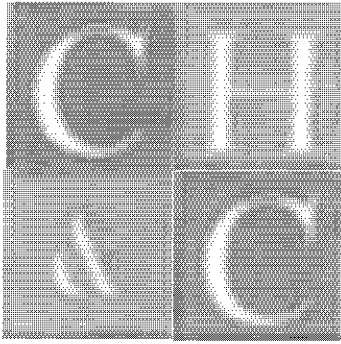


THE CITY OF MARGARET, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

**CITY OF MARGARET, ALABAMA
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SEPTEMBER 30, 2019**

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Cork, Hill & Company, L.L.C.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council of
The City of Margaret, Alabama

We have audited the accompanying general purpose financial statements of the City of Margaret, Alabama (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements of the governmental activities, business activities, each major fund and the remaining funds information which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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.

Certified Public Accountants

2100 Southbridge Parkway
Suite 510
Birmingham, AL 35209

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, business activities, each major fund and the remaining fund information of the City of Margaret, Alabama as of September 30, 2019 and the changes in its net position and cash flows where applicable for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedule of changes in net pension liability and the schedule of employer contributions 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 State of America, which consisted of inquiries of management about the method 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.

Cork, Hill & Company, L.L.C.

Birmingham, Alabama
December 6, 2019

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Margaret's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 11.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The statements of Net Position and the Statement of Activities (on pages 11 and 12) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 13. These statements tell how the City was financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and change in it. You can think of the City's Net Position (the differences between assets and liabilities) as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will also need to consider non-financial factors in order to assess the *overall health* of the City.

The Statement of Net Position and the Statement of Activities separate the City's governmental activities and its business type activities.

- Governmental activities - The City's basic services are reported here, including the police, fire, public works, parks departments, and general administration. Sales taxes, business licenses, and other taxes finance most of these activities.
- Business type activities - The City of Margaret operates a water system which is reported under this caption. These financial statements began on page 17 and consist of the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019**

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements begin on page 13 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's governmental funds use the following accounting approach.

- The City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on pages 14 and 16.

THE CITY AS A WHOLE

The following schedules present a comparison of current and prior year statements of net position for government and business type activities.

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019

Governmental Type Activities			
	2019	2018	Increase/
	Amount	Amount	(Decrease)
Current assets	\$ 1,563,550	\$ 1,877,143	\$ (313,593)
Capital assets	14,418,298	13,807,829	610,469
Total assets	15,981,848	15,684,972	296,876
Deferred outflows of resources	161,415	180,359	(18,944)
Total assets and deferred outflows of resources	<u>\$ 16,143,263</u>	<u>\$ 15,865,331</u>	<u>\$ 277,932</u>
Current liabilities	\$ 135,265	\$ 136,221	\$ (956)
Non-current liabilities	1,997,474	2,292,060	(294,586)
Total liabilities	2,132,739	2,428,281	(295,542)
Deferred inflows of resources	231,592	21,276	210,316
Net position			
Invested in capital assets	12,293,531	11,618,829	674,702
Restricted	414,143	1,009,245	(595,102)
Unrestricted	1,071,258	787,700	283,558
	<u>13,778,932</u>	<u>13,415,774</u>	<u>363,158</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 16,143,263</u>	<u>\$ 15,865,331</u>	<u>\$ 277,932</u>

Business Type Activities			
	2019	2018	Increase/
	Amount	Amount	(Decrease)
Current assets	\$ 579,605	\$ 545,459	\$ 34,146
Capital assets	1,558,428	1,500,625	57,803
Total assets	2,138,033	2,046,084	91,949
Deferred outflows of resources	67,148	79,850	(12,702)
Total assets and deferred outflows of resources	<u>\$ 2,205,181</u>	<u>\$ 2,125,934</u>	<u>\$ 79,247</u>
Current liabilities	\$ 173,911	\$ 175,847	\$ (1,936)
Non-current liabilities	542,609	654,170	(111,561)
Total liabilities	716,520	830,017	(113,497)
Deferred inflows of resources	95,706	9,537	86,169
Net position			
Net investment in capital assets	1,022,928	939,625	83,303
Restricted	28,043	-	28,043
Unrestricted	341,984	346,755	(4,771)
	<u>1,392,955</u>	<u>1,286,380</u>	<u>106,575</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 2,205,181</u>	<u>\$ 2,125,934</u>	<u>\$ 79,247</u>

Current assets increased because the City's revenues exceeded expenditures for the current year. The public works department also operated with a surplus and reinvested current operations into the water plant and other assets.

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019**

STATEMENT OF ACTIVITIES

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in net position. You will notice that governmental expenses are listed in the first column with revenues from that particular department reported to the right. The result is a Net (Expense)/Revenue for each department. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Business activities are adjusted on one line as income or (loss). Details of business type revenues and expenses can be found starting on page 17. Some of the individual line item revenues reported for each function are:

Police	Corrections fees and fines.
Fire	Donations
Park and Recreation	Donations

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019

THE CITY'S REVENUES

The following schedule presents a comparative summary of government-wide revenues and expenditures for the years ended September 30, 2019 and 2018.

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Increase/ Decrease</u>
Revenues			
Program revenues	\$ 141,842	\$ 109,082	\$ 32,760
Taxes and license	837,286	906,477	(69,191)
Investment earnings	15,410	8,386	7,024
Other	273,874	134,190	139,684
	<u>1,268,412</u>	<u>1,158,135</u>	<u>110,277</u>
Expenditures			
Administrative	425,248	385,885	39,363
Police	352,339	325,486	26,853
Fire	224,577	174,249	50,328
Public works	29,286	58,131	(28,845)
Interest	74,595	122,941	(48,346)
Transfers - net	(200,800)	(105,667)	(95,133)
	<u>905,245</u>	<u>961,025</u>	<u>(55,780)</u>
Change in net position	<u><u>\$ 363,167</u></u>	<u><u>\$ 197,110</u></u>	<u><u>\$ 166,057</u></u>

BUSINESS ACTIVITIES

	<u>2019</u> <u>Amount</u>	<u>2018</u> <u>Amount</u>	<u>Increase/ Decrease</u>
Revenues			
Charges for services	\$ 887,626	\$ 821,937	65,689
	<u>887,626</u>	<u>821,937</u>	<u>65,689</u>
Operating expenses			
Cost of water and garbage service	118,354	101,823	16,531
Salaries	153,398	131,566	21,832
Depreciation	79,829	73,632	6,197
Insurance	49,903	44,303	5,600
Utilities	16,913	26,146	(9,233)
Repairs	43,189	22,638	20,551
Other operating expenses	121,290	106,297	14,993
	<u>582,876</u>	<u>506,405</u>	<u>76,471</u>
Operating income	304,750	315,532	(10,782)
Non-operating income (expenses)	(215,175)	(244,944)	29,769
Contributions in aid of construction	17,000	-	17,000
Change in net position	<u><u>\$ 106,575</u></u>	<u><u>\$ 70,588</u></u>	<u><u>\$ 35,987</u></u>

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2019 and 2018.

Revenues	2019 Amount	2018 Amount	Increase/ Decrease
Governmental Revenues			
Taxes	\$ 638,342	\$ 510,393	\$ 127,949
Licenses and permits	247,444	224,156	23,288
Intergovernmental	60,226	49,787	10,439
Fines and forfeitures	133,096	75,267	57,829
Investment income	15,404	-	15,404
Other	35,174	37,903	(2,729)
Loan proceeds	-	2,371,764	(2,371,764)
Total governmental revenues	1,129,686	3,269,270	(2,139,584)
 Expenditures			
Governmental Expenditures			
General government	245,822	220,618	25,204
Public safety	477,138	345,335	131,803
Streets, sanitation and parks	16,408	27,013	(10,605)
Debt service and capital outlays	971,769	1,636,820	(665,051)
Transfers - net	(223,687)	(128,981)	(94,706)
Total governmental expenditures	1,487,450	2,100,805	(613,355)
 Excess revenues	<u><u>\$(357,764)</u></u>	<u><u>\$1,168,465</u></u>	<u><u>\$ 1,526,229</u></u>

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2019, the City had \$20,507,050 invested in a broad range of governmental and business type capital assets, including police and fire equipment, buildings, park facilities, roads, drainage systems, water system, and land. (See Table Below). This amount represents a net increase (including additions and deductions) of \$894,217 from 2018.

	Government Activities		Business Activities	
	2019	2018	2019	2018
Land	\$ 406,007	\$ 406,007	\$ -	\$ -
Construction in progress	668,168	-	-	-
Buildings	383,657	383,657	1,878	1,878
Automotive	506,016	376,511	101,477	92,897
Equipment and furniture	531,300	531,300	74,230	58,098
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant			2,782,622	2,710,790
	<u>\$ 17,546,843</u>	<u>\$ 16,749,170</u>	<u>\$ 2,960,207</u>	<u>\$ 2,863,663</u>
Total investment for 2019	<u>\$ 20,507,050</u>			

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2019**

Debt

As of September 30, 2019, the City had \$2,089,500 in outstanding bonds and notes payable versus \$2,189,000 last year, a decrease of \$99,500. As of September 30, 2019, the water department had \$535,500 in outstanding bonds and notes payable versus \$561,000 last year, a decrease of \$25,500.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The City's elected and appointed officials consider many factors concerning the City of Margaret's finances, including building permits, tax rates and fees. One of these factors is the economy. A major increase in sales tax and property taxes are expected to lead this increase.

If these estimates are realized, the City budgetary General Fund balance is expected to increase modestly by the end of fiscal year 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact:

TeJa McIntyre, City Clerk/Treasurer
City of Margaret
P. O. Box 309
125 School Street
Margaret, AL 35112
(205) 629-5742

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		
	Governmental Activities	Business Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 1,018,892	\$ 333,418	\$ 1,352,310
Receivables (net)	115,993	88,966	204,959
Inventories	-	21,413	21,413
Prepaid expenses	8,462	8,437	16,899
	<u>1,143,347</u>	<u>452,234</u>	<u>1,595,581</u>
Restricted Assets:			
Cash and cash equivalents	420,203	112,797	533,000
Total current assets	<u>1,563,550</u>	<u>565,031</u>	<u>2,128,581</u>
Capital and Other Assets:			
Non-depreciable	1,074,176	-	1,074,176
Depreciable	13,308,855	1,558,428	14,867,283
Net pension asset	35,267	14,574	49,841
Total capital assets and other assets	<u>14,418,298</u>	<u>1,573,002</u>	<u>15,991,300</u>
Total assets	15,981,848	2,138,033	18,119,881
Deferred outflows of resources	<u>161,415</u>	<u>67,148</u>	<u>228,563</u>
 Total assets and deferred outflows of resources	 <u>\$ 16,143,263</u>	 <u>\$ 2,205,181</u>	 <u>\$18,348,444</u>

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
		Activities	
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 25,725	\$ 33,071	\$ 58,796
Current Liabilities Payable from Restricted Assets:			
Customer deposits	-	112,797	112,797
Current maturities of long term debt	103,480	26,520	130,000
Interest payable	6,060	1,523	7,583
Total current liabilities	135,265	173,911	309,176
Non-Current Liabilities:			
Bonds payable	2,089,500	535,500	2,625,000
Accrued compensated absences	11,454	8,066	19,520
Other non-current liabilities	-	25,563	25,563
Less current maturities	(103,480)	(26,520)	(130,000)
Total non-current liabilities	1,997,474	542,609	2,540,083
Total liabilities	2,132,739	716,520	2,849,259
Deferred inflows of resources	231,592	95,706	327,298
Net Position			
Invested in capital assets	12,293,531	1,022,928	13,316,459
Restricted net position	414,143	28,043	442,186
Unrestricted assets	1,071,258	341,984	1,413,242
Total net position	13,778,932	1,392,955	15,171,887
 Total liabilities, deferred inflow of resources and net position	 \$ 16,143,263	 \$ 2,205,181	 \$18,348,444

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government al Activities	Business Type Activities	Total
Function/Program Activities							
Primary Government:							
Governmental Activities:							
General government	\$ 425,248	\$ 3,400	\$ -	\$ 1,709	\$ (420,139)	\$ -	\$ (420,139)
Police and courts	352,339	135,247	-	-	(217,092)	-	(217,092)
Fire	224,577	-	1,486	-	(223,091)	-	(223,091)
Parks and recreation	29,286	-	-	-	(29,286)	-	(29,286)
Interest on long-term debt	74,595	-	-	-	(74,595)	-	(74,595)
Total governmental activities	1,106,045	138,647	1,486	1,709	(964,203)	-	(964,203)
Business Type Activities:							
Water Department	-	-	-	-	-	304,750	304,750
Interest Expense	-	-	-	-	-	(14,375)	(14,375)
Total business type activities	-	-	-	-	-	290,375	290,375
Total primary government	<u>\$1,106,045</u>	<u>\$ 138,647</u>	<u>\$ 1,486</u>	<u>\$ 1,709</u>	(964,203)	290,375	(673,828)
General Revenues:							
Taxes:							
Ad valorem taxes					212,694	-	212,694
Sales tax					425,639	-	425,639
Other taxes					198,945	-	198,945
Licenses and permits					247,444	-	247,444
Investment earnings					15,410	-	15,410
Miscellaneous					26,429	-	26,429
Transfers (net)					200,800	(200,800)	-
Total general revenues and transfers					1,327,361	(200,800)	1,126,561
Change in Net Position from activities					363,158	89,575	452,733
Contributions in aid of construction					-	17,000	17,000
Changes in net position					363,158	106,575	469,733
Net position, beginning of year					13,415,774	1,286,380	14,702,154
Net position, end of year					<u>\$13,778,932</u>	<u>\$ 1,392,955</u>	<u>\$15,171,887</u>

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Assets and Other Debits			
Assets:			
Cash and cash equivalents	\$ 1,018,892	\$ -	\$ 1,018,892
Receivables			
Taxes	113,205	2,788	115,993
Prepaid expenses	8,462	-	8,462
Restricted assets:			
Cash and cash equivalents	185,733	234,470	420,203
Total assets	<u>\$ 1,326,292</u>	<u>\$ 237,258</u>	<u>\$ 1,563,550</u>
 Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued liabilities	\$ 24,101	\$ 1,624	\$ 25,725
Total liabilities	24,101	1,624	25,725
 Fund Balances:			
Non-spendable	8,462	-	8,462
Restricted	185,733	235,634	421,367
Unassigned, undesignated	1,107,996	-	1,107,996
Total equity and other credits	<u>1,302,191</u>	<u>235,634</u>	<u>1,537,825</u>
 Total liabilities and fund balance	<u>\$ 1,326,292</u>	<u>\$ 237,258</u>	<u>\$ 1,563,550</u>

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Fund Balance - Total Government Funds	\$ 1,537,825
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in Governmental Activities are not current financial resources and therefore, are not reported in the Governmental Funds Balance Sheet	14,383,022
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(6,060)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(2,089,500)
Compensated absences payable do not require current financial resources. Therefore, this liability is not reported in the governmental funds balance sheet. Compensated absences reported in the government wide statement of position are	(11,454)
Net pension fund liability is not realizable in the current period and therefore this liability is not reported in the governmental funds balance sheet	35,267
Net deferred inflows of resources and deferred outflows of resources related to the pension plan do not require current financial resources and therefore are not reported in the governmental funds balance sheet	(70,168)
Net Position of Governmental Activities	<u><u>\$ 13,778,932</u></u>

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 638,342	\$ 31,937	\$ 670,279
Licenses and permits	247,444	-	247,444
Intergovernmental	60,226	106,782	167,008
Fines and forfeitures	133,096	-	133,096
Interest	15,404	6	15,410
Other	35,174	-	35,174
Total revenues	<u>1,129,686</u>	<u>138,725</u>	<u>1,268,411</u>
Expenditures:			
Current operations:			
General government	245,822	10,925	256,747
Public safety	477,138	55,807	532,945
Streets, sanitation and parks	16,408	-	16,408
Total current operations	<u>739,368</u>	<u>66,732</u>	<u>806,100</u>
Capital outlays	797,674	-	797,674
Debt service:			
Principal	99,500	-	99,500
Interest and fiscal charges	74,595	-	74,595
Total expenditures	<u>1,711,137</u>	<u>66,732</u>	<u>1,777,869</u>
Excess (deficiency) of revenues over (under) expenditures	(581,451)	71,993	(509,458)
Other Financing Sources:			
Operating transfers in	494,004	40,266	534,270
Operating transfers out	(270,317)	(63,153)	(333,470)
Total other financing sources	<u>223,687</u>	<u>(22,887)</u>	<u>200,800</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(357,764)	49,106	(308,658)
Fund balances, beginning	<u>1,659,955</u>	<u>186,528</u>	<u>1,846,483</u>
Fund balances, ending	<u>\$ 1,302,191</u>	<u>\$ 235,634</u>	<u>\$ 1,537,825</u>

See Independent Accountants' Report and notes to the financial statements

**THE CITY OF MARGARET, 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, 2019**

Net change in fund balances - total governmental funds	\$ (308,658)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of these assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	797,674
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the amount of payments on long-term debt in the current year	99,500
Accrued compensated absences is recorded in the government-wide statement of activities and changes in net position, but it does not require the use of current financial resources. Therefore, accrued compensated absences are not recorded as an expenditure in governmental funds. This is the change in the current year.	4,967
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(222,472)
Pension expense is recorded in the government-wide statement of activities on the accrual basis and on the modified accrual basis for governmental funds statements. This is the difference in pension expense recognized on the accrual basis	(7,853)
Change in net position of governmental activities	<u>\$ 363,158</u>

See Independent Accountants' Report and notes to the financial statements

**THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
WATER SYSTEM ENTERPRISE FUND
SEPTEMBER 30, 2019**

Assets

Current Assets:

Cash and cash equivalents \$ 333,418

Receivables

Customer accounts (less allowance for doubtful
accounts of \$4,000) 88,966

Inventories 21,413

Prepaid expenses 8,437

Total current assets 452,234

Property, Plant and Equipment:

Capital assets net of depreciation 2,960,207

Less accumulated depreciation 1,401,779

1,558,428

Restricted Assets:

Customer deposits 112,797

Net pension asset 14,574

Total Assets 2,138,033

Deferred Outflows of Resources 67,148

Total Assets and Deferred Outflows of Resources \$ 2,205,181

Liabilities and Net Position**Current Liabilities:**

Accounts payable	\$ 33,071
Total current liabilities (payable from current assets)	<u>33,071</u>

Current Liabilities (Payable from Restricted Assets):

Meter deposits	112,797
Current maturities of long-term debt	26,520
Accrued interest	<u>1,523</u>
Total current liabilities (payable from restricted assets)	<u>140,840</u>
Total current liabilities	173,911

Non-Current Liabilities:

Bonds payable	535,500
Premium on bonds issued	25,563
Compensated absences	8,066
Less current maturities	<u>(26,520)</u>
Total non-current liabilities	<u>542,609</u>

Total liabilities	716,520
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Deferred Inflows of Resources	95,706
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Net Position:

Restricted	28,043
Net investments in capital assets	1,022,928
Unrestricted	<u>341,984</u>
Total net position	<u>1,392,955</u>

Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 2,205,181</u>
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See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Amount</u>	<u>% of Revenue</u>
Operating Revenues		
Water sales	\$ 686,297	77.3
Taps and other charges	201,329	22.7
Total operating revenues	<u>887,626</u>	<u>100.0</u>
 Operating Expenses		
Salaries and wages	153,398	17.3
Cost of water	118,354	13.3
Depreciation	79,829	9.0
Materials and supplies	55,023	6.2
Insurance	49,903	5.6
Repairs and maintenance	43,189	4.9
Testing and professional fees	25,462	2.9
Office expense	19,926	2.2
Utilities	16,913	1.9
Fuel	11,382	1.3
Retirement	7,955	0.9
Training	582	0.1
Uniforms	522	0.1
Other expenses	438	0.0
Total operating expenses	<u>582,876</u>	<u>65.7</u>
 Operating income	304,750	34.3
 Nonoperating Income (Expenses)		
Miscellaneous	2,750	0.3
Operating transfers	(200,800)	(22.6)
Interest expense	(17,125)	(1.9)
Total nonoperating income (expenses)	<u>(215,175)</u>	<u>(24.2)</u>
 Contributions in aid of construction	<u>17,000</u>	<u>1.9</u>
 Change in net position	106,575	<u><u>12.0</u></u>
 Net position, beginning of year	<u>1,286,380</u>	
 Net position, end of year	<u><u>\$ 1,392,955</u></u>	

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS
WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Cash Flows from Operating Activities:	
Cash received from customers	\$ 884,887
Cash paid to suppliers	(337,206)
Cash paid to employees	(153,398)
Net cash provided by operating activities	<u>394,283</u>
Cash Flows from Non-capital Financing Activities:	
Operating transfers	(200,800)
Advances from other funds	(13,794)
Net cash (used) by non-capital financing activities	<u>(214,594)</u>
Cash Flows for Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(120,632)
Repayment of indebtedness	(25,500)
Interest paid on capital and related financing activities	(18,722)
Cash received on equipment sale	2,750
Net cash used by capital and related financing activities	<u>(162,104)</u>
Cash Flows from Investing Activities:	<u>-</u>
Net cash provided by investing activities	<u>-</u>
Net increase in cash and cash equivalents	17,585
Cash and cash equivalents, beginning of year	<u>428,630</u>
Cash and cash equivalents, end of year	<u><u>\$ 446,215</u></u>
Unrestricted cash	\$ 333,418
Restricted cash	<u>112,797</u>
	<u><u>\$ 446,215</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operations:	
Operating income	\$ 304,750
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	79,829
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(9,883)
(Increase) in inventories and prepayments	7,896
Increase in accounts payable and accrued expenses	4,413
Increase in customer deposits	6,425
Increase in pension liabilities	853
Net cash provided by operations	<u><u>\$ 394,283</u></u>

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the City of Margaret, Alabama (the City) are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City of Margaret, Alabama (the City) is a municipal corporation governed by an elected Mayor and a five member City Council. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City has no component units which are required to be included in these financial statements.

Other Boards. The City Council may appoint the members of other local boards. These boards do not possess corporate powers that distinguish them as being legally separate from the City, and are, for financial reporting purposes, considered to be parts of the City's primary government.

Basis of Accounting, Measurement Focus and Financial Statement Presentation

The general purpose financial statements include government-wide (based on the city as a whole), proprietary and fund financial statements. In the government wide-statements, all governmental funds are combined and reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both government-wide and fund financial statements provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information. In the fund financial statements, major funds are presented separately and non-major funds combined. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The City's funds are grouped into two broad fund categories and three generic for financial statement presentation purposes. Governmental funds include the general and special revenue funds. Proprietary funds only have an enterprise fund.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the City as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Internal activity between funds is considered immaterial and is not eliminated.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The statement of activities presents a comparison between revenue and expenses with a net revenue or expense for each governmental department. Each segment of the business-type activities of the City are presented separately.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

In the statement of activities direct expenses are those that are specifically associated with a department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by recipients for goods or services received and grants and contributions that are restricted to meeting the operational or capital requirements of a particular department. 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 is self-financing or draws from the general revenues of the City. Net position is reported in three parts, net investment in capital assets; restricted net position and unrestricted net position. Net position is restricted when constraints placed on the use of net position 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.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the City. The focus of governmental 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. All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this approach, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Because of the differences in accounting methods used for entity-wide financial statements and fund financial statements, each fund financial statement is followed by a reconciliation with a brief explanations to identify the relationship between the entity wide statements and the governmental funds statement. The City reports the following major funds:

General Fund - The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of revenue sources that are legally restricted to expenditures for specified purposes.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, taxes and investment earnings are deemed both measurable and available if collected within the current year or within 60 days of year-end. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When received in advance, these revenues are deferred until expenditures are made. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds because purchases of capital assets are treated as expenditures.

Enterprise Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's water operations are accounted for as a proprietary fund and uses the accrual basis of accounting. During the year ended September 30, 2014, the City adopted GASB 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance in FASB pronouncements when they do not conflict or contradict GASB pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with the delivery of water to its customers. Operating expenses also includes depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

All receivables, are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is based on the City's historical bad debt experience and management's judgement. Property values are assessed and taxes are collected by St. Clair County. Property values are assessed annually and taxes are due and payable on October 1 of the subsequent fiscal year. Property taxes are an enforceable lien on property and are considered delinquent if paid after January 1.

Inventories

Inventories are valued at cost using the first-in/first out (FIFO) method.

Restricted Assets

Certain resources set aside for general obligation warrant repayment and special revenue funds are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. In addition, the City maintains a "water warrants" account to segregate resources accumulated for debt service payments over the next twelve months.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Fund accounting reports capital outlays as expenditures and does not recognize capital assets and depreciation. Under the government-wide accrual basis of reporting, general capital assets are accounted for as long-lived assets of the City as a whole. When purchased, such assets are capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The City capitalizes all capital assets with a value of \$1,000 or greater and a life exceeding one year when acquired. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	40 years
Improvements and infrastructure	5-100 years
Equipment	5-15 years

Long-Term Obligations

Long-term debt and other long-term obligations are reported in the governmental activities on the statement of net position in the government-wide financial statements.

Accumulated Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of accumulated vacation and unpaid, accumulated sick leave balances.

Restricted Funds

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and non-restricted assets are available.

Pension Plan

The City of Margaret (the City) participates in the Retirement System of Alabama (RSA) and substantially all of the City's full time employees are covered. Funding rates are determined each year actuarially in accordance with an act of the State Legislature and vary according to funding requirements. Rates for employees hired prior to January 1, 2013, required a payment of 5.83% of covered compensation by the employer and 5% from employees except police officers where the employee contribution rate is 6%. For employees coming into the plan after January 1, 2013, The City contributed 2.82% of covered compensation and employees contributed 6% except for police officers who contribute 7%.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has deferred outflows of resources resulting from pension plan contributions made after the liability measurement date, for difference between actual and expected experiences and for changes in actuarial assumptions. The deferred outflows resulting from changes in experience and change of assumptions are recognized over periods ranging from 5 to 9.1 years. Contributions made after the measurement date will be applied to next years pension liability.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources which represent an acquisition of net position that applies to a future period and as such will not be recognized as an inflow of resources until that time. The City has deferred inflows resulting from plan earnings which exceed actuarial projections.

Interfund Receivables/Payables

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, service debt, etc. These receivables and payables are classified as “due to/from other funds” if short-term in nature and as “advances to/from other funds” if they are considered noncurrent. These amounts have been eliminated on the government-wide financial statement.

Fund Balance

Fund balance classifications are based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund. In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council of the City of Margaret. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Assigned Fund Balance – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and Mayor have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all remaining amounts (except negative amounts) in governmental funds, other than the General Fund, that are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance – the residual classification for the General Fund and to report negative fund balances in the other governmental funds.

Use of Estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption Of New Accounting Pronouncements – GASB Pronouncements that have been issued and were effective for the City's year ended September 30, 2019

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement. This Statement is effective for years beginning after December 15, 2016. This statement has no impact on the financial statements of the City.

GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)) This Statement is effective for years beginning after June 15, 2017. This statement has no impact on the financial statements of the City.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose for extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for years beginning after June 15, 2017. This statement has no impact on the financial statements of the City.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Future Adoption of New Accounting Pronouncements – GASB Pronouncements that have been issued but are not yet effective at September 30, 2019

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for years beginning after June 15, 2018. The City is currently evaluating the impact, if any, that GASB 83 will have on its financial statements.

GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for years beginning after December 15, 2018. The City is currently evaluating the impact, if any, that GASB 84 will have on its financial statements.

GASB Statement No. 87, *Leases* – The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for years beginning after December 15, 2019. The City is currently evaluating the impact, if any, that GASB 87 will have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related To Debt* – The primary objective of this Statement is to improve the information that is disclosed in notes to financial statements related to debt. It clarifies which liabilities should include when disclosing information related to debt. This statement is effective for years beginning after June 15, 2018. The City is currently evaluating the impact, if any, that GASB 88 will have on its financial statements.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Future Adoption of New Accounting Pronouncements – GASB Pronouncements that have been issued but are not yet effective at September 30, 2019 - continued

GASB Statement No. 89 Accounting For Interest Cost Incurred Before The End Of A Construction Period – The primary objective of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest costs incurred before the end of a construction period. This statement is effective for years beginning after December 15, 2019. The City is currently evaluating the impact, if any, that GASB 89 will have on its financial statements.

The City will implement the new GASB pronouncements in the year no later than the required effective date. The City has not yet determined if the above listed new GASB pronouncements will have a significant financial impact to the City or in issuing its financial statements.

NOTE 2- DEPOSITS AND INVESTMENTS

The State of Alabama requires all financial institutions accepting deposits of public funds to be a member of The Security for Alabama Funds Enhancement (SAFE) program. This is a state-wide collateral pool for all public funds and is administered through the Alabama Treasurers Office. All of the City's deposits are collateralized by FDIC insurance and this collateral pool except for debt service funds which are invested in U.S. government securities and are not required to be collateralized.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 3 - RECEIVABLES

Receivables as of year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total</u>
Receivables:			
Taxes:			
Sales and use tax	\$ 47,953	\$ -	\$ 47,953
Telephone tax	2,880	-	2,880
Beer and tobacco tax	914	-	914
Intergovernmental:			
Advalorem	57,154	-	57,154
Other	3,053	-	3,053
Other taxes	4,000	-	4,000
License and permits	39		39
Accounts:			
Water service	-	95,966	95,966
Gross receivables	115,993	95,966	211,959
Less: allowance for uncollectible	-	7,000	7,000
Net total receivables	<u>\$ 115,993</u>	<u>\$ 88,966</u>	<u>\$ 204,959</u>

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2019, was as follows:

	Beginning Balance Oct. 1, 2018	Additions	Retirements	Ending Balance Sept. 30, 2019
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 406,007	\$ -	\$ -	\$ 406,007
Construction in progress	-	668,169	-	668,169
Total capital assets, not being depreciated	406,007	668,169	-	1,074,176
Capital assets, being depreciated:				
Buildings	383,657	-	-	383,657
Automotive equipment	376,511	129,505	-	506,016
Equipment and furniture	531,300	-	-	531,300
Streets and roads	15,051,695	-	-	15,051,695
Total capital assets, being depreciated	16,343,163	129,505	-	16,472,668
Less accumulated depreciation	2,941,341	222,472	-	3,163,813
Net capital assets, being depreciated	13,401,822	(92,967)	-	13,308,855
Governmental activities, net capital assets	<u>\$13,807,829</u>	<u>\$ 575,202</u>	<u>\$ -</u>	<u>\$14,383,031</u>
Depreciation was charged to City functions as follows:				
General government				\$ 166,674
Police				22,145
Fire				20,776
Public works				12,877
Total governmental activities depreciation expense				<u>\$ 222,472</u>
Business type activities				
Buildings	\$ 1,878	\$ -	\$ -	\$ 1,878
Vehicles	92,897	29,614	21,033	101,478
Utility plant & equipment	2,710,790	71,832	-	2,782,622
Heavy equipment	32,759	36,186	-	68,945
Furniture & office equipment	25,339	-	20,055	5,284
Total capital assets, business type activities	2,863,663	137,632	41,088	2,960,207
Less accumulated depreciation	1,363,038	79,829	41,088	1,401,779
Net capital assets, business type activities	<u>\$ 1,500,625</u>	<u>\$ 57,803</u>	<u>\$ -</u>	<u>\$ 1,558,428</u>
Depreciation was charged to functions as follows:				
Water Department				<u>\$ 79,829</u>

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 5 - LONG-TERM DEBT

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities and improvements to the City and water system. The warrants issued are general obligation warrants which pledge the full faith and credit of the City. The proceeds of the bonds issued which are used by the water system are allocated to the water department because accounting methods used by proprietary funds are different than those used by general government funds. The City of Margaret issued Series 2017 general obligation warrants in the amount of \$2,830,000 during the year and part of the proceeds were used to current refund general obligation warrants Series 2002, 2007 and 2009 and water revenue warrants Series 2007. The remaining proceeds will be used for a new municipal complex and other improvements in the City.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

	<u>Balance 9-30-18</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9-30-19</u>
Governmental Activities				
Series 2017 bonds issued 12-21-17 allocated 79.6% to governmental funds and 20.4% to water. Bonds bear interest at rates ranging from 2 to 4% and mature September 1, 2035. Metro Bank 4.5% installment loan.	\$2,189,000	\$ -	\$ 99,500	\$2,089,500
Governmental funds total	<u>2,189,000</u>	<u>-</u>	<u>99,500</u>	<u>2,089,500</u>
Business Type Activities				
Series 2017 bonds described above	561,000	-	25,500	535,500
Business type activities total	<u>561,000</u>	<u>-</u>	<u>25,500</u>	<u>535,500</u>
Grand total of long-term debt	<u>\$2,750,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$2,625,000</u>

All of the above debt is direct placement in nature and contains provisions for immediate payment in the event of default.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

Long-term debt maturities, including principal and interest, are as follows:

Year ending September 30,	General Long-Term Debt		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 103,480	\$ 70,725	\$ 26,520	\$ 18,125	\$ 218,850
2021	103,480	67,620	26,520	17,330	214,950
2022	103,480	64,516	26,520	16,534	211,050
2023	111,440	61,411	28,560	15,739	217,150
2024	115,420	58,068	29,580	14,882	217,950
2025-2029	636,800	233,577	163,200	59,861	1,093,438
2030-2034	748,240	114,543	191,760	29,357	1,083,900
Remaining	167,160	6,687	42,840	1,712	218,399
Total	<u>\$ 2,089,500</u>	<u>\$ 677,147</u>	<u>\$ 535,500</u>	<u>\$ 173,540</u>	<u>\$ 3,475,687</u>

NOTE 6 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee medical benefits; workers' compensation; and natural disasters for which the City carries commercial insurance. Management believes the amount of insurance maintained is adequate to protect the City from significant loss.

NOTE 7- PENSION PLAN

Plan Description

The City of Margaret contributes to the Employees' Retirement System of Alabama (RSA), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for the various state agencies and departments.

General Information about the Pension Plan

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

**THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019**

NOTE 7- PENSION PLAN - continued

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

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

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. Employees who retire after age 60 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. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

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 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service.

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 are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 7- PENSION PLAN - continued

The ERS services approximately 846 local participating employers. The participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2019, membership from the City of Margaret consisted of:

Retirees and beneficiaries currently receiving benefits	3
Vested inactive members	0
Terminated employees entitled to but not yet receiving benefits	0
Non-vested inactive members	3
Active Members	<u>24</u>
Total	<u>30</u>

Contributions. Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute. Certified law enforcement, correctional officers, and firefighters of the ERS contribute 6% of earnable compensation as required by statute.

Tier 2 covered members of the ERS contribute 6% earnable compensation to the ERS as required by statute and tier 2 police employees contribute 7% of earnable compensation.

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, 2019 active employee contribution rate was 5.83% of covered employee payroll for tier 1 employees and 2.82% for tier 2 employees. The City's average contribution rate to fund the normal and accrued liability costs was 3.66% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2018 was 5.27% of pensionable pay for Tier 1 employees, and .39% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, 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 were \$12,075 for the year ended September 30, 2019.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN - continued

B. Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

		Expected	Actual 2018 7.75% Assumption	Actual 2018 7.70% Assumption
Total pension liability, September 30, 2017	(a)	1,202,990	890,256	894,530
Discount Rate	(b)	7.75%	7.75%	7.70%
Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	(c)	45,113	45,113	45,509
Transfers among employers	(d)	-	7,604	7,604
Actual Benefit Payments and Refunds for October 1, 2017 – September 30, 2018	(e)	<u>(76,656)</u>	<u>(75,656)</u>	<u>(75,656)</u>
Total Pension Liability, as of September 30, 2018 = [(a) x (1 + (b))] + (c) + (d) + [(e) x 1 + 5 x (b)]	(f)	<u>1,262,747</u>	<u>933,381</u>	<u>937,952</u>
Difference between Expected and Actual	(g)		(329,366)	
Less liability transferred for immediate recognition	(h)		<u>7,604</u>	
Experience (Gain)/Loss	(i)		<u>(336,970)</u>	
Difference between Actual at 7.70% and Actual at 7.75% (Assumption Change (Gain) or Loss)				<u>4,571</u>

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN - continued

Actuarial assumptions. The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25% - 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

Mortality rates for ERS 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 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 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 estimates 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%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN - continued

Discount rate. The discount rate used to measure the total pension liability was the long term rate of return, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
Balance as September 30, 2018	\$ 1,202,990	\$ 933,397	\$ 269,593
Changes for the year:			
Service Cost	45,113	-	45,113
Interest	90,300	-	90,300
Changes of assumptions	4,571		4,571
Difference between expected and actual experience	(336,970)	-	(336,970)
Contributions - employer	-	16,163	(16,163)
Contributions - employee	-	21,317	(21,317)
Net investment income	-	84,968	(84,968)
Benefit payments, including refunds of employee contributions	(75,656)	(75,656)	-
Transfers Among Employers	7,604	7,604	-
Net Change	(265,038)	54,396	(319,434)
Balance at September 30, 2019	<u>\$ 937,952</u>	<u>\$ 987,793</u>	<u>\$ (49,841)</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:

	<u>1% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1% Increases (8.70%)</u>
City's net pension liability	\$ 49,937	\$ (49,841)	\$ (135,408)

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN - continued

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report on the Schedule of changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov

C. Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2019 the City recognized pension expense of \$68,552. At September 30, 2019, 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
Net difference between projected and actual experience	\$ 168,909	\$ 293,208
Changes of assumptions	40,821	-
Net difference between projected and actual earnings on plan investments	-	34,090
Employer contributions subsequent to measurement date	<u>18,833</u>	<u>-</u>
Total	<u>\$ 228,563</u>	<u>\$ 327,298</u>

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

Year ended September 30:

2020	\$ 6,580
2021	(18,618)
2022	(16,239)
2023	(9,767)
2024	(7,004)
Thereafter	<u>(53,687)</u>
	<u>\$ (98,735)</u>

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2018

NOTE 8- RESERVED NET POSITION AND RESTRICTED ASSET ACCOUNTS

The City's general obligation water warrants covenants do not require reservations of the water system's retained earnings.

The City's assets are restricted as follows:

	City Wide Basis	General Fund	Business Type Activity
Debt service investments	\$ 20,431	\$ 20,431	\$ 28,043
Special revenue accounts	234,470	-	-
Construction funds	165,302	165,302	-
Due from other funds	-	-	-
Total restricted assets	<u>\$ 420,203</u>	<u>\$ 185,733</u>	<u>\$ 28,043</u>

NOTE 9- WATER CUSTOMER INFORMATION (UNAUDITED)

Water customers are classified as either residential or commercial depending on the meter size. There are no un-metered customers. Customer revenue and rates by class of customers are as follows:

Customer Class	Number of Customers	Gross Revenue	Rate Schedule
Residential	1,532	\$ 626,405	Minimum Units per 1,000 units - 2,000 \$14.75 4,000 5.50 6,000 7.40
Commercial	20	59,143	Minimum Units per 1,000 units - 2,500 \$26.00 10,000 3.00 12,000 2.50
	<u>1,552</u>	<u>\$ 685,548</u>	

**THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
SEPTEMBER 30, 2019**

NOTE 10 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2019 were as follows:

Mr. Isaac Howard III, Mayor
Mr. James Chapman, Council Member
Mr. Justice Carter, Council Member
Mr. Daryl McIntyre, Council Member
Mr. Stephen Perry, Council Member
Mr. Jonathan Ray, Council Member

**REQUIRED SUPPLEMENTARY
INFORMATION**

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
SEPTEMBER 30, 2019

Total Pension Liability	2018	2017	2016	2015	2014
Service Cost	\$ 45,113	\$ 51,742	\$ 28,883	\$ 36,757	\$ 35,907
Interest	90,300	67,517	36,573	32,865	29,577
Difference between expected and actual experience	(336,970)	127,772	108,020	12,453	-
Change of assumptions	4,571	-	54,964	-	-
Benefit payments including refunds of employee contributions	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	7,604	139,733	257,885	-	-
Net Change In Total Pension Liability	(265,038)	276,830	451,658	45,295	53,493
Total Pension Liability, Beginning of Year	<u>1,202,990</u>	<u>926,160</u>	<u>474,502</u>	<u>429,207</u>	<u>375,714</u>
Total Pension Liability, End of Year	<u>\$ 937,952</u>	<u>\$ 202,990</u>	<u>\$ 926,160</u>	<u>\$ 474,502</u>	<u>\$ 429,207</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 16,163	\$ 11,780	\$ 6,338	\$ 7,238	\$ 21,662
Contributions - Employee	21,317	18,849	18,187	16,130	17,464
Net Investment Income	84,968	102,518	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	7,604	139,733	257,885	(6,370)	(48,918)
Net Change in Plan Fiduciary Net Position	54,396	162,946	307,506	(14,238)	30,505
Plan Net Position, Beginning of Year	<u>933,397</u>	<u>770,451</u>	<u>462,945</u>	<u>477,183</u>	<u>446,678</u>
Plan Net Position, End of Year	<u>\$ 987,793</u>	<u>\$ 933,397</u>	<u>\$ 770,451</u>	<u>\$ 462,945</u>	<u>\$ 477,183</u>
Net Pension Liability (Asset), End of Year	\$ (49,841)	\$ 269,593	\$ 155,709	\$ 11,557	\$ (47,976)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.31%	77.59%	83.19%	97.56%	111.18%
Covered Employee Payroll	\$ 433,418	\$ 377,878	\$ 355,480	\$ 341,873	\$ 339,393
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(11.50)%	71.34%	43.80%	3.38%	(14.14)%

The net pension liability presented in the statement of net position is as of September 30, 2018.

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 18,833	\$ 16,488	\$ 13,021	\$ 7,371	\$ 8,261
Contributions in relation to the actuarially determined contribution	<u>18,833</u>	<u>16,488</u>	<u>13,021</u>	<u>7,371</u>	<u>8,261</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 516,443	\$ 433,418	\$ 377,878	\$ 355,480	\$ 341,873
Contributions as a percentage of covered employee payroll	3.65%	3.80%	3.45%	2.07%	2.42%

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 2019 were based on September 30, 2017 actuarial valuation.

Actuarial cost method	Entry Age
Amortization method	Level percent closed
	26
Remaining amortization period	years
Asset valuation method	Five year smoothed market
	3.00
Inflation	%
	3.75% to 7.25%, including
Salary increases	inflation
Investment rate of return	8.00%, net of pension plan
	investment expense, including
	inflation