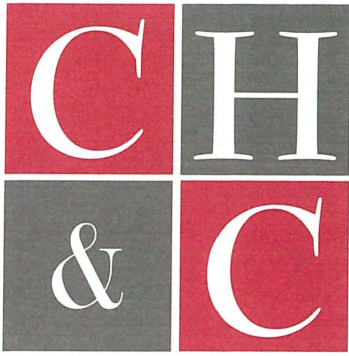


THE CITY OF MARGARET, ALABAMA
GENERAL PURPOSE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

**CITY OF MARGARET, ALABAMA
TABLE OF CONTENTS
SEPTEMBER 30, 2021**

Independent Auditors' Report.....	1
Management Discussion and Analysis	3
General Purpose Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position.....	14
Statement of Revenues, Expenses and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenses and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Notes to The Financial Statements	20
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability	34
Schedule of Employer Contributions	35



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, 2021, 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.

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, 2021 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.

Certified Public Accountants

2100 Southbridge Parkway
Suite 530
Birmingham, AL 35209

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 States 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, LLC.

Birmingham, Alabama

March 1, 2022

THE CITY OF MARGARET, ALABAMA
MANAGEMENT’S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021

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, 2021. Please read it in conjunction with the City’s financial statements, which begin on page 10.

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 10, 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 12. 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 the current year’s revenues and expenses are considered 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.

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 OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS – Continued - 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.

	2021	2020	Variance
City as a Whole			
Cash	\$ 1,386,145	\$ 1,153,422	\$ 232,723
Receivables	79,560	88,209	(8,649)
Restricted cash	810,984	222,630	588,354
Other assets	331	10,358	(10,027)
Total Current Assets	2,277,020	1,474,619	802,401
Capital assets	14,408,461	14,393,828	14,633
Net Pension Asset	124,156	142,871	(18,715)
Total Assets	16,809,637	16,011,318	798,319
Deferred Outflows of resources	121,841	134,903	(13,062)
Total Assets and Deferred Outflows of Resources	\$ 16,931,478	\$ 16,146,221	\$ 785,257
Accounts payable	\$ 20,430	\$ 28,695	\$ (8,265)
Current maturities of long-term debt	103,480	103,480	-
Interest payable	5,376	5,894	(518)
Total Current Liabilities	129,286	138,069	(8,783)
Non-current liabilities	2,354,037	1,898,064	455,973
Total liabilities	2,483,323	2,036,133	447,190
Deferred Inflows of Resources	259,019	297,120	(38,101)
Net Assets			
Invested in capital assets	12,525,921	12,407,808	118,113
Restricted	810,984	216,736	594,248
Unrestricted	852,231	1,188,424	(336,193)
Total fund balance	14,189,136	13,812,968	376,168
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 16,931,478	\$ 16,146,221	\$ 785,257

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021

BUSINESS ACTIVITIES	2021	2020	Variance
Cash	\$ 484,275	\$ 360,259	\$ 124,016
Receivables	89,816	96,635	(6,819)
Other current assets	82,976	31,238	51,738
Restricted cash	119,115	103,710	15,405
Total Current Assets	776,182	591,842	184,340
Capital assets	1,720,219	1,621,683	98,536
Net Pension Asset	56,248	65,187	(8,939)
Total Assets	2,552,649	2,278,712	273,937
Deferred Outflows of Resources	55,199	61,509	(6,310)
Total Assets and Deferred Outflows of Resources	\$ 2,607,848	\$ 2,340,221	\$ 267,627
Accounts payable	\$ 25,722	\$ 33,929	\$ (8,207)
Current maturities of long-term debt	26,520	26,520	-
Other current liabilities	118,363	105,233	13,130
Total Current Liabilities	170,605	165,682	4,923
Non-current liabilities	487,151	518,110	(30,959)
Total liabilities	657,756	683,792	(26,036)
Deferred inflows of resources	117,346	135,565	(18,219)
Net Position			
Net investment in capital assets	1,237,759	1,112,703	125,056
Restricted	2,105	28,043	(25,938)
Unrestricted	592,882	380,118	212,764
	1,832,746	1,520,864	311,882
Total liabilities, Deferred Inflows of Capital Resources and Net Position	\$ 2,607,848	\$ 2,340,221	\$ 267,627

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 operation into the water plant and other assets.

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021

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 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'S REVENUES

The following schedule presents a comparative summary of government-wide revenues and expenditures for the years ended September 30, 2021 and 2020.

	2021	2020	Variance Favorable (Unfavorable)
Revenues			
Program revenues	\$ 99,457	\$ 109,615	\$ (10,158)
Taxes and licenses	802,560	1,017,631	(215,071)
Investment earnings	65	922	(857)
Other	695,915	235,994	459,921
	<u>1,597,997</u>	<u>1,364,162</u>	<u>233,835</u>
Expenditures			
Administrative	532,956	610,283	(77,327)
Police	444,087	359,248	84,839
Fire	212,839	337,933	(125,094)
Public works	32,014	29,068	2,946
Interest	68,043	71,499	(3,456)
Transfers - net	(68,110)	(77,904)	9,794
	<u>1,221,829</u>	<u>1,330,127</u>	<u>(108,298)</u>
Change in net position	<u>\$ 376,168</u>	<u>\$ 34,035</u>	<u>\$ 342,133</u>

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021

Business type revenue and expenditures are summarized below.

	2021	2020	Variance Favorable (Unfavorable)
Revenue			
Charges for services	\$ 1,071,354	\$ 912,672	\$ 158,682
Operating expenses			
Cost of water and garbage service	157,067	130,219	26,848
Salaries	203,142	191,925	11,217
Depreciation	113,292	97,747	15,545
Insurance	65,708	42,082	23,626
Repairs	37,652	52,796	(15,144)
Other operating expenses	136,835	174,636	(37,801)
	<u>713,696</u>	<u>689,405</u>	<u>24,291</u>
Operating income	357,658	223,267	134,391
Non-operating income (expenses)	<u>(45,776)</u>	<u>(95,358)</u>	<u>49,582</u>
Change in net position	<u>\$ 311,882</u>	<u>\$ 127,909</u>	<u>\$ 183,973</u>

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2021 and 2020.

Revenues	2021 Amount	2020 Amount	Increase (Decrease) From 2020
Governmental Revenues			
Taxes	\$ 802,560	\$ 730,266	\$ 72,294
Licenses and permits	397,142	312,768	84,374
Intergovernmental	261,387	172,343	89,044
Fines and forfeitures	95,094	94,051	1,043
Investment income	64	922	(858)
Other	41,748	53,812	(12,064)
Total governmental revenues	\$ 1,597,995	\$ 1,364,162	\$ 233,833
Expenditures	2021 Amount	2020 Amount	Increase (Decrease) From 2020
Governmental Expenditures			
General government	\$ 335,677	\$ 415,110	\$ (79,433)
Public safety	622,216	531,568	90,648
Streets, sanitation and parks	29,147	17,024	12,123
Debt service and capital outlays	428,474	591,303	(162,829)
Transfers	(68,110)	(98,941)	30,831
Total governmental expenditures	<u>1,347,404</u>	<u>1,456,064</u>	<u>(108,660)</u>
Excess revenues (expenditures)	<u>\$ 250,591</u>	<u>\$ (91,902)</u>	<u>\$ 342,493</u>

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the City had \$21,266,370 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 \$468,261 from 2020.

	Government Activities		Business Activities	
	2021	2020	2021	2020
Land	\$ 497,007	\$ 406,007	\$ 125,000	\$ -
Buildings and improvements	1,167,044	1,161,544	22,915	22,915
Automotive	625,436	486,568	133,153	101,477
Equipment and furniture	592,151	571,086	238,426	183,274
Roads and drainage system	15,051,695	15,051,695		
Water plant			2,813,543	2,813,543
	<u>\$ 17,933,333</u>	<u>\$ 17,676,900</u>	<u>\$ 3,333,037</u>	<u>\$ 3,121,209</u>
 Total investment for 2021	 <u>\$ 21,266,370</u>			

Debt

As of September 30, 2021, the City had \$1,882,540 in outstanding bonds and notes payable versus \$1,986,020 last year, a decrease of \$103,480. As of September 30, 2021, the water department had \$482,460 in outstanding bonds and notes payable versus \$508,980 last year, a decrease of \$26,520.

**THE CITY OF MARGARET, ALABAMA
MANAGEMENT’S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2021**

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 2022.

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, 2021

	Primary Government		
	Governmental Activities	Business Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,386,145	\$ 484,275	\$ 1,870,420
Receivables (net)	79,560	89,816	169,376
Inventories	-	61,699	61,699
Prepays	331	21,277	21,608
Total Current Assets	1,466,036	657,067	2,123,103
Restricted assets:			
Cash and cash equivalents	810,984	119,115	930,099
Non-current assets			
Capital assets:			
Non-depreciable	497,007	125,000	622,007
Depreciable - net of depreciation	13,911,454	1,595,219	15,506,673
Net pension asset	124,156	56,248	180,404
Total Assets	16,809,637	2,552,649	19,362,286
DEFERRED OUTFLOWS OF RESOURCES	121,841	55,199	177,040
Total Assets and Deferred Outflows of Resources	\$ 16,931,478	\$ 2,607,848	\$ 19,539,326

	Primary Government		
	Governmental Activities	Business Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 20,430	\$ 25,722	\$ 46,152
Liabilities payable from restricted assets			
Customer deposits	-	117,010	117,010
Current maturities of long-term debt	103,480	26,520	130,000
Interest payable	5,376	1,353	6,729
Total Current Liabilities	129,286	170,605	299,891
Non-current liabilities			
Bonds payable	1,882,540	482,460	2,365,000
Accrued compensated absences	14,902	8,843	23,745
Other non-current liabilities	-	22,368	22,368
Deferred revenue	560,075	-	560,075
Less current maturities	(103,480)	(26,520)	(130,000)
Total Non-current Liabilities	2,354,037	487,151	2,841,188
Total Liabilities	2,483,323	657,756	3,141,079
DEFERRED INFLOWS OF RESOURCES	259,019	117,346	376,365
NET POSITION			
Net Investment in capital assets	12,525,921	1,237,759	13,763,680
Restricted position	810,984	2,105	813,089
Unrestricted assets	852,231	592,882	1,445,113
	14,189,136	1,832,746	16,021,882
	\$ 16,931,478	\$ 2,607,848	\$ 19,539,326

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

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Government Activities	Business- Type Activities	Total
Primary Government:							
Government Activities:							
General government	\$ 532,956	\$ 10,455	\$ 161	\$ -	\$ (522,340)	\$ -	\$ (522,340)
Police and Courts	444,087	83,726	2,450	-	(357,911)		(357,911)
Fire	212,839	913	1,752	-	(210,174)		(210,174)
Parks and recreation	32,014	-	-	-	(32,014)		(32,014)
Interest on long-term debt	68,043	-	-	-	(68,043)		(68,043)
Total governmental activities	1,289,939	95,094	4,363	-	(1,190,482)		(1,190,482)
Business-type Activities							
Water department operating income						357,658	357,658
Interest expense and other income						(16,511)	(16,511)
Total business-type activities						341,147	341,147
Total primary government	\$ 1,289,939	\$ 95,094	\$ 4,363	\$ -	(1,190,482)	341,147	(849,335)
General Revenues:							
Taxes:							
Ad valorem taxes					165,258		165,258
Sales tax					608,759		608,759
Gas tax					28,543		28,543
Licenses and permits					397,141		397,141
Intergovernmental					261,387		261,387
Investment earnings					65		65
Miscellaneous					37,387		37,387
Transfers (net)					68,110	(68,110)	-
Total general revenues and transfers					1,566,650	(68,110)	1,498,540
Change in net assets from activities					376,168	273,037	649,205
Contributions in aid of construction						38,845	38,845
Change in net position					376,168	311,882	688,050
Net position, beginning of year					13,812,968	1,520,864	15,333,832
Net position, end of year	\$ 14,189,136	\$ 1,832,746	\$ 16,021,882				

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General	Special Revenue Funds	Total Governmental Funds
Assets and other debits			
Assets:			
Cash and cash equivalents	\$ 1,386,145	\$ -	\$ 1,386,145
Receivables			
Taxes	75,660	3,900	79,560
Prepaid expenses	331	-	331
Restricted assets:			
Cash and cash equivalents	20,238	790,746	810,984
Total assets and other debits	<u>\$ 1,482,374</u>	<u>\$ 794,646</u>	<u>\$ 2,277,020</u>
Liabilities, equity and other credits			
Liabilities:			
Accounts payable and accrued liabilities	\$ 19,049	\$ 1,382	\$ 20,431
Deferred revenue	-	560,075	560,075
Total liabilities	19,049	561,457	580,506
Equity and other credits:			
Non-spendable	331	-	331
Restricted	20,238	233,189	253,427
Unassigned	1,442,756		1,442,756
Total equity and other credits	1,463,325	233,189	1,696,514
	<u>\$ 1,482,374</u>	<u>\$ 794,646</u>	<u>\$ 2,277,020</u>

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Fund Balance - Total Governmental Funds	\$ 1,696,514
---	--------------

Amounts reported for governmental activities in the statement of

Net Assets 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	14,408,452
--	------------

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	(5,376)
---	---------

Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(1,882,540)
--	-------------

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	(14,902)
--	----------

Net pension fund liability is not payable in the current period and therefore this liability is not reported in the governmental funds balance sheet	124,156
--	---------

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	(137,168)
--	-----------

Net Assets of Governmental Activities	\$ 14,189,136
---------------------------------------	---------------------------

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

	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 774,017	\$ 28,543	\$ 802,560
Licenses and permits	397,142	-	397,142
Intergovernmental	52,336	209,051	261,387
Fines and forfeitures	93,928	1,166	95,094
Interest	51	13	64
Other	41,188	560	41,748
	<u>1,358,662</u>	<u>239,333</u>	<u>1,597,995</u>
Expenditures			
Current operations:			
General government	290,411	45,266	335,677
Public safety	575,248	46,968	622,216
Streets, sanitation and parks	24,251	4,896	29,147
Total current operations	<u>889,910</u>	<u>97,130</u>	<u>987,040</u>
Capital outlays	174,858	81,575	256,433
Debt service:			
Principal	103,480	-	103,480
Interest and fiscal charges	68,561	-	68,561
Total expenditures	<u>1,236,809</u>	<u>178,705</u>	<u>1,415,514</u>
Excess of revenues over expenditures	121,853	60,628	182,481
Other financial sources (uses):			
Operating transfers in	100,874	(32,764)	68,110
Total other financing sources (uses)	<u>100,874</u>	<u>(32,764)</u>	<u>68,110</u>
Excess of revenues and other financing sources over expenditures and other financing uses	222,727	27,864	250,591
Fund balance, beginning	<u>1,240,598</u>	<u>205,325</u>	<u>1,445,923</u>
Fund balance, ending	<u>\$ 1,463,325</u>	<u>\$ 233,189</u>	<u>\$ 1,696,514</u>

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, 2021

Change in fund balances - total governmental funds	\$ 250,591
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.	256,433
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. Repayment of long-term debt	103,480
Accrued compensated absences is recorded in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, accrued compensated absences are not recorded as an expenditure in governmental funds.	623
Depreciation expense on capital assets is recorded in the government-wide statement of activities and changes in net assets, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.	(241,801)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds.	517
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	6,325
Change in net assets of governmental activities	\$ 376,168

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 484,275
Receivables	
Customer accounts (less allowance for doubtful accounts of \$7,000)	89,816
	<u>89,816</u>
Inventories	61,699
Prepaid expenses	21,277
Total Current Assets	<u>657,067</u>
Property, Plant and Equipment	
Land	125,000
Capital assets	3,208,037
	<u>3,333,037</u>
Less accumulated depreciation	1,612,818
	<u>1,720,219</u>
Restricted Assets	
Customer deposits	119,115
	<u>119,115</u>
Net Pension Asset	56,248
Total Assets	<u>2,552,649</u>
 Deferred Outflows of Resources	 55,199
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 2,607,848</u></u>

Liabilities and Net Assets

Current Liabilities

Accounts payable and accrued expenses	\$ 25,722
Total current liabilities (payable from current assets)	<u>25,722</u>

Current Liabilities (payable from restricted assets)

Meter deposits	117,010
Current maturities of long-term debt	26,520
Accrued interest	<u>1,353</u>
Total current liabilities (payable from restricted assets)	<u>144,883</u>
Total current liabilities	170,605

Non-current Liabilities

Bonds payable	482,460
Premium on bonds issued	22,368
Compensated absences	8,843
Less current bond maturities	<u>(26,520)</u>
Total non-current liabilities	<u>487,151</u>

Total Liabilities	657,756
--------------------------	---------

Deferred Inflows of Resources	117,346
--------------------------------------	---------

Net Position

Restricted	2,105
Invested in capital assets, net of related debt	1,237,759
Unrestricted	<u>592,882</u>
	<u>1,832,746</u>
	<u><u>\$ 2,607,848</u></u>

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND – WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Amount</u>	<u>% of Revenue</u>
Operating revenues		
Charges for services		
Water	\$ 819,318	76.48
Taps and other charges	252,036	23.52
	<u>1,071,354</u>	<u>100.00</u>
Operating expenses		
Salaries and wages	203,142	18.96
Cost of water	157,067	14.66
Depreciation	113,292	10.57
Insurance	65,708	6.13
Materials and supplies	60,000	5.60
Repairs and maintenance	37,652	3.51
Testing and professional fees	25,378	2.37
Office expense	19,292	1.80
Utilities	19,197	1.79
Fuel	16,222	1.51
Training	3,848	0.36
Uniforms	2,258	0.21
Other expenses	353	0.03
Retirement	(9,713)	(0.91)
Total operating expenses	<u>713,696</u>	<u>66.62</u>
Operating income	357,658	33.38
Non-operating income (expenses)		
Miscellaneous	17	0.00
Operating transfers net	(68,110)	(6.36)
Interest	(16,528)	(1.54)
Total non-operating income (expense)	<u>(84,621)</u>	<u>(24.20)</u>
Contributions in Aid of Construction	<u>38,845</u>	<u>3.63</u>
Change in net assets	311,882	<u>29.11</u>
Net assets, beginning of year	<u>1,520,864</u>	
Net assets, end of year	<u><u>\$ 1,832,746</u></u>	

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND – WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Cash flows from operating activities:

Received from customers	\$ 1,091,475
Paid to suppliers	(507,321)
Paid to employees	(158,841)
Net cash provided by operating activities	<u>425,313</u>

Cash flows from non-capital financing activities:

Operating transfers	<u>(68,110)</u>
Net cash provided (used) by non-capital financing activities	(68,110)

Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(172,983)
Repayment of indebtedness	(26,520)
Interest paid on capital and related financing activities	(18,296)
Net cash used by capital and related financing activities	<u>(217,799)</u>

Cash flows from investing activities

Interest received on investments	<u>17</u>
Net cash provided by investing activities	<u>17</u>

Net increase in cash and cash equivalents \$ 139,421

Cash and cash equivalents at beginning of year \$ 463,969

Cash and cash equivalents at end of year \$ 603,390

Unrestricted cash \$ 484,275

Restricted cash \$ 119,115

\$ 603,390

Reconciliation of operating income to

Net cash provided by operations

Operating income	\$ 357,658
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	113,292
Changes in operating assets and liabilities	
Decrease in accounts receivable	6,819
(Increase) in inventories and prepayments	(51,738)
Decrease in accounts payable and accrued expenses	(11,048)
Increase in customer deposits	13,300
Decrease in pension liabilities	(2,970)
	<u>\$ 425,313</u>

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 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.

In the statement of activities direct expenses are those that are specifically associated with a department and are therefore clearly identifiable to a 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 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.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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, the fund financial statements are followed by a reconciliation with a brief explanation 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 because they are generally not measurable until received.

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 2019 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 cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pension Plan

The City of Margaret (the City) participates in the Retirement System of Alabama (RSA) and substantially all 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 2.53% 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 1.26% of covered compensation and employees contributed 7.5% except for police officers who contribute 8.5%.

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, for changes in actuarial assumptions and for earnings which were less than projected. The deferred outflows resulting from changes in experience, for earnings being less than expected 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 year's 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 differences between actual and expected experience which will be amortized over periods ranging from 7.7 to 10.1 years.

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 are not considered material and have not 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
SEPTEMBER 30, 2021

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.

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 any new or pending 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 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.

NOTE 3 - RECEIVABLES

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

	Governmental Funds	Enterprise Fund	Total
Taxes:			
Sales and use tax	\$ 53,184	\$ -	\$ 53,184
Gas taxes	3,871	-	3,871
Beer and tobacco tax	254	-	254
Intergovernmental			-
AdValorem	5,018	-	5,018
Other	4,489	-	4,489
Other taxes	-	-	-
Licenses and permits	12,744		12,744
Accounts			
Water service	-	96,816	96,816
Total receivables	79,560	96,816	176,376
Less allowance for uncollectable accounts	-	7,000	7,000
Net total receivables	\$ 79,560	\$ 89,816	\$ 169,376

Gas Tax receivable includes \$3,871 in taxes which are restricted for road improvements

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2021, was as follows:

	Beginning Balance Oct. 1, 2020	Additions	Retirements	Ending Balance Sept. 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 406,007	\$ 91,000	\$ -	\$ 497,007
Total capital assets not being depreciated	406,007	91,000	-	497,007
Capital assets being depreciated				
Buildings	1,161,544	5,500	-	1,167,044
Automotive equipment	486,568	138,868	-	625,436
Equipment and furniture	571,086	21,065	-	592,151
Streets and roads	15,051,695	-	-	15,051,695
	17,270,893	165,433	-	17,436,326
Less accumulated depreciation	3,283,071	241,801	-	3,524,872
Net capital assets being depreciated	13,987,822	(76,368)	-	13,911,454
Governmental activities, net capital assets	\$ 14,393,829	\$ 14,632	\$ -	\$ 14,408,461
Depreciation was charged to governmental functions as follows:				
Administrative				\$ 196,910
Police				19,628
Fire				22,396
Parks and public works				2,867
				\$ 241,801
Business Type Activities				
Capital assets not being depreciated				
Land	\$ -	\$ 125,000	\$ -	\$ 125,000
Total capital assets not being depreciated	-	125,000	-	125,000
Capital assets being depreciated				
Buildings	22,915	-		22,915
Automotive equipment	101,478	31,675	-	133,153
Utility plant and equipment	2,813,543	-		2,813,543
Heavy equipment	177,989	55,153		233,142
Furniture and office equipment	5,284		-	5,284
	3,121,209	86,828	-	3,208,037
Less accumulated depreciation	1,499,526	113,292	-	1,612,818
Net capital assets being depreciated	\$ 1,621,683	\$ (26,464)	\$ -	\$ 1,595,219
Net Capital Assets	1,621,683	(98,536)	-	1,720,219
Depreciation expense charged to water department				\$ 113,292

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 2018 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 were used for a new municipal complex and other improvements in the City.

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	Balance 9-30-20	Issued	Retired	Balance 9-30-21
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	\$ 1,986,020	\$ -	\$ 103,480	\$ 1,882,540
Governmental fund total	1,986,020	-	103,480	1,882,540
Business Type Activities				
Series 2017 bonds described above	508,980	-	26,520	482,460
Business type activitie total	508,980	-	26,520	482,460
Total all long-term debt	\$ 2,495,000	\$ -	\$ 130,000	\$ 2,365,000

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

Long-Term Debt Maturities

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

Year Ending September 30	Governmental Activities		Business Type Activities		Total
	Principal	Interest	Principal	Interest	
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	123,380	54,606	31,620	13,994	223,600
2026	123,380	50,904	31,620	13,046	218,950
2027 - 2031	672,620	189,597	173,400	48,590	1,084,207
2032 - 2035	632,820	59,700	161,160	15,300	868,980
	\$ 1,882,540	\$ 538,802	\$ 482,460	\$ 138,085	\$ 3,041,887

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft or 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 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.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7- PENSION PLAN - continued

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 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.

Act 2019-132 of the legislature allows local employers that participate in the ERS to provide Tier 1 retirement benefits to their Tier 2 members. Those Tier 2 members will pay member contribution rates of 7.5% and local employers will pay a different employer contribution rate as calculated by actuaries.

Act 2011-676 grants local employers the option to increase member contribution rates to 7.5%. In order to pass the aforementioned Act 2019-132, local employers must adopt the provisions of Act 2011-676 or develop a plan to increase member contribution rates to 7.5% contingent on certain operating criteria set forth by the employer.

The City elected to adopt the provisions of Act 2019-132 during the fiscal year ended September 30, 2020, with an effective date of October 1, 2020. Corresponding changes to the overall net pension liability and other impacts will be disclosed and included in the subsequent year's financial statements.

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 ERS services approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020, membership from the City of Margaret consisted of:

Membership from the City of Margaret	
Retirees and beneficiaries currently receiving benefits	3
Vested Inactive Members	1
Non-vested inactive members	7
Active members	17
Total	28

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. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.5% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members. The City elected to exercise its right as a local participating employer and not adopt the 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, 2021 active employee contribution rate was 2.53% of covered employee payroll for tier 1 employees and 1.26% for tier 2 employees. The City's average contribution rate to fund the normal and accrued liability costs was 1.33% of covered employee payroll.

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - PENSION PLAN - continued

The City's contractually required contribution rate for the year ended September 30, 2021 was 2.53% of pensionable pay for Tier 1 employees, and 1.26% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 \$8,758 for the year ended September 30, 2021.

B. 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:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132
B. Roll Forward of Total Pension Liability			
Total pension liability, September 30, 2019	(a) \$ 895,535	\$ 887,607	\$ 908,537
Discount rate	(b) 7.70%	7.70%	7.70%
Entry Age Normal Cost for the period October 1, 2019 - September 30, 2020	(c) 40,287	40,287	47,822
Transfers among employers	(d) -	(8,621)	(8,621)
Actual Benefit payments and refunds for the period October 1, 2019 - September 30 2020	(e) (34,084)	(34,084)	(34,084)
Total Pension Liability as of September 30, 2020 = [(a) x (1+(b))]+(c)+(d)+[(e) x (1+.5*(b))]	(f) \$ 969,382	952,223	982,299
Difference between Expected and Actual	(g)	(17,159)	-
Less liability transferred for immediate recognition	(h)	(8,621)	-
Experience (Gain)/Loss	(i)	\$ (8,538)	-
Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			\$ 30,076

Actuarial assumptions. The total pension liability in the September 30, 2020 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

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - PENSION PLAN – continued

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, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2010 – September 30, 2015.

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%
	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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.

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 Rate (7.70%)	1% Increase (8.70%)
City's net pension liability (asset)	\$ (65,412)	\$ (180,404)	\$ (277,176)

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - PENSION PLAN - continued

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at September 30, 2019	\$ 895,535	\$ 1,103,593	\$ (208,058)
Changes for the year:			
Service Cost	40,287	-	40,287
Interest	67,644	-	67,644
Changes of benefit terms	30,076	-	30,076
Difference between expected and actual experience	(8,538)	-	(8,538)
Contributions - Employer	-	9,920	(9,920)
Contributions - Employee	-	28,943	(28,943)
Net investment income	-	62,952	(62,952)
Benefit payments, including refunds of employee contributions	(34,084)	(34,084)	-
Transfers among employers	(8,621)	(8,621)	-
Net Change	86,764	59,110	27,654
Balances at September 30, 2020	\$ 982,299	\$ 1,162,703	\$ (180,404)

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 ERS prepared as of September 30, 2020. 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, 2021 the City recognized pension expense of \$17,423. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

C. Pension Expense and Deferred Outflows and Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	\$ 105,053	\$ 376,365
Changes in assumptions	27,553	-
Net difference between projected and actual earnings on plan investments	35,676	-
Employer contributions subsequent to measurement date	8,758	-
	\$ 177,040	\$ 376,365

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7 - PENSION PLAN - continued

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:

2022	\$	(13,604)
2023		(15,890)
2024		(13,125)
2025		(41,976)
2026		(49,524)
Thereafter		(65,206)
	\$	(199,325)

NOTE 8- RESERVED NET POSITION AND RESTRICTED ASSET AMOUNTS

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	\$ -	\$ 20,238	\$ -
Special revenue accounts	233,189	-	-
Customer deposit funds	-	-	2,105
	\$ 233,189	\$ 20,238	\$ 2,105

NOTE 9- WATER CUSTOMER INFORMATION (UNAUDITED)

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

Customer Class	Number of Customers	Gross Revenue	Rate Schedule
Residential	1,748	\$ 768,529	Minimum Units per 1,000 units -
			2,000 \$25.25
			2,001 - 12,000 5.60
			12,000+ 7.40
Commercial	25	50,789	Minimum Units per 1,000 units -
			2,000 \$32.50
			2,001 - 12,000 6.50
			12,000+ 8.60
	1,773	\$ 819,318	

THE CITY OF MARGARET, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 – DEFERRED REVENUE

For the year ended September 30, 2021, the City received federal funds from the American Rescue Plan Act (ARPA) in the amount of \$609,975. These funds are to be used by the City to cover allowable costs under the act through December 31, 2024. The amount of allowable costs covered by the ARPA funds for the year ended September 30, 2021 was \$49,900. The amount of deferred revenue at year end is \$560,075

NOTE 11 – SUBSEQUENT EVENTS

In December, 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. Multiple jurisdictions in the United States, including the State of Alabama, have declared a state of emergency. It is anticipated these impacts will continue for some time. While there have been no immediate, significant impacts to the City's operations and finances, the potential exists for future disruptions or restriction on City services due to the outbreak. The financial impact of the outbreak, if any, cannot be estimated at this time.

The City has reviewed subsequent events until March 1, 2022, the date of this report and has determined there are no other events requiring disclosure.

NOTE 12 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2021 were as follows:

Mr. Jeffery Wilson, Mayor
Mr. James Chapman, Council Member
Mr. Justice Carter, Council Member
Mr. Daryl McIntyre, Council Member
Mr. Matt Tortorice, 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, 2021

Total Pension Liability	2020	2019	2018	2017	2016	2015	2014
Service Cost	\$ 40,287	\$ 46,320	\$ 45,113	\$ 51,742	\$ 28,883	\$ 36,757	\$ 35,907
Interest	67,644	70,915	90,300	67,517	36,573	32,865	29,577
Changes of benefit terms	30,076	-	-	-	-	-	-
Difference between expected and actual experience	(8,538)	(203,374)	(336,970)	127,772	108,020	12,453	-
Change of assumptions	-	-	4,571	-	54,964	-	-
Benefit payments including refunds of employee contributions	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	(8,621)	77,670	7,604	139,733	257,885	-	-
Net change in total pension liability	86,764	(42,417)	(265,038)	276,830	451,658	45,295	53,493
Total pension liability - beginning	895,535	937,952	1,202,990	926,160	474,502	429,207	375,714
Total pension liability - ending	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207
Plan fiduciary net position							
Contributions - employer	9,920	19,731	16,163	11,780	6,338	7,238	21,662
Contributions - member	28,943	25,836	21,317	18,849	18,187	16,130	17,464
Net investment income	62,952	26,511	84,968	102,518	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	(8,621)	77,670	7,604	139,733	257,885	(6,370)	(48,918)
Net change to plan fiduciary net position	59,110	115,800	54,396	162,946	307,506	(14,238)	30,505
Plan net position - beginning	1,103,593	987,793	933,397	770,451	462,945	477,183	446,678
Plan net position - ending	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183
Net pension liability (asset) - ending	\$ (180,404)	\$ (208,058)	\$ (49,841)	\$ 269,593	\$ 155,709	\$ 11,557	\$ (47,976)
Plan fiduciary net position as a percentage of the total pension liability	118.37%	123.23%	105.31%	77.59%	83.19%	97.56%	111.18%
Covered payroll*	\$ 544,258	\$ 516,443	\$ 433,418	\$ 377,878	\$ 355,480	\$ 341,873	\$ 339,393
Net pension liability (asset) as a percentage of covered payroll	-33.15%	-40.29%	-11.50%	71.34%	43.80%	3.38%	-14.14%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY2021 the measurement period is October 1, 2019 to September 30, 2020

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined contribution	\$ 8,758	\$ 9,891	\$ 18,833	\$ 16,488	\$ 13,021	\$ 7,371	\$ 8,261
Contributions in relation to the actuarially determined contribution	8,758	9,891	18,833	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-	-	-	-	-
Covered employee payroll	\$ 660,657	\$ 544,258	\$ 516,443	\$ 433,418	\$ 377,878	\$ 355,480	\$ 341,873
Contributions as a percentage of covered employee payroll	1.33%	1.82%	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 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	N/A 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