CITY OF NORTHPORT
NORTHPORT, ALABAMA
DECEMBER 31, 2016

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

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CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Donna Aaron

CITY COUNCIL

Jay Logan - President
Rodney Sullivan – President Pro Tempore
Lee Boozer
Robbie Davis
Jeff Hogg
Independent Auditor’s Report

The Honorable Mayor and City Council
City of Northport, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Northport, Alabama as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

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

Other Information

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

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

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

LeCroy, Hunter & Company, P.C.
Northport, Alabama
September 11, 2017
MANAGEMENT’S DISCUSSION & ANALYSIS
Within this section of the City of Northport’s annual financial report, the City of Northport’s management provides narrative discussion and analysis of the financial activities of the City of Northport for the fiscal year ended December 31, 2016. The City of Northport’s financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

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

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

- **Governmental activities** – Most of the City’s basic services are included here, such as, police, fire, public works, general administration, and finance. Property taxes, sales taxes, and business licenses finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City’s water and sewer system is included here.
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 $55,825,728 at December 31, 2016.

The largest portion of the City of Northport’s Net Positions ($55,806,760) 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 ($11,735,348) represents resources that are subject to external restrictions that require them to be used for specific capital and debt expenditures.

**Summary of Net Positions – Governmental Activities**

The following statements present the summarized version of the City’s governmental and business type activities. Governmental activities increased the City of Northport’s Net Positions by $2,297,653. Following is a summarized version of the statement of Net Positions and statement of activities for governmental activities.
## CITY OF NORTHPORT, ALABAMA
### MANAGEMENT’S DISCUSSION AND ANALYSIS
#### DECEMBER 31, 2016

### Summary of Statements of Net Position for Governmental Activities

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<th>12/31/2015</th>
<th>12/31/2016</th>
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<tr>
<td><strong>Current Assets</strong></td>
<td>$ 4,464,187</td>
<td>$ 8,692,630</td>
</tr>
<tr>
<td><strong>Restricted Assets</strong></td>
<td>7,101,012</td>
<td>4,360,048</td>
</tr>
<tr>
<td><strong>Capital Assets</strong></td>
<td>53,876,014</td>
<td>58,947,528</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 65,441,213</td>
<td>$ 72,000,206</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td>$ 1,690,921</td>
<td>$ 3,175,331</td>
</tr>
<tr>
<td><strong>Total Assets and Deferred Outflows of Resources</strong></td>
<td>$ 67,132,134</td>
<td>$ 75,175,537</td>
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<tr>
<td><strong>Current Liabilities</strong></td>
<td>$ 2,315,125</td>
<td>$ 2,363,822</td>
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<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td>40,838,644</td>
<td>46,512,809</td>
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<td><strong>Total Liabilities</strong></td>
<td>$ 43,153,769</td>
<td>$ 48,876,631</td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td>$ -</td>
<td>$ 116,900</td>
</tr>
<tr>
<td><strong>Invested In Capital Assets, Net of Related Debt</strong></td>
<td>$ 28,538,784</td>
<td>$ 34,265,574</td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td>7,749,866</td>
<td>9,335,537</td>
</tr>
<tr>
<td><strong>Unrestricted</strong></td>
<td>(12,310,105)</td>
<td>(17,419,105)</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$ 23,978,365</td>
<td>$ 26,182,006</td>
</tr>
<tr>
<td><strong>Total Liabilities, Deferred Inflows of Resources, and Net Position</strong></td>
<td>$ 67,132,134</td>
<td>$ 75,175,537</td>
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### Summary Statement of Activities for Governmental Type Activities

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<th>12/31/2016</th>
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<td><strong>Revenues</strong></td>
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<tr>
<td><strong>Tax Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>$ 3,101,735</td>
<td>$ 3,154,018</td>
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<tr>
<td>Sales Tax</td>
<td>8,961,317</td>
<td>9,370,825</td>
</tr>
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<td>Shared Tax Revenue</td>
<td>4,338,385</td>
<td>4,801,484</td>
</tr>
<tr>
<td>Other Tax Revenue</td>
<td>593,950</td>
<td>469,538</td>
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<tr>
<td><strong>Total Tax Revenue</strong></td>
<td>$ 16,995,387</td>
<td>$ 17,795,865</td>
</tr>
<tr>
<td>Charges for Service</td>
<td>$ 7,173,847</td>
<td>$ 7,531,103</td>
</tr>
<tr>
<td>Grant Revenues</td>
<td>1,546,825</td>
<td>6,142,532</td>
</tr>
<tr>
<td>Shared License Revenue</td>
<td>90,440</td>
<td>94,091</td>
</tr>
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<td>Rental and Lease Income</td>
<td>55,692</td>
<td>50,409</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>5,822</td>
<td>3,144</td>
</tr>
<tr>
<td>Gain on Sale</td>
<td>14,085</td>
<td>22,920</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 25,882,098</td>
<td>$ 31,640,064</td>
</tr>
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<td><strong>Expenses</strong></td>
<td></td>
<td></td>
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<tr>
<td>General and Administrative</td>
<td>$ 5,458,154</td>
<td>$ 6,948,103</td>
</tr>
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<td>Public Works and Safety</td>
<td>21,147,424</td>
<td>21,064,822</td>
</tr>
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<td>Planning and Inspection Services</td>
<td>631,862</td>
<td>521,189</td>
</tr>
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<td>Interest Expense</td>
<td>958,688</td>
<td>902,309</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 28,196,128</td>
<td>$ 29,436,423</td>
</tr>
<tr>
<td><strong>Increase (Decrease) in Net Position</strong></td>
<td>$ (2,314,030)</td>
<td>$ 2,203,641</td>
</tr>
<tr>
<td><strong>Net Assets, Beginning</strong></td>
<td>$ 26,292,395</td>
<td>$ 23,978,365</td>
</tr>
<tr>
<td><strong>Net Assets, Ending</strong></td>
<td>$ 23,978,365</td>
<td>$ 26,182,006</td>
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Business-type activities increased the City of Northport’s Net Positions by $1,011,276. Below is a summarized version of the statement of Net Positions and statement of activities for business-type activities.

Summary of Statements of Net Position for Business Type Activities

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<th>12/31/2015</th>
<th>12/31/2016</th>
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<tr>
<td>Current Assets and Other Assets</td>
<td>$ 4,380,543</td>
<td>$ 5,347,780</td>
</tr>
<tr>
<td>Restricted Assets</td>
<td>$ 3,531,546</td>
<td>$ 3,653,907</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>$ 48,255,079</td>
<td>$ 47,392,706</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$ 56,167,168</strong></td>
<td><strong>$ 56,394,393</strong></td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>$ 4,163,891</td>
<td>$ 4,371,443</td>
</tr>
<tr>
<td><strong>Total Assets and Deferred Outflows of Resources</strong></td>
<td><strong>$ 60,331,059</strong></td>
<td><strong>$ 60,765,836</strong></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$ 2,597,641</td>
<td>$ 3,027,958</td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>$ 29,100,972</td>
<td>$ 28,071,693</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$ 31,698,613</strong></td>
<td><strong>$ 31,099,651</strong></td>
</tr>
<tr>
<td>Deferred Inflows of Resources</td>
<td>$ -</td>
<td>$ 22,463</td>
</tr>
<tr>
<td>Invested In Capital Assets, Net of Related Debt</td>
<td>$ 20,933,728</td>
<td>$ 21,541,186</td>
</tr>
<tr>
<td>Restricted</td>
<td>$ 2,278,080</td>
<td>$ 2,399,811</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 5,420,638</td>
<td>$ 5,702,725</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$ 28,632,446</strong></td>
<td><strong>$ 29,643,722</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities, Deferred Inflows of Resources, and Net Position</strong></td>
<td><strong>$ 60,331,059</strong></td>
<td><strong>$ 60,765,836</strong></td>
</tr>
</tbody>
</table>

Summary Statement of Activities for Business Type Activities

<table>
<thead>
<tr>
<th></th>
<th>12/31/2015</th>
<th>12/31/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Service</td>
<td>$ 9,426,909</td>
<td>$ 9,981,935</td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$ 2,270</td>
<td>$ 2,194</td>
</tr>
<tr>
<td>Gain on Sale of Assets</td>
<td>$ 28,031</td>
<td>-</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$ 388,322</td>
<td>$ 427,083</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$ 9,845,532</strong></td>
<td><strong>$ 10,411,212</strong></td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expense</td>
<td>$ 8,018,109</td>
<td>$ 8,563,689</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$ 945,046</td>
<td>$ 836,247</td>
</tr>
<tr>
<td>Transfer Out</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$ 8,963,155</strong></td>
<td><strong>$ 9,399,936</strong></td>
</tr>
<tr>
<td>Increase (Decrease) in Net Position</td>
<td>$ 882,377</td>
<td>$ 1,011,276</td>
</tr>
<tr>
<td>Net Assets, Beginning</td>
<td>$ 27,750,069</td>
<td>$ 28,632,446</td>
</tr>
<tr>
<td>Net Assets, Ending</td>
<td>$ 28,632,446</td>
<td>$ 29,643,722</td>
</tr>
</tbody>
</table>
As noted earlier, the City of Northport uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

As of the fiscal year ending December 31, 2016, the City of Northport’s governmental funds reported combined ending fund balances of $4,325,415, a decrease of $4,439,994 in comparison with the prior year. The decrease in fund balance was primarily due to the expenditure of prior years’ bond proceeds for the purchase and construction of capital assets. Those purchases are discussed in the capital asset section of this report. Approximately 1.38%, or $59,855, of the total fund balance constitutes unreserved fund balance. The remaining Net Positions included in nonspendable fund balance consists of $78,504 in inventory on hand at year end. The remainder of the fund balance, $4,187,056, is segregated into restricted ($1,835,513), and committed ($2,351,543) to indicate that it is not available for new spending because it has already been classified to service the City’s debt, specific capital projects and reserves set aside by City ordinance.

The general fund is the chief operating fund of the City of Northport. At fiscal year ending December 31, 2016, unrestricted and total fund balances of the general fund were $54,056 and $2,889,925, respectively. The general fund balance decreased by $4,687,980.

I. **Governmental Fund Budgetary Highlights from pages 71-72**

   Actual total revenues were short of budgeted revenues by $922,525. Total expenditures exceeded budgeted expenditures by $4,690,783. The net negative variances consists of $501,653 from operating, ($2,681,851) from capital, and ($2,041,262) from debt service, respectively. The capital expenditure variance represents primarily capital projects that were not included in the budget for the December 31, 2016 year.

II. **Capital Assets and Debt Administration**

   **Capital Assets**

   The City of Northport’s investment in capital assets, net of accumulated depreciation, for governmental activities as of December 31, 2016, was $58,947,528. The City of Northport’s investment in capital assets, net of accumulated depreciation, for business type activities as of December 31, 2016, was $47,392,706. The following table is a comparative presentation of non-depreciable and depreciable assets for both governmental and business type activities.
Major capital asset events during the current year included the following:

**Governmental Activities**

- Fire, Police, Public Works and Administrative vehicles were purchased during the year at a total cost of $1,423,356. Constructions in progress purchases totaled $349,914 and were related to ongoing improvements of the levee. In addition the City expended $6,594,415 for improvements made to existing City infrastructure, $63,299 for the construction and improvement of buildings and $38,933 for the purchase of equipment used in City operations.

**Business-type Activities**

- The City completed various water and sewer improvement projects totaling $840,925. The City purchased vehicles and machinery and equipment for a total cost of $12,881.

**Long-Term Debt**

At December 31, 2016, the City of Northport had total debt outstanding of $54,492,136. The major portion of the debt, $48,380,000 represents bonds and warrants payable. During the year the City paid $2,399,929 in principal and $1,735,183 interest. Additionally, the City borrowed $4,757,275 of new monies.

State law limits the amount of long-term debt of the City to 20% of the assessed property value within the City of Northport. Certain obligations of the City secured by system revenues, such as water and sewer warrants and state revolving loans secured by system revenues are excluded from the legal borrowing limit of the City. As of December 31, 2016, our outstanding debt was below this amount, which is $50,944,288. The amount available for future indebtedness is $24,262,152.
Economic Factors and the Next Year's Budget

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

- The current economic conditions facing local, state and federal governments.
- Continued residential growth throughout the city.
- Infrastructure improvements needs and obligations.
- Physical asset and equipment needs for all city departments.
- Increasing personnel salary and benefits expenses.
- Implementation and ongoing improvements to the City’s IT infrastructure.
- A comprehensive review and restructuring of city services and operations.
- Anticipated retail and commercial growth along Highway 43 North and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district.
FINANCIAL STATEMENTS
CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,436,963</td>
<td>$461,203</td>
<td>$1,898,166</td>
</tr>
<tr>
<td>Accounts Receivable, net</td>
<td>1,156,568</td>
<td>991,163</td>
<td>2,147,731</td>
</tr>
<tr>
<td>Assessment Receivable - Current</td>
<td>-</td>
<td>10,658</td>
<td>10,658</td>
</tr>
<tr>
<td>Other Receivables, net</td>
<td>77,065</td>
<td>7,264</td>
<td>84,329</td>
</tr>
<tr>
<td>Note Receivable</td>
<td>7,500,000</td>
<td>-</td>
<td>7,500,000</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>46,879</td>
<td>36,176</td>
<td>83,055</td>
</tr>
<tr>
<td>Internal Balances</td>
<td>(1,603,349)</td>
<td>1,603,349</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>78,504</td>
<td>182,037</td>
<td>260,541</td>
</tr>
<tr>
<td>Restricted Assets - Noncurrent</td>
<td>4,360,048</td>
<td>3,653,907</td>
<td>8,013,955</td>
</tr>
</tbody>
</table>

| Capital Assets | | | |
| Land and Construction in Progress | 2,668,615 | 483,268 | 3,151,883 |
| Buildings | 20,026,180 | 28,531,186 | 48,557,366 |
| Improvements Other Than Buildings | 2,076,202 | - | 2,076,202 |
| Infrastructure | 74,179,270 | 45,217,795 | 119,397,065 |
| Furniture & Equipment | 7,292,579 | 875,114 | 8,167,693 |
| Vehicles | 8,820,239 | 1,009,320 | 9,829,559 |
| Less: Accumulated Depreciation | (56,115,557) | (28,723,977) | (84,839,534) |
| Abeyance Receivable | - | 2,055,930 | 2,055,930 |

| Total Assets | $72,000,206 | $56,394,393 | $128,394,599 |

| Deferred Outflow of Resources | | | |
| Deferred Outflows from Pensions | $2,572,297 | $485,283 | $3,057,580 |
| Deferred Interest Cost on Bond Refundings | 603,034 | 3,886,160 | 4,489,194 |

| Total Deferred Outflow of Resources | $3,175,331 | $4,371,443 | $7,546,774 |

| Liabilities | | | |
| Accounts Payable | $133,520 | $102,647 | $236,167 |
| Accrued Payroll | 558,748 | 73,426 | 632,174 |
| Other Current Liabilities | 443,904 | 20,242 | 464,146 |
| Interest Payable | 358,153 | 251,233 | 609,386 |
| Refundable Deposits | - | 876,392 | 876,392 |
| Long-term Liabilities | | | |
| Portion Due or Payable Within One Year: | | | |
| Warrants and Notes Payable | 468,204 | 1,701,254 | 2,169,458 |
| Long-term Commitments | 400,000 | - | 400,000 |
| Compensated Absences | 1,293 | 2,764 | 4,057 |
| Portion Due or Payable After One Year: | | | |
| Long-term Commitment | 1,600,000 | - | 1,600,000 |
| Warrants and Notes Payable | 27,018,944 | 24,811,035 | 51,829,979 |
| Compensated Absences | 920,593 | 142,273 | 1,062,866 |
| Net OPEB Liability | 1,131,095 | 184,838 | 1,315,933 |
| Net Pension Liability | 15,842,177 | 2,933,547 | 18,775,724 |

| Total Liabilities | $48,876,631 | $31,099,651 | $79,976,282 |

| Deferred Inflows of Resources | | | |
| Deferred Inflows from Pensions | $116,900 | $22,463 | $139,363 |

| Total Deferred Inflow of Resources | $116,900 | $22,463 | $139,363 |

| Net Position | | | |
| Invested in Capital Assets, Net of Related Debt | $34,265,574 | $21,541,186 | $55,806,760 |
| Restricted for: | | | |
| Capital Projects | 8,373,959 | 1,947,019 | 10,320,978 |
| Debt Service | 484,339 | 452,792 | 937,131 |
| Other Purposes | 405,822 | - | 405,822 |
| Grants and Entitlements | 71,417 | - | 71,417 |
| Unrestricted | (17,419,105) | 5,702,725 | (11,716,380) |

| Total Net Position | $26,182,006 | $29,643,722 | $55,825,728 |

The accompanying notes are an integral part of the financial statements.
<table>
<thead>
<tr>
<th>Program Revenues</th>
<th>Net (Expense) Revenues &amp; Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expenses</td>
</tr>
<tr>
<td><strong>PRIMARY GOVERNMENT</strong></td>
<td></td>
</tr>
<tr>
<td>GOVERNMENTAL ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>$2,477,227</td>
</tr>
<tr>
<td>General Government</td>
<td>4,470,876</td>
</tr>
<tr>
<td>Planning and Development</td>
<td>521,189</td>
</tr>
<tr>
<td>Public Safety</td>
<td>13,724,708</td>
</tr>
<tr>
<td>Public Works</td>
<td>7,340,114</td>
</tr>
<tr>
<td>Interest and Fiscal Charges</td>
<td>902,309</td>
</tr>
<tr>
<td><strong>TOTAL GOVERNMENTAL ACTIVITIES</strong></td>
<td>$29,436,423</td>
</tr>
<tr>
<td>BUSINESS-TYPE ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>Water and Sewer</td>
<td>$9,399,936</td>
</tr>
<tr>
<td><strong>TOTAL BUSINESS TYPE ACTIVITIES</strong></td>
<td>$9,399,936</td>
</tr>
<tr>
<td><strong>TOTAL PRIMARY GOVERNMENT</strong></td>
<td>$38,836,359</td>
</tr>
<tr>
<td><strong>GENERAL REVENUES:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes:</strong></td>
<td></td>
</tr>
<tr>
<td>Property Taxes Levied for General Purposes</td>
<td>$3,154,018</td>
</tr>
<tr>
<td>Sales Taxes</td>
<td>469,538</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>3,900,692</td>
</tr>
<tr>
<td>Shared Taxes:</td>
<td></td>
</tr>
<tr>
<td>Taxes Levied for General Purposes</td>
<td>3,900,692</td>
</tr>
<tr>
<td>Taxes Levied for Resurfacing Projects</td>
<td>205,381</td>
</tr>
<tr>
<td>Rental and Land Lease Income</td>
<td>3,144</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL REVENUES AND TRANSFERS</strong></td>
<td>$17,966,429</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>$2,203,641</td>
</tr>
<tr>
<td><strong>NET POSITION - BEGINNING</strong></td>
<td>23,978,365</td>
</tr>
<tr>
<td><strong>NET POSITION - ENDING</strong></td>
<td>$26,182,006</td>
</tr>
</tbody>
</table>
The accompanying notes are an integral part of the financial statements.

- 13 -
The accompanying notes are an integral part of the financial statements.

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2016

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS $ 4,325,415

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

Certain receivables are not available to pay for current period expenditures and, therefore, are not recognized at the fund level.
- Receivable - Tuscaloosa County Road Improvement Authority $ 7,500,000

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 $ 2,668,615
- Building, net of $6,527,506 of accumulated depreciation 13,498,674
- Improvements other than buildings, net of $926,739 accumulated depreciation 1,149,463
- Infrastructure, net of $39,924,171 accumulated depreciation 34,255,099
- Furniture and equipment, net of $2,841,205 accumulated depreciation 4,451,374
- Vehicles, net of $5,895,936 accumulated depreciation 2,924,303

Net Capital Assets 58,947,528

The internal service fund is used by management to charge the cost of administering the City's self-insurance plan to individual funds. The net asset of the internal service fund is reported with governmental activities. 89,798

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

- Bonds and Warrants Payable $ (22,570,000)
- Premium on Bonds Payable (846,532)
- Deferred Interest Cost Bond Refundings 603,034
- Notes Payable (4,070,616)
- Accrued Interest Payable (358,153)
- Long-Term Commitments (2,000,000)
- Noncurrent portion of Compensated Absences (920,593)
- OPEB Liability (1,131,095)

Total Long-Term Liabilities (31,293,955)

Net pension liability, deferred inflows and outflows not reported at the fund level (13,386,780)

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES $ 26,182,006

The accompanying notes are an integral part of the financial statements.
CITY OF NORTHPORT, ALABAMA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>REVENUES</th>
<th>GENERAL FUND</th>
<th>DEBT SERVICE FUND</th>
<th>OTHER GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Use Taxes</td>
<td>$9,370,825</td>
<td>$</td>
<td></td>
<td>$9,370,825</td>
</tr>
<tr>
<td>Business Licenses and Permits</td>
<td>4,968,058</td>
<td></td>
<td></td>
<td>4,968,058</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>3,994,783</td>
<td></td>
<td>900,792</td>
<td>4,895,575</td>
</tr>
<tr>
<td>Property Tax</td>
<td>3,154,018</td>
<td></td>
<td></td>
<td>3,154,018</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>1,513,595</td>
<td></td>
<td></td>
<td>1,513,595</td>
</tr>
<tr>
<td>Fines, Forfeitures, and Penalties</td>
<td>845,979</td>
<td></td>
<td></td>
<td>845,979</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>457,669</td>
<td></td>
<td></td>
<td>457,669</td>
</tr>
<tr>
<td>Other Licenses and Permits</td>
<td>203,471</td>
<td></td>
<td></td>
<td>203,471</td>
</tr>
<tr>
<td>Other Income</td>
<td>336,799</td>
<td></td>
<td>1,061</td>
<td>337,860</td>
</tr>
<tr>
<td>Grant Proceeds</td>
<td>80,822</td>
<td></td>
<td></td>
<td>80,822</td>
</tr>
<tr>
<td>Rental and Lease Income</td>
<td>50,409</td>
<td></td>
<td></td>
<td>50,409</td>
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<tr>
<td>Interest Income</td>
<td>2,649</td>
<td>235</td>
<td></td>
<td>3,144</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$24,979,077</td>
<td>$235</td>
<td>$902,113</td>
<td>$25,881,425</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>GENERAL FUND</th>
<th>DEBT SERVICE FUND</th>
<th>OTHER GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td>$12,369,888</td>
<td>$</td>
<td></td>
<td>$12,369,888</td>
</tr>
<tr>
<td>Public Works</td>
<td>5,088,965</td>
<td></td>
<td>291,336</td>
<td>5,380,301</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>2,076,587</td>
<td></td>
<td>177,987</td>
<td>2,254,574</td>
</tr>
<tr>
<td>General Government</td>
<td>2,079,784</td>
<td></td>
<td></td>
<td>2,079,784</td>
</tr>
<tr>
<td>Planning and Community Development</td>
<td>422,144</td>
<td></td>
<td></td>
<td>422,144</td>
</tr>
<tr>
<td>Local Agency Support</td>
<td>410,424</td>
<td></td>
<td></td>
<td>410,424</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>7,106,349</td>
<td></td>
<td></td>
<td>7,106,349</td>
</tr>
<tr>
<td>Public Works</td>
<td>1,583,006</td>
<td></td>
<td></td>
<td>1,583,006</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>105,996</td>
<td></td>
<td></td>
<td>105,996</td>
</tr>
<tr>
<td>Debt Service</td>
<td>-</td>
<td>1,137,606</td>
<td></td>
<td>1,137,606</td>
</tr>
<tr>
<td>Interest Paid</td>
<td>-</td>
<td>900,207</td>
<td></td>
<td>900,207</td>
</tr>
<tr>
<td>Agency Fees</td>
<td>-</td>
<td>3,449</td>
<td></td>
<td>3,449</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$31,243,143</td>
<td>$2,041,262</td>
<td>$469,323</td>
<td>$33,753,728</td>
</tr>
</tbody>
</table>

| EXCESS REVENUES / (EXPENDITURES) | $ (6,264,066) | $ (2,041,027) | $432,790 | $(7,872,303) |

| OTHER FINANCING SOURCES (USES) | Loan Proceeds | $8,447,439 | $ | $8,447,439 |
| Sales Proceeds | 74,870 | | | 74,870 |
| Transfer In (Out) - Debt Service | (1,856,223) | 1,856,223 | | |
| Transfer Out to Refund Bonds | (5,090,000) | | | (5,090,000) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | $1,576,086 | $1,856,223 | $ | $3,432,309 |

| NET CHANGE IN FUND BALANCES | $ (4,687,980) | $ (184,804) | $432,790 | $(4,439,994) |

| FUND BALANCE - JANUARY 1, 2016 | $7,577,905 | $669,143 | $518,361 | $8,765,409 |

| FUND BALANCE - DECEMBER 31, 2016 | $2,889,925 | $484,339 | $951,151 | $4,325,415 |

The accompanying notes are an integral part of the financial statements.
NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS $ (4,439,994)

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 6,061,710

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess capital outlay purchases $8,469,917 over depreciation expense ($3,395,122).

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

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 (8,447,439)

Repayments:
Principle Repayments 1,137,606
Refunding of Debt
5,090,000

Net Adjustment (2,219,833)

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 $ 34,026
Compensated Absences 233,782
Amortization of Deferred Loss on Bond Refundings (26,589)
OPEB Liability Expense (207,667)
Change in Interest Payable 1,347

Net Adjustment 34,899

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.

Amount by which the City's net pension liability ($1,206,888) increased, deferred inflows from pensions ($116,900) increased, and deferred outflows from pensions ($935,410) increased compared to the prior fiscal year.

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES $ 2,203,641

The accompanying notes are an integral part of the financial statements.
## CITY OF NORTHPORT, ALABAMA
### PROPRIETARY FUNDS
#### COMBINING STATEMENT OF NET POSITION
#### DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>ENTERPRISE FUNDS</th>
<th>SPECIAL ASSESSMENT FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUND</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>461,203</td>
<td>-</td>
<td>461,203</td>
<td>-</td>
<td>461,203</td>
</tr>
<tr>
<td>Accounts Receivable, Net of Allowance for Doubtful Accounts of $54,533</td>
<td>991,163</td>
<td>-</td>
<td>991,163</td>
<td>-</td>
<td>991,163</td>
</tr>
<tr>
<td>Receivables - Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assessments Receivable - Current</td>
<td>-</td>
<td>10,658</td>
<td>10,658</td>
<td>-</td>
<td>10,658</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>-</td>
<td>7,264</td>
<td>7,264</td>
<td>-</td>
<td>7,264</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>2,072,650</td>
<td>-</td>
<td>2,072,650</td>
<td>84,330</td>
<td>2,156,980</td>
</tr>
<tr>
<td>Due from Other Proprietary Funds</td>
<td>1,637,172</td>
<td>-</td>
<td>1,637,172</td>
<td>236,766</td>
<td>1,873,938</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>36,176</td>
<td>-</td>
<td>36,176</td>
<td>-</td>
<td>36,176</td>
</tr>
<tr>
<td>Inventory</td>
<td>182,037</td>
<td>-</td>
<td>182,037</td>
<td>-</td>
<td>182,037</td>
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<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>5,380,401</td>
<td>$17,922</td>
<td>5,398,323</td>
<td>$321,096</td>
<td>5,719,419</td>
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<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>3,653,907</td>
<td>-</td>
<td>3,653,907</td>
<td>-</td>
<td>3,653,907</td>
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<tr>
<td><strong>TOTAL RESTRICTED ASSETS</strong></td>
<td>3,653,907</td>
<td>$-</td>
<td>3,653,907</td>
<td>$-</td>
<td>3,653,907</td>
</tr>
<tr>
<td><strong>PROPERTY, PLANT AND EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>396,017</td>
<td>-</td>
<td>396,017</td>
<td>-</td>
<td>396,017</td>
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<tr>
<td>Treatment Plants and Pump Stations</td>
<td>28,531,186</td>
<td>-</td>
<td>28,531,186</td>
<td>-</td>
<td>28,531,186</td>
</tr>
<tr>
<td>Distribution and Disposal System</td>
<td>45,217,795</td>
<td>-</td>
<td>45,217,795</td>
<td>-</td>
<td>45,217,795</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>693,340</td>
<td>-</td>
<td>693,340</td>
<td>-</td>
<td>693,340</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,009,320</td>
<td>-</td>
<td>1,009,320</td>
<td>-</td>
<td>1,009,320</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>181,774</td>
<td>-</td>
<td>181,774</td>
<td>-</td>
<td>181,774</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>87,251</td>
<td>-</td>
<td>87,251</td>
<td>-</td>
<td>87,251</td>
</tr>
<tr>
<td><strong>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</strong></td>
<td></td>
<td>$76,116,683</td>
<td>-</td>
<td>$76,116,683</td>
<td>-</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(28,723,977)</td>
<td>-</td>
<td>(28,723,977)</td>
<td>-</td>
<td>(28,723,977)</td>
</tr>
<tr>
<td><strong>NET PROPERTY, PLANT &amp; EQUIPMENT</strong></td>
<td></td>
<td>$47,392,706</td>
<td>-</td>
<td>$47,392,706</td>
<td>-</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abeyance Receivable</td>
<td>-</td>
<td>2,055,930</td>
<td>2,055,930</td>
<td>-</td>
<td>2,055,930</td>
</tr>
<tr>
<td><strong>TOTAL OTHER ASSETS</strong></td>
<td>-</td>
<td>2,055,930</td>
<td>2,055,930</td>
<td>-</td>
<td>2,055,930</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>56,427,014</td>
<td>2,073,852</td>
<td>58,500,866</td>
<td>436,348</td>
<td>58,937,214</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Outflows from Pension</td>
<td>485,283</td>
<td>-</td>
<td>485,283</td>
<td>-</td>
<td>485,283</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td>4,371,443</td>
<td>-</td>
<td>4,371,443</td>
<td>-</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## CITY OF NORTHPORT, ALABAMA

### PROPRIETARY FUNDS

### COMBINING STATEMENT OF NET POSITION

### DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>ENTERPRISE FUNDS</th>
<th>WATER AND SEWER FUND</th>
<th>SPECIAL ASSESSMENT FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUND</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIABILITIES AND NET ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CURRENT LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payable from Current Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>102,647</td>
<td>$</td>
<td>-</td>
<td>$ 102,647</td>
<td>$ -</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>232,535</td>
<td>-</td>
<td>-</td>
<td>232,535</td>
<td>155,884</td>
</tr>
<tr>
<td>Due to Other Proprietary Funds</td>
<td>236,766</td>
<td>1,637,172</td>
<td>-</td>
<td>1,873,938</td>
<td>50,000</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>73,426</td>
<td>-</td>
<td>-</td>
<td>73,426</td>
<td>-</td>
</tr>
<tr>
<td>Estimated Liability for Compensated Absences - Current</td>
<td>2,764</td>
<td>-</td>
<td>-</td>
<td>2,764</td>
<td>-</td>
</tr>
<tr>
<td>Interest Payable</td>
<td>251,233</td>
<td>-</td>
<td>-</td>
<td>251,233</td>
<td>-</td>
</tr>
<tr>
<td>Notes Payable - Current</td>
<td>11,254</td>
<td>-</td>
<td>-</td>
<td>11,254</td>
<td>-</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>20,242</td>
<td>-</td>
<td>-</td>
<td>20,242</td>
<td>140,666</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAYABLE FROM CURRENT ASSETS</td>
<td>$ 930,867</td>
<td>$ 1,637,172</td>
<td>$ 2,568,039</td>
<td>$ 1,637,172</td>
<td>$ 346,550</td>
</tr>
<tr>
<td>PAYABLE FROM RESTRICTED ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warrants Payable - Current</td>
<td>$ 1,690,000</td>
<td>$ -</td>
<td>-</td>
<td>$ 1,690,000</td>
<td>$ -</td>
</tr>
<tr>
<td>Customer and Waterline Extension Deposits</td>
<td>876,392</td>
<td>-</td>
<td>-</td>
<td>876,392</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES FROM RESTRICTED ASSETS</td>
<td>$ 2,566,392</td>
<td>$ -</td>
<td>-</td>
<td>$ 2,566,392</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL CURRENT LIABILITIES</td>
<td>$ 3,497,259</td>
<td>$ 1,637,172</td>
<td>$ 5,134,431</td>
<td>$ 1,637,172</td>
<td>$ 346,550</td>
</tr>
<tr>
<td>LONG-TERM LIABILITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and Warrants Payable (Including Premiums)</td>
<td>$ 24,780,769</td>
<td>$ -</td>
<td>-</td>
<td>$ 24,780,769</td>
<td>$ -</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>30,266</td>
<td>-</td>
<td>-</td>
<td>30,266</td>
<td>-</td>
</tr>
<tr>
<td>Net Retiree Healthcare Obligation</td>
<td>184,838</td>
<td>-</td>
<td>-</td>
<td>184,838</td>
<td>-</td>
</tr>
<tr>
<td>Estimated Liability for Compensated Absences - Noncurrent</td>
<td>142,273</td>
<td>-</td>
<td>-</td>
<td>142,273</td>
<td>-</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>2,933,547</td>
<td>2,933,547</td>
<td>-</td>
<td>2,933,547</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL LONG-TERM LIABILITIES</td>
<td>$ 28,071,693</td>
<td>$ -</td>
<td>-</td>
<td>$ 28,071,693</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>$ 31,568,952</td>
<td>$ 1,637,172</td>
<td>$ 33,206,124</td>
<td>$ 1,637,172</td>
<td>$ 346,550</td>
</tr>
<tr>
<td>DEFERRED INFLOWS OF RESOURCES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Inflows from Pension</td>
<td>$ 22,463</td>
<td>$ -</td>
<td>-</td>
<td>$ 22,463</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL DEFERRED INFLOWS OF RESOURCES</td>
<td>$ 22,463</td>
<td>$ -</td>
<td>-</td>
<td>$ 22,463</td>
<td>$ -</td>
</tr>
<tr>
<td>NET POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$ 21,541,186</td>
<td>$ -</td>
<td>-</td>
<td>$ 21,541,186</td>
<td>$ -</td>
</tr>
<tr>
<td>Restricted for Capital Projects</td>
<td>1,947,019</td>
<td>-</td>
<td>-</td>
<td>1,947,019</td>
<td>-</td>
</tr>
<tr>
<td>Restricted for Debt Service</td>
<td>452,792</td>
<td>-</td>
<td>-</td>
<td>452,792</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>5,266,045</td>
<td>436,680</td>
<td>5,702,725</td>
<td>89,798</td>
<td>5,792,523</td>
</tr>
<tr>
<td>TOTAL NET POSITION</td>
<td>$ 29,207,042</td>
<td>$ 436,680</td>
<td>$ 29,643,722</td>
<td>$ 89,798</td>
<td>$ 29,733,520</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
### CITY OF NORTHPORT, ALABAMA

#### PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th>ENTERPRISE FUNDS</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for Services</td>
<td>$9,740,391</td>
<td>$9,740,391</td>
<td>$2,487,895</td>
<td>$12,228,286</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>241,544</td>
<td>241,544</td>
<td></td>
<td>241,544</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td><strong>$9,981,935</strong></td>
<td><strong>$9,981,935</strong></td>
<td><strong>$2,487,895</strong></td>
<td><strong>$12,469,830</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>ENTERPRISE FUNDS</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$3,230,914</td>
<td>$3,230,914</td>
<td>$-</td>
<td>$3,230,914</td>
</tr>
<tr>
<td>Insurance Claims and Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,718,536</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>2,037,538</td>
<td>2,037,538</td>
<td>-</td>
<td>2,037,538</td>
</tr>
<tr>
<td>Utilities and Telephone</td>
<td>709,366</td>
<td>709,366</td>
<td>-</td>
<td>709,366</td>
</tr>
<tr>
<td>Maintenance and Repairs</td>
<td>701,222</td>
<td>701,222</td>
<td>-</td>
<td>701,222</td>
</tr>
<tr>
<td>Insurance</td>
<td>520,108</td>
<td>520,108</td>
<td>-</td>
<td>520,108</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>475,390</td>
<td>475,390</td>
<td>-</td>
<td>475,390</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td>360,550</td>
<td>361,175</td>
<td>-</td>
<td>361,175</td>
</tr>
<tr>
<td>Water and Sewer Purchases</td>
<td>356,934</td>
<td>356,934</td>
<td>-</td>
<td>356,934</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>103,259</td>
<td>103,259</td>
<td>-</td>
<td>103,259</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>$8,495,281</strong></td>
<td><strong>$8,495,906</strong></td>
<td><strong>$2,718,536</strong></td>
<td><strong>$11,214,442</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING INCOME (LOSS)</th>
<th>ENTERPRISE FUNDS</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Earnings</td>
<td>$2,194</td>
<td>$2,194</td>
<td>$54</td>
<td>$2,248</td>
</tr>
<tr>
<td>Gain on Sale of Property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Development Fees</td>
<td>427,083</td>
<td>427,083</td>
<td>-</td>
<td>427,083</td>
</tr>
<tr>
<td>interest Expense</td>
<td>(836,247)</td>
<td>(836,247)</td>
<td>-</td>
<td>(836,247)</td>
</tr>
<tr>
<td>Bond Issue Costs</td>
<td>(67,783)</td>
<td>(67,783)</td>
<td>-</td>
<td>(67,783)</td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING REVENUES (EXPENSES)</strong></td>
<td><strong>$(474,753)</strong></td>
<td><strong>$(474,753)</strong></td>
<td><strong>$54</strong></td>
<td><strong>$(474,699)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET POSITION</th>
<th>ENTERPRISE FUNDS</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,011,901</td>
<td>$1,011,276</td>
<td>$(320,587)</td>
<td>$780,689</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION, JANUARY 1</th>
<th>ENTERPRISE FUNDS</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$28,195,141</td>
<td>$28,632,446</td>
<td>$320,385</td>
<td>$28,952,831</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NET POSITION, DECEMBER 31, 2016</th>
<th>ENTERPRISE FUNDS</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$29,207,042</td>
<td>$29,643,722</td>
<td>$(89,798)</td>
<td>$29,733,520</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## CITY OF NORTHPORT, ALABAMA

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2016**

### ENTERPRISE FUNDS

<table>
<thead>
<tr>
<th>WATER AND SEWER FUND</th>
<th>SPECIAL ASSESSMENT FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Collected from Customers and User</td>
<td>$9,903,690</td>
<td>-</td>
<td>$9,903,690</td>
<td>$2,487,895</td>
</tr>
<tr>
<td>Cash Paid for Personnel Cost</td>
<td>(3,107,577)</td>
<td>-</td>
<td>(3,107,577)</td>
<td>-</td>
</tr>
<tr>
<td>Cash Paid for Operations</td>
<td>(3,045,895)</td>
<td>-</td>
<td>(3,045,895)</td>
<td>(2,642,533)</td>
</tr>
</tbody>
</table>

**NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES**

| | $3,750,218 | - | $3,750,218 | $154,638 | $3,595,580 |

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| Loan to General Fund | $(2,000,000) | - | $(2,000,000) | - | $(2,000,000) |
| Loan to Internal Service Fund | (50,000) | - | (50,000) | - | (50,000) |
| Loan from Water and Sewer Fund | - | - | - | 50,000 | 50,000 |
| Loan from General Fund | - | - | - | 155,000 | 155,000 |

**NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES**

| | $(2,050,000) | - | $(2,050,000) | 205,000 | $(1,845,000) |

### CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| Capital Acquisition Payments | $(853,805) | - | $(853,805) | - | $(853,805) |
| Repayment of Debt Principal | (1,375,765) | - | (1,375,765) | - | (1,375,765) |
| Developer Fees | 427,083 | - | 427,083 | - | 427,083 |
| Assessments Collected | 1,030 | - | 1,030 | - | 1,030 |
| Repayment of Interest on Bonds and Other Debt | (840,944) | - | (840,944) | - | (840,944) |

**NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES**

| | $(2,642,401) | - | $(2,642,401) | - | $(2,642,401) |

### CASH FLOWS FROM INVESTING ACTIVITIES

| Receipt of Interest Income | $2,194 | - | $2,194 | 54 | $2,248 |

**NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES**

| | $2,194 | - | $2,194 | 54 | $2,248 |

### NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

| | $(939,989) | - | $(939,989) | 50,416 | $(889,573) |

### CASH AND CASH EQUIVALENTS - JANUARY 1

| | 5,055,099 | - | 5,055,099 | 64,836 | 5,119,935 |

### CASH AND CASH EQUIVALENTS - DECEMBER 31

| | $4,115,110 | - | $4,115,110 | 115,252 | $4,230,362 |

**CLASSIFIED AS:**

| Current Assets | $461,203 | - | $461,203 | - | $461,203 |
| Restricted Assets | 3,653,907 | - | 3,653,907 | 115,252 | 3,769,159 |
| Total Cash and Cash Equivalents | $4,115,110 | - | $4,115,110 | 115,252 | $4,230,362 |

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

- 20 -
### CITY OF NORTHPORT, ALABAMA

**PROPRIETARY FUNDS**

**STATEMENT OF CASH FLOWS**

**DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>ENTERPRISE FUNDS</th>
<th>WATER AND SEWER FUND</th>
<th>SPECIAL ASSESSMENT FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
</table>

**RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:</th>
<th>2016</th>
<th>Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$ 1,486,654</td>
<td>Depreciation and Amortization</td>
<td>$ (625)</td>
<td>2,037,538</td>
</tr>
<tr>
<td></td>
<td>$ 1,486,029</td>
<td>(Increase) Decrease in Operating Assets:</td>
<td>$ (230,641)</td>
<td>2,037,538</td>
</tr>
<tr>
<td></td>
<td>$ 1,255,388</td>
<td>Accounts Receivable and Assessment Receivables</td>
<td>$ (106,573)</td>
<td>(106,573)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Receivable - Other</td>
<td>$ 561</td>
<td>$ 561</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prepaid Expenses</td>
<td>$ (8,739)</td>
<td>(8,739)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inventory</td>
<td>$ (456)</td>
<td>(456)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Change in Interfund Receivables</td>
<td>$ 27,629</td>
<td>$ 27,629</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Changes in Deferred Outflows Related to Pensions</td>
<td>$ (183,118)</td>
<td>(183,118)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase (Decrease) in Operating Liabilities:</td>
<td>$ 41,891</td>
<td>41,891</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Accounts Payable</td>
<td>$ 15,128</td>
<td>15,128</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Accrued Compensated Absences</td>
<td>$ 18,075</td>
<td>18,075</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Accrued Interest Payable</td>
<td>$ (5,968)</td>
<td>(5,968)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Accrued Expenses</td>
<td>$ 20,242</td>
<td>20,242</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer Deposits</td>
<td>$ 27,767</td>
<td>27,767</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net OPEB Obligation</td>
<td>$ 18,879</td>
<td>18,879</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net Change in Interfund Payable</td>
<td>$ 106,335</td>
<td>106,335</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Net Change in Pension Liability</td>
<td>$ 231,910</td>
<td>231,910</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Changes in Deferred Inflows Related to Pensions</td>
<td>$ 22,463</td>
<td>22,463</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED) BY OPERATIONS</strong></td>
<td>$ 3,750,218</td>
<td></td>
<td>$ (154,638)</td>
<td>$ 3,595,580</td>
</tr>
</tbody>
</table>
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable requiring inclusion in the City’s financial statements. The City has determined that none of its boards, authorities, or outside agencies meet the criteria to be classified as a component unit.

The Basis of Presentation
The accounting methods and procedures adopted by the City of Northport, Alabama conform to generally accepted accounting principles as applied to governmental entities. The City’s basic financial statements consist of government-wide statements of net position and a statement of activities as well as fund financial statements, which provide a more detailed level of financial information. This reporting model is set forth in GASB Statement No. 34.

The City has implemented GASB Statement No. 77, Tax Abatements Disclosures. GASB Statement No 77 defines tax abatements and requires the disclosure of information about a reporting governments’ own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government’s tax revenues.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government–Wide Financial Statements

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

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

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

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

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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 definitions are nonoperating revenues.

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

Internal Service Funds
Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments within the City on a cost-reimbursement basis. This fund is used to account for the City self-insurance plan. In prior years, the fund was shown in the proprietary fund. Under GASB Statement No. 34, this fund is included in the general fund.
NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting

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

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

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

Use of Estimates

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

See Independent Auditors’ Report.
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:

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$14,324</td>
</tr>
<tr>
<td>Water and Sewer Fund</td>
<td>44,091</td>
</tr>
</tbody>
</table>

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

NOTE 4: **INVENTORIES**

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

NOTE 5: **FIXED ASSETS**

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

**Government-Wide Statements**

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

City policy has set the capitalization threshold for reporting capital assets at $5,000. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:
NOTE 5:  **FIXED ASSETS** (continued)

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
<th>Depreciation Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
<td>Not Depreciated</td>
</tr>
<tr>
<td>Treatment Plants</td>
<td>50 Years</td>
<td></td>
</tr>
<tr>
<td>Water and Sewer Lines</td>
<td>50 Years</td>
<td></td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>40 Years</td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>30 Years</td>
<td></td>
</tr>
<tr>
<td>Moveable Equipment</td>
<td>5 Years</td>
<td></td>
</tr>
</tbody>
</table>

**Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local government’s basic financial statements.

In accordance, the city developed and implemented a plan to determine the value of infrastructure costs and has included the value of all infrastructure in the basic financial statements.

**FIXED ASSET SCHEDULE:**

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Balance 12/31/15</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance 12/31/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of Capital Assets Not Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 2,318,701</td>
<td>$ 349,914</td>
<td>$ (1,763,051)</td>
<td>$ 2,268,615</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>1,763,051</td>
<td></td>
<td></td>
<td>349,914</td>
</tr>
<tr>
<td>Total Capital Assets Not Depreciated</td>
<td>$ 4,081,752</td>
<td>$ 349,914</td>
<td>$ (1,763,051)</td>
<td>$ 2,668,615</td>
</tr>
<tr>
<td>Analysis of Capital Assets Being Depreciated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Capital Assets:</td>
<td>$ 19,962,881</td>
<td>$ 63,299</td>
<td>$ (61,090)</td>
<td>$ 20,026,180</td>
</tr>
<tr>
<td>Buildings</td>
<td>2,076,202</td>
<td></td>
<td></td>
<td>2,076,202</td>
</tr>
<tr>
<td>Improvements other than Buildings</td>
<td>7,457,973</td>
<td>38,933</td>
<td>(17,221)</td>
<td>7,292,579</td>
</tr>
<tr>
<td>Equipment &amp; Furniture</td>
<td>7,270,867</td>
<td>835,466</td>
<td></td>
<td>8,106,333</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>65,821,804</td>
<td></td>
<td></td>
<td>74,179,270</td>
</tr>
<tr>
<td>Total Other Capital Assets</td>
<td>$ 102,589,727</td>
<td>$ 9,883,054</td>
<td>(78,311)</td>
<td>$ 112,394,470</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>$ 6,026,014</td>
<td>$ 501,492</td>
<td>$ (57,809)</td>
<td>$ 6,567,697</td>
</tr>
<tr>
<td>Improvements other than Buildings</td>
<td>876,567</td>
<td>50,172</td>
<td>-</td>
<td>926,739</td>
</tr>
<tr>
<td>Vehicles</td>
<td>5,129,897</td>
<td>823,848</td>
<td>(17,221)</td>
<td>5,895,936</td>
</tr>
<tr>
<td>Equipment &amp; Furniture</td>
<td>2,340,160</td>
<td>518,266</td>
<td>(17,221)</td>
<td>2,841,205</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>38,422,827</td>
<td>1,501,344</td>
<td></td>
<td>39,924,171</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>$ 52,795,465</td>
<td>$ 3,395,122</td>
<td>(75,030)</td>
<td>$ 56,115,557</td>
</tr>
<tr>
<td>Other Capital Assets, Net of Accumulated Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 49,794,262</td>
<td></td>
<td></td>
<td>56,278,913</td>
</tr>
<tr>
<td>Total Governmental Assets, Net</td>
<td>$ 53,876,014</td>
<td></td>
<td></td>
<td>58,947,528</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report.
NOTE 5:  **FIXED ASSETS** *(continued)*

Allocation of Depreciation on Fixed Assets for Governmental Activities

<table>
<thead>
<tr>
<th>Allocation Percentage</th>
<th>Allocation of Depreciation on Capital Assets</th>
<th>Allocation of Depreciation on Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Administration</td>
<td>$2,354,056</td>
<td>6.16%</td>
</tr>
<tr>
<td>General Government</td>
<td>$2,976,964</td>
<td>7.79%</td>
</tr>
<tr>
<td>Planning and Development</td>
<td>$1,998,655</td>
<td>5.23%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$22,321,498</td>
<td>58.41%</td>
</tr>
<tr>
<td>Public Works</td>
<td>$8,564,026</td>
<td>22.41%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$38,215,200</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

Business-Type Activities:

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/15</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance 12/31/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Analysis of Capital Assets Not Being Depreciated:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$396,017</td>
<td>$</td>
<td>-</td>
<td>$396,017</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td></td>
<td>87,251</td>
<td>-</td>
<td>87,251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$396,017</strong></td>
<td><strong>87,251</strong></td>
<td>-</td>
<td><strong>$483,268</strong></td>
</tr>
</tbody>
</table>

Analysis of Capital Assets Being Depreciated:

Other Capital Assets:

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/15</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance 12/31/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Plant and Pump Stations</td>
<td>$28,433,738</td>
<td>$97,448</td>
<td>-</td>
<td>$28,531,186</td>
</tr>
<tr>
<td>Distribution and Disposal System</td>
<td>44,561,569</td>
<td>656,226</td>
<td>-</td>
<td>45,217,795</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>680,459</td>
<td>12,881</td>
<td>-</td>
<td>693,340</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,009,320</td>
<td>-</td>
<td>-</td>
<td>1,009,320</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>181,774</td>
<td>-</td>
<td>-</td>
<td>181,774</td>
</tr>
<tr>
<td><strong>Total Other Capital Assets</strong></td>
<td><strong>$74,866,860</strong></td>
<td><strong>766,555</strong></td>
<td>-</td>
<td><strong>$75,633,415</strong></td>
</tr>
</tbody>
</table>

Less: Accumulated Depreciation

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/15</th>
<th>Increases</th>
<th>Decreases</th>
<th>Balance 12/31/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Plant and Pump Stations</td>
<td>$10,847,930</td>
<td>$599,532</td>
<td>-</td>
<td>$11,447,462</td>
</tr>
<tr>
<td>Distribution and Disposal System</td>
<td>14,752,931</td>
<td>993,188</td>
<td>-</td>
<td>15,746,119</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>525,326</td>
<td>28,903</td>
<td>-</td>
<td>554,229</td>
</tr>
<tr>
<td>Vehicles</td>
<td>744,357</td>
<td>81,373</td>
<td>-</td>
<td>825,730</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>137,254</td>
<td>13,183</td>
<td>-</td>
<td>150,437</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td><strong>$27,007,798</strong></td>
<td><strong>1,716,179</strong></td>
<td>-</td>
<td><strong>$28,723,977</strong></td>
</tr>
</tbody>
</table>

Other Capital Assets, Net of Accumulated Depreciation

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Plant and Pump Stations</td>
<td>$47,859,062</td>
</tr>
<tr>
<td>Distribution and Disposal System</td>
<td>$46,909,438</td>
</tr>
</tbody>
</table>

Total Business Assets, Net of Accumulated Depreciation

<table>
<thead>
<tr>
<th></th>
<th>Balance 12/31/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treatment Plant and Pump Stations</td>
<td>$48,255,079</td>
</tr>
<tr>
<td>Distribution and Disposal System</td>
<td>$47,392,706</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report.
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 July 14, 2016, the City issued Series 2016 General Obligation Bonds for the purpose of partially refunding on an advance basis the Series 2009 General Obligation Bonds. The 2016 Series warrants were issued at a par value of $8,530,000 with an original issue premium of $1,024,253 generating $9,554,253 cash proceeds. The purpose of issuing the 2016 Series warrants was to refund on an advance basis $9,500,100 of the Series 2009 General Obligation Warrants. The net present value of interest savings associated with refunding the Series 2009 Warrants was approximately $590,000.

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.

In July 2016, the City entered into a $5,000,000 line of credit with Cadence Bank. The balance of the line of credit as of December 31, 2016 is $2,202,160.
### NOTE 7: **LONG-TERM OBLIGATIONS (continued)**

Changes in long-term obligations for the year ended December 31, 2016 are as follows:

#### Analysis of Long-Term Liabilities

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Balance 12/31/15</th>
<th>Additions</th>
<th>Decreases</th>
<th>Balance 12/31/16</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds and Notes Payable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009-A G.O. Warrants</td>
<td>$7,675,000</td>
<td>-</td>
<td>$5,115,000</td>
<td>$2,560,000</td>
<td>$30,000</td>
</tr>
<tr>
<td>2012-D G.O. Warrants</td>
<td>290,000</td>
<td>-</td>
<td>290,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2014-A G.O. Warrants</td>
<td>15,070,000</td>
<td>-</td>
<td>110,000</td>
<td>14,960,000</td>
<td>110,000</td>
</tr>
<tr>
<td>2016 G.O. Warrants</td>
<td>-</td>
<td>5,050,000</td>
<td>-</td>
<td>5,050,000</td>
<td>-</td>
</tr>
<tr>
<td>Tuscaloosa County High School</td>
<td>750,000</td>
<td>-</td>
<td>250,000</td>
<td>500,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Crimson Project Agreement</td>
<td>-</td>
<td>1,500,000</td>
<td>-</td>
<td>1,500,000</td>
<td>150,000</td>
</tr>
<tr>
<td>Notes Payable - Capstone Bank</td>
<td>215,818</td>
<td>-</td>
<td>106,561</td>
<td>109,257</td>
<td>109,257</td>
</tr>
<tr>
<td>Cadence Bank - Line of Credit</td>
<td>-</td>
<td>2,202,160</td>
<td>-</td>
<td>2,202,160</td>
<td>-</td>
</tr>
<tr>
<td>Suntrust Capital Lease Obligation</td>
<td>941,686</td>
<td>-</td>
<td>120,134</td>
<td>821,552</td>
<td>124,639</td>
</tr>
<tr>
<td>U.S. Bankcorp Capital Lease Obligation</td>
<td>-</td>
<td>1,055,115</td>
<td>-</td>
<td>937,647</td>
<td>94,308</td>
</tr>
<tr>
<td>Premium on Warrants</td>
<td>269,726</td>
<td>610,832</td>
<td>34,026</td>
<td>846,532</td>
<td>12,816</td>
</tr>
<tr>
<td><strong>Total Bonds and Notes Payable</strong></td>
<td><strong>25,337,230</strong></td>
<td><strong>10,418,107</strong></td>
<td><strong>6,143,189</strong></td>
<td><strong>29,487,148</strong></td>
<td><strong>$881,020</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Liabilities</th>
<th>Balance 12/31/15</th>
<th>Additions</th>
<th>Decreases</th>
<th>Balance 12/31/15</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPEB Liability</td>
<td>$923,429</td>
<td>$113,654</td>
<td>-</td>
<td>$1,037,083</td>
<td>-</td>
</tr>
<tr>
<td>Less: Deferred Outflow on Refundings</td>
<td>(54,034)</td>
<td>(575,589)</td>
<td>26,589</td>
<td>(603,034)</td>
<td>-</td>
</tr>
<tr>
<td>Estimated Liabilities for Compensated Absences</td>
<td>857,206</td>
<td>64,680</td>
<td>-</td>
<td>921,886</td>
<td>1,293</td>
</tr>
<tr>
<td><strong>Total Other Liabilities</strong></td>
<td><strong>$1,726,601</strong></td>
<td><strong>$397,255</strong></td>
<td><strong>26,589</strong></td>
<td><strong>$1,355,935</strong></td>
<td><strong>$1,293</strong></td>
</tr>
</tbody>
</table>

Total Governmental Activities: **$27,063,831** | **$10,020,852** | **$6,169,778** | **$30,843,083** | **$882,313**
### CITY OF NORTHPORT, ALABAMA
### NOTES TO FINANCIAL STATEMENTS
### DECEMBER 31, 2016

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

<table>
<thead>
<tr>
<th>Business -Type Activities:</th>
<th>Balance 12/31/15</th>
<th>Additions</th>
<th>Decreases</th>
<th>Balance 12/31/16</th>
<th>Amount Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds, Notes and Other Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005 S.R.F. G.O. Warrants</td>
<td>$1,820,000</td>
<td>$-</td>
<td>$140,000</td>
<td>$1,680,000</td>
<td>$145,000</td>
</tr>
<tr>
<td>2009-B G.O. Warrants</td>
<td>6,545,000</td>
<td>$3,595,000</td>
<td>$2,950,000</td>
<td>2,595,000</td>
<td>150,000</td>
</tr>
<tr>
<td>2011 G.O. Warrants</td>
<td>7,085,000</td>
<td>$645,000</td>
<td>$6,440,000</td>
<td>$6,440,000</td>
<td>660,000</td>
</tr>
<tr>
<td>2012-A Warrants Payable</td>
<td>310,000</td>
<td>$75,000</td>
<td>$235,000</td>
<td></td>
<td>75,000</td>
</tr>
<tr>
<td>2012-B Warrants Payable</td>
<td>695,000</td>
<td>$165,000</td>
<td>$530,000</td>
<td></td>
<td>170,000</td>
</tr>
<tr>
<td>2012-C Warrants Payable</td>
<td>9,535,000</td>
<td>$-</td>
<td>$9,535,000</td>
<td></td>
<td>300,000</td>
</tr>
<tr>
<td>2014-A G.O. Warrants</td>
<td>1,150,000</td>
<td>$-</td>
<td>$960,000</td>
<td></td>
<td>190,000</td>
</tr>
<tr>
<td>2016 G.O. Warrants</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Alabama Bank &amp; Trust</td>
<td>52,286</td>
<td>$-</td>
<td>$10,766</td>
<td>$41,520</td>
<td>11,254</td>
</tr>
<tr>
<td>Estimated Liabilities for</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>125,783</td>
<td>$19,254</td>
<td>$-</td>
<td>$145,037</td>
<td>2,764</td>
</tr>
<tr>
<td>Premium on Warrants</td>
<td>291,072</td>
<td>$413,421</td>
<td>$43,724</td>
<td>$660,769</td>
<td></td>
</tr>
<tr>
<td>Less: Deferred Outflow On Bond Refundings</td>
<td>(3,861,726)</td>
<td>$389,517</td>
<td>$365,083</td>
<td>(3,886,160)</td>
<td></td>
</tr>
<tr>
<td>OPEB Liability</td>
<td>165,959</td>
<td>$-</td>
<td>$18,879</td>
<td>$184,838</td>
<td></td>
</tr>
<tr>
<td><strong>Total Bonds, Notes and Other Liabilities</strong></td>
<td><strong>$23,913,374</strong></td>
<td><strong>$4,302,192</strong></td>
<td><strong>$5,248,452</strong></td>
<td><strong>$22,956,004</strong></td>
<td><strong>$1,704,018</strong></td>
</tr>
</tbody>
</table>

#### GENERAL CITY DEBT:

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Amount Due</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009 A General Obligation Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series dated October 1, 2009</td>
<td>2017</td>
<td>$30,000</td>
</tr>
<tr>
<td>payable semi-annually at a variable interest rate between 2% and 4% depending on the maturity date.</td>
<td>2018</td>
<td>$25,000</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>$280,000</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>$285,000</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>$460,000</td>
</tr>
<tr>
<td></td>
<td>Thereafter</td>
<td>$1,480,000</td>
</tr>
<tr>
<td><strong>2014 A General Obligation Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series dated August 5, 2014</td>
<td>2017</td>
<td>$110,000</td>
</tr>
<tr>
<td>payable semi-annually at a variable interest rate between 2.00% and 4.00% depending on the maturity date.</td>
<td>2018</td>
<td>$110,000</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>$115,000</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>$125,000</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Thereafter</td>
<td>$14,500,000</td>
</tr>
<tr>
<td><strong>2016 General Obligation Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series dated September 1, 2016</td>
<td>2017</td>
<td>-</td>
</tr>
<tr>
<td>payable semi-annually at a variable interest rate between 3.00% and 4.00% depending on the maturity date.</td>
<td>2018</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2021</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Thereafter</td>
<td>$5,050,000</td>
</tr>
</tbody>
</table>
### NOTE 7: LONG-TERM OBLIGATIONS (continued)

#### GENERAL CITY DEBT (continued):

<table>
<thead>
<tr>
<th>Note Date</th>
<th>Amount Due</th>
<th>Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capstone Bank</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$109,257</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>$109,257</td>
</tr>
<tr>
<td><strong>Tuscaloosa County High School</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$250,000</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>250,000</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>SunTrust Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$124,639</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>129,313</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>134,163</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>139,194</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>144,414</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>149,829</td>
<td>$821,552</td>
</tr>
<tr>
<td><strong>Cadence Bank - Line of Credit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>2,202,160</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>$2,202,160</td>
</tr>
<tr>
<td><strong>U.S. Bankcorp</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$94,308</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>96,637</td>
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</tr>
<tr>
<td>2019</td>
<td>99,024</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>101,470</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>103,978</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>442,230</td>
<td>$937,647</td>
</tr>
<tr>
<td><strong>Mercedes-Benz U.S. International</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$150,000</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>150,000</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>750,000</td>
<td>$1,500,000</td>
</tr>
</tbody>
</table>
NOTE 7: **LONG-TERM OBLIGATIONS** (continued)

### WATER AND SEWER DEBT:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2005 State Revolving Fund Warrants</strong></td>
<td>2017 $145,000</td>
<td>2018 $150,000</td>
</tr>
<tr>
<td>State Revolving Loan Fund to refinance the Series 1993 Warrants. The 1993 Warrants were used for construction of the new waste water treatment plant, payable semi-annually at 3.25%.</td>
<td>2019 $155,000</td>
<td>2020 $160,000</td>
</tr>
<tr>
<td></td>
<td>2021 $165,000</td>
<td>Thereafter $905,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009 B General Obligation Water &amp; Sewer Warrants</strong></td>
<td>2017 $150,000</td>
<td>2018 $160,000</td>
</tr>
<tr>
<td>Series dated October 1, 2009 payable semi-annually at a variable interest rate between 2% and 4% depending on the maturity date.</td>
<td>2019 -</td>
<td>2020 $145,000</td>
</tr>
<tr>
<td></td>
<td>2021 $120,000</td>
<td>Thereafter $2,375,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2011 General Obligation Water &amp; Sewer Warrants</strong></td>
<td>2017 $660,000</td>
<td>2018 $680,000</td>
</tr>
<tr>
<td>Series dated June 21, 2011 payable semi-annually at a variable interest rate between 2% and 8% depending on the maturity date.</td>
<td>2019 $870,000</td>
<td>2020 $1,210,000</td>
</tr>
<tr>
<td></td>
<td>2021 $1,310,000</td>
<td>Thereafter $1,710,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012 A General Obligation Water &amp; Sewer Warrants</strong></td>
<td>2017 $75,000</td>
<td>2018 $80,000</td>
</tr>
<tr>
<td>Series dated March 29, 2012 payable semi-annually at a fixed interest rate 2.50%.</td>
<td>2019 $80,000</td>
<td>2020 -</td>
</tr>
<tr>
<td></td>
<td>2021 -</td>
<td>Thereafter -</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Due</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012 B General Obligation Water &amp; Sewer Warrants</strong></td>
<td>2017 $170,000</td>
<td>2018 $175,000</td>
</tr>
<tr>
<td>Series dated March 29, 2012 payable semi-annually at a fixed interest rate 2.50%.</td>
<td>2019 $185,000</td>
<td>2020 -</td>
</tr>
<tr>
<td></td>
<td>2021 -</td>
<td>Thereafter -</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report. - 34 -
NOTE 7: **LONG-TERM OBLIGATIONS** (continued)

### WATER AND SEWER DEBT (continued):

<table>
<thead>
<tr>
<th>Due Date</th>
<th>Amount Due</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2012 C General Obligation Water &amp; Sewer Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$300,000</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>Series dated March 29, 2012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payable semi-annually at a variable interest rate between 2.00% and 4.00% depending on the maturity date.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>210,000</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>225,000</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>8,200,000</td>
<td>$9,535,000</td>
</tr>
<tr>
<td><strong>2014 A General Obligation Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$190,000</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>190,000</td>
<td></td>
</tr>
<tr>
<td>Series dated August 5, 2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payable semi-annually at a variable interest rate between 2.00% and 4.00% depending on the maturity date.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>185,000</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>205,000</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>190,000</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>$960,000</td>
</tr>
<tr>
<td><strong>2016 General Obligation Warrants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Series dated September 1, 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>payable semi-annually at a variable interest rate between 3.00% and 4.00% depending on the maturity date.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>3,480,000</td>
<td>$3,480,000</td>
</tr>
<tr>
<td><strong>West Alabama Bank &amp; Trust</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$11,254</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>11,765</td>
<td></td>
</tr>
<tr>
<td>Note collateralized by infrastructure and improvements. The note was included in the merger of Sands Springs Water Authority.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>12,300</td>
<td></td>
</tr>
<tr>
<td>Payable monthly at an interest rate of 4.45%.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>6,201</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Thereafter</td>
<td>-</td>
<td>$41,520</td>
</tr>
</tbody>
</table>
NOTE 7: **LONG-TERM OBLIGATIONS** (continued)

The following represents the aggregate annual payments on General Obligation Bonds, Revenues Bonds, Capital leases and commitments and notes outstanding as of December 31, 2016.

<table>
<thead>
<tr>
<th>Fiscal Years</th>
<th>General Obligation Principal</th>
<th>Interest</th>
<th>Revenue Bonds Principal</th>
<th>Interest</th>
<th>Capital Lease Principal</th>
<th>Interest</th>
<th>Commitments &amp; Notes Principal</th>
<th>Interest</th>
<th>Total Principal</th>
<th>Interest</th>
<th>Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$140,000</td>
<td>$865,619</td>
<td>$1,690,000</td>
<td>$2,347,113</td>
<td>$218,947</td>
<td>$53,968</td>
<td>$520,511</td>
<td>$5,009</td>
<td>$2,569,458</td>
<td>$3,271,709</td>
<td>$5,841,167</td>
</tr>
<tr>
<td>2018</td>
<td>135,000</td>
<td>862,369</td>
<td>1,735,000</td>
<td>2,346,375</td>
<td>225,950</td>
<td>46,964</td>
<td>411,765</td>
<td>1,109</td>
<td>2,507,715</td>
<td>3,256,817</td>
<td>5,764,532</td>
</tr>
<tr>
<td>2019</td>
<td>395,000</td>
<td>858,069</td>
<td>1,775,000</td>
<td>2,340,025</td>
<td>233,187</td>
<td>39,729</td>
<td>2,364,460 *</td>
<td>574</td>
<td>4,767,647</td>
<td>3,238,397</td>
<td>8,006,044</td>
</tr>
<tr>
<td>2020</td>
<td>410,000</td>
<td>843,419</td>
<td>1,930,000</td>
<td>2,437,713</td>
<td>240,664</td>
<td>32,252</td>
<td>156,201</td>
<td>79</td>
<td>2,736,865</td>
<td>3,313,463</td>
<td>6,050,328</td>
</tr>
<tr>
<td>2021</td>
<td>460,000</td>
<td>828,269</td>
<td>2,010,000</td>
<td>2,430,863</td>
<td>248,391</td>
<td>24,525</td>
<td>150,000</td>
<td></td>
<td>2,868,391</td>
<td>3,283,657</td>
<td>6,152,048</td>
</tr>
<tr>
<td>2022</td>
<td>510,000</td>
<td>809,869</td>
<td>2,110,000</td>
<td>2,462,313</td>
<td>256,374</td>
<td>16,542</td>
<td>150,000</td>
<td></td>
<td>3,026,374</td>
<td>3,288,724</td>
<td>6,315,098</td>
</tr>
<tr>
<td>2023</td>
<td>775,000</td>
<td>789,469</td>
<td>1,850,000</td>
<td>2,351,488</td>
<td>109,176</td>
<td>8,291</td>
<td>150,000</td>
<td></td>
<td>2,884,176</td>
<td>3,149,248</td>
<td>6,033,424</td>
</tr>
<tr>
<td>2024</td>
<td>805,000</td>
<td>766,219</td>
<td>1,910,000</td>
<td>2,340,550</td>
<td>111,873</td>
<td>5,595</td>
<td>150,000</td>
<td></td>
<td>2,976,873</td>
<td>3,112,364</td>
<td>6,089,237</td>
</tr>
<tr>
<td>2025</td>
<td>825,000</td>
<td>742,069</td>
<td>1,985,000</td>
<td>2,342,300</td>
<td>114,637</td>
<td>2,832</td>
<td>150,000</td>
<td></td>
<td>3,074,637</td>
<td>3,087,201</td>
<td>6,161,838</td>
</tr>
<tr>
<td>2026</td>
<td>850,000</td>
<td>717,319</td>
<td>2,045,000</td>
<td>2,342,288</td>
<td>150,000</td>
<td></td>
<td>3,045,000</td>
<td></td>
<td>3,059,607</td>
<td>6,104,607</td>
<td>6,104,607</td>
</tr>
<tr>
<td>2027</td>
<td>880,000</td>
<td>683,319</td>
<td>2,110,000</td>
<td>2,343,250</td>
<td>2,990,000</td>
<td></td>
<td>3,026,569</td>
<td></td>
<td>6,016,569</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2028</td>
<td>915,000</td>
<td>648,119</td>
<td>2,285,000</td>
<td>2,448,550</td>
<td>3,200,000</td>
<td></td>
<td>3,096,669</td>
<td></td>
<td>6,296,669</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2029</td>
<td>970,000</td>
<td>620,669</td>
<td>2,375,000</td>
<td>2,470,000</td>
<td>3,345,000</td>
<td></td>
<td>3,090,669</td>
<td></td>
<td>6,435,669</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2030</td>
<td>985,000</td>
<td>581,869</td>
<td></td>
<td></td>
<td>985,000</td>
<td></td>
<td>581,869</td>
<td></td>
<td>1,566,869</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2031</td>
<td>1,015,000</td>
<td>549,856</td>
<td></td>
<td></td>
<td>1,015,000</td>
<td></td>
<td>549,856</td>
<td></td>
<td>1,564,856</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2032</td>
<td>1,050,000</td>
<td>515,600</td>
<td></td>
<td></td>
<td>1,050,000</td>
<td></td>
<td>515,600</td>
<td></td>
<td>1,565,600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033</td>
<td>1,090,000</td>
<td>478,850</td>
<td></td>
<td></td>
<td>1,090,000</td>
<td></td>
<td>478,850</td>
<td></td>
<td>1,568,850</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2034</td>
<td>1,125,000</td>
<td>440,700</td>
<td></td>
<td></td>
<td>1,125,000</td>
<td></td>
<td>440,700</td>
<td></td>
<td>1,565,700</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2035</td>
<td>1,165,000</td>
<td>401,325</td>
<td></td>
<td></td>
<td>1,165,000</td>
<td></td>
<td>401,325</td>
<td></td>
<td>1,566,325</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2036</td>
<td>1,210,000</td>
<td>357,638</td>
<td></td>
<td></td>
<td>1,210,000</td>
<td></td>
<td>357,638</td>
<td></td>
<td>1,567,638</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2037</td>
<td>1,255,000</td>
<td>312,263</td>
<td></td>
<td></td>
<td>1,255,000</td>
<td></td>
<td>312,263</td>
<td></td>
<td>1,567,263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2038</td>
<td>1,300,000</td>
<td>265,200</td>
<td></td>
<td></td>
<td>1,300,000</td>
<td></td>
<td>265,200</td>
<td></td>
<td>1,565,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2039</td>
<td>1,365,000</td>
<td>200,200</td>
<td></td>
<td></td>
<td>1,365,000</td>
<td></td>
<td>200,200</td>
<td></td>
<td>1,565,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2040</td>
<td>1,435,000</td>
<td>131,950</td>
<td></td>
<td></td>
<td>1,435,000</td>
<td></td>
<td>131,950</td>
<td></td>
<td>1,566,950</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2041</td>
<td>1,505,000</td>
<td>60,200</td>
<td></td>
<td></td>
<td>1,505,000</td>
<td></td>
<td>60,200</td>
<td></td>
<td>1,565,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$22,570,000</td>
<td>$14,330,448</td>
<td>$25,810,000</td>
<td>$31,002,828</td>
<td>$1,759,199</td>
<td>$230,698</td>
<td>$4,352,937</td>
<td>$6,771</td>
<td>$54,492,136</td>
<td>$45,570,745</td>
<td>$100,062,881</td>
</tr>
</tbody>
</table>

* - Includes principal balance of variable rate loan

See Independent Auditors’ Report. - 36 -
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 eight hours per month, with the exception of firemen, who earn 10.6 hours of sick leave per month. Employees who retire or leave the City may elect to convert all unused sick leave for retirement credit but are not entitled to compensation for unused sick leave.

At December 31, 2016, the amount of vacation and sick leave accrued in the financial statements is $1,066,923. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of $921,886 and $145,037, 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.
NOTE 11: **DEPOSIT AND INVESTMENTS** *(continued)*

The City had the following cash at December 31, 2016:

<table>
<thead>
<tr>
<th>Governmental - Unrestricted:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cadence Bank – General Fund</td>
<td>$ 1,450,624</td>
</tr>
<tr>
<td>Cadence Bank – Accounts Payable Clearing</td>
<td>(56,303)</td>
</tr>
<tr>
<td>Cadence Bank – Unrestricted Other</td>
<td>426</td>
</tr>
<tr>
<td>Cadence Bank – Payroll Clearing Fund</td>
<td>30,036</td>
</tr>
<tr>
<td>Cadence Bank - ACH Revenue</td>
<td>9,930</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>2,250</td>
</tr>
</tbody>
</table>

**Total Unrestricted Cash** $ 1,436,963

<table>
<thead>
<tr>
<th>Governmental - Restricted:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Regions Bank - Series 2014A Acquisition Fund</td>
<td>$ 10</td>
</tr>
<tr>
<td>Cadence Bank – Reserve Fund</td>
<td>2,351,543</td>
</tr>
<tr>
<td>Regions Bank - Series 2014 A Warrants Fund</td>
<td>294,844</td>
</tr>
<tr>
<td>Regions Bank - Series 2009 Warrants Fund</td>
<td>133,183</td>
</tr>
<tr>
<td>Regions Bank - Series 2016 Warrant Fund</td>
<td>56,312</td>
</tr>
<tr>
<td>Cadence Bank – Gasoline Excise Tax Fund</td>
<td>406,737</td>
</tr>
<tr>
<td>Regions Bank - Series 2012D Warrants Fund</td>
<td>-</td>
</tr>
<tr>
<td>Regions Bank - Series 2009 Acquisition Fund</td>
<td>14</td>
</tr>
<tr>
<td>Cadence Bank – Municipal Court</td>
<td>108,175</td>
</tr>
<tr>
<td>Cadence Bank – Capital Improvement Fund</td>
<td>276,697</td>
</tr>
<tr>
<td>Cadence Bank – Municipal Court Admin. Fund</td>
<td>89,324</td>
</tr>
<tr>
<td>Cadence Bank – Indigent Treatment Fund</td>
<td>67,875</td>
</tr>
<tr>
<td>Cadence Bank – P.D. Seizures and Evidence</td>
<td>1,967</td>
</tr>
<tr>
<td>Cadence Bank – Community Events and Contr.</td>
<td>173,244</td>
</tr>
<tr>
<td>Cadence Bank - Escrow Account</td>
<td>90</td>
</tr>
<tr>
<td>Cadence Bank - Project Reimbursements</td>
<td>90</td>
</tr>
<tr>
<td>Cadence Bank – Employee Benefit Fund</td>
<td>5,799</td>
</tr>
<tr>
<td>Cadence Bank – Corrections Fund</td>
<td>124,677</td>
</tr>
<tr>
<td>Cadence Bank – Employee’s Beer Tax</td>
<td>68,246</td>
</tr>
<tr>
<td>Cadence Bank – Employee’s Insurance Fund</td>
<td>115,252</td>
</tr>
<tr>
<td>Cadence Bank - Fine Arts Initiative</td>
<td>3,083</td>
</tr>
<tr>
<td>Cadence Bank – Restitution Recovery Fund</td>
<td>64,793</td>
</tr>
<tr>
<td>Cadence Bank – Training Tech Fund</td>
<td>15,770</td>
</tr>
<tr>
<td>Cadence Bank – Community Development Fund</td>
<td>2,323</td>
</tr>
</tbody>
</table>

**Total Restricted Cash** $ 4,360,048

See Independent Auditors’ Report.
NOTE 11: **DEPOSITS AND INVESTMENTS** (continued)

### Enterprise – Unrestricted:
- Cadence Bank - Gross Revenue: $337,865
- Cadence Bank - Unrestricted: 5,000
- Cadence Bank - Accounts Payable Clearing: 116,836
- Cadence Bank – Water Capital Fund: 1,002
- Petty Cash: 500

**Total Unrestricted Cash**: $461,203

### Enterprise – Restricted:
- Cadence Bank – Water & Sewer Reserve: $1,254,094
- Cadence Bank - Development Fees: 863,129
- Bank of Tuscaloosa – Meter Deposit Money Mkt: 495,111
- Cadence Bank - Meter Deposit: 390,193
- Cadence Bank – SRF Debt Service Escrow: 198,587
- Regions Bank - Series 2014 A Warrant Fund: 86,437
- Regions Bank - Series 2011 Warrant Fund: 72,974
- Regions Bank - Series 2016 Warrant Fund: 38,108

**Total Restricted Cash**: $3,653,907

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.

See Independent Auditors’ Report.
NOTE 11: **DEPOSITS AND INVESTMENTS** (continued)

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

A) Participating interest-earning investment contracts.

B) Money market investments and certain participating interest-earning contracts. This category includes commercial paper, bankers’ acceptances, and U.S. Treasury and Agency obligations with a one year or less maturity.

C) Investment positions in 2a7-like pools.

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

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

| U.S. Treasury Notes | 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.

NOTE 12: **RESTRICTED ASSETS**

At December 31, 2016, the City had restricted certain deposits and investments for capital projects, debt service and refundable customer deposits. These amounts have been disclosed in statement of net position under restricted assets.
NOTE 13: **BALANCE OF DUE TO/FROM OTHER FUNDS**

At December 31, 2016, 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.

<table>
<thead>
<tr>
<th>Interfund Receivable</th>
<th>Interfund Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$427,731</td>
</tr>
<tr>
<td>Internal Service Fund</td>
<td>$2,337,642</td>
</tr>
<tr>
<td>Special Revenue Funds</td>
<td>$321,096</td>
</tr>
<tr>
<td></td>
<td>$205,884</td>
</tr>
<tr>
<td>Proprietary</td>
<td>$234,355</td>
</tr>
<tr>
<td></td>
<td>$43,005</td>
</tr>
<tr>
<td></td>
<td>$2,072,650</td>
</tr>
<tr>
<td></td>
<td>$469,301</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,055,832</strong></td>
</tr>
</tbody>
</table>

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

Operating transfers between funds for December 31, 2016 were as follows:

<table>
<thead>
<tr>
<th>Operating Transfers In</th>
<th>Operating Transfers Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$-0-</td>
</tr>
<tr>
<td>Debt Service Funds</td>
<td>$1,856,223</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,856,223</strong></td>
</tr>
</tbody>
</table>

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

Black Warrior Solid Waste Disposal Authority

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

Effective February 1, 1994, the authority assumed the assets, liabilities and capital accounts of the Solid Waste Disposal Authority of the City of Tuscaloosa. The contributed capital represents the cash grants originally contributed by the governmental entities in 1982 for construction and start-up costs of the predecessor authority’s waste disposal facility. The amount of contributed capital transferred was $45,625 (City of Tuscaloosa - $27,300, City of Northport - $5,200 and Tuscaloosa County - $13,125). The Solid Waste Authority of Tuscaloosa converted waste to energy at its incinerator facility and managed the Coker landfill. The new authority assumed operating responsibilities of the Coker Sanitary landfill and continues to pursue plans to expand the landfill under federal Subtitle D regulations. During 1993, in conjunction with their agreement to form the Authority, each of the participating governments executed a ten year contract providing for all municipal waste collected by them or their agents to be disposed of at the Authority’s landfill facility. The agreement allows succeeding ten year renewal periods and provides for its participating governments to operate the landfill facility, and set commercial and governmental fees annually. This information was obtained from the financial statements audited by Lawrence Hitt & Pugh, L.L.P. A summary of the audited financial statements for the year ended September 30, 2016 and 2015 is listed below:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets and Deferred Outflows</td>
<td>$34,443,558</td>
<td>$33,231,243</td>
</tr>
<tr>
<td>Total Liabilities and Deferred Inflows</td>
<td>13,638,757</td>
<td>12,684,145</td>
</tr>
<tr>
<td>Net Position</td>
<td>$20,804,801</td>
<td>$20,547,098</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>$5,177,694</td>
<td>$5,099,407</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>4,919,991</td>
<td>4,107,728</td>
</tr>
<tr>
<td>Net Increase (Decrease) in Fund Balance</td>
<td>$257,703</td>
<td>$991,679</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report.

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CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 16: DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

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

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

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

See Independent Auditors’ Report.
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NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

BENEFITS PROVIDED

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

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

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

See Independent Auditors’ Report.
NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

BENEFITS PROVIDED (continued)

The ERS serves approximately 846 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and beneficiaries</td>
<td></td>
</tr>
<tr>
<td>Currently receiving benefits</td>
<td>22,211</td>
</tr>
<tr>
<td>Terminated employees entitled to</td>
<td></td>
</tr>
<tr>
<td>but not yet receiving benefits</td>
<td>1,353</td>
</tr>
<tr>
<td>Terminated employees not</td>
<td></td>
</tr>
<tr>
<td>entitled to a benefit</td>
<td>5,451</td>
</tr>
<tr>
<td>Active Members</td>
<td>55,378</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84,393</strong></td>
</tr>
</tbody>
</table>

CONTRIBUTIONS

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

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.
NOTE 16: **DEFINED BENEFIT PENSION PLAN** (continued)

**CONTRIBUTIONS** (continued)

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended December 31, 2016, the City’s active employee contribution rate for Tier 1 and Tier 2 employees was 5%/6% and 6%/7% of covered employee payroll, and the City’s average contribution rate to fund the normal and accrued liability costs was 9.41% of covered employee payroll (Tier 1 at 10.71% and Tier 2 at 8.11%).

The City’s contractually required contribution rate for the year ended December 31, 2016 was 11.08% of pensionable pay for Tier 1 employees, and 8.48% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were $1,546,086 for the year ended December 31, 2016.

**NET PENSION LIABILITY**

The City’s net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:
NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

NET PENSION LIABILITY (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>Expected</th>
<th>Actual 2015 Valuation Assumptions</th>
<th>Actual 2016 Valuation Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Total Pension Liability as of September 30, 2015</td>
<td>$49,654,921</td>
<td>$49,506,621</td>
<td>$51,693,794</td>
</tr>
<tr>
<td>(b) Discount Rate</td>
<td>8.00%</td>
<td>8.00%</td>
<td>7.75%</td>
</tr>
<tr>
<td>(c) Entry Age Normal Cost for October 1, 2015 - September 30, 2016</td>
<td>1,213,731</td>
<td>1,213,731</td>
<td>1,234,366</td>
</tr>
<tr>
<td>(d) Transfers Among Employers</td>
<td>-</td>
<td>92,968</td>
<td>92,968</td>
</tr>
<tr>
<td>(e) Actual Benefit Payments and Refunds for October 1, 2015 - September 30, 2016</td>
<td>(2,783,827)</td>
<td>(2,783,827)</td>
<td>(2,783,827)</td>
</tr>
<tr>
<td>(f) Total Pension Liability as of September 30, 2015</td>
<td>$51,945,866</td>
<td>$51,878,670</td>
<td>$54,135,697</td>
</tr>
<tr>
<td>[(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(g) Difference between Expected and Actual</td>
<td>$(67,196)</td>
</tr>
<tr>
<td>(h) Less Liability Transferred for Immediate Recognition</td>
<td>92,968</td>
</tr>
<tr>
<td>(i) Experience (Gain)/ Loss = (g) - (h)</td>
<td>$(160,164)</td>
</tr>
<tr>
<td>(j) Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumptions Change (Gain)/ Loss</td>
<td>$2,257,027</td>
</tr>
</tbody>
</table>

ACTUARIAL ASSUMPTIONS

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense
NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

ACTUARIAL ASSUMPTIONS (continued)

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

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Long-Term Expected Rate of Return*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>25.00%</td>
<td>5.00%</td>
</tr>
<tr>
<td>Domestic Large Cap Equity</td>
<td>34.00%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Domestic Mid Cap Equity</td>
<td>8.00%</td>
<td>12.00%</td>
</tr>
<tr>
<td>Domestic Small Cap Equity</td>
<td>3.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>International Developed Equity</td>
<td>15.00%</td>
<td>11.00%</td>
</tr>
<tr>
<td>Internation Emerging Market Equity</td>
<td>3.00%</td>
<td>16.00%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10.00%</td>
<td>7.50%</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>2.00%</td>
<td>1.50%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
<td></td>
</tr>
</tbody>
</table>

* - Includes assumed rate of inflation of 2.50%
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, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CHANGES IN NET PENSION LIABILITY**

<table>
<thead>
<tr>
<th>Increase (Decrease)</th>
<th>Total Pension Liability (a)</th>
<th>Plan Fiduciary Net Position (b)</th>
<th>Net Pension Liability (a) -(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balances at September 30, 2015</strong></td>
<td>$ 49,654,921</td>
<td>$ 32,317,995</td>
<td>$ 17,336,926</td>
</tr>
<tr>
<td>Changes for the year:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Cost</td>
<td>1,213,731</td>
<td>-</td>
<td>1,213,731</td>
</tr>
<tr>
<td>Interest</td>
<td>3,861,041</td>
<td>-</td>
<td>3,861,041</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>2,257,027</td>
<td>-</td>
<td>2,257,027</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(160,164)</td>
<td>-</td>
<td>(160,164)</td>
</tr>
<tr>
<td>Contributions - Employer</td>
<td>-</td>
<td>1,594,217</td>
<td>1,594,217</td>
</tr>
<tr>
<td>Contributions - Employee</td>
<td>-</td>
<td>859,394</td>
<td>859,394</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>-</td>
<td>3,279,226</td>
<td>3,279,226</td>
</tr>
<tr>
<td>Benefit Payments, Including Refunds of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee Contributions</td>
<td>(2,783,827)</td>
<td>(2,783,827)</td>
<td>-</td>
</tr>
<tr>
<td>Transfers Among Employers</td>
<td>92,968</td>
<td>92,968</td>
<td>-</td>
</tr>
<tr>
<td>Net Changes</td>
<td>4,480,776</td>
<td>3,041,978</td>
<td>1,438,798</td>
</tr>
<tr>
<td><strong>Balances at September 30, 2016</strong></td>
<td>$ 54,135,697</td>
<td>$ 35,359,973</td>
<td>$ 18,775,724</td>
</tr>
</tbody>
</table>
NOTE 16: **DEFINED BENEFIT PENSION PLAN** (continued)

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

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

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>Plan's Net Pension Liability (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>$25,576,046</td>
</tr>
<tr>
<td>(6.75%)</td>
<td></td>
</tr>
<tr>
<td>Current Discount Rate</td>
<td>$18,775,724</td>
</tr>
<tr>
<td>(7.75%)</td>
<td></td>
</tr>
<tr>
<td>1% Increase</td>
<td>$13,079,052</td>
</tr>
<tr>
<td>(8.75%)</td>
<td></td>
</tr>
</tbody>
</table>

**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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**PENSION EXPENSE AND DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES**

For the year ended December 31, 2016, the City recognized pension expense of $2,053,546. At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difference between expected and actual experience</td>
<td>$418,009</td>
</tr>
<tr>
<td>Changes of Assumptions</td>
<td>1,963,907</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on pension plan investments</td>
<td>288,242</td>
</tr>
<tr>
<td>Employer contributions subsequent to measurement date</td>
<td>387,422</td>
</tr>
<tr>
<td>Total</td>
<td>$3,057,580</td>
</tr>
</tbody>
</table>
NOTE 16: **DEFINED BENEFIT PENSION PLAN** (continued)

PENSION EXPENSE AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (continued)

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

<table>
<thead>
<tr>
<th>Year ended December 31:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$414,118</td>
</tr>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>414,119</td>
</tr>
<tr>
<td>2020</td>
<td>645,624</td>
</tr>
<tr>
<td>2021</td>
<td>207,665</td>
</tr>
<tr>
<td>2022</td>
<td>348,321</td>
</tr>
<tr>
<td>Thereafter</td>
<td>500,948</td>
</tr>
</tbody>
</table>

NOTE 17: **POSTEMPLOYMENT BENEFITS**

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

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

**Fund Policy** - Until 2009, the City of Northport recognized the cost of providing post-employment medical benefits (the City of Northport’s portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2016 and 2015, the City’s portion of health care funding cost for retired employees totaled $271,026 and $222,352, respectively.

Effective January 1, 2009, the City of Northport implemented Government Accounting Standards Board Codification Section P50, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions (GASB Codification Section P50). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.
NOTE 17: **POSTEMPLOYMENT BENEFITS**

**Annual Required Contribution** – The City of Northport’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Cost</td>
<td>$150,023</td>
<td>$150,023</td>
</tr>
<tr>
<td>30-year UAL amortization amount</td>
<td>201,768</td>
<td>201,768</td>
</tr>
<tr>
<td>Annual required contribution (ARC)</td>
<td>$351,791</td>
<td>$351,791</td>
</tr>
</tbody>
</table>

**Net Post-Employment Benefit Obligation (Asset)** - The table below shows the City of Northport’s Net Other Post-Employment Benefit (OPEB) Obligation (Asset) for fiscal years ending December 31, 2016 and 2015:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Net OPEB Obligation (Asset) - Jan. 1</td>
<td>$1,089,388</td>
<td>$902,474</td>
</tr>
<tr>
<td>Annual required contribution</td>
<td>351,791</td>
<td>351,791</td>
</tr>
<tr>
<td>Interest on Net OPEB Obligation (Asset)</td>
<td>43,576</td>
<td>36,099</td>
</tr>
<tr>
<td>ARC Adjustment</td>
<td>(52,190)</td>
<td>(52,190)</td>
</tr>
<tr>
<td>OPEB Cost</td>
<td>343,177</td>
<td>335,700</td>
</tr>
<tr>
<td>Contribution</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Current year retiree premium</td>
<td>(116,632)</td>
<td>(148,786)</td>
</tr>
<tr>
<td></td>
<td>226,545</td>
<td>186,914</td>
</tr>
<tr>
<td>Change in Net OPEB Obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending Net OPEB Obligation (Asset) - Dec. 31</td>
<td>$1,315,933</td>
<td>$1,089,388</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Post-Employment Benefit</th>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual Cost Contributed</th>
<th>Net OPEB Obligation (Asset)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical</td>
<td>December 31, 2016</td>
<td>$343,177</td>
<td>33.99%</td>
<td>$1,315,933</td>
</tr>
<tr>
<td>Medical</td>
<td>December 31, 2015</td>
<td>$335,700</td>
<td>44.32%</td>
<td>$1,089,388</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report.
NOTE 17: **POSTEMPLOYMENT BENEFITS** (continued)

**Funded Status and Funding Progress** – In 2016, the City of Northport made no contributions to its post-employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2015 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2016 was $3,628,491 which is defined as that portion, as determined by a particular actuarial cost method (the City of Northport uses the Projected Unit Credit Cost Method), of the actuarial present value of post-employment plan benefits and expenses which is not provided by normal cost.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Accrued Liability (AAL)</td>
<td>$3,628,491</td>
</tr>
<tr>
<td>Actuarial Value of Plan Assets</td>
<td>-0-</td>
</tr>
<tr>
<td>Unfunded Act. Accrued Liability (UAAL)</td>
<td>3,628,491</td>
</tr>
<tr>
<td>Funded Ratio (Act. Val. Assets/AAL)</td>
<td>0%</td>
</tr>
<tr>
<td>Covered Payroll (active plan members)</td>
<td>$15,202,281</td>
</tr>
<tr>
<td>UAAL as a percentage of covered payroll</td>
<td>23.87%</td>
</tr>
</tbody>
</table>

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

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Northport and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Northport and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Northport and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.
NOTE 1: POSTEMPLOYMENT BENEFITS (continued)

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

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

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

**Post-employment Benefit Plan Eligibility Requirements** – Based on past experience, it has been assumed that entitlement to benefits will commence three years after retiree coverage eligibility, as described above under "Plan Description". In addition, "Tier II" retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62. Medical benefits are provided to employees upon actual retirement.

**Investment Return Assumption (Discount Rate)** – GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

**Health Care Cost Trend Rate** – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.
NOTE 17: **POSTEMPLOYMENT BENEFITS** (continued)

**Mortality Rate** - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

**Method of Determining Value of Benefits** – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The retiree pays for a portion of the "cost" of the medical insurance (for retirees, not dependents) after retirement, but it is based on the active/retiree blended rate. There is therefore an implicit employer subsidy since a portion of the active/retired blended rate is attributable to the retiree coverage. Since use of "unblended" rates is required by GASB 45 for valuation purposes, we have estimated the unblended retiree total rate before age 65 to be 130% of the blended rate. The employer cost is then the difference between this total "unblended" rate and the portion paid by the retiree. Retiree medical coverage ceases at age 65.

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

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

**Post-retirement Benefit Increases** - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.
NOTE 17: **POSTEMPLOYMENT BENEFITS** *(continued)*

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

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPEB Cost</strong></td>
<td>$281,400</td>
<td>$335,700</td>
<td>$343,177</td>
</tr>
<tr>
<td><strong>Contribution</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree premium</td>
<td>136,426</td>
<td>148,785</td>
<td>116,632</td>
</tr>
<tr>
<td><strong>Total contribution and premium</strong></td>
<td>136,426</td>
<td>148,785</td>
<td>116,632</td>
</tr>
<tr>
<td><strong>Change in net OPEB obligation</strong></td>
<td>$144,974</td>
<td>$186,915</td>
<td>$226,545</td>
</tr>
<tr>
<td>% of contribution to cost</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>% of contribution plus premium to cost</td>
<td>48.48%</td>
<td>44.32%</td>
<td>33.99%</td>
</tr>
</tbody>
</table>

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 year ended December 31, 2016, 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.
NOTE 19: **SELF-INSURANCE** (continued)

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

The following schedule presents future minimum lease payments as of December 31, 2016:

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum Lease Payments</th>
<th>Interest</th>
<th>Present Value of Minimum Lease Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$272,916</td>
<td>$53,969</td>
<td>$218,947</td>
</tr>
<tr>
<td>2018</td>
<td>272,916</td>
<td>46,965</td>
<td>225,951</td>
</tr>
<tr>
<td>2019</td>
<td>272,916</td>
<td>39,729</td>
<td>233,187</td>
</tr>
<tr>
<td>2020</td>
<td>272,916</td>
<td>32,252</td>
<td>240,664</td>
</tr>
<tr>
<td>2021</td>
<td>272,916</td>
<td>24,525</td>
<td>248,391</td>
</tr>
<tr>
<td>2022</td>
<td>272,916</td>
<td>16,542</td>
<td>256,374</td>
</tr>
<tr>
<td>2023</td>
<td>117,468</td>
<td>8,291</td>
<td>109,177</td>
</tr>
<tr>
<td>2024</td>
<td>117,468</td>
<td>5,595</td>
<td>111,873</td>
</tr>
<tr>
<td>2025</td>
<td>117,468</td>
<td>2,832</td>
<td>114,636</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,423,514</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report.
NOTE 22: **CAPITAL LEASE OBLIGATION** (continued)

Leased land, buildings, equipment and vehicles under capital leases in capital assets at December 31, 2016 were as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>$ 2,331,773</td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(623,999)</td>
<td></td>
</tr>
<tr>
<td>Net Capital Leased Assets</td>
<td>$ 1,707,774</td>
<td></td>
</tr>
</tbody>
</table>

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

NOTE 23: **FUND BALANCES – GOVERNMENTAL FUND**

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

*Non-spendable* – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at December 31, 2016, 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.

<table>
<thead>
<tr>
<th>Restricted for:</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Debt Service Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects</td>
<td>$ -</td>
<td>$ 873,935</td>
<td>$ -</td>
<td>$ 873,935</td>
</tr>
<tr>
<td>Municipal Court</td>
<td>402,739</td>
<td>-</td>
<td>-</td>
<td>402,739</td>
</tr>
<tr>
<td>Fine Arts Initiative</td>
<td>3,083</td>
<td>-</td>
<td>-</td>
<td>3,083</td>
</tr>
<tr>
<td>Grant Programs</td>
<td>-</td>
<td>2,323</td>
<td>-</td>
<td>2,323</td>
</tr>
<tr>
<td>Special Compensation for Employees</td>
<td>-</td>
<td>69,094</td>
<td>-</td>
<td>69,094</td>
</tr>
<tr>
<td>Debt Service</td>
<td>-</td>
<td>-</td>
<td>484,339</td>
<td>484,339</td>
</tr>
<tr>
<td>Restricted Fund Balance</td>
<td>$ 405,822</td>
<td>$ 945,352</td>
<td>$ 484,339</td>
<td>$ 1,835,513</td>
</tr>
</tbody>
</table>

See Independent Auditors’ Report. - 59 -
NOTE 23: **FUND BALANCES – GOVERNMENTAL FUND** (continued)

*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.

<table>
<thead>
<tr>
<th>Committed for:</th>
<th>General Fund</th>
<th>Special Revenue Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund Reserve Fund</td>
<td>$2,531,543</td>
<td>$-0-</td>
<td>$2,531,543</td>
</tr>
<tr>
<td>Committed Fund Balance</td>
<td>$2,531,543</td>
<td>$-0-</td>
<td>$2,531,543</td>
</tr>
</tbody>
</table>

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, City of Northport considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, City of Northport considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City of Northport Council has provided otherwise in its commitment or assignment actions.
NOTE 24: COMMITMENTS AND CONTENGENCIES

Tuscaloosa County High School Pledge
The City is contingently liable for $5,000,000 of the bond issue offered by the Tuscaloosa County School Board to construct a new high school. The City has committed an annual pledge of $250,000 for a 20-year period. Any infrastructure cost incurred by the City may be used to offset the annual pledge. At December 31, 2016, the outstanding commitment was $500,000.

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 December 31, 2016, the outstanding commitment was $1,500,000.

Capital Improvements
City has obligations and commitments for capital improvements related to the Water and Sewer Department’s Five Year Plan in the amount of $28,000,000.

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

Water and Sewer Operational Permits
The Water and Sewer department operates under permits issued by the Alabama Department of Environmental Management (ADEM). As of the date of this report, the City has timely submitted the application for renewal of these permits and the final issuance of these permits has not been completed by ADEM.
NOTE 25: **TAX ABATEMENTS**

Amendment 772 of the Constitution of Alabama of 1901 authorizes municipalities to lend credit or grant public funds and things of value in aid of or to any corporation or other business entity for the purpose of promoting economic development.

For the current year ended December 31, 2016, the City abated a maximum sales taxes of $187,500 to a developer for demolishing and removing an existing building and constructing a new 41,000 square foot building.

NOTE 26: **LONG TERM NOTE RECEIVABLE**

On August 2, 2016, the Tuscaloosa County Road Improvement Commission approved a budget that included reimbursing the City of Northport for the cost of the Mitt Lary Road Improvement Project up to $7,500,000. Beginning January 2017, The Tuscaloosa County Road Improvement Commission will begin paying the City of Northport $200,000 monthly until the balance is paid in full. The balance of the outstanding note as of December 31, 2016 was $7,500,000.

NOTE 27: **RELATED PARTY TRANSACTIONS**

A member of the current Council is employed by the Tuscaloosa County Park and Recreation Authority (PARA) – an agency that receives funding through the City of Northport. During the current year ended the City of Northport provided funds to PARA in the amount of $125,000.

On August 15, 2017, the City approved the purchase of .20 acres from J. Wayne Rose necessary to complete the Levee Repair Project. The .20 acres was purchased in the amount of $23,500. At the time of the purchase two members of the seller’s immediate family were employed by the City of Northport with one member serving as the interim City Administrator.

NOTE 28: **SUBSEQUENT EVENTS**

In accordance with Accounting Standards, we have reviewed the City’s records and transactions as of December 31, 2016, and subsequent to that date through the date of our report to determine if any events or transactions have occurred that would have a material effect on the financial statements as of December 31, 2016. As of the date of this report, no events have occurred that would be deemed to have a material effect on the financial statements as of December 31, 2016.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLAINECE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of and for the year ended December 31, 2016, 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 11, 2017.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendation that we consider to be material weaknesses [2016-001 through 2016-006].
Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

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

LeCroy, Hunter & Company, P.C.
Northport, Alabama
September 11, 2017
2016-001: **MONITORING**

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

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

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

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

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

**Recommendations:** Without sufficient accounting staff to allow for the timely completion of accounting procedures, reports with accurate information cannot be produced to allow the Council to make informed decisions. We recommend that additional accounting staff be hired within the Finance Department to segregate responsibilities and allow for more timely completion of necessary accounting procedures and therefore adequate reporting to the Council for decision making purposes.
2016-002: **CONTROL ACTIVITIES**

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

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

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

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

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

**Recommendation:** Documentation should be maintained to substantiate monies receipted for the rental of the Civic Center. Personnel involved in this process should receive annual training related to proper documentation, internal controls and safeguarding of assets. In addition, Finance Department personnel should have access to rental receipt records and perform periodic reviews of the rental receipting procedures. The periodic review would consist of vouching receipted monies to supporting documentation.
2016-003: CONTROL ACTIVITIES

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

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

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

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

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

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

2016-004: **CONTROL ACTIVITIES**

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

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

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

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

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

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

2016-005: CONTROL ACTIVITIES

Controls within the disbursement cycle appear to have been overridden by management.

Condition: A third party vendor stated that they were instructed by a member of management at the City of Northport to submit invoiced amounts below the threshold requiring Council approval thereby circumventing established controls.

Criteria: The responsibility to establish and maintain controls that provide for transparency in financial reporting and safeguarding of public assets resides with management. When management does not follow established controls integrity of financial reporting is compromised and public confidence is lost.

Effect: The intentional collusion between members of management and third party vendors to submit invoices below threshold amounts requiring council approval does not serve to safeguard public assets and open the door for misappropriation and corruption to occur.

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

Recommendation: Members of management should abide by established controls to preserve the integrity of the City’s financial reporting system. Communication with third party vendors should occur through the normal chain of communication and not solely by one member of management or Council person.
MATERIAL WEAKNESSES

2016-006: **CONTROL ACTIVITIES**

Controls within the disbursement cycle were not followed in an instance that allowed for approximately $124,000 in disbursements to take place either prior to being approved by the Council or during a meeting not open to the public.

**Condition:** Upon the previous City Administrator’s resignation on April 15, 2016 a sum total of $124,039.23 was disbursed. The disbursement was made on April 15, 2016 prior to the occurrence of the scheduled Council meeting. Communication between City personnel indicates that the decision to disburse the funds was made by three Council members without the inclusion of the remaining Council members.

**Criteria:** Internal controls within the disbursement cycle have been established to ensure public funds are safeguarded and properly expended. The Alabama Open Meetings Act, Section 36-25A-2 of the Code of Alabama, and its subsequent amendments has been established to ensure that the public at large is aware of the decisions made by their elected body.

**Effect:** The disbursement of public funds prior to Council approval circumvents established controls that safeguard City assets. Conducting Council meetings behind closed doors is in violation of the Alabama Open Meetings Act.

**Cause:** Controls in place were not followed by responsible personnel. Applicable laws may not have been adhered to.

**Recommendation:** Disbursements should be made after approval by the Council during a public meeting such as a regularly scheduled Council Meeting.
REQUIRED SUPPLEMENTARY INFORMATION
CITY OF NORTHPORT, ALABAMA  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>Revenues</th>
<th>FINAL BUDGET</th>
<th>ACTUAL</th>
<th>VARIANCE (UNFAVORABLE)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Sales and Use Taxes</td>
<td>$ 9,289,500</td>
<td>$ 9,370,825</td>
<td>$ 81,325</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>3,250,000</td>
<td>3,154,018</td>
<td>(95,982)</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>375,000</td>
<td>457,669</td>
<td>82,669</td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>$ 12,914,500</td>
<td>$ 12,982,512</td>
<td>$ 68,012</td>
</tr>
<tr>
<td><strong>Licenses and Permits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business License</td>
<td>$ 4,992,000</td>
<td>$ 4,968,058</td>
<td>$ (23,942)</td>
</tr>
<tr>
<td>Other Licenses and Permits</td>
<td>200,000</td>
<td>203,471</td>
<td>3,471</td>
</tr>
<tr>
<td><strong>Total Licenses and Permits</strong></td>
<td>$ 5,192,000</td>
<td>$ 5,171,529</td>
<td>$ (20,471)</td>
</tr>
<tr>
<td><strong>Charges for Services</strong></td>
<td>$ 1,525,000</td>
<td>$ 1,513,595</td>
<td>$ (11,405)</td>
</tr>
<tr>
<td>Fines and Penalties</td>
<td>725,000</td>
<td>845,979</td>
<td>120,979</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>4,184,500</td>
<td>4,895,575</td>
<td>711,075</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>417,900</td>
<td>472,235</td>
<td>54,335</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$ 24,958,900</td>
<td>$ 25,881,425</td>
<td>$ 922,525</td>
</tr>
</tbody>
</table>

| Expenditures                      |              |             |                        |
| Operating                         |              |             |                        |
| Finance and Administration        | $ 1,663,855  | $ 2,254,574 | $ 590,719              |
| General Government                | 2,380,967    | 2,079,784   | (301,183)              |
| Planning and Development          | 398,669      | 422,144     | 23,475                 |
| Public Safety                     | 12,817,663   | 12,369,888  | (447,775)              |
| Public Works                      | 5,295,291    | 5,380,301   | 85,010                 |
| Local Agency Funding              | 393,000      | 410,424     | 17,424                 |
| **Total Operating Expenditures**  | $ 22,949,445 | $ 22,917,115| $ 32,330               |
CITY OF NORTHPORT, ALABAMA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAVORABLE</td>
</tr>
<tr>
<td>(UNFAVORABLE)</td>
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</table>

<table>
<thead>
<tr>
<th>FINAL</th>
</tr>
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<tbody>
<tr>
<td>BUDGET</td>
</tr>
<tr>
<td>ACTUAL</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Administration</td>
</tr>
<tr>
<td>Planning and Development</td>
</tr>
<tr>
<td>Public Safety</td>
</tr>
<tr>
<td>Public Works</td>
</tr>
<tr>
<td>Total Capital Expenditures</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments on Bonds &amp; Notes Payable</td>
</tr>
<tr>
<td>Interest Paid</td>
</tr>
<tr>
<td>Agency Fees</td>
</tr>
<tr>
<td>Total Debt Service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Financing Sources (Uses)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Proceeds</td>
</tr>
<tr>
<td>Transfer Out</td>
</tr>
<tr>
<td>Transfer In</td>
</tr>
<tr>
<td>Sales Proceeds</td>
</tr>
<tr>
<td>Transfer Out to Bond Refunding</td>
</tr>
<tr>
<td>Total Other Financing Sources (Uses)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance Allocation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance - January 1, 2016</td>
</tr>
<tr>
<td>Fund Balance - December 31, 2016</td>
</tr>
</tbody>
</table>

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

- 72 -
### Schedule of Changes in Net Pension Liability

**Last 10 Fiscal Years Ending September 30, 2016**

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Total Pension Liability</strong></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Service Cost</td>
<td>$1,213,731</td>
<td>$1,193,185</td>
<td>$1,115,387</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
</tr>
<tr>
<td>Interest</td>
<td>3,861,041</td>
<td>3,641,981</td>
<td>3,470,171</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Changes in benefit terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Difference between expected and actual experience</td>
<td>(160,164)</td>
<td>570,013</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Changes in assumptions</td>
<td>2,257,027</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments, including refunds of employee contributions</td>
<td>(2,783,827)</td>
<td>(2,550,033)</td>
<td>(2,325,846)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers among employers</td>
<td>92,968</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Net change in total pension liability</strong></td>
<td>4,480,776</td>
<td>2,855,146</td>
<td>2,259,712</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Total pension liability - beginning</strong></td>
<td>49,654,921</td>
<td>46,799,775</td>
<td>44,540,063</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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</tr>
<tr>
<td><strong>Total pension liability - ending (a)</strong></td>
<td>$54,135,697</td>
<td>$49,654,921</td>
<td>$46,799,775</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
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</tbody>
</table>

#### Plan Fiduciary Net Position

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Contributions - employer</td>
<td>$1,594,217</td>
<td>$1,478,577</td>
<td>$1,450,492</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
</tr>
<tr>
<td>Contributions - member</td>
<td>859,394</td>
<td>845,896</td>
<td>779,985</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>3,279,226</td>
<td>381,282</td>
<td>3,473,386</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefit payments, including refunds of employee contributions</td>
<td>(2,783,827)</td>
<td>(2,550,033)</td>
<td>(2,325,846)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer to employers</td>
<td>92,968</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td><strong>Net change in plan fiduciary net position</strong></td>
<td>3,041,978</td>
<td>(21,981)</td>
<td>3,310,023</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Plan net position - beginning</strong></td>
<td>32,317,995</td>
<td>32,339,976</td>
<td>29,029,954</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Plan net position - ending (b)</strong></td>
<td>$35,359,973</td>
<td>$32,317,995</td>
<td>$32,339,977</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
</tr>
<tr>
<td><strong>Plan liability (asset) - ending (a) - (b)</strong></td>
<td>$18,775,724</td>
<td>$17,336,926</td>
<td>$14,459,798</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
</tr>
<tr>
<td><strong>Plan fiduciary net position as a percentage of the total pension liability</strong></td>
<td>65.32%</td>
<td>65.09%</td>
<td>69.10%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Covered payroll</strong></td>
<td>$15,402,096</td>
<td>$14,069,518</td>
<td>$13,659,188</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
<td>$     -</td>
</tr>
<tr>
<td><strong>Net pension liability (asset) as a percentage of covered-employee payroll</strong></td>
<td>121.90%</td>
<td>123.22%</td>
<td>105.86%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
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</tr>
</tbody>
</table>

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

The accompanying notes are an integral part of the financial statements.
### CITY OF NORTHPORT, ALABAMA
### SCHEDULE OF EMPLOYER CONTRIBUTIONS
### LAST 10 FISCAL YEARS ENDING DECEMBER 31 2016

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Actuarially determined contributions</td>
<td>$1,504,659</td>
<td>$1,500,170</td>
<td>$1,455,507</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Contributions in relation to the actuarially determined contribution</td>
<td>$1,546,086</td>
<td>$1,500,170</td>
<td>$1,455,507</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td>$ (41,427)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Covered payroll</td>
<td>$14,780,342</td>
<td>$14,270,878</td>
<td>$13,749,762</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Contributions as a percentage of covered payroll</td>
<td>10.46%</td>
<td>10.51%</td>
<td>10.59%</td>
<td>#DIV/0!</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

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

Methods and assumptions used to determine contribution rates:
- Actuarial cost method: Entry Age
- Amortization method: Level percent closed
- Remaining amortization period: 26 years
- Asset valuation method: Five year smoothed market
- Inflation: 3%
- Salary increases: 3.75 - 7.25, including inflation
- Investment rate of return: 8.00%, net of pension plan investment expense, including inflation

¹ - GASB No. 68 requires the disclosure to depict the last 10 fiscal years. However, the Employee's Retirement System of Alabama has only provided the most recent fiscal years figures. More years will be disclosed as the information is provided.
<table>
<thead>
<tr>
<th>Date</th>
<th>Actuarial Valuation</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Valuation</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Valuation</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Valuation</th>
<th>Actuarial Value of Assets</th>
<th>Actuarial Valuation</th>
<th>Actuarial Value of Assets</th>
<th>UAAL as a % of Covered Payroll</th>
<th>UAAL as a % of Covered Payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/10</td>
<td>25,550,179</td>
<td>39,586,538</td>
<td>14,036,359</td>
<td>64.5%</td>
<td>11,653,363</td>
<td>120.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/11</td>
<td>25,206,267</td>
<td>39,718,580</td>
<td>14,512,313</td>
<td>63.5%</td>
<td>11,448,662</td>
<td>126.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/12</td>
<td>25,485,395</td>
<td>38,581,587</td>
<td>13,096,192</td>
<td>66.1%</td>
<td>11,164,255</td>
<td>117.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/13</td>
<td>27,701,720</td>
<td>42,735,210</td>
<td>15,033,490</td>
<td>64.8%</td>
<td>12,741,238</td>
<td>118.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/14</td>
<td>30,422,953</td>
<td>46,046,346</td>
<td>15,623,393</td>
<td>66.1%</td>
<td>13,796,963</td>
<td>113.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/15</td>
<td>32,714,640</td>
<td>48,789,803</td>
<td>16,075,163</td>
<td>67.1%</td>
<td>14,227,854</td>
<td>113.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/30/15</td>
<td>32,714,640</td>
<td>48,924,024</td>
<td>16,209,384</td>
<td>66.9%</td>
<td>14,227,854</td>
<td>113.9%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

- Schedule of General Fund Revenues for the years ended December 31, 2016, 2015, and 2014.
- Water and Sewer Statistical Information for the years ended December 31, 2010 - 2016 and the years ended September 30, 2006 – 2009.
- Schedule of Water and Sewer Fund Revenue and Expenditures and Debt Coverage Ratio for the year ended December 31, 2016.
- Schedule of Water and Sewer Fund Debt Service for the year ended December 31, 2016.
- Schedule of Legal Debt Margin.
## CITY OF NORTHPORT, ALABAMA  
### GENERAL FUND  
### SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>Year Ended December 31</th>
<th>Year Ended December 31</th>
<th>Year Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
<td>2014</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Sales and Use Taxes</td>
<td>$9,370,825</td>
<td>$8,961,317</td>
<td>$8,670,446</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>3,154,018</td>
<td>3,101,735</td>
<td>3,063,056</td>
</tr>
<tr>
<td>Other</td>
<td>457,669</td>
<td>451,391</td>
<td>440,108</td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>$12,982,512</td>
<td>$12,514,443</td>
<td>$12,173,610</td>
</tr>
<tr>
<td><strong>Licenses and Permits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Licenses &amp; Permits</td>
<td>$4,968,058</td>
<td>$4,862,820</td>
<td>$4,717,937</td>
</tr>
<tr>
<td>Other Licenses and Permits</td>
<td>203,471</td>
<td>161,769</td>
<td>137,320</td>
</tr>
<tr>
<td><strong>Total Licenses and Permits</strong></td>
<td>$5,171,529</td>
<td>$5,024,589</td>
<td>$4,855,257</td>
</tr>
<tr>
<td><strong>Intergovernmental</strong></td>
<td>$3,994,783</td>
<td>$3,543,018</td>
<td>$3,785,850</td>
</tr>
<tr>
<td><strong>Charges for Services</strong></td>
<td>1,513,595</td>
<td>1,365,182</td>
<td>1,352,079</td>
</tr>
<tr>
<td><strong>Fines and Penalties</strong></td>
<td>845,979</td>
<td>784,076</td>
<td>970,761</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>470,679</td>
<td>311,128</td>
<td>613,180</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$24,979,077</td>
<td>$23,542,436</td>
<td>$23,750,737</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety</td>
<td>$12,369,888</td>
<td>$12,486,567</td>
<td>$12,531,715</td>
</tr>
<tr>
<td>Public Works</td>
<td>5,088,965</td>
<td>5,274,609</td>
<td>4,990,173</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>8,795,351</td>
<td>4,927,587</td>
<td>6,541,237</td>
</tr>
<tr>
<td>General Government</td>
<td>2,079,784</td>
<td>2,029,037</td>
<td>2,205,644</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>2,076,587</td>
<td>1,898,034</td>
<td>1,553,831</td>
</tr>
<tr>
<td>Planning and Development</td>
<td>422,144</td>
<td>526,080</td>
<td>672,132</td>
</tr>
<tr>
<td>Local Agency Support</td>
<td>410,424</td>
<td>445,547</td>
<td>394,401</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$31,243,143</td>
<td>$27,587,461</td>
<td>$28,889,133</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenues Over Expenditures</strong></td>
<td>$(6,264,066)</td>
<td>$(4,045,025)</td>
<td>$(5,138,396)</td>
</tr>
<tr>
<td><strong>Other Financing Sources and (Uses)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer Out to Debt Service Fund</td>
<td>$(1,856,223)</td>
<td>$(1,876,895)</td>
<td>$(2,707,407)</td>
</tr>
<tr>
<td>Transfer Out - Payment to Refund Bonds</td>
<td>(5,090,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Sources</td>
<td>74,870</td>
<td>17,158</td>
<td>15,909</td>
</tr>
<tr>
<td>Loan Proceeds</td>
<td>8,447,439</td>
<td></td>
<td>15,227,629</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources and (Uses)</strong></td>
<td>$1,576,086</td>
<td>$(1,859,737)</td>
<td>$12,536,131</td>
</tr>
<tr>
<td><strong>Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses</strong></td>
<td>$ (4,687,980)</td>
<td>$(5,904,762)</td>
<td>$7,397,735</td>
</tr>
<tr>
<td><strong>Fund Balance - Beginning of Year</strong></td>
<td>7,577,905</td>
<td>13,482,667</td>
<td>6,084,932</td>
</tr>
<tr>
<td><strong>Fund Balance - End of Year</strong></td>
<td>$2,889,925</td>
<td>$7,577,905</td>
<td>$13,482,667</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
## CITY OF NORTHPORT, ALABAMA
### SCHEDULE OF GENERAL FUND REVENUE
#### FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

<table>
<thead>
<tr>
<th></th>
<th>DECEMBER 31, 2016</th>
<th></th>
<th>DECEMBER 31, 2015</th>
<th></th>
<th>DECEMBER 31, 2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PERCENT</td>
<td>TOTAL</td>
<td>PERCENT</td>
<td>TOTAL</td>
<td>PERCENT</td>
<td>TOTAL</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Sales and Use Taxes</td>
<td>37.5%</td>
<td>$ 9,370,825</td>
<td>38.1%</td>
<td>$ 8,961,317</td>
<td>36.5%</td>
<td>$ 8,670,445</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>12.6%</td>
<td>3,154,018</td>
<td>13.2%</td>
<td>3,101,735</td>
<td>12.9%</td>
<td>3,063,056</td>
</tr>
<tr>
<td>Other</td>
<td>1.8%</td>
<td>457,669</td>
<td>1.9%</td>
<td>451,391</td>
<td>1.9%</td>
<td>440,108</td>
</tr>
<tr>
<td><strong>Total Taxes</strong></td>
<td>52.0%</td>
<td>$12,982,512</td>
<td>53.2%</td>
<td>$12,514,443</td>
<td>51.3%</td>
<td>$12,173,609</td>
</tr>
<tr>
<td><strong>Licenses and Permits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Licenses &amp; Permits</td>
<td>19.9%</td>
<td>$4,968,058</td>
<td>20.7%</td>
<td>$4,862,820</td>
<td>19.9%</td>
<td>$4,717,937</td>
</tr>
<tr>
<td>Other Licenses and Permits</td>
<td>0.8%</td>
<td>203,471</td>
<td>0.7%</td>
<td>161,769</td>
<td>0.6%</td>
<td>137,320</td>
</tr>
<tr>
<td><strong>Total Licenses and Permits</strong></td>
<td>20.7%</td>
<td>$5,171,529</td>
<td>21.3%</td>
<td>$5,024,589</td>
<td>20.4%</td>
<td>$4,855,257</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>16.0%</td>
<td>3,994,783</td>
<td>15.0%</td>
<td>3,543,018</td>
<td>15.9%</td>
<td>3,785,850</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>6.1%</td>
<td>1,513,595</td>
<td>5.8%</td>
<td>1,365,182</td>
<td>5.7%</td>
<td>1,352,079</td>
</tr>
<tr>
<td>Fines and Penalties</td>
<td>3.4%</td>
<td>$845,979</td>
<td>3.3%</td>
<td>$784,076</td>
<td>4.1%</td>
<td>$970,761</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>1.9%</td>
<td>470,679</td>
<td>1.3%</td>
<td>311,128</td>
<td>2.6%</td>
<td>613,180</td>
</tr>
<tr>
<td><strong>Total Other Revenue</strong></td>
<td>27.3%</td>
<td>$6,825,036</td>
<td>25.5%</td>
<td>$6,003,404</td>
<td>28.3%</td>
<td>$6,721,870</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>100.0%</td>
<td>$24,979,077</td>
<td>100.0%</td>
<td>$23,542,436</td>
<td>100.0%</td>
<td>$23,750,736</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2009 AND
DECEMBER 31, 2010 THROUGH 2016

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Number of Customers *</th>
<th>Total Volume (Gallons)</th>
<th>Gross Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>10,850</td>
<td>935,617,119</td>
<td>3,150,875</td>
</tr>
<tr>
<td>2007</td>
<td>11,412</td>
<td>1,016,899,157</td>
<td>3,503,425</td>
</tr>
<tr>
<td>2008</td>
<td>11,671</td>
<td>968,527,572</td>
<td>3,390,997</td>
</tr>
<tr>
<td>2009</td>
<td>11,746</td>
<td>897,990,571</td>
<td>3,597,280</td>
</tr>
<tr>
<td>2010</td>
<td>11,832</td>
<td>902,190,889</td>
<td>3,919,693</td>
</tr>
<tr>
<td>2011</td>
<td>12,989</td>
<td>899,985,608</td>
<td>4,671,142</td>
</tr>
<tr>
<td>2012</td>
<td>13,178</td>
<td>891,299,233</td>
<td>4,775,028</td>
</tr>
<tr>
<td>2013</td>
<td>13,345</td>
<td>829,476,094</td>
<td>4,647,254</td>
</tr>
<tr>
<td>2014</td>
<td>13,435</td>
<td>843,445,786</td>
<td>4,811,248</td>
</tr>
<tr>
<td>2015</td>
<td>13,628</td>
<td>858,529,172</td>
<td>4,999,250</td>
</tr>
<tr>
<td>2016</td>
<td>13,864</td>
<td>916,745,649</td>
<td>5,393,990</td>
</tr>
</tbody>
</table>

**Ten Largest Water System Customers**

<table>
<thead>
<tr>
<th>2016 Gallons</th>
<th>2016 Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuscaloosa County Board of Education</td>
<td>21,665,133</td>
</tr>
<tr>
<td>DCH Health Care Authority</td>
<td>21,026,189</td>
</tr>
<tr>
<td>Northport Housing Authority West Circle</td>
<td>9,244,158</td>
</tr>
<tr>
<td>Northport Housing Authority Knoll Circle</td>
<td>9,104,149</td>
</tr>
<tr>
<td>Forest Manor</td>
<td>8,329,260</td>
</tr>
<tr>
<td>Northport Health Services Glen Haven</td>
<td>7,760,887</td>
</tr>
<tr>
<td>Northport Housing Authority Valley Hills</td>
<td>7,130,027</td>
</tr>
<tr>
<td>Northport Health Services Park Manor</td>
<td>5,080,415</td>
</tr>
<tr>
<td>Presbyterian Apartments</td>
<td>4,399,055</td>
</tr>
<tr>
<td>Deerfield Apartments</td>
<td>4,268,355</td>
</tr>
</tbody>
</table>

**Water Rates - Effective October 1, 2016**

All water purchases are $4.47 per 1,000 Gallons

<table>
<thead>
<tr>
<th>Meter Diameter</th>
<th>Minimum Monthly Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot;</td>
<td>$ 7.71</td>
</tr>
<tr>
<td>3/4&quot;</td>
<td>8.55</td>
</tr>
<tr>
<td>1&quot;</td>
<td>10.34</td>
</tr>
<tr>
<td>1 1/2&quot;</td>
<td>16.52</td>
</tr>
<tr>
<td>2&quot;</td>
<td>25.53</td>
</tr>
<tr>
<td>3&quot;</td>
<td>42.23</td>
</tr>
<tr>
<td>4&quot;</td>
<td>73.94</td>
</tr>
<tr>
<td>6&quot;</td>
<td>115.72</td>
</tr>
<tr>
<td>8&quot;</td>
<td>235.85</td>
</tr>
</tbody>
</table>

* - Customers as of fiscal year end

The accompanying notes are an integral part of the financial statements.
The accompanying notes are an integral part of the financial statements.
CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED SEPTEMBER 30, 2006 THROUGH 2009 AND
DECEMBER 31, 2010 THROUGH 2016

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:

<table>
<thead>
<tr>
<th>Water Meter Size</th>
<th>Water Development Fee</th>
<th>Sewer Development Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/8&quot; or 3/4&quot;</td>
<td>$1,254</td>
<td>$1,453</td>
</tr>
<tr>
<td>1&quot;</td>
<td>$2,132</td>
<td>$2,470</td>
</tr>
<tr>
<td>1 1/2&quot;</td>
<td>$3,624</td>
<td>$4,199</td>
</tr>
<tr>
<td>2&quot;</td>
<td>$6,161</td>
<td>$7,139</td>
</tr>
<tr>
<td>3&quot;</td>
<td>$10,474</td>
<td>$12,136</td>
</tr>
<tr>
<td>4&quot;</td>
<td>$17,806</td>
<td>$20,631</td>
</tr>
<tr>
<td>6&quot;</td>
<td>$30,269</td>
<td>$35,072</td>
</tr>
<tr>
<td>8&quot;</td>
<td>$51,457</td>
<td>$65,340</td>
</tr>
</tbody>
</table>

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

- 80 -
CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER REVENUES,
EXPENDITURES AND DEBT COVERAGE
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for Services and Fees</td>
<td>$ 9,981,935</td>
</tr>
</tbody>
</table>

| TOTAL OPERATING REVENUES                 | $ 9,981,935 |

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$ 3,230,914</td>
</tr>
<tr>
<td>Utilities and Telephone</td>
<td>709,366</td>
</tr>
<tr>
<td>Maintenance and Repairs</td>
<td>701,222</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>475,390</td>
</tr>
<tr>
<td>Insurance</td>
<td>520,108</td>
</tr>
<tr>
<td>Other Expense</td>
<td>360,550</td>
</tr>
<tr>
<td>Water and Sewer Purchases</td>
<td>356,934</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>103,259</td>
</tr>
</tbody>
</table>

| TOTAL OPERATING EXPENSES                 | $ 6,457,743 |

Interest Income                           $ 2,194

| NET INCOME AVAILABLE FOR DEBT SERVICE    | $ 3,526,386 |

Actual Maximum Annual Debt Service         $ 2,692,313

Actual Maximum Debt Service Coverage       1.31
The accompanying notes are an integral part of the financial statements.
### CITY OF NORTHPORT, ALABAMA

**SCHEDULE OF LEGAL DEBT MARGIN**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed Value</td>
<td>$254,721,440</td>
</tr>
<tr>
<td>Debt Limit - 20% of Assessed Value</td>
<td>$50,944,288</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>$2,352,937</td>
</tr>
<tr>
<td>Long-Term Commitment to TCHS</td>
<td>500,000</td>
</tr>
<tr>
<td>Long-Term Commitment - Suntrust Lease Obligation</td>
<td>821,552</td>
</tr>
<tr>
<td>Long-Term Commitment - U.S. Bankcorp</td>
<td>937,647</td>
</tr>
<tr>
<td>Warrants Payable</td>
<td>48,380,000</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td><strong>$52,992,136</strong></td>
</tr>
</tbody>
</table>

#### Items Excluded from Limit by Section 225 and 268 as Amended, Constitution of State of Alabama

- School Construction: 500,000

#### Items Excluded from Limit by Section 11-81-166 of the 1975 State of Alabama Code

- Revenue Bonds:
  - Water and Sewer Warrants: $25,810,000

**Net Debt Coming Within Legal Debt Limit**: 26,682,136

**Legal Debt Margin - Amount Available for Future Indebtedness**: $24,262,152
SUPPLEMENTARY INFORMATION
CITY OF NORTHPORT
GENERAL FUND
DECEMBER 31, 2016

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

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balance
The accompanying notes are an integral part of the financial statements.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,436,963</td>
</tr>
<tr>
<td>Property Tax Receivable</td>
<td>$1,093,548</td>
</tr>
<tr>
<td>Police Dockets Receivable - Net</td>
<td>$63,020</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>$77,065</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>$427,731</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>$46,879</td>
</tr>
<tr>
<td>Inventories</td>
<td>$78,504</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$3,223,710</td>
</tr>
<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$3,000,655</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$6,224,365</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCE</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$133,520</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>$2,337,641</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>$558,748</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>$964</td>
</tr>
<tr>
<td>Cash Bonds, Restitution and Other Deposits</td>
<td>$302,274</td>
</tr>
<tr>
<td>Compensated Absences - Current</td>
<td>$1,293</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$3,334,440</td>
</tr>
<tr>
<td><strong>FUND BALANCE</strong></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>$78,504</td>
</tr>
<tr>
<td>Restricted</td>
<td>$405,822</td>
</tr>
<tr>
<td>Committed</td>
<td>$2,351,543</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$54,056</td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCE</strong></td>
<td>$2,889,925</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND FUND EQUITY</strong></td>
<td>$6,224,365</td>
</tr>
</tbody>
</table>
# CITY OF NORTHPORT, ALABAMA

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

---

### REVENUES

**TAXES:**

City Sales and Use Taxes  $ 9,370,825  
Property Taxes  3,154,018  
Other  457,669  

**TOTAL TAXES**  $ 12,982,512  

**LICENSES AND PERMITS:**

Business Licenses & Permits  $ 4,968,058  
Other Licenses and Permits  203,471  

**TOTAL LICENSES AND PERMITS**  $ 5,171,529  

**INTERGOVERNMENTAL REVENUE:**

County Sales Tax  $ 3,256,550  
Tobacco Tax  288,115  
E-911 Funds  131,500  
Liquor Tax  120,720  
Bank Excise Tax  52,754  
County Vehicle License  88,225  
A.B.C. 2-Percent Sales Tax  51,053  
Oil and Gas Production  5,866  

**TOTAL INTERGOVERNMENTAL REVENUE**  $ 3,994,783  

**CHARGES FOR SERVICES:**

Garbage Fees  $ 1,320,575  
Other Charges  193,020  

**TOTAL CHARGES FOR SERVICES**  $ 1,513,595  

**FINES AND PENALTIES:**

Court Costs and Fines  $ 702,789  
Court Costs - Corrections  143,190  

**TOTAL FINES AND PENALTIES**  $ 845,979  

**MISCELLANEOUS REVENUE:**

Other Income  $ 324,930  
Housing Authority Payments in Lieu of Taxes  11,869  
Rental and Lease Income  50,409  
Grant Proceeds  80,822  
Interest Income  2,649  

**TOTAL MISCELLANEOUS REVENUE**  $ 470,679  

**TOTAL REVENUES**  $ 24,979,077
### CITY OF NORTHPORT, ALABAMA
#### GENERAL FUND
##### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
##### FOR THE YEAR ENDED DECEMBER 31, 2016

**EXPENDITURES**

**OPERATING EXPENDITURES:**
- Public Safety: $12,369,888
- Public Works: $5,088,965
- General Government: $2,079,784
- Finance and Administration: $2,076,587
- Planning and Community Development: $422,144
- Local Agency Support: $410,424

**TOTAL OPERATING EXPENDITURES**

$22,447,792

**CAPITAL EXPENDITURES:**
- Public Works: $7,106,349
- Public Safety: $1,583,006
- Finance and Administration: $105,996

**TOTAL CAPITAL EXPENDITURES**

$8,795,351

**TOTAL EXPENDITURES**

$31,243,143

**EXCESS REVENUES / (EXPENDITURES)**

$(6,264,066)

**OTHER FINANCING SOURCES (USES):**
- Loan Proceeds: $8,447,439
- Sale Proceeds: $74,870
- Transfer (Out) to Debt Service Fund: $(1,856,223)
- Transfer Out - Payment to Refund Bonds: $(5,090,000)

**TOTAL FINANCING SOURCES (USES)**

$1,576,086

**EXCESS REVENUES AND SOURCES OVER EXPENDITURES AND USES**

$(4,687,980)

**FUND BALANCE - JANUARY 1, 2016**

$7,577,905

**FUND BALANCE - DECEMBER 31, 2016**

$2,889,925

The accompanying notes are an integral part of the financial statements.
Debt Service Funds of the City were created to account for the payment of certain long-term general obligation debts. Each of the Debt Service Funds presented receives the revenue necessary to amortize applicable debt service from designated revenue sources.

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balance
## CITY OF NORTHPORT, ALABAMA
### DEBT SERVICE FUND
#### BALANCE SHEET
##### DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 484,339</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL RESTRICTED ASSETS</strong></td>
<td><strong>$ 484,339</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 484,339</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted for Debt Service</td>
<td>$ 484,339</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCE</strong></td>
<td><strong>$ 484,339</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND FUND BALANCE</strong></td>
<td><strong>$ 484,339</strong></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
# CITY OF NORTHPORT, ALABAMA
## DEBT SERVICE FUND
### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
#### DECEMBER 31, 2016

**REVENUES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Investments</td>
<td>$ 235</td>
</tr>
</tbody>
</table>

**TOTAL REVENUES**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 235</td>
</tr>
</tbody>
</table>

**EXPENDITURES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Paid</td>
<td>$ 900,207</td>
</tr>
<tr>
<td>Other Fees</td>
<td>$ 3,449</td>
</tr>
<tr>
<td>Payments on Pledge to TCHS</td>
<td>$ 250,000</td>
</tr>
<tr>
<td>Payments on Bonds, Warrants, and Notes Payable</td>
<td>$ 887,606</td>
</tr>
</tbody>
</table>

**TOTAL EXPENDITURES**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 2,041,262</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(2,041,027)</td>
</tr>
</tbody>
</table>

**OTHER FINANCING SOURCES (USES)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers In - General Fund</td>
<td>$ 1,856,223</td>
</tr>
</tbody>
</table>

**TOTAL OTHER FINANCING SOURCES (USES)**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1,856,223</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(184,804)</td>
</tr>
</tbody>
</table>

**FUND BALANCE - JANUARY 1, 2016**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 669,143</td>
</tr>
</tbody>
</table>

**FUND BALANCE - DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 484,339</td>
</tr>
</tbody>
</table>

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

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

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

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

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

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

- Combining Balance Sheet
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
### CITY OF NORTHPORT, ALABAMA
#### SPECIAL REVENUE FUNDS
#### COMBINING BALANCE SHEET
#### DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>CAPITAL IMPROVEMENT</th>
<th>GASOLINE 7 CENT TAX FUND</th>
<th>COMMUNITY DEVELOPMENT FUND</th>
<th>EMPLOYEE BEER TAX FUND</th>
<th>EMPLOYEE BENEFIT FUND</th>
<th>ELIMINATE INTERFUND BALANCES</th>
<th>TOTAL (MEMO ONLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>Due From General Fund</td>
<td>128,250</td>
<td>105,220</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>36,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>884</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$164,250</td>
<td>$105,220</td>
<td>$ -</td>
<td>$884</td>
<td>$ -</td>
<td>$ -</td>
<td>(36,000)</td>
</tr>
<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$276,697</td>
<td>$406,737</td>
<td>$2,323</td>
<td>$68,246</td>
<td>$5,799</td>
<td>$ -</td>
<td>$759,802</td>
</tr>
<tr>
<td><strong>TOTAL RESTRICTED ASSETS</strong></td>
<td>$276,697</td>
<td>$406,737</td>
<td>$2,323</td>
<td>$68,246</td>
<td>$5,799</td>
<td>$ -</td>
<td>$759,802</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$440,947</td>
<td>$511,957</td>
<td>$2,323</td>
<td>$69,130</td>
<td>$5,799</td>
<td>(36,000)</td>
<td>$994,156</td>
</tr>
</tbody>
</table>

| LIABILITIES & FUND BALANCE | | | | | | | |
|**CURRENT LIABILITIES** | | | | | | | |
| Accounts Payable | $ | - | $ | - | $ | - | $ | - | $ | - | $ | - | $ | - | $ | - | $ | - |
| Due to General Fund | 40,160 | - | - | 36 | - | - | 40,196 |
| Due to Other Funds | 36,000 | - | - | - | - | - | 2,809 |
| **TOTAL LIABILITIES** | $42,969 | $36,000 | $ - | $36 | $ - | $ - | (36,000) | $43,005 |

| FUND BALANCE | | | | | | | |
|**Restricted** | $397,978 | $475,957 | $2,323 | $69,094 | $ - | $5,799 | $945,352 |
|**Unrestricted** | - | - | - | - | - | - | 5,799 |
| **TOTAL FUND BALANCE** | $397,978 | $475,957 | $2,323 | $69,094 | $5,799 | $ - | $951,151 |

<table>
<thead>
<tr>
<th>TOTAL LIABILITIES &amp; FUND BALANCE</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES &amp; FUND BALANCE</strong></td>
<td>$440,947</td>
<td>$511,957</td>
<td>$2,323</td>
<td>$69,130</td>
<td>$5,799</td>
<td>(36,000)</td>
<td>$994,156</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
### CITY OF NORTHPORT, ALABAMA

**SPECIAL REVENUE FUNDS**

**COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Capital Improvement</th>
<th>Gasoline 7 Cent Tax Fund</th>
<th>Community Development Fund</th>
<th>Employee Beer Tax Fund</th>
<th>Employee Benefit Fund</th>
<th>Total (Memo Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental Revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas Tax</td>
<td>$</td>
<td>$558,027</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$558,027</td>
</tr>
<tr>
<td>Petroleum Inspection Fee</td>
<td>$</td>
<td>$8,971</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$8,971</td>
</tr>
<tr>
<td>Share of Beer Tax</td>
<td>$</td>
<td>$</td>
<td>$128,413</td>
<td>$</td>
<td>$</td>
<td>$128,413</td>
</tr>
<tr>
<td>Municipal Government Tax</td>
<td>$205,381</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$205,381</td>
</tr>
<tr>
<td>Other Operating Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$100</td>
<td>$124</td>
<td>$1</td>
<td>$32</td>
<td>$3</td>
<td>$260</td>
</tr>
<tr>
<td>Other</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$1061</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$205,481</td>
<td>$567,122</td>
<td>$1</td>
<td>$128,445</td>
<td>$1,064</td>
<td>$902,113</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>Capital Improvement</th>
<th>Gasoline 7 Cent Tax Fund</th>
<th>Community Development Fund</th>
<th>Employee Beer Tax Fund</th>
<th>Employee Benefit Fund</th>
<th>Total (Memo Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Administration</td>
<td>$48,900</td>
<td>$</td>
<td>$</td>
<td>$129,087</td>
<td>$</td>
<td>$177,987</td>
</tr>
<tr>
<td>Public Works</td>
<td>$</td>
<td>$291,336</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$291,336</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$48,900</td>
<td>$291,336</td>
<td>$</td>
<td>$129,087</td>
<td>$</td>
<td>$469,323</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Excess (Deficit) of Revenues &amp; Other Sources Over Expenditures</th>
<th>Capital Improvement</th>
<th>Gasoline 7 Cent Tax Fund</th>
<th>Community Development Fund</th>
<th>Employee Beer Tax Fund</th>
<th>Employee Benefit Fund</th>
<th>Total (Memo Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$156,581</td>
<td>$275,786</td>
<td>$1</td>
<td>$642</td>
<td>$1,064</td>
<td>$432,790</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Balance -</th>
<th>Capital Improvement</th>
<th>Gasoline 7 Cent Tax Fund</th>
<th>Community Development Fund</th>
<th>Employee Beer Tax Fund</th>
<th>Employee Benefit Fund</th>
<th>Total (Memo Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1, 2016</td>
<td>$241,397</td>
<td>$200,171</td>
<td>$2,322</td>
<td>$69,736</td>
<td>$4,735</td>
<td>$518,361</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fund Balance -</th>
<th>Capital Improvement</th>
<th>Gasoline 7 Cent Tax Fund</th>
<th>Community Development Fund</th>
<th>Employee Beer Tax Fund</th>
<th>Employee Benefit Fund</th>
<th>Total (Memo Only)</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2016</td>
<td>$397,978</td>
<td>$475,957</td>
<td>$2,323</td>
<td>$69,094</td>
<td>$5,799</td>
<td>$951,151</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
DECEMBER 31, 2016

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

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

- Combining Statement of Net Position
- Combining Statement of Revenues, Expenses, and Changes in Net Position
- Combining Statement of Cash Flows
### CITY OF NORTHPORT, ALABAMA

**PROPRIETARY FUNDS**

**COMBINING STATEMENT OF NET POSITION**

**DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Enterprise Funds</th>
<th>Special Assessment Fund</th>
<th>Total Enterprise Funds</th>
<th>Internal Service Fund</th>
<th>Total Proprietary Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 461,203</td>
<td>$ -</td>
<td>$ 461,203</td>
<td>$ -</td>
<td>$ 461,203</td>
</tr>
<tr>
<td>Accounts Receivable, Net of Allowance for Doubtful Accounts of $54,533</td>
<td>991,163</td>
<td>-</td>
<td>991,163</td>
<td>-</td>
<td>991,163</td>
</tr>
<tr>
<td>Receivables - Other</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assessments Receivable - Current</td>
<td>-</td>
<td>10,658</td>
<td>10,658</td>
<td>-</td>
<td>10,658</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>-</td>
<td>7,264</td>
<td>7,264</td>
<td>-</td>
<td>7,264</td>
</tr>
<tr>
<td>Due from Other Funds</td>
<td>2,072,650</td>
<td>-</td>
<td>2,072,650</td>
<td>84,330</td>
<td>2,156,980</td>
</tr>
<tr>
<td>Due from Other Proprietary Funds</td>
<td>1,637,172</td>
<td>-</td>
<td>1,637,172</td>
<td>236,766</td>
<td>1,873,938</td>
</tr>
<tr>
<td>Prepaid Insurance</td>
<td>36,176</td>
<td>-</td>
<td>36,176</td>
<td>-</td>
<td>36,176</td>
</tr>
<tr>
<td>Inventory</td>
<td>182,037</td>
<td>-</td>
<td>182,037</td>
<td>-</td>
<td>182,037</td>
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<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$ 5,380,401</td>
<td>$ 17,922</td>
<td>$ 5,398,323</td>
<td>$ 321,096</td>
<td>$ 5,719,419</td>
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<tr>
<td><strong>RESTRICTED ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$ 3,653,907</td>
<td>$ -</td>
<td>$ 3,653,907</td>
<td>$ 115,252</td>
<td>$ 3,769,159</td>
</tr>
<tr>
<td><strong>TOTAL RESTRICTED ASSETS</strong></td>
<td>$ 3,653,907</td>
<td>$ -</td>
<td>$ 3,653,907</td>
<td>$ 115,252</td>
<td>$ 3,769,159</td>
</tr>
<tr>
<td><strong>PROPERTY, PLANT AND EQUIPMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$ 396,017</td>
<td>$ -</td>
<td>$ 396,017</td>
<td>$ -</td>
<td>$ 396,017</td>
</tr>
<tr>
<td>Treatment Plants and Pump Stations</td>
<td>28,531,186</td>
<td>-</td>
<td>28,531,186</td>
<td>-</td>
<td>28,531,186</td>
</tr>
<tr>
<td>Distribution and Disposal System</td>
<td>45,217,795</td>
<td>-</td>
<td>45,217,795</td>
<td>-</td>
<td>45,217,795</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>693,340</td>
<td>-</td>
<td>693,340</td>
<td>-</td>
<td>693,340</td>
</tr>
<tr>
<td>Vehicles</td>
<td>1,009,320</td>
<td>-</td>
<td>1,009,320</td>
<td>-</td>
<td>1,009,320</td>
</tr>
<tr>
<td>Computer Equipment</td>
<td>181,774</td>
<td>-</td>
<td>181,774</td>
<td>-</td>
<td>181,774</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>87,251</td>
<td>-</td>
<td>87,251</td>
<td>-</td>
<td>87,251</td>
</tr>
<tr>
<td><strong>TOTAL PROPERTY, PLANT &amp; EQUIPMENT</strong></td>
<td>$ 76,116,683</td>
<td>$ -</td>
<td>$ 76,116,683</td>
<td>$ -</td>
<td>$ 76,116,683</td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td>(28,723,977)</td>
<td>-</td>
<td>(28,723,977)</td>
<td>-</td>
<td>(28,723,977)</td>
</tr>
<tr>
<td><strong>NET PROPERTY, PLANT &amp; EQUIPMENT</strong></td>
<td>$ 47,392,706</td>
<td>$ -</td>
<td>$ 47,392,706</td>
<td>$ -</td>
<td>$ 47,392,706</td>
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<tr>
<td><strong>OTHER ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abeyance Receivable</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,055,930</td>
<td>$ -</td>
<td>$ 2,055,930</td>
</tr>
<tr>
<td><strong>TOTAL OTHER ASSETS</strong></td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,055,930</td>
<td>$ -</td>
<td>$ 2,055,930</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 56,427,014</td>
<td>$ 2,073,852</td>
<td>$ 58,500,866</td>
<td>$ 436,348</td>
<td>$ 58,937,214</td>
</tr>
</tbody>
</table>

### DEFERRED OUTFLOWS OF RESOURCES

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>Enterprise Funds</th>
<th>Special Assessment Fund</th>
<th>Total Enterprise Funds</th>
<th>Internal Service Fund</th>
<th>Total Proprietary Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred Outflows from Pension</td>
<td>485,283</td>
<td>-</td>
<td>485,283</td>
<td>-</td>
<td>485,283</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED Outflows OF RESOURCES</strong></td>
<td>$ 4,371,443</td>
<td>$ -</td>
<td>$ 4,371,443</td>
<td>$ -</td>
<td>$ 4,371,443</td>
</tr>
</tbody>
</table>

(continued)

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

- 91 -
### CITY OF NORTHPORT, ALABAMA

**PROPRIETARY FUNDS**

**COMBINING STATEMENT OF NET POSITION**

**DECEMBER 31, 2016**

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUND</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td>WATER AND SEWER FUND</td>
<td>SPECIAL ASSESSMENT FUND</td>
<td>TOTAL ENTERPRISE FUNDS</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$102,647</td>
<td>$ -</td>
<td>$102,647</td>
</tr>
<tr>
<td>Due to Other Funds</td>
<td>232,535</td>
<td>232,535</td>
<td>155,884</td>
</tr>
<tr>
<td>Due to Other Proprietary Funds</td>
<td>236,766</td>
<td>1,637,172</td>
<td>1,873,938</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>73,426</td>
<td>-</td>
<td>73,426</td>
</tr>
<tr>
<td>Estimated Liability for Compensated Absences - Current</td>
<td>2,764</td>
<td>-</td>
<td>2,764</td>
</tr>
<tr>
<td>Interest Payable</td>
<td>251,233</td>
<td>-</td>
<td>251,233</td>
</tr>
<tr>
<td>Notes Payable - Current</td>
<td>11,254</td>
<td>-</td>
<td>11,254</td>
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<tr>
<td>Accrued Expenses</td>
<td>20,242</td>
<td>-</td>
<td>20,242</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td><strong>$930,867</strong></td>
<td>$1,637,172</td>
<td><strong>$2,568,039</strong></td>
</tr>
<tr>
<td><strong>PAYABLE FROM CURRENT ASSETS</strong></td>
<td><strong>$1,637,172</strong></td>
<td>$346,550</td>
<td><strong>$2,914,589</strong></td>
</tr>
<tr>
<td><strong>PAYABLE FROM RESTRICTED ASSETS</strong></td>
<td><strong>$2,566,392</strong></td>
<td>$346,550</td>
<td><strong>$2,914,589</strong></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td><strong>$3,497,259</strong></td>
<td>$1,637,172</td>
<td><strong>$5,134,431</strong></td>
</tr>
<tr>
<td><strong>LONG-TERM LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and Warrants Payable (Including Premiums)</td>
<td>$24,780,769</td>
<td>-</td>
<td>$24,780,769</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>30,266</td>
<td>-</td>
<td>30,266</td>
</tr>
<tr>
<td>Net Retiree Healthcare Obligation</td>
<td>184,838</td>
<td>-</td>
<td>184,838</td>
</tr>
<tr>
<td>Estimated Liability for Compensated Absences - Noncurrent</td>
<td>142,273</td>
<td>-</td>
<td>142,273</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>2,933,547</td>
<td>-</td>
<td>2,933,547</td>
</tr>
<tr>
<td><strong>TOTAL LONG-TERM LIABILITIES</strong></td>
<td><strong>$28,071,693</strong></td>
<td>$ -</td>
<td>$28,071,693</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$31,568,952</strong></td>
<td>$1,637,172</td>
<td><strong>$33,206,124</strong></td>
</tr>
<tr>
<td><strong>DEFERRED INFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Inflows from Pension</td>
<td>$22,463</td>
<td>-</td>
<td>$22,463</td>
</tr>
<tr>
<td><strong>TOTAL DEFERRED INFLOWS OF RESOURCES</strong></td>
<td><strong>$22,463</strong></td>
<td>$ -</td>
<td><strong>$22,463</strong></td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$21,541,186</td>
<td>-</td>
<td>$21,541,186</td>
</tr>
<tr>
<td>Restricted for Capital Projects</td>
<td>1,947,019</td>
<td>-</td>
<td>1,947,019</td>
</tr>
<tr>
<td>Restricted for Debt Service</td>
<td>452,792</td>
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<td>452,792</td>
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<tr>
<td>Unrestricted</td>
<td>5,266,045</td>
<td>436,680</td>
<td>5,702,725</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td><strong>$29,207,042</strong></td>
<td>$436,680</td>
<td><strong>$29,643,722</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
<table>
<thead>
<tr>
<th></th>
<th>ENTERPRISE FUNDS</th>
<th>SPECIAL ASSESSMENT FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$ 9,740,391</td>
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<td>$ 9,740,391</td>
<td>$ 2,487,895</td>
<td>$ 12,228,286</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>241,544</td>
<td></td>
<td>241,544</td>
<td></td>
<td>241,544</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td>$ 9,981,935</td>
<td>$ -</td>
<td>$ 9,981,935</td>
<td>$ 2,487,895</td>
<td>$ 12,469,830</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Benefits</td>
<td>$ 3,230,914</td>
<td>$ -</td>
<td>$ 3,230,914</td>
<td>$ -</td>
<td>$ 3,230,914</td>
</tr>
<tr>
<td>Insurance Claims and Expenses</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
<td>2,718,536</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>2,037,538</td>
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<td>2,037,538</td>
<td>-</td>
<td>2,037,538</td>
</tr>
<tr>
<td>Utilities and Telephone</td>
<td>709,366</td>
<td>-</td>
<td>709,366</td>
<td>-</td>
<td>709,366</td>
</tr>
<tr>
<td>Maintenance and Repairs</td>
<td>701,222</td>
<td>-</td>
<td>701,222</td>
<td>-</td>
<td>701,222</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>475,390</td>
<td>-</td>
<td>475,390</td>
<td>-</td>
<td>475,390</td>
</tr>
<tr>
<td>Miscellaneous Expense</td>
<td>360,550</td>
<td>625</td>
<td>361,175</td>
<td>-</td>
<td>361,175</td>
</tr>
<tr>
<td>Water and Sewer Purchases</td>
<td>356,934</td>
<td>-</td>
<td>356,934</td>
<td>-</td>
<td>356,934</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>103,259</td>
<td>-</td>
<td>103,259</td>
<td>-</td>
<td>103,259</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$ 8,495,281</td>
<td>$ 625</td>
<td>$ 8,495,906</td>
<td>$ 2,718,536</td>
<td>$ 11,214,442</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING INCOME (LOSS)</strong></td>
<td>$ 1,486,654</td>
<td>$(625)</td>
<td>$ 1,486,029</td>
<td>$(230,641)</td>
<td>$ 1,255,388</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NONOPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Earnings</td>
<td>$ 2,194</td>
<td>$ -</td>
<td>$ 2,194</td>
<td>$ 54</td>
<td>$ 2,248</td>
</tr>
<tr>
<td>Gain on Sale of Property</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Development Fees</td>
<td>427,083</td>
<td>-</td>
<td>427,083</td>
<td>-</td>
<td>427,083</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(836,247)</td>
<td>-</td>
<td>(836,247)</td>
<td>-</td>
<td>(836,247)</td>
</tr>
<tr>
<td>Bond Issue Costs</td>
<td>(67,783)</td>
<td>-</td>
<td>(67,783)</td>
<td>-</td>
<td>(67,783)</td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING REVENUES (EXPENSES)</strong></td>
<td>$ (474,753)</td>
<td>$ -</td>
<td>$ (474,753)</td>
<td>$ 54</td>
<td>$ (474,699)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td>$ 1,011,901</td>
<td>$(625)</td>
<td>$ 1,011,276</td>
<td>$(230,587)</td>
<td>$ 780,689</td>
</tr>
<tr>
<td><strong>NET POSITION, JANUARY 1</strong></td>
<td>28,195,141</td>
<td>437,305</td>
<td>28,632,446</td>
<td>320,385</td>
<td>28,952,831</td>
</tr>
<tr>
<td><strong>NET POSITION, DECEMBER 31, 2016</strong></td>
<td>$ 29,207,042</td>
<td>$ 436,680</td>
<td>$ 29,643,722</td>
<td>$ 89,798</td>
<td>$ 29,733,520</td>
</tr>
</tbody>
</table>
CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>ENTERPRISE FUNDS</th>
<th>WATER AND SEWER FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Collected from Customers and User</td>
<td>$ 9,903,690</td>
<td>$ -</td>
<td>$ 9,903,690</td>
<td>$ 2,487,895</td>
</tr>
<tr>
<td>Cash Paid for Personnel Cost</td>
<td>(3,107,577)</td>
<td>-</td>
<td>(3,107,577)</td>
<td>-</td>
</tr>
<tr>
<td>Cash Paid for Operations</td>
<td>(3,045,895)</td>
<td>-</td>
<td>(3,045,895)</td>
<td>(2,642,533)</td>
</tr>
<tr>
<td><strong>NET CASH FLOWS PROVIDED (USED)</strong> BY OPERATING ACTIVITIES</td>
<td>$ 3,750,218</td>
<td>$ -</td>
<td>$ 3,750,218</td>
<td>(154,638)</td>
</tr>
</tbody>
</table>

| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | | | |
| Loan to General Fund | $ (2,000,000) | $ - | $ (2,000,000) | - | $ (2,000,000) |
| Loan to Internal Service Fund | - | - | (50,000) | - | (50,000) |
| Loan from Water and Sewer Fund | - | - | - | 50,000 | 50,000 |
| Loan from General Fund | - | - | - | 155,000 | 155,000 |
| **NET CASH FLOWS PROVIDED (USED)** BY NON-CAPITAL FINANCING ACTIVITIES | $ (2,050,000) | $ - | $ (2,050,000) | $ 205,000 | $ (1,845,000) |

| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Capital Acquisition Payments | $ (853,805) | $ - | $ (853,805) | - | $ (853,805) |
| Repayment of Debt Principal | (1,375,765) | - | (1,375,765) | - | (1,375,765) |
| Developer Fees | 427,083 | - | 427,083 | - | 427,083 |
| Assessments Collected | 1,030 | - | 1,030 | - | 1,030 |
| Repayment of Interest on Bonds and Other Debt | (840,944) | - | (840,944) | - | (840,944) |
| **NET CASH FLOWS PROVIDED (USED)** BY CAPITAL AND RELATED FINANCING ACTIVITIES | $ (2,642,401) | $ - | $ (2,642,401) | - | $ (2,642,401) |

| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Receipt of Interest Income | $ 2,194 | $ - | $ 2,194 | $ 54 | $ 2,248 |
| **NET CASH FLOWS PROVIDED (USED)** BY INVESTING ACTIVITIES | $ 2,194 | $ - | $ 2,194 | $ 54 | $ 2,248 |

| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | |
| $ (939,989) | $ - | $ (939,989) | $ 50,416 | $ (889,573) |

| CASH AND CASH EQUIVALENTS - JANUARY 1 | 5,055,099 | - | 5,055,099 | 64,836 | 5,119,935 |
| CASH AND CASH EQUIVALENTS - DECEMBER 31 | $ 4,115,110 | $ - | $ 4,115,110 | $ 115,252 | $ 4,230,362 |

**CLASSIFIED AS:**
- Current Assets: $ 461,203
- Restricted Assets: 3,653,907
- Total Cash and Cash Equivalents: $ 4,115,110

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

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### CITY OF NORTHPORT, ALABAMA

#### PROPRIETARY FUNDS

#### STATEMENT OF CASH FLOWS

#### DECEMBER 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>WATER AND SEWER FUND</th>
<th>SPECIAL ASSESSMENT FUND</th>
<th>TOTAL ENTERPRISE FUNDS</th>
<th>INTERNAL SERVICE FUNDS</th>
<th>TOTAL PROPRIETARY FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>$1,486,654</td>
<td>($625)</td>
<td>$1,486,029</td>
<td>($230,641)</td>
<td>$1,255,388</td>
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<tr>
<td>Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>2,037,538</td>
<td>-</td>
<td>2,037,538</td>
<td>-</td>
<td>2,037,538</td>
</tr>
<tr>
<td>(Increase) Decrease in Operating Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Receivable and Assessment Receivables</td>
<td>(106,573)</td>
<td>-</td>
<td>(106,573)</td>
<td>-</td>
<td>(106,573)</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>561</td>
<td>-</td>
<td>561</td>
<td>-</td>
<td>561</td>
</tr>
<tr>
<td>Inventory</td>
<td>(456)</td>
<td>-</td>
<td>(456)</td>
<td>-</td>
<td>(456)</td>
</tr>
<tr>
<td>Change in Interfund Receivables</td>
<td>27,629</td>
<td>-</td>
<td>27,629</td>
<td>-</td>
<td>27,629</td>
</tr>
<tr>
<td>Changes in Deferred Outflows Related to Pensions</td>
<td>(183,118)</td>
<td>-</td>
<td>(183,118)</td>
<td>(10,874)</td>
<td>(193,992)</td>
</tr>
<tr>
<td>Increase (Decrease) in Operating Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>41,891</td>
<td>-</td>
<td>41,891</td>
<td>-</td>
<td>41,891</td>
</tr>
<tr>
<td>Accrued Payroll</td>
<td>15,128</td>
<td>-</td>
<td>15,128</td>
<td>-</td>
<td>15,128</td>
</tr>
<tr>
<td>Accrued Compensated Absences</td>
<td>18,075</td>
<td>-</td>
<td>18,075</td>
<td>-</td>
<td>18,075</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>(5,968)</td>
<td>-</td>
<td>(5,968)</td>
<td>-</td>
<td>(5,968)</td>
</tr>
<tr>
<td>Accrued Expenses</td>
<td>20,242</td>
<td>-</td>
<td>20,242</td>
<td>85,993</td>
<td>106,235</td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>27,767</td>
<td>-</td>
<td>27,767</td>
<td>-</td>
<td>27,767</td>
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<tr>
<td>Net OPEB Obligation</td>
<td>18,879</td>
<td>-</td>
<td>18,879</td>
<td>-</td>
<td>18,879</td>
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<tr>
<td>Net Change in Interfund Payable</td>
<td>106,335</td>
<td>625</td>
<td>106,960</td>
<td>884</td>
<td>107,844</td>
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<tr>
<td>Net Change in Pension Liability</td>
<td>231,910</td>
<td>-</td>
<td>231,910</td>
<td>-</td>
<td>231,910</td>
</tr>
<tr>
<td>Changes in Deferred Inflows Related to Pensions</td>
<td>22,463</td>
<td>-</td>
<td>22,463</td>
<td>-</td>
<td>22,463</td>
</tr>
<tr>
<td><strong>NET CASH PROVIDED (USED) BY OPERATIONS</strong></td>
<td>$3,750,218</td>
<td>-</td>
<td>$3,750,218</td>
<td>($154,638)</td>
<td>$3,595,580</td>
</tr>
</tbody>
</table>

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

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Communication with Those Charged with Governance at the Conclusion of the Audit

Dear Mayor and Council:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Northport, Alabama, are described in Note 1 to the financial statements. During the year ended December 31, 2016 the City adopted Governmental Accounting Standards Board Number 77 (GASB 77) related to the recording of the disclosure of tax abatements. Although not applicable to the year ended December 31, 2016, the City considered the requirements of GASB pronouncements and the applicable dates for implementation and adoption. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City of Northport, Alabama’s financial statements was (were):

Management estimate of the allowance for doubtful accounts for collection of certain receivables is based upon the historical collection of past due receivables for customer billings for water, sewer and garbage. We evaluated the key factors and assumptions used to develop the allowance
for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the depreciation expense of property, plant and equipment is based on the useful lives of the property, plant and equipment as of the date of acquisition of each asset. We evaluated the key factors and assumptions used to develop the useful lives and related depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's Post Employment Benefit Obligation is based upon third-party actuarial values. The third party actuary appears to be reasonable in relation to the financial statements taken as a whole.

Management's estimate of the City's Net Unfunded Pension Liability is based upon third-party actuarial values prepared by the State of Alabama Employee's Retirement System. The third party actuary appears to be reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated September 11, 2017.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City of Northport, Alabama, and management of the City of Northport, Alabama, and is not intended to be, and should not be, used by anyone other than these specified parties.

LeCroy, Hunter & Company, P.C.

Northport, Alabama
September 11, 2017
Communication of Significant Deficiencies and Material Weaknesses

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Northport, Alabama, as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered The City of Northport’s internal control over financial reporting (internal control) as a basis for designing 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’s internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Northport’s internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Material Weaknesses:

2016-001: Failure of the City to perform overall monitoring of the accounting operations and to provide adequate personnel to properly perform accounting functions in a timely manner.

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

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

Effect: Because proper financial reports were not obtained by the Council, numerous decisions were made without regard to the current financial position of the City and its budget. No comparison of actual expenditures to budgeted expenditures was performed on a monthly basis to determine the need for budget amendments or future cash flow needs.
Cause: Inadequate staffing within the Finance Department prevented accounting functions from being timely performed. In addition, certain key accounting procedures were not performed throughout the year. Therefore, timely and accurate reports were not generated and presented to the Council to allow for informed decision making.

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

2016-002: Controls within the revenue cycle were not followed in such a way as to allow for proper documentation of transactions.

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

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

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

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

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

2016-003: Controls within the revenue cycle were not followed in such a way as to allow for proper safeguarding of assets.

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

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

Effect: Money held in desk drawers for extended periods of time does not constitute a safeguarding of City property. Improper safeguarding of City property lends itself to misappropriation of assets and improper reporting of revenues. Under reporting of revenues impacts the accuracy of reports used in making financial decision for the City. Additionally, not batching receipted monies within the month received prevents the bank reconciliation process from being timely performed.
2016-006: Controls within the disbursement cycle were not followed in an instance that allowed for approximately $124,000 in disbursements to take place either prior to being approved by the Council or during a meeting not open to the public.

**Condition:** Upon the previous City Administrator’s resignation on April 15, 2016 a sum total of $124,039.23 was disbursed. The disbursement was made on April 15, 2016 prior to the occurrence of the scheduled Council meeting. Communication between City personnel indicates that the decision to disburse the funds was made by three Council members without the inclusion of the remaining Council members.

**Criteria:** Internal controls within the disbursement cycle have been established to ensure public funds are safeguarded and properly expended. The Alabama Open Meetings Act, Section 36-25A-2 of the Code of Alabama, and its subsequent amendments has been established to ensure that the public at large is aware of the decisions made by their elected body.

**Effect:** The disbursement of public funds prior to Council approval circumvents established controls that safeguard City assets. Conducting Council meetings behind closed doors is in violation of the Alabama Open Meetings Act.

**Cause:** Controls in place were not followed by responsible personnel. Applicable laws may not have been adhered to.

**Recommendation:** Disbursements should be made after approval by the Council during a public meeting such as a regularly scheduled Council Meeting.

This communication is intended solely for the information and use of management. The Mayor and Members of the City Council, and others within The City of Northport, Alabama, and is not intended to be, and should not be, used by anyone other than these specified parties.

**LeCroy, Hunter and Company, P.C.**

Northport, Alabama
September 11, 2017
**Procurement Policy**
The City should prepare and adopt a Procurement Policy that complies with the requirements for Federal Awards per the “New Single Audit Act” and State bid laws. This would include small purchase procedures, as well as, procurement for contractor services. This document would be part of the City’s Written Internal Control Policy.

**Payroll Preparation Procedures**
We continue to recommend payroll preparation be rotated between the individuals within the payroll department. Additionally, we recommend that final authorization of the payroll for release of the payroll checks should be done by a third party not associated with the actual payroll preparation.

**Capital Expenditures, Fixed Assets and Insurance Coverage**
We would continue to recommend the City’s insurance coverage be reviewed on an annual basis to insure coverage of buildings and other improvements at replacement cost, not actual value. In addition, we would recommend the City review its Fidelity Bond Coverage and determine if all individuals who receive and disburse funds are covered by the City’s Fidelity Bond Insurance.

**Internal Control Document**
The City should continue to review, update and improve its written internal accounting and administrative control document that addresses the City’s entire accounting system and the personnel who perform each function. In particular, the document should be reviewed to insure that actual procedures “mirror” the internal control procedures per the written document. In addition, under the “New Single Audit”, the City will have to certify it has a written internal control document that addresses the accounting controls for Federal Awards programs.

As part of this document preparation, we would recommend the City review its “chain of command” for accounting documents which would include who has access to the records, approval of document release and the actual review of accounting and related documents. This would include password protection of certain documents.

**Inventory Controls**
Per our review of the City’s Material and Supply Inventory, we noted improvements made in this area from prior years. We would continue to recommend the following controls for material and supply inventory:

a) Controlled access to all inventory of materials and supplies. Usage of material and supplies should be done by work orders or purchase orders only.

b) Periodic physical counts of material and supply inventory on City vehicles. Reconciliation of inventory to items assigned to the vehicle.

c) Limiting purchasing to a few individuals.

d) Semiannual inventory counts of all materials and supplies.

e) Use of the new computer software for accounting for the material and supply inventory.

f) A more structured method of requisitioning materials and supplies from the Warehouse and Storage Facilities.

**Communication, Monitoring and Ethical Business Practices**
The City should continue to have regular communications to all employees emphasizing the need for ethical business practices. This communication should also be documented in writing. If not included, ethical behavior should be part of the City’s personnel policy.
statements that occurred subsequent to the City's fiscal year end of December 31, 2016 through the date of this report.

**Conclusion**
We would like to thank the Administrative Staff of the City for their assistance in completing this audit. After reviewing the above recommendations, we will be happy to discuss the above or other matters about which the Council or Administrative staff has questions or concerns. Again, we appreciate the opportunity to serve the City of Northport, Alabama, in this capacity.

**LeCroy, Hunter & Company, P.C.**
Northport, Alabama
September 11, 2017
City of Northport

Summary Financial Report

LeCroy, Hunter & Company, P.C.

Northport, Alabama
Management Letter and Letter of Recommendations
Communication with the Audit Committee (City Council)

Dear Mayor and Members of the City Council:

We have audited the financial statements of the City of Northport, Alabama, for the year ended December 31, 2016 and have issued our report thereon dated September 11, 2017. Professional standards require that we provide you with the following information related to our audit.

MATTERS OF MANAGEMENT INTEREST

Minutes
We would continue to recommend the City re-approve its check signers and financial institutions at its first meeting of each fiscal year. This is for proper authorization for the City to deposit funds and withdraw same.

Budget
A budget was prepared by the City for the year ended December 31, 2016. During the current year it was noted the City properly amended the budget as needed. We would recommend the City prepare its budget so as to match the general ledger working trial balance. This would assist in matching actual expenditures to budget amounts for the year.

Compliance
In performing our test of compliance with the City’s internal accounting and administrative controls we noted no items of material noncompliance with laws and regulations

Auditors’ Opinion Letter
The audit report for the year ended December 31, 2016, contained an unmodified opinion.

RECOMMENDATIONS, COMMENTS AND FINDINGS
In reviewing the City’s present accounting procedures, we make the following recommendations for improvements to the present internal accounting and administrative controls:

Procurement Policy
The City should prepare and adopt a Procurement Policy that complies with the requirements for Federal Awards per the “New Single Audit Act” and State bid laws.

Internal Control Document
The City should continue to review, update and improve its written internal accounting and administrative control document that addresses the City’s entire accounting system and the personnel who perform each function. In particular, the document should be reviewed to insure that actual procedures “mirror” the internal control procedures
per the written document. In addition, under the “New Single Audit”, the City will have to certify it has a written internal control document that addresses the accounting controls for Federal Awards programs.

**Internal Control**

Our report on internal accounting controls is contained in the City’s audit report for the current year. In addition, we have prepared Statement AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit* and Statement AU-C Section 260, *Auditor’s Communication with the Governing Authority*. These are issued as separate documents from the City’s audit report. Material Weaknesses so noted in the AU-C Section 265 letter are detailed in Material Weaknesses 2016-1 through 2016-6. These matters have been discussed in detail with the Finance Committee.

**Reserve Fund**

In accordance with City Ordinance Number 1764, the General Fund and the Water and Sewer Department, were required for the year 2016 to maintain a Reserve Fund equal to ten-percent of the General Funds Operating Budget, as well as, the Water and Sewer Department Operating Budget. As of December 31, 2016, the General Fund did not meet this percentage requirement. However, the Water and Sewer Department did meet this requirement as of and for the year ended December 31, 2016.

We would also recommend the City monitor its cash flow and cash needs during the year and determine if the requirements of the Reserve Fund as a percentage of the operating budget be adjusted for known cash shortages primarily in the summer months and early fall of each year when revenues are at their lowest point.

**Health Insurance**

In our review of the City’s Self-Insured Plan, we noted an increased cost of medical claims to the City’s insurance plan. This increase was due to larger medical claims being filed against the self-insured plan. However, the withheld portion from employee wages did not increase in relation to the medical claims. Therefore, we would recommend the City review the withholding for health insurance from City employee’s wages. As part of the City’s decision, we would recommend the City consider the recommendation of Blue Cross-Blue Shield as to needed withholding from employee wages.

**Adoption of New Accounting Standards**

The City considered the requirements of Governmental Accounting Standards Board Numbers 73 through 82 and the effective dates of these Standards. Based upon the evaluation of each Standard, GASB 73, 74, 77, 78 and 82 have been implemented as applicable for the year ended December 31, 2016 cost.

**Subsequent Events**

As part of our audit standards, we are to report on any events that have occurred since December 31, 2016, that would have a material effect on the financial statements or to the reader of these financial statements. Based upon this evaluation and review no material items came to our attention that needs to be disclosed in the financial statements that occurred subsequent to the City’s fiscal year end of December 31, 2016 through the date of this report.

**Conclusion**

We would like to thank the Administrative Staff of the City for their assistance in completing this audit. After reviewing the above recommendations, we will be happy to discuss the above or other matters about which the Council or Administrative staff has questions or concerns. Again, we appreciate the opportunity to serve the City of Northport, Alabama, in this capacity.

**LeCroy, Hunter & Company, P.C.**

Northport, Alabama
September 11, 2017
City of Northport  
Summary of Financial Statements  
December 31, 2016

Governmental Activities

Statement of Net Position

- Total unrestricted cash at year end was $1,436,963. This was a decrease of $390,864.
  - During the year, $2,000,000 was transferred from the Water and Sewer Fund to unrestricted cash to supplement General Fund operations.

- Total restricted cash at year end was $4,360,048. This was a decrease of $2,740,964 due to capital acquisitions.
  - The General Fund Contingency Reserve of $2,351,543 is included in the above restricted cash.

- Infrastructure and equipment purchases for the year were $8,391,606. The majority of this increase was a result of the Mitt Lary Road Widening Project for $6,538,729.

- The City recognized a $7,500,000 note receivable from the Tuscaloosa County Road Improvement Commission for the reimbursement of the Mitt Lary Road Widening Project. The City will receive payments from the Commission starting in January 2017 at $200,000 per month.

- Total governmental bonds and notes payable at year end were $29,487,148. This was an increase of $4,149,918 from the prior year.

Statement of Activities

- Total governmental activity revenues were $31,640,064. This was an increase of $5,757,966 from the prior year. The majority of this is due to an increase in grant revenue (Tuscaloosa County Road Improvement Commission) of $4,595,707, city sales tax revenue of $409,511, county sales tax revenue of $413,381, and business license revenue of $105,238.
  - City sales tax revenue was $9,370,825. This was an increase of $409,511 from the prior year.
  - Business license revenue was $4,968,058. This was an increase of $105,238 from the prior year.

- Total governmental activity expenses were $29,436,423. This was an increase of $1,240,295 from the prior year. The majority of this is due increases in depreciation expense of $225,894, pension and retiree benefits of $596,045, health insurance claims of $230,587, and salaries and benefits of $205,394.
Governmental Revenue Types

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Tax</td>
<td>$9,370,825</td>
</tr>
<tr>
<td>Grant Revenue</td>
<td>$6,142,532</td>
</tr>
<tr>
<td>Business License</td>
<td>$4,968,058</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$4,570,645</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>$3,154,018</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$1,513,595</td>
</tr>
<tr>
<td>Fines &amp; Penalties</td>
<td>$845,979</td>
</tr>
<tr>
<td>Other Taxes</td>
<td>$616,743</td>
</tr>
<tr>
<td>Other Income</td>
<td>$457,669</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>$31,640,064</strong></td>
</tr>
</tbody>
</table>

Governmental Expense Types

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Safety</td>
<td>$13,724,708</td>
</tr>
<tr>
<td>Public Works</td>
<td>$7,340,114</td>
</tr>
<tr>
<td>General Government</td>
<td>$4,470,876</td>
</tr>
<tr>
<td>Finance &amp; Admin</td>
<td>$2,477,227</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$902,309</td>
</tr>
<tr>
<td>Planning &amp; Develop</td>
<td>$521,189</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$29,436,423</strong></td>
</tr>
</tbody>
</table>

1 - Selected figures taken from the *Statement of Activities for the year ended December 31, 2016* located in the December 31, 2016 audited financial statements
City of Northport  
Summary of Financial Statements  
December 31, 2016  

Water & Sewer Fund  

Statement of Net Position  

- Cash and equivalents were $4,115,110. This balance included $3,653,907 of monies legally restricted for debt service obligations, system developments, customer meter deposits and contingency reserves. Unrestricted cash and equivalents were $461,203. Overall cash decreased by $939,989.

- Water and Sewer Fund Contingency Reserves were $1,254,094, representing approximately 2.3 months of operating expenses before depreciation.

- Total debt to outside third parties at year end reflects a balance of $25,851,520 representing a decrease of debt principal from the prior year in the amount of $1,340,766.

Cash Flow Analysis  

Receipts  

- Developer Fees $427,083 (4%)
- Other $484,557 (5%)
- Sewer Fees $4,005,921 (52%)
- Water Fees $5,356,436 (52%)

Total Receipts $10,333,997  

Disbursements  

- Administration $838,450 (7%)
- Water Purchases $356,934 (3%)
- Utilities $709,366 (6%)
- Capital Acquisitions $859,805 (8%)
- Maintenance & Materials $1,135,177 (10%)
- Interfund Transfers $2,050,000 (18%)
- Salaries and Benefits $3,107,577 (28%)
- Debt Service $2,772,677 (30%)

Total Disbursements $11,273,986
CITY OF NORTHPORT, ALABAMA  
WATER AND SEWER FUND  
SCHEDULE OF DEBT SERVICE COVERAGE  
FOR THE YEAR ENDED DECEMBER 31, 2016

<table>
<thead>
<tr>
<th>OPERATING REVENUES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charges for Services and Fees</td>
<td>$ 9,981,935</td>
</tr>
</tbody>
</table>

| TOTAL OPERATING REVENUES | $ 9,981,935 |

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and Benefits</td>
<td>$ 3,230,914</td>
</tr>
<tr>
<td>Utilities and Telephone</td>
<td>709,366</td>
</tr>
<tr>
<td>Maintenance and Repairs</td>
<td>701,222</td>
</tr>
<tr>
<td>Insurance</td>
<td>520,108</td>
</tr>
<tr>
<td>Materials and Supplies</td>
<td>475,390</td>
</tr>
<tr>
<td>Other Expense</td>
<td>360,550</td>
</tr>
<tr>
<td>Water and Sewer Purchases</td>
<td>356,934</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>103,259</td>
</tr>
</tbody>
</table>

| TOTAL OPERATING EXPENSES | $ 6,457,743 |

| Interest Income          | $ 2,194 |

| NET INCOME AVAILABLE FOR DEBT SERVICE | $ 3,526,386 |

| Actual Maximum Annual Debt Service | $ 2,692,313 |

| Actual Maximum Debt Service Coverage¹ | 1.31 |

¹ - Bond Covenants require a minimum debt service coverage of 1.25 Maximum Annual Debt Service