212,276
Compensated Absences - Current	47,633
	<hr/>

TOTAL LIABILITIES **\$ 1,249,160**

FUND BALANCE

Nonspendable	\$ 83,093
Restricted	5,123,892
Committed	853,437
Unrestricted	1,517,483
	<hr/>

TOTAL FUND BALANCE **\$ 7,577,905**

TOTAL LIABILITIES AND FUND EQUITY **\$ 8,827,065**

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, 2015

REVENUES

TAXES:

City Sales and Use Taxes	\$ 8,961,317
Property Taxes	3,101,735
Other	441,879

<u>TOTAL TAXES</u>	<u>\$ 12,504,931</u>
---------------------------	-----------------------------

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 4,862,820
Other Licenses and Permits	161,769

<u>TOTAL LICENSES AND PERMITS</u>	<u>\$ 5,024,589</u>
--	----------------------------

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 2,843,169
Tobacco Tax	308,985
E-911 Funds	105,000
Liquor Tax	102,949
Bank Excise Tax	48,694
County Vehicle License	82,164
A.B.C. 2-Percent Sales Tax	43,781
Oil and Gas Production	8,276

<u>TOTAL INTERGOVERNMENTAL REVENUE</u>	<u>\$ 3,543,018</u>
---	----------------------------

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,301,637
Other Charges	63,545

<u>TOTAL CHARGES FOR SERVICES</u>	<u>\$ 1,365,182</u>
--	----------------------------

FINES AND PENALTIES:

Court Costs and Fines	\$ 653,596
Court Costs - Corrections	130,480

<u>TOTAL FINES AND PENALTIES</u>	<u>\$ 784,076</u>
---	--------------------------

MISCELLANEOUS REVENUE:

Other Income	\$ 141,582
Housing Authority Payments in Lieu of Taxes	9,512
Rental and Lease Income	55,692
Grant Proceeds	108,535
Interest Income	5,319

<u>TOTAL MISCELLANEOUS REVENUE</u>	<u>\$ 320,640</u>
---	--------------------------

<u>TOTAL REVENUES</u>	<u>\$ 23,542,436</u>
------------------------------	-----------------------------

(continued)

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 12,486,567
Public Works	5,274,609
General Government	2,029,037
Finance and Administration	1,898,034
Planning and Community Development	526,080
Local Agency Support	445,547
	<hr/>

TOTAL OPERATING EXPENDITURES **\$ 22,659,874**

CAPITAL EXPENDITURES:

Finance and Administration	\$ 187,451
General Government	40,833
Planning and Community Development	20,590
Public Works	1,618,616
Public Safety	3,060,097
	<hr/>

TOTAL CAPITAL EXPENDITURES **\$ 4,927,587**

TOTAL EXPENDITURES **\$ 27,587,461**

EXCESS REVENUES / (EXPENDITURES) **\$ (4,045,025)**

OTHER FINANCING SOURCES (USES):

Transfer (Out) to Debt Service Fund	\$ (1,876,895)
Sale Proceeds	17,158
	<hr/>

TOTAL FINANCING SOURCES (USES) **\$ (1,859,737)**

**EXCESS REVENUES AND SOURCES
OVER EXPENDITURES AND USES** **\$ (5,904,762)**

FUND BALANCE - JANUARY 1, 2015 **13,482,667**

FUND BALANCE - DECEMBER 31, 2015 **\$ 7,577,905**

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
DECEMBER 31, 2015

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, 2015

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 669,143

TOTAL RESTRICTED ASSETS **\$ 669,143**

TOTAL ASSETS **\$ 669,143**

FUND BALANCE

Restricted for debt service \$ 669,143

TOTAL FUND BALANCE **\$ 669,143**

TOTAL LIABILITIES AND FUND BALANCE **\$ 669,143**

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, 2015

REVENUES

Interest on Investments	\$	155
		155

TOTAL REVENUES

\$ 155

EXPENDITURES

Interest Paid	\$	961,084
Other Fees		2,998
Payments on Pledge to TCHS		250,000
Payments on Bonds, Warrants, and Notes Payable		664,198
		664,198

TOTAL EXPENDITURES

\$ 1,878,280

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

\$ (1,878,125)

OTHER FINANCING SOURCES (USES)

Transfers In - General Fund	\$	1,876,895
		1,876,895

TOTAL OTHER FINANCING SOURCES (USES)

\$ 1,876,895

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

\$ (1,230)

FUND BALANCE - JANUARY 1, 2015

670,373

FUND BALANCE - DECEMBER 31, 2015

\$ 669,143

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
DECEMBER 31, 2015

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, 2015

	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>EMPLOYEE BEER TAX FUND</u>	<u>EMPLOYEE BENEFIT FUND</u>	<u>ELIMINATE INTERFUND BALANCES</u>	<u>TOTAL (MEMO ONLY)</u>
ASSETS							
<u>CURRENT ASSETS</u>							
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 4,735	\$ -	\$ 4,735
Due From General Fund	128,250	114,115	-	-	-	-	242,365
Due from Other Funds	36,000	-	-	-	-	(36,000)	-
<u>TOTAL CURRENT ASSETS</u>	\$ 164,250	\$ 114,115	\$ -	\$ -	\$ 4,735	\$ (36,000)	\$ 247,100
<u>RESTRICTED ASSETS</u>							
Cash and Cash Equivalents	\$ 100,326	\$ 217,284	\$ 2,322	\$ 69,772	\$ -	\$ -	\$ 389,704
<u>TOTAL RESTRICTED ASSETS</u>	\$ 100,326	\$ 217,284	\$ 2,322	\$ 69,772	\$ -	\$ -	\$ 389,704
<u>TOTAL ASSETS</u>	\$ 264,576	\$ 331,399	\$ 2,322	\$ 69,772	\$ 4,735	\$ (36,000)	\$ 636,804
LIABILITIES & FUND BALANCE							
<u>CURRENT LIABILITIES</u>							
Accounts Payable	\$ -	\$ 95,228	\$ -	\$ -	\$ -	\$ -	\$ 95,228
Due to General Fund	20,370	-	-	36	-	-	20,406
Due to Other Funds	2,809	36,000	-	-	-	(36,000)	2,809
<u>TOTAL LIABILITIES</u>	\$ 23,179	\$ 131,228	\$ -	\$ 36	\$ -	\$ (36,000)	\$ 118,443
<u>FUND BALANCE</u>							
Restricted	\$ 241,397	\$ 200,171	\$ 2,322	\$ 69,736	\$ -	\$ -	\$ 513,626
Unrestricted	-	-	-	-	4,735	-	4,735
<u>TOTAL FUND BALANCE</u>	\$ 241,397	\$ 200,171	\$ 2,322	\$ 69,736	\$ 4,735	\$ -	\$ 518,361
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 264,576	\$ 331,399	\$ 2,322	\$ 69,772	\$ 4,735	\$ (36,000)	\$ 636,804

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, 2015

	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>EMPLOYEE BEER TAX FUND</u>	<u>EMPLOYEE BENEFIT FUND</u>	<u>TOTAL (MEMO ONLY)</u>
<u>REVENUES</u>						
Intergovernmental Revenue:						
Gas Tax	\$ -	\$ 548,872	\$ -	\$ -	\$ -	\$ 548,872
Petroleum Inspection Fee	-	8,625	-	-	-	8,625
Share of Beer Tax	-	-	-	128,677	-	128,677
Municipal Government Tax	199,633	-	-	-	-	199,633
Other Operating Revenues:						
Interest	83	229	-	34	2	348
Other	-	-	-	-	977	977
	<u>\$ 199,716</u>	<u>\$ 557,726</u>	<u>\$ -</u>	<u>\$ 128,711</u>	<u>\$ 979</u>	<u>\$ 887,132</u>
<u>EXPENDITURES</u>						
Finance and Administration	\$ 98,780	\$ -	\$ -	\$ 128,984	\$ -	\$ 227,764
Information Technology	-	-	-	-	-	-
Planning and Inspections	7,139	-	-	-	-	7,139
Public Safety	108,708	-	-	-	-	108,708
Public Works	65,223	346,416	-	-	-	411,639
	<u>\$ 279,850</u>	<u>\$ 346,416</u>	<u>\$ -</u>	<u>\$ 128,984</u>	<u>\$ -</u>	<u>\$ 755,250</u>
Excess (Deficit) of Revenues over Expenditures	<u>(80,134)</u>	<u>211,310</u>	<u>-</u>	<u>(273)</u>	<u>979</u>	<u>131,882</u>
<u>Excess (Deficit) of Revenues & Other Sources Over Expenditures & Other Uses</u>	<u>\$ (80,134)</u>	<u>\$ 211,310</u>	<u>\$ -</u>	<u>\$ (273)</u>	<u>\$ 979</u>	<u>\$ 131,882</u>
<u>FUND BALANCE - JANUARY 1, 2015</u>	<u>321,531</u>	<u>(11,139)</u>	<u>2,322</u>	<u>70,009</u>	<u>3,756</u>	<u>386,479</u>
<u>FUND BALANCE - DECEMBER 31, 2015</u>	<u>\$ 241,397</u>	<u>\$ 200,171</u>	<u>\$ 2,322</u>	<u>\$ 69,736</u>	<u>\$ 4,735</u>	<u>\$ 518,361</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
DECEMBER 31, 2015

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

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

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 1,523,553	\$ -	\$ 1,523,553	\$ -	\$ 1,523,553
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$54,533	884,590	-	884,590	-	884,590
Receivables - Other	561	-	561	-	561
Assessments Receivable - Current	-	11,688	11,688	-	11,688
Interest Receivable	-	7,889	7,889	-	7,889
Due from Other Funds	50,279	-	50,279	68,111	118,390
Due from Other Proprietary Funds	1,638,202	-	1,638,202	242,111	1,880,313
Prepaid Insurance	27,437	-	27,437	-	27,437
Inventory	181,581	-	181,581	-	181,581
<u>TOTAL CURRENT ASSETS</u>	\$ 4,306,203	\$ 19,577	\$ 4,325,780	\$ 310,222	\$ 4,636,002
RESTRICTED ASSETS					
Cash and Cash Equivalents	\$ 3,531,546	\$ -	\$ 3,531,546	\$ 64,836	\$ 3,596,382
<u>TOTAL RESTRICTED ASSETS</u>	\$ 3,531,546	\$ -	\$ 3,531,546	\$ 64,836	\$ 3,596,382
PROPERTY, PLANT AND EQUIPMENT					
Land	\$ 396,017	\$ -	\$ 396,017	\$ -	\$ 396,017
Treatment Plants and Pump Stations	28,433,738	-	28,433,738	-	28,433,738
Distribution and Disposal System	44,561,570	-	44,561,570	-	44,561,570
Machinery and Equipment	680,459	-	680,459	-	680,459
Vehicles	1,009,320	-	1,009,320	-	1,009,320
Computer Equipment	181,774	-	181,774	-	181,774
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 75,262,878	\$ -	\$ 75,262,878	\$ -	\$ 75,262,878
Less: Accumulated Depreciation	(27,007,798)	-	(27,007,798)	-	(27,007,798)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 48,255,080	\$ -	\$ 48,255,080	\$ -	\$ 48,255,080
OTHER ASSETS					
Abeyance Receivable	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL OTHER ASSETS</u>	\$ -	\$ 2,055,930	\$ 2,055,930	\$ -	\$ 2,055,930
<u>TOTAL ASSETS</u>	\$ 56,092,829	\$ 2,075,507	\$ 58,168,336	\$ 375,058	\$ 58,543,394
DEFERRED OUTFLOW OF RESOURCES					
Deferred Interest Cost on Refunding Issues	\$ 3,861,726	\$ -	\$ 3,861,726	\$ -	\$ 3,861,726
Deferred Outflows from Pension	302,165	-	302,165	-	302,165
<u>TOTAL DEFERRED OUTFLOW OF RESOURCES</u>	\$ 4,163,891	\$ -	\$ 4,163,891	\$ -	\$ 4,163,891

(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, 2015

	ENTERPRISE FUNDS			INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 56,573	\$ -	\$ 56,573	\$ -	\$ 56,573
Due to Other Funds	120,855	-	120,855	-	120,855
Due to Other Proprietary Funds	242,111	1,638,202	1,880,313	-	1,880,313
Accrued Payroll	58,298	-	58,298	-	58,298
Estimated Liability for Compensated Absences - Current	1,179	-	1,179	-	1,179
Interest Payable	257,201	-	257,201	-	257,201
Notes Payable - Current	10,765	-	10,765	-	10,765
Accrued Expenses	-	-	-	54,673	54,673
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>	\$ 746,982	\$ 1,638,202	\$ 2,385,184	\$ 54,673	\$ 2,439,857
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Warrants Payable - Current	\$ 1,365,000	\$ -	\$ 1,365,000	\$ -	\$ 1,365,000
Customer and Waterline Extension Deposits	848,625	-	848,625	-	848,625
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>	\$ 2,213,625	\$ -	\$ 2,213,625	\$ -	\$ 2,213,625
<u>TOTAL CURRENT LIABILITIES</u>	\$ 2,960,607	\$ 1,638,202	\$ 4,598,809	\$ 54,673	\$ 4,653,482
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Premiums)	\$ 26,066,072	\$ -	\$ 26,066,072	\$ -	\$ 26,066,072
Notes Payable	41,521	-	41,521	-	41,521
Net Retiree Healthcare Obligation	165,959	-	165,959	-	165,959
Estimated Liability for Compensated Absences - Noncurrent	125,783	-	125,783	-	125,783
Net Pension Liability	2,701,637	-	2,701,637	-	2,701,637
<u>TOTAL LONG-TERM LIABILITIES</u>	\$ 29,100,972	\$ -	\$ 29,100,972	\$ -	\$ 29,100,972
<u>TOTAL LIABILITIES</u>	\$ 32,061,579	\$ 1,638,202	\$ 33,699,781	\$ 54,673	\$ 33,754,454
<u>NET POSITION</u>					
Invested in Capital Assets, Net of Related Debt	\$ 20,933,728	\$ -	\$ 20,933,728	\$ -	\$ 20,933,728
Restricted for Capital Projects	1,987,360	-	1,987,360	-	1,987,360
Restricted for Debt Service	290,720	-	290,720	-	290,720
Unrestricted	4,983,333	437,305	5,420,638	320,385	5,741,023
<u>TOTAL NET POSITION</u>	\$ 28,195,141	\$ 437,305	\$ 28,632,446	\$ 320,385	\$ 28,952,831

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, 2015

	ENTERPRISE FUNDS			INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS		
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 9,192,843	\$ -	\$ 9,192,843	\$ 2,358,725	\$ 11,551,568
Miscellaneous	234,066	-	234,066	-	234,066
<u>TOTAL OPERATING REVENUES</u>	\$ 9,426,909	\$ -	\$ 9,426,909	\$ 2,358,725	\$ 11,785,634
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 3,059,158	\$ -	\$ 3,059,158	\$ -	\$ 3,059,158
Insurance Claims and Expenses	-	-	-	2,683,306	2,683,306
Depreciation and Amortization	1,982,203	-	1,982,203	-	1,982,203
Utilities and Telephone	710,586	-	710,586	-	710,586
Maintenance and Repairs	608,178	-	608,178	-	608,178
Materials and Supplies	491,871	-	491,871	-	491,871
Insurance	412,058	-	412,058	-	412,058
Miscellaneous Expense	337,670	-	337,670	-	337,670
Water and Sewer Purchases	314,785	-	314,785	-	314,785
Professional Fees	101,600	-	101,600	-	101,600
<u>TOTAL OPERATING EXPENSES</u>	\$ 8,018,109	\$ -	\$ 8,018,109	\$ 2,683,306	\$ 10,701,415
<u>OPERATING INCOME (LOSS)</u>	\$ 1,408,800	\$ -	\$ 1,408,800	\$ (324,581)	\$ 1,084,219
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Investment Earnings	\$ 2,270	\$ -	\$ 2,270	\$ 90	\$ 2,360
Gain on Sale of Property	28,031	-	28,031	-	28,031
Development Fees	388,322	-	388,322	-	388,322
Interest Expense	(945,046)	-	(945,046)	-	(945,046)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (526,423)	\$ -	\$ (526,423)	\$ 90	\$ (526,333)
<u>CHANGE IN NET POSITION</u>	\$ 882,377	\$ -	\$ 882,377	\$ (324,491)	\$ 557,886
<u>NET POSITION, JANUARY 1</u>	29,652,395	437,305	30,089,700	644,876	30,734,576
Prior Period Adjustment - Note 23	(2,339,631)	-	(2,339,631)	-	(2,339,631)
<u>NET POSITION, DECEMBER 31, 2015</u>	\$ 28,195,141	\$ 437,305	\$ 28,632,446	\$ 320,385	\$ 28,952,831

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers and User	\$ 9,451,564	\$ -	\$ 9,451,564	\$ 2,358,725	\$ 11,810,289
Cash Paid for Personnel Cost	(2,960,687)	-	(2,960,687)	-	(2,960,687)
Cash Paid for Operations	(3,047,238)	-	(3,047,238)	(2,646,142)	(5,693,380)
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
	<u>\$ 3,443,639</u>	<u>\$ -</u>	<u>\$ 3,443,639</u>	<u>\$ (287,417)</u>	<u>\$ 3,156,222</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Loan to General Fund	\$ (47,470)	\$ -	\$ (47,470)	\$ -	\$ (47,470)
Repayment of Loan from General Fund	(138,498)	-	(138,498)	142,412	3,914
Repayment of Loan to Internal Service Fund	(6,284)	-	(6,284)	6,284	-
Garbage Fees Collected for General Fund	1,301,637	-	1,301,637	-	1,301,637
Garbage Fees Remitted to General Fund	(1,301,637)	-	(1,301,637)	-	(1,301,637)
(Additions)/ Reduction to Investments	12,309	-	12,309	-	12,309
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>					
	<u>\$ (179,943)</u>	<u>\$ -</u>	<u>\$ (179,943)</u>	<u>\$ 148,696</u>	<u>\$ (31,247)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (1,077,299)	\$ -	\$ (1,077,299)	\$ -	\$ (1,077,299)
Repayment of Debt Principal	(1,330,298)	-	(1,330,298)	-	(1,330,298)
Proceeds from the Sale of City Property	28,031	-	28,031	-	28,031
Developer Fees	388,322	-	388,322	-	388,322
Decrease in Restricted Investment	290,720	-	290,720	-	290,720
Repayment of Interest on Bonds and Other Debt	(945,046)	-	(945,046)	-	(945,046)
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
	<u>\$ (2,645,570)</u>	<u>\$ -</u>	<u>\$ (2,645,570)</u>	<u>\$ -</u>	<u>\$ (2,645,570)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 2,271	\$ -	\$ 2,271	\$ 90	\$ 2,361
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>					
	<u>\$ 2,271</u>	<u>\$ -</u>	<u>\$ 2,271</u>	<u>\$ 90</u>	<u>\$ 2,361</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>					
	<u>\$ 620,397</u>	<u>\$ -</u>	<u>\$ 620,397</u>	<u>\$ (138,631)</u>	<u>\$ 481,766</u>
<u>CASH AND CASH EQUIVALENTS - JANUARY 1</u>					
	<u>4,434,702</u>	<u>-</u>	<u>4,434,702</u>	<u>203,467</u>	<u>4,638,169</u>
<u>CASH AND CASH EQUIVALENTS - DECEMBER 31</u>					
	<u><u>\$ 5,055,099</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,055,099</u></u>	<u><u>\$ 64,836</u></u>	<u><u>\$ 5,119,935</u></u>
CLASSIFIED AS:					
Current Assets	\$ 1,523,553	\$ -	\$ 1,523,553	\$ -	\$ 1,523,553
Restricted Assets	3,531,546	-	3,531,546	64,836	3,596,382
Total Cash and Cash Equivalents	<u><u>\$ 5,055,099</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,055,099</u></u>	<u><u>\$ 64,836</u></u>	<u><u>\$ 5,119,935</u></u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

	ENTERPRISE FUNDS				
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income	\$ 1,408,800	\$ -	\$ 1,408,800	\$ (324,581)	\$ 1,084,219
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,982,203	-	1,982,203	-	1,982,203
(Increase) Decrease in Operating Assets:					
Accounts Receivable and Assessment Receivables	(24,675)	-	(24,675)	-	(24,675)
Receivable - Other	21,148	-	21,148	-	21,148
Prepaid Expenses	(749)	-	(749)	-	(749)
Inventory	(73,929)	-	(73,929)	-	(73,929)
Changes in Deferred Outflows Related to Pensions	(244,203)	-	(244,203)	-	(244,203)
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	13,380	-	13,380	37,164	50,544
Accrued Payroll	(437)	-	(437)	-	(437)
Accrued Compensated Absences	8,672	-	8,672	-	8,672
Accrued Interest Payable	(9,192)	-	(9,192)	-	(9,192)
Customer Deposits	28,182	-	28,182	-	28,182
Net OPEB Obligation	30,395	-	30,395	-	30,395
Net Change in Pension Liability	448,347	-	448,347	-	448,347
Changes in Deferred Inflows Related to Pensions	(144,303)	-	(144,303)	-	(144,303)
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	<u>\$ 3,443,639</u>	<u>\$ -</u>	<u>\$ 3,443,639</u>	<u>\$ (287,417)</u>	<u>\$ 3,156,222</u>

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