

**CITY OF NORTHPORT
NORTHPORT, ALABAMA**

SEPTEMBER 30, 2021



LeCroy Richardson

Certified Public Accountants

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2021

<u>DESCRIPTION</u>	<u>PAGE</u>
Chart of City Government.....	1
Independent Auditors' Report.....	2-3
Management's Discussion and Analysis.....	4-10
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government Wide Statement of Net Position.....	11
Government Wide Statement of Activities.....	12
Fund Financial Statements:	
Governmental Funds Balance Sheet.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	14
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	16
Proprietary Funds Statement of Net Position.....	17-18
Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position.....	19
Proprietary Funds Statement of Cash Flows.....	20-21
Notes to Financial Statements.....	22-51

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2021

<u>DESCRIPTION</u>	<u>PAGE</u>
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	52-53
Schedule of Changes in Net Pension Liability.....	54
Schedule of Employer Contributions.....	55
Schedule of Changes in Total OPEB Liability.....	56
<u>SUPPLEMENTARY INFORMATION</u>	
General Fund Summary of Revenues, Expenditures and Changes in Fund Balance for the Years Ended September 30, 2021, 2020, 2019 and Nine Months Ended September 30, 2018.....	57
Schedule of General Fund Revenues for the Years Ended September 30, 2021 through 2019.....	58
Water and Sewer System Statistics for the Years Ended September 30, 2011-2021.....	59-60
Schedule of Water and Sewer Revenues, Expenditures and Debt Coverage.....	61
Schedule of Water and Sewer Fund Debt Service.....	62
Schedule of Legal Debt Margin.....	63
<u>GOVERNMENTAL FUND STATEMENTS</u>	
General Fund Balance Sheet.....	64
General Fund Statement of Revenues, Expenditures and Changes in Fund Balance.....	65-66
Debt Service Fund Balance Sheet.....	67
Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance.....	68
Combining Balance Sheets – Special Revenue Funds.....	69
Combining Statements of Revenues, Expenditures and Changes in Fund Balance – Special Revenue Funds.....	70
Report on Compliance and Internal Controls.....	71-72

CITY OF NORTHPORT, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2021

SINGLE AUDIT REPORTS

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance.....	73-74
Schedule of Expenditures of Federal Awards.....	75
Notes to Schedule of Expenditures of Federal Awards.....	76
Schedule of Findings and Questioned Costs.....	77

CITY OF NORTHPORT, ALABAMA
CITY GOVERNMENT

MAYOR

Bobby Herndon

CITY COUNCIL

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

CITY ADMINISTRATOR

Glenda Webb

CITY ATTORNEY

Ron Davis

DEPARTMENT HEADS

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



LeCroy Richardson

Certified Public Accountants

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Northport, Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northport, Alabama, as of September 30, 2021, 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 supplementary information section is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The supplementary information section consists of the general fund summary of revenues, expenditures and changes in fund balance for the years ended September 30, 2021 through 2019 and nine months ended September 30, 2018, schedule of general fund revenues for the years ended September 30, 2021 through 2019 and nine months ended September 30, 2018, water and sewer statistics, schedule of water and sewer revenues, expenditures, and debt coverage, schedule of water and sewer fund debt service, and schedule of legal debt margin and governmental fund financial statements (pages 57-63). Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2022 on our consideration of the City of Northport, Alabama's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering the City of Northport, Alabama's internal control over financial reporting and compliance.



Northport, Alabama
March 21, 2022

MANAGEMENT'S DISCUSSION & ANALYSIS

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Within this section of the City of Northport's annual financial report, the City of Northport's management provides narrative discussion and analysis of the financial activities of the City of Northport for the year ended September 30, 2021. 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 general fund budget to actual comparison, changes in net pension liability, schedule of employer contributions, and schedule of changes in total OPEB liability. Required supplementary information follows the notes to the financial statements.

Government-Wide Financial Statements

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City of Northport uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City of Northport's funds rather than the City of Northport as a whole. The City has two types of funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different from the government-wide financial statements. The fund statements focus on: (1) how cash and other financial assets that can be readily converted to cash flow in and out, and (2) the balances left at year end that are available for spending. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds are used to account for the services that the City charges its customers a fee. Proprietary funds, like the government-wide financial statements, provide both long-term and short-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as business type activities, but provide more detail and additional information, such as cash flows.

Government-Wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in Net Positions may be observed and used to discuss the changing financial position of the City of Northport as a whole. In the case of the City of Northport, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$73,220,779 at September 30, 2021.

One of the largest portions of the City of Northport's Net Positions reflects its investment in capital assets (land, building, equipment, furniture and fixtures); less related debt used to acquire those assets that are still outstanding. The City of Northport uses these assets to provide services to local governments and citizens; consequently, these assets are not available for future spending. Although the City of Northport's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted portion of the City of Northport's Net Positions represents resources that are subject to external restrictions that require them to be used for specific capital and debt expenditures. The following statements present the summarized version of the City's governmental and business type activities. Following is a summarized version of the statement of Net Positions and Statement of Activities for governmental activities. Governmental activities increased the City of Northport's Net Positions by \$6,183,417.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Summary of Statements of Net Position for Governmental Activities

	<u>2020</u>	<u>2021</u>
Current Assets	\$ 15,806,299	\$ 20,180,925
Restricted Assets	10,137,061	17,636,958
Capital Assets	51,774,166	49,303,656
<u>Total Assets</u>	<u>77,717,526</u>	<u>87,121,539</u>
Deferred Outflows of Resources	<u>6,236,862</u>	<u>6,965,188</u>
Total Assets and Deferred Outflows of Resources	<u>83,954,388</u>	<u>94,086,727</u>
Current Liabilities	4,124,649	3,770,965
Long-Term Liabilities	47,732,969	52,333,872
<u>Total Liabilities</u>	<u>51,857,618</u>	<u>56,104,837</u>
Deferred Inflows of Resources	<u>1,892,918</u>	<u>1,594,621</u>
Invested In Capital Assets, Net of Related Debt	29,023,048	9,729,175
Restricted	3,238,134	17,295,842
Unrestricted	(2,057,330)	9,362,252
<u>Total Net Position</u>	<u>30,203,852</u>	<u>36,387,269</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 83,954,388</u>	<u>\$ 94,086,727</u>

Summary Statement of Activities for Governmental Type Activities

	<u>2020</u>	<u>2021</u>
<u>Revenues</u>		
<u>Tax Revenues</u>		
Property Tax	\$ 3,769,553	\$ 3,739,398
Sales Tax	17,399,816	19,966,620
Shared Tax Revenue	6,097,798	6,639,833
Other Tax Revenue	533,938	551,253
<u>Total Tax Revenue</u>	<u>27,801,105</u>	<u>30,897,104</u>
Charges for Service	8,351,620	8,910,137
Other Income	1,119,600	3,323,540
<u>Total Revenues</u>	<u>37,272,325</u>	<u>43,130,781</u>
<u>Expenses</u>		
General and Administrative	6,859,702	9,002,978
Public Works and Safety	23,767,667	27,723,014
Planning and Development	504,635	545,565
Interest Expense	862,097	929,074
<u>Total Expenses</u>	<u>31,994,101</u>	<u>38,200,631</u>
<u>Transfers</u>	<u>781,141</u>	<u>1,253,267</u>
Increase (Decrease) in Net Position	6,059,365	6,183,417
Net Assets, Beginning as Adjusted	<u>23,351,742</u>	<u>30,203,852</u>
Prior Period Adjustment	792,745	-
Net Assets, Ending	<u>\$ 30,203,852</u>	<u>\$ 36,387,269</u>

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Business-type activities increased the City of Northport's Net Position by \$1,716,366. Below is a summarized version of the Statements of Net Position and Statements of Activities for business-type activities.

Summary of Statements of Net Position for Business Type Activities

	<u>2020</u>	<u>2021</u>
Current Assets and Other Assets	\$ 10,162,421	\$ 12,549,176
Restricted Assets	5,854,538	15,542,620
Capital Assets	42,479,469	42,505,059
<u>Total Assets</u>	<u>58,496,428</u>	<u>70,596,855</u>
Deferred Outflows of Resources	<u>3,390,008</u>	<u>3,112,548</u>
Total Assets and Deferred Outflows of Resources	<u>61,886,436</u>	<u>73,709,403</u>
Current Liabilities	3,428,442	5,293,664
Long-Term Liabilities	23,049,878	31,344,978
<u>Total Liabilities</u>	<u>26,478,320</u>	<u>36,638,642</u>
Deferred Inflows of Resources	<u>290,972</u>	<u>237,251</u>
Invested In Capital Assets, Net of Related Debt	22,239,468	15,365,057
Restricted	4,599,822	14,287,903
Unrestricted	8,277,854	7,180,550
<u>Total Net Position</u>	<u>35,117,144</u>	<u>36,833,510</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>61,886,436</u>	\$ <u>73,709,403</u>

Summary Statement of Activities for Business Type Activities

	<u>2020</u>	<u>2021</u>
<u>Revenues</u>		
Charges for Service	\$ 10,563,687	\$ 10,728,459
Investment Earnings	90,600	183,453
Other Revenues	579,917	1,105,926
<u>Total Revenues</u>	<u>11,234,204</u>	<u>12,017,838</u>
<u>Expenses</u>		
Operating Expense	8,239,917	8,423,729
Interest Expense	648,445	624,476
<u>Total Expenses</u>	<u>8,888,362</u>	<u>9,048,205</u>
Transfers	<u>(781,141)</u>	<u>(1,253,267)</u>
Increase (Decrease) in Net Position	1,564,701	1,716,366
Net Assets, Beginning as Adjusted	<u>33,552,443</u>	<u>35,117,144</u>
Net Assets, Ending	\$ <u>35,117,144</u>	\$ <u>36,833,510</u>

As noted earlier, the City of Northport uses fund accounting to ensure compliance with finance-related legal requirements.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Governmental Funds

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

As of the year ending September 30, 2021, the City of Northport's governmental funds reported combined ending fund balances of \$36,170,576 an increase of \$12,154,578 in comparison with the prior year. Approximately 39%, or \$14,255,991 of the total fund balance constitutes unreserved fund balance. The remaining Net Position included in nonspendable fund balance consists of \$100,701 in inventory on hand at year end. The remainder of the fund balance is segregated into restricted and committed to indicate that it is not available for new spending because it has already been classified to service the City's debt, specific capital projects and reserves set aside by City ordinance.

The general fund is the chief operating fund of the City of Northport. At the period ended September 30, 2021, unrestricted and total fund balances of the general fund were \$14,255,991 and \$32,765,526. In comparison, at the period ended September 30, 2020 unrestricted and total fund balances of the general fund were \$18,428,726 and \$21,098,831. The general fund balance increased by \$11,666,695.

I. Governmental Fund Budgetary Highlights from pages 52-53

Actual total revenues exceeded budgeted revenues by \$7,057,445. Actual total expenditures were less than budgeted expenditures by \$5,570,661.

II. Capital Assets and Debt Administration

Capital Assets

The City of Northport's investment in capital assets, net of accumulated depreciation and related debt, for governmental activities as of September 30, 2021, was \$9,729,175. The City of Northport's investment in capital assets, net of accumulated depreciation and related debt, for business type activities as of September 30, 2021, was \$15,365,057.

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

Governmental Activities

- Fire, Public Works, Administrative, Public Safety equipment were purchased during the year at a total cost of \$381,768. Infrastructure additions also totaled \$99,735. Police and Public Works vehicles were purchased for a total cost of \$322,475. Additionally, construction in progress expenses totaled \$94,080 and was related to ongoing improvements of roads.

Business-type Activities

- The City began various water and sewer improvement projects totaling \$475,903. Additionally, the City purchased distribution and disposal system additions of \$1,430,991, equipment of \$18,785, vehicles of \$97,180, and computer equipment of \$13,725.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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

	Governmental Activities		Business Activities		Total	
	2020	2021	2020	2021	2020	2021
Non-Depreciable Assets						
Land	\$ 2,691,380	\$ 2,691,380	\$ 396,017	\$ 396,017	\$ 3,087,397	\$ 3,087,397
Construction in Progress	1,650,327	615,892	285,821	475,903	1,936,148	1,091,795
Total Non-Depreciable Assets	\$ 4,341,707	\$ 3,307,272	\$ 681,838	\$ 871,920	\$ 5,023,545	\$ 4,179,192
Depreciable Assets						
Buildings	\$ 20,207,750	\$ 20,207,750	\$ 29,158,829	\$ 29,158,829	\$ 49,366,579	\$ 49,366,579
Improvements Other Than Buildings	2,076,203	2,076,203	-	-	2,076,203	2,076,203
Furniture, Equipment and Vehicles	16,562,406	17,209,024	1,544,602	1,674,292	18,107,008	18,883,316
Infrastructure	75,812,357	77,040,608	45,706,643	47,137,634	121,519,000	124,178,242
Total Depreciable Assets	\$ 114,658,716	\$ 116,533,585	\$ 76,410,074	\$ 77,970,755	\$ 191,068,790	\$ 194,504,340
Less: Accumulated Depreciation	(67,226,257)	(70,537,201)	(34,612,443)	(36,337,616)	(101,838,700)	(106,874,817)
Net Depreciable Assets	\$ 47,432,459	\$ 45,996,384	\$ 41,797,631	\$ 41,633,139	\$ 89,230,090	\$ 87,629,523
Total Capital Assets, Net	\$ 51,774,166	\$ 49,303,656	\$ 42,479,469	\$ 42,505,059	\$ 94,253,635	\$ 91,808,715

Long-Term Debt

At September 30, 2021, the City of Northport had total debt outstanding of \$53,120,369. The major portion of the debt, \$51,525,000 represents bonds and warrants payable. During the year the City paid \$2,835,884 in principal and \$1,455,600 interest. During the year, the City issued the Series 2021 A-B General Obligation Warrants for \$26,570,000 for the purpose of refunding the General Obligation Warrants Series 2012-C and the Series 2005 SRF Warrant.

State law limits the amount of long-term debt of the City to 20% of the assessed property value within the City of Northport. Certain obligations of the City secured by system revenues, such as water and sewer warrants and state revolving loans secured by system revenues are excluded from the legal borrowing limit of the City. As of September 30, 2021, outstanding debt was below this amount, which is \$75,861,940. The amount available for future indebtedness is \$22,741,572.

Economic Factors and the Next Year's Budget

The general outlook for the City of Northport economy for the next year is for moderate growth that is similar to the current fiscal year. The following economic factors assisted management of the City in developing its budgets for the general fund and the water and sewer fund.

- The current economic conditions facing local, state and federal governments regarding uncertainty as to the full economic impact of the Covid-19 pandemic.
- Continued residential growth throughout the city.
- Infrastructure improvements needs and obligations.
- Physical asset and equipment needs for all city departments.
- Increasing personnel salary and benefits expenses.
- Implementation and ongoing improvements to the City's IT infrastructure.
- A comprehensive review and restructuring of city services and operations.
- Anticipated retail and commercial growth along Highway 43 North, Highway 82 West, and Rose Boulevard.
- Anticipated retail, commercial and residential growth and investments in the riverfront district.

CITY OF NORTHPORT, ALABAMA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Contacting the City's Financial Management

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

Mayor – Bobby Herndon

City Council

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

FINANCIAL STATEMENTS

CITY OF NORTHPORT, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Northport Redevelopment Authority
ASSETS				
Cash and Cash Equivalents	\$ 15,769,874	\$ 7,774,774	\$ 23,544,648	\$ 349,078
Accounts Receivable, net	4,013,566	1,178,731	5,192,297	-
Grant Receivable	74,113	21,023	95,136	-
Assessment Receivable - Current	-	10,658	10,658	-
Other Receivables, net	8,093	7,265	15,358	-
Note Receivable	-	-	-	-
Prepaid Insurance	173,788	82,350	256,138	-
Internal Balances	40,790	1,267,053	1,307,843	-
Inventories	100,701	151,393	252,094	-
Restricted Assets - Noncurrent	17,636,958	15,542,620	33,179,578	-
Capital Assets				
Land and Construction in Progress	3,307,272	871,920	4,179,192	-
Buildings	20,207,750	29,158,829	49,366,579	-
Improvements Other Than Buildings	2,076,203	-	2,076,203	-
Infrastructure	77,040,608	47,137,634	124,178,242	-
Furniture & Equipment	7,722,611	590,686	8,313,297	-
Vehicles	9,486,413	1,083,606	10,570,019	-
Less: Accumulated Depreciation	(70,537,201)	(36,337,616)	(106,874,817)	-
Abeyance Receivable	-	2,055,929	2,055,929	-
TOTAL ASSETS	\$ 87,121,539	\$ 70,596,855	\$ 157,718,394	\$ 349,078
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflows-Pensions	\$ 4,931,116	\$ 802,677	\$ 5,733,793	\$ -
Deferred Outflows-Post-Employment Benefits	1,680,250	236,531	1,916,781	-
Deferred Interest Cost on Bond Refundings	353,822	2,073,340	2,427,162	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 6,965,188	\$ 3,112,548	\$ 10,077,736	\$ -
LIABILITIES				
Accounts Payable	\$ 436,704	\$ 356,411	\$ 793,115	\$ -
Accrued Payroll	475,566	62,648	538,214	-
Other Current Liabilities	444,454	21,560	466,014	-
Internal Balances	1,267,053	40,790	1,307,843	-
Interest Payable	34,176	57,061	91,237	-
Compensated Absences	9,206	-	9,206	-
Refundable Deposits	-	987,636	987,636	-
Long-term Liabilities				
Portion Due or Payable Within One Year:				
Warrants and Notes Payable	953,806	1,675,000	2,628,806	-
Long-term Commitments	150,000	-	150,000	-
Portion Due or Payable After One Year:				
Long-term Commitment	750,000	-	750,000	-
Warrants and Notes Payable	24,474,397	26,878,876	51,353,273	-
Compensated Absences	1,205,149	192,166	1,397,315	-
Net OPEB Liability	7,112,497	1,001,235	8,113,732	-
Net Pension Liability	18,187,540	3,272,701	21,460,241	-
Deferred Revenue	604,289	2,092,558	2,696,847	-
TOTAL LIABILITIES	\$ 56,104,837	\$ 36,638,642	\$ 92,743,479	\$ -
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows-Pensions	\$ 1,012,638	\$ 155,325	\$ 1,167,963	\$ -
Deferred Inflows-Post Employment Benefits	581,983	81,926	663,909	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,594,621	\$ 237,251	\$ 1,831,872	\$ -
NET POSITION				
Invested in Capital Assets, Net of Related Debt	\$ 9,729,175	\$ 15,365,057	\$ 25,094,232	\$ -
Restricted for:				
Capital Projects	3,365,902	3,970,486	7,336,388	-
Debt Service	16,800	10,317,417	10,334,217	-
Other Purposes	13,890,780	-	13,890,780	-
Grants and Entitlements	22,360	-	22,360	-
Unrestricted	9,362,252	7,180,550	16,542,802	349,078
TOTAL NET POSITION	\$ 36,387,269	\$ 36,833,510	73,220,779	\$ 349,078

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

CITY OF NORTHPORT, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Fees, Fines and Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities		Total
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES:								
Finance and Administration	\$ 3,650,110	\$ 6,032,456	\$ -	\$ -	\$ 2,382,346	\$ -	\$ 2,382,346	\$ -
General Government	5,352,868	1,207,828	-	-	(4,145,040)	-	(4,145,040)	-
Planning and Development	545,565	-	-	-	(545,565)	-	(545,565)	-
Public Safety	15,572,410	220,852	1,835,202	740,027	(12,776,329)	-	(12,776,329)	-
Public Works	12,150,604	1,449,001	-	-	(10,701,603)	-	(10,701,603)	-
Interest and Fiscal Charges	929,074	-	-	-	(929,074)	-	(929,074)	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 38,200,631	\$ 8,910,137	\$ 1,835,202	\$ 740,027	\$ (26,715,265)	\$ -	\$ (26,715,265)	\$ -
BUSINESS-TYPE ACTIVITIES:								
Water and Sewer	\$ 9,048,205	\$ 10,728,459	\$ -	\$ 383,461	\$ -	\$ 2,063,715	\$ 2,063,715	\$ -
TOTAL BUSINESS TYPE ACTIVITIES	\$ 9,048,205	\$ 10,728,459	\$ -	\$ 383,461	\$ -	\$ 2,063,715	\$ 2,063,715	\$ -
TOTAL PRIMARY GOVERNMENT	\$ 47,248,836	\$ 19,638,596	\$ 1,835,202	\$ 1,123,488	\$ (26,715,265)	\$ 2,063,715	\$ (24,651,550)	\$ -
COMPONENT UNIT:								
Northport Redevelopment Authority	\$ 721	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (721)
GENERAL REVENUES:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 3,739,398	\$ -	\$ 3,739,398	\$ -
Sales Taxes					19,966,620	-	19,966,620	-
Other Taxes					551,253	-	551,253	-
Shared Taxes:								
Taxes Levied for General Purposes					5,764,178	-	5,764,178	-
Taxes Levied for Resurfacing Projects					636,958	-	636,958	-
Taxes Levied for Public Safety					238,697	-	238,697	-
Shared License Fees Levied for General Purposes					589,335	-	589,335	-
Rental and Land Lease Income					88,773	-	88,773	-
Earnings on Investments					12,757	183,453	196,210	-
Gain on Sale of City Property					57,446	-	57,446	-
Development Fees					-	722,465	722,465	-
City Grant					-	-	-	350,000
TOTAL GENERAL REVENUES					\$ 31,645,415	\$ 905,918	\$ 32,551,333	\$ 350,000
Transfers (to) from Funds					1,253,267	(1,253,267)	-	-
CHANGE IN NET POSITION					\$ 6,183,417	\$ 1,716,366	\$ 7,899,783	\$ 349,279
NET POSITION - BEGINNING					30,203,852	35,117,144	65,320,996	-
NET POSITION - ENDING					\$ 36,387,269	\$ 36,833,510	\$ 73,220,779	\$ 349,279

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

CITY OF NORTHPORT, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	ELIMINATION OF INTERFUND BALANCES	TOTAL GOVERNMENTAL FUNDS
<u>CURRENT ASSETS</u>						
Cash and Cash Equivalents	\$ 15,769,874	\$ -	\$ -	\$ 15,769,874	\$ -	\$ 15,769,874
Property Taxes Receivable	3,842,397	-	-	3,842,397	-	3,842,397
Police Dockets Receivable - Net	171,169	-	-	171,169	-	171,169
Grant Receivables	74,113	-	-	74,113	-	74,113
Other Receivables	8,093	-	-	8,093	-	8,093
Due From Other Funds	1,291,609	-	13,693	1,305,302	(13,693)	1,291,609
Prepaid Insurance	173,788	-	-	173,788	-	173,788
Inventories	100,701	-	-	100,701	-	100,701
<u>TOTAL CURRENT ASSETS</u>	\$ 21,431,744	\$ -	\$ 13,693	\$ 21,445,437	\$ (13,693)	\$ 21,431,744
<u>RESTRICTED ASSETS</u>						
Cash and Cash Equivalents	\$ 13,890,780	\$ 16,800	\$ 3,378,981	\$ 17,286,561	\$ -	\$ 17,286,561
<u>TOTAL ASSETS</u>	\$ 35,322,524	\$ 16,800	\$ 3,392,674	\$ 38,731,998	\$ (13,693)	\$ 38,718,305
<u>LIABILITIES</u>						
Accounts Payable	\$ 432,280	\$ -	\$ 4,424	\$ 436,704	\$ -	\$ 436,704
Due to Other Funds	1,321,322	-	-	1,321,322	(13,693)	1,307,629
Compensated Absences	9,206	-	-	9,206	-	9,206
Accrued Payroll	475,566	-	-	475,566	-	475,566
Cash Bonds, Restitution and Other Deposits	318,624	-	-	318,624	-	318,624
<u>TOTAL LIABILITIES</u>	\$ 2,556,998	\$ -	\$ 4,424	\$ 2,561,422	\$ (13,693)	\$ 2,547,729
<u>FUND BALANCE</u>						
Nonspendable	\$ 100,701	\$ -	\$ -	\$ 100,701	\$ -	\$ 100,701
Restricted	13,890,780	16,800	3,388,250	17,295,830	-	17,295,830
Committed	4,518,054	-	-	4,518,054	-	4,518,054
Unrestricted	14,255,991	-	-	14,255,991	-	14,255,991
<u>TOTAL FUND BALANCE</u>	\$ 32,765,526	\$ 16,800	\$ 3,388,250	\$ 36,170,576	\$ -	\$ 36,170,576
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 35,322,524	\$ 16,800	\$ 3,392,674	\$ 38,731,998	\$ (13,693)	\$ 38,718,305

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2021

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS \$ 36,170,576

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

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

Land and Construction in Progress	\$ 3,307,272	
Building, net of \$8,927,637 of accumulated depreciation	11,280,113	
Improvements other than buildings, net of \$1,162,202 accumulated depreciation	914,001	
Infrastructure, net of \$48,172,174 accumulated depreciation	28,868,434	
Furniture and equipment, net of \$4,446,733 accumulated depreciation	3,275,878	
Vehicles, net of \$7,333,990 accumulated depreciation	<u>1,657,958</u>	
Net Capital Assets		49,303,656

The internal service fund is used by management to charge the cost of administering the City's self-insurance plan to individual funds. The net assets of the internal service fund is reported with governmental activities. (985,676)

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

Warrants and Notes Payable	\$ (25,428,203)	
Deferred Interest Cost Bond Refundings	353,822	
Accrued Interest Payable	(34,176)	
Long-Term Commitments	(900,000)	
Noncurrent portion of Compensated Absences	<u>(1,205,149)</u>	
Total Long-Term Liabilities		(27,213,706)

Net pension liability, deferred inflows and outflows not reported at the fund level (14,269,062)

Net Other Post-Employment Benefits (OPEB), deferred inflows and outflows not reported at the fund level (6,014,230)

Deferred Revenue related to American Rescue Plan grant proceeds (604,289)

Total Net Position of Governmental Activities \$ 36,387,269

CITY OF NORTHPORT, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Sales and Use Taxes	\$ 19,966,620	\$ -	\$ -	\$ 19,966,620
Intergovernmental Revenues	6,353,513	-	875,655	7,229,168
Business Licenses and Permits	5,782,128	-	-	5,782,128
Property Tax	3,739,398	-	-	3,739,398
Grant Proceeds	2,733,288	-	-	2,733,288
Charges for Services	1,564,994	-	-	1,564,994
Fines, Forfeitures, and Penalties	1,312,687	-	-	1,312,687
Other Taxes	535,510	-	-	535,510
Other Income	461,972	-	-	461,972
Other Licenses and Permits	250,328	-	-	250,328
Rental and Lease Income	88,773	-	-	88,773
Interest Income	12,734	23	-	12,757
TOTAL REVENUES	\$ 42,801,945	\$ 23	\$ 875,655	\$ 43,677,623
EXPENDITURES				
Public Safety	\$ 14,557,406	\$ -	\$ -	\$ 14,557,406
Public Works	7,418,642	-	107,796	7,526,438
General Government	3,781,885	-	-	3,781,885
Finance and Administration	3,416,115	-	178,598	3,594,713
Local Agency Support	881,884	-	-	881,884
Planning and Community Development	466,283	-	-	466,283
Capital Outlay				
Public Works	2,998,065	-	-	2,998,065
Public Safety	350,548	-	-	350,548
Finance and Administration	81,578	-	-	81,578
Debt Service				
Payments on Bonds & Notes Payable	-	885,884	-	885,884
Interest Paid	-	882,521	-	882,521
Agency Fees	-	46,553	-	46,553
TOTAL EXPENDITURES	\$ 33,952,406	\$ 1,814,958	\$ 286,394	\$ 36,053,758
EXCESS REVENUES / (EXPENDITURES)	\$ 8,849,539	\$ (1,814,935)	\$ 589,261	\$ 7,623,865
OTHER FINANCING SOURCES (USES)				
Sales Proceeds	\$ 57,446	\$ -	\$ -	\$ 57,446
Loan Proceeds	17,720,000	-	-	17,720,000
Transfer In (Out)	(460,290)	1,713,557	-	1,253,267
Payments on Bonds	(14,500,000)	-	-	(14,500,000)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 2,817,156	\$ 1,713,557	\$ -	\$ 4,530,713
NET CHANGE IN FUND BALANCES	\$ 11,666,695	\$ (101,378)	\$ 589,261	\$ 12,154,578
FUND BALANCE - OCTOBER 1, 2020	\$ 21,098,831	\$ 118,178	\$ 2,798,989	\$ 24,015,998
FUND BALANCE - SEPTEMBER 30, 2021	\$ 32,765,526	\$ 16,800	\$ 3,388,250	\$ 36,170,576

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

CITY OF NORTHPORT, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS \$ 12,154,578

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

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. For the current reporting period, the following amount is the excess depreciation expense (\$3,369,736) over capital outlay purchases \$896,892. (2,470,508)

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	(17,720,000)	
Repayments:		
Principle Repayments	<u>15,385,884</u>	
Net Adjustment		(2,334,116)

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	\$ 213,319	
Increase in Compensated Absences	(184,156)	
Amortization of Deferred Loss on Bond Refundings	(52,466)	
Decrease in Accrued Interest	<u>95,585</u>	
Net Adjustment		72,282

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. 195,966

Amount by which the City's net pension liability decreased, deferred inflows from pensions increased, and deferred outflows from pensions increased compared to the prior fiscal year. (464,844)

Amount by which the City's net other post-employment benefits (OPEB) liability increased, deferred inflows from OPEB increased, and deferred outflows from OPEB increased compared to the prior fiscal year. (365,652)

Deferred Revenue related to American Rescue Plan grant proceeds (604,289)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 6,183,417

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>	<u>TOTAL</u>
	<u>WATER AND</u>	<u>SPECIAL</u>	<u>TOTAL</u>	<u>INTERNAL</u>	
	<u>SEWER FUND</u>	<u>ASSESSMENT</u>	<u>ENTERPRISE</u>	<u>SERVICE FUND</u>	<u>PROPRIETARY</u>
		<u>FUND</u>	<u>FUNDS</u>		<u>FUNDS</u>
ASSETS					
<u>CURRENT ASSETS</u>					
Cash and Cash Equivalents	\$ 7,774,774	\$ -	\$ 7,774,774	\$ -	\$ 7,774,774
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,178,731	-	1,178,731	-	1,178,731
Assessments Receivable - Current	-	10,658	10,658	-	10,658
Interest Receivable	-	7,265	7,265	-	7,265
Grant Receivable	21,023	-	21,023	-	21,023
Due from General Fund	1,267,053	-	1,267,053	-	1,267,053
Due from Other Proprietary Funds	1,637,172	-	1,637,172	-	1,637,172
Prepaid Insurance	82,350	-	82,350	-	82,350
Inventory	151,393	-	151,393	-	151,393
<u>TOTAL CURRENT ASSETS</u>	\$ 12,112,496	\$ 17,923	\$ 12,130,419	\$ -	\$ 12,130,419
<u>RESTRICTED ASSETS</u>					
Cash and Cash Equivalents	\$ 15,542,620	\$ -	\$ 15,542,620	\$ 350,397	\$ 15,893,017
<u>TOTAL RESTRICTED ASSETS</u>	\$ 15,542,620	\$ -	\$ 15,542,620	\$ 350,397	\$ 15,893,017
<u>PROPERTY, PLANT AND EQUIPMENT</u>					
Land	\$ 396,017	\$ -	\$ 396,017	\$ -	\$ 396,017
Treatment Plants and Pump Stations	29,158,829	-	29,158,829	-	29,158,829
Distribution and Disposal System	47,137,634	-	47,137,634	-	47,137,634
Machinery and Equipment	546,046	-	546,046	-	546,046
Vehicles	1,083,606	-	1,083,606	-	1,083,606
Construction in Progress	475,903	-	475,903	-	475,903
Computer Equipment	44,640	-	44,640	-	44,640
<u>TOTAL PROPERTY, PLANT & EQUIPMENT</u>	\$ 78,842,675	\$ -	\$ 78,842,675	\$ -	\$ 78,842,675
Less: Accumulated Depreciation	(36,337,616)	-	(36,337,616)	-	(36,337,616)
<u>NET PROPERTY, PLANT & EQUIPMENT</u>	\$ 42,505,059	\$ -	\$ 42,505,059	\$ -	\$ 42,505,059
<u>OTHER ASSETS</u>					
Abeyance Receivable	\$ -	\$ 2,055,929	\$ 2,055,929	\$ -	\$ 2,055,929
<u>TOTAL OTHER ASSETS</u>	\$ -	\$ 2,055,929	\$ 2,055,929	\$ -	\$ 2,055,929
<u>TOTAL ASSETS</u>	\$ 70,160,175	\$ 2,073,852	\$ 72,234,027	\$ 350,397	\$ 72,584,424
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred Interest Cost on Refunding Issues	\$ 2,073,340	\$ -	\$ 2,073,340	\$ -	\$ 2,073,340
Deferred Outflows-Post-Employment Benefits	236,531	-	236,531	-	236,531
Deferred Outflows-Pension	802,677	-	802,677	-	802,677
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	\$ 3,112,548	\$ -	\$ 3,112,548	\$ -	\$ 3,112,548
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS</u>	\$ 73,272,723	\$ 2,073,852	\$ 75,346,575	\$ 350,397	\$ 75,696,972
<u>OF RESOURCES</u>					

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL</u>	<u>TOTAL</u>
	<u>WATER AND</u>	<u>SPECIAL</u>	<u>TOTAL</u>	<u>INTERNAL</u>	
	<u>SEWER FUND</u>	<u>ASSESSMENT</u>	<u>ENTERPRISE</u>	<u>SERVICE FUND</u>	<u>PROPRIETARY</u>
		<u>FUND</u>	<u>FUNDS</u>		<u>FUNDS</u>
LIABILITIES AND NET ASSETS					
<u>CURRENT LIABILITIES</u>					
Payable from Current Assets					
Accounts Payable	\$ 356,411	\$ -	\$ 356,411	\$ -	\$ 356,411
Due to Other Funds	40,790	-	40,790	1,210,137	1,250,927
Due to Other Proprietary Funds	-	1,637,172	1,637,172	106	1,637,278
Accrued Payroll	62,648	-	62,648	-	62,648
Estimated Liability for Compensated Absences - Current	-	-	-	-	-
Interest Payable	57,061	-	57,061	-	57,061
Accrued Expenses	21,560	-	21,560	125,830	147,390
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM CURRENT ASSETS</u>	\$ 538,470	\$ 1,637,172	\$ 2,175,642	\$ 1,336,073	\$ 3,511,715
<u>PAYABLE FROM RESTRICTED ASSETS</u>					
Warrants Payable - Current	\$ 1,675,000	\$ -	\$ 1,675,000	\$ -	\$ 1,675,000
Customer and Waterline Extension Deposits	\$ 987,636	-	987,636	-	987,636
<u>TOTAL CURRENT LIABILITIES</u>					
<u>PAYABLE FROM RESTRICTED ASSETS</u>	\$ 2,662,636	\$ -	\$ 2,662,636	\$ -	\$ 2,662,636
<u>TOTAL CURRENT LIABILITIES</u>	\$ 3,201,106	\$ 1,637,172	\$ 4,838,278	\$ 1,336,073	\$ 6,174,351
<u>LONG-TERM LIABILITIES</u>					
Bonds and Warrants Payable (Including Premiums)	\$ 26,878,876	\$ -	\$ 26,878,876	\$ -	\$ 26,878,876
Notes Payable	-	-	-	-	-
Net Retiree Healthcare Obligation	1,001,235	-	1,001,235	-	1,001,235
Estimated Liability for Compensated Absences - Noncurrent	192,166	-	192,166	-	192,166
Deferred Revenue	2,092,558	-	2,092,558	-	2,092,558
Net Pension Liability	3,272,701	-	3,272,701	-	3,272,701
<u>TOTAL LONG-TERM LIABILITIES</u>	\$ 33,437,536	\$ -	\$ 33,437,536	\$ -	\$ 33,437,536
<u>TOTAL LIABILITIES</u>	\$ 36,638,642	\$ 1,637,172	\$ 38,275,814	\$ 1,336,073	\$ 39,611,887
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Inflows-Post Employment Benefits	\$ 81,926	\$ -	\$ 81,926	\$ -	\$ 81,926
Deferred Inflows-Pension	155,325	-	155,325	-	155,325
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	\$ 237,251	\$ -	\$ 237,251	\$ -	\$ 237,251
<u>NET POSITION</u>					
Invested in Capital Assets, Net of Related Debt Restricted for Capital Projects	\$ 15,365,057	\$ -	\$ 15,365,057	\$ -	\$ 15,365,057
Restricted for Debt Service	3,970,486	-	3,970,486	-	3,970,486
Unrestricted	10,317,417	-	10,317,417	-	10,317,417
	6,743,870	436,680	7,180,550	(985,676)	6,194,874
<u>TOTAL NET POSITION</u>	\$ 36,396,830	\$ 436,680	\$ 36,833,510	\$ (985,676)	\$ 35,847,834
TOTAL LIABILITIES AND NET ASSETS	\$ 73,272,723	\$ 2,073,852	\$ 75,346,575	\$ 350,397	\$ 75,696,972

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUES</u>					
Charges for Services	\$ 10,475,154	\$ -	\$ 10,475,154	\$ 4,222,706	\$ 14,697,860
Miscellaneous	253,305	-	253,305	-	253,305
<u>TOTAL OPERATING REVENUES</u>	\$ 10,728,459	\$ -	\$ 10,728,459	\$ 4,222,706	\$ 14,951,165
<u>OPERATING EXPENSES</u>					
Salaries and Benefits	\$ 2,676,257	\$ -	\$ 2,676,257	\$ -	\$ 2,676,257
Depreciation and Amortization	2,045,859	-	2,045,859	4,026,740	6,072,599
Maintenance and Repairs	1,182,355	-	1,182,355	-	1,182,355
Utilities and Telephone	957,759	-	957,759	-	957,759
Materials and Supplies	484,384	-	484,384	-	484,384
Water and Sewer Purchases	367,820	-	367,820	-	367,820
Insurance	304,531	-	304,531	-	304,531
Miscellaneous Expense	234,297	-	234,297	-	234,297
Professional Fees	79,930	-	79,930	-	79,930
<u>TOTAL OPERATING EXPENSES</u>	\$ 8,333,192	\$ -	\$ 8,333,192	\$ 4,026,740	\$ 12,359,932
<u>OPERATING INCOME (LOSS)</u>	\$ 2,395,267	\$ -	\$ 2,395,267	\$ 195,966	\$ 2,591,233
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Grant Proceeds	\$ 383,461	\$ -	\$ 383,461	\$ -	\$ 383,461
Investment Earnings	183,453	-	183,453	-	183,453
Development Fees	722,465	-	722,465	-	722,465
Bond Issue Costs	(90,537)	-	(90,537)	-	(90,537)
Interest Expense	(624,476)	-	(624,476)	-	(624,476)
<u>TOTAL NON-OPERATING REVENUES (EXPENSES)</u>	\$ 574,366	\$ -	\$ 574,366	\$ -	\$ 574,366
<u>TRANSFERS</u>					
Transfers (to)from Other Funds	(1,253,267)	\$ -	\$ (1,253,267)	\$ -	\$ (1,253,267)
<u>TOTAL TRANSFERS</u>	\$ (1,253,267)	\$ -	\$ (1,253,267)	\$ -	\$ (1,253,267)
<u>CHANGE IN NET POSITION</u>	\$ 1,716,366	\$ -	\$ 1,716,366	\$ 195,966	\$ 1,912,332
<u>NET POSITION, OCTOBER 1, 2020</u>	34,680,464	436,680	35,117,144	(1,181,642)	33,935,502
<u>NET POSITION, SEPTEMBER 30, 2021</u>	\$ 36,396,830	\$ 436,680	\$ 36,833,510	\$ (985,676)	\$ 35,847,834

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2021

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>WATER AND SEWER FUND</u>	<u>SPECIAL ASSESSMENT FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash Collected from Customers	\$ 10,877,808	\$ -	\$ 10,877,808	\$ 4,222,706	\$ 15,100,514
Cash Paid for Personnel Cost	(2,306,926)	-	(2,306,926)	-	(2,306,926)
Cash Paid for Operations	(520,779)	-	(520,779)	(4,002,335)	(4,523,114)
	<u>\$ 8,050,103</u>	<u>\$ -</u>	<u>\$ 8,050,103</u>	<u>\$ 220,371</u>	<u>\$ 8,270,474</u>
<u>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>					
Transfer (to) from Other Funds	\$ (1,253,267)	\$ -	\$ (1,253,267)		\$ (1,253,267)
	<u>\$ (1,253,267)</u>	<u>\$ -</u>	<u>\$ (1,253,267)</u>	<u>\$ -</u>	<u>\$ (1,253,267)</u>
<u>NET CASH FLOWS PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</u>					
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Capital Acquisition Payments	\$ (1,750,762)	\$ -	\$ (1,750,762)	\$ -	\$ (1,750,762)
Repayment of Debt Principal	(1,950,000)	-	(1,950,000)	-	(1,950,000)
Proceeds from Debt Issuance	8,850,000	-	8,850,000	-	8,850,000
Development Fees	722,465	-	722,465	-	722,465
Grant Proceeds	383,461	-	383,461	-	383,461
Bond Issue Costs	(90,537)	-	(90,537)	-	(90,537)
Repayment of Interest	(624,476)	-	(624,476)	-	(624,476)
	<u>\$ 5,540,151</u>	<u>\$ -</u>	<u>\$ 5,540,151</u>	<u>\$ -</u>	<u>\$ 5,540,151</u>
<u>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Receipt of Interest Income	\$ 68,146	\$ -	\$ 68,146	\$ -	\$ 68,146
	<u>\$ 68,146</u>	<u>\$ -</u>	<u>\$ 68,146</u>	<u>\$ -</u>	<u>\$ 68,146</u>
<u>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</u>					
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 12,405,133</u>	<u>\$ -</u>	<u>\$ 12,405,133</u>	<u>\$ 220,371</u>	<u>\$ 12,625,504</u>
<u>CASH AND CASH EQUIVALENTS - OCTOBER 1</u>	<u>10,912,261</u>	<u>-</u>	<u>10,912,261</u>	<u>130,026</u>	<u>11,042,287</u>
<u>CASH AND CASH EQUIVALENTS - SEPTEMBER 30</u>	<u>\$ 23,317,394</u>	<u>\$ -</u>	<u>\$ 23,317,394</u>	<u>\$ 350,397</u>	<u>\$ 23,667,791</u>
CLASSIFIED AS:					
Current Assets	\$ 7,774,774	\$ -	\$ 7,774,774	\$ -	\$ 7,774,774
Restricted Assets	15,542,620	-	15,542,620	350,397	15,893,017
Total Cash and Cash Equivalents	<u>\$ 23,317,394</u>	<u>\$ -</u>	<u>\$ 23,317,394</u>	<u>\$ 350,397</u>	<u>\$ 23,667,791</u>

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

CITY OF NORTHPORT, ALABAMA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
SEPTEMBER 30, 2021

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL ACTIVITIES	
	WATER AND SEWER FUND	SPECIAL ASSESSMENT FUND	TOTAL ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL PROPRIETARY FUNDS
<u>RECONCILIATION OF OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>					
Operating Income (Loss)	\$ 2,395,267	\$ -	\$ 2,395,267	\$ 195,966	\$ 2,591,233
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:					
Depreciation and Amortization	2,045,859	-	2,045,859	-	2,045,859
(Increase) Decrease in Operating Assets:					
Accounts and Assessment Receivables	120,019	-	120,019	-	120,019
Grant Receivables	(21,023)	-	(21,023)	-	(21,023)
Inventory	(21,190)	-	(21,190)	-	(21,190)
Change in Interfund Receivables	1,025,809	-	1,025,809	-	1,025,809
Changes in Deferred Outflows	277,460	-	277,460	-	277,460
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	133,091	-	133,091	-	133,091
Accrued Payroll	5,040	-	5,040	-	5,040
Accrued Compensated Absences	38,488	-	38,488	-	38,488
Accrued Interest Payable	(114,093)	-	(114,093)	-	(114,093)
Accrued Expenses	(7,036)	-	(7,036)	23,452	16,416
Customer Deposits	29,330	-	29,330	-	29,330
Net OPEB Obligation	(99,235)	-	(99,235)	-	(99,235)
Net Change in Interfund Payable	2,181	-	2,181	953	3,134
Net Change in Pension Liability	201,299	-	201,299	-	201,299
Change in Deferred Revenue	2,092,558	-	2,092,558	-	2,092,558
Changes in Deferred Inflows	(53,721)	-	(53,721)	-	(53,721)
<u>NET CASH PROVIDED (USED) BY OPERATIONS</u>	<u>\$ 8,050,103</u>	<u>\$ -</u>	<u>\$ 8,050,103</u>	<u>\$ 220,371</u>	<u>\$ 8,270,474</u>

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Northport, Alabama (the City), founded in 1813, has a population of approximately 31,000 people living within an area of 17 square miles. The City is located in West Central Alabama on the northern bank of the Black Warrior River inside Tuscaloosa County. The City operates under a charter adopted February 7, 1871 and has a Mayor/Council form of government.

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

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable requiring inclusion in the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. The component unit's column in the combined financial statements includes the financial data of the Northport Redevelopment Authority (the Authority), which is determined to be a component unit of the City. The Authority was established in 2002 to pursue projects that will develop and promote commerce, employment opportunities, industry and trade in the City.

The Basis of Presentation

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

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

Government-Wide Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Government-Wide Financial Statements *(continued)*

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.

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

Fund Financial Statements

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

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

Proprietary Funds

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

Internal Service Funds

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments within the City on a cost-reimbursement basis. This fund is used to account for the City self-insurance plan.

Measurement Focus, Basis of Accounting

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

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

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

Use of Estimates

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

NOTE 2: CASH & CASH EQUIVALENTS

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

NOTE 3: ACCOUNTS RECEIVABLE

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

General Fund	\$ 42,791
Water and Sewer Fund	43,994

For the Water and Sewer Fund, management turns accounts over to a collection agency after reasonable collection efforts. At the end of each fiscal year, account balances that have not been collected are considered inactive. Those account balances are not included in the receivable balance. The balance of inactive accounts at September 30, 2021 was \$815,919.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: INVENTORIES

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

NOTE 5: FIXED ASSETS

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

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements. GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local government's basic financial statements. In accordance, the city developed and implemented a plan to determine the value of infrastructure costs and has included the value of all infrastructure in the basic financial statements

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date 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 are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: FIXED ASSETS (continued)

Allocation of Depreciation on Fixed Assets for Governmental Activities

	Allocation	Percentage	Allocation of Depreciation on Capital Assets	Allocation of Depreciation on Infrastructure
Finance and Administration	\$ 2,392,936	6.00%	\$ 95,138	\$ -
General Government	3,026,131	8.00%	126,851	-
Planning and Development	2,031,665	5.00%	79,282	-
Public Safety	22,690,158	58.00%	919,668	-
Public Works	8,705,469	23.00%	364,696	1,784,102
	<u>\$ 38,846,359</u>	<u>100.00%</u>	<u>\$ 1,585,634</u>	<u>\$ 1,784,102</u>

Fixed Asset Schedule:

Governmental Activities:	Balance 9/30/20	Increases	Decreases	Balance 9/30/21
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 2,691,380	\$ -	\$ -	\$ 2,691,380
Construction in Progress	1,650,327	94,080	(1,128,515)	615,892
Total Capital Assets Not Depreciated	<u>\$ 4,341,707</u>	<u>\$ 94,080</u>	<u>\$ (1,128,515)</u>	<u>\$ 3,307,272</u>
Analysis of Capital Assets Being Depreciated				
Other Capital Assets:				
Buildings	\$ 20,207,750	\$ -	\$ -	\$ 20,207,750
Improvements other than Buildings	2,076,203	-	-	2,076,203
Vehicles	9,221,563	322,475	(57,625)	9,486,413
Equipment & Furniture	7,340,843	381,768	-	7,722,611
Infrastructure	75,812,357	1,228,251	-	77,040,608
Total Other Capital Assets	<u>\$ 114,658,716</u>	<u>\$ 1,932,494</u>	<u>\$ (57,625)</u>	<u>\$ 116,533,585</u>
Less: Accumulated Depreciation				
Buildings	\$ 8,414,232	\$ 513,406	\$ (1,167)	\$ 8,926,471
Improvements other than Buildings	1,113,373	48,829	-	1,162,202
Vehicles	7,333,990	552,090	(57,625)	7,828,455
Equipment & Furniture	3,975,423	471,309	-	4,446,732
Infrastructure	46,389,239	1,784,102	-	48,173,341
Total Accumulated Depreciation	<u>\$ 67,226,257</u>	<u>\$ 3,369,736</u>	<u>\$ (58,792)</u>	<u>\$ 70,537,201</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 47,432,459</u>			<u>\$ 45,996,384</u>
Total Governmental Assets, Net	<u>\$ 51,774,166</u>			<u>\$ 49,303,656</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: FIXED ASSETS (continued)

Business-Type Activities:	Balance 9/30/20	Increases	Decreases	Balance 9/30/21
Analysis of Capital Assets Not Being Depreciated:				
Land	\$ 396,017	\$ -	\$ -	\$ 396,017
Construction in Progress	285,821	475,903	(285,821)	475,903
Total Capital Assets Not Depreciated	<u>\$ 681,838</u>	<u>\$ 475,903</u>	<u>\$ (285,821)</u>	<u>\$ 871,920</u>
Analysis of Capital Assets Being Depreciated:				
Other Capital Assets:				
Treatment Plant and Pump Stations	\$ 29,158,829	\$ -	\$ -	\$ 29,158,829
Distribution and Disposal System	45,706,643	1,430,991	-	47,137,634
Machinery and Equipment	527,261	18,785	-	546,046
Vehicles	986,426	97,180	-	1,083,606
Computer Equipment	30,915	13,725	-	44,640
Total Other Capital Assets	<u>\$ 76,410,074</u>	<u>\$ 1,560,681</u>	<u>\$ -</u>	<u>\$ 77,970,755</u>
Less: Accumulated Depreciation				
Treatment Plant and Pump Stations	\$ 13,743,356	\$ 1,127,153	\$ -	\$ 14,870,509
Distribution and Disposal System	19,526,778	538,727	-	20,065,505
Machinery and Equipment	466,121	15,626	-	481,747
Vehicles	845,273	42,523	-	887,796
Computer Equipment	30,915	1,144	-	32,059
Total Accumulated Depreciation	<u>\$ 34,612,443</u>	<u>\$ 1,725,173</u>	<u>\$ -</u>	<u>\$ 36,337,616</u>
Other Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,797,631</u>			<u>\$ 41,633,139</u>
Total Business Assets, Net of Accumulated Depreciation	<u>\$ 42,479,469</u>			<u>\$ 42,505,059</u>

NOTE 6: REFUNDING AND DEFEASANCE OF DEBT

On September 28, 2021 the City issued Series 2021-A at a par value of \$8,850,000. The purpose of issuing the 2021 General Obligation warrants was to refund on a current basis \$9,535,000 of the Series 2012-C General Obligation Warrants and \$2,885,000 of the General Obligation Water System Warrant, Series 2005-DWSRF-BL.

On September 28, 2021 the City issued Series 2021-B at a par value of \$17,720,000. The purpose of issuing the 2021 General Obligation warrants was an advance refunding of the \$16,520,000 original principal amount of the Series 2014-A General Obligation Warrants with an outstanding balance of \$14,690,000.

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.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 General Obligation warrants. 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.

Changes in long-term obligations for the nine months ended September 30, 2021 are as follows.

Governmental Activities:	Balance 2020	Additions	Decreases	Balance 2021	Amount Due Within One Year
Bonds and Notes Payable					
2014-A G.O. Warrants	\$ 14,500,000	\$ -	\$ 14,500,000	\$ -	\$ -
2016 G.O. Warrants	5,050,000	-	-	5,050,000	-
2019 G.O. Warrants	2,105,000	-	490,000	1,615,000	535,000
2021B G.O. Warrants	-	17,720,000	-	17,720,000	165,000
Crimson Project Agreement	1,050,000	-	150,000	900,000	150,000
Suntrust Capital Lease	294,242	-	144,414	149,828	149,829
U.S. Bankcorp Capital Lease	647,010	-	101,470	545,540	103,977
Premium on Warrants	561,153	-	213,318	347,835	-
Less: Deferred Outflow on Refundings	(406,288)	-	52,466	(353,822)	-
Total Bonds and Notes Payable	\$ 23,801,117	\$ 17,720,000	\$ 15,651,668	\$ 25,974,381	\$ 1,103,806

Business -Type Activities:	Balance 2020	Additions	Decreases	Balance 2021	Amount Due Within One Year
Bonds and Notes Payable					
2005 S.R.F. G.O. Warrants	\$ 1,070,000	\$ -	\$ 165,000	\$ 905,000	\$ -
2011 G.O. Warrants	4,230,000	-	1,210,000	3,020,000	1,310,000
2012-C Warrants Payable	8,425,000	-	225,000	8,200,000	-
2014-A G.O. Warrants	190,000	-	190,000	-	-
2016 G.O. Warrants	3,480,000	-	-	3,480,000	-
2019 G.O. Warrants	2,845,000	-	160,000	2,685,000	35,000
2021A G.O. Warrants	-	8,850,000	-	8,850,000	330,000
Premium on Warrants	435,177	1,108,927	130,228	1,413,876	-
Less: Deferred Outflow on Refundings	(2,454,986)	-	381,646	(2,073,340)	-
Total Bonds, Notes and Other Liabilities	\$ 18,220,191	\$ 9,958,927	\$ 2,461,874	\$ 26,480,536	\$ 1,675,000

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Payments on long-term obligations for the next five years and thereafter as of September 30, 2021 are as follows:

<u>GENERAL CITY DEBT:</u>	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>2016 General Obligation Warrants</u>			
Series dated September 1, 2016	2022	-	
payable semi-annually at a variable	2023	-	
interest rate between 3.00% and 4.00%	2024	775,000	
depending on the maturity date.	2025	805,000	
	2026	825,000	
	Thereafter	<u>2,645,000</u>	\$ 5,050,000
<u>2019 General Obligation Warrants</u>			
Series dated October 30, 2019	2022	535,000	
payable semi-annually at an	2023	15,000	
interest rate of 2.19% with a maturity	2024	15,000	
date of March 1, 2029.	2025	15,000	
	2026	15,000	
	Thereafter	<u>1,020,000</u>	\$ 1,615,000
<u>2021B General Obligation Warrants</u>			
Series dated September 28, 2021	2022	165,000	
payable semi-annually at an	2023	200,000	
interest rate between 0.31% and 2.76% with a	2024	200,000	
maturity date of September 28, 2041.	2025	200,000	
	2026	205,000	
	Thereafter	<u>16,750,000</u>	\$ 17,720,000
<u>Mercedes-Benz U.S. International</u>			
Long-term commitment of \$150,000	2022	150,000	
per year to Mercedes-Benz U.S. International	2023	150,000	
through the Project Crimson Agreement	2024	150,000	
	2025	150,000	
	2026	150,000	
	Thereafter	<u>150,000</u>	\$ 900,000
<u>SunTrust Capital</u>			
Long-term commitment of \$155,448	2022	149,828	
per year to SunTrust Capital to satisfy	2023	-	
capital lease obligation. Lease matures	2024	-	
April 2022	2025	-	
	2026	-	
	Thereafter	<u>-</u>	\$ 149,828
<u>U.S. Bankcorp</u>			
Long-term commitment of \$117,468	2022	103,977	
per year to U.S. Bankcorp to satisfy	2023	106,545	
capital lease obligation. Lease matures	2024	109,176	
November 1, 2025.	2025	111,873	
	2026	113,969	
	Thereafter	<u>-</u>	\$ 545,540
<u>TOTAL GENERAL CITY DEBT</u>			<u>\$ 25,980,368</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG-TERM OBLIGATIONS (continued)

	<u>Due Date</u>	<u>Amount Due</u>	<u>Amount Outstanding</u>
<u>WATER AND SEWER DEBT:</u>			
<u>2005 State Revolving Fund Warrants</u>	2022	170,000	
State Revolving Loan Fund to refinance	2023	175,000	
the Series 1993 Warrants. The 1993	2024	180,000	
Warrants were used for construction of	2025	185,000	
the new waste water treatment plant,	2026	195,000	
payable semi-annually at 3.25%.	Thereafter	<u>-</u>	\$ 905,000
<u>2011 General Obligation Water & Sewer Warrants</u>			
Series dated June 21, 2011	2022	1,310,000	
payable semi-annually at a variable	2023	1,710,000	
interest rate between 2% and 8%	2024	-	
depending on the maturity date.	2025	-	
	2026	-	
	Thereafter	<u>-</u>	\$ 3,020,000
<u>2012 C General Obligation Water & Sewer Warrants</u>			
Series dated March 29, 2012	2022	230,000	
payable semi-annually at a variable	2023	1,500,000	
interest rate between 2.00% and 4.00%	2024	1,550,000	
depending on the maturity date.	2025	1,610,000	
	2026	1,630,000	
	Thereafter	<u>1,680,000</u>	\$ 8,200,000
<u>2016 General Obligation Warrants</u>			
Series dated September 1, 2016	2022	-	
payable semi-annually at a variable	2023	175,000	
interest rate between 3.00% and 4.00%	2024	180,000	
depending on the maturity date.	2025	190,000	
	2026	220,000	
	Thereafter	<u>2,715,000</u>	\$ 3,480,000
<u>2019 General Obligation Warrants</u>			
Series dated October 30, 2019	2022	35,000	
payable semi-annually at an	2023	40,000	
interest rate of 2.19% with a maturity	2024	35,000	
date of March 1, 2029.	2025	40,000	
	2026	40,000	
	Thereafter	<u>2,495,000</u>	\$ 2,685,000
<u>2021A General Obligation Warrants</u>			
Series dated September 28, 2021	2022	330,000	
payable semi-annually at an	2023	1,630,000	
interest rate of 4.00% with a maturity	2024	1,685,000	
date of September 28, 2027.	2025	1,745,000	
	2026	1,795,000	
	Thereafter	<u>1,665,000</u>	\$ 8,850,000
<u>TOTAL WATER AND SEWER DEBT</u>			<u>\$ 27,140,000</u>
<u>TOTAL GENERAL CITY AND WATER AND SEWER DEBT</u>			<u>\$ 53,120,368</u>

The following represents the aggregate annual payments on the general obligation bonds, revenue bonds, capital leases and commitments and notes outstanding as of September 30, 2021.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: LONG-TERM OBLIGATIONS (continued)

Debt Service Requirements									
Fiscal Years	General Obligation		Capital Lease		Commitments & Notes		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2022	2,775,000	1,973,179	253,805	16,542	150,000	-	3,178,805	1,989,721	5,168,526
2023	6,220,000	1,996,628	106,545	8,291	150,000	-	6,476,545	2,004,919	8,481,464
2024	4,650,000	1,801,116	109,176	5,595	150,000	-	4,909,176	1,806,711	6,715,887
2025	4,810,000	1,633,961	111,873	2,832	150,000	-	5,071,873	1,636,793	6,708,666
2026	4,950,000	1,476,415	113,969	-	150,000	-	5,213,969	1,476,415	6,690,384
2027	4,920,000	1,303,035	-	-	150,000	-	5,070,000	1,303,035	6,373,035
2028	3,460,000	1,127,556	-	-	-	-	3,460,000	1,127,556	4,587,556
2029	3,610,000	1,027,318	-	-	-	-	3,610,000	1,027,318	4,637,318
2030	1,200,000	949,413	-	-	-	-	1,200,000	949,413	2,149,413
2031	1,220,000	896,760	-	-	-	-	1,220,000	896,760	2,116,760
2032	1,240,000	840,544	-	-	-	-	1,240,000	840,544	2,080,544
2033	1,265,000	779,862	-	-	-	-	1,265,000	779,862	2,044,862
2034	1,290,000	716,032	-	-	-	-	1,290,000	716,032	2,006,032
2035	1,320,000	649,180	-	-	-	-	1,320,000	649,180	1,969,180
2036	1,350,000	576,057	-	-	-	-	1,350,000	576,057	1,926,057
2037	1,380,000	499,362	-	-	-	-	1,380,000	499,362	1,879,362
2038	1,410,000	418,903	-	-	-	-	1,410,000	418,903	1,828,903
2039	1,445,000	319,076	-	-	-	-	1,445,000	319,076	1,764,076
2040	1,485,000	213,690	-	-	-	-	1,485,000	213,690	1,698,690
2041	1,525,000	102,290	-	-	-	-	1,525,000	102,290	1,627,290
Totals	\$ 51,525,000	\$ 19,300,377	\$ 695,368	\$ 33,260	\$ 900,000	\$ -	\$ 53,120,368	\$ 19,333,637	\$ 72,454,005

* - Includes principal balance of variable rate loan

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8: EQUITY CLASSIFICATIONS

Government-Wide Statements

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

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

Fund Statements

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

NOTE 9: PROPERTY TAX

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

NOTE 10: COMPENSATED ABSENCES

GASB Statement No. 16 requires the accrual of unpaid vacation and sick leave when it has been earned by the employees and it is probable that it will be paid in the future. Full-time city employees earn annual leave based on years of employment with the City. New employees receive one week of annual leave after completing one year of employment with the City. Employees with two to seven years of employment receive two weeks of annual leave on their employment anniversary date. Employees with eight to seventeen years of employment receive three weeks of annual leave on their employment anniversary date. Employees with eighteen years of employment with the City receive four weeks of annual leave on their employment anniversary date. Employees are allowed to carry over a maximum of three weeks of accumulated vacation leave. Employees who retire or leave the City are paid for their accumulated annual leave up to a maximum of 280 hours with the exception of firemen who may be compensated for annual leave time up to a maximum of 380 hours. Full-time City employees earn sick leave at a rate of 3.75 hours per pay period, with the exception of firemen, who earn 5.5 hours of sick leave per pay period. Employees who retire or leave the City may elect to convert all unused sick leave for retirement credit but are not entitled to compensation for unused sick leave.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10: COMPENSATED ABSENCES *(continued)*

At September 30, 2021, the amount of vacation and sick leave accrued in the financial statements is \$1,406,521. This amount is reported as a liability in the general governmental fund and water and sewer fund, in the amount of \$1,214,355 and \$192,166, respectively.

NOTE 11: DEPOSITS AND INVESTMENTS

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

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

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

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

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11: DEPOSITS AND INVESTMENTS (continued)

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

U.S. Treasury Notes 100.0 %

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

The City had the following cash at September 30, 2021:

<u>Governmental - Unrestricted:</u>	
Compass BBVA Bank – General Fund	\$ 14,555,103
Compass BBVA Bank – Accounts Payable Fund	290,841
Compass BBVA Bank – GF ACH Fund	6,094
Compass BBVA Bank – Northport First	895,310
Compass BBVA Bank – Sidewalk Bank	18,576
Petty Cash	<u>3,950</u>
<u>Total Unrestricted Cash</u>	<u>\$ 15,769,874</u>

<u>Governmental - Restricted:</u>	
Compass BBVA Bank – GF Reserve	\$ 4,518,054
Compass BBVA Bank – GF Project	4,287,662
Compass BBVA Bank – Gasoline Excise Tax Fund	2,089,906
Compass BBVA Bank – Rebuild Alabama Gas Tax	246,671
Compass BBVA Bank – Capital Improvement Fund	1,020,044
Compass BBVA Bank – Corrections Fund	227,164
Compass BBVA Bank – Municipal Court	205,038
Compass BBVA Bank – Municipal Court Admin. Fund	2,862
Compass BBVA Bank – Municipal Court Traffic Safety Program	18,100
Regions Bank - Series 2014A Acquisition Fund	12
Compass BBVA Bank – Indigent Treatment Fund	99,812
Compass BBVA Bank – Restitution Recovery Fund	11,616
Compass BBVA Bank – Payroll Clearing Fund	113,167
Compass BBVA Bank - GF Reimbursable Securities	110,246
Compass BBVA Bank – Employee’s Beer Tax	21,713
Compass BBVA Bank – Employee’s Insurance Fund	237,230
Compass BBVA Bank – Training Tech Fund	40,163
Regions Bank - Series 2016 Warrant Fund	13,898
Compass BBVA Bank – Community Events and Contr.	6,471
Compass BBVA Bank – Community Development Fund	648
Compass BBVA Bank - Streetscape	504,974
Compass BBVA Bank - 2021 Bond Refinance Proceeds	2,323,393
Regions Bank - Series 2014A Escrow Account	1,535,212
Regions Bank - 2021AB Cost of Issuance	<u>2,902</u>
<u>Total Restricted Cash</u>	<u>\$ 17,636,958</u>

<u>Enterprise – Unrestricted:</u>	
Compass BBVA Bank - Water and Sewer Operating	\$ 7,774,024
Petty Cash	<u>750</u>
<u>Total Unrestricted Cash</u>	<u>\$ 7,774,774</u>

<u>Enterprise – Restricted:</u>	
Compass BBVA Bank - Development Fees	\$ 2,204,762
Compass BBVA Bank – Water & Sewer Reserve	1,254,717
Compass BBVA Bank - Meter Deposit	1,021,602
Regions Bank - Series 2011 Warrant Fund	1,128,151
Compass BBVA Bank – SRF Debt Service Escrow	744,122
Regions Bank - Series 2012 C Warrant Fund	-
Regions Bank - Series 2014 A Warrant Fund	-
Regions Bank - Series 2016 Warrant Fund	9,410
Regions Bank - Series 2021AB Cost of Issuance	1,563
Regions Bank - Series 2005 & 2012C Escrow	<u>9,178,293</u>
<u>Total Restricted Cash</u>	<u>\$ 15,542,620</u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12: RESTRICTED ASSETS

At September 30, 2021, the City had restricted certain deposits and investments for capital projects, debt service and refundable customer deposits. These amounts have been disclosed in statement of net position under restricted assets.

NOTE 13: BALANCE OF DUE TO/FROM OTHER FUNDS

At September 30, 2021, several interfund receivables and payables were outstanding. The following schedule is a detailed listing of the interfund receivables and payables as shown in the Statement of Net Position.

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 40,790	\$ 1,267,053
Proprietary	<u>1,267,053</u>	<u>40,790</u>
Total	<u>\$ 1,307,843</u>	<u>\$ 1,307,843</u>

NOTE 14: TRANSFERS TO/FROM OTHER FUNDS

Operating transfers for debt payments for September 30, 2021 were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ -0-	\$ 1,713,557
Debt Service Funds	<u>1,713,557</u>	<u>-0-</u>
Total	<u>\$ 1,713,557</u>	<u>\$ 1,713,557</u>

NOTE 15: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS

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

Black Warrior Solid Waste Disposal Authority

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

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

Metro Animal Shelter, Inc.

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and other quasi-public organizations. The responsibility for general administration and operation of the ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. Effective October 1, 2021 Act 390 of the Legislature of 2021 will create two additional representatives and change the composition of representatives within the ERS Board of Control. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

BENEFITS PROVIDED

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

BENEFITS PROVIDED (continued)

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 a member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier I retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020 membership consisted of:

	ERS	Northport
Retirees and beneficiaries		
currently receiving benefits	28,672	133
Terminated employees entitled to		
but not yet receiving benefits	1,974	7
Terminated employees not		
entitled to a benefit	14,133	35
Active Members	56,369	292
Post-DROP participants who		
are still in active service	97	-
	101,245	467

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

CONTRIBUTIONS

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS are required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the City's active employee contribution rate was 5.00 – 7.00% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 10.49% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2021 was 12.29% of pensionable pay for Tier 1 employees and 9.17% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$1,683,827 for the year ended September 30, 2021.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

NET PENSION LIABILITY

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques, as shown in the following table:

	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>
(a) Total Pension Liability as of September 30, 2019	\$ 61,060,745	\$ 61,719,302	\$ 61,719,302
(b) Discount Rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for October 1, 2019 - September 30, 2020	1,218,904	1,218,904	1,218,904
(d) Transfers Among Employers	-	(571,162)	(571,162)
(e) Actual Benefit Payments and Refunds for October 1, 2019 - September 30, 2020	(3,401,452)	(3,401,452)	(3,401,452)
(f) Total Pension Liability as of September 30, 2020 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5 x (b))]	<u>\$ 63,448,918</u>	<u>\$ 63,587,023</u>	<u>\$ 63,587,023</u>
(g) Difference between Expected and Actual		\$ 138,105	
(h) Less Liability Transferred for Immediate Recognition		(571,162)	
(i) Difference between Expected and Actual Experience (Gain)/Loss		\$ 709,267	
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			-

ACTUARIAL ASSUMPTIONS

The total pension liability as of September 30, 2020 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. The key actuarial assumptions are summarized below:

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

*Net of pension plan investment expense.

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used in the actuarial valuation as of September 30, 2018 were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

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

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

* - Includes assumed rate of inflation of 2.50%

DISCOUNT RATE

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70 percent. The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the rates currently in effect and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, each employer's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) -(b)
Balances at September 30, 2019	\$ 61,060,745	\$ 41,249,145	\$ 19,811,600
Changes for the year:			
Service Cost	1,218,904	-	1,218,904
Interest	4,570,721	-	4,570,721
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	709,267	-	709,267
Contributions - Employer	-	1,563,808	(1,563,808)
Contributions - Employee	-	970,449	(970,449)
Net Investment Income	-	2,315,994	(2,315,994)
Benefit Payments, Including Refunds of			
Employee Contributions	(3,401,452)	(3,401,452)	-
Administrative Expense	-	-	-
Transfers Among Employers	(571,162)	(571,162)	-
Net Changes	<u>2,526,278</u>	<u>877,637</u>	<u>1,648,641</u>
Balances at September 30, 2020	<u>\$ 63,587,023</u>	<u>\$ 42,126,782</u>	<u>\$ 21,460,241</u>

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

The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Plan's Net Pension Liability (Asset)	<u>\$ 29,198,578</u>	<u>\$ 21,460,241</u>	<u>\$ 14,965,184</u>

PENSION PLAN FIDUCIARY NET POSITION

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2020. The auditor's report dated, April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at www.rsa-al-gov/index.php/employers/financial-reports/gasb-68-reports/.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 16: DEFINED BENEFIT PENSION PLAN (continued)

PENSION EXPENSE AND DEFERRED OUTFLOWS/ INFLOWS OF RESOURCES

For the year ended September 30, 2021, the City recognized Pension Expense of \$1,683,827. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,744,837	\$ 1,167,963
Changes of Assumptions	991,175	-
Net difference between projected and actual earnings on pension plan investments	1,313,948	-
Employer contributions subsequent to measurement date	1,683,833	-
Total	\$ 5,733,793	\$ 1,167,963

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

Year ended September 30:

2022	\$ 613,310
2023	927,508
2024	922,745
2025	257,979
2026	43,907
Thereafter	116,548

NOTE 17: OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Benefits Provided – Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. The employees are covered by the Retirement System of Alabama and must meet the eligibility provisions adopted by resolution to receive retiree medical benefits. The earliest retirement eligibility provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service (called "Tier I" members). Employees hired on and after January 1, 2013 (called "Tier II" members) are now eligible to retire under the same eligibility as Tier I members.

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Employees covered by benefit terms – At September 30, 2021, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The City’s total OPEB liability of \$8,113,732 was measured as of September 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.0%, including inflation
Discount rate	2.21% annually (Beginning of year to determine ADC) 2.15% annually (As of end of year measurement date)
Healthcare cost trend rates	Flat 5.50% annually
Mortality	SOA RP-2000 Table

The discount rate was based on the average of the Bond Buyers’ 20 Year General Obligation municipal bond index as of September 30, 2021, the end of the measurement period.

The actuarial assumptions used in the September 30, 2021 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2009 to September 30, 2021.

Changes in the Total OPEB Liability

Balance at September 30, 2020	\$ 7,750,727
Changes for the year:	
Service cost	190,620
Interest	168,422
Difference between expected and actual experience	88,453
Changes in assumptions	175,172
Benefit payments and net transfers	<u>(259,662)</u>
Net Changes	<u>363,005</u>
Balance at September 30, 2021	<u><u>\$ 8,113,732</u></u>

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.15%) or 1-percentage-point higher (3.15%) than the current discount rate:

	<u>1% Decrease</u> <u>(1.15%)</u>	<u>Current</u> <u>Discount</u> <u>Rate (2.15%)</u>	<u>1% Increase</u> <u>(3.15%)</u>
Total OPEB liability	\$ 9,805,877	\$ 8,113,732	\$ 6,807,614

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

	<u>1% Decrease</u> <u>(4.5%)</u>	<u>Current</u> <u>Trend</u> <u>(5.5%)</u>	<u>1% Increase</u> <u>(6.5%)</u>
Total OPEB liability	\$ 6,971,910	\$ 8,113,732	\$ 9,606,459

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$493,056. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual expense	\$ 570,365	\$ (311,746)
Changes in assumptions	<u>1,346,416</u>	<u>(352,163)</u>
Annual required contribution (ARC)	<u>\$ 1,916,781</u>	<u>\$ (663,909)</u>

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

Year Ended September 30:	
2022	\$ 134,014
2023	134,014
2024	134,014
2025	134,014
2026	114,454
Thereafter	602,363

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 18: DEFERRED COMPENSATION PLAN

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

NOTE 19: SELF-INSURANCE

During the period ended September 30, 2021, employees of the City of Northport were covered by the City's medical self-insurance plan (the "Plan"). Retirees are also eligible for medical insurance coverage through the self-insurance plan. No dental coverage was available to retirees through the plan. Claims were paid by Blue Cross and Blue Shield of Alabama acting on behalf of the City. The Plan is documented by a contractual agreement.

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

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

NOTE 20: INTANGIBLE ASSETS

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

NOTE 21: CAPITAL LEASE OBLIGATION

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 21: CAPITAL LEASE OBLIGATION (continued)

The following schedule presents future minimum lease payments as of September 30, 2021:

Year	Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
2022	272,916	19,110	253,806
2023	117,468	10,923	106,545
2024	117,468	8,291	109,177
2025	117,468	5,595	111,873
2026	117,468	3,501	113,967
			\$ 695,368

Leased land, buildings, equipment and vehicles under capital leases in capital assets at September 30, 2021, were as follows:

Vehicles	\$ 2,331,773
Less: Accumulated Depreciation	\$ (1,731,590)
	\$ 600,183

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

NOTE 22: FUND BALANCES – GOVERNMENTAL FUND

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

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at September 30, 2021, by City of Northport are nonspendable in form. The City of Northport has not reported any amounts that are legally or contractually required to be maintained intact.

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

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to ordinances passed by the City of Northport Council, the City’s highest level of decision-making authority. Commitments may be modified or rescinded only through ordinances approved by the City of Northport Council. As of September 30, 2021, funds committed for general fund reserve were \$4,518,054.

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 22: FUND BALANCES – GOVERNMENTAL FUND (continued)

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

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

<u>Restricted for:</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Capital Projects	\$ -	\$ 3,366,538	\$ -	\$ 3,366,538
Municipal Court	233,438	-	-	233,438
Special Compensation for Employees	-	21,712	-	21,712
Debt Service	<u>13,657,342</u>	<u>-</u>	<u>16,800</u>	<u>13,674,142</u>
Restricted Fund Balance	<u>\$ 13,890,780</u>	<u>\$ 3,388,250</u>	<u>\$ 16,800</u>	<u>\$ 17,295,830</u>

NOTE 23: COMMITMENTS AND CONTINGENCIES

Project Crimson Agreement

On December 2, 2009, the Tuscaloosa County Industrial Development Authority entered into an agreement on behalf of the City of Northport to help fund an expansion of the Mercedes Benz Manufacturing Facility through an agreement known as project Crimson. The agreement required the City of Northport – as a member of the Industrial development Authority – to commit to an annual amount of \$150,000 for a 10-year period. At September 30, 2021, the outstanding commitment was \$900,000.

Pending or Threatened Litigation

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

Water and Sewer Operational Permits

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 24: RELATED PARTY TRANSACTIONS

During the year ended September 30, 2021 the City expended \$350,000 to the Northport Redevelopment Authority, a component unit, for façade improvement.

NOTE 25: TAX ABATEMENTS

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

The Bulls-Eye @ 1871, LLC Project Development Agreement

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

MANSA-NPT, LLC Redevelopment Reimbursement Agreement

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

North Square Properties, LLC Redevelopment Agreement

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

CITY OF NORTHPORT, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 26: SUBSEQUENT EVENTS

In accordance with Accounting Standards, we have reviewed the City's records and transactions as of September 30, 2021, and subsequent to that date through the date of our report to determine if any events or transactions have occurred that would have a material effect on the financial statements as of September 30, 2021.

Subsequent to year end, the City refunded \$9,535,000, of General Obligation Warrants, Series 2012-C and \$2,885,000 General Obligation Water Systems Warrants, Series 2005-DWSRF-BL. These General Obligation Warrants were refunded with the proceeds received from the Series 2021-A bond issuance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>Revenues</u>				
Taxes				
City Sales and Use Taxes	\$ 17,300,000	\$ 17,300,000	\$ 19,966,620	\$ 2,666,620
Property Taxes	3,700,000	3,700,000	3,739,398	39,398
Other Taxes	510,000	510,000	535,510	25,510
<u>Total Taxes</u>	21,510,000	\$ 21,510,000	\$ 24,241,528	\$ 2,731,528
Licenses and Permits				
Business License	\$ 5,650,000	\$ 5,650,000	\$ 5,782,128	\$ 132,128
Other Licenses and Permits	287,500	287,500	250,328	(37,172)
<u>Total Licenses and Permits</u>	5,937,500	\$ 5,937,500	\$ 6,032,456	\$ 94,956
Charges for Services				
Fines and Penalties	\$ 1,564,000	\$ 1,564,000	\$ 1,564,994	\$ 994
Intergovernmental Revenues	850,000	850,000	1,312,687	462,687
Other Revenue	4,366,000	4,366,000	6,353,513	1,987,513
	1,517,000	1,517,000	3,296,767	1,779,767
<u>Total Revenues</u>	\$ 35,744,500	\$ 35,744,500	\$ 42,801,945	\$ 7,057,445
<u>Expenditures</u>				
Operating				
Finance and Administration	\$ 3,794,906	\$ 3,794,906	\$ 3,416,115	\$ 378,791
General Government	8,267,321	8,267,321	3,781,885	4,485,436
Planning and Development	524,899	524,899	466,283	58,616
Public Safety	14,573,550	14,573,550	14,557,406	16,144
Public Works	7,910,648	7,910,648	7,418,642	492,006
Local Agency Funding	1,021,552	1,021,552	881,884	139,668
<u>Total Operating Expenditures</u>	\$ 36,092,876	\$ 36,092,876	\$ 30,522,215	\$ 5,570,661

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Capital				
Finance and Administration	\$ 187,000	\$ 187,000	\$ 81,578	\$ 105,422
General Government	100,000	100,000	-	100,000
Public Safety	743,915	743,915	350,548	393,367
Public Works	505,000	505,000	2,998,065	(2,493,065)
	<u>\$ 1,535,915</u>	<u>\$ 1,535,915</u>	<u>\$ 3,430,191</u>	<u>\$ (1,894,276)</u>
<u>Total Capital Expenditures</u>				
	<u>\$ 1,535,915</u>	<u>\$ 1,535,915</u>	<u>\$ 3,430,191</u>	<u>\$ (1,894,276)</u>
<u>Total Expenditures</u>	<u>\$ 37,628,791</u>	<u>\$ 37,628,791</u>	<u>\$ 33,952,406</u>	<u>\$ 3,676,385</u>
Other Financing Sources (Uses)				
Sales Proceeds	\$ 51,000	\$ 51,000	\$ 57,446	\$ 6,446
Loan Proceeds	-	-	17,720,000	17,720,000
Transfer In (Out)	475,000	475,000	(460,290)	(935,290)
Payments on Bonds	\$ -	\$ -	\$ (14,500,000)	\$ (14,500,000)
	<u>\$ 526,000</u>	<u>\$ 526,000</u>	<u>\$ 2,817,156</u>	<u>\$ 2,291,156</u>
<u>Total Other Financing Sources (Uses)</u>				
	<u>\$ 526,000</u>	<u>\$ 526,000</u>	<u>\$ 2,817,156</u>	<u>\$ 2,291,156</u>
<u>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</u>	<u>\$ (1,358,291)</u>	<u>\$ (1,358,291)</u>	<u>\$ 11,666,695</u>	<u>\$ 13,024,986</u>
<u>Fund Balance - October 1, 2020</u>			<u>\$ 21,098,831</u>	
<u>Fund Balance - September 30, 2021</u>			<u>\$ 32,765,526</u>	

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

City of Northport, Alabama
Schedule of Changes in Net Pension Liability
Last 10 Fiscal Years Ended September 30, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service Cost	\$ 1,218,904	\$ 1,257,248	\$ 1,228,619	\$ 1,273,048	\$ 1,213,731	\$ 1,193,185	\$ 1,115,387	\$ -	\$ -	\$ -
Interest	4,570,721	4,370,046	4,351,120	4,080,013	3,861,041	3,641,981	3,470,171	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	709,267	444,586	(1,836,892)	1,456,617	(160,164)	570,013	-	-	-	-
Changes in assumptions	-	-	330,017	-	2,257,027	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(3,401,452)	(3,321,432)	(3,169,162)	(2,980,747)	(2,783,827)	(2,550,033)	(2,325,846)	-	-	-
Transfers among employers	(571,162)	(104,259)	(217,211)	(236,563)	92,968	-	-	-	-	-
Net change in total pension liability	2,526,278	2,646,189	686,491	3,592,368	4,480,776	2,855,146	2,259,712	-	-	-
Total pension liability - beginning	61,060,745	58,414,556	57,728,065	54,135,697	49,654,921	46,799,775	44,540,063	-	-	-
Total pension liability - ending (a)	\$ 63,587,023	\$ 61,060,745	\$ 58,414,556	\$ 57,728,065	\$ 54,135,697	\$ 49,654,921	\$ 46,799,775	\$ -	\$ -	\$ -
Plan Fiduciary Net Position										
Contributions - employer	\$ 1,563,808	\$ 1,629,156	\$ 1,334,730	\$ 1,377,297	\$ 1,594,217	\$ 1,478,577	\$ 1,450,492	\$ -	\$ -	\$ -
Contributions - member	970,449	880,087	850,345	807,203	859,394	845,896	779,985	-	-	-
Net Investment Income	2,315,994	1,044,153	3,534,184	4,461,391	3,279,226	381,282	3,473,386	-	-	-
Benefit payments, including refunds of employee contributions	(3,401,452)	(3,321,432)	(3,169,162)	(2,980,747)	(2,783,827)	(2,550,033)	(2,325,846)	-	-	-
Transfer to employers	(571,162)	(104,259)	(217,211)	(236,563)	92,968	(177,703)	(67,994)	-	-	-
Net change in plan fiduciary net position	877,637	127,705	2,332,886	3,428,581	3,041,978	(21,981)	3,310,023	-	-	-
Plan net position - beginning	41,249,145	41,121,440	38,788,554	35,359,973	32,317,995	32,339,976	29,029,954	-	-	-
Plan net position - ending (b)	\$ 42,126,782	\$ 41,249,145	\$ 41,121,440	\$ 38,788,554	\$ 35,359,973	\$ 32,317,995	\$ 32,339,977	\$ -	\$ -	\$ -
Plan net liability (asset) - ending (a) - (b)	\$ 21,460,241	\$ 19,811,600	\$ 17,293,116	\$ 18,939,511	\$ 18,775,724	\$ 17,336,926	\$ 14,459,798	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total pension liability	66.25%	67.55%	70.40%	67.19%	65.32%	65.09%	69.10%	0.00%	0.00%	0.00%
Covered payroll	\$ 14,548,080	\$ 14,105,547	\$ 10,856,982	\$ 14,064,897	\$ 14,780,342	\$ 14,270,878	\$ 13,749,762	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered-employee payroll	147.51%	140.45%	159.28%	134.66%	127.03%	121.48%	105.16%	0.00%	0.00%	0.00%

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

City of Northport, Alabama
Schedule of Employer Contribution
Last 10 Periods Ended September 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contributions	\$ 1,683,827	\$ 1,617,873	\$ 1,698,537	\$ 1,065,297	\$ 1,414,866	\$ 1,504,659	\$ 1,500,170	\$ 1,455,507	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	1,683,827	1,617,873	1,698,537	1,065,297	1,414,866	1,546,086	1,500,170	1,455,507	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (41,427)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 16,051,201	\$ 15,253,557	\$ 14,643,475	\$ 10,856,982	\$ 14,064,897	\$ 14,780,342	\$ 14,270,878	\$ 13,749,762	\$ -	\$ -
Contributions as a percentage of covered payroll	10.49%	10.61%	11.60%	9.81%	10.06%	10.46%	10.51%	10.59%	0.00%	0.00%

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2020 to September 30, 2021.

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24.9 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

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

City of Northport, Alabama
Schedule of Changes in Total OPEB Liability
Last 10 Periods Ended September 30, 2021

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
OPEB Expenses										
Service cost	\$ 190,620	\$ 130,235	\$ 107,846	\$ 119,719	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	168,422	197,601	233,055	208,555	-	-	-	-	-	-
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	88,453	(307,767)	611,266	(142,087)	-	-	-	-	-	-
Changes of assumptions	175,172	425,127	1,128,640	(469,551)	-	-	-	-	-	-
Benefit payments	(259,662)	(246,125)	(209,256)	(198,347)	-	-	-	-	-	-
Net change in total OPEB liability	363,005	199,071	1,871,551	(481,711)	-	-	-	-	-	-
Total OPEB liability - beginning	7,750,727	7,551,656	5,680,105	6,161,816	-	-	-	-	-	-
Total OPEB liability - ending (a)	\$ 8,113,732	\$ 7,750,727	\$ 7,551,656	\$ 5,680,105	-	-	-	-	-	-
Covered-employee payroll	\$ 14,253,726	\$ 13,838,568	\$ 18,765,063	\$ 18,043,330	-	-	-	-	-	-
Net OPEB liability as a percentage of covered-employee payroll	56.92%	56.01%	40.24%	31.48%	-	-	-	-	-	-
Notes to Schedule:										
Benefit Change:	None	None	None	None						
Changes of Assumptions:										
Discount Rate:	2.15%	2.21%	2.66%	4.18%						
Mortality:	RP-2000	RP-2000	RP-2000	RP-2000						
Trend:	5.50%	5.50%	5.50%	5.50%						

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEARS ENDED SEPTEMBER 30, 2021, 2020 AND 2019
AND NINE MONTHS ENDED SEPTEMBER 30, 2018

	Year Ended September 30 2021	Year Ended September 30 2020	Year Ended September 30 2019	Nine Months Ended September 30 2018
Revenues				
Taxes:				
City Sales and Use Taxes	\$ 19,966,620	\$ 17,399,816	\$ 10,731,356	\$ 7,640,778
Property Taxes	3,739,398	3,769,553	3,812,727	3,386,783
Other	\$ 535,510	\$ 519,387	\$ 513,548	360,750
Total Taxes	\$ 24,241,528	\$ 21,688,756	\$ 15,057,631	\$ 11,388,311
Licenses and Permits:				
Business Licenses & Permits	\$ 5,782,128	\$ 5,714,559	\$ 5,521,409	\$ 4,979,118
Other Licenses and Permits	250,328	261,725	255,453	134,403
Total Licenses and Permits	\$ 6,032,456	\$ 5,976,284	\$ 5,776,862	\$ 5,113,521
Intergovernmental				
Charges for Services	\$ 6,353,513	\$ 5,162,585	\$ 5,211,078	\$ 3,845,858
Fines and Penalties	1,564,994	1,488,346	1,482,456	893,081
Other Revenues	1,312,687	886,990	942,652	807,695
	3,296,767	950,843	1,177,232	660,732
Total Revenues	\$ 42,801,945	\$ 36,153,804	\$ 29,647,911	\$ 22,709,198
Expenditures				
Public Safety	\$ 14,557,406	\$ 14,290,580	\$ 13,991,258	\$ 9,860,925
Public Works	7,418,642	5,916,421	5,447,606	3,984,327
Capital Outlay	3,430,191	1,996,188	2,298,467	533,881
General Government	3,416,115	2,678,271	1,898,343	1,723,715
Finance and Administration	3,781,885	2,209,451	2,602,866	1,524,053
Planning and Development	881,884	829,384	481,395	429,406
Local Agency Support	466,283	431,135	619,750	483,069
Total Expenditures	\$ 33,952,406	\$ 28,351,430	\$ 27,339,685	\$ 18,539,376
Excess (Deficiency) of Revenues Over Expenditures	\$ 8,849,539	\$ 7,802,374	\$ 2,308,226	\$ 4,169,822
Other Financing Sources and (Uses)				
Transfer Out to Debt Service Fund	\$ (460,290)	\$ (3,610,304)	\$ (3,011,279)	\$ (2,174,111)
Transfer In (Out) - Other Funds	(14,500,000)	504,993	(1,787,554)	1,739,471
Other Sources	57,446	1,242,165	2,416,813	1,841,204
Loan Proceeds	17,720,000	2,385,000	-	-
Total Other Financing Sources and (Uses)	\$ 2,817,156	\$ 521,854	\$ (2,382,020)	\$ 1,406,564
Excess (Deficiency) of Revenue and Other Sources over Expenditures and Other Uses	\$ 11,666,695	\$ 8,324,228	\$ (73,794)	\$ 5,576,386
Fund Balance - Beginning of Year	21,098,831	11,850,649	11,924,443	-
Prior Period Adjustment	-	923,954	-	-
Fund Balance - End of Year	\$ 32,765,526	\$ 21,098,831	\$ 11,850,649	\$ 5,576,386

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF GENERAL FUND REVENUE
YEARS ENDED SEPTEMBER 30, 2021 THROUGH 2019

	September 30, 2021		September 30, 2020		September 30, 2019	
	Percent	Total	Percent	Total	Percent	Total
<u>Revenues</u>						
Taxes:						
City Sales and Use Taxes	46.6%	\$ 19,966,620	48.1%	\$ 17,399,816	36.2%	\$ 10,731,356
Property Taxes	8.7%	3,739,398	10.4%	3,769,553	12.9%	3,812,727
Other	1.3%	535,510	1.4%	519,387	1.7%	513,548
<u>Total Taxes</u>	<u>56.6%</u>	<u>\$ 24,241,528</u>	<u>60.0%</u>	<u>\$ 21,688,756</u>	<u>50.8%</u>	<u>\$ 15,057,631</u>
Licenses and Permits:						
Business Licenses & Permits	13.5%	\$ 5,782,128	15.8%	\$ 5,714,559	18.6%	\$ 5,521,409
Other Licenses and Permits	0.6%	250,328	0.7%	261,725	0.9%	255,453
<u>Total Licenses and Permits</u>	<u>14.1%</u>	<u>\$ 6,032,456</u>	<u>16.5%</u>	<u>\$ 5,976,284</u>	<u>19.5%</u>	<u>\$ 5,776,862</u>
Intergovernmental	14.8%	6,353,513	14.3%	5,162,585	17.6%	5,211,078
Charges for Services	3.7%	1,564,994	4.1%	1,488,346	5.0%	1,482,456
Fines and Penalties	3.1%	1,312,687	2.5%	886,990	3.2%	942,652
Other Revenues	7.7%	3,296,767	2.6%	950,843	4.0%	1,177,232
<u>Total Other Revenue</u>	<u>29.3%</u>	<u>12,527,961</u>	<u>23.5%</u>	<u>8,488,764</u>	<u>29.7%</u>	<u>8,813,418</u>
<u>Total Revenues</u>	<u>100.0%</u>	<u>\$ 42,801,945</u>	<u>100.0%</u>	<u>\$ 36,153,804</u>	<u>100.0%</u>	<u>\$ 29,647,911</u>

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED 2011 THROUGH 2021

Water System Statistics

Fiscal Year*	Average Number of of Customers	Total Volume (Gallons)	Gross Revenue
2011	12,989	899,985,608	4,671,142
2012	13,178	891,299,233	4,775,028
2013	13,345	829,476,094	4,647,254
2014	13,435	843,445,786	4,811,248
2015	13,628	858,529,172	4,999,250
2016	13,864	916,745,649	5,393,990
2017	14,038	881,440,683	5,365,999
2018	14,203	670,704,011	4,152,770
2019	14,295	885,683,276	5,630,227
2020	14,448	900,605,435	5,841,319
2021	14,622	859,237,947	5,779,367

Ten Largest Water System Customers

	2021 Gallons	2021 Fees
DCH Health Care Authority	18,784,051	\$ 99,464
Tuscaloosa County Board of Education	13,569,690	93,677
Forest Manor	9,187,854	47,900
Northport Housing Authority West Circle	6,009,397	31,429
Northport Health Services Park Manor	5,844,537	30,294
Northport Housing Authority Valley Hills	5,754,168	29,608
Presbyterian Apartments	4,597,626	24,954
Northport Health Services Glen Haven	4,161,494	21,512
Northport Housing Authority Knoll Circle	3,667,168	19,174
Fast Trac Express Car Wash	3,557,265	18,547

Water Rates - Effective October 1, 2020

General Rate: \$5.08 per 1,000 gallons

Rural Rate: \$5.25 per 1,000 gallons

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

Meter Diameter	Minimum Monthly Charge
5/8"	\$ 7.71
3/4"	8.55
1"	10.34
1 1/2"	16.52
2"	25.53
3"	42.23
4"	73.94
4"	73.94
6"	115.72
8"	235.85

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

CITY OF NORTHPORT, ALABAMA
WATER AND SEWER SYSTEM STATISTICS
FOR THE YEARS ENDED 2011 THROUGH 2021

Sewer System Statistics		
Fiscal Year	Average Number of of Customers	Gross Revenue
2011	10,319	3,554,782
2012	10,473	3,639,671
2013	10,646	3,661,106
2014	10,749	3,740,572
2015	10,890	3,867,546
2016	11,023	4,023,923
2017	11,151	4,139,512
2018	11,286	3,172,085
2019	11,388	4,284,835
2020	11,499	4,379,599
2021	11,627	4,435,163

Rate Schedule: Effective October 1, 2020, the rate for all sanitary sewer customers is \$5.08 per 1,000 gallons of metered water. No residential sewer customer shall be charged more than \$39.00 per month for sewer service. This rate cap shall not apply to nonresidential customers and shall not affect any other administrative or sewer charges. In addition, each customer is charged the following monthly administrative fee as defined according to the following schedule:

Meter Diameter	Minimum Monthly Charge
5/8"	\$ 8.48
3/4"	9.32
1"	11.34
1 1/2"	15.52
2"	30.53
3"	57.23
4"	73.94
6"	115.72
8"	165.84
5/8"	10.83
3/4"	9.32
1"	11.34

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

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

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER REVENUES,
EXPENDITURES AND DEBT COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

OPERATING REVENUES

Charges for Services and Fees \$ 10,728,459

TOTAL OPERATING REVENUES \$ 10,728,459

OPERATING EXPENSES

Salaries and Benefits \$ 2,676,257

Maintenance and Repairs 1,182,355

Utilities and Telephone 957,759

Materials and Supplies 484,384

Water and Sewer Purchases 367,820

Insurance 304,531

Other Expense 234,297

Professional Fees 79,930

TOTAL OPERATING EXPENSES (EXCLUDING DEPRECIATION AND AMORTIZATION) \$ 6,287,333

Interest Income \$ 183,453

NET INCOME AVAILABLE FOR DEBT SERVICE \$ 4,624,579

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

Actual Maximum Debt Service Coverage 1.13

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF WATER AND SEWER FUND DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Fiscal Year	2005 SRF Warrants	2011 Warrants	2012 C Warrants	2016 Warrants	2019 Warrants	2021A Warrants	Total
2022	199,413	1,398,869	508,600	110,900	93,802	627,950	2,939,534
2023	198,888	1,744,200	1,771,700	285,900	98,035	1,970,800	6,069,523
2024	198,200	-	1,761,700	285,650	92,159	1,960,600	4,298,309
2025	197,350	-	1,759,700	290,250	96,393	1,953,200	4,296,893
2026	201,338	-	1,731,400	314,550	95,517	1,933,400	4,276,205
2027	-	-	1,732,500	515,750	94,641	1,731,600	4,074,491
2028	-	-	-	2,353,550	93,765	-	2,447,315
2029	-	-	-	-	2,467,889	-	2,467,889
Total	\$ 995,189	\$ 3,143,069	\$ 9,265,600	\$ 4,156,550	\$ 3,132,201	\$ 10,177,550	\$ 30,870,159

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

CITY OF NORTHPORT, ALABAMA
SCHEDULE OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Assessed Value</u>		<u>\$ 379,309,700</u>
<u>Debt Limit - 20% of Assessed Value</u>		\$ 75,861,940
Long-Term Commitment - Crimson Project	\$ 900,000	
Long-Term Commitment - Suntrust Lease Obligation	149,829	
Long-Term Commitment - U.S. Bankcorp	545,539	
Warrants Payable	<u>51,525,000</u>	
<u>Total Debt</u>	\$ 53,120,368	
Net Debt Coming Within Legal Debt Limit		<u>53,120,368</u>
<u>Legal Debt Margin - Amount Available for Future Indebtedness</u>		<u>\$ 22,741,572</u>

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

SUPPLEMENTARY INFORMATION
GOVERNMENTAL FUND STATEMENTS

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2021

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	15,769,874
Property Tax Receivable		3,842,397
Police Dockets Receivable - Net		171,169
Grant Receivables		74,113
Other Receivables		8,093
Due from Other Funds		1,291,609
Prepaid Insurance		173,788
Inventories		100,701

<u>TOTAL CURRENT ASSETS</u>	\$	<u>21,431,744</u>
------------------------------------	-----------	--------------------------

RESTRICTED ASSETS

Cash and Cash Equivalents		<u>13,890,780</u>
---------------------------	--	-------------------

<u>TOTAL ASSETS</u>	\$	<u>35,322,524</u>
----------------------------	-----------	--------------------------

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$	432,280
Accrued Payroll		475,566
Compensated Absences		9,206
Due to Other Funds		1,321,322
Cash Bonds, Restitution and Other Deposits		318,624

<u>TOTAL LIABILITIES</u>	\$	<u>2,556,998</u>
---------------------------------	-----------	-------------------------

FUND BALANCE

Nonspendable	\$	100,701
Restricted		13,890,780
Committed		4,518,054
Unrestricted		14,255,991

<u>TOTAL FUND BALANCE</u>	\$	<u>32,765,526</u>
----------------------------------	-----------	--------------------------

<u>TOTAL LIABILITIES AND FUND EQUITY</u>	\$	<u>35,322,524</u>
---	-----------	--------------------------

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

REVENUES

TAXES

City Sales and Use Taxes	\$ 19,966,620
Property Taxes	3,739,398
Other	<u>535,510</u>

TOTAL TAXES **\$ 24,241,528**

LICENSES AND PERMITS:

Business Licenses & Permits	\$ 5,782,128
Other Licenses and Permits	<u>250,328</u>

TOTAL LICENSES AND PERMITS **\$ 6,032,456**

INTERGOVERNMENTAL REVENUE:

County Sales Tax	\$ 4,975,300
County Vehicle License	584,674
Tobacco Tax	270,642
Liquor Tax	247,865
Bank Excise Tax	217,756
A.B.C. 2-Percent Sales Tax	52,615
Oil and Gas Production	<u>4,661</u>

TOTAL INTERGOVERNMENTAL REVENUE **\$ 6,353,513**

CHARGES FOR SERVICES:

Garbage Fees	\$ 1,449,001
Other Charges	<u>115,993</u>

TOTAL CHARGES FOR SERVICES **\$ 1,564,994**

FINES AND PENALTIES:

Court Costs and Fines	\$ 1,091,835
Court Costs - Corrections	<u>220,852</u>

TOTAL FINES AND PENALTIES **\$ 1,312,687**

MISCELLANEOUS REVENUE:

Grant Proceeds	\$ 2,733,288
Other Income	446,229
Rental and Lease Income	88,773
Housing Authority Payments in Lieu of Taxes	15,743
Interest Income	<u>12,734</u>

TOTAL MISCELLANEOUS REVENUE **\$ 3,296,767**

TOTAL REVENUES **\$ 42,801,945**

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

CITY OF NORTHPORT, ALABAMA
GENERAL FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

EXPENDITURES

OPERATING EXPENDITURES:

Public Safety	\$ 14,557,406
Public Works	7,418,642
General Government	3,781,885
Finance and Administration	3,416,115
Local Agency Support	881,884
Planning and Community Development	466,283
	<hr/>

<u>TOTAL OPERATING EXPENDITURES</u>	<u>\$ 30,522,215</u>
--	-----------------------------

CAPITAL EXPENDITURES:

Public Works	\$ 2,998,065
Public Safety	350,548
Finance and Administration	81,578
	<hr/>

<u>TOTAL CAPITAL EXPENDITURES</u>	<u>\$ 3,430,191</u>
--	----------------------------

<u>TOTAL EXPENDITURES</u>	<u>\$ 33,952,406</u>
----------------------------------	-----------------------------

<u>EXCESS REVENUES / (EXPENDITURES)</u>	<u>\$ 8,849,539</u>
--	----------------------------

OTHER FINANCING SOURCES (USES):

Loan Proceeds	\$ 17,720,000
Sale Proceeds	57,446
Payments on Bonds	(14,500,000)
Transfer (Out) to Other Funds	(460,290)
	<hr/>

<u>TOTAL FINANCING SOURCES (USES)</u>	<u>\$ 2,817,156</u>
--	----------------------------

<u>EXCESS REVENUES AND SOURCES OVER EXPENDITURES AND USES</u>	<u>\$ 11,666,695</u>
--	-----------------------------

<u>FUND BALANCE - OCTOBER 1, 2020</u>	<u>21,098,831</u>
--	--------------------------

<u>FUND BALANCE - SEPTEMBER 30, 2021</u>	<u>\$ 32,765,526</u>
---	-----------------------------

CITY OF NORTHPORT, ALABAMA
DEBT SERVICE FUND
BALANCE SHEET
SEPTEMBER 30, 2021

ASSETS

Restricted Assets

Cash and Cash Equivalents \$ 16,800

TOTAL RESTRICTED ASSETS \$ 16,800

TOTAL ASSETS \$ 16,800

FUND BALANCE

Restricted for Debt Service \$ 16,800

TOTAL FUND BALANCE \$ 16,800

TOTAL LIABILITIES AND FUND BALANCE \$ 16,800

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
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>REVENUES</u>		
Interest on Investments	\$	<u>23</u>
<u>TOTAL REVENUES</u>		<u>\$ 23</u>
<u>EXPENDITURES</u>		
Interest Paid	\$	882,521
Other Fees		46,553
Payments on Bonds, Warrants, and Notes Payable		<u>885,884</u>
<u>TOTAL EXPENDITURES</u>		<u>\$ 1,814,958</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>		\$ (1,814,935)
<u>OTHER FINANCING SOURCES (USES)</u>		
Transfers In - General Fund		<u>1,713,557</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>		<u>\$ 1,713,557</u>
<u>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES AND USES</u>		\$ (101,378)
<u>FUND BALANCE - OCTOBER 1, 2020</u>		<u>118,178</u>
<u>FUND BALANCE - SEPTEMBER 30, 2021</u>		<u>\$ 16,800</u>

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2021

	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>REBUILD ALABAMA GAS TAX FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>EMPLOYEE BEER TAX FUND</u>	<u>ELIMINATE INTERFUND BALANCES</u>	<u>TOTAL (MEMO ONLY)</u>
ASSETS							
<u>CURRENT ASSETS</u>							
Due From General Fund	\$ -	\$ 13,693	\$ -	\$ -	\$ -	\$ -	\$ 13,693
<u>TOTAL CURRENT ASSETS</u>	\$ -	\$ 13,693	\$ -	\$ -	\$ -	\$ -	\$ 13,693
<u>RESTRICTED ASSETS</u>							
Cash and Cash Equivalents	\$ 1,020,044	\$ 2,089,906	\$ 246,671	\$ 648	\$ 21,712	\$ -	\$ 3,378,981
<u>TOTAL RESTRICTED ASSETS</u>	1,020,044	2,089,906	246,671	648	21,712	-	3,378,981
<u>TOTAL ASSETS</u>	\$ 1,020,044	\$ 2,103,599	\$ 246,671	\$ 648	\$ 21,712	\$ -	\$ 3,392,674
LIABILITIES							
<u>CURRENT LIABILITIES</u>							
Accounts Payable	\$ -	\$ 4,424	\$ -	\$ -	\$ -	\$ -	\$ 4,424
<u>TOTAL CURRENT ASSETS</u>	\$ -	\$ 4,424	\$ -	\$ -	\$ -	\$ -	\$ 4,424
<u>FUND BALANCE</u>							
Restricted	1,020,044	2,099,175	246,671	648	21,712	-	3,388,250
Unrestricted	-	-	-	-	-	-	-
<u>TOTAL FUND BALANCE</u>	\$ 1,020,044	\$ 2,099,175	\$ 246,671	\$ 648	\$ 21,712	\$ -	\$ 3,388,250
<u>TOTAL LIABILITIES & FUND BALANCE</u>	\$ 1,020,044	\$ 2,103,599	\$ 246,671	\$ 648	\$ 21,712	\$ -	\$ 3,392,674

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

CITY OF NORTHPORT, ALABAMA
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>CAPITAL IMPROVEMENT</u>	<u>GASOLINE 7 CENT TAX FUND</u>	<u>REBUILD ALABAMA GAS TAX FUND</u>	<u>COMMUNITY DEVELOPMENT FUND</u>	<u>EMPLOYEE BEER TAX FUND</u>	<u>TOTAL (MEMO ONLY)</u>
<u>REVENUES</u>						
Intergovernmental Revenue:						
Gas Tax	\$ -	\$ 354,864	\$ 147,245	\$ -	\$ -	\$ 502,109
Petroleum Inspection Fee	-	8,657	-	-	-	8,657
Share of Beer Tax	-	-	-	-	126,192	126,192
Municipal Government Tax	238,697	-	-	-	-	238,697
<u>TOTAL REVENUE</u>	<u>238,697</u>	<u>363,521</u>	<u>147,245</u>	<u>-</u>	<u>126,192</u>	<u>875,655</u>
<u>EXPENDITURES</u>						
Finance and Administration	51,212	-	-	-	127,386	178,598
Public Works	-	107,796	-	-	-	107,796
<u>TOTAL EXPENDITURES</u>	<u>51,212</u>	<u>107,796</u>	<u>-</u>	<u>-</u>	<u>127,386</u>	<u>286,394</u>
<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>187,485</u>	<u>255,725</u>	<u>147,245</u>	<u>-</u>	<u>(1,194)</u>	<u>589,261</u>
<u>FUND BALANCE - OCTOBER 1, 2020</u>	<u>187,485</u>	<u>255,725</u>	<u>147,245</u>	<u>-</u>	<u>(1,194)</u>	<u>589,261</u>
	832,559	1,843,450	99,426	648	22,906	2,798,989
<u>FUND BALANCE - SEPTEMBER 30, 2021</u>	<u>\$ 1,020,044</u>	<u>\$ 2,099,175</u>	<u>\$ 246,671</u>	<u>\$ 648</u>	<u>\$ 21,712</u>	<u>\$ 3,388,250</u>

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



LeCroy Richardson
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Northport, Alabama, as of and for the year ended September 30, 2021, 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 March 21, 2022.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Northport, Alabama
March 21, 2022



LeCroy Richardson

Certified Public Accountants

SINGLE AUDIT REPORT FOR COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE – WITH UNMODIFIED OPINION FOR EACH MAJOR FEDERAL PROGRAM; NO MATERIAL WEAKNESSES OR SIGNIFICANT DEFICIENCIES IDENTIFIED

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

Report on Compliance for Each Major Federal Program

We have audited the City of Northport, Alabama's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Northport, Alabama's major federal programs for the year ended September 30, 2021. The City of Northport, Alabama's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Northport, Alabama's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Northport, Alabama's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Northport, Alabama's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Northport, Alabama, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City of Northport, Alabama, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Northport, Alabama's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Northport, Alabama's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Northport, Alabama
March 21, 2022

THE CITY OF NORTHPORT, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS/THROUGH GRANTOR'S NUMBER	EXPENDITURES
<u>U.S. Department of Transportation</u> Highway Planning and Construction	20.205	N/A	\$ 1,119,224
<u>U.S. Department of Homeland Security</u> Homeland Security Grant Program	97.067	N/A	11,558
<u>U.S. Department of Justice</u> Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	2,326
<u>U.S. Department of Treasury</u> Coronavirus Relief Fund	21.019	N/A	509,323
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>404,076</u>
<u>TOTAL FEDERAL AWARDS EXPENDITURES</u>			<u>\$ 2,046,507</u>

The accompany notes are an integral part of the Financial Statements.

CITY OF NORTHPORT, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the City of Northport, Alabama, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of Northport, Alabama, it is not intended to and does not present the financial position or changes in net position of the City of Northport, Alabama.

NOTE 2: BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3: REPORTING ENTITY

The City’s reporting entity is fully described in Note 1 to the financial statements.

NOTE 4: INDIRECT COST RATES

The City did not elect to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

CITY OF NORTHPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

	Status
Type of Auditor's report issued:	Unmodified
Internal control over financing reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified that are not considered to be material weaknesses?	No
Type of Auditor's report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?	No
Identification of major programs:	
<i>20.205 Highway Planning and Construction</i>	
<i>20.019 Coronavirus Relief Fund</i>	
<i>21.027 Coronavirus State and Local Fiscal Recovery Funds</i>	
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

2021 - 001 Fair Presentation of Financial Statements

- Condition:* Material adjusting entries were made to the general ledger.
- Criteria:* Management is responsible for ensuring the financial statements are fairly presented in all material respects.
- Cause:* The City did not record the necessary entries to ensure financial statements are fairly presented in all material respects.
- Effect:* Because of the failure to properly adjust all general ledger accounts, the financial statements of the City could be materially misstated.
- Recommendation:* It is recommended that the City make the necessary adjustments to ensure the financial statements are in conformity with generally accepted accounting principles.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported