

**CITY OF NORTHPORT
NORTHPORT, ALABAMA**

SEPTEMBER 30, 2020



LeCroy Richardson
Certified Public Accountants

CITY OF NORTHPORT, ALABAMA
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SEPTEMBER 30, 2020

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CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Bobby Herndon

CITY COUNCIL

Jeff Hogg - President
John Hinton – President Pro Tempore
Christy Bobo
Jamie Dykes
Woodrow Washington

CITY ADMINSTRATOR

Glenda Webb

CITY ATTORNEY

Ron Davis

DEPARTMENT HEADS

Gerald Burton – Chief of Police
Tera Tubbs – City Engineer
Scott Murphy – Director of IT
Julie Ramm – Director of Planning & Inspections
Darren McGee – Finance Director
Bart Marshall – Fire Chief
Joseph Rose – Human Resources Director
Brooke Starnes – Public Works Director
John Powell Webb – Utilities Director



LeCroy Richardson

Certified Public Accountants

Independent Auditors' Report

The Honorable Bobby Herndon, Mayor
Members of the City Council
City of Northport, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Northport, Alabama'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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 City'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 City'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 government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of September 30, 2020, 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 Alabama.

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 supplementary information section is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary information section consists of the general fund summary of revenues, expenditures and changes in fund balance for the years ended September 30, 2020, 2019, nine months Ended September 30, 2018 and Year Ended December 31, 2017, schedule of general fund revenues for the years ended September 30, 2020, 2019, nine months ended September 30, 2018, water and sewer statistics, schedule of water and sewer revenues, expenditures, and debt coverage, schedule of water and sewer fund debt service, and schedule of legal debt margin and governmental fund financial statements. Such information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 2, 2021 on our consideration of the City of Northport, Alabama's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering the City of Northport, Alabama's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Legacy Richardson, P.C." The signature is written in a cursive, flowing style.

Northport, Alabama
September 2, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

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 year ended September 30, 2020. 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 changes in net pension liability, schedule of employer contributions, and schedule of changes in total OPEB liability. 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
SEPTEMBER 30, 2020

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 \$65,320,996 at September 30, 2020.

The largest portion of the City of Northport's Net Positions 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 represents resources that are subject to external restrictions that require them to be used for specific capital and debt expenditures. The following statements present the summarized version of the City's governmental and business type activities. Following is a summarized version of the statement of Net Positions and Statement of Activities for governmental activities. Governmental activities increased the City of Northport's Net Positions by \$6,059,365.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

Summary of Statements of Net Position for Governmental Activities

	<u>2019</u>	<u>2020</u>
Current Assets	\$ 9,193,048	\$ 15,806,299
Restricted Assets	7,941,629	10,137,061
Capital Assets	53,624,407	51,774,166
<u>Total Assets</u>	<u>70,759,084</u>	<u>77,717,526</u>
Deferred Outflows of Resources	5,919,180	6,236,862
Total Assets and Deferred Outflows of Resources	<u>76,678,264</u>	<u>83,954,388</u>
Current Liabilities	4,611,346	4,124,649
Long-Term Liabilities	45,600,629	47,732,969
<u>Total Liabilities</u>	<u>50,211,975</u>	<u>51,857,618</u>
Deferred Inflows of Resources	3,114,547	1,892,918
Invested In Capital Assets, Net of Related Debt	30,332,385	29,023,048
Restricted	9,096,184	3,238,134
Unrestricted	(16,076,827)	(2,057,330)
<u>Total Net Position</u>	<u>23,351,742</u>	<u>30,203,852</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 76,678,264</u>	<u>\$ 83,954,388</u>

Summary Statement of Activities for Governmental Type Activities

	<u>2019</u>	<u>2020</u>
<u>Revenues</u>		
<u>Tax Revenues</u>		
Property Tax	\$ 3,812,727	\$ 3,769,553
Sales Tax	10,731,356	17,399,816
Shared Tax Revenue	6,064,229	6,097,798
Other Tax Revenue	546,581	533,938
<u>Total Tax Revenue</u>	<u>21,154,893</u>	<u>27,801,105</u>
Charges for Service	9,130,440	8,351,620
Other Income	361,798	1,119,600
<u>Total Revenues</u>	<u>30,647,131</u>	<u>37,272,325</u>
<u>Expenses</u>		
General and Administrative	6,957,683	6,859,702
Public Works and Safety	22,764,097	23,767,667
Planning and Development	534,503	504,635
Interest Expense	879,330	862,097
<u>Total Expenses</u>	<u>31,135,613</u>	<u>31,994,101</u>
<u>Transfers</u>	<u>(2,008,363)</u>	<u>781,141</u>
Increase (Decrease) in Net Position	(2,496,845)	6,059,365
Net Assets, Beginning as Adjusted	<u>25,848,587</u>	<u>23,351,742</u>
Prior Period Adjustment	-	792,745
Net Assets, Ending	<u>\$ 23,351,742</u>	<u>\$ 30,203,852</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

Business-type activities increased the City of Northport's Net Position by \$1,564,701. Below is a summarized version of the Statements of Net Position and Statements of Activities for business-type activities.

Summary of Statements of Net Position for Business Type Activities

	<u>2019</u>	<u>2020</u>
Current Assets and Other Assets	\$ 8,871,698	\$ 10,162,421
Restricted Assets	5,340,728	5,854,538
Capital Assets	43,466,987	42,479,469
<u>Total Assets</u>	<u>57,679,413</u>	<u>58,496,428</u>
Deferred Outflows of Resources	<u>3,714,447</u>	<u>3,390,008</u>
Total Assets and Deferred Outflows of Resources	<u>61,393,860</u>	<u>61,886,436</u>
Current Liabilities	3,017,070	3,428,442
Long-Term Liabilities	24,351,096	23,049,878
<u>Total Liabilities</u>	<u>27,368,166</u>	<u>26,478,320</u>
Deferred Inflows of Resources	<u>473,251</u>	<u>290,972</u>
Invested In Capital Assets, Net of Related Debt	24,283,093	22,239,468
Restricted	4,086,011	4,599,822
Unrestricted	5,183,339	8,277,854
<u>Total Net Position</u>	<u>33,552,443</u>	<u>35,117,144</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 61,393,860</u>	<u>\$ 61,886,436</u>

Summary Statement of Activities for Business Type Activities

	<u>2019</u>	<u>2020</u>
<u>Revenues</u>		
Charges for Service	\$ 10,636,589	\$ 10,563,687
Investment Earnings	12,416	90,600
Other Revenues	553,357	579,917
<u>Total Revenues</u>	<u>11,202,362</u>	<u>11,234,204</u>
<u>Expenses</u>		
Operating Expense	9,022,049	8,239,917
Interest Expense	760,269	648,445
<u>Total Expenses</u>	<u>9,782,318</u>	<u>8,888,362</u>
Transfers	<u>2,008,363</u>	<u>(781,141)</u>
Increase (Decrease) in Net Position	3,428,407	1,564,701
Net Assets, Beginning as Adjusted	<u>30,124,036</u>	<u>33,552,443</u>
Net Assets, Ending	<u>\$ 33,552,443</u>	<u>\$ 35,117,144</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

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 year ending September 30, 2020, the City of Northport's governmental funds reported combined ending fund balances of \$24,015,998, an increase of \$9,965,263 in comparison with the prior year. Approximately 77%, or \$18,428,726, of the total fund balance constitutes unreserved fund balance. The remaining Net Position included in nonspendable fund balance consists of \$100,701 in inventory on hand at year end. The remainder of the fund balance is segregated into restricted and committed 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 the period ended September 30, 2020, unrestricted and total fund balances of the general fund were \$18,428,726 and \$21,098,831. In comparison, at the period ended September 30, 2019 unrestricted and total fund balances of the general fund were \$9,149,496 and \$11,850,649. The general fund balance increased by \$9,279,230.

I. **Governmental Fund Budgetary Highlights from pages 51-52**

Actual total revenues exceeded budgeted revenues by \$1,117,395. Actual total expenditures were less than budgeted expenditures by \$8,384,835.

II. **Capital Assets and Debt Administration**

Capital Assets

The City of Northport's investment in capital assets, net of accumulated depreciation, for governmental activities as of September 30, 2020, was \$51,774,166. The City of Northport's investment in capital assets, net of accumulated depreciation, for business type activities as of September 30, 2020, was \$42,479,469.

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

Governmental Activities

- Fire, Public Works, and Administrative equipment were purchased during the year at a total cost of \$534,306. Police and Public Works vehicles were purchased for a total cost of \$517,529. Public Safety also purchased a new roof for \$181,569. Additionally, construction in progress expenses totaled \$300,499 and was related to ongoing improvements of roads.

Business-type Activities

- The City began various water and sewer improvement projects totaling \$285,821, purchased equipment of \$369,353, and vehicles of \$27,362.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

The following table is a comparative presentation of non-depreciable and depreciable assets for both governmental and business type activities.

	Governmental Activities		Business Activities		Total	
	2019	2020	2019	2020	2019	2020
Non-Depreciable Assets						
Land	\$ 2,691,380	\$ 2,691,380	\$ 396,017	\$ 396,017	\$ 2,714,718	\$ 3,087,397
Construction in Progress	1,481,582	1,650,327	74,431	285,821	399,914	1,936,148
Total Non-Depreciable Assets	\$ 4,172,962	\$ 4,341,707	\$ 470,448	\$ 681,838	\$ 3,114,632	\$ 5,023,545
Depreciable Assets						
Buildings	\$ 20,026,181	\$ 20,207,750	\$ 29,178,219	\$ 29,158,829	\$ 49,204,399	\$ 49,366,579
Improvements Other Than Buildings	2,076,203	2,076,203	-	-	2,076,202	2,076,203
Furniture, Equipment and Vehicles	16,286,043	16,562,406	1,834,178	1,544,602	18,413,109	18,107,008
Infrastructure	75,812,356	75,812,357	45,262,859	45,706,643	119,911,578	121,519,000
Total Depreciable Assets	\$ 114,200,783	\$ 114,658,716	\$ 76,275,256	\$ 76,410,074	\$ 189,605,288	\$ 191,068,790
Less: Accumulated Depreciation	(64,749,338)	(67,226,257)	(33,278,717)	(34,612,443)	(90,116,750)	(101,838,700)
Net Depreciable Assets	\$ 49,451,445	\$ 47,432,459	\$ 42,996,539	\$ 41,797,631	\$ 99,488,538	\$ 89,230,090
Total Capital Assets, Net	\$ 53,624,407	\$ 51,774,166	\$ 43,466,987	\$ 42,479,469	\$ 102,603,170	\$ 94,253,635

Long-Term Debt

At September 30, 2020, the City of Northport had total debt outstanding of \$43,886,252. The major portion of the debt, \$41,895,000 represents bonds and warrants payable. During the year the City paid \$2,368,218 in principal and \$1,373,627 interest. The City also refunded the 2009A and B General Obligation Warrants through \$5,360,000 in proceeds received from the issuance of the 2019 General Obligation Warrants.

State law limits the amount of long-term debt of the City to 20% of the assessed property value within the City of Northport. Certain obligations of the City secured by system revenues, such as water and sewer warrants and state revolving loans secured by system revenues are excluded from the legal borrowing limit of the City. As of September 30, 2020, outstanding debt was below this amount, which is \$62,802,616. The amount available for future indebtedness is \$39,156,364.

Economic Factors and the Next Year's Budget

The general outlook for the City of Northport economy for the next year is for moderate growth that is similar to the current fiscal year. 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 regarding uncertainty as to the full economic impact of the Covid-19 pandemic.
- 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, Highway 82 West, and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact City Hall, 3500 McFarland Blvd. Northport, Alabama 35476. As of the most recent election, city government consist of the following:

Mayor – Bobby Herndon

City Council

- District 1 – Christy Bobo
- District 2 – Woodrow Washington III
- District 3 – John Hinton
- District 4 – Jamie Dykes
- District 5 – Jeff Hogg

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 11,765,831	\$ 5,057,723	\$ 16,823,554
Accounts Receivable, net	3,521,847	1,298,750	4,820,597
Grant Receivable	197,778	-	197,778
Assessment Receivable - Current	-	10,658	10,658
Other Receivables, net	7,745	7,265	15,010
Note Receivable	-	-	-
Prepaid Insurance	173,788	82,350	256,138
Internal Balances	38,609	1,519,543	1,558,152
Inventories	100,701	130,203	230,904
Restricted Assets - Noncurrent	10,137,061	5,854,538	15,991,599
Capital Assets			
Land and Construction in Progress	4,341,707	681,838	5,023,545
Buildings	20,207,750	29,158,829	49,366,579
Improvements Other Than Buildings	2,076,203	-	2,076,203
Infrastructure	75,812,357	45,706,643	121,519,000
Furniture & Equipment	7,340,843	558,176	7,899,019
Vehicles	9,221,563	986,426	10,207,989
Less: Accumulated Depreciation	(67,226,257)	(34,612,443)	(101,838,700)
Abyance Receivable	-	2,055,929	2,055,929
TOTAL ASSETS	\$ 77,717,526	\$ 58,496,428	\$ 136,213,954
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows-Pensions	\$ 4,179,061	\$ 709,844	\$ 4,888,905
Deferred Outflows-Post-Employment Benefits	1,651,513	225,178	1,876,691
Deferred Interest Cost on Bond Refundings	406,288	2,454,986	2,861,274
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 6,236,862	\$ 3,390,008	\$ 9,626,870
LIABILITIES			
Accounts Payable	\$ 757,902	\$ 223,320	\$ 981,222
Accrued Payroll	443,141	57,608	500,749
Other Current Liabilities	372,270	28,596	400,866
Internal Balances	1,519,543	38,609	1,558,152
Interest Payable	129,761	171,154	300,915
Compensated Absences	16,148	849	16,997
Refundable Deposits	-	958,306	958,306
Long-term Liabilities			
Portion Due or Payable Within One Year:			
Warrants and Notes Payable	735,884	1,950,000	2,685,884
Long-term Commitments	150,000	-	150,000
Portion Due or Payable After One Year:			
Long-term Commitment	900,000	-	900,000
Warrants and Notes Payable	22,421,521	18,725,177	41,146,698
Compensated Absences	1,020,993	152,829	1,173,822
Net OPEB Liability	6,650,257	1,100,470	7,750,727
Net Pension Liability	16,740,198	3,071,402	19,811,600
TOTAL LIABILITIES	\$ 51,857,618	\$ 26,478,320	\$ 78,335,938
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows-Pensions	\$ 1,243,084	\$ 187,376	\$ 1,430,460
Deferred Inflows-Post Employment Benefits	649,834	103,596	753,430
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,892,918	\$ 290,972	\$ 2,183,890
NET POSITION			
Invested in Capital Assets, Net of Related Debt	\$ 29,023,048	\$ 22,239,468	\$ 51,262,516
Restricted for:			
Capital Projects	2,879,725	3,418,466	6,298,191
Debt Service	118,178	1,181,356	1,299,534
Other Purposes	216,677	-	216,677
Grants and Entitlements	23,554	-	23,554
Unrestricted	(2,057,330)	8,277,854	6,220,524
TOTAL NET POSITION	\$ 30,203,852	\$ 35,117,144	\$ 65,320,996

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Revenues				Net (Expense) Revenues & Changes in Net Position		
	Expenses	Fees, Fines and Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
<u>GOVERNMENTAL ACTIVITIES:</u>							
Finance and Administration	\$ 2,961,696	\$ 5,976,284	\$ -	\$ -	\$ 3,014,588	\$ -	\$ 3,014,588
General Government	3,898,006	806,278	-	-	(3,091,728)	-	(3,091,728)
Planning and Development	504,635	-	-	-	(504,635)	-	(504,635)
Public Safety	14,883,018	149,428	542,750	236,158	(13,954,682)	-	(13,954,682)
Public Works	8,884,649	1,419,630	-	-	(7,465,019)	-	(7,465,019)
Interest and Fiscal Charges	862,097	-	-	-	(862,097)	-	(862,097)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 31,994,101	\$ 8,351,620	\$ 542,750	\$ 236,158	\$ (22,863,573)	\$ -	\$ (22,863,573)
<u>BUSINESS-TYPE ACTIVITIES:</u>							
Water and Sewer	\$ 8,888,362	\$ 10,563,687	\$ -	\$ -	\$ -	\$ 1,675,325	\$ 1,675,325
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 8,888,362	\$ 10,563,687	\$ -	\$ -	\$ -	\$ 1,675,325	\$ 1,675,325
TOTAL PRIMARY GOVERNMENT	\$ 40,882,463	\$ 18,915,307	\$ 542,750	\$ 236,158	\$ (22,863,573)	\$ 1,675,325	\$ (21,188,248)

GENERAL REVENUES:

Taxes:	
Property Taxes Levied for General Purposes	\$ 3,769,553
Sales Taxes	17,399,816
Other Taxes	533,938
Shared Taxes:	
Taxes Levied for General Purposes	5,068,479
Taxes Levied for Resurfacing Projects	802,506
Taxes Levied for Public Safety	226,813
Shared License Fees Levied for General Purposes	94,106
Rental and Land Lease Income	100,720
Earnings on Investments	58,258
Gain on Sale of City Property	87,608
Customer Contributions	-
Development Fees	-
	90,600
	148,858
	87,608
	149,357
	430,560
TOTAL GENERAL REVENUES AND TRANSFERS	\$ 28,141,797
	\$ 670,517
	\$ 28,812,314
Transfers (to) from Funds	(781,141)
CHANGE IN NET POSITION	\$ 6,059,365
	\$ 1,564,701
NET POSITION - BEGINNING	23,351,742
	33,552,443
Prior Period Adjustment	792,745
	-
NET POSITION - ENDING	\$ 30,203,852
	\$ 35,117,144
	\$ 65,320,996

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	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	\$ 11,765,831	\$ -	\$ -	\$ 11,765,831	\$ -	\$ 11,765,831
Property Taxes Receivable	3,443,209	-	-	3,443,209	-	3,443,209
Police Dockets Receivable - Net	78,638	-	-	78,638	-	78,638
Grant Receivables	197,778	-	-	197,778	-	197,778
Other Receivables	7,745	-	-	7,745	-	7,745
Due From Other Funds	1,241,668	-	13,693	1,255,361	(13,693)	1,241,668
Prepaid Insurance	173,788	-	-	173,788	-	173,788
Inventories	100,701	-	-	100,701	-	100,701
<u>TOTAL CURRENT ASSETS</u>	\$ 17,009,358	\$ -	\$ 13,693	\$ 17,023,051	\$ (13,693)	\$ 17,009,358
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 7,103,561	\$ 118,178	\$ 2,785,296	\$ 10,007,035	\$ -	\$ 10,007,035
<u>TOTAL ASSETS</u>	\$ 24,112,919	\$ 118,178	\$ 2,798,989	\$ 27,030,086	\$ (13,693)	\$ 27,016,393
<u>LIABILITIES</u>						
Accounts Payable	\$ 757,902	\$ -	\$ -	\$ 757,902	\$ -	\$ 757,902
Due to Other Funds	1,527,005	-	-	1,527,005	(13,693)	1,513,312
Compensated Absences	16,148	-	-	16,148	-	16,148
Accrued Payroll	443,141	-	-	443,141	-	443,141
Cash Bonds, Restitution and Other Deposits	269,892	-	-	269,892	-	269,892
<u>TOTAL LIABILITIES</u>	\$ 3,014,088	\$ -	\$ -	\$ 3,014,088	\$ (13,693)	\$ 3,000,395
<u>FUND BALANCE</u>						
Nonspendable	\$ 100,701	\$ -	\$ -	\$ 100,701	\$ -	\$ 100,701
Restricted	216,677	118,178	2,798,989	3,133,844	-	3,133,844
Committed	2,352,727	-	-	2,352,727	-	2,352,727
Unrestricted	18,428,726	-	-	18,428,726	-	18,428,726
<u>TOTAL FUND BALANCE</u>	\$ 21,098,831	\$ 118,178	\$ 2,798,989	\$ 24,015,998	\$ -	\$ 24,015,998
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 24,112,919	\$ 118,178	\$ 2,798,989	\$ 27,030,086	\$ (13,693)	\$ 27,016,393

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
SEPTEMBER 30, 2020

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS \$ 24,015,998

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

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

Land and Construction in Progress	\$ 4,341,707	
Building, net of \$8,414,232 of accumulated depreciation	11,793,518	
Improvements other than buildings, net of \$1,113,373 accumulated depreciation	962,829	
Infrastructure, net of \$46,389,238 accumulated depreciation	29,424,286	
Furniture and equipment, net of \$3,975,423 accumulated depreciation	3,364,253	
Vehicles, net of \$7,333,990 accumulated depreciation	<u>1,887,573</u>	
Net Capital Assets		51,774,166

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 assets of the internal service fund is reported with governmental activities. (1,181,642)

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.

Warrants and Notes Payable	\$ (23,157,405)	
Deferred Interest Cost Bond Refundings	406,288	
Accrued Interest Payable	(129,761)	
Long-Term Commitments	(1,050,000)	
Noncurrent portion of Compensated Absences	<u>(1,020,993)</u>	
Total Long-Term Liabilities		(24,951,871)

Net pension liability, deferred inflows and outflows not reported at the fund level (13,804,221)

Net Other Post-Employment Benefits (OPEB), deferred inflows and outflows not reported at the fund level (5,648,578)

Total Net Position of Governmental Activities \$ 30,203,852

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Sales and Use Taxes	\$ 17,399,816	\$ -	\$ -	\$ 17,399,816
Business Licenses and Permits	5,714,559	-	-	5,714,559
Intergovernmental Revenues	5,162,585	-	1,029,319	6,191,904
Property Tax	3,769,553	-	-	3,769,553
Charges for Services	1,488,346	-	-	1,488,346
Fines, Forfeitures, and Penalties	886,990	-	-	886,990
Other Taxes	519,387	-	-	519,387
Other Licenses and Permits	261,725	-	-	261,725
Other Income	464,966	-	-	464,966
Grant Proceeds	328,493	-	-	328,493
Rental and Lease Income	100,720	-	-	100,720
Interest Income	56,664	1,594	-	58,258
<u>TOTAL REVENUES</u>	\$ 36,153,804	\$ 1,594	\$ 1,029,319	\$ 37,184,717
<u>EXPENDITURES</u>				
Public Safety	\$ 14,290,580	\$ -	\$ -	\$ 14,290,580
Public Works	5,916,421	-	10,058	5,926,479
Finance and Administration	2,678,271	-	128,342	2,806,613
General Government	2,209,451	-	-	2,209,451
Planning and Community Development	431,135	-	-	431,135
Local Agency Support	829,384	-	-	829,384
Capital Outlay				
Public Works	1,352,040	-	181,569	1,533,609
Public Safety	494,409	-	-	494,409
Finance and Administration	149,739	-	-	149,739
Debt Service				
Payments on Bonds & Notes Payable	-	859,211	-	859,211
Interest Paid	-	857,247	-	857,247
Agency Fees	-	4,850	-	4,850
<u>TOTAL EXPENDITURES</u>	\$ 28,351,430	\$ 1,721,308	\$ 319,969	\$ 30,392,707
<u>EXCESS REVENUES / (EXPENDITURES)</u>	\$ 7,802,374	\$ (1,719,714)	\$ 709,350	\$ 6,792,010
<u>OTHER FINANCING SOURCES (USES)</u>				
Sales Proceeds	\$ 87,608	\$ -	\$ -	\$ 87,608
Loan Proceeds	2,385,000	-	-	2,385,000
Tuscaloosa Co. Road Improvement Commissions	1,154,557	-	-	1,154,557
Transfer In (Out)	(3,105,311)	1,647,445	80,000	(1,377,866)
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	\$ 521,854	\$ 1,647,445	\$ 80,000	\$ 2,249,299
<u>NET CHANGE IN FUND BALANCES</u>	\$ 8,324,228	\$ (72,269)	\$ 789,350	\$ 9,041,309
<u>FUND BALANCE - OCTOBER 1, 2019</u>	\$ 11,850,649	\$ 190,447	\$ 2,009,639	\$ 14,050,735
Prior Period Adjustment	923,954	-	-	923,954
<u>FUND BALANCE - SEPTEMBER 30, 2020</u>	\$ 21,098,831	\$ 118,178	\$ 2,798,989	\$ 24,015,998

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 SEPTEMBER 30, 2020

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 9,041,309

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 (1,154,557)

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess depreciation expense (\$3,252,935) over capital outlay purchases \$1,533,902. (1,719,033)

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

Debt Issued:			
Loan Proceeds		(2,385,000)	
Repayments:			
Principle Repayments		859,211	
Refunding of Debt		<u>2,159,007</u>	
Net Adjustment			633,218

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	\$ 110,155	
Increase in Compensated Absences	(53,158)	
Amortization of Deferred Loss on Bond Refundings	(52,466)	
Decrease in Accrued Interest	<u>49,686</u>	
Net Adjustment		54,217

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. (17,503)

Amount by which the City's net pension liability decreased, deferred inflows from pensions increased, and deferred outflows from pensions increased compared to the prior fiscal year. (627,094)

Amount by which the City's net other post-employment benefits (OPEB) liability increased, deferred inflows from OPEB increased, and deferred outflows from OPEB increased compared to the prior fiscal year. (151,192)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 6,059,365**

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>	<u>TOTAL</u>
	<u>WATER AND</u>	<u>SPECIAL</u>	<u>TOTAL</u>	<u>INTERNAL</u>	
	<u>SEWER FUND</u>	<u>ASSESSMENT</u>	<u>ENTERPRISE</u>	<u>SERVICE FUND</u>	<u>PROPRIETARY</u>
		<u>FUND</u>	<u>FUNDS</u>		<u>FUNDS</u>
ASSETS					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 5,057,723	\$ -	\$ 5,057,723	\$ -	\$ 5,057,723
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,298,750	-	1,298,750	-	1,298,750
Assessments Receivable - Current	-	10,658	10,658	-	10,658
Interest Receivable	-	7,265	7,265	-	7,265
Due from General Fund	1,519,543		1,519,543		1,519,543
Due from Other Proprietary Funds	1,637,172		1,637,172		1,637,172
Prepaid Insurance	82,350		82,350		82,350
Inventory	130,203		130,203		130,203
<u>TOTAL CURRENT ASSETS</u>	\$ 9,725,741	\$ 17,923	\$ 9,743,664	\$ -	\$ 9,743,664
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 5,854,538	\$ -	\$ 5,854,538	\$ 130,026	\$ 5,984,564
<u>TOTAL RESTRICTED ASSETS</u>	\$ 5,854,538	\$ -	\$ 5,854,538	\$ 130,026	\$ 5,984,564
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Land	\$ 396,017	\$ -	\$ 396,017	\$ -	\$ 396,017
Treatment Plants and Pump Stations	29,158,829	-	29,158,829	-	29,158,829
Distribution and Disposal System	45,706,643	-	45,706,643	-	45,706,643
Machinery and Equipment	527,261	-	527,261	-	527,261
Vehicles	986,426	-	986,426	-	986,426
Construction in Progress	285,821	-	285,821	-	285,821
Computer Equipment	30,915	-	30,915	-	30,915
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 77,091,912	\$ -	\$ 77,091,912	\$ -	\$ 77,091,912
Less: Accumulated Depreciation	(34,612,443)	-	(34,612,443)	-	(34,612,443)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 42,479,469	\$ -	\$ 42,479,469	\$ -	\$ 42,479,469
<u>OTHER ASSETS</u>					
Abeance Receivable	\$ -	\$ 2,055,929	\$ 2,055,929	\$ -	\$ 2,055,929
<u>TOTAL OTHER ASSETS</u>	\$ -	\$ 2,055,929	\$ 2,055,929	\$ -	\$ 2,055,929
<u>TOTAL ASSETS</u>	\$ 58,059,748	\$ 2,073,852	\$ 60,133,600	\$ 130,026	\$ 60,263,626
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Interest Cost on Refunding Issues	\$ 2,454,986	\$ -	\$ 2,454,986	\$ -	\$ 2,454,986
Deferred Outflows-Post-Employment Benefits	225,178	-	225,178	-	225,178
Deferred Outflows-Pension	709,844	-	709,844	-	709,844
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	\$ 3,390,008	\$ -	\$ 3,390,008	\$ -	\$ 3,390,008
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u>	\$ 61,449,756	\$ 2,073,852	\$ 63,523,608	\$ 130,026	\$ 63,653,634
<u>OF RESOURCES</u>					

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES	
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUND	TOTAL PROPRIETARY FUNDS
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 223,320	\$ -	\$ 223,320	\$ -	\$ 223,320
Due to Other Funds	38,609	-	38,609	1,209,184	1,247,793
Due to Other Proprietary Funds	-	1,637,172	1,637,172	106	1,637,278
Accrued Payroll	57,608	-	57,608	-	57,608
Estimated Liability for Compensated Absences - Current	849	-	849	-	849
Interest Payable	171,154	-	171,154	-	171,154
Accrued Expenses	28,596	-	28,596	102,378	130,974
<u>TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS</u>	\$ 520,136	\$ 1,637,172	\$ 2,157,308	\$ 1,311,668	\$ 3,468,976
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Warrants Payable - Current	\$ 1,950,000	\$ -	\$ 1,950,000	\$ -	\$ 1,950,000
Customer and Waterline Extension Deposits	\$ 958,306	-	958,306	-	958,306
<u>TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</u>	\$ 2,908,306	\$ -	\$ 2,908,306	\$ -	\$ 2,908,306
<u>TOTAL CURRENT LIABILITIES</u>	\$ 3,428,442	\$ 1,637,172	\$ 5,065,614	\$ 1,311,668	\$ 6,377,282
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Premiums)	\$ 18,725,177	\$ -	\$ 18,725,177	\$ -	\$ 18,725,177
Notes Payable	-	-	-	-	-
Net Retiree Healthcare Obligation	1,100,470	-	1,100,470	-	1,100,470
Estimated Liability for Compensated Absences - Noncurrent	152,829	-	152,829	-	152,829
Net Pension Liability	3,071,402	-	3,071,402	-	3,071,402
<u>TOTAL LONG-TERM LIABILITIES</u>	\$ 23,049,878	\$ -	\$ 23,049,878	\$ -	\$ 23,049,878
<u>TOTAL LIABILITIES</u>	\$ 26,478,320	\$ 1,637,172	\$ 28,115,492	\$ 1,311,668	\$ 29,427,160
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows-Post Employment Benefits	\$ 103,596	\$ -	\$ 103,596	\$ -	\$ 103,596
Deferred Inflows-Pension	187,376	-	187,376	-	187,376
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	\$ 290,972	\$ -	\$ 290,972	\$ -	\$ 290,972
<u>NET POSITION</u>					
Invested in Capital Assets, Net of Related Debt Restricted for Capital Projects	\$ 22,239,468	\$ -	\$ 22,239,468	\$ -	\$ 22,239,468
Restricted for Debt Service	3,418,466	-	3,418,466	-	3,418,466
Unrestricted	1,181,356	-	1,181,356	-	1,181,356
	7,841,174	436,680	8,277,854	(1,181,642)	7,096,212
<u>TOTAL NET POSITION</u>	\$ 34,680,464	\$ 436,680	\$ 35,117,144	\$ (1,181,642)	\$ 33,935,502
TOTAL LIABILITIES AND NET ASSETS	\$ 61,449,756	\$ 2,073,852	\$ 63,523,608	\$ 130,026	\$ 63,653,634

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 SEPTEMBER 30, 2020

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL	TOTAL PROPRIETARY FUNDS
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 10,390,300	\$ -	\$ 10,390,300	\$ 4,166,022	\$ 14,556,322
Miscellaneous	173,387	-	173,387	-	173,387
<u>TOTAL OPERATING REVENUES</u>	\$ 10,563,687	\$ -	\$ 10,563,687	\$ 4,166,022	\$ 14,729,709
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,861,667	\$ -	\$ 2,861,667	\$ -	\$ 2,861,667
Insurance Claims and Expenses	-	-	-	4,183,525	4,183,525
Depreciation and Amortization	1,990,740	-	1,990,740	-	1,990,740
Utilities and Telephone	882,442	-	882,442	-	882,442
Maintenance and Repairs	932,712	-	932,712	-	932,712
Materials and Supplies	489,389	-	489,389	-	489,389
Insurance	288,257	-	288,257	-	288,257
Miscellaneous Expense	248,238	-	248,238	-	248,238
Water and Sewer Purchases	404,346	-	404,346	-	404,346
Professional Fees	57,128	-	57,128	-	57,128
<u>TOTAL OPERATING EXPENSES</u>	\$ 8,154,919	\$ -	\$ 8,154,919	\$ 4,183,525	\$ 12,338,444
<u>OPERATING INCOME (LOSS)</u>	\$ 2,408,768	\$ -	\$ 2,408,768	\$ (17,503)	\$ 2,391,265
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Customer Contributions	\$ 149,357	\$ -	\$ 149,357	\$ -	\$ 149,357
Investment Earnings	90,600	-	90,600	-	90,600
Development Fees	430,560	-	430,560	-	430,560
Bond Issue Costs	(84,998)	-	(84,998)	-	(84,998)
Interest Expense	(648,445)	-	(648,445)	-	(648,445)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ (62,926)	\$ -	\$ (62,926)	\$ -	\$ (62,926)
<u>TRANSFERS</u>					
Transfers (to)from Other Funds	(781,141)	\$ -	\$ (781,141)	\$ -	\$ (781,141)
<u>TOTAL TRANSFERS</u>	\$ (781,141)	\$ -	\$ (781,141)	\$ -	\$ (781,141)
<u>CHANGE IN NET POSITION</u>	\$ 1,564,701	\$ -	\$ 1,564,701	\$ (17,503)	\$ 1,547,198
<u>NET POSITION, OCTOBER 1, 2019</u>	33,115,763	436,680	33,552,443	(1,164,139)	32,388,304
<u>NET POSITION, SEPTEMBER 30, 2020</u>	\$ 34,680,464	\$ 436,680	\$ 35,117,144	\$ (1,181,642)	\$ 33,935,502

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL ACTIVITIES</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	\$ 10,503,491	\$ -	\$ 10,503,491	\$ 4,166,022	\$ 14,669,513
Cash Paid for Personnel Cost	(2,360,959)	-	(2,360,959)	-	(2,360,959)
Cash Paid for Operations	(3,648,237)	-	(3,648,237)	(4,151,083)	(7,799,320)
	<u>\$ 4,494,295</u>	<u>\$ -</u>	<u>\$ 4,494,295</u>	<u>\$ 14,939</u>	<u>\$ 4,509,234</u>
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Transfer to (from) Other Funds	\$ (730,510)	\$ -	\$ (730,510)	\$ 16,290	\$ (714,220)
	<u>\$ (730,510)</u>	<u>\$ -</u>	<u>\$ (730,510)</u>	<u>\$ 16,290</u>	<u>\$ (714,220)</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	\$ (682,535)	\$ -	\$ (682,535)	\$ -	\$ (682,535)
Repayment of Debt Principal	(4,224,487)	-	(4,224,487)	-	(4,224,487)
Proceeds from Debt Issuance	2,975,000	-	2,975,000	-	2,975,000
Development Fees	430,560	-	430,560	-	430,560
Customer Contributions	149,357	-	149,357	-	149,357
Bond Issue Costs	(30,527)	-	(30,527)	-	(30,527)
Repayment of Interest	(702,916)	-	(702,916)	-	(702,916)
	<u>\$ (2,085,548)</u>	<u>\$ -</u>	<u>\$ (2,085,548)</u>	<u>\$ -</u>	<u>\$ (2,085,548)</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	\$ 90,600	\$ -	\$ 90,600	\$ -	\$ 90,600
	<u>\$ 90,600</u>	<u>\$ -</u>	<u>\$ 90,600</u>	<u>\$ -</u>	<u>\$ 90,600</u>
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>					
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 1,768,837</u>	<u>\$ -</u>	<u>\$ 1,768,837</u>	<u>\$ 31,229</u>	<u>\$ 1,800,066</u>
<u>CASH AND CASH EQUIVALENTS - OCTOBER 1</u>	<u>9,143,424</u>	<u>-</u>	<u>9,143,424</u>	<u>98,797</u>	<u>9,242,221</u>
<u>CASH AND CASH EQUIVALENTS - SEPTEMBER 30</u>	<u>\$ 10,912,261</u>	<u>\$ -</u>	<u>\$ 10,912,261</u>	<u>\$ 130,026</u>	<u>\$ 11,042,287</u>
CLASSIFIED AS:					
Current Assets	\$ 5,057,723	\$ -	\$ 5,057,723	\$ -	\$ 5,057,723
Restricted Assets	5,854,538	-	5,854,538	130,026	5,984,564
Total Cash and Cash Equivalents	<u>\$ 10,912,261</u>	<u>\$ -</u>	<u>\$ 10,912,261</u>	<u>\$ 130,026</u>	<u>\$ 11,042,287</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2020

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>	<u>TOTAL</u>
	<u>WATER AND</u>	<u>SPECIAL</u>	<u>TOTAL</u>	<u>INTERNAL</u>	
	<u>SEWER FUND</u>	<u>ASSESSMENT</u>	<u>ENTERPRISE</u>	<u>SERVICE FUNDS</u>	<u>FUNDS</u>
		<u>FUND</u>	<u>FUNDS</u>		<u>FUNDS</u>
<u>RECONCILIATION OF OF NET OPERATING</u>					
<u>INCOME TO NET CASH PROVIDED (USED)</u>					
<u>BY OPERATING ACTIVITIES</u>					
Operating Income (Loss)	\$ 2,408,768	\$ -	\$ 2,408,768	\$ (17,503)	\$ 2,391,265
Adjustments to Reconcile Net Operating Income to					
Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	1,990,740	-	1,990,740	-	1,990,740
(Increase) Decrease in Operating Assets:					
Accounts and Assessment Receivables	(79,589)	-	(79,589)	-	(79,589)
Prepaid Expenses	(11,564)	-	(11,564)	-	(11,564)
Change in Interfund Receivables	(421,288)	-	(421,288)	-	(421,288)
Changes in Deferred Outflows	324,439	-	324,439	-	324,439
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	129,689	-	129,689	-	129,689
Accrued Payroll	18,911	-	18,911	-	18,911
Accrued Compensated Absences	(7,858)	-	(7,858)	-	(7,858)
Accrued Interest Payable	(41,007)	-	(41,007)	-	(41,007)
Accrued Expenses	(4,408)	-	(4,408)	32,442	28,034
Customer Deposits	19,393	-	19,393	-	19,393
Net OPEB Obligation	23,869	-	23,869	-	23,869
Net Change in Interfund Payable	2,853	-	2,853	-	2,853
Net Change in Pension Liability	323,626	-	323,626	-	323,626
Changes in Deferred Inflows	(182,279)	-	(182,279)	-	(182,279)
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	<u>\$ 4,494,295</u>	<u>\$ -</u>	<u>\$ 4,494,295</u>	<u>\$ 14,939</u>	<u>\$ 4,509,234</u>

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Northport, Alabama (the City), founded in 1813, has a population of approximately 25,000 people living within an area of 17 square miles. The City is located in West Central Alabama on the northern bank of the Black Warrior River inside Tuscaloosa County. The City operates under a charter adopted February 7, 1871 and has a Mayor/Council form of government.

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

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. 77, *Tax Abatements Disclosures*. GASB Statement No 77 defines tax abatements and requires the disclosure of information about reporting a governments' own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues.

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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Government-Wide Financial Statements *(continued)*

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.

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.

Operating revenues within proprietary funds constitute charges for services and other income amounts earned as a result of providing services to users. All income items not meeting this definition are non-operating revenues.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Measurement Focus, Basis of Accounting

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

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

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

Use of Estimates

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

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	\$ 19,660
Water and Sewer Fund	43,994

For the Water and Sewer Fund, management turns accounts over to a collection agency after reasonable collection efforts. At the end of each fiscal year, account balances that have not been collected are considered inactive. Those account balances are not included in the receivable balance. The balance of inactive accounts at September 30, 2020 was \$765,423.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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.

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

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 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 are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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	\$ 2,392,936	6.00%	\$ 88,200	\$ -
General Government	3,026,131	8.00%	117,600	-
Planning and Development	2,031,665	5.00%	73,500	-
Public Safety	22,690,158	58.00%	852,601	-
Public Works	8,705,469	23.00%	338,100	1,782,935
	<u>\$ 38,846,359</u>	<u>100.00%</u>	<u>\$ 1,470,001</u>	<u>\$ 1,782,935</u>

Fixed Asset Schedule:

Governmental Activities:	Balance 9/30/19	Increases	Decreases	Balance 9/30/20
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,691,380	\$ -	\$ -	\$ 2,691,380
Construction in Progress	1,481,582	300,499	(131,754)	1,650,327
Total Capital Assets Not Depreciated	<u>\$ 4,172,962</u>	<u>\$ 300,499</u>	<u>\$ (131,754)</u>	<u>\$ 4,341,707</u>
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 20,026,181	\$ 181,569	\$ -	\$ 20,207,750
Improvements other than Buildings	2,076,203	-	-	2,076,203
Vehicles	8,863,025	517,529	(158,991)	9,221,563
Equipment & Furniture	7,423,018	534,306	(616,481)	7,340,843
Infrastructure	75,812,357	-	-	75,812,357
Total Other Capital Assets	<u>\$ 114,200,784</u>	<u>\$ 1,233,404</u>	<u>\$ (775,472)</u>	<u>\$ 114,658,716</u>
Less: Accumulated Depreciation				
Buildings	\$ 7,911,492	\$ 502,740	\$ -	\$ 8,414,232
Improvements other than Buildings	1,064,211	49,162	-	1,113,373
Vehicles	7,002,658	490,324	(158,992)	7,333,990
Equipment & Furniture	4,164,129	427,775	(616,481)	3,975,423
Infrastructure	44,606,849	1,782,935	(545)	46,389,239
Total Accumulated Depreciation	<u>\$ 64,749,339</u>	<u>\$ 3,252,936</u>	<u>\$ (776,018)</u>	<u>\$ 67,226,257</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 49,451,445</u>			<u>\$ 47,432,459</u>
Total Governmental Assets, Net	<u>\$ 53,624,407</u>			<u>\$ 51,774,166</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 5: FIXED ASSETS (continued)

Business-Type Activities:	Balance 9/30/19	Increases	Decreases	Balance 9/30/20
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 396,017	\$ -	\$ -	\$ 396,017
Construction in Progress	-	285,821	-	285,821
Total Capital Assets Not Depreciated	\$ 396,017	\$ 285,821	\$ -	\$ 681,838
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 29,178,219	\$ -	\$ (19,390)	\$ 29,158,829
Distribution and Disposal System	45,337,290	369,353	-	45,706,643
Machinery and Equipment	693,341	-	(166,080)	527,261
Vehicles	959,064	27,362	-	986,426
Computer Equipment	181,774	-	(150,859)	30,915
Total Other Capital Assets	\$ 76,349,688	\$ 396,715	\$ (336,329)	\$ 76,410,074
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 13,143,757	\$ 618,989	\$ (19,390)	\$ 13,743,356
Distribution and Disposal System	18,533,339	993,439	-	19,526,778
Machinery and Equipment	617,199	15,000	(166,078)	466,121
Vehicles	803,817	41,456	-	845,273
Computer Equipment	180,606	1,168	(150,859)	30,915
Total Accumulated Depreciation	\$ 33,278,718	\$ 1,670,052	\$ (336,327)	\$ 34,612,443
Other Capital Assets, Net of Accumulated Depreciation	\$ 43,070,970			\$ 41,797,631
Total Business Assets, Net of Accumulated Depreciation	\$ 43,466,987			\$ 42,479,469

NOTE 6: REFUNDING AND DEFEASANCE OF DEBT

The City has legally defeased certain bonds by issuing new bonds and placing the proceeds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. The proceeds in trust have been used to purchase U.S. government securities to provide fixed earnings sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the trust account assets and liabilities for these defeased bonds are not recorded in the accompanying financial statements.

On October 30, 2019 the City issued Series 2019 General Obligation warrant at a par value of \$5,360,000. The purpose of issuing the 2019 General Obligation warrants was to refund on a current basis \$4,865,000 of the Series 2009 General Obligation Warrants and pay the cost associated with the 2019 Streetscape Improvement Project.

NOTE 7: LONG-TERM OBLIGATIONS

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

The City of Northport has issued both General Obligation warrants as well as Revenue Bonds. General Obligation Warrants are secured by the City's pledge to use legally available resources, including tax revenues to repay the outstanding balance of the bonds. Revenue Bonds are secured by the pledge of water and sewer revenues.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Changes in long-term obligations for the nine months ended September 30, 2020 are as follows.

Governmental Activities:	Balance			Balance	Amount Due
	2019	Additions	Decreases	2020	Within
					One Year
Bonds and Notes Payable					
2009-A G.O. Warrants	\$ 2,225,000	\$ -	\$ 2,225,000	\$ -	\$ -
2014-A G.O. Warrants	14,625,000		125,000	14,500,000	-
2016 G.O. Warrants	5,050,000		-	5,050,000	-
2019 G.O. Warrants	-	2,385,000	280,000	2,105,000	490,000
Crimson Project Agreement	1,200,000		150,000	1,050,000	150,000
Suntrust Capital Lease	433,436		139,194	294,242	144,414
U.S. Bankcorp Capital Lease	746,034		99,024	647,010	101,470
Premium on Warrants	671,308		110,155	561,153	-
Less: Deferred Outflow on Refundings	(458,754)	52,466	-	(406,288)	-
Total Bonds and Notes Payable	\$ 24,492,024	\$ 2,437,466	\$ 3,128,373	\$ 23,801,117	\$ 885,884

Business -Type Activities:	Balance			Balance	Amount Due
	2019	Additions	Decreases	2020	Within
					One Year
Bonds and Notes Payable					
2005 S.R.F. G.O. Warrants	\$ 1,230,000	\$ -	\$ 160,000	\$ 1,070,000	\$ 165,000
2009-B G.O. Warrants	2,640,000		2,640,000	-	-
2011 G.O. Warrants	5,100,000		870,000	4,230,000	1,210,000
2012-C Warrants Payable	8,635,000		210,000	8,425,000	225,000
2014-A G.O. Warrants	395,000		205,000	190,000	190,000
2016 G.O. Warrants	3,480,000		-	3,480,000	-
2019 G.O. Warrants	-	2,975,000	130,000	2,845,000	160,000
Premium on Warrants	540,526		105,349	435,177	
Less: Deferred Outflow on Refundings	(2,836,632)	381,646	-	(2,454,986)	-
Total Bonds, Notes and Other Liabilities	\$ 19,183,894	\$ 3,356,646	\$ 4,320,349	\$ 18,220,191	\$ 1,950,000

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Payments on long-term obligations for the next five years and thereafter as of September 30, 2020 are as follows.

<u>GENERAL CITY DEBT:</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>2014 General Obligation Warrants</u>			
Series dated August 5, 2014	2021	-	
payable semi-annually at a variable	2022	-	
interest rate between 2.00% and 4.00%	2023	-	
depending on the maturity date.	2024	-	
	2025	-	
	Thereafter	<u>14,500,000</u>	\$ 14,500,000
<u>2016 General Obligation Warrants</u>			
Series dated September 1, 2016	2021	-	
payable semi-annually at a variable	2022	-	
interest rate between 3.00% and 4.00%	2023	775,000	
depending on the maturity date.	2024	805,000	
	2025	825,000	
	Thereafter	<u>2,645,000</u>	\$ 5,050,000
<u>2019 General Obligation Warrants</u>			
Series dated October 30, 2019	2021	490,000	
payable semi-annually at an	2022	535,000	
interest rate of 2.19% with a maturity	2023	15,000	
date of March 1, 2029.	2024	15,000	
	2025	15,000	
	Thereafter	<u>1,035,000</u>	\$ 2,105,000
<u>Mercedes-Benz U.S. International</u>			
Long-term commitment of \$150,000	2021	150,000	
per year to Mercedes-Benz U.S. International	2022	150,000	
through the Project Crimson Agreement	2023	150,000	
	2024	150,000	
	2025	150,000	
	Thereafter	<u>300,000</u>	\$ 1,050,000
<u>SunTrust Capital</u>			
Long-term commitment of \$155,448	2021	144,414	
per year to SunTrust Capital to satisfy	2022	149,828	
capital lease obligation. Lease matures	2023	-	
April 2022	2024	-	
	2025	-	
	Thereafter	<u>-</u>	\$ 294,242
<u>U.S. Bankcorp</u>			
Long-term commitment of \$117,468	2021	101,470	
per year to U.S. Bankcorp to satisfy	2022	103,977	
capital lease obligation. Lease matures	2023	106,545	
November 1, 2025.	2024	109,176	
	2025	111,873	
	Thereafter	<u>113,969</u>	\$ 647,010
<u>TOTAL GENERAL CITY DEBT</u>			<u>\$ 23,646,252</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG-TERM OBLIGATIONS (continued)

	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>WATER AND SEWER DEBT:</u>			
<u>2005 State Revolving Fund Warrants</u>			
State Revolving Loan Fund to refinance	2021	165,000	
the Series 1993 Warrants. The 1993	2022	170,000	
Warrants were used for construction of	2023	175,000	
the new waste water treatment plant,	2024	180,000	
payable semi-annually at 3.25%.	2025	185,000	
	Thereafter	<u>195,000</u>	\$ 1,070,000
<u>2011 General Obligation Water & Sewer Warrants</u>			
Series dated June 21, 2011	2021	1,210,000	
payable semi-annually at a variable	2022	1,310,000	
interest rate between 2% and 8%	2023	1,710,000	
depending on the maturity date.	2024	-	
	2025	-	
	Thereafter	<u>-</u>	\$ 4,230,000
<u>2012 C General Obligation Water & Sewer Warrants</u>			
Series dated March 29, 2012	2020	225,000	
payable semi-annually at a variable	2021	230,000	
interest rate between 2.00% and 4.00%	2022	1,500,000	
depending on the maturity date.	2023	1,550,000	
	2024	1,610,000	
	Thereafter	<u>3,310,000</u>	\$ 8,425,000
<u>2014 A General Obligation Warrants</u>			
Series dated August 5, 2014	2021	190,000	
payable semi-annually at a variable	2022	-	
interest rate between 2.00% and 4.00%	2023	-	
depending on the maturity date.	2024	-	
	2025	-	
	Thereafter	<u>-</u>	\$ 190,000
<u>2016 General Obligation Warrants</u>			
Series dated September 1, 2016	2021	-	
payable semi-annually at a variable	2022	-	
interest rate between 3.00% and 4.00%	2023	175,000	
depending on the maturity date.	2024	180,000	
	2025	190,000	
	Thereafter	<u>2,935,000</u>	\$ 3,480,000
<u>2019 General Obligation Warrants</u>			
Series dated October 30, 2019	2021	160,000	
payable semi-annually at an	2022	35,000	
interest rate of 2.19% with a maturity	2023	40,000	
date of March 1, 2029.	2024	35,000	
	2025	40,000	
	Thereafter	<u>2,535,000</u>	\$ 2,845,000
<u>TOTAL WATER AND SEWER DEBT</u>			<u>\$ 20,240,000</u>
<u>TOTAL GENERAL CITY AND WATER AND SEWER DEBT</u>			<u>\$ 43,886,252</u>

The following represents the aggregate annual payments on the general obligation bonds, revenue bonds, capital leases and commitments and notes outstanding as of September 30, 2020.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Fiscal Years	Debt Service Requirements											
	General Obligation		Revenue Bonds		Capital Lease		Commitments & Notes		Principal		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2021	490,000	796,769	1,950,000	632,569	245,884	24,525	150,000	-	2,835,884	1,453,863	4,289,747	
2022	535,000	786,038	1,745,000	566,584	253,806	16,542	150,000	-	2,683,806	1,369,164	4,052,970	
2023	790,000	774,321	3,600,000	498,723	106,545	8,291	150,000	-	4,646,545	1,281,335	5,927,880	
2024	820,000	750,743	1,945,000	392,709	109,176	5,595	150,000	-	3,024,176	1,149,047	4,173,223	
2025	840,000	726,264	2,025,000	318,693	111,873	2,832	150,000	-	3,126,873	1,047,789	4,174,662	
2026	865,000	701,186	2,085,000	257,805	113,968	-	150,000	-	3,213,968	958,991	4,172,959	
2027	900,000	666,857	2,150,000	192,891	-	-	150,000	-	3,200,000	859,748	4,059,748	
2028	930,000	631,219	2,325,000	122,315	-	-	-	-	3,255,000	753,534	4,008,534	
2029	985,000	603,441	2,415,000	52,889	-	-	-	-	3,400,000	656,330	4,056,330	
2030	985,000	581,869	-	-	-	-	-	-	985,000	581,869	1,566,869	
2031	1,015,000	549,856	-	-	-	-	-	-	1,015,000	549,856	1,564,856	
2032	1,050,000	515,600	-	-	-	-	-	-	1,050,000	515,600	1,565,600	
2033	1,090,000	478,850	-	-	-	-	-	-	1,090,000	478,850	1,568,850	
2034	1,125,000	440,700	-	-	-	-	-	-	1,125,000	440,700	1,565,700	
2035	1,165,000	401,325	-	-	-	-	-	-	1,165,000	401,325	1,566,325	
2036	1,210,000	357,638	-	-	-	-	-	-	1,210,000	357,638	1,567,638	
2037	1,255,000	312,263	-	-	-	-	-	-	1,255,000	312,263	1,567,263	
2038	1,300,000	265,200	-	-	-	-	-	-	1,300,000	265,200	1,565,200	
2039	1,365,000	200,200	-	-	-	-	-	-	1,365,000	200,200	1,565,200	
2040	1,435,000	131,950	-	-	-	-	-	-	1,435,000	131,950	1,566,950	
2041	1,505,000	60,200	-	-	-	-	-	-	1,505,000	60,200	1,565,200	
Totals	\$ 21,655,000	\$ 10,732,489	\$ 20,240,000	\$ 3,035,178	\$ 941,252	\$ 57,785	\$ 1,050,000	\$ -	\$ 43,886,252	\$ 13,825,452	\$ 57,711,704	

* - Includes principal balance of variable rate loan

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8: EQUITY CLASSIFICATIONS

Government-Wide Statements

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

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

Fund Statements

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

NOTE 9: PROPERTY TAX

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

NOTE 10: 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 3.75 hours per pay period, with the exception of firemen, who earn 5.5 hours of sick leave per pay period. 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10: COMPENSATED ABSENCES *(continued)*

At September 30, 2020, the amount of vacation and sick leave accrued in the financial statements is \$1,190,819. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$1,037,141 and \$153,678, respectively.

NOTE 11: 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.

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.

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 11: DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk – The City places no limit on the amount it may invest with one issuer.

U.S. Treasury Notes 100.0 %

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.

The City had the following cash at September 30, 2020:

<u>Governmental - Unrestricted:</u>	
Compass BBVA Bank – General Fund	\$ 11,461,650
Compass BBVA Bank – Accounts Payable Fund	294,137
Compass BBVA Bank – GF ACH Fund	6,094
Petty Cash	3,950

Total Unrestricted Cash **\$ 11,765,831**

<u>Governmental - Restricted:</u>	
Compass BBVA Bank – GF Reserve	\$ 2,352,727
Compass BBVA Bank – GF Project	3,630,120
Compass BBVA Bank – Gasoline Excise Tax Fund	1,829,757
Compass BBVA Bank – Rebuild Alabama Gas Tax	99,426
Compass BBVA Bank – Capital Improvement Fund	832,559
Compass BBVA Bank – Corrections Fund	130,372
Compass BBVA Bank – Municipal Court	175,486
Compass BBVA Bank – Municipal Court Admin. Fund	82,217
Compass BBVA Bank – Municipal Court Traffic Safety Program	1,900
Regions Bank - Series 2014A Acquisition Fund	104,290
Compass BBVA Bank – Indigent Treatment Fund	93,654
Compass BBVA Bank – Restitution Recovery Fund	5,130
Compass BBVA Bank – Payroll Clearing Fund	57,174
Compass BBVA Bank - GF Reimbursable Securities	87,881
Compass BBVA Bank – Employee’s Beer Tax	22,906
Compass BBVA Bank – Employee’s Insurance Fund	72,852
Compass BBVA Bank – Training Tech Fund	33,911
Regions Bank - Series 2016 Warrant Fund	13,901
Compass BBVA Bank – Community Events and Contr.	5,176
Compass BBVA Bank – Community Development Fund	648
Compass BBVA Bank - Streetscape	504,974

Total Restricted Cash **\$ 10,137,061**

<u>Enterprise – Unrestricted:</u>	
Compass BBVA Bank - Water and Sewer Operating	\$ 5,056,973
Petty Cash	750

Total Unrestricted Cash **\$ 5,057,723**

<u>Enterprise – Restricted:</u>	
Compass BBVA Bank - Development Fees	\$ 1,682,072
Compass BBVA Bank – Water & Sewer Reserve	1,254,717
Compass BBVA Bank - Meter Deposit	992,272
Regions Bank - Series 2011 Warrant Fund	1,061,572
Compass BBVA Bank – SRF Debt Service Escrow	744,122
Regions Bank - Series 2012 C Warrant Fund	85,059
Regions Bank - Series 2014 A Warrant Fund	25,317
Regions Bank - Series 2016 Warrant Fund	9,407

Total Restricted Cash **\$ 5,854,538**

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 12: RESTRICTED ASSETS

At September 30, 2020, the City had restricted certain deposits and investments for capital projects, debt service and refundable customer deposits. These amounts have been disclosed in statement of net position under restricted assets.

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS

At September 30, 2020, 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	\$ 38,609	\$ 1,519,543
Proprietary	<u>1,519,543</u>	<u>38,609</u>
Total	<u>\$ 1,610,833</u>	<u>\$ 1,610,833</u>

NOTE 14: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers for debt payments for September 30, 2020 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ -0-	\$ 1,647,445
Debt Service Funds	<u>1,647,445</u>	<u>-0-</u>
Total	<u>\$ 1,647,445</u>	<u>\$ 1,647,445</u>

NOTE 15: 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.

Black Warrior Solid Waste Disposal Authority

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

Effective February 1, 1994, the authority assumed the assets, liabilities and capital accounts of the Solid Waste Disposal Authority of the City of Tuscaloosa. The contributed capital represents the cash grants originally contributed by the governmental entities in 1982 for construction and start-up costs of the predecessor authority's waste disposal facility. The amount of contributed capital transferred was \$45,625 (City of Tuscaloosa - \$27,300, City of Northport - \$5,200 and Tuscaloosa County - \$13,125).

The Solid Waste Authority of Tuscaloosa converted waste to energy at its incinerator facility and managed the Coker landfill. The new authority assumed operating responsibilities of the Coker Sanitary landfill and continues to pursue plans to expand the landfill under federal Subtitle D regulations. During 1993, in conjunction with their agreement to form the Authority, each of the participating governments executed a ten-year contract providing for all municipal waste collected by them or their agents to be disposed of at the Authority's landfill facility. The agreement allows succeeding ten-year renewal periods and provides for its participating governments to operate the landfill facility, and set commercial and governmental fees annually. This information was obtained from the financial statements audited by Lawrence Hitt & Pugh, L.L.P. A summary of the audited financial statements for the year ended September 30, 2020 and 2019 is listed below:

	<u>2020</u>	<u>2019</u>
Total Assets and Deferred Outflows	\$ 38,707,491	\$ 36,418,850
Total Liabilities and Deferred Inflows	<u>13,317,376</u>	<u>12,569,899</u>
Net Position	<u>\$ 25,390,115</u>	<u>\$ 23,848,951</u>
Total Revenues	\$ 6,197,184	\$ 6,081,254
Total Expenses	<u>4,656,020</u>	<u>5,284,056</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 1,541,164</u>	<u>\$ 797,198</u>

Metro Animal Shelter, Inc.

Effective October 1, 2018, the City of Tuscaloosa, City of Northport, and Tuscaloosa County extended its agreement for an additional three years to fund the operations of the Metro Animal Shelter, Inc. in the following amounts: year one \$890,000; year two \$1,024,000 and year three \$1,158,000. The participates pro-rata share of the Shelter are City of Tuscaloosa (53%), City of Northport (10%), and Tuscaloosa County (37%) for year one and City of Tuscaloosa (47.6%), City of Northport (11.9%), and Tuscaloosa County (40.5%) for years two and three. The City of Northport's annual share is as follows: year one \$89,000; year two \$121,856 and year three \$137,802.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16: DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

The ERS, an agency multiple-employer plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975*, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and other quasi-public organizations. The responsibility for general administration and operation of the 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). The *Code of Alabama 1975, Title 36, Chapter 27* 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 the *Code of Alabama 1975, Section 36-27-6*.

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 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

BENEFITS PROVIDED (continued)

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 a 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 credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

	ERS	Northport
Retirees and beneficiaries		
currently receiving benefits	25,871	127
Terminated employees entitled to		
but not yet receiving benefits	1,794	6
Terminated employees not		
entitled to a benefit	11,001	34
Active Members	55,222	288
Post-DROP participants who		
are still in active service	98	-
	93,986	455

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 are 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 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 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

CONTRIBUTIONS (continued)

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement of the ERS are required by statute to contribute 7% of earnable compensation. These contribution rates are the same for Tier 2 covered member of RSA local participating employers.

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 September 30, 2020, the City's active employee contribution rate was 5.00 – 7.00% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 10.61% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2020 was 12.04% of pensionable pay for Tier 1 employees and 8.87% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, 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 City were \$1,617,873 for the year ended September 30, 2020.

NET PENSION LIABILITY

The City's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 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, 2018	\$ 58,414,556	\$ 58,827,357
(b) Discount Rate	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2018 - September 30, 2019	1,257,248	1,257,248
(d) Transfers Among Employers	-	(104,259)
(e) Actual Benefit Payments and Refunds for October 1, 2018 - September 30, 2019	<u>(3,321,432)</u>	<u>(3,321,432)</u>
(f) Total Pension Liability as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 60,720,418</u>	<u>\$ 61,060,745</u>
(g) Difference between Expected and Actual		\$ 340,327
(h) Less Liability Transferred for Immediate Recognition		(104,259)
(i) Experience (Gain)/ Loss = (g) - (h)		<u>\$ 444,586</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

ACTUARIAL ASSUMPTIONS

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary Increases	3.25% - 5.00%
Investment Rate of Return (net of Pension Plan Investment Expense)	7.70%

*Net of pension plan investment expense.

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2017 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimated of geometric real rates of return for each major asset class are as follows:

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.00%	4.4%
US Large Stocks	32.00%	8.0%
US Mid Stocks	9.00%	10.0%
US Small Stocks	4.00%	11.0%
Int'l Developed Mkt Stocks	12.00%	9.5%
Int'l Emerging Mkt Stocks	3.00%	11.0%
Alternatives	10.00%	10.1%
Real Estate	10.00%	7.5%
Cash Equivalents	3.00%	1.5%
Total	<u><u>100.00%</u></u>	

* - Includes assumed rate of inflation of 2.50%

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

DISCOUNT RATE

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70 percent. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the rates currently in effect 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, each employer's fiduciary net position was 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.

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, 2018	\$ 58,414,556	\$ 41,121,440	\$ 17,293,116
Changes for the year:			
Service Cost	1,257,248	-	1,257,248
Interest	4,370,046	-	4,370,046
Changes of assumptions	-	-	-
Difference between expected and actual experience	444,586	-	444,586
Contributions - Employer	-	1,629,156	(1,629,156)
Contributions - Employee	-	880,087	(880,087)
Net Investment Income	-	1,044,153	(1,044,153)
Benefit Payments, Including Refunds of	-	-	-
Employee Contributions	(3,321,432)	(3,321,432)	-
Administrative Expense	-	-	-
Transfers Among Employers	(104,259)	(104,259)	-
Net Changes	2,646,189	127,705	2,518,484
Balances at September 30, 2019	<u>\$ 61,060,745</u>	<u>\$ 41,249,145</u>	<u>\$ 19,811,600</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 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability (Asset)	<u>\$ 27,379,635</u>	<u>\$ 19,811,600</u>	<u>\$ 13,462,145</u>

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, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

PENSION EXPENSE AND DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

For the year ended September 30, 2020, the City recognized Pension Expense of \$1,438,289. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,463,614	\$ 1,430,460
Changes of Assumptions	1,327,718	-
Net difference between projected and actual earnings on pension plan investments	479,698	-
Employer contributions subsequent to measurement date	1,617,875	-
Total	<u>\$ 4,888,905</u>	<u>\$ 1,430,460</u>

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 30:	
2021	\$ 208,898
2022	349,555
2023	663,753
2024	658,990
2025	(5,774)
Thereafter	(34,852)

NOTE 17: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description - The City of Northport (the city) provides certain continuing health care and life insurance benefits for its retirees employees. The City of Northport's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the City. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the City. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB).

Benefits Provided – 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 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 now eligible to retire under the same eligibility as Tier I members.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 17: *OTHER POST-EMPLOYMENT BENEFITS (OPEB)* (continued)

Employees covered by benefit terms – At September 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	42
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>280</u>
	<u><u>322</u></u>

Total OPEB Liability

The City’s total OPEB liability of \$7,750,727 was measured as of September 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	2.66% annually (Beginning of year to determine ADC) 2.21% annually (As of end of year measurement date)
Healthcare cost trend rates	Flat 5.50% annually
Mortality	SOA RP-2000 Table

The discount rate was based on the average of the Bond Buyers’ 20 Year General Obligation municipal bond index as of September 30, 2020, the end of the measurement period.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2020.

Changes in the Total OPEB Liability

Balance at September 30, 2019	\$ 7,551,656
Changes for the year:	
Service cost	130,235
Interest	197,601
Difference between expected and actual experience	(307,767)
Changes in assumptions	425,127
Benefit payments and net transfers	<u>(246,125)</u>
Net Changes	<u>199,071</u>
Balance at September 30, 2020	<u><u>\$ 7,750,727</u></u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 17: *OTHER POST-EMPLOYMENT BENEFITS (OPEB)* *(continued)*

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase</u>
	(1.21%)	Rate (2.21%)	(3.21%)
Total OPEB liability	\$ 9,119,659	\$ 7,750,727	\$ 6,608,175

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Trend (5.5%)</u>	<u>1% Increase</u>
	(4.5%)	(5.5%)	(6.5%)
Total OPEB liability	\$ 6,581,302	\$ 7,750,727	\$ 9,144,810

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of \$417,913. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual expense	\$ 534,858	\$ (371,920)
Changes in assumptions	<u>1,341,833</u>	<u>(381,510)</u>
Annual required contribution (ARC)	<u>\$ 1,876,691</u>	<u>\$ (753,430)</u>

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

Year Ended September 30:	
2021	\$ 90,077
2022	90,077
2023	90,077
2024	90,077
2025	90,077
Thereafter	672,880

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 18: DEFERRED COMPENSATION PLAN

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

NOTE 19: SELF-INSURANCE

During the period ended September 30, 2020, 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 20: 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.

NOTE 21: 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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 21: CAPITAL LEASE OBLIGATION (continued)

The following schedule presents future minimum lease payments as of September 30, 2020:

Year	Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
2021	272,916	27,032	245,884
2022	272,916	19,110	253,806
2023	117,468	10,923	106,545
2024	117,468	8,291	109,177
2025	117,468	5,595	111,873
2026	117,468	3,502	113,966
			\$ 941,251

Leased land, buildings, equipment and vehicles under capital leases in capital assets at September 30, 2020, were as follows:

Vehicles	\$ 2,331,773
Less: Accumulated Depreciation	\$ (1,498,413)
	\$ 833,360

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

NOTE 22: 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 September 30, 2020, 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.

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. As of September 30, 2020, funds committed for general fund reserve were \$2,352,727.

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 22: FUND BALANCES – GOVERNMENTAL FUND (continued)

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.

<u>Restricted for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Capital Projects	\$ -	\$ 2,776,083	\$ -	\$ 2,776,083
Municipal Court	216,677	-	-	216,677
Special Compensation for Employees	-	22,906	-	22,906
Debt Service	-	-	118,178	118,178
Restricted Fund Balance	<u>\$ 216,677</u>	<u>\$ 2,798,989</u>	<u>\$ 118,178</u>	<u>\$ 3,133,844</u>

NOTE 23: COMMITMENTS AND CONTINGENCIES

Project Crimson Agreement

On December 2, 2009, the Tuscaloosa County Industrial Development Authority entered into an agreement on behalf of the City of Northport to help fund an expansion of the Mercedes Benz Manufacturing Facility through an agreement known as project Crimson. The agreement required the City of Northport – as a member of the Industrial development Authority – to commit to an annual amount of \$150,000 for a 10-year period. At September 30, 2020, the outstanding commitment was \$1,050,000.

Pending or Threatened Litigation

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

Water and Sewer Operational Permits

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 24: RELATED PARTY TRANSACTIONS

A member of the Council at September 30, 2020 is employed by the Tuscaloosa County Park and Recreation Authority (PARA) – an agency that receives funding through the City of Northport. During the current period ended the City of Northport provided funds to PARA in the amount of \$156,250.

NOTE 25: TAX ABATEMENTS

The City has three programs through which tax abatements are provided:

The Bulls-Eye @ 1871, LLC Project Development Agreement

Effective February 22, 2019, under the Constitution of Alabama of 1901 of Amendment 772, the City entered into an agreement with The Bulls-Eye @ 1871, LLC (the “developer”) for the development of commercial property at the southwest corner of McFarland Boulevard and Trade Center Drive in Northport. The developer agreed to make an aggregate capital investment in the approximate amount of \$5,365,000 for the construction one or more buildings collectively comprising approximately 22,000 square feet. In turn, the City agreed to pay the developer tax rebates semi-annually for a term of up to 10 years following the base year of January 1, 2018 through December 31, 2018. Rebates are to be calculated as one-half of the sum of lodging tax and sales tax proceeds that exceed the base year but are not to exceed \$100,000 in any one year with an overall maximum commitment of \$1,000,000. The City anticipates the development will generate significant annual taxable revenues and aid in the creation of a number of full, part-time, and seasonal jobs.

MANSA-NPT, LLC Redevelopment Reimbursement Agreement

Effective August 28, 2019, under the Constitution of Alabama of 1901 Amendment 772, the City entered into an agreement with MANSA-NPT, LLC (the “developer”) for the renovation and improvement of commercial land owned by the City and located at 700 Bridge Avenue in Northport for the purpose of constructing and operating an eligible hotel. In turn, the City agreed to transfer all its rights, title and interest in the project site to the developer and provide lodging tax rebates equal to one-half of city lodging tax collected quarterly not to exceed \$2,000,000 over the life of the agreement. The agreement will terminate upon reaching rebates of \$2,000,000 or 20 years, whichever is earlier. The City anticipates the project will generate significant annual taxable revenues and create approximately thirty five full and part-time jobs.

North Square Properties, LLC Redevelopment Agreement

Effective December 3, 2019, under the Constitution of Alabama of 1901 Amendment 772, the City entered into an agreement with North Square Properties, LLC (the “developer”) for the renovation and substantial improvement of commercial property located at 3380 McFarland Boulevard. The developer agreed to a total capital investment of at least \$10,000,000 for the renovation of a vacate and dilapidated building on the project site and to create a newly renovated retail and commercial shopping facility to include new retail and commercial leasing space totaling approximately 40,000 square feet. In turn, the City agreed to pay sales tax rebates equal to one-half of city sales tax revenue remitted once net taxable sales of \$2,250,000 have been reported. The term of the agreement will be up to \$1,500,000 in rebates or a 10 year period. The City anticipates the project will eliminate the current dilapidated site condition, encourage and foster retail and commercial growth and development in the City, and provide for increased tax revenues and job creation.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 26: PRIOR PERIOD ADJUSTMENT

The beginning net position of the Governmental Activities in the government-wide Statement of Net Position has been restated to record a prior period adjustment to correct the City's accounts receivable and construction in progress balance. A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

Beginning net position	\$ 23,351,742
Prior Period Adjustment	<u>792,745</u>
Beginning net position, as restated	<u>\$ 24,144,487</u>

The above adjustment increased the change in Governmental Activities net position by \$792,745 for the prior year and had no impact on the current year change in net position.

NOTE 27: SUBSEQUENT EVENTS

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of September 30, 2020, 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 September 30, 2020.

As a result of the spread of the novel coronavirus in the United States beginning early 2020, economic uncertainties have arisen which are likely to negatively impact change in net position. Other financial impacts could occur, though such potential impact is unknown at this time.

Subsequent to year end, the City was pursuing additional debt for the refunding of bonds and capital improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>Revenues</u>				
Taxes				
City Sales and Use Taxes	\$ 16,272,659	\$ 16,272,659	\$ 17,399,816	\$ 1,127,157
Property Taxes	3,700,000	3,700,000	3,769,553	69,553
Other Taxes	541,000	541,000	519,387	(21,613)
<u>Total Taxes</u>	20,513,659	\$ 20,513,659	\$ 21,688,756	\$ 1,175,097
Licenses and Permits				
Business License	\$ 5,650,000	\$ 5,650,000	\$ 5,714,559	\$ 64,559
Other Licenses and Permits	288,500	288,500	261,725	(26,775)
<u>Total Licenses and Permits</u>	5,938,500	\$ 5,938,500	\$ 5,976,284	\$ 37,784
Charges for Services				
Fines and Penalties	\$ 1,682,000	\$ 1,682,000	\$ 1,488,346	\$ (193,654)
Intergovernmental Revenues	950,000	950,000	886,990	(63,010)
Other Revenue	4,388,942	4,388,942	5,162,585	773,643
	1,563,308	1,563,308	950,843	(612,465)
<u>Total Revenues</u>	\$ 35,036,409	\$ 35,036,409	\$ 36,153,804	\$ 1,117,395
<u>Expenditures</u>				
Operating				
Finance and Administration	\$ 3,663,482	\$ 3,663,482	\$ 2,678,271	\$ 985,211
General Government	7,843,758	7,843,758	2,209,451	5,634,307
Planning and Development	499,315	499,315	431,135	68,180
Public Safety	14,612,471	14,612,471	14,290,580	321,891
Public Works	7,175,445	7,175,445	5,916,421	1,259,024
Local Agency Funding	945,606	945,606	829,384	116,222
<u>Total Operating Expenditures</u>	\$ 34,740,077	\$ 34,740,077	\$ 26,355,242	\$ 8,384,835

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Capital				
Finance and Administration	\$ 265,000	\$ 265,000	\$ 149,739	\$ 115,261
General Government	40,517	40,517	-	40,517
Public Safety	850,815	850,815	494,409	356,406
Public Works	422,000	422,000	1,352,040	(930,040)
<u> Total Capital Expenditures</u>	<u>\$ 1,578,332</u>	<u>\$ 1,578,332</u>	<u>\$ 1,996,188</u>	<u>\$ (417,856)</u>
<u> Total Expenditures</u>	<u>\$ 36,318,409</u>	<u>\$ 36,318,409</u>	<u>\$ 28,351,430</u>	<u>\$ 7,966,979</u>
Other Financing Sources (Uses)				
Tuscaloosa Co. Road Improvement Comm.	\$ 1,154,558	\$ 1,154,558	\$ 1,154,557	\$ (1)
Sales Proceeds	51,000	51,000	87,608	36,608
Loan Proceeds	-	-	2,385,000	\$ 2,385,000
Transfer In (Out)	\$ 525,000	\$ 525,000	\$ (3,105,311)	\$ (3,630,311)
Interest Income	-	-	-	-
<u> Total Other Financing Sources (Uses)</u>	<u>\$ 1,730,558</u>	<u>\$ 1,730,558</u>	<u>\$ 521,854</u>	<u>\$ (1,208,704)</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ 448,558</u>	<u>\$ 448,558</u>	<u>\$ 8,324,228</u>	<u>\$ 7,875,670</u>
<u>Fund Balance - October 1, 2019</u>			<u>\$ 11,850,649</u>	
Prior Period Adjustment			923,954	
<u>Fund Balance - September 30, 2020</u>			<u>\$ 21,098,831</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 Ended September 30, 2019

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Pension Liability										
Service Cost	\$ 1,257,248	\$ 1,228,619	\$ 1,273,048	\$ 1,213,731	\$ 1,193,185	\$ 1,115,387	\$ -	\$ -	\$ -	\$ -
Interest	4,370,046	4,351,120	4,080,013	3,861,041	3,641,981	3,470,171	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	444,586	(1,836,892)	1,456,617	(160,164)	570,013	-	-	-	-	-
Changes in assumptions	-	330,017	-	2,257,027	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(3,321,432)	(3,169,162)	(2,980,747)	(2,783,827)	(2,550,033)	(2,325,846)	-	-	-	-
Transfers among employers	(104,259)	(217,211)	(236,563)	92,968	-	-	-	-	-	-
Net change in total pension liability	2,646,189	686,491	3,592,368	4,480,776	2,855,146	2,259,712	-	-	-	-
Total pension liability - beginning	58,414,556	57,728,065	54,135,697	49,654,921	46,799,775	44,540,063	-	-	-	-
Total pension liability - ending (a)	\$ 61,060,745	\$ 58,414,556	\$ 57,728,065	\$ 54,135,697	\$ 49,654,921	\$ 46,799,775	\$ -	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - employer	\$ 1,629,156	\$ 1,334,730	\$ 1,377,297	\$ 1,594,217	\$ 1,478,577	\$ 1,450,492	\$ -	\$ -	\$ -	\$ -
Contributions - member	880,087	850,345	807,203	859,394	845,896	779,985	-	-	-	-
Net Investment Income	1,044,153	3,534,184	4,461,391	3,279,226	381,282	3,473,386	-	-	-	-
Benefit payments, including refunds of employee contributions	(3,321,432)	(3,169,162)	(2,980,747)	(2,783,827)	(2,550,033)	(2,325,846)	-	-	-	-
Transfer to employers	(104,259)	(217,211)	(236,563)	92,968	(177,703)	(67,994)	-	-	-	-
Net change in plan fiduciary net position	127,705	2,332,886	3,428,581	3,041,978	(21,981)	3,310,023	-	-	-	-
Plan net position - beginning	41,121,440	38,788,554	35,359,973	32,317,995	32,339,976	29,029,954	-	-	-	-
Plan net position - ending (b)	\$ 41,249,145	\$ 41,121,440	\$ 38,788,554	\$ 35,359,973	\$ 32,317,995	\$ 32,339,977	\$ -	\$ -	\$ -	\$ -
Plan net liability (asset) - ending (a) - (b)	\$ 19,811,600	\$ 17,293,116	\$ 18,939,511	\$ 18,775,724	\$ 17,336,926	\$ 14,459,798	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	67.55%	70.40%	67.19%	65.32%	65.09%	69.10%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 14,105,547	\$ 10,856,982	\$ 14,064,897	\$ 14,780,342	\$ 14,270,878	\$ 13,749,762	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered-employee payroll	140.45%	159.28%	134.66%	127.03%	121.48%	105.16%	0.00%	0.00%	0.00%	0.00%

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

City of Northport, Alabama
Schedule of Employer Contribution
Last 10 Periods Ended September 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 1,617,873	\$ 1,698,537	\$ 1,065,297	\$ 1,414,866	\$ 1,504,659	\$ 1,500,170	\$ 1,455,507	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	1,617,873	1,698,537	1,065,297	1,414,866	1,546,086	1,500,170	1,455,507	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (41,427)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 15,253,557	\$ 14,643,475	\$ 10,856,982	\$ 14,064,897	\$ 14,780,342	\$ 14,270,878	\$ 13,749,762	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	10.61%	11.60%	9.81%	10.06%	10.46%	10.51%	10.59%	0.00%	0.00%	0.00%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019.

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	25.4 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

City of Northport, Alabama
Schedule of Changes in Total OPEB Liability
Last 10 Periods Ended September 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
OPEB Expenses										
Service cost	\$ 130,235	\$ 107,846	\$ 119,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	197,601	233,055	208,555	-	-	-	-	-	-	-
Changes of benefit terms	(307,767)	611,266	(142,087)	-	-	-	-	-	-	-
Differences between expected and actual experience	425,127	1,128,640	(469,551)	-	-	-	-	-	-	-
Changes of assumptions	(246,125)	(209,256)	(198,347)	-	-	-	-	-	-	-
Benefit payments	199,071	1,871,551	(481,711)	-	-	-	-	-	-	-
Net change in total OPEB liability	7,551,656	5,680,105	6,161,816	-	-	-	-	-	-	-
Total OPEB liability - beginning	7,750,727	7,551,656	5,680,105	-	-	-	-	-	-	-
Total OPEB liability - ending (a)	\$ 13,838,568	\$ 18,765,063	\$ 18,043,330	-	-	-	-	-	-	-
Covered-employee payroll										
Net OPEB liability as a percentage of covered-employee payroll	56.01%	40.24%	31.48%	-	-	-	-	-	-	-

Notes to Schedule:
Benefit Change:

Changes of Assumptions:

Discount Rate:	2.21%	2.66%	4.18%
Mortality:	RP-2000	RP-2000	RP-2000
Trend:	5.50%	5.50%	5.50%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED SEPTEMBER 30 2020 AND 2019, NINE MONTHS ENDED SEPTEMBER 30, 2018
AND YEAR ENDED DECEMBER 31, 2017

	Year Ended September 30 2020	Year Ended September 30 2019	Nine Months Ended September 30 2018	Year Ended December 31 2017
<u>Revenues</u>				
Taxes:				
City Sales and Use Taxes	\$ 17,399,816	\$ 10,731,356	\$ 7,640,778	\$ 9,735,558
Property Taxes	3,769,553	3,812,727	3,386,783	3,331,970
Other	\$ 519,387	\$ 513,548	360,750	485,384
<u>Total Taxes</u>	<u>\$ 21,688,756</u>	<u>\$ 15,057,631</u>	<u>\$ 11,388,311</u>	<u>\$ 13,552,912</u>
Licenses and Permits:				
Business Licenses & Permits	\$ 5,714,559	\$ 5,521,409	\$ 4,979,118	\$ 5,147,198
Other Licenses and Permits	261,725	255,453	134,403	154,456
<u>Total Licenses and Permits</u>	<u>\$ 5,976,284</u>	<u>\$ 5,776,862</u>	<u>\$ 5,113,521</u>	<u>\$ 5,301,654</u>
Intergovernmental	\$ 5,162,585	\$ 5,211,078	\$ 3,845,858	\$ 4,953,323
Charges for Services	1,488,346	1,482,456	893,081	1,477,594
Fines and Penalties	886,990	942,652	807,695	1,114,257
Other Revenues	950,843	1,177,232	660,732	1,107,896
<u>Total Revenues</u>	<u>\$ 36,153,804</u>	<u>\$ 29,647,911</u>	<u>\$ 22,709,198</u>	<u>\$ 27,507,636</u>
<u>Expenditures</u>				
Public Safety	\$ 14,290,580	\$ 13,991,258	\$ 9,860,925	\$ 12,615,686
Public Works	5,916,421	5,447,606	3,984,327	5,286,666
Capital Outlay	1,996,188	2,298,467	533,881	1,739,210
General Government	2,678,271	1,898,343	1,723,715	2,387,258
Finance and Administration	2,209,451	2,602,866	1,524,053	2,287,139
Planning and Development	829,384	481,395	429,406	545,635
Local Agency Support	431,135	619,750	483,069	686,116
<u>Total Expenditures</u>	<u>\$ 28,351,430</u>	<u>\$ 27,339,685</u>	<u>\$ 18,539,376</u>	<u>\$ 25,547,710</u>
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	<u>\$ 7,802,374</u>	<u>\$ 2,308,226</u>	<u>\$ 4,169,822</u>	<u>\$ 1,959,926</u>
<u>Other Financing Sources and (Uses)</u>				
Transfer Out to Debt Service Fund	\$ (3,610,304)	\$ (3,011,279)	\$ (2,174,111)	\$ (1,872,841)
Transfer In (Out) - Other Funds	504,993	(1,787,554)	1,739,471	-
Other Sources	1,242,165	2,416,813	1,841,204	3,310,511
Loan Proceeds	2,385,000	-	-	60,536
<u>Total Other Financing</u> <u>Sources and (Uses)</u>	<u>\$ 521,854</u>	<u>\$ (2,382,020)</u>	<u>\$ 1,406,564</u>	<u>\$ 1,498,206</u>
<u>Excess (Deficiency) of Revenue and</u> <u>Other Sources over Expenditures</u> <u>and Other Uses</u>	<u>\$ 8,324,228</u>	<u>\$ (73,794)</u>	<u>\$ 5,576,386</u>	<u>\$ 3,458,132</u>
Fund Balance - Beginning of Year	11,850,649	11,924,443	6,348,057	2,889,925
Prior Period Adjustment	923,954	-	-	-
<u>Fund Balance - End of Year</u>	<u>\$ 21,098,831</u>	<u>\$ 11,850,649</u>	<u>\$ 11,924,443</u>	<u>\$ 6,348,057</u>

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
YEARS ENDED SEPTEMBER 30 2020 AND 2019
AND NINE MONTHS ENDED SEPTEMBER 30, 2018

	September 30, 2020		September 30, 2019		September 30, 2018	
	Percent	Total	Percent	Total	Percent	Total
<u>Revenues</u>						
Taxes:						
City Sales and Use Taxes	48.1%	\$ 17,399,816	36.2%	\$ 10,731,356	33.6%	\$ 7,640,778
Property Taxes	10.4%	3,769,553	12.9%	3,812,727	14.9%	3,386,783
Other	1.4%	519,387	1.7%	513,548	1.6%	360,750
<u>Total Taxes</u>	<u>60.0%</u>	<u>\$ 21,688,756</u>	<u>50.8%</u>	<u>\$ 15,057,631</u>	<u>50.1%</u>	<u>\$ 11,388,311</u>
Licenses and Permits:						
Business Licenses & Permits	15.8%	\$ 5,714,559	18.6%	\$ 5,521,409	21.9%	\$ 4,979,118
Other Licenses and Permits	0.7%	261,725	0.9%	255,453	0.6%	134,403
<u>Total Licenses and Permits</u>	<u>16.5%</u>	<u>\$ 5,976,284</u>	<u>19.5%</u>	<u>\$ 5,776,862</u>	<u>22.5%</u>	<u>\$ 5,113,521</u>
Intergovernmental	14.3%	5,162,585	17.6%	5,211,078	16.9%	3,845,857
Charges for Services	4.1%	1,488,346	5.0%	1,482,456	3.9%	893,081
Fines and Penalties	2.5%	886,990	3.2%	942,652	3.6%	807,695
Other Revenues	2.6%	950,843	4.0%	1,177,232	2.9%	660,733
<u>Total Other Revenue</u>	<u>23.5%</u>	<u>8,488,764</u>	<u>29.7%</u>	<u>8,813,418</u>	<u>27.3%</u>	<u>6,207,366</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 36,153,804</u>	<u>100.0%</u>	<u>\$ 29,647,911</u>	<u>100.0%</u>	<u>\$ 22,709,198</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED 2010 THROUGH 2020

Water System Statistics

Fiscal Year*	Average Number of of Customers	Total Volume (Gallons)	Gross Revenue
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
2016	13,864	916,745,649	5,393,990
2017	14,038	881,440,683	5,365,999
2018	14,203	670,704,011	4,152,770
2019	14,295	885,683,276	5,630,227
2020	14,448	900,605,435	5,841,319

Ten Largest Water System Customers

	2020 Gallons	2020 Fees
DCH Health Care Authority	18,263,626	\$ 94,300
Tuscaloosa County Board of Education	15,080,869	91,993
Northport Housing Authority West Circle	10,542,782	53,190
Northport Health Services Glen Haven	8,539,914	41,629
Forest Manor	7,884,980	39,670
Northport Housing Authority Knoll Circle	6,874,295	34,328
Northport Health Services Park Manor	6,595,107	32,955
Northport Housing Authority Valley Hills	5,321,294	26,487
Deerfield Apartments	3,867,341	19,640
Presbyterian Apartments	3,791,350	20,270

Water Rates - Effective October 1, 2019

General Rate: \$4.92 per 1,000 gallons

Rural Rate: \$5.25 per 1,000 gallons

Additional Monthly Charges - In addition to the above rates, each water customer shall also be charged the following monthly administrative fee according to the following schedule:

Meter Diameter	Minimum Monthly Charge
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
4"	73.94
6"	115.72
8"	235.85

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED 2010 THROUGH 2020

Sewer System Statistics		
Fiscal Year	Average Number of of Customers	Gross Revenue
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
2016	11,023	4,023,923
2017	11,151	4,139,512
2018	11,286	3,172,085
2019	11,388	4,284,835
2020	11,499	4,379,599

Rate Schedule: Effective October 1, 2019, the rate for all sanitary sewer customers is \$4.92 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 administrative fee as defined according to the following schedule:

Meter Diameter	Minimum Monthly Charge
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
5/8"	10.83
3/4"	9.32
1"	11.34

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
2"	6,161	7,139
3"	10,474	12,136
4"	17,806	20,631
6"	30,269	35,072
8"	51,457	65,340

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER REVENUES,
EXPENDITURES AND DEBT COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

OPERATING REVENUES

Charges for Services and Fees \$ 10,563,687

TOTAL OPERATING REVENUES \$ 10,563,687

OPERATING EXPENSES

Salaries and Benefits \$ 2,861,667

Utilities and Telephone 882,442

Other Expense 248,238

Maintenance and Repairs 932,712

Materials and Supplies 489,389

Water and Sewer Purchases 404,346

Insurance 288,257

Professional Fees 57,128

TOTAL OPERATING EXPENSES \$ 6,164,179

Interest Income \$ 90,600

NET INCOME AVAILABLE FOR DEBT SERVICE \$ 4,490,108

Actual Maximum Annual Debt Service \$ 4,098,723

Actual Maximum Debt Service Coverage 1.10

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year	2005 SRF Warrants	2011 Warrants	2012 C Warrants	2014 A Warrants	2016 Warrants	2019 Warrants	Total
2021	199,775	1,343,538	510,350	195,700	110,900	222,306	2,582,569
2022	199,413	1,398,869	508,600	-	110,900	93,802	2,311,584
2023	198,888	1,744,200	1,771,700	-	285,900	98,035	4,098,723
2024	198,200	-	1,761,700	-	285,650	92,159	2,337,709
2025	197,350	-	1,759,700	-	290,250	96,393	2,343,693
2026	201,338	-	1,731,400	-	314,550	95,517	2,342,805
2027	-	-	1,732,500	-	515,750	94,641	2,342,891
2028	-	-	-	-	2,353,550	93,765	2,447,315
2029	-	-	-	-	-	2,467,889	2,467,889
Total	\$ 1,194,964	\$ 4,486,607	\$ 9,775,950	\$ 195,700	\$ 4,267,450	\$ 3,354,507	\$ 23,275,178

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Assessed Value</u>		<u>\$ 314,013,080</u>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 62,802,616
Long-Term Commitment - Crimson Project	\$ 1,050,000	
Long-Term Commitment - Suntrust Lease Obligation	294,243	
Long-Term Commitment - U.S. Bankcorp	647,009	
Warrants Payable	<u>41,895,000</u>	
<u>Total Debt</u>	\$ 43,886,252	
<u>Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama</u>		
School Construction		-
<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>\$ 20,240,000</u>	
Net Debt Coming Within Legal Debt Limit		<u>23,646,252</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 39,156,364</u>

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

SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND STATEMENTS

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	11,765,831
Property Tax Receivable		3,443,209
Police Dockets Receivable - Net		78,638
Grant Receivables		197,778
Other Receivables		7,745
Due from Other Funds		1,241,668
Prepaid Insurance		173,788
Inventories		100,701
		100,701

TOTAL CURRENT ASSETS

\$ 17,009,358

RESTRICTED ASSETS

Cash and Cash Equivalents		7,103,561
		7,103,561

TOTAL ASSETS

\$ 24,112,919

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	757,902
Accrued Payroll		443,141
Compensated Absences		16,148
Due to Other Funds		1,527,005
Cash Bonds, Restitution and Other Deposits		269,892
		269,892

TOTAL LIABILITIES

\$ 3,014,088

FUND BALANCE

Nonspendable	\$	100,701
Restricted		216,677
Committed		2,352,727
Unrestricted		18,428,726
		18,428,726

TOTAL FUND BALANCE

\$ 21,098,831

TOTAL LIABILITIES AND FUND EQUITY

\$ 24,112,919

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

REVENUES

TAXES

City Sales and Use Taxes	\$ 17,399,816
Property Taxes	3,769,553
Other	519,387
	<hr/>

<u>TOTAL TAXES</u>	\$ 21,688,756
	<hr/>

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 5,714,559
Other Licenses and Permits	261,725
	<hr/>

<u>TOTAL LICENSES AND PERMITS</u>	\$ 5,976,284
	<hr/>

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 4,437,126
Tobacco Tax	262,239
Liquor Tax	240,452
Bank Excise Tax	89,887
County Vehicle License	89,781
A.B.C. 2-Percent Sales Tax	38,775
Oil and Gas Production	4,325
	<hr/>

<u>TOTAL INTERGOVERNMENTAL REVENUE</u>	\$ 5,162,585
	<hr/>

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,419,630
Other Charges	68,716
	<hr/>

<u>TOTAL CHARGES FOR SERVICES</u>	\$ 1,488,346
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FINES AND PENALTIES:

Court Costs and Fines	\$ 737,562
Court Costs - Corrections	149,428
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<u>TOTAL FINES AND PENALTIES</u>	\$ 886,990
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MISCELLANEOUS REVENUE:

Other Income	\$ 450,415
Housing Authority Payments in Lieu of Taxes	14,551
Rental and Lease Income	100,720
Grant Proceeds	328,493
Interest Income	56,664
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<u>TOTAL MISCELLANEOUS REVENUE</u>	\$ 950,843
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<u>TOTAL REVENUES</u>	\$ 36,153,804
	<hr/>

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 14,290,580
Public Works	5,916,421
Finance and Administration	2,678,271
General Government	2,209,451
Local Agency Support	829,384
Planning and Community Development	431,135

<u>TOTAL OPERATING EXPENDITURES</u>	<u>\$ 26,355,242</u>
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CAPITAL EXPENDITURES:

Public Works	\$ 1,352,040
Public Safety	494,409
Finance and Administration	149,739

<u>TOTAL CAPITAL EXPENDITURES</u>	<u>\$ 1,996,188</u>
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<u>TOTAL EXPENDITURES</u>	<u>\$ 28,351,430</u>
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<u>EXCESS REVENUES / (EXPENDITURES)</u>	<u>\$ 7,802,374</u>
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OTHER FINANCING SOURCES (USES):

Loan Proceeds	\$ 2,385,000
Sale Proceeds	87,608
Tuscaloosa County Road Improvement Commission	1,154,557
Transfer In from Other Funds	504,993
Transfer (Out) to Other Funds	(3,610,304)

<u>TOTAL FINANCING SOURCES (USES)</u>	<u>\$ 521,854</u>
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<u>EXCESS REVENUES AND SOURCES OVER EXPENDITURES AND USES</u>	<u>\$ 8,324,228</u>
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<u>FUND BALANCE - OCTOBER 1, 2019</u>	<u>11,850,649</u>
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Prior Period Adjustment	923,954
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<u>FUND BALANCE - SEPTEMBER 30, 2020</u>	<u>\$ 21,098,831</u>
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CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
BALANCE SHEET
SEPTEMBER 30, 2020

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 118,178

TOTAL RESTRICTED ASSETS \$ 118,178

TOTAL ASSETS \$ 118,178

FUND BALANCE

Restricted for Debt Service \$ 118,178

TOTAL FUND BALANCE \$ 118,178

TOTAL LIABILITIES AND FUND BALANCE \$ 118,178

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

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>REVENUES</u>		
Interest on Investments	\$	1,594
<u>TOTAL REVENUES</u>		\$ 1,594
<u>EXPENDITURES</u>		
Interest Paid	\$	857,247
Other Fees		4,850
Payments on Bonds, Warrants, and Notes Payable		859,211
<u>TOTAL EXPENDITURES</u>		\$ 1,721,308
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>		\$ (1,719,714)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In - General Fund		1,647,445
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>		\$ 1,647,445
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES</u>		\$ (72,269)
<u>FUND BALANCE - OCTOBER 1, 2019</u>		190,447
<u>FUND BALANCE - SEPTEMBER 30, 2020</u>		\$ 118,178

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2020

	CAPITAL IMPROVEMENT	GASOLINE 7 CENT TAX FUND	REBUILD ALABAMA GAS TAX FUND	COMMUNITY DEVELOPMENT FUND	EMPLOYEE BEER TAX FUND	ELIMINATE INTERFUND BALANCES	TOTAL (MEMO ONLY)
ASSETS							
CURRENT ASSETS							
Due From General Fund	\$ -	\$ 13,693	\$ -	\$ -	\$ -	\$ -	\$ 13,693
TOTAL CURRENT ASSETS	\$ -	\$ 13,693	\$ -	\$ -	\$ -	\$ -	\$ 13,693
RESTRICTED ASSETS							
Cash and Cash Equivalents	\$ 832,559	\$ 1,829,757	\$ 99,426	\$ 648	\$ 22,906	\$ -	\$ 2,785,296
TOTAL RESTRICTED ASSETS	\$ 832,559	\$ 1,829,757	\$ 99,426	\$ 648	\$ 22,906	\$ -	\$ 2,785,296
TOTAL ASSETS	\$ 832,559	\$ 1,843,450	\$ 99,426	\$ 648	\$ 22,906	\$ -	\$ 2,798,989
FUND BALANCE							
Restricted	832,559	1,843,450	99,426	648	22,906	-	2,798,989
Unrestricted	-	-	-	-	-	-	-
TOTAL FUND BALANCE	\$ 832,559	\$ 1,843,450	\$ 99,426	\$ 648	\$ 22,906	\$ -	\$ 2,798,989

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	CAPITAL IMPROVEMENT	GASOLINE 7 CENT TAX FUND	REBUILD ALABAMA GAS TAX FUND	COMMUNITY DEVELOPMENT FUND	EMPLOYEE BEER TAX FUND	TOTAL (MEMO ONLY)
REVENUES						
Intergovernmental Revenue:						
Gas Tax	\$ -	\$ 579,592	\$ 99,462	\$ -	\$ -	\$ 679,054
Petroleum Inspection Fee	-	8,465	-	-	-	8,465
Share of Beer Tax	-	-	-	-	114,987	114,987
Municipal Government Tax	226,813	-	-	-	-	226,813
TOTAL REVENUE	226,813	588,057	99,462	-	114,987	1,029,319
EXPENDITURES						
Public Safety	181,569	-	-	-	-	181,569
Finance and Administration	-	-	-	-	128,342	128,342
Public Works	-	10,022	36	-	-	10,058
TOTAL EXPENDITURES	181,569	10,022	36	-	128,342	319,969
OTHER SOURCES (USES)						
Transfers to (from)	80,000	-	-	-	-	80,000
Excess (Deficit) of Revenues over Expenditures	125,244	578,035	99,426	-	(13,355)	789,350
FUND BALANCE - OCTOBER 1, 2019	125,244	578,035	99,426	-	(13,355)	789,350
FUND BALANCE - SEPTEMBER 30, 2020	707,315	1,265,415	-	648	36,261	2,009,639
	\$ 832,559	\$ 1,843,450	\$ 99,426	\$ 648	\$ 22,906	\$ 2,798,989

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



LeCroy Richardson
Certified Public Accountants

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

The Honorable Bobby Herndon, Mayor
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 City of Northport, Alabama, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Northport, Alabama's basic financial statements and have issued our report thereon dated September 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the City of Northport, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Northport, Alabama's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. We did identify the following deficiency in internal control that we consider to be a material weakness.

Management is responsible for preparing and recording monthly and year-end adjusting journal entries to ensure that the City's financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. Management relies on the auditor to propose certain adjusting journal entries which, if not made, would prevent the financial statements from being presented in accordance with generally accepted accounting principles.

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 noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

A handwritten signature in blue ink that reads "LeRoy Richardson, P.C." The signature is written in a cursive style.

Northport, Alabama
September 2, 2021