Gmail

Matt Tortorice <mtortorice@gmail.com>

PUBLIC RECORD REQUEST FORM.pdf

Teja Peeples <cityofmargaret@gmail.com> Thu, May 17, 2018 at 3:08 PM
To: mtortorice@gmail.com
Cc: isaachoward32@gmail.com, ICH3@windstream.net

Mr. Tortorice,

Per our phone conversation, here is the form you need to fill out.

Thanks in advance,

TEJA MCINTYRE PEEPLES CMC/MAGISTRATE

CITY OF MARGARET

P O BOX 309

MARGARET, AL 35112

205-629-5742

PUBLIC RECORD REQUEST FORM.pdf
114K

PUBLIC RECORD REQUEST

TO: The City Clerk of the City of Margaret, Alabama.

The undersigned wishes to examine the following public records of the City of Margaret.

_____

_____

The purpose of this examination is: _____

I recognize that the city must provide security of public records and must make available an employee of the city during the examination of such records. I understand there is a charge for requested copies, as set forth in the schedule below. I agree to pay the fee for the copies as this policy sets out. A reasonable search fee may be charged for search time in retrieving the requested documents.

_____ _____
Signature Name Printed

_____ _____
Address City State Zip

_____ _____
Phone number Date copies received/records examined

RESPONSE TO PUBLIC RECORD REQUEST

You may come to our office at _____ o'clock a.m. / p.m. on _____to review the request documents.

City Clerk_____Date:_____

RECORD OF PUBLIC RECORDS COPIED AND RELEASED

Number of copies received _____ Cost _____Receipt #_____

Description of copies received: _____

_____ _____

_____ _____

_____ _____

Remit to: The City of Margaret
Attn: City Clerk
PO BOX 309
Margaret, Al 35112
Telephone: 205-629-5742

Copies provided by _____

_____
Title

Cost of Copies

$1.00 per page

The first hour of City staff time responding to a request is free and additional time thereafter is at a rate of $15.00 per hour or portion thereof. All records must be picked up in person.

Margaret lost mines,

Town's so quiet...

Cracker would surprise chief

—A boom town revisited—

Six years ago when he became police chief, Phil Brown says, teenagers brandishing .22 pistols were roaming the streets.

"If I was to hear a firecracker shoot in Margaret now, it'd be right strange," he muses. With arrests down to one or two misde$ednors a week, Chief Brown figures it's time to retire:

"I never had to hurt nobody, and nobody's hurt me; it's best to quit while I'm ahead."

The 58 years old lawman recalls his right aKm was in a sling in 1970 when then mayor Doc Mitchell asked him to serve as chief of police.

The arm had been smashed under a ton-and-a-half sldb of marble in 1966 when Chief Brown was working at a Birmingham pre-cast concrete plant.

"I had to learn to write all over again with my left hand," the Elmore County native relates.

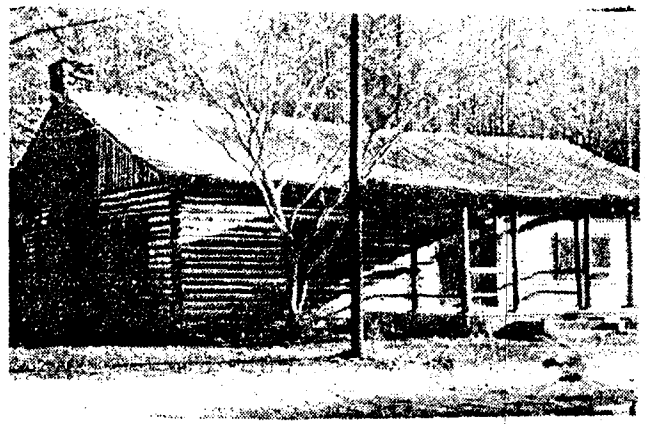
The former miner and nightclub owner was part of a three-man police force when he first hired on with the town.

The men were paid three dollars a week and had to use their own cars. They were reimbursed for gas expenses.

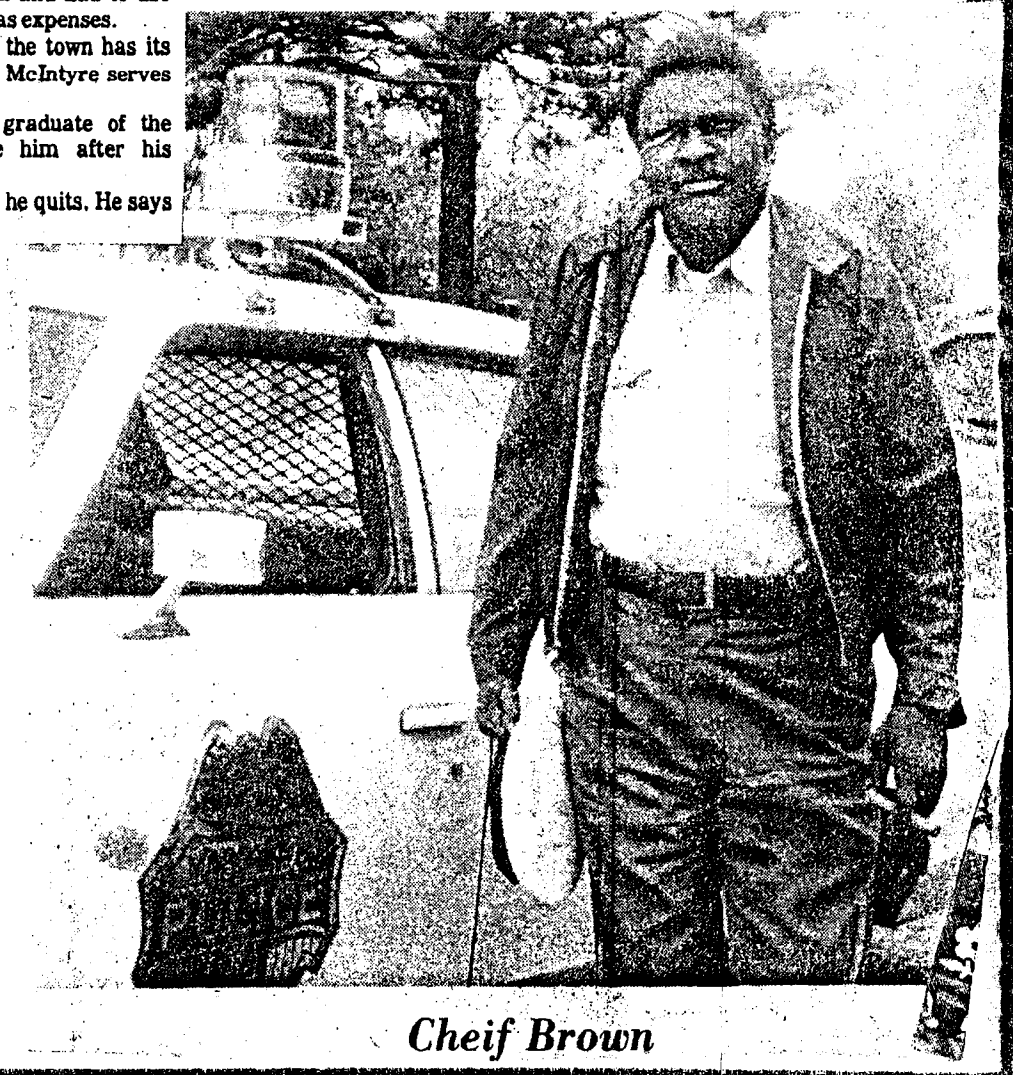
Nowadays, Chief Brown is salaried and the town has its own police car. Former councilman Albert McIntyre serves Chief Brown as a part-time assistant.

Chief Brown hopes McIntyre, a 1974 graduate of the Alabamd Police Academy, will replace him after his retirement.

But the chief explains: "He says if I quit, he quits. He says he don't want to be chief."



Community Hall



Cheif Brown

City of Margaret

November 03, 2025

4:00 P.M.

In attendance: Councilman James Chapman, Councilwoman Martrece Macon Bell, Councilman Kerry McIntyre, Councilwoman Samantha Davis, Mayor Pro-Tem Jonathan Ray, Mayor Matthew Tortorice

Absent:

Prayer: Pastor Rick Deerman

Pledge of Allegiance

Swearing In of Incoming Council and Signing of Oath:

Mayor – Matthew Tortorice
District 1- James Chapman
District 2- Martrece Macon Bell
District 3- Kerry McIntyre
District 4- Samantha Davis
District 5- Jonathan Ray

A quorum was declared.

Discussion:

Election of Mayor Pro-Tem. Councilwoman Samantha Davis moved to elect Jonathan Ray as Mayor Pro-Tem. Councilwoman Martrece Macon Bell seconded the Motion. Roll Call vote:
Councilman James Chapman - No
Councilwoman Martrece Macon Bell – Yes
Councilman Jonathan Ray – Yes
Councilwoman Samantha Davis – Yes
Councilman Kerry McIntyre – Yes
Mayor Matthew Tortorice – Yes
The Motion passed with five Yeses and one no.

Mayor Pro-Tem Jonathan Ray moved to approve the agenda. Councilwoman Samantha Davis seconded the Motion. Motion passed

unanimously.

Resolution 2025 1103-01 authorizes the movement of the depositary accounts for the City of Margaret municipal funds to Metro Bank, Moody, Alabama. Mayor Pro-Tem Jonathan Ray moved to approve the depositary accounts to Metro Bank, Moody, Alabama. Councilman Kerry McIntyre seconded the Motion. Roll call vote:

Councilman James Chapman - Yes
Councilwoman Martrece Macon Bell – Yes
Councilman Jonathan Ray – Yes
Councilwoman Samantha Davis – Yes
Councilman Kerry McIntyre – Yes
Mayor Matthew Tortorice – Yes
The Motion passed unanimously.

Resolution 2025 1103-02 designates the Mayor and City Clerk/Treasurer to authorize the execution of financial documents on behalf of the City of Margaret. Two signatures are required on all checks drawn on City of Margaret's deposit accounts. Mayor Matthew Tortorice's name shall be on all City deposit accounts until the City of Margaret's Finance Department makes the necessary changes. Councilwoman Samantha Davis moved to approve Resolution 2025 1103-02. Councilwoman Martrece Macon Bell seconded the Motion. Roll Call vote:

Councilman James Chapman - Yes
Councilwoman Martrece Macon Bell – Yes
Councilman Jonathan Ray – Yes
Councilwoman Samantha Davis – Yes
Councilman Kerry McIntyre – Yes
Mayor Matthew Tortorice – Yes
The Motion passed unanimously.

Resolution 2025 1103-03 allows remaining administrative officers and city-council-appointed employees of the City of Margaret to temporarily continue in their respective duties at their current salaries until all appointments are made permanent, or the City Council takes other action. No action was taken on this resolution, so it dies.

Mayor Matthew Tortorice gave mayor's comments and thanked his Family. Mayor Matthew looks forward to serving the citizens of Margaret.

Councilman James Chapman had no comment.

Councilwoman Martrece Macon Bell thanked her family.

Councilman Kerry McIntyre had no comment.

Councilwoman Samantha Davis thanked her family and friends.

Mayor Pro-Tem Jonathan Ray thanked Pastor Rick, North Valley Church, and the city employees.

Mayor Matthew Tortorice stated that the city will now be governed by a consent agenda.

Mayor Matthew Tortorice expressed the importance of decorum and order. Council, employees, and the public are expected to conduct themselves with respect, stability, and decorum during public hearings, work sessions, and council meetings.

Council Meetings will now be on the 1st and 3rd Monday of each month. The said Council will designate time.

Any firm, corporation, partnership, or person must make an application to the city by submitting their name, address, phone number, and topic to the City Clerk no later than 4:00 PM on Thursday before the meeting. Each speaker is allotted three minutes, and the topic must be within the jurisdiction of the city council. City Council may waive this requirement in case of emergency and by majority vote of all present.

Meeting adjourned.

_____

Matthew Tortorice, Mayor

Attest:

_____

Teja McIntyre, City Clerk

RESOLUTION 2025-11-03-01
Ratifying the Use of Consent Depositories

WHEREAS, the City Council of the City of Margaret, Alabama wishes to ratify the use of current depositaries.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Margaret, Alabama that the Council hereby authorized the City Clerk/Treasurer to continue using current depositories for the City of Margaret's municipal funds.
THEREUPON _____ a councilmember, moved and _____ , a councilmember, seconded the motion that Resolution 2025-11-03-01 be given vote, and the roll call vote was recorded as follows:

1. Mayor: Matthew Tortorice
2. Councilmember Place No. 1: James Chapman
3. Councilmember Place No. 2: Martrece Bell
4. Councilmember Place No. 3: Kerry McIntyre
5. Councilmember Place No. 4: Samantha Davis
6. Councilmember Place No. 5: Jonathan Ray

Resolution 2025-11-03-01 passed by a roll call vote of those members of the Margaret City Council present and the Council declared the same passed and adopted.
ADOPTED this 3rd day of November 2025.

_____

SEAL

ATTEST

_____
City Clerk/Treasurer

I, the undersigned City Clerk/Treasurer of the City of Margaret, Alabama, do hereby certify that the above and foregoing is a true copy of a resolution lawfully passed and adopted by the City Council of the City named herein, at a regular meeting of such Council held on the 3rd day of November 2025 and that such Resolution is on file in the office of the City Clerk/Treasurer and that no action has been taken to rescind or modify said Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City on this 3rd day of November 2025.

_____

City Clerk/Treasure

SEAL

RESOLUTION 2025-11-03-02

Authorizing City Officials to Execute Financial Documents

WHEREAS, the City Council of the City of Margaret, Alabama wishes to designate certain city officials who will be authorized to execute financial documents on behalf of the City.
NO\V, THEREFORE, BE IT RESOLVED by the City Council of the City of Margaret, Alabama to authorize Mayor Matthew Tortorice, and Clerk/Treasurer as city officials authorized to sign checks, which shall require, always, two signatures on all checks, drawn on the deposit accounts of the City of Margaret.
BR IT FURTHER RESOLVED by the City Council of the City of Margaret, Alabama that the name of Matthew Tortorice shall be authorized to appear on all checks drawn on the deposit accounts of the City of Margaret until such time as the Margaret finance Department and the City's depositories have made the necessary changes as ordered herein.
THEREUPON _____a councilmember, moved and_____, a councilmember, seconded the motion that Resolution 2025-11-03-02 be given vote, and the roll call vote was recorded as follows:

1. Mayor: Matthew Tortorice
2. Councilmember Place No. 1: James Chapman
3. Councilmember Place No. 2: Martrece Bell
4. Councilmember Place No. 3: Kerry McIntyre
5. Councilmember Place No. 4: Samantha Davis
6. Councilmember Place No. 5: Jonathan Ray

Resolution 2025-11-03-02 passed by a roll call vote of those members of the Margaret City Council present and the Council declared the same passed and adopted.
ADOPTED this 3rd day of November 2025.

_____

SEAL

ATTEST

_____
City Clerk/Treasurer

I, the undersigned City Clerk/Treasurer of the City of Margaret, Alabama, do hereby certify that the above and foregoing is a true copy of a resolution lawfully passed and adopted by the City Council of the City named herein, at a regular meeting of such Council held on the 3rd day of November 2025 and that such Resolution is on file in the office of the City Clerk/Treasurer and that no action has been taken to rescind or modify said Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City on this 3rd day of November 2025.

_____

City Clerk/Treasure

SEAL

RESOLUTION 2025-11-03-03

Extending Existing Appointments Temporarily

Resolution 2025-11-03-03 for consideration that remaining administrative officers and city - council appointed employees of the City of Margaret shall continue temporarily in their respective duties and at their current salaries until such time all applicable appointments/assignments are made permanent or the City Council takes other action.

PUBLIC RECORD REQUEST

received
11/6/25

TO: The City Clerk of the City of Margaret, Alabama.

The undersigned wishes to examine the following public records of the City of Margaret.

(1) Any and All Resolutions from: 11-1-25 to 11-6-25 and Author's Name on Resolution. (2) Ordinance that allows Part-time Mayor to Hire assistant. All salary and job description of said Assistant

The purpose of this examination is: CLARITY

I recognize that the city must provide security of public records and must make available an employee of the city during the examination of such records. I understand there is a charge for requested copies, as set forth in the schedule below. I agree to pay the fee for the copies as this policy sets out. A reasonable search fee may be charged for search time in retrieving the requested documents.

Clyde Beverly
Signature

CLYDE BEVERLY
Name Printed

560 Brookhaven Dr
Address

Odenville
City

AL
State

35120
Zip

205-510-8298
Phone number

Date copies received/records examined

✓ UNKNOWN CB

Date Submitted:
11-6-25

RESPONSE TO PUBLIC RECORD REQUEST

You may come to our office at _____ o'clock a.m. / p.m. on _____ to review the request documents.

City Clerk_____ Date:_____

RECORD OF PUBLIC RECORDS COPIED AND RELEASED

Number of copies received _____ Cost _____ Receipt #_____

Description of copies received: _____

_____ _____

Dear Mr. Beverly,

Thank you for your request. The resolutions adopted during the organizational meeting on November 3, 2025, are being added to the City's website, along with the agenda and minutes from that meeting, under the "Meeting Agendas & Minutes" tab. For your convenience, I have attached copies of the resolutions, agenda, and minutes, as requested.

The resolutions were prepared by the city attorneys at the time of the organizational meeting and are standard for most municipal organizational meetings in Alabama. These resolutions are critical because they establish the routine structure and procedural framework that the new administration will need to operate effectively throughout its term.

Regarding your request for an ordinance authorizing a mayor to hire an executive assistant, it is well-established Alabama law that the mayor is the city's chief executive officer and has general supervision and control over all other municipal officers and the city's affairs. This includes the mayor's implicit authority to hire an executive assistant. I have attached the recently passed city budget, which includes an allocation for the executive assistant's salary, as requested.

If you have any additional questions or would like further clarification, please do not hesitate to contact my office.

Sincerely,

Matt Tortorice
Mayor of Margaret

PUBLIC RECORD REQUEST

TO: The City Clerk of the City of Margaret, Alabama.

The undersigned wishes to examine the following public records of the City of Margaret.

Please See Attachment.

The purpose of this examination is: CLARITY

I recognize that the city must provide security of public records and must make available an employee of the city during the examination of such records. I understand there is a charge for requested copies, as set forth in the schedule below. I agree to pay the fee for the copies as this policy sets out. A reasonable search fee may be charged for search time in retrieving the requested documents.

Clyde Beverly
Signature

Clyde Beverly
Name Printed

560 Brookhaven Dr
Address

Margaret Al 35112
City State Zip

205-510-8298
Phone number

Unknown
Date copies received/records examined

Date Submitted

RESPONSE TO PUBLIC RECORD REQUEST

You may come to our office at _____ o'clock a.m. / p.m. on _____ to review the request documents.

City Clerk_____ Date:_____

received 11-21-2025

RECORD OF PUBLIC RECORDS COPIED AND RELEASED

Number of copies received _____ Cost _____ Receipt #_____

Description of copies received: _____

_____ _____

_____ _____

_____ _____

Remit to: The City of Margaret
Attn: City Clerk
PO BOX 309
Margaret, Al 35112
Telephone: 205-629-5742

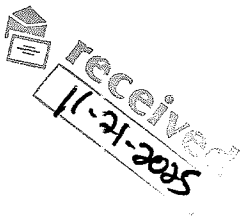
Copies provided by _____

_____
Title

Cost of Copies

$1.00 per page

The first hour of City staff time responding to a request is free and additional time thereafter is at a rate of $15.00 per hour or portion thereof. All records must be picked up in person.



Attachment to an Open Records Request
To The
City Clerk of Margaret Alabama
The Request
DATE OF REQUEST
NOVEMBER 21, 2025

1) Has the City changed Banks in the new Administration? If there have been any Bank changes does this new mayor do any personal business with any Bank that the City does business with?
2) If any Banking changes have taken place, who are the New Signees on ALL City Banking Accounts?
3) Has the City made any New purchases totalling more than $10,000 Per purchase in the last (90) Ninety days? If so, what were they, and when did the City Council approve said purchase (s)? ANY and ALL copies of ALL PURCHASE ORDERS AND CHECKS FOR SAID PURCHASE(S).
4) A COPY OF THE CURRENT EMPLOYEE HANDBOOK THAT DEFINES THE ROLE OF THE CURRENT CITY CLERK. (NOT THE HANDBOOK WE ARE TOLD IS BEING DEVELOPED. THE CURRENT HANDBOOK.

Please: Stamp date received

PAGE (2) OF (2)



Clyde Beverly's Public Records Request

1). The City of Margaret has not changed banks. N/A, the clerk does not have that information.

2) Mayor Matthew Tortorice and Teja McIntyre, City Clerk, are signees on all city banking accounts.

3). All requested information is enclosed in the public records request.

4). All requested information is enclosed in the public records request.

City of Margaret General Fund
Check Detail
August 1 through November 21, 2025

Type	Num	Date	Name	Item
Check	**975001**	**08/27/2025**	**HAGERCO LLC**	
TOTAL				
Check	**7009591**	**09/05/2025**	**APAC MID-SOUTH, INC**	
TOTAL				
Check	**TRAN...**	**09/08/2025**	**CITY OF MARGARET IMPACT FEE ACCOUNT**	
TOTAL				
Check	**975002**	**09/29/2025**	**MASSEY ASPHALT PAVING LLC**	
TOTAL				
Check	**975001**	**09/30/2025**	**HAGERCO LLC**	
TOTAL				
Check	**975001**	**09/30/2025**	**HAGERCO LLC**	
TOTAL				
Check	**975002**	**11/13/2025**	**MASSEY ASPHALT PAVING LLC**	
TOTAL				
Check	**7681**	**11/18/2025**	**CITY OF JACKSONVILLE**	
TOTAL				
Check	**7682**	**11/18/2025**	**DAVID WEAL DBA WEAL L.E.D.'S LLC**	
TOTAL				
Check	**7683**	**11/18/2025**	**FARRIS LOCK AND KEY, LLC**	
TOTAL				

City of Margaret General Fund
Check Detail
August 1 through November 21, 2025

Account	Paid Amount	Original Amount
27-1001.0000 Cash - Brookhaven		**-33,613.65**
27-6000.6222 Engineer Fee	-33,613.65	33,613.65
	-33,613.65	33,613.65
23-1004.0000 Cash - Gas And Die		**-105,833.21**
23-6000.6011 Street Repairs	-105,833.21	105,833.21
	-105,833.21	105,833.21
1-1000.0000 General Fund		**-800,500.00**
1-6900.9510 Transfers Out	-800,500.00	800,500.00
	-800,500.00	800,500.00
28-1001.0000 Cash - City Road I		**-73,388.19**
28-6000.6011 Street Repairs	-73,388.19	73,388.19
	-73,388.19	73,388.19
24-1001.0000 American Rescue Pl		**-10,992.20**
24-6002.3452 Dillard Park Proje	-10,992.20	10,992.20
	-10,992.20	10,992.20
24-1001.0000 American Rescue Pl		**-10,992.20**
24-6002.3452 Dillard Park Proje	-10,992.20	10,992.20
	-10,992.20	10,992.20
27-1001.0000 Cash - Brookhaven		**-25,065.75**
27-6000.6223 Roadway Improvemen	-25,065.75	25,065.75
	-25,065.75	25,065.75
1-1000.0000 General Fund		**-74,000.00**
1-6001.4360 Police Vehicle	-30,000.00	30,000.00
1-6001.4360 Police Vehicle	-44,000.00	44,000.00
	-74,000.00	74,000.00
1-1000.0000 General Fund		**-55,000.00**
1-6001.4360 Police Vehicle	-55,000.00	55,000.00
	-55,000.00	55,000.00
1-1000.0000 General Fund		**-15,000.00**
1-6000.4310 Bldg Repair & Maint	-15,000.00	15,000.00
	-15,000.00	15,000.00

Balance Sheet Summary

City of Margaret General Fund
As of October 31, 2021

Distribution account	TOTAL	
	As of October 31, 2021	As of October 31, 2020 (PY)
Assets	$2,292,710.25	
Current Assets	$2,229,761.69	
Bank Accounts	$2,139,420.46	$1,366,302.76
Accounts Receivable	$2,746.82	$59,949.41
Other Current Assets	$87,594.41	$95,568.41
Total for Current Assets	**$2,229,761.69**	**$1,521,820.58**
Fixed Assets	$49,900.00	$0.00
Other Assets	$13,048.56	-$8,038.99
Total for Assets	**$2,292,710.25**	**$1,513,781.59**
Liabilities and Equity	$2,292,710.25	
Liabilities	$23,818.22	
Current Liabilities	$23,818.22	
Accounts Payable	$30,531.88	$72,616.14
Other Current Liabilities	-$6,713.66	-$8,916.36
Total for Current Liabilities	**$23,818.22**	**$63,699.78**
Total for Liabilities	**$23,818.22**	**$63,699.78**
Equity	$2,268,892.03	$1,450,081.81
Total for Liabilities and Equity	**$2,292,710.25**	**$1,513,781.59**

Balance Sheet Summary

City of Margaret General Fund
As of October 31, 2022

Distribution account	TOTAL	
	As of October 31, 2022	As of October 31, 2021 (PY)
Assets	$3,609,167.18	
Current Assets	$3,515,373.01	
Bank Accounts	$3,251,436.99	$2,139,420.46
Accounts Receivable	$2,746.82	$2,746.82
Other Current Assets	$261,189.20	$87,594.41
Total for Current Assets	**$3,515,373.01**	**$2,229,761.69**
Fixed Assets	$80,745.61	$49,900.00
Other Assets	$13,048.56	$13,048.56
Total for Assets	**$3,609,167.18**	**$2,292,710.25**
Liabilities and Equity	$3,609,167.18	
Liabilities	$8,693.25	
Current Liabilities	$8,693.25	
Accounts Payable	$30,531.88	$30,531.88
Other Current Liabilities	-$21,838.63	-$6,713.66
Total for Current Liabilities	**$8,693.25**	**$23,818.22**
Total for Liabilities	**$8,693.25**	**$23,818.22**
Equity	$3,600,473.93	$2,268,892.03
Total for Liabilities and Equity	**$3,609,167.18**	**$2,292,710.25**

Balance Sheet Summary

City of Margaret General Fund
As of October 31, 2023

Distribution account	TOTAL	
	As of October 31, 2023	As of October 31, 2022 (PY)
Assets	$4,085,821.87	
Current Assets	$3,992,027.70	
Bank Accounts	$3,593,434.42	$3,251,436.99
Accounts Receivable	$2,746.82	$2,746.82
Other Current Assets	$395,846.46	$261,189.20
Total for Current Assets	**$3,992,027.70**	**$3,515,373.01**
Fixed Assets	$80,745.61	$80,745.61
Other Assets	$13,048.56	$13,048.56
Total for Assets	**$4,085,821.87**	**$3,609,167.18**
Liabilities and Equity	$4,085,821.87	
Liabilities	-$19,147.19	
Current Liabilities	-$19,147.19	
Accounts Payable	$30,531.88	$30,531.88
Other Current Liabilities	-$49,679.07	-$21,838.63
Total for Current Liabilities	**-$19,147.19**	**$8,693.25**
Total for Liabilities	**-$19,147.19**	**$8,693.25**
Equity	$4,104,969.06	$3,600,473.93
Total for Liabilities and Equity	**$4,085,821.87**	**$3,609,167.18**

Balance Sheet Summary

City of Margaret General Fund
As of October 31, 2024

Distribution account	TOTAL	
	As of October 31, 2024	As of October 31, 2023 (PY)
Assets	$4,160,655.57	
Current Assets	$4,066,861.40	
Bank Accounts	$3,493,145.64	$3,593,434.42
Accounts Receivable	$2,746.82	$2,746.82
Other Current Assets	$570,968.94	$395,846.46
Total for Current Assets	**$4,066,861.40**	**$3,992,027.70**
Fixed Assets	$80,745.61	$80,745.61
Other Assets	$13,048.56	$13,048.56
Total for Assets	**$4,160,655.57**	**$4,085,821.87**
Liabilities and Equity	$4,160,655.57	
Liabilities	-$113,694.17	
Current Liabilities	-$113,694.17	
Accounts Payable	$30,531.88	$30,531.88
Other Current Liabilities	-$144,226.05	-$49,679.07
Total for Current Liabilities	**-$113,694.17**	**-$19,147.19**
Total for Liabilities	**-$113,694.17**	**-$19,147.19**
Equity	$4,274,349.74	$4,104,969.06
Total for Liabilities and Equity	**$4,160,655.57**	**$4,085,821.87**

Balance Sheet Summary

City of Margaret General Fund
As of October 31, 2025

Distribution account	TOTAL	
	As of October 31, 2025	As of October 31, 2024 (PY)
Assets	$5,143,642.54	
Current Assets	$5,049,848.37	
Bank Accounts	$4,365,572.07	$3,493,145.64
Accounts Receivable	$2,746.82	$2,746.82
Other Current Assets	$681,529.48	$570,968.94
Total for Current Assets	**$5,049,848.37**	**$4,066,861.40**
Fixed Assets	$80,745.61	$80,745.61
Other Assets	$13,048.56	$13,048.56
Total for Assets	**$5,143,642.54**	**$4,160,655.57**
Liabilities and Equity	$5,143,642.54	
Liabilities	-$198,838.49	
Current Liabilities	-$198,838.49	
Accounts Payable	$27,460.13	$30,531.88
Credit Cards	-$3,637.38	
Other Current Liabilities	-$222,661.24	-$144,226.05
Total for Current Liabilities	**-$198,838.49**	**-$113,694.17**
Total for Liabilities	**-$198,838.49**	**-$113,694.17**
Equity	$5,342,481.03	$4,274,349.74
Total for Liabilities and Equity	**$5,143,642.54**	**$4,160,655.57**

Balance Sheet Summary

City of Margaret - Public Utilities
As of October 31, 2021

Distribution account	TOTAL	
	As of October 31, 2021	As of October 31, 2020 (PY)
Assets	$2,104,830.91	
Current Assets	$358,947.45	
Bank Accounts	$181,021.00	$54,015.73
Accounts Receivable	$51,574.53	-$18,259.03
Other Current Assets	$126,351.92	$128,737.46
Total for Current Assets	**$358,947.45**	**$164,494.16**
Fixed Assets	$1,833,511.54	$1,667,471.65
Other Assets	-$87,628.08	-$59,936.41
Total for Assets	**$2,104,830.91**	**$1,772,029.40**
Liabilities and Equity	$2,104,830.91	
Liabilities	$110,710.34	
Current Liabilities	$110,710.34	
Accounts Payable	$45,994.57	$25,974.02
Other Current Liabilities	$64,715.77	$114,804.54
Total for Current Liabilities	**$110,710.34**	**$140,778.56**
Long-term Liabilities	$0.00	$0.00
Total for Liabilities	**$110,710.34**	**$140,778.56**
Equity	$1,994,120.57	$1,631,250.84
Total for Liabilities and Equity	**$2,104,830.91**	**$1,772,029.40**

Balance Sheet Summary

City of Margaret - Public Utilities

As of October 31, 2022

Distribution account	TOTAL	
	As of October 31, 2022	As of October 31, 2021 (PY)
Assets	$2,865,123.53	
Current Assets	$1,010,282.45	
Bank Accounts	$787,029.60	$181,021.00
Accounts Receivable	$96,900.93	$51,574.53
Other Current Assets	$126,351.92	$126,351.92
Total for Current Assets	**$1,010,282.45**	**$358,947.45**
Fixed Assets	$1,942,469.16	$1,833,511.54
Other Assets	-$87,628.08	-$87,628.08
Total for Assets	**$2,865,123.53**	**$2,104,830.91**
Liabilities and Equity	$2,865,123.53	
Liabilities	$204,492.70	
Current Liabilities	$204,492.70	
Accounts Payable	$52,716.90	$45,994.57
Other Current Liabilities	$151,775.80	$64,715.77
Total for Current Liabilities	**$204,492.70**	**$110,710.34**
Long-term Liabilities	$0.00	$0.00
Total for Liabilities	**$204,492.70**	**$110,710.34**
Equity	$2,660,630.83	$1,994,120.57
Total for Liabilities and Equity	**$2,865,123.53**	**$2,104,830.91**

Balance Sheet Summary

City of Margaret - Public Utilities

As of October 31, 2023

Distribution account	TOTAL	
	As of October 31, 2023	As of October 31, 2022 (PY)
Assets	$3,349,793.32	
Current Assets	$1,494,952.24	
Bank Accounts	$1,212,899.26	$787,029.60
Accounts Receivable	$145,704.74	$96,900.93
Other Current Assets	$136,348.24	$126,351.92
Total for Current Assets	**$1,494,952.24**	**$1,010,282.45**
Fixed Assets	$1,942,469.16	$1,942,469.16
Other Assets	-$87,628.08	-$87,628.08
Total for Assets	**$3,349,793.32**	**$2,865,123.53**
Liabilities and Equity	$3,349,793.32	
Liabilities	$258,091.79	
Current Liabilities	$258,091.79	
Accounts Payable	$52,950.37	$52,716.90
Other Current Liabilities	$205,141.42	$151,775.80
Total for Current Liabilities	**$258,091.79**	**$204,492.70**
Long-term Liabilities	$0.00	$0.00
Total for Liabilities	**$258,091.79**	**$204,492.70**
Equity	$3,091,701.53	$2,660,630.83
Total for Liabilities and Equity	**$3,349,793.32**	**$2,865,123.53**

Balance Sheet Summary

City of Margaret - Public Utilities
As of October 31, 2024

Distribution account	TOTAL	
	As of October 31, 2024	As of October 31, 2023 (PY)
Assets	$3,710,396.37	
Current Assets	$1,857,587.84	
Bank Accounts	$1,609,095.02	$1,212,899.26
Accounts Receivable	$105,034.58	$145,704.74
Other Current Assets	$143,458.24	$136,348.24
Total for Current Assets	**$1,857,587.84**	**$1,494,952.24**
Fixed Assets	$1,943,718.16	$1,942,469.16
Other Assets	-$90,909.63	-$87,628.08
Total for Assets	**$3,710,396.37**	**$3,349,793.32**
Liabilities and Equity	$3,710,396.37	
Liabilities	$284,240.66	
Current Liabilities	$284,240.66	
Accounts Payable	$39,148.85	$52,950.37
Other Current Liabilities	$245,091.81	$205,141.42
Total for Current Liabilities	**$284,240.66**	**$258,091.79**
Long-term Liabilities	$0.00	$0.00
Total for Liabilities	**$284,240.66**	**$258,091.79**
Equity	$3,426,155.71	$3,091,701.53
Total for Liabilities and Equity	**$3,710,396.37**	**$3,349,793.32**

Balance Sheet Summary

City of Margaret - Public Utilities

As of October 31, 2025

Distribution account	TOTAL	
	As of October 31, 2025	As of October 31, 2024 (PY)
Assets	$3,304,353.89	
Current Assets	$1,413,353.21	
Bank Accounts	$2,754,077.01	$1,609,095.02
Accounts Receivable	-$1,484,182.04	$105,034.58
Other Current Assets	$143,458.24	$143,458.24
Total for Current Assets	**$1,413,353.21**	**$1,857,587.84**
Fixed Assets	$1,952,136.08	$1,943,718.16
Other Assets	-$61,135.40	-$90,909.63
Total for Assets	**$3,304,353.89**	**$3,710,396.37**
Liabilities and Equity	$3,304,353.89	
Liabilities	$310,826.22	
Current Liabilities	$310,826.22	
Accounts Payable	$34,347.12	$39,148.85
Other Current Liabilities	$276,479.10	$245,091.81
Total for Current Liabilities	**$310,826.22**	**$284,240.66**
Long-term Liabilities	$0.00	$0.00
Total for Liabilities	**$310,826.22**	**$284,240.66**
Equity	$2,993,527.67	$3,426,155.71
Total for Liabilities and Equity	**$3,304,353.89**	**$3,710,396.37**

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

CITY OF MARGARET, ALABAMA
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SEPTEMBER 30, 2015

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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, 2015, and the related notes to the financial statements of the governmental 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 530
Birmingham, AL 35209

P. 205.879.3292
F. 205.879.3295

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, each major fund and the remaining fund information of the City of Margaret, Alabama as of September 30, 2015 and the changes in its net position 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, budgetary comparison schedules, 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.

Cook, Hill & Company, L.L.C.

Birmingham, Alabama
January 7, 2016

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, 2015. 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 and 11) 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 these services were 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, and 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. In prior years the City also operated a garbage pick-up service but this was turned over to a private company during the current year.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements begin on page 12 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 13 and 15.

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.

	Governmental Type Activities		
	2015 Amount	2014 Amount	Increase/ (Decrease)
Non capital asset	$ 588,271	$ 440,129	$ 148,142
Capital assets	14,156,924	14,212,250	(55,326)
Net pension asset	29,614	-	29,614
Total assets	14,774,809	14,652,379	122,430
Deferred outflows of resources	5,099	-	5,099
	$14,779,908	$14,652,379	$ 127,529
Liabilities	$1,591,496	$ 1,631,492	$ (39,996)
Deferred inflows of resources	8,605	-	8,605
Net position	13,179,807	13,020,887	158,920
	$14,779,908	$14,652,379	$ 127,529

	Business Type Activities		
	2015 Amount	2014 Amount	Increase/ (Decrease)
Non capital asset	$ 412,235	$ 298,511	$ 113,724
Capital assets	1,539,836	1,572,687	(32,851)
Net pension assets	18,362	-	18,362
Total assets	1,973,595	1,871,198	99,235
Deferred outflows of resources	3,162	-	3,162
	$1,973,595	$ 1,871,198	$ 102,397
Liabilities	$ 890,159	$ 982,569	$ (92,410)
Deferred inflows of resources	5,335	-	5,335
Net position	1,078,101	888,629	189,472
	$1,973,595	$ 1,871,198	$ 102,397

Non-capital assets increased because the City operated at a surplus for the current year. The public works department also operated with a surplus and reinvested current operations into the water plant and other assets.

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 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, 2015 and 2014.

	2015 Amount	2014 Amount	Increase/ Decrease
Revenues			
Program revenues	$ 158,892	$ 116,637	$ 42,255
Taxes and license	682,682	659,261	23,421
Investment earnings	20	116	(96)
Other	28,990	73,027	(44,037)
	870,584	849,041	21,543
Expenditures			
Administrative	374,860	341,539	33,321
Police	247,769	264,315	(16,546)
Fire	138,882	127,605	11,277
Public works	10,011	14,055	(4,044)
Interest	80,929	84,983	(4,054)
Transfers - net	(83,611)	(34,800)	(48,811)
	768,840	797,697	(28,857)
Change in net position	$ 101,744	$ 51,344	$ 50,400

BUSINESS ACTIVITIES	2015 Amount	2014 Amount	Increase/ Decrease
Revenues			
Charges for services	$ 880,783	$ 863,493	17,290
	880,783	863,493	17,290
Operating expenses			
Cost of water and garbage service	225,121	336,873	(111,752)
Salaries	117,955	169,047	(51,092)
Depreciation	74,081	74,419	(338)
Insurance	35,235	46,324	(11,089)
Utilities	13,214	15,137	(1,923)
Repairs	27,131	7,228	19,903
Other operating expenses	103,570	93,308	10,262
	596,307	742,336	(146,029)
Operating income	284,476	121,157	163,319
Non-operating income (expenses)	(130,454)	(73,877)	(56,577)
Change in net position	$ 154,022	$ 47,280	$ 106,742

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2015 and 2014.

Revenues	2015 Amount	2014 Amount	Increase/ Decrease
Governmental Revenues			
Taxes	$ 367,939	$ 324,595	$ 43,344
Licenses and permits	183,460	193,538	(10,078)
Intergovernmental	236,239	207,636	28,603
Fines and forfeitures	47,819	60,730	(12,911)
Loan proceeds and other	51,844	62,543	(10,699)
Total governmental revenues	887,301	849,042	38,259
Expenditures			
Governmental Expenditures			
General government	313,915	197,134	116,781
Public safety	326,173	315,600	10,573
Streets, sanitation and parks	24,786	40,212	(15,426)
Debt service and capital outlays	161,253	142,642	18,611
Transfers - net	(83,611)	(35,349)	(48,262)
Total governmental expenditures	742,516	660,239	82,277
Excess revenues	$ 144,785	$ 188,803	$ (44,018)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2015, the City had $19,285,869 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 just over $34,000.

	Government Activities		Business Activities	
	2015	2014	2015	2014
Land	$ 390,432	$ 390,432	$ -	$ -
Buildings	274,539	148,996	1,878	1,878
Automotive	347,979	457,810	89,429	89,429
Equipment and furniture	463,497	486,392	39,557	36,072
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant	-	-	2,626,863	2,589,118
	$ 16,528,142	$ 16,535,325	$ 2,757,727	$ 2,716,497

Total investment for 2015	$ 19,285,869

Debt

As of September 30, 2015, the City had $1,545,000 in outstanding bonds and notes payable versus $1,599,674 last year. That is a decrease of $54,674. As of September 30, 2015, the water department had $780,000 in outstanding bonds and notes payable versus $825,000 last year, a decrease of $45,000.

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 2016.

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

CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 188,818	$ 129,257	$ 318,075
Receivables (net)	27,673	72,542	100,215
Inventories	-	28,215	28,215
Prepaid	12,604	5,805	18,409
	229,095	235,819	464,914
Restricted Assets:			
Cash and cash equivalents	359,176	176,416	535,592
Total current assets	588,271	412,235	1,000,506
Capital Assets:			
Non-depreciable	390,432	-	390,432
Depreciable	13,766,492	1,539,836	15,306,328
Total capital assets	14,156,924	1,539,836	15,696,760
Net Pension Asset	29,614	18,362	47,976
Total assets	14,774,809	1,970,433	16,745,242
Deferred outflows of resources	5,099	3,162	8,261
Total assets and deferred outflows of resources	$ 14,779,908	$ 1,973,595	$16,753,503

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	$ 26,046	$ 25,701	$ 51,747
Current Liabilities Payable from Restricted Assets:			
Customer deposits	-	75,505	75,505
Current maturities of long term debt	60,000	50,000	110,000
Interest payable	6,592	3,525	10,117
Total current liabilities	92,638	154,731	247,369
Non-Current Liabilities:			
Bonds payable	1,545,000	780,000	2,325,000
Accrued compensated absences	13,858	5,428	19,286
Less current maturities	(60,000)	(50,000)	(110,000)
Total non-current liabilities	1,498,858	735,428	2,234,286
Total liabilities	1,591,496	890,159	2,481,655
Deferred inflows of resources	8,605	5,335	13,940
Net Position			
Invested in capital assets (net of related debt)	12,611,924	759,836	13,371,760
Restricted net position	352,584	97,386	449,970
Unrestricted assets	215,299	220,879	436,178
Total net position	13,179,807	1,078,101	14,257,908
Total liabilities, deferred inflow of resources and net position	$ 14,779,908	$ 1,973,595	$16,739,563

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Function/Program Activities							
Primary Government:							
Governmental Activities:							
General government	$ 374,860	$ 3,878	$ 101,811	$ -	$ (269,171)	$ -	$ (269,171)
Police and courts	247,769	47,387	-	-	(200,382)	-	(200,382)
Fire	138,882	3,316	-	-	(135,566)	-	(135,566)
Parks and recreation	10,011	2,500	-	-	(7,511)	-	(7,511)
Interest on long-term debt	80,929	-	-	-	(80,929)	-	(80,929)
Total governmental activities	852,451	57,081	101,811	-	(693,559)	-	(693,559)
Business Type Activities:							
Water Department	-	-	-	-	-	286,876	286,876
Interest Expense	-	-	-	-	-	(49,243)	(49,243)
Total business type activities	-	-	-	-	-	237,633	237,633
Total primary government	$ 852,451	$ 57,081	$ 101,811	$ -	(693,559)	237,633	(455,926)
General Revenues:							
Taxes:							
Ad valorem taxes					137,980	-	137,980
Sales tax					229,741	-	229,741
Gas tax					79,878	-	29,878
Other taxes					113,755	-	113,755
Licenses and permits					171,328	-	171,328
Investment earnings					20	-	20
Miscellaneous					28,990	-	28,990
Transfers (net)					83,611	(83,611)	-
Total general revenues and transfers					795,303	(83,611)	711,692
Change in Net Position from activities					101,744	154,022	255,766
Net position, beginning of year					13,020,887	888,629	13,909,516
Change in accounting principles					57,176	35,450	92,626
Net position, beginning of year as corrected					13,078,063	924,079	14,002,142
Net position, end of year					$ 13,179,807	$1,078,101	$ 14,257,908

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General	Special Revenue Funds	Total Governmental Funds
Assets and Other Debits			
Assets:			
Cash and cash equivalents	$ 188,818	$ 348,560	$ 537,378
Receivables			
Taxes	24,997	2,676	27,673
Due from other funds	5,357	19,010	24,367
Prepaid expenses	9,969	2,635	12,604
Restricted assets:	-	-	-
Cash and cash equivalents	10,615	-	10,615
Total assets and other debits	$ 239,756	$ 372,881	$ 612,637
Liabilities, Equity and Other Credits			
Liabilities:			
Accounts payable and accrued liabilities	$ 26,045	$ -	$ 26,045
Due to other funds	1,165	23,202	24,367
Total liabilities	27,210	23,202	50,412
Equity and Other Credits:			
Fund Balances:			
Non-spendable	9,969	2,635	12,604
Reserved	15,972	347,044	363,016
Unreserved, undesignated	186,605	-	186,605
Total equity and other credits	212,546	349,679	562,225
Total liabilities, equity and other credits	$ 239,756	$ 372,881	$ 612,637

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
SEPTEMBER 30, 2015

Total Fund Balance - Total Government Funds	$ 562,225
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	14,156,924
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.	(6,592)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(1,545,000)
Compensated absences payable do not require current financial resources. Therefore, this liability is not reported in the governmental funds balance sheet. Compensated absences reported int eh government wide statement of position are	(13,858)
Net pension fund asset is not realizable in the current period and therefore this asset is not reported in the governmental funds balance sheet	29,614
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	(3,506)
Net Position of Governmental Activities	$ 13,179,807

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	General	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	$ 367,939	$ -	$ 367,939
Licenses and permits	183,460	-	183,460
Intergovernmental	116,197	120,042	236,239
Fines and forfeitures	47,147	672	47,819
Interest	-	20	20
Other	43,039	8,785	51,824
Total revenues	757,782	129,519	887,301
Expenditures:			
Current operations:			
General government	175,347	138,568	313,915
Public safety	324,617	1,556	326,173
Streets, sanitation and parks	10,046	14,740	24,786
Total current operations	510,010	154,864	664,874
Capital outlays	35,093	-	35,093
Debt service:			
Principal	45,000	-	45,000
Interest and fiscal charges	81,160	-	81,160
Total expenditures	671,263	154,864	826,127
Excess (deficiency) of revenues over (under) expenditures	86,519	(25,345)	61,174
Other Financing Sources (Uses):			
Operating transfers in	69,751	143,413	213,164
Operating transfers out	(91,438)	(35,115)	(129,553)
Total other financing sources (uses)	(21,687)	105,298	83,611
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	64,832	79,953	144,785
Fund balances, beginning	147,714	269,726	417,440
Fund balances, ending	$ 212,546	$ 349,679	$ 562,225

See 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, 2015

Net change in fund balances - total governmental funds	$ 144,785
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.	160,637
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	54,673
Accrued compensated absences is recorded in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, accrued compensated absences are not recorded as an expenditure in governmental funds.	(11,552)
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, deprecation expense is not reported as expenditure in governmental funds.	(200,119)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds. This is the change in accrued interest from the prior to the current year	231
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	(31,067)
Difference in gain on sale of assets due to cost of property carried as an asset on government-wide statements but not on government funds statement.	(15,844)
Change in net position of governmental activities	$ 101,744

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2015

Assets	
Current Assets:	
Cash and cash equivalents	$ 129,257
Receivables	
Customer accounts (less allowance for doubtful accounts of $1,200)	72,542
Inventories	28,215
Prepaid expenses	5,805
Total current assets	235,819
Property, Plant and Equipment:	
Capital assets net of depreciation	2,757,727
Less accumulated depreciation	1,217,891
	1,539,836
Restricted Assets:	
Trust and construction funds	99,994
Customer deposits	76,422
	176,416
Other Assets:	
Net pension asset	18,362
Total Assets	1,970,433
Deferred Outflows of Resources	3,162
Total Assets and Deferred Outflows of Resources	$ 1,973,595

Liabilities and Net Position

Current Liabilities:	
Accounts payable	$ 25,701
Total current liabilities (payable from current assets)	25,701
Current Liabilities (Payable from Restricted Assets):	
Meter deposits	75,505
Current maturities of long-term debt	50,000
Accrued interest	3,525
Total current liabilities (payable from restricted assets)	129,030
Total current liabilities	154,731
Non-Current Liabilities:	
Bonds payable	780,000
Compensated absences	5,428
Less current maturities	(50,000)
Total non-current liabilities	735,428
Total liabilities	890,159
Deferred Inflows of Resources	5,335
Net Position:	
Restricted	97,386
Net investments in capital assets	759,836
Unrestricted	220,879
Total Net Position	1,078,101
Total liabilities, deferred inflow of resources and net position	$ 1,973,595

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER SYSTEM ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Amount	% of Revenue
Operating Revenues		
Water sales	$ 714,938	81.2
Garbage service	165,845	18.8
Total operating revenues	880,783	100.0
Operating Expenses		
Cost of services	225,121	25.6
Salaries and wages	117,955	13.4
Depreciation and amortization	74,081	8.4
Insurance	35,235	4.0
Repairs and maintenance	27,131	3.1
Retirement	22,424	2.5
Materials and supplies	21,170	2.4
Office expense	16,778	1.9
Testing and professional fees	16,480	1.9
Fuel	13,630	1.5
Utilities	13,214	1.5
Payroll taxes	9,436	1.1
Other expenses	2,154	0.2
Training	1,498	0.2
Total operating expenses	596,307	67.7
Operating income	284,476	32.3
Nonoperating Income (Expenses)		
Interest income	2,400	0.3
Operating transfers net	(83,611)	(9.5)
Interest expense	(49,243)	(5.6)
Total nonoperating income (expenses)	(130,454)	(14.8)
Change in net position	154,022	17.5
Net position, beginning of year	888,629	
Change in accounting principles	35,450	
Net position, beginning of year as corrected	924,079	
Net position, end of year	$1,078,101	

See notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
- WATER SYSTEM ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Cash Flows from Operating Activities:	
Cash received from customers	$ 883,068
Cash paid to suppliers	(401,388)
Cash paid to employees	(126,159)
Net cash provided by operating activities	355,521
Cash Flows from Non-capital Financing Activities:	
Operating transfers	(83,611)
Net cash provided (used) by non-capital financing activities	(83,611)
Cash Flows for Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(41,230)
Repayment of indebtedness	(45,000)
Interest paid on capital and related financing activities	(49,446)
Net cash provided by capital and related financing activities	(135,676)
Cash Flows from Investing Activities:	
Interest received on investments	-
Net cash provided by investing activities	-
Net increase (decrease) in cash and cash equivalents	136,234
Cash and cash equivalents, beginning of year	169,439
Cash and cash equivalents, end of year	$ 305,673
Unrestricted cash	$ 129,257
Restricted cash	176,416
	$ 305,673
Reconciliation of Operating Income to Net Cash Provided by Operations:	
Operating income	$ 284,476
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation and amortization	74,081
Bad debts	-
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	22,215
(Increase) decrease in inventories and prepayments	295
Increase (decrease) in accounts payable and accrued expenses	(3,216)
Increase (decrease) in customer deposits	(22,330)
Net cash provided by operations	$ 355,521

See notes to the financial statements

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 also appoints the members of several 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 Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. 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 five generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects 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 statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues.
The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their use.

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.

GOVERNMENTAL FUNDS

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

Enterprise funds (business-type activities) are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position.

Enterprise funds distinguish operating revenues and expenses from nonoperating items, operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise funds' principal ongoing operations. The principal operating revenues of the City's enterprise fund are water and garbage pick-up services. Operating expenses for enterprise funds include the administrative costs of providing the services and maintenance of the system. All revenues and expenses not meeting this definition are reported as nonoperating 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Assets

Certain proceeds of the City's general obligation warrants, as well as certain resources set aside for general obligation warrant repayment, 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. Also, certain special revenue funds are restricted in their use.

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 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 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

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.

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.

NOTE 2 – ACCOUNTING FOR PENSIONS – GASB 68

In June 2012 the Governmental Accounting Standards Board (GASB) adobted GASB Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 is effective for years beginning after June 15, 2014 with earlier application encouraged. City of Margaret implemented GASB 68 for the year ended September 30, 2015. The effect of this implementation was to recognize the net pension asset and deferred outflows and inflows of resources in the Statement of Net Position as follows:

	City	Business
Prior period adjustment to recognize the net pension asset at October 1, 2014	$ 43,804	$ 27,160
Recognization of the net pension asset at September 30, 2015 in the statement of net position	$ 29,614	$ 18,362
Deferred outflow of resources for the amount of payments made to the pension trust subsequent to the measurement date of the net pension liability	$ 5,099	$ 3,162
Deferred inflow of resources for the differencve between projected and actual investment earnings	$ 8,605	$ 5,335

NOTE 3- 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.

NOTE 4 - RECEIVABLES

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

	Governmental Funds	Enterprise Fund	Total
Receivables:			
Taxes:			
Sales and use tax	$ 16,390	$ -	$ 16,390
Telephone tax	2,505	-	2,505
Beer and tobacco tax	1,131	-	1,131
Intergovernmental:			
Ad valorem	2,566	-	2,566
Other	5,081	-	5,081
Accounts:			
Water and garbage service	-	76,542	76,542
Gross receivables	27,673	76,542	104,215
Less: allowance for uncollectibles	-	4,000	4,000
Net total receivables	$ 27,673	$ 72,542	$ 100,215

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2015, was as follows:

	Beginning Balance Oct. 1, 2014	Additions	Retirements	Ending Balance Sept. 30, 2015
Governmental activities				
Capital assets, not being depreciated:				
Land	390,432	-	-	390,432
Total capital assets, not being depreciated	390,432	-	-	390,432
Capital assets, being depreciated:				
Buildings	148,996	125,543	-	274,539
Automotive equipment	457,810	35,093	144,924	347,979
Equipment and furniture	486,392	-	22,895	463,497
Streets and roads	15,051,695	-	-	15,051,695
Total capital assets, being depreciated	16,144,893	160,636	167,819	16,137,710
Less accumulated depreciation	2,323,075	200,119	151,976	2,371,218
Net capital assets, being depreciated	13,821,818	(39,483)	15,843	13,766,492
Governmental activities, net capital assets	$ 14,212,250	$ (39,483)	$ 15,843	$ 14,156,924
Depreciation was charged to City functions as follows:				
General government				$ 155,970
Police				5,731
Fire				28,407
Public works				10,011
Total governmental activities depreciation expense				$ 200,119
Business type activities				
Buildings	$ 1,878	$ -	$ -	$ 1,878
Vehicles	89,429	-	-	89,429
Utility plant & equipment	2,589,118	37,745	-	2,626,863
Heavy equipment	13,061	1,157	-	14,218
Furniture & office equipment	23,011	2,328	-	25,339
Total capital assets, business type activities	2,716,497	41,230	-	2,757,727
Less accumulated depreciation	1,143,810	74,081	-	1,217,891
Net capital assets, business type activities	$ 1,572,687	$ (32,851)	$ -	$ 1,539,836
Depreciation was charged to functions as follows:				
Water Department				$ 74,081

NOTE 6 - LONG-TERM DEBT

General Obligation Warrants. The City issues general obligation warrants to provide funds for the acquisition and construction of major capital facilities. General obligation warrants have been issued for general government financing and revenue bonds have been issued by the proprietary fund. These warrants are reported in the proprietary fund since they are to be repaid from proprietary fund revenues. In addition, general obligation warrants have been issued to refund other general obligation warrants. General obligation warrants are direct obligations and pledge the full faith and credit of the City.

There are certain restrictions and covenants in the water revenue bond indentures that the water department is not in compliance with. The bond holder has been notified of these exceptions.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2015:

Governmental Activities	Balance 9-30-14	Issued	Retired	Balance 9-30-15
6% general obligation warrants - Series 2002 issued 9-01-02 in the amount of $125,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	$ 85,000	$ -	$ 5,000	$ 80,000
4% general obligation warrants - Series 2007 issued 10-25-07 in the amount of $945,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	720,000	-	40,000	680,000
6% general obligation warrants - Series 2009 issued 2-27-09 in the amount of $785,000, maturing 9-01-35 Interest payment date March and September with principals beginning 9-01-28 until maturity	785,000	-	-	785,000
Installment bank loan	-	-	-	-
Metro Bank 4.5% installment loan - police car	-	-	-	-
Metro Bank 4.5% installment loan	-	-	-	-
Metro Bank 4.5% installment loan	9,674	-	9,674	-
Governmental funds total	1,599,674	-	54,674	1,545,000
Business Type Activities				
6% General obligation warrants - Series 2002	280,000	-	15,000	265,000
4% Water revenue warrants - Series 2007	545,000	-	30,000	515,000
Business type activities total	825,000	-	45,000	780,000
Grand total of long-term debt	$2,424,674	$ -	$ 99,674	$2,325,000

NOTE 6 - LONG-TERM DEBT - CONTINUED

Long-Term Debt Maturities

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

Year ending	General Long-Term Debt		Business Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
2016	45,000	79,100	50,000	42,294	216,394
2017	50,000	77,200	50,000	39,600	216,800
2018	50,000	75,100	55,000	36,906	217,006
2019	55,000	73,000	55,000	33,913	216,913
2020	60,000	70,700	60,000	30,919	221,619
2021	60,000	68,200	60,000	27,669	215,869
2022	65,000	65,700	65,000	24,419	220,119
2023	65,000	63,000	70,000	20,913	218,913
2024	70,000	60,300	75,000	17,106	222,406
2025	75,000	57,300	75,000	13,044	220,344
2026	80,000	54,100	80,000	8,981	223,081
2027	85,000	50,700	85,000	4,619	225,319
2028	80,000	47,100			127,100
2029	85,000	42,300			127,300
2030	90,000	37,200			127,200
2031	95,000	31,800			126,800
2032	100,000	26,100			126,100
2033	105,000	20,100			125,100
2034	110,000	13,800			123,800
2035	120,000	7,200			127,200
Total	$ 1,545,000	$ 1,020,000	$ 780,000	$ 300,383	$ 3,645,383

NOTE 7 - 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 8- 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.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City of Margaret. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their average final salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on a elective basis to all cities, counties, towns and quasi-public organizations. The responsibility for general administration and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 236-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-Of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150 or online at www.rsa-al.gov.

In accordance with state statutes, City employees, other than police officers, are required to contribute 5 percent of their annual compensation to the Retirement System. Effective January 1, 2001, certified full time police officers contributed 6% of eligible wages. The City is required to contribute the remaining amounts necessary to fund RSA, using the "entry age" actuarial method as specified by state statutes, currently 10.87% of covered wages. For employees hired after January 1, 2013, the City contributes 8.57% of covered wages and employees contribute 6% except for police officers where the contribution rate is 7%.

NOTE 8 - PENSION PLAN - continued

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

	Target Allocation	Long-Term Expected Rate of Return *
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%

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

The auditor's report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompany notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

For the year ended September 30, 2015, the City of Margaret recognized pension expense of $58,590 and deferred outflows and inflows of resources related to pensions which were calculated as follows:

NOTE 8 - PENSION PLAN - continued

Pension Expense Calculation

Service Cost	$ 35,907
Interest on the total pension liability	29,577
Member contributions	(17,464)
Projected earnings on plan investments	(34,863)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(3,485)
Transfers among employers	48,918
Pension Expense	$ 58,590

Deferred Inflows and Outflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments		13,940
Employer contributions subsequent to measurement date	8,261	
Total	8,261	13,940

The Plan experienced earnings in excess of the assumed rate in the amount of $17,425 for the year ended September 30, 2014 and these excess earnings are being amortized over a five year period beginning in the year ended September 30, 2015 at the rate of $3,485 per year.

NOTE 9 - INTER-FUND RECEIVABLES AND PAYABLES

At September 30, 2015, inter-fund receivables and payables consist of the following:

General Fund		
Due from Gas Tax Fund	4,689	
Due to Fire Tax Fund	668	1,165
Capital Improvements		
Due from Street Fund	19,678	
Street Fund		
Due to Capital Improvements		19,678
Gas Tax Fund		
Due to General Fund		4,689
Fire Tax Fund		
Due from General Fund	1,165	
Due to General Fund		668
	$ 26,200	$ 26,200

NOTE 10- 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	$ 4,024	$ 10,615	$ 96,469
Special revenue accounts	348,560	-	-
Due from other funds	-	$ 5,357	-
Customer deposits	-	-	917
Total restricted assets	$ 352,584	$ 15,972	$ 97,386

NOTE 11 - 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	1,224	$ 545,293	Minimum Units per 1,000 units -	
			2,000	$14.75
			4,000	5.50
			6,000	7.40
			0	6.00
Commercial	18	17,884	Minimum Units per 1,000 units -	
			2,500	$26.00
			10,000	3.00
	1,242	$ 563,177	12,000	2.50
			0	1.95

NOTE 12 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2015 were as follows:

Mr. Isaac Howard III, Mayor
Mr. James Chapman, Council Member
Mr. Charles Hicks, Council Member
Mr. Daryl McIntyre, Council Member
Mr. Stephen Perry, Council Member
Mrs. Bonnie Voss, Council Member

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MARGARET, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
SEPTEMBER 30, 2015

Total Pension Liability	
Service Cost	35,907
Interest	29,577
Benefit payments including refunds of employee contributions	(11,991)
Net Change In Total Pension Liability	53,493
Total Pension Liability, Beginning of Year	375,714
Total Pension Liability, End of Year	429,207
Plan Fiduciary Net Position	
Contributions - Employer	21,662
Contributions - Employee	17,464
Net Investment Income	52,288
Benefit payments including refunds of employee contributions	(11,991)
Transfers among employers	(48,918)
Net Change in Plan Fiduciary Net Position	30,505
Plan Net Position, Beginning of Year	446,678
Plan Net Position, End of Year	477,183
Net Pension Liability (Asset), End of Year	(47,976)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	111.18%
Covered Employee Payroll	341,873
Net Pension Liability as a Percentage of Covered Employee Payroll	(14.03)%

CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2015

Actuarially Determined Contribution	8,261
Contributions in relation to the actuarially determined contribution	8,261
Contribution deficiency (excess)	-
Covered employee payroll	341,873
Contributions as a percentage of covered employee payroll	2.42%

Notes to Schedule
Actuarially determined contribution rates are calculated as of September 30 two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75% to 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expensee, including inflation

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

CITY OF MARGARET, ALABAMA
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SEPTEMBER 30, 2016

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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, 2016, and the related notes to the financial statements of the governmental 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 530
Birmingham, AL 35209

P. 205.879.3292
F. 205.879.3295

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, 2016 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 22, 2016

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2016

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, 2016. 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, and 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. In prior years the City also operated a garbage pick-up service but this was turned over to a private company during the previous year.

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.

	Governmental Type Activities		
	2016 Amount	2015 Amount	Increase/ (Decrease)
Current assets	$ 524,237	$ 588,271	$ (64,034)
Capital assets	14,093,042	14,156,924	(63,882)
Net pension asset	-	29,614	(29,614)
Total assets	14,617,279	14,774,809	(157,530)
Deferred outflows of resources	22,156	5,099	17,057
	$ 14,639,435	$ 14,779,908	$ (140,473)
Current liabilities	$ 78,688	$ 92,638	$ (13,950)
Non-current liabilities	1,470,023	1,498,858	(28,835)
Total liabilities	1,548,711	1,591,496	(42,785)
Deferred inflows of resources	-	8,605	(8,605)
Net position			
Invested in capital assets	12,593,042	12,581,538	11,504
Restricted	259,367	352,584	(93,217)
Unrestricted	238,315	245,685	(7,370)
	13,090,724	13,179,807	(89,083)
Total liabilities, deferred inflows of resources and net position	$ 14,639,435	$ 14,779,908	$ (140,473)

	Business Type Activities		
	2016 Amount	2015 Amount	Increase/ (Decrease)
Current assets	$ 516,164	$ 412,235	$ 103,929
Capital assets	1,493,838	1,539,836	(45,998)
Net pension asset	-	18,362	(18,362)
Total assets	2,010,002	1,970,433	39,569
Deferred outflows of resources	10,436	3,162	7,274
	$ 2,020,438	$ 1,973,595	$ 46,843
Current liabilities	$ 164,802	$ 154,731	$ 10,071
Non-current liabilities	689,518	735,428	(45,910)
Total liabilities	854,320	890,159	(35,839)
Deferred inflows of resources	-	5,335	(5,335)
Net position			
Net investment in capital assets	763,838	759,836	4,002
Restricted	91,838	97,386	(5,548)
Unrestricted	310,442	220,879	89,563
	1,166,118	1,078,101	88,017
Total liabilities, deferred inflows of resources and net position	$ 2,020,438	$ 1,973,595	$ 46,843

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

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 on page 18. 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, 2016 and 2015.

	2016 Amount	2015 Amount	Increase/ Decrease
Revenues			
Program revenues	$ 48,376	$ 158,892	$ (110,516)
Taxes and license	757,234	682,682	74,552
Investment earnings	16	20	(4)
Other	32,874	28,990	3,884
	838,500	870,584	(32,084)
Expenditures			
Administrative	480,572	374,860	105,712
Police	251,476	247,769	3,707
Fire	140,960	138,882	2,078
Public works	10,248	10,011	237
Interest	79,627	80,929	(1,302)
Transfers - net	(35,300)	(83,611)	48,311
	927,583	768,840	158,743
Change in net position	$ (89,083)	$ 101,744	$ (190,827)

BUSINESS ACTIVITIES	2016 Amount	2015 Amount	Increase/ Decrease
Revenues			
Charges for services	$ 654,609	$ 880,783	(226,174)
	654,609	880,783	(226,174)
Operating expenses			
Cost of water and garbage service	108,153	225,121	(116,968)
Salaries	122,439	117,955	4,484
Depreciation	79,645	74,081	5,564
Insurance	43,276	35,235	8,041
Utilities	14,825	13,214	1,611
Repairs	16,201	27,131	(10,930)
Other operating expenses	107,518	103,570	3,948
	492,057	596,307	(104,250)
Operating income	162,552	284,476	(121,924)
Non-operating income (expenses)	(74,535)	(130,454)	55,919
Change in net position	$ 88,017	$ 154,022	$ (66,005)

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2016 and 2015.

Revenues	2016 Amount	2015 Amount	Increase/ Decrease
Governmental Revenues			
Taxes	$ 364,644	$ 367,939	$ (3,295)
Licenses and permits	170,478	183,460	(12,982)
Intergovernmental	224,567	236,239	(11,672)
Fines and forfeitures	41,304	47,819	(6,515)
Loan proceeds and other	36,827	51,844	(15,017)
Total governmental revenues	837,820	887,301	(49,481)
Expenditures			
Governmental Expenditures			
General government	335,314	313,915	21,399
Public safety	332,425	326,173	6,252
Streets, sanitation and parks	104,221	24,786	79,435
Debt service and capital outlays	161,402	161,253	149
Transfers - net	(35,300)	(83,611)	48,311
Total governmental expenditures	898,062	742,516	155,546
Excess revenues	$ (60,242)	$ 144,785	$(205,027)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2016, the City had $19,407,024 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 just over $121,000 from 2015.

	Government Activities		Business Activities	
	2016	2015	2016	2015
Land	$ 390,432	$ 390,432	$ -	$ -
Buildings	383,657	274,539	1,878	1,878
Automotive	381,183	347,979	89,429	89,429
Equipment and furniture	463,497	463,497	39,557	39,557
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant	-	-	2,605,696	2,626,863
	$ 16,670,464	$ 16,528,142	$ 2,736,560	$ 2,757,727

Total investment for 2016	$ 19,407,024

Debt

As of September 30, 2016, the City had $1,500,000 in outstanding bonds and notes payable versus $1,545,000 last year. That is a decrease of $45,000. As of September 30, 2016, the water department had $730,000 in outstanding bonds and notes payable versus $780,000 last year, a decrease of $50,000.

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 2017.

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, 2016

	Primary Government		
	Governmental Activities	Business Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 228,233	$ 232,846	$ 461,079
Receivables (net)	20,575	73,919	94,494
Inventories	-	26,096	26,096
Prepaid expenses	9,629	6,975	16,604
	258,437	339,836	598,273
Restricted Assets:			
Cash and cash equivalents	265,800	176,328	442,128
Total current assets	265,800	176,328	442,128
Capital Assets:			
Non-depreciable	390,432	-	390,432
Depreciable	13,702,610	1,493,838	15,196,448
Total capital assets	14,093,042	1,493,838	15,586,880
Total assets	14,617,279	2,010,002	16,627,281
Deferred outflows of resources	22,156	10,436	32,592
Total assets and deferred outflows of resources	$ 14,639,435	$ 2,020,438	$16,659,873

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	$ 24,732	$ 27,834	$ 52,566
Internal balances	(2,478)	2,478	-
Current Liabilities Payable from Restricted Assets:			
Customer deposits	-	81,190	81,190
Current maturities of long term debt	50,000	50,000	100,000
Interest payable	6,433	3,300	9,733
Total current liabilities	78,687	164,802	243,489
Non-Current Liabilities:			
Bonds payable	1,500,000	730,000	2,230,000
Net pension liability	7,467	4,090	11,557
Accrued compensated absences	12,557	5,428	17,985
Less current maturities	(50,000)	(50,000)	(100,000)
Total non-current liabilities	1,470,024	689,518	2,159,542
Total liabilities	1,548,711	854,320	2,403,031
Deferred inflows of resources	-	-	-
Net Position			
Invested in capital assets (net of related debt)	12,593,042	763,838	13,356,880
Restricted net position	259,367	91,838	351,205
Unrestricted assets	238,315	310,442	548,757
Total net position	13,090,724	1,166,118	14,256,842
Total liabilities, deferred inflow of resources and net position	$ 14,639,435	$ 2,020,438	$16,659,873

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Function/Program Activities							
Primary Government:							
Governmental Activities:							
General government	$ 480,572	$ -	$ 3,672	$ -	$ (476,900)	$ -	$ (476,900)
Police and courts	251,476	42,459	-	-	(209,017)	-	(209,017)
Fire	140,960	-	2,245	-	(138,715)	-	(138,715)
Parks and recreation	10,248	-	-	-	(10,248)	-	(10,248)
Interest on long-term debt	79,627	-	-	-	(79,627)	-	(79,627)
Total governmental activities	962,883	42,459	5,917	-	(914,507)	-	(914,507)
Business Type Activities:							
Water Department	-	-	-	-	-	167,377	167,377
Interest Expense	-	-	-	-	-	(44,060)	(44,060)
Total business type activities	-	-	-	-	-	123,317	123,317
Total primary government	$ 962,883	$ 42,459	$ 5,917	$ -	(914,507)	123,317	(791,190)
General Revenues:							
Taxes:							
Ad valorem taxes					138,725	-	138,725
Sales tax					225,410	-	225,410
Gas tax					29,558	-	29,558
Other taxes					194,993	-	194,993
Licenses and permits					168,548	-	168,548
Investment earnings					16	-	16
Miscellaneous					32,874	-	32,874
Transfers (net)					35,300	(35,300)	-
Total general revenues and transfers					825,424	(35,300)	790,124
Change in Net Position from activities					(89,083)	88,017	(1,066)
Net position, beginning of year					13,179,807	1,078,101	14,257,908
Net position, end of year					$ 13,090,724	$1,166,118	$ 14,256,842

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Special Revenue Funds	Total Governmental Funds
Assets and Other Debits			
Assets:			
Cash and cash equivalents	$ 228,233	$ -	$ 228,233
Receivables			
Taxes	19,224	1,351	20,575
Due from other funds	8,913	22,432	31,345
Prepaid expenses	8,867	762	9,629
Restricted assets:			
Cash and cash equivalents	10,638	255,162	265,800
Total assets	$ 275,875	$ 279,707	$ 555,582
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued liabilities	$ 24,732	$ -	$ 24,732
Due to other funds	5,290	23,577	28,867
Total liabilities	30,022	23,577	53,599
Fund Balances:			
Non-spendable	8,867	762	9,629
Reserved	19,551	255,368	274,919
Unreserved, undesignated	217,435	-	217,435
Total equity and other credits	245,853	256,130	501,983
Total liabilities and fund balance	$ 275,875	$ 279,707	$ 555,582

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
SEPTEMBER 30, 2016

Fund Balance - Total Government Funds	$ 501,983
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	14,093,042
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.	(6,433)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(1,500,000)
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	(12,557)
Net pension fund liability is not realizable in the current period and therefore this liability is not reported in the governmental funds balance sheet	(7,467)
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	22,156
Net Position of Governmental Activities	$ 13,090,724

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, 2016

	General	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	$ 364,644	$ -	$ 364,644
Licenses and permits	170,478	-	170,478
Intergovernmental	25,382	199,185	224,567
Fines and forfeitures	36,792	4,512	41,304
Interest	36,814	-	36,814
Other	-	13	13
Total revenues	634,110	203,710	837,820
Expenditures:			
Current operations:			
General government	182,180	153,134	335,314
Public safety	292,521	39,904	332,425
Streets, sanitation and parks	-	104,221	104,221
Total current operations	474,701	297,259	771,960
Capital outlays	36,617	-	36,617
Debt service:			
Principal	45,000	-	45,000
Interest and fiscal charges	79,785	-	79,785
Total expenditures	636,103	297,259	933,362
Excess (deficiency) of revenues over (under) expenditures	(1,993)	(93,549)	(95,542)
Other Financing Sources:			
Operating transfers in	35,300	-	35,300
Total other financing sources	35,300	-	35,300
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	33,307	(93,549)	(60,242)
Fund balances, beginning	212,546	349,679	562,225
Fund balances, ending	$ 245,853	$ 256,130	$ 501,983

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, 2016

Net change in fund balances - total governmental funds	$ (60,242)
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.	143,368
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	45,000
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.	1,301
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, deprecation expense is not reported as an expenditure in governmental funds.	(207,250)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds. This is the change in accrued interest from the prior to the current year	160
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	(11,420)
Change in net position of governmental activities	$ (89,083)

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

Assets	
Current Assets:	
Cash and cash equivalents	$ 232,846
Receivables	
Customer accounts (less allowance for doubtful accounts of $4,000)	73,919
Inventories	26,096
Prepaid expenses	6,975
Total current assets	339,836
Property, Plant and Equipment:	
Capital assets net of depreciation	2,736,561
Less accumulated depreciation	1,242,723
	1,493,838
Restricted Assets:	
Trust and construction funds	100,007
Customer deposits	76,321
	176,328
Total Assets	2,010,002
Deferred Outflows of Resources	10,436
Total Assets and Deferred Outflows of Resources	$ 2,020,438

Liabilities and Net Position

Current Liabilities:	
Accounts payable	$ 27,834
Internal accounts	2,478
Total current liabilities (payable from current assets)	30,312
Current Liabilities (Payable from Restricted Assets):	
Meter deposits	81,190
Current maturities of long-term debt	50,000
Accrued interest	3,300
Total current liabilities (payable from restricted assets)	134,490
Total current liabilities	164,802
Non-Current Liabilities:	
Bonds payable	730,000
Net pension liability	4,090
Compensated absences	5,428
Less current maturities	(50,000)
Total non-current liabilities	689,518
Total liabilities	854,320
Deferred Inflows of Resources	-
Net Position:	
Restricted	91,838
Net investments in capital assets	763,838
Unrestricted	310,442
Total net position	1,166,118
Total liabilities, deferred inflow of resources and net position	$ 2,020,438

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Amount	% of Revenue
Operating Revenues		
Water sales and services	$ 659,434	100.0
Total operating revenues	659,434	100.0
Operating Expenses		
Salaries and wages	122,439	18.6
Cost of services	108,153	16.4
Depreciation	79,645	12.1
Insurance	43,276	6.5
Materials and supplies	41,759	6.3
Repairs and maintenance	16,201	2.5
Testing and professional fees	15,347	2.3
Office expense	15,133	2.3
Utilities	14,825	2.2
Retirement	11,367	1.7
Fuel	10,401	1.6
Payroll taxes	9,367	1.4
Other expenses	4,144	0.6
Total operating expenses	492,057	74.5
Operating income	167,377	25.5
Nonoperating Income (Expenses)		
Operating transfers	(35,300)	(5.4)
Interest expense	(44,060)	(6.7)
Total nonoperating income (expenses)	(74,535)	(12.1)
Change in net position	88,017	13.4
Net position, beginning of year	1,078,101	
Net position, end of year	$1,166,118	

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
- WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Cash Flows from Operating Activities:	
Cash received from customers	$ 663,039
Cash paid to suppliers	(273,867)
Cash paid to employees	(122,439)
Net cash provided by operating activities	266,733
Cash Flows from Non-capital Financing Activities:	
Operating transfers	(35,300)
Net cash (used) by non-capital financing activities	(35,300)
Cash Flows for Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(33,647)
Repayment of indebtedness	(50,000)
Interest paid on capital and related financing activities	(44,285)
Net cash used by capital and related financing activities	(127,932)
Cash Flows from Investing Activities:	
Interest received on investments	-
Net cash provided by investing activities	-
Net increase in cash and cash equivalents	103,501
Cash and cash equivalents, beginning of year	305,673
Cash and cash equivalents, end of year	$ 409,174
Unrestricted cash	$ 232,846
Restricted cash	176,328
	$ 409,174
Reconciliation of Operating Income to Net Cash Provided by Operations:	
Operating income	$ 167,377
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	79,645
Bad debts	-
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(2,080)
Decrease in inventories and prepayments	949
Increase in accounts payable and accrued expenses	5,314
Increase in customer deposits	5,685
Increase in pension liabilities	9,843
Net cash provided by operations	$ 266,733

See Independent Accountants' Report and notes to the financial statements

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 also appoints the members of several 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 Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. 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 five generic fund types for financial statement presentation purposes. Governmental funds include the general, special revenue and capital projects 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 statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The government-wide statement of activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each governmental program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues.

The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City. Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their use.

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.

GOVERNMENTAL FUNDS

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Enterprise Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City is 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 litertations 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 proceeds of the City's general obligation warrants, as well as certain resources set aside for general obligation warrant repayment, 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. Also, certain special revenue funds are restricted in their use.

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 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 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

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. These rates for employees hired prior to January 1, 2013, required a payment of 5.27% of covered compensation by the employer and 5% from employees except police officers where the contribution rate is 6%. For employees coming into the plan after January 1, 2013, The City contributed .39% of covered compensation and employees contributed 6% except for police officers who contribute 7%.

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 pension expense resulting from contributions made after the liability measurement date, for plan earnings which were less than actuarial projections and for difference between actual and expected experiences. The short fall in earnings and experiences are recognized over a five year period.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 no inflows of resources at year end.

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.

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.

NOTE 3 - RECEIVABLES

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

	Governmental Funds	Enterprise Fund	Total
Receivables:			
Taxes:			
Sales and use tax	$ 16,691	$ -	$ 16,691
Telephone tax	1,438	-	1,438
Beer and tobacco tax	594	-	594
Intergovernmental:			
Other	1,852	-	1,852
Accounts:			
Water service	-	77,919	77,919
Gross receivables	20,575	77,919	98,494
Less: allowance for uncollectibles	-	4,000	4,000
Net total receivables	$ 20,575	$ 73,919	$ 94,494

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2016, was as follows:

	Beginning Balance Oct. 1, 2015	Additions	Retirements	Ending Balance Sept. 30, 2016
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 390,432	-	-	$ 390,432
Total capital assets, not being depreciated	390,432	-	-	390,432
Capital assets, being depreciated:				
Buildings	274,539	110,164	1,046	383,657
Automotive equipment	347,979	33,204	-	381,183
Equipment and furniture	463,497	-	-	463,497
Streets and roads	15,051,695	-	-	15,051,695
Total capital assets, being depreciated	16,137,710	143,368	1,046	16,280,032
Less accumulated depreciation	2,371,218	207,250	1,046	2,577,422
Net capital assets, being depreciated	13,766,492	(63,882)	-	13,702,610
Governmental activities, net capital assets	$ 14,156,924	$ (63,882)	$ -	$ 14,093,042
Depreciation was charged to City functions as follows:				
General government				$ 162,746
Police				14,221
Fire				20,273
Public works				10,010
Total governmental activities depreciation expense				$ 207,250
Business type activities				
Buildings	$ 1,878	$ -	$ -	$ 1,878
Vehicles	89,429	-	-	89,429
Utility plant & equipment	2,626,863	33,646	54,813	2,605,696
Heavy equipment	14,218	-	-	14,218
Furniture & office equipment	25,339	-	-	25,339
Total capital assets, business type activities	2,757,727	33,646	54,813	2,736,560
Less accumulated depreciation	1,217,891	79,645	54,813	1,242,723
Net capital assets, business type activities	$ 1,539,836	$ (45,999)	$ -	$ 1,493,837
Depreciation was charged to functions as follows:				
Water Department				$ 79,645

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. General obligation warrants have been issued for general government financing and revenue bonds have been issued by the proprietary fund. These warrants are reported in the proprietary fund since they are to be repaid from proprietary fund revenues. In addition, general obligation warrants have been issued to refund other general obligation warrants. General obligation warrants are direct obligations and pledge the full faith and credit of the City.

There are certain restrictions and covenants in the water revenue bond indentures that the water department is not in compliance with. The bond holder has been notified of these exceptions.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

Governmental Activities	Balance 9-30-15	Issued	Retired	Balance 9-30-16
6% general obligation warrants - Series 2002 issued 9-01-02 in the amount of $125,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	$ 80,000	$ -	$ 5,000	$ 75,000
4% general obligation warrants - Series 2007 issued 10-25-07 in the amount of $945,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	680,000	-	40,000	640,000
6% general obligation warrants - Series 2009 issued 2-27-09 in the amount of $785,000, maturing 9-01-35 interest payment date March and September with first principal payment due in September 2028	785,000	-	-	785,000
Governmental funds total	1,545,000	-	45,000	1,500,000
Business Type Activities				
6% General obligation warrants - Series 2002	265,000	-	15,000	250,000
4% Water revenue warrants - Series 2007	515,000	-	35,000	480,000
Business type activities total	780,000	-	50,000	730,000
Grand total of long-term debt	$2,325,000	$ -	$ 95,000	$2,230,000

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

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

Year ending	General Long-Term Debt		Business Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
2017	$ 50,000	$ 77,200	$ 50,000	$ 39,600	$ 216,800
2018	50,000	75,100	55,000	36,906	217,006
2019	55,000	73,000	55,000	33,913	216,913
2020	60,000	70,700	60,000	30,919	221,619
2021	60,000	68,200	60,000	27,669	215,869
2022-2026	355,000	300,400	365,000	84,463	1,104,863
2027-2031	435,000	209,100	85,000	4,619	733,719
Remaining	435,000	67,200	-	-	502,200
Total	$ 1,500,000	$ 940,900	$ 730,000	$ 258,089	$ 3,428,989

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.

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 disbility 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 Legistlature 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 elegible 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, servcie credit, employment status and eligibility for retirement.

NOTE 7 - PENSION PLAN - continued

The ERS services appoximately 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, 2015, membership from the City of Margaret consisted of:

Retirees and beneficiaries currently receiving benefits	3
Terminated employes entitled to but not yet receiving benefits	1
Terminated employees not entitled to a benefit	3
Active Members	19
Total	26

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, 2016 active employee contribution rate was 5.12% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.78% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 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 memebers during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were $7,371 for the year ended September 30, 2016.

NOTE 7 - PENSION PLAN - continued

B. Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to caculate the net pension liability was deteremined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

		Expected	Actual
Total pension liability, September 30, 2014	(a)	429,207	440,737
Entry Age Normal Cost for October 1, 2013-September 30, 2014	(b)	36,757	36757
Actual Benefit Payments and Refunds for October 1, 2013 – September 30, 2014	©	(36,780)	(36,780)
Total Pension Liability, as of September 30, 2014 (d) = ((a) x (1.08)) + (b) – (© x (1.04))	(d)	462,049	474,502
Difference between Expected and Actual Experience (Gain)/Loss			$ (12,453)

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

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

*Net of pension plan investment expense

NOTE 7 - PENSION PLAN - continued

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

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	**100.00%**	

*Includes assumed rate of inflation of 2.50%

NOTE 8 - PENSION PLAN - continued

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance as September 30, 2014	$ 429,207	$ 477,183	$ (47,976)
Changes for the year:			
Service Cost	36,757	-	36,757
Interest	32,865	-	32,865
Changes of assumptions			
Difference between expected and actual experience	12,453	-	12,453
Contributions - employer	-	7,238	(7,238)
Contributions - employee	-	16,130	(16,130)
Net investment income	-	5,544	(5,544)
Benefit payments, including refunds of employee contributions	(36,780)	(36,780)	-
Transfers Among Employers	-	(6,370)	6,370
Net Change	45,295	(14,238)	59,533
Balance at September 30, 2015	$ 474,502	$ 462,945	$ 11,557

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

	1% Decrease (7%)	Current Rate (8%)	1% Increases (9%)
Board's net pension liability	$ 73,932	$ 11,557	$ (40,525)

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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report 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, 2016 the City recognized pension expense of $27,167. At September 30, 2016, 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	10,648	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	15,016	-
Employer contributions subsequent to measurement date	6,928	-
Total	32,592	-

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

Year ended September 30:	
2017	$ 11,616
2018	4,688
2019	4,688
2020	8,172
2021	1,805
Thereafter	1,623
	$ 32,592

NOTE 8 - INTER-FUND RECEIVABLES AND PAYABLES

At September 30, 2016, inter-fund receivables and payables consist of the following:

General Fund		
Due from Gas Tax Fund	5,124	
Due from Fire Tax Fund	668	
Due from Water and Public Works	2,478	
Due to Fire Tax Fund		4,586
Capital Improvements		
Due from Street Fund	19,678	
Street Fund		
Due to Capital Improvements		19,678
Gas Tax Fund		
Due to General Fund		5,124
Fire Tax Fund		
Due from General Fund	4,586	
Due to General Fund		668
Water and Public Works		
Due to General Fund		2,478
	$ 32,534	$ 32,534

NOTE 9- 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	$ 4,024	$ 10,638	$ 91,838
Special revenue accounts	255,343	-	-
Due from other funds	-	$ 8,913	-
Total restricted assets	$ 259,367	$ 19,551	$ 91,838

NOTE 10 - 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	1,337	$ 568,198	Minimum Units per 1,000 units -	
			2,000	$14.75
			4,000	5.50
			6,000	7.40
			0	6.00
Commercial	20	18,635	Minimum Units per 1,000 units -	
			2,500	$26.00
			10,000	3.00
	1,357	$ 586,833	12,000	2.50
			0	1.95

NOTE 11 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2016 were as follows:

Mr. Isaac Howard III, Mayor
Mr. James Chapman, Council Member
Mr. Charles Hicks, Council Member
Mr. Daryl McIntyre, Council Member
Mr. Stephen Perry, Council Member
Mrs. Bonnie Voss, Council Member

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
SEPTEMBER 30, 2016

Total Pension Liability	**2016**	**2015**
Service Cost	36,757	35,907
Interest	32,865	29,577
Difference between expected and actual experience	12,453	-
Benefit payments including refunds of employee contributions	(36,780)	(11,991)
Net Change In Total Pension Liability	45,295	53,493
Total Pension Liability, Beginning of Year	429,207	375,714
Total Pension Liability, End of Year	474,502	429,207
Plan Fiduciary Net Position		
Contributions - Employer	7,238	21,662
Contributions - Employee	16,130	17,464
Net Investment Income	5,544	52,288
Benefit payments including refunds of employee contributions	(36,780)	(11,991)
Transfers among employers	(6,370)	(48,918)
Net Change in Plan Fiduciary Net Position	(14,238)	30,505
Plan Net Position, Beginning of Year	477,183	446,678
Plan Net Position, End of Year	462,945	477,183
Net Pension Liability (Asset), End of Year	11,557	(47,976)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.6%	111.18%
Covered Employee Payroll	341,873	339,393
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	3.4%	(14.14)%

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2016

	2016	2015
Actuarially Determined Contribution	7,371	8,261
Contributions in relation to the actuarially determined contribution	7,371	8,261
Contribution deficiency (excess)	-	-
Covered employee payroll	355,480	341,873
Contributions as a percentage of covered employee payroll	2.07%	2.42%

Notes to Schedule
Actuarially determined contribution rates are calculated as of September 30 two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016and 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increases	3.75% to 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expensee, including inflation

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

CITY OF MARGARET, ALABAMA
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SEPTEMBER 30, 2017

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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, 2017, and the related notes to the financial statements of the governmental 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 530
Birmingham, AL 35209

P. 205.879.3292
F. 205.879.3295

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, 2017 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.

Cook, Hill & Company, L.L.C.

Birmingham, Alabama
December 20, 2017

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2017

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, 2017. 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.

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.

	Governmental Type Activities		
	2017 Amount	2016 Amount	Increase/ (Decrease)
Current assets	$ 771,905	$ 524,237	$ 247,668
Capital assets	13,958,314	14,093,042	(134,728)
Total assets	14,730,219	14,617,279	112,940
Deferred outflows of resources	111,592	22,156	89,436
	$ 14,841,811	$ 14,639,435	$ 202,376
Current liabilities	$ 103,219	$ 78,688	$ 24,532
Non-current liabilities	1,519,928	1,470,023	49,904
Total liabilities	1,623,147	1,548,711	74,436
Deferred inflows of resources	-	-	-
Net position			
Invested in capital assets	12,508,314	12,593,042	(84,728)
Restricted	233,968	259,367	(25,399)
Unrestricted	476,382	238,315	238,067
	13,218,664	13,090,724	127,940
Total liabilities, deferred inflows of resources and net position	$ 14,841,811	$ 14,639,435	$ 202,376

	Business Type Activities		
	2017 Amount	2016 Amount	Increase/ (Decrease)
Current assets	$ 504,836	$ 516,164	$ (11,328)
Capital assets	1,522,910	1,493,838	29,072
Total assets	2,027,746	2,010,002	17,744
Deferred outflows of resources	57,180	10,436	46,744
	$ 2,084,926	$ 2,020,438	$ 64,488
Current liabilities	$ 185,880	$ 164,802	$ 21,078
Non-current liabilities	683,254	689,518	(6,264)
Total liabilities	869,134	854,320	14,814
Deferred inflows of resources	-	-	-
Net position			
Net investment in capital assets	842,910	763,838	79,072
Restricted	84,057	91,838	(7,781)
Unrestricted	288,825	310,442	(21,617)
	1,215,792	1,166,118	49,674
Total liabilities, deferred inflows of resources and net position	$ 2,084,926	$ 2,020,438	$ 64,488

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.

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'S REVENUES

The following schedule presents a comparative summary of government-wide revenues and expenditures for the years ended September 30, 2017 and 2016.

	2017 Amount	2016 Amount	Increase/ Decrease
Revenues			
Program revenues	$ 73,812	$ 48,376	$ 25,436
Taxes and license	817,453	757,234	60,219
Investment earnings	156	16	140
Other	65,144	32,874	32,270
	956,565	838,500	118,065
Expenditures			
Administrative	476,895	480,572	(3,677)
Police	262,809	251,476	11,333
Fire	164,978	140,960	24,018
Public works	10,010	10,248	(238)
Interest	78,187	79,627	(1,440)
Transfers - net	(164,254)	(35,300)	(128,954)
	828,625	927,583	(98,958)
Change in net position	$ 127,940	$ (89,083)	$ 217,023

BUSINESS ACTIVITIES	2017 Amount	2016 Amount	Increase/ Decrease
Revenues			
Charges for services	$ 737,128	$ 654,609	82,519
	737,128	654,609	82,519
Operating expenses			
Cost of water and garbage service	104,888	108,153	(3,265)
Salaries	128,025	122,439	5,586
Depreciation	73,013	79,645	(6,632)
Insurance	45,638	43,276	2,362
Utilities	11,371	14,825	(3,454)
Repairs	23,452	16,201	7,251
Other operating expenses	97,294	107,518	(10,224)
	483,681	492,057	(8,376)
Operating income	253,447	162,552	90,895
Non-operating income (expenses)	(203,773)	(74,535)	(129,238)
Change in net position	$ 49,674	$ 88,017	$ (38,343)

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2017 and 2016.

Revenues	2017 Amount	2016 Amount	Increase/ Decrease
Governmental Revenues			
Taxes	$ 444,092	$ 364,644	$ 79,448
Licenses and permits	227,162	170,478	56,684
Intergovernmental	168,501	224,567	(56,066)
Fines and forfeitures	67,757	41,304	26,453
Loan proceeds and other	48,736	36,827	11,909
Total governmental revenues	956,248	837,820	118,428
Expenditures			
Governmental Expenditures			
General government	288,689	335,314	(46,625)
Public safety	377,501	332,425	45,076
Streets, sanitation and parks	29,495	104,221	(74,726)
Debt service and capital outlays	201,862	161,402	40,460
Transfers - net	(164,254)	(35,300)	(128,954)
Total governmental expenditures	733,293	898,062	(164,769)
Excess revenues	$ 222,955	$ (60,242)	$ 283,197

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the City had $19,502,905 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 $95,881 from 2016.

	Government Activities		Business Activities	
	2017	2016	2017	2016
Land	$ 390,432	$ 390,432	$ -	$ -
Buildings	383,657	383,657	1,878	1,878
Automotive	376,511	381,183	92,897	89,429
Equipment and furniture	488,294	463,497	39,557	39,557
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant		-	2,677,984	2,605,696
	$ 16,690,589	$ 16,670,464	$ 2,812,316	$ 2,736,560

Total investment for 2017	$ 19,502,905

Debt

As of September 30, 2017, the City had $1,450,000 in outstanding bonds and notes payable versus $1,500,000 last year. That is a decrease of $50,000. As of September 30, 2017, the water department had $680,000 in outstanding bonds and notes payable versus $730,000 last year, a decrease of $50,000.

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 2018.

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, 2017

	Primary Government		
	Governmental Activities	Business Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 466,283	$ 209,792	$ 676,075
Receivables (net)	25,742	76,469	102,211
Inventories	-	28,470	28,470
Prepaid expenses	10,724	5,314	16,038
	502,749	320,045	822,794
Restricted Assets:			
Cash and cash equivalents	269,156	184,791	453,947
Total current assets	771,905	504,836	1,276,741
Capital Assets:			
Non-depreciable	390,432	-	390,432
Depreciable	13,567,882	1,522,910	15,090,792
Total capital assets	13,958,314	1,522,910	15,481,224
Total assets	14,730,219	2,027,746	16,757,965
Deferred outflows of resources	111,592	57,180	168,772
Total assets and deferred outflows of resources	$ 14,841,811	$ 2,084,926	$16,926,737

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	$ 49,439	$ 27,668	$ 77,107
Internal balances	(2,478)	2,478	-
Current Liabilities Payable from Restricted Assets:			
Customer deposits	-	97,658	97,658
Current maturities of long term debt	50,000	55,000	105,000
Interest payable	6,258	3,076	9,334
Total current liabilities	103,219	185,880	289,099
Non-Current Liabilities:			
Bonds payable	1,450,000	680,000	2,130,000
Net pension liability	103,255	52,754	156,009
Accrued compensated absences	16,673	5,500	22,173
Less current maturities	(50,000)	(55,000)	(105,000)
Total non-current liabilities	1,519,928	683,254	2,203,182
Total liabilities	1,623,147	869,134	2,492,281
Deferred inflows of resources			
Net Position			
Invested in capital assets	12,508,314	842,910	13,351,224
Restricted net position	233,968	109,697	343,665
Unrestricted assets	476,382	263,185	739,567
Total net position	13,218,664	1,215,792	14,434,456
Total liabilities, deferred inflow of resources and net position	$ 14,841,811	$ 2,084,926	$16,926,737

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Function/Program Activities							
Primary Government:							
Governmental Activities:							
General government	$ 476,895	$ -	$ 1,868	$ -	$ (475,027)	$ -	$ (475,027)
Police and courts	262,809	68,947	-	-	(193,862)	-	(193,862)
Fire	164,978	-	2,997	-	(161,981)	-	(161,981)
Parks and recreation	10,010	-	-	-	(10,010)	-	(10,010)
Interest on long-term debt	78,187	-	-	-	(78,187)	-	(78,187)
Total governmental activities	992,879	68,947	4,865	-	(919,067)	-	(919,067)
Business Type Activities:							
Water Department	-	-	-	-	-	253,447	253,447
Interest Expense	-	-	-	-	-	(39,519)	(39,519)
Total business type activities	-	-	-	-	-	213,928	213,928
Total primary government	$ 992,879	$ 68,947	$ 4,865	$ -	(919,067)	213,928	(705,139)
General Revenues:							
Taxes:							
Ad valorem taxes					147,764	-	147,764
Sales tax					295,270	-	295,270
Gas tax					32,489	-	32,489
Other taxes					136,012	-	136,012
Licenses and permits					205,918	-	205,918
Investment earnings					156	-	156
Miscellaneous					65,144	-	65,144
Transfers (net)					164,254	(164,254)	-
Total general revenues and transfers					1,047,007	(164,254)	882,753
Change in Net Position from activities					127,940	49,674	177,614
Net position, beginning of year					13,090,724	1,166,118	14,256,842
Net position, end of year					$ 13,218,664	$1,215,792	$ 14,434,456

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General	Special Revenue Funds	Total Governmental Funds
Assets and Other Debits			
Assets:			
Cash and cash equivalents	$466,283	$ -	$ 466,283
Receivables			
Taxes	22,995	2,747	25,742
Due from other funds	8,913	22,431	31,344
Prepaid expenses	6,892	3,832	10,724
Restricted assets:			
Cash and cash equivalents	10,609	258,547	269,156
Total assets	$ 515,692	$ 287,557	$ 803,249
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued liabilities	$ 18,024	$ 31,420	$ 49,444
Due to other funds	6,178	22,689	28,867
Total liabilities	24,202	54,109	78,311
Fund Balances:			
Non-spendable	6,892	3,832	10,724
Reserved	19,522	229,616	249,138
Unassigned, undesignated	465,076	-	465,076
Total equity and other credits	491,490	233,448	724,938
Total liabilities and fund balance	$ 515,692	$ 287,557	$ 803,249

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
SEPTEMBER 30, 2017

Fund Balance - Total Government Funds	$ 724,938
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	13,958,314
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.	(6,258)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet	(1,450,000)
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	(16,667)
Net pension fund liability is not realizable in the current period and therefore this liability is not reported in the governmental funds balance sheet	(103,255)
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	111,592
Net Position of Governmental Activities	$ 13,218,664

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, 2017

	General	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	$ 444,092	$ -	$ 444,092
Licenses and permits	227,162	-	227,162
Intergovernmental	35,634	132,867	168,501
Fines and forfeitures	61,774	5,983	67,757
Interest	148	-	148
Other	47,429	1,159	48,588
Total revenues	816,239	140,009	956,248
Expenditures:			
Current operations:			
General government	201,247	87,442	288,689
Public safety	331,747	45,754	377,501
Streets, sanitation and parks	-	29,495	29,495
Total current operations	532,994	162,691	695,685
Capital outlays	73,500	-	73,500
Debt service:			
Principal	50,000	-	50,000
Interest and fiscal charges	78,362	-	78,362
Total expenditures	734,856	162,691	897,547
Excess (deficiency) of revenues over (under) expenditures	81,383	(22,682)	58,701
Other Financing Sources:			
Operating transfers in	164,254	-	164,254
Total other financing sources	164,254	-	164,254
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	245,637	(22,682)	222,955
Fund balances, beginning	245,853	256,130	501,983
Fund balances, ending	$ 491,490	$ 233,448	$ 724,938

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, 2017

Net change in fund balances - total governmental funds	$ 222,955
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.	76,913
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	50,000
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.	(4,112)
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, deprecation expense is not reported as an expenditure in governmental funds.	(211,640)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds. This is the change in accrued interest from the prior to the current year	175
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	(6,351)
Change in net position of governmental activities	$ 127,940

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2017

Assets	
Current Assets:	
Cash and cash equivalents	$ 209,792
Receivables	
Customer accounts (less allowance for doubtful accounts of $4,000)	76,469
Inventories	28,470
Prepaid expenses	5,314
Total current assets	320,045
Property, Plant and Equipment:	
Capital assets net of depreciation	2,812,316
Less accumulated depreciation	1,289,406
	1,522,910
Restricted Assets:	
Trust and construction funds	99,953
Customer deposits	84,838
	184,791
Total Assets	2,027,746
Deferred Outflows of Resources	57,180
Total Assets and Deferred Outflows of Resources	$ 2,084,926

Liabilities and Net Position

Current Liabilities:	
Accounts payable	$ 27,668
Internal accounts	2,478
Total current liabilities (payable from current assets)	30,146
Current Liabilities (Payable from Restricted Assets):	
Meter deposits	97,658
Current maturities of long-term debt	55,000
Accrued interest	3,076
Total current liabilities (payable from restricted assets)	155,734
Total current liabilities	185,880
Non-Current Liabilities:	
Bonds payable	680,000
Net pension liability	52,754
Compensated absences	5,500
Less current maturities	(55,000)
Total non-current liabilities	683,254
Total liabilities	869,134
Deferred Inflows of Resources	-
Net Position:	
Restricted	109,697
Net investments in capital assets	842,910
Unrestricted	263,185
Total net position	1,215,792
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 2,084,926

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Amount	% of Revenue
Operating Revenues		
Water sales	$ 738,934	99.8
Garbage services	1,842	0.2
Total operating revenues	740,776	100.0
Operating Expenses		
Salaries and wages	128,025	17.3
Cost of services	104,888	14.2
Depreciation	73,013	9.9
Insurance	45,638	6.2
Materials and supplies	27,913	3.8
Repairs and maintenance	23,452	3.2
Testing and professional fees	17,493	2.4
Office expense	17,472	2.4
Utilities	16,940	2.3
Fuel	11,371	1.5
Payroll taxes	9,389	1.3
Retirement	4,561	0.6
Other expenses	2,240	0.3
Uniforms	1,096	0.1
Training	190	0.0
Total operating expenses	483,681	65.3
Operating income	257,095	34.7
Nonoperating Income (Expenses)		
Operating transfers	(164,254)	(22.2)
Interest expense	(43,167)	(5.8)
Total nonoperating income (expenses)	(207,421)	(28.0)
Change in net position	49,674	6.7
Net position, beginning of year	1,166,118	
Net position, end of year	$1,215,792	

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
- WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Cash Flows from Operating Activities:	
Cash received from customers	$ 751,694
Cash paid to suppliers	(277,654)
Cash paid to employees	(128,902)
Net cash provided by operating activities	345,138
Cash Flows from Non-capital Financing Activities:	
Operating transfers	(164,254)
Net cash (used) by non-capital financing activities	(164,254)
Cash Flows for Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(102,084)
Repayment of indebtedness	(50,000)
Interest paid on capital and related financing activities	(43,391)
Net cash used by capital and related financing activities	(195,475)
Cash Flows from Investing Activities:	
Interest received on investments	-
Net cash provided by investing activities	-
Net (decrease) in cash and cash equivalents	(14,591)
Cash and cash equivalents, beginning of year	409,174
Cash and cash equivalents, end of year	$ 394,583
Unrestricted cash	$ 209,792
Restricted cash	184,791
	$ 394,583
Reconciliation of Operating Income to Net Cash Provided by Operations:	
Operating income	$ 257,095
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	73,012
Bad debts	3,000
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(5,550)
(Increase) decrease in inventories and prepayments	(712)
Increase (decrease) in accounts payable and accrued expenses	1,825
Increase (decrease) in customer deposits	16,468
Increase in pension liabilities	-
Net cash provided by operations	$ 345,138

See Independent Accountants' Report and notes to the financial statements

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 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.

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.

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.

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

Capitalized Interest

The City does not capitalize interest expense as a part of the cost of construction projects unless the capital assets being constructed are for enterprise funds or business-type activities.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Pension Plan
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%.

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 pension expense resulting from contributions made after the liability measurement date, for plan earnings which were less than actuarial projections, for difference between actual and expected experiences and for changes in actuarial assumptions. The short fall in earnings, experience and change of assumptions are recognized over periods ranging from 5 to 9.1 years.

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 no deferred inflows of resources at year end.

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).

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, 2017
GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement replaces GASB Statement No. 43, as amended and GASB Statement No. 57. It includes requirements for defined contribution OPEB plans that replace the requirement for those OPEB plans in GASB Statement No. 25, as amended, GASB Statement No. 43, and GASB Statement No. 50. and is effective for fiscal years beginning after June 15, 2016. This Statement has no impact on the financial statements of the City.

GASB Statement No. 77. . *Tax Abatement Disclosures*, issued in August 2015, was effective for years beginning after December 15, 2015. This Statement requires governments to disclose certain information about tax abatement agreements they enter into. This statement has no impact on the financial statements of the City.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*, issued in December 2015 was effective for years beginning after December 15, 2015. This statement amends the scope and applicability of GASB Statement NO. 68 and establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities, note disclosures, and required supplementary information for pensions provided to employees of state or local governmental employers through certain multiple-employer defined benefit pension plans. This statement has no impact on the financial statements of the City.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, issued in December 2015, was effective for years beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants, including establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement has no impact on the financial statements of the City.

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, 2017

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14.* This Statement clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. This Statement is effective for years beginning after June 15, 2016. The City is currently evaluating the impact, if any, that GASB 80 will have on its financial statements

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. The City is currently evaluating the impact, if any, that GASB 81 will have on its financial statements.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67. 68 and No. 73.* This Statement addresses pension-related issues regarding (1) the presentation of payroll-related measures in required supplementary information (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy emloyee (plan member) contribution requirements. This statement is effective for years beginning after June 15, 2016. The City is currently evaluating the impact, if any, that GASB 82 will have on its financial statements.

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 liabilty 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 alll 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.

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, 2017 - continuued

GASB Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identifited 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 postemployment benefits (pensions and other postemployment benefits (OPEB)) This Statement is effective for years beginning after June 15, 2017. The City is currently evaluating the impact, if any, that GASB 85 will have on its financial statements.

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 fopr the sole purpose fo 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. The City is currently evaluating the impact, if any, that GASB 86 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 financings 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.

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

NOTE 3 - RECEIVABLES

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

	Governmental Funds	Enterprise Fund	Total
Receivables:			
Taxes:			
Sales and use tax	$ 16,667	$ -	$ 16,667
Telephone tax	2,778	-	2,778
Beer and tobacco tax	622	-	622
Intergovernmental:			
Advalorem	3,947	-	3,947
Other	1,728	-	1,728
Accounts:			
Water service	-	83,469	83,469
Gross receivables	25,742	83,469	109,211
Less: allowance for uncollectible	-	7,000	7,000
Net total receivables	$ 25,742	$ 76,469	$ 102,211

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2017, was as follows:

	Beginning Balance Oct. 1, 2016	Additions	Retirements	Ending Balance Sept. 30, 2017
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 390,432	-	-	$ 390,432
Total capital assets, not being depreciated	390,432	-	-	390,432
Capital assets, being depreciated:				
Buildings	383,657	-	-	383,657
Automotive equipment	381,183	-	4,672	376,511
Equipment and furniture	463,497	76,913	52,116	488,294
Streets and roads	15,051,695	-	-	15,051,695
Total capital assets, being depreciated	16,280,032	76,913	56,788	16,300,157
Less accumulated depreciation	2,577,422	211,640	56,788	2,732,274
Net capital assets, being depreciated	13,702,610	(134,727)	-	13,567,883
Governmental activities, net capital assets	$14,093,042	$(134,727)	$	$13,958,314

Depreciation was charged to City functions as follows:	
General government	$ 162,977
Police	15,881
Fire	22,772
Public works	10,010
Total governmental activities depreciation expense	$ 211,640

Business type activities				
Buildings	$ 1,878	$ -	$ -	$ 1,878
Vehicles	89,429	29,797	26,329	92,897
Utility plant & equipment	2,605,696	72,288	-	2,677,984
Heavy equipment	14,218	-	-	14,218
Furniture & office equipment	25,339	-	-	25,339
Total capital assets, business type activities	2,736,560	102,085	26,329	2,812,316
Less accumulated depreciation	1,242,723	73,013	26,329	1,289,407
Net capital assets, business type activities	$ 1,493,837	$ 29,072	$ -	$ 1,522,910

Depreciation was charged to functions as follows:	
Water Department	$ 73,013

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. General obligation warrants have been issued for general government financing and revenue bonds have been issued by the proprietary fund. These warrants are reported in the proprietary fund since they are to be repaid from proprietary fund revenues. In addition, general obligation warrants have been issued to refund other general obligation warrants. General obligation warrants are direct obligations and pledge the full faith and credit of the City.

There are certain restrictions and covenants in the water revenue bond indentures that the water department is not in compliance with. The bond holder has been notified of these exceptions.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2017:

Governmental Activities	Balance 9-30-16	Issued	Retired	Balance 9-30-17
6% general obligation warrants - Series 2002 issued 9-01-02 in the amount of $125,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	$ 75,000	$ -	$ 5,000	$ 70,000
4% general obligation warrants - Series 2007 issued 10-25-07 in the amount of $945,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	640,000	-	45,000	595,000
6% general obligation warrants - Series 2009 issued 2-27-09 in the amount of $785,000, maturing 9-01-35 interest payment date March and September with first principal payment due in September 2028	785,000	-	-	785,000
Governmental funds total	1,500,000	-	50,000	1,450,000
Business Type Activities				
6% General obligation warrants - Series 2002	250,000	-	15,000	235,000
4% Water revenue warrants - Series 2007	480,000	-	35,000	445,000
Business type activities total	730,000	-	50,000	680,000
Grand total of long-term debt	$2,230,000	$ -	$100,000	$2,130,000

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

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

Year ending	General Long-Term Debt		Business Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
2018	$ 50,000	$ 75,100	$ 55,000	$ 36,906	$ 217,006
2019	55,000	73,000	55,000	33,913	216,913
2020	60,000	70,700	60,000	30,919	221,619
2021	60,000	68,200	60,000	27,669	215,869
2022	65,000	65,700	65,000	24,419	220,119
2023-2027	375,000	285,400	385,000	64,663	1,110,063
2028-2032	450,000	184,500	-	-	634,500
Remaining	335,000	41,100	-	-	376,100
Total	$ 1,450,000	$ 863,700	$ 680,000	$ 218,489	$ 3,212,189

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.

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 disbility 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 Legistlature 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 elegible 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, servcie credit, employment status and eligibility for retirement.

NOTE 7- PENSION PLAN - continued

The ERS services appoximately 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, 2015, membership from the City of Margaret consisted of:

Retirees and beneficiaries currently receiving benefits	3
Terminated employes entitled to but not yet receiving benefits	0
Non-vested inactive members	6
Active Members	14
Total	**23**

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, 2017 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, 2017 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 memebers during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were $12,976 for the year ended September 30, 2017.

NOTE 7 - PENSION PLAN - continued

B. Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to caculate the net pension liability was deteremined by an actuarial valuation as of September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

		Expected	Actual 2015 Valuation Assumptions	Actual 2016 Valuation Assumptions
Total pension liability, September 30, 2015	(a)	474,502	574,520	619,096
Discount Rate	(b)	8.00%	8.00%	7.75%
Entry Age Normal Cost for the period October 1, 2015	(c)	28,883	28,883	37,209
Transfers among employers	(d)	-	257,885	257,885
Actual Benefit Payments and Refunds for October 1, 2015 – September 30, 2016	(e)	(34,667)	(34,667)	(34,667)
Total Pension Liability, as of September 30, 2016 =[(a) x (1 + (b)] + (c)+ (d)+[(e) x 1+.5 x (b)]	(f)	505,291	871,196	926,160
Difference between Expected and Actual	(g)		365,905	
Less liability transferred for immediate recognition	(h)		257,885	
Experience (Gain)/Loss	(i)		108,020	
Difference between Actual (2015 Assumptions) and Actual (2016 Assumptions): Assumption Change (Gain)/Loss	(j)			54,964

NOTE 7 - PENSION PLAN - continued

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

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

*Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	**100.00%**	

*Includes assumed rate of inflation of 2.50%

NOTE 7 - PENSION PLAN - continued

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

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance as September 30, 2015	$ 474,502	$ 462,945	$ 11,557
Changes for the year:			
Service Cost	28,883	-	28,883
Interest	36,573	-	36,573
Changes of assumptions	54,964		54,964
Difference between expected and actual experience	108,020	-	108,020
Contributions - employer	-	6,338	(6,338)
Contributions - employee	-	18,187	(18,187)
Net investment income	-	59,763	(59,763)
Benefit payments, including refunds of employee contributions	(34,667)	(34,667)	-
Transfers Among Employers	257,885	257,885	-
Net Change	451,658	307,506	144,152
Balance at September 30, 2016	$ 926,160	$ 770,451	$ 155,709

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 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discout rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	**Current Rate (7.75%)**	**1% Increases (8.75%)**
City's net pension liability	$ 216,958	$ 155,709	$ 103,859

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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report 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, 2017 the City recognized pension expense of $20,358. At September 30, 2017, 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	$ 104,993	$ -
Changes of assumptions	48,924	-
Net difference between projected and actual earnings on plan investments	1,879	-
Employer contributions subsequent to measurement date	12,976	-
Total	$ 168,772	$ -

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:	
2018	$ 20,034
2019	20,034
2020	23,518
2021	17,153
2022	19,533
Thereafter	55,524
	$ 155,796

NOTE 8 - INTER-FUND RECEIVABLES AND PAYABLES

At September 30, 2017, inter-fund receivables and payables consist of the following:

General Fund		
Due from Gas Tax Fund	5,124	
Due from Fire Tax Fund	668	
Due from Water and Public Works	2,478	
Due to Fire Tax Fund		4,586
Capital Improvements		
Due from Street Fund	19,678	
Street Fund		
Due to Capital Improvements		19,678
Gas Tax Fund		
Due to General Fund		5,124
Fire Tax Fund		
Due from General Fund	4,586	
Due to General Fund		668
Water and Public Works		
Due to General Fund		2,478
	$ 32,534	$ 32,534

NOTE 9- 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	$ 4,352	$ 10,609	$ 96,877
Special revenue accounts	229,616	-	-
Customer deposits	-	-	12,820
Due from other funds	-	8,913	-
Total restricted assets	$ 233,968	$ 19,522	$ 109,697

NOTE 10 - 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	1,368	$ 719,429	Minimum Units per 1,000 units -	
			2,000	$14.75
			4,000	5.50
			6,000	7.40
Commercial	21	19,505	Minimum Units per 1,000 units -	
			2,500	$26.00
			10,000	3.00
	1,389	$ 738,934	12,000	2.50

NOTE 11 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2017 were as follows:

Mr. Isaac Howard III, Mayor
Mr. James Chapman, Council Member
Mr. Charles Hicks, Council Member
Mr. Daryl McIntyre, Council Member
Mr. Stephen Perry, Council Member
Mrs. Bonnie Voss, Council Member

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
SEPTEMBER 30, 2017

Total Pension Liability	**2016**	**2015**	**2014**
Service Cost	28,883	36,757	35,907
Interest	36,573	32,865	29,577
Difference between expected and actual experience	108,020	12,453	-
Change of assumptions	54,964	-	-
Benefit payments including refunds of employee contributions	(34,667)	(36,780)	(11,991)
Transfers among employers	257,885	-	-
Net Change In Total Pension Liability	451,658	45,295	53,493
Total Pension Liability, Beginning of Year	474,502	429,207	375,714
Total Pension Liability, End of Year	926,160	474,502	429,207
Plan Fiduciary Net Position			
Contributions - Employer	6,338	7,238	21,662
Contributions - Employee	18,187	16,130	17,464
Net Investment Income	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(34,667)	(36,780)	(11,991)
Transfers among employers	257,885	(6,370)	(48,918)
Net Change in Plan Fiduciary Net Position	307,506	(14,238)	30,505
Plan Net Position, Beginning of Year	462,945	477,183	446,678
Plan Net Position, End of Year	770,451	462,945	477,183
Net Pension Liability (Asset), End of Year	155,709	11,557	(47,976)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.19%	97.56%	111.18%
Covered Employee Payroll	355,480	341,873	339,393
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	43.80%	3.38%	(14.14)%

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2017

	2017	2016	2015
Actuarially Determined Contribution	13,021	7,371	8,261
Contributions in relation to the actuarially determined contribution	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-
Covered employee payroll	335,563	355,480	341,873
Contributions as a percentage of covered employee payroll	3.88%	2.07%	2.42%

Notes to Schedule
Actuarially determined contribution rates are calculated as of September 30 two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 and 2015 were based on the September 30, 2012 actuarial valuation.

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

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

CITY OF MARGARET, ALABAMA
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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, 2018, 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

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Suite 530
Birmingham, AL 35209

P. 205.879.3292
F. 205.879.3295

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, 2018 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.

Carr, Hill & Company, L.L.C.

Birmingham, Alabama
March 15, 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, 2018. 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.

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.

	Governmental Type Activities		
	2018 Amount	2017 Amount	Increase/ (Decrease)
Current assets	$ 1,877,143	$ 771,905	$1,105,238
Capital assets	13,807,829	13,958,314	(150,485)
Total assets	15,684,972	14,730,219	954,753
Deferred outflows of resources	180,359	111,592	68,767
Total assets and deferred outflows of resources	$ 15,865,331	$ 14,841,811	$1,023,520
Current liabilities	$ 136,221	$ 103,219	$ 33,002
Non-current liabilities	2,292,060	1,519,928	772,132
Total liabilities	2,428,281	1,623,147	805,134
Deferred inflows of resources	21,276	-	21,276
Net position			
Invested in capital assets	11,618,829	12,508,314	(889,485)
Restricted	1,009,245	233,968	746,347
Unrestricted	787,700	476,382	340,248
	13,415,774	13,218,664	197,110
Total liabilities, deferred inflows of resources and net position	$ 15,865,331	$ 14,841,811	$1,002,244

	Business Type Activities		
	2018 Amount	2017 Amount	Increase/ (Decrease)
Current assets	$ 545,459	$ 504,836	$ 40,623
Capital assets	1,500,625	1,522,910	(22,285)
Total assets	2,046,084	2,027,746	18,338
Deferred outflows of resources	79,850	57,180	22,670
Total assets and deferred outflows of resources	$ 2,125,934	$ 2,084,926	$ 41,008
Current liabilities	$ 175,847	$ 185,880	$ (10,033)
Non-current liabilities	654,170	683,254	(29,084)
Total liabilities	830,017	869,134	(39,117)
Deferred inflows of resources	9,537	-	9,537
Net position			
Net investment in capital assets	939,625	842,910	96,715
Restricted	-	84,057	(84,057)
Unrestricted	346,755	288,825	57,930
	1,286,380	1,215,792	70,588
Total liabilities, deferred inflows of resources and net position	$ 2,125,934	$ 2,084,926	$ 41,008

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.

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'S REVENUES

The following schedule presents a comparative summary of government-wide revenues and expenditures for the years ended September 30, 2018 and 2017.

	2018 Amount	2017 Amount	Increase/ Decrease
Revenues			
Program revenues	$ 109,082	$ 73,812	$ 35,270
Taxes and license	906,477	817,453	89,024
Investment earnings	8,386	156	8,230
Other	134,190	65,144	69,046
	1,158,135	956,565	201,570
Expenditures			
Administrative	385,885	476,895	(91,010)
Police	325,486	262,809	62,677
Fire	174,249	164,978	9,271
Public works	58,131	10,010	48,121
Interest	122,941	78,187	44,754
Transfers - net	(105,667)	(164,254)	58,587
	961,025	828,625	132,400
Change in net position	$ 197,110	$ 127,940	$ 69,170

BUSINESS ACTIVITIES	2018 Amount	2017 Amount	Increase/ Decrease
Revenues			
Charges for services	$ 821,937	$ 737,128	84,809
	821,937	737,128	84,809
Operating expenses			
Cost of water and garbage service	101,823	104,888	(3,065)
Salaries	131,566	128,025	3,541
Depreciation	73,632	73,013	619
Insurance	44,303	45,638	(1,335)
Utilities	26,146	11,371	14,775
Repairs	22,638	23,452	(814)
Other operating expenses	106,297	97,294	9,003
	506,405	483,681	22,724
Operating income	315,532	253,447	62,085
Non-operating income (expenses)	(244,944)	(203,773)	(41,171)
Change in net position	$ 70,588	$ 49,674	$ 20,914

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2018 and 2017.

Revenues	2018 Amount	2017 Amount	Increase/ Decrease
Governmental Revenues			
Taxes	$ 510,393	$ 444,092	$ 66,301
Licenses and permits	224,156	227,162	(3,006)
Intergovernmental	49,787	168,501	(118,714)
Fines and forfeitures	75,267	67,757	7,510
Loan proceeds and other	2,409,667	48,736	2,360,931
Total governmental revenues	3,269,270	956,248	2,313,022
Expenditures			
Governmental Expenditures			
General government	220,618	288,689	(68,071)
Public safety	345,335	377,501	(32,166)
Streets, sanitation and parks	27,013	29,495	(2,482)
Debt service and capital outlays	1,636,820	201,862	1,434,958
Transfers - net	(128,981)	(164,254)	35,273
Total governmental expenditures	2,100,805	733,293	1,367,512
Excess revenues	$1,168,465	$ 222,955	$ 945,510

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the City had $19,612,833 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 $109,928 from 2017.

	Government Activities		Business Activities	
	2018	2017	2018	2017
Land	$ 406,007	$ 390,432	$ -	$ -
Buildings	383,657	383,657	1,878	1,878
Automotive	376,511	376,511	92,897	92,897
Equipment and furniture	531,300	488,294	58,098	39,557
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant			2,710,790	2,677,984
	$ 16,749,170	$ 16,690,589	$ 2,863,663	$ 2,812,316

Total investment for 2018	$ 19,612,833

Debt

As of September 30, 2018, the City had $2,189,000 in outstanding bonds and notes payable versus $1,450,000 last year. That is an increase of $739,000. As of September 30, 2018, the water department had $561,000 in outstanding bonds and notes payable versus $680,000 last year, a decrease of $119,000.

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 2019.

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, 2018

	Primary Government		
	Governmental Activities	Business Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 797,487	$ 322,258	$ 1,119,745
Receivables (net)	37,221	79,083	116,304
Internal balances	13,792	(13,792)	-
Inventories	-	31,964	31,964
Prepaid expenses	13,338	5,782	19,120
	861,838	425,295	1,287,133
Restricted Assets:			
Cash and cash equivalents	1,015,305	106,372	1,121,677
Total current assets	1,877,143	531,667	2,408,810
Capital Assets:			
Non-depreciable	406,007	-	406,007
Depreciable	13,401,822	1,500,625	14,902,447
Total capital assets	13,807,829	1,500,625	15,308,454
Total assets	15,684,972	2,032,292	17,717,264
Deferred outflows of resources	180,359	79,850	260,209
Total assets and deferred outflows of resources	$ 15,865,331	$ 2,112,142	$17,977,473

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Liabilities			
Current Liabilities:			
Accounts payable and accrued expenses	$ 30,661	$ 28,660	$ 59,321
Current Liabilities Payable from Restricted Assets:			
Customer deposits	-	106,372	106,372
Current maturities of long term debt	99,500	25,500	125,000
Interest payable	6,060	1,523	7,583
Total current liabilities	136,221	162,055	298,276
Non-Current Liabilities:			
Bonds payable	2,189,000	561,000	2,750,000
Net pension liability	186,149	83,444	269,593
Accrued compensated absences	16,411	8,066	24,477
Other non-current liabilities	-	27,160	27,160
Less current maturities	(99,500)	(25,500)	(125,000)
Total non-current liabilities	2,292,060	654,170	2,946,230
Total liabilities	2,428,281	816,225	3,244,506
Deferred inflows of resources	21,276	9,537	30,813
Net Position			
Invested in capital assets	11,618,829	939,625	12,558,454
Restricted net position	1,009,245	-	1,009,245
Unrestricted assets	787,700	346,755	1,134,455
Total net position	13,415,774	1,286,380	14,702,154
Total liabilities, deferred inflow of resources and net position	$ 15,865,331	$ 2,112,142	$17,946,660

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Function/Program Activities							
Primary Government:							
Governmental Activities:							
General government	$ 385,885	$ -	$ 2,850	$ -	$ (383,035)	$ -	$ (383,035)
Police and courts	325,486	75,327	2,510	-	(247,649)	-	(247,649)
Fire	174,249	1,422	1,737	-	(171,090)	-	(171,090)
Parks and recreation	58,131	25,236	-	-	(32,895)	-	(32,895)
Interest on long-term debt	122,941	-	-	-	(122,941)	-	(122,941)
Total governmental activities	1,066,692	101,985	7,097	-	(957,610)	-	(957,610)
Business Type Activities:							
Water Department	-	-	-	-	-	315,532	315,532
Interest Expense	-	-	-	-	-	(139,277)	(139,277)
Total business type activities	-	-	-	-	-	176,255	176,255
Total primary government	$1,066,692	$ 101,985	$ 7,097	$ -	(957,610)	176,255	(781,355)
General Revenues:							
Taxes:							
Ad valorem taxes					148,345	-	148,345
Sales tax					362,049	-	362,049
Gas tax					29,812	-	29,812
Other taxes					142,115	-	142,115
Licenses and permits					224,156	-	224,156
Investment earnings					8,386	-	8,386
Miscellaneous					134,190	-	134,190
Transfers (net)					105,667	(105,667)	-
Total general revenues and transfers					1,154,720	(105,667)	1,049,053
Change in Net Position from activities					197,110	70,588	267,698
Net position, beginning of year					13,218,664	1,215,792	14,434,456
Net position, end of year					$13,415,774	$ 1,286,380	$14,702,154

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General	Special Revenue Funds	Total Governmental Funds
Assets and Other Debits			
Assets:			
Cash and cash equivalents	$ 797,487	$ -	$ 797,487
Receivables			
Taxes	34,453	2,768	37,221
Due from other funds	19,525	25,294	44,819
Prepaid expenses	9,582	3,756	13,338
Restricted assets:			
Cash and cash equivalents	827,058	188,247	1,015,305
Total assets	$ 1,688,105	$ 220,065	$ 1,908,170
Liabilities and Fund Balance			
Liabilities:			
Accounts payable and accrued liabilities	$ 22,676	$ 7,984	$ 30,660
Due to other funds	5,474	25,553	31,027
Total liabilities	28,150	33,537	61,687
Fund Balances:			
Non-spendable	9,582	3,756	13,338
Restricted	846,583	182,772	1,029,355
Unassigned, undesignated	803,790	-	803,790
Total equity and other credits	1,659,955	186,528	1,846,483
Total liabilities and fund balance	$ 1,688,105	$ 220,065	$ 1,908,170

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, 2018

Fund Balance - Total Government Funds	$ 1,846,483
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	13,807,829
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	(2,189,000)
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	(16,411)
Net pension fund liability is not realizable in the current period and therefore this liability is not reported in the governmental funds balance sheet	(186,149)
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	159,082
Net Position of Governmental Activities	$ 13,415,774

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, 2018

	General	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	$ 510,393	$ -	$ 510,393
Licenses and permits	224,156	-	224,156
Intergovernmental	49,787	130,898	180,685
Fines and forfeitures	75,267	6,772	82,039
Interest	-	8	8
Other	37,903	1,047	38,950
Total revenues	897,506	138,725	1,036,231
Expenditures:			
Current operations:			
General government	220,618	13,655	234,273
Public safety	345,335	87,752	433,087
Streets, sanitation and parks	27,013	12,251	39,264
Total current operations	592,966	113,658	706,624
Capital outlays	-	43,006	43,006
Debt service:			
Principal	1,450,000	-	1,450,000
Interest and fiscal charges	71,461	-	71,461
Cost of retiring bonds	115,359	-	115,359
Total expenditures	2,229,786	156,664	2,386,450
Excess (deficiency) of revenues over (under) expenditures	(1,332,280)	(17,939)	(1,350,219)
Other Financing Sources:			
Operating transfers in	134,066	5,085	139,151
Operating transfers out	(5,085)	(34,066)	(39,151)
Proceeds from debt issue	2,371,764	-	2,371,764
Total other financing sources	2,500,745	(28,981)	2,471,764
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,168,465	(46,920)	1,121,545
Fund balances, beginning	491,490	233,448	724,938
Fund balances, ending	$ 1,659,955	$ 186,528	$ 1,846,483

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, 2018

Net change in fund balances - total governmental funds	$ 1,121,545
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.	58,581
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 that debt issued exceeds payments on long-term debt in the current year	(739,000)
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.	252
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, deprecation expense is not reported as an expenditure in governmental funds.	(209,067)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds. This is the change in accrued interest from the prior to the current year	199
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	(35,400)
Change in net position of governmental activities	$ 197,110

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

Assets	
Current Assets:	
Cash and cash equivalents	$ 322,258
Receivables	
Customer accounts (less allowance for doubtful accounts of $4,000)	79,083
Inventories	31,964
Prepaid expenses	5,782
Total current assets	439,087
Property, Plant and Equipment:	
Capital assets net of depreciation	2,863,663
Less accumulated depreciation	1,363,038
	1,500,625
Restricted Assets:	
Customer deposits	106,372
	106,372
Total Assets	2,046,084
Deferred Outflows of Resources	79,850
Total Assets and Deferred Outflows of Resources	$ 2,125,934

Liabilities and Net Position

Current Liabilities:	
Accounts payable	$ 28,658
Internal accounts	13,794
Total current liabilities (payable from current assets)	42,452
Current Liabilities (Payable from Restricted Assets):	
Meter deposits	106,372
Current maturities of long-term debt	25,500
Accrued interest	1,523
Total current liabilities (payable from restricted assets)	133,395
Total current liabilities	175,847
Non-Current Liabilities:	
Bonds payable	561,000
Premium on bonds issued	27,160
Net pension liability	83,444
Compensated absences	8,066
Less current maturities	(25,500)
Total non-current liabilities	654,170
Total liabilities	830,017
Deferred Inflows of Resources	9,537
Net Position:	
Restricted	-
Net investments in capital assets	939,625
Unrestricted	346,755
Total net position	1,286,380
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 2,125,934

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Amount	% of Revenue
Operating Revenues		
Water sales	$ 821,699	100.0
Garbage services	238	0.0
Total operating revenues	821,937	100.0
Operating Expenses		
Salaries and wages	131,566	16.0
Water purchased	101,823	12.4
Depreciation	73,632	9.0
Materials and supplies	57,709	7.0
Insurance	44,303	5.4
Utilities	26,146	3.2
Office expense	22,638	2.8
Repairs and maintenance	19,133	2.3
Testing and professional fees	14,940	1.8
Fuel	11,999	1.5
Other expenses	2,813	0.3
Uniforms	2,456	0.3
Advertising	2,101	0.3
Training	663	0.1
Retirement	(5,517)	(0.7)
Total operating expenses	506,405	61.6
Operating income	315,532	38.4
Nonoperating Income (Expenses)		
Operating transfers	(105,667)	(12.9)
Interest expense	(139,277)	(16.9)
Total nonoperating income (expenses)	(244,944)	(29.8)
Change in net position	70,588	8.6
Net position, beginning of year	1,215,792	
Net position, end of year	$ 1,286,380	

See Independent Accountants' Report and notes to the financial statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
- WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Cash Flows from Operating Activities:	
Cash received from customers	$ 828,037
Cash paid to suppliers	(283,948)
Cash paid to employees	(134,152)
Net cash provided by operating activities	409,937
Cash Flows from Non-capital Financing Activities:	
Operating transfers	(105,667)
Advances from other funds	13,794
Net cash (used) by non-capital financing activities	(91,873)
Cash Flows for Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(51,347)
Repayment of indebtedness	(119,000)
Interest paid on capital and related financing activities	(113,670)
Net cash used by capital and related financing activities	(284,017)
Cash Flows from Investing Activities:	-
Net cash provided by investing activities	-
Net increase in cash and cash equivalents	34,047
Cash and cash equivalents, beginning of year	394,583
Cash and cash equivalents, end of year	$ 428,630
Unrestricted cash	$ 322,258
Restricted cash	106,372
	$ 428,630
Reconciliation of Operating Income to Net Cash Provided by Operations:	
Operating income	$ 315,532
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	73,632
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(2,614)
(Increase) in inventories and prepayments	(3,963)
Increase in accounts payable and accrued expenses	1,079
Increase in customer deposits	8,714
Increase in pension liabilities	17,557
Net cash provided by operations	$ 409,937

See Independent Accountants' Report and notes to the financial statements

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 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.

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.

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.

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%.

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).

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, 2018

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 fo 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.

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, 2018

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 liabilty 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 alll 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.

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, 2018 - 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.

NOTE 3 - RECEIVABLES

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

	Governmental Funds	Enterprise Fund	Total
Receivables:			
Taxes:			
Sales and use tax	$ 22,995	$ -	$ 22,995
Telephone tax	2,861	-	2,861
Beer and tobacco tax	1,318	-	1,318
Intergovernmental:			
Advalorem	4,062	-	4,062
Other	3,250	-	3,250
Other taxes	2,735	-	2,735
Accounts:			
Water service	-	86,083	86,083
Gross receivables	37,221	86,083	123,304
Less: allowance for uncollectible	-	7,000	7,000
Net total receivables	$ 37,221	$ 79,083	$ 116,304

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2018, was as follows:

	Beginning Balance Oct. 1, 2017	Additions	Retirements	Ending Balance Sept. 30, 2018
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 390,432	$ 15,575	-	$ 406,007
Total capital assets, not being depreciated	390,432	15,575	-	406,007
Capital assets, being depreciated:				
Buildings	383,657	-	-	383,657
Automotive equipment	376,511	-	-	376,511
Equipment and furniture	488,294	43,006	-	531,300
Streets and roads	15,051,695	-	-	15,051,695
Total capital assets, being depreciated	16,300,157	43,006	-	16,343,163
Less accumulated depreciation	2,732,274	209,067	-	2,941,341
Net capital assets, being depreciated	13,567,883	(166,061)	-	13,401,822
Governmental activities, net capital assets	$13,958,314	$(150,486)	$ -	$13,807,829

Depreciation was charged to City functions as follows:	
General government	$ 164,145
Police	15,882
Fire	18,195
Public works	10,845
Total governmental activities depreciation expense	$ 209,067

Business type activities				
Buildings	$ 1,878	$ -	$ -	$ 1,878
Vehicles	92,897	-	-	92,897
Utility plant & equipment	2,677,984	32,806	-	2,710,790
Heavy equipment	14,218	18,541	-	32,759
Furniture & office equipment	25,339	-	-	25,339
Total capital assets, business type activities	2,812,316	51,347	-	2,863,663
Less accumulated depreciation	1,289,407	73,632	-	1,363,038
Net capital assets, business type activities	$ 1,522,910	$ (22,285)	$ -	$ 1,500,625

Depreciation was charged to functions as follows:	
Water Department	$ 73,632

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, 2018:

Governmental Activities	Balance 9-30-17	Issued	Retired	Balance 9-30-18
6% general obligation warrants - Series 2002 issued 9-01-02 in the amount of $125,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	$ 70,000	$ -	$ 70,000	$ -
4% general obligation warrants - Series 2007 issued 10-25-07 in the amount of $945,000, maturing 9-01-27 Interest payment date March and September with Principal due in September until maturity	595,000	-	595,000	-
6% general obligation warrants - Series 2009 issued 2-27-09 in the amount of $785,000, maturing 9-01-35 interest payment date March and September with first principal payment due in September 2028	785,000	-	785,000	-
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.	-	$2,252,680	63,680	2,189,000
Governmental funds total	1,450,000	2,252,680	1,513,680	2,189,000
Business Type Activities				
6% General obligation warrants - Series 2002	235,000	-	235,000	-
4% Water revenue warrants - Series 2007	445,000	-	445,000	-
Series 2017 bonds described above	-	577,320	16,320	561,000
Business type activities total	680,000	577,320	696,320	561,000
Grand total of long-term debt	$2,130,000	$2,830,000	$2,210,000	$2,750,000

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

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

Year ending	General Long-Term Debt		Business Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
2019	$ 99,500	$ 72,715	$ 25,500	$ 18,635	$ 216,350
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
2024-2028	616,900	253,357	158,100	64,931	1,093,288
2029-2033	724,360	139,778	139,778	35,822	1,085,600
Remaining	326,360	19,741	83,640	5,059	434,800
Total	$ 2,189,000	$ 749,863	$ 561,000	$ 192,175	$ 3,692,038

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.

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 disbility 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 Legistlature 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 elegible 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, servcie credit, employment status and eligibility for retirement.

NOTE 7- PENSION PLAN - continued

The ERS services appoximately 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, 2018, membership from the City of Margaret consisted of:

Retirees and beneficiaries currently receiving benefits	3
Vested inactive members	1
Terminated employes entitled to but not yet receiving benefits	0
Non-vested inactive members	3
Active Members	15
Total	22

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, 2018 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 memebers 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, 2018.

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 caculate the net pension liability was deteremined by an actuarial valuation as of September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following table:

		Expected	Actual 2017 Valuation Assumptions
Total pension liability, September 30, 2016	(a)	926,160	1,044,741
Discount Rate	(b)	7.75%	7.75%
Entry Age Normal Cost for the period October 1, 2016 - September 30, 2017	(c)	51,742	51,742
Transfers among employers	(d)	-	139,733
Actual Benefit Payments and Refunds for October 1, 2016 – September 30, 2017	(e)	(109,934)	(109,934)
Total Pension Liability, as of September 30, 2017 =[(a) x (1 + (b)] + (c)+ (d)+[(e) x 1+.5 x (b)]	(f)	935,485	1,202,990
Difference between Expected and Actual	(g)		267,505
Less liability transferred for immediate recognition	(h)		139,733
Experience (Gain)/Loss	(i)		127,772

NOTE 7 - PENSION PLAN - continued

Actuarial assumptions. The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

*Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an investigation of the economic and demographic experience by the ERS based upon an experience study covering years 2011-2015.

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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	**100.00%**	

*Includes assumed rate of inflation of 2.50%

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 asusmptions, 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

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability (Asset)**
Balance as September 30, 2016	$ 926,160	$ 770,451	$ 155,709
Changes for the year:			
Service Cost	51,742	-	51,742
Interest	67,517	-	67,517
Changes of assumptions	-		-
Difference between expected and actual experience	127,772	-	127,772
Contributions - employer	-	11,780	(11,780)
Contributions - employee	-	18,849	(18,849)
Net investment income	-	102,518	(102,518)
Benefit payments, including refunds of employee contributions	(109,934)	(109,934)	-
Transfers Among Employers	139,733	139,733	-
Net Change	276,830	162,946	113,884
Balance at September 30, 2017	$ 1,202,990	$ 933,397	$ 269,593

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 7.75%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discout rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	**Current Rate (7.75%)**	**1% Increases (8.75%)**
City's net pension liability	$ 397,205	$ 269,593	$ 161,872

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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. 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, 2018 the City recognized pension expense of $68,552. At September 30, 2018, 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	$ 200,837	$ -
Changes of assumptions	42,884	-
Net difference between projected and actual earnings on plan investments	-	30,813
Employer contributions subsequent to measurement date	16,488	-
Total	$ 260,209	$ 30,813

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:	
2019	$ 30,194
2020	33,678
2021	27,313
2022	29,692
2023	36,163
Thereafter	55,868
	$ 212,908

NOTE 8 - INTER-FUND RECEIVABLES AND PAYABLES

At September 30, 2018, inter-fund receivables and payables consist of the following:

General Fund		
Due from Gas Tax Fund	5,124	
Due from Water and Public Works	13,794	
Due to Fire Tax Fund		4,586
Capital Improvements		
Due from Street Fund	19,678	
Street Fund		
Due to Capital Improvements		19,678
Gas Tax Fund		
Due to General Fund		5,124
Fire Tax Fund		
Due from General Fund	4,586	
Water and Public Works		
Due to General Fund		13,794
	$ 43,182	$ 43,182

NOTE 9- 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	$ 19,068	$ 10,609	$ -
Special revenue accounts	188,247	-	-
Construction funds	807,990	-	-
Due from other funds	-	8,913	-
Total restricted assets	$ 1,015,305	$ 19,522	$ -

NOTE 10 - 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	1,411	$ 616,887	Minimum Units per 1,000 units -	
			2,000	$14.75
			4,000	5.50
			6,000	7.40
Commercial	21	20,232	Minimum Units per 1,000 units -	
			2,500	$26.00
			10,000	3.00
	1,432	$ 637,119	12,000	2.50

NOTE 11 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2018 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, 2018

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

The net pension liability presented in the statement of net position is as of September 30, 2017.

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2018

	2018	2017	2016	2015
Actuarially Determined Contribution	$ 16,488	$ 13,021	$ 7,371	$ 8,261
Contributions in relation to the actuarially determined contribution	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-	-
Covered employee payroll	$ 433,418	$ 377,878	$ 355,480	$ 341,873
Contributions as a percentage of covered employee payroll	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 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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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.

Carr, 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.

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.

	Governmental Type Activities		
	2019 Amount	2018 Amount	Increase/ (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	$ 16,143,263	$ 15,865,331	$ 277,932
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
	13,778,932	13,415,774	363,158
Total liabilities, deferred inflows of resources and net position	$ 16,143,263	$ 15,865,331	$ 277,932

	Business Type Activities		
	2019 Amount	2018 Amount	Increase/ (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	$ 2,205,181	$ 2,125,934	$ 79,247
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)
	1,392,955	1,286,380	106,575
Total liabilities, deferred inflows of resources and net position	$ 2,205,181	$ 2,125,934	$ 79,247

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.

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'S REVENUES

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

	2019 Amount	2018 Amount	Increase/ Decrease
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
	1,268,412	1,158,135	110,277
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)
	905,245	961,025	(55,780)
Change in net position	$ 363,167	$ 197,110	$ 166,057

BUSINESS ACTIVITIES	2019 Amount	2018 Amount	Increase/ Decrease
Revenues			
Charges for services	$ 887,626	$ 821,937	65,689
	887,626	821,937	65,689
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
	582,876	506,405	76,471
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	$ 106,575	$ 70,588	$ 35,987

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	$(357,764)	$1,168,465	$ 1,526,229

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
	$ 17,546,843	$ 16,749,170	$ 2,960,207	$ 2,863,663

Total investment for 2019	$ 20,507,050

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
	1,143,347	452,234	1,595,581
Restricted Assets:			
Cash and cash equivalents	420,203	112,797	533,000
Total current assets	1,563,550	565,031	2,128,581
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	14,418,298	1,573,002	15,991,300
Total assets	15,981,848	2,138,033	18,119,881
Deferred outflows of resources	161,415	67,148	228,563
Total assets and deferred outflows of resources	$ 16,143,263	$ 2,205,181	$18,348,444

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

	Primary Government		
	Governmental Activities	Business Type Activities	Total
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	Governmental 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	$1,106,045	$138,647	$ 1,486	$ 1,709	(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					$13,778,932	$ 1,392,955	$15,171,887

See Independent Accountants' Report and notes to the financial statements

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

	General	Special Revenue Funds	Total Governmental Funds
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	$ 1,326,292	$ 237,258	$ 1,563,550
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	1,302,191	235,634	1,537,825
Total liabilities and fund balance	$ 1,326,292	$ 237,258	$ 1,563,550

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	$ 13,778,932

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

	General	Special Revenue Funds	Total Governmental Funds
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	1,129,686	138,725	1,268,411
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	739,368	66,732	806,100
Capital outlays	797,674	-	797,674
Debt service:			
Principal	99,500	-	99,500
Interest and fiscal charges	74,595	-	74,595
Total expenditures	1,711,137	66,732	1,777,869
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	223,687	(22,887)	200,800
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(357,764)	49,106	(308,658)
Fund balances, beginning	1,659,955	186,528	1,846,483
Fund balances, ending	$ 1,302,191	$ 235,634	$ 1,537,825

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, deprecation 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	$ 363,158

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)	33,071
Current Liabilities (Payable from Restricted Assets):	
Meter deposits	112,797
Current maturities of long-term debt	26,520
Accrued interest	1,523
Total current liabilities (payable from restricted assets)	140,840
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	(26,520)
Total non-current liabilities	542,609
Total liabilities	716,520
Deferred Inflows of Resources	95,706
Net Position:	
Restricted	28,043
Net investments in capital assets	1,022,928
Unrestricted	341,984
Total net position	1,392,955
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 2,205,181

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

	Amount	% of Revenue
Operating Revenues		
Water sales	$ 686,297	77.3
Taps and other charges	201,329	22.7
Total operating revenues	887,626	100.0
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	582,876	65.7
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)	(215,175)	(24.2)
Contributions in aid of construction	17,000	1.9
Change in net position	106,575	12.0
Net position, beginning of year	1,286,380	
Net position, end of year	$ 1,392,955	

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	394,283
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	(214,594)
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	(162,104)
Cash Flows from Investing Activities:	-
Net cash provided by investing activities	-
Net increase in cash and cash equivalents	17,585
Cash and cash equivalents, beginning of year	428,630
Cash and cash equivalents, end of year	$ 446,215
Unrestricted cash	$ 333,418
Restricted cash	112,797
	$ 446,215
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	$ 394,283

See Independent Accountants' Report and notes to the financial statements

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.

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.

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.

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%.

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).

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 fo 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.

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 liabilty 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 alll 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.

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.

NOTE 3 - RECEIVABLES

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

	Governmental Funds	Enterprise Fund	Total
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	$ 115,993	$ 88,966	$ 204,959

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	$13,807,829	$ 575,202	$ -	$14,383,031

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	$ 222,472

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	$ 1,500,625	$ 57,803	$ -	$ 1,558,428

Depreciation was charged to functions as follows:	
Water Department	$ 79,829

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:

	Balance 9-30-18	Issued	Retired	Balance 9-30-19
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	2,189,000	-	99,500	2,089,500
Business Type Activities				
Series 2017 bonds described above	561,000	-	25,500	535,500
Business type activities total	561,000	-	25,500	535,500
Grand total of long-term debt	$2,750,000	$ -	$ 125,000	$2,625,000

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

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

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

Year ending	General Long-Term Debt		Business Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
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	$ 2,089,500	$ 677,147	$ 535,500	$ 173,540	$ 3,475,687

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.

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 disbility 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 Legistlature 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 elegible 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, servcie credit, employment status and eligibility for retirement.

NOTE 7- PENSION PLAN - continued

The ERS services appoximately 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 employes entitled to but not yet receiving benefits	0
Non-vested inactive members	3
Active Members	24
Total	30

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 memebers 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.

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 caculate the net pension liability was deteremined 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)	(76,656)	(75,656)	(75,656)
Total Pension Liability, as of September 30, 2018 =[(a) x (1 + (b)] + (c)+ (d)+[(e) x 1+.5 x (b)]	(f)	1,262,747	933,381	937,952
Difference between Expected and Actual	(g)		(329,366)	
Less liability transferred for immediate recognition	(h)		7,604	
Experience (Gain)/Loss	(i)		(336,970)	
Difference between Actual at 7.70% and Actual at 7.75% (Assumption Change(Gain) or Loss)				4,571

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%

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 asusmptions, 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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
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	$ 937,952	$ 987,793	$ (49,841)

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 discout 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% Increases (8.70%)
City's net pension liability	$ 49,937	$ (49,841)	$ (135,408)

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	18,833	-
Total	$ 228,563	$ 327,298

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	(53,687)
	$ (98,735)

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	$ 420,203	$ 185,733	$ 28,043

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
	1,552	$ 685,548	12,000	2.50

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	1,202,990	926,160	474,502	429,207	375,714
Total Pension Liability, End of Year	$ 937,952	$,202,990	$ 926,160	$ 474,502	$ 429,207
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	933,397	770,451	462,945	477,183	446,678
Plan Net Position, End of Year	$ 987,793	$ 933,397	$ 770,451	$ 462,945	$ 477,183
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

	2019	2018	2017	2016	2015
Actuarially Determined Contribution	$ 18,833	$ 16,488	$ 13,021	$ 7,371	$ 8,261
Contributions in relation to the actuarially determined contribution	18,833	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-	-	-
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
Remaining amortization period	26 years
Asset valuation method	Five year smoothed market
Inflation	3.00 %
Salary increases	3.75% to 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expensee, including inflation

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

CITY OF MARGARET, ALABAMA
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Cork, Hill & Company, L.L.C.
Certified Public Accountants

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, 2020, 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, 2020 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.

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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, L.L.C.

Birmingham, Alabama
January 26, 2021

THE CITY OF MARGARET, ALABAMA
MANAGEMENT'S DISCUSSION and ANALYSIS
SEPTEMBER 30, 2020

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, 2020. 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 and 11) 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 16 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 12 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.

City as a Whole	2020	2019	Variance
Cash	$ 1,153,422	$ 1,018,892	$ 134,530
Receivables	88,209	115,993	(27,784)
Restricted cash	222,630	420,203	(197,573)
Other assets	10,358	8,462	1,896
Total Current Assets	1,474,619	1,563,550	(88,931)
Capital assets	14,393,828	14,383,031	10,797
Net Pension Asset	142,871	35,267	107,604
Total Assets	16,011,318	15,981,848	29,470
Deferred Outflows of resources	134,903	161,415	(26,512)
Total Assets and Deferred Outflows of Resources	$16,146,221	$16,143,263	$ 2,958
Accounts payable	$ 28,695	$ 25,725	$ 2,970
Current maturities of long-term debt	103,480	103,480	-
Interest payable	5,894	6,060	(166)
Total Current Liabilities	138,069	135,265	2,804
Non-current liabilities	1,898,064	2,100,954	(202,890)
Total liabilities	2,036,133	2,236,219	(200,086)
Deferred Inflows of Resources	297,120	231,592	65,528
Net Assets			
Invested in capital assets	12,407,808	12,293,531	114,277
Restricted	216,736	414,143	(197,407)
Unrestricted	1,188,424	1,071,267	117,157
Total fund balance (deficit)	13,812,968	13,778,941	34,027
Total Liabilities, Deferred Inflows of Resources and Net Position	$16,146,221	$16,246,752	$ (166,059)

BUSINESS ACTIVITIES

Cash	$ 360,259	$ 333,418	$ 26,841
Receivables	96,635	88,966	7,669
Other current assets	31,238	29,850	1,388
Restricted cash	103,710	112,797	(9,087)
Total Current Assets	591,842	565,031	26,811
Capital assets	1,621,683	1,558,428	63,255
Net Pension Asset	65,187	14,574	50,613
Total Assets	2,278,712	2,138,033	140,679
Deferred Outflows of Resources	61,509	67,148	(5,639)
Total Assets and Deferred Outflows of Resources	$ 2,340,221	$ 2,205,181	$ 135,040
Accounts payable	$ 33,929	$ 33,071	$ 858
Current maturities of long-term debt	26,520	26,520	-
Other current liabilities	105,233	114,320	(9,087)
Total Current Liabilities	165,682	173,911	(8,229)
Non-current liabilities	518,110	542,609	(24,499)
Total liabilities	683,792	716,520	(32,728)
Deferred inflows of resources	135,565	95,706	39,859
Net Position			
Net investment in capital assets	1,112,703	1,022,928	89,775
Restricted	28,043	28,043	-
Unrestricted	380,118	341,984	38,134
	1,520,864	1,392,955	127,909
Total liabilities, Deferred Inflows of Capital Resources and Net Position	$ 2,340,221	$ 2,205,181	$ 135,040

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.

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 16. 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, 2020 and 2019.

	2020	2019	Varience Favorable (Unfavorable)
Revenues			
Program revenues	$ 109,615	$ 141,842	$ (32,227)
Taxes and licenses	1,017,631	837,286	180,345
Investment earnings	922	15,410	(14,488)
Other	235,994	273,874	(37,880)
	1,364,162	1,268,412	95,750
Expenditures			
Administrative	610,283	425,248	185,035
Police	359,248	352,339	6,909
Fire	337,933	224,577	113,356
Public works	29,068	29,286	(218)
Interest	71,499	74,595	(3,096)
Transfers - net	(77,904)	(200,800)	122,896
	1,330,127	905,245	424,882
Change in net position	$ 34,035	$ 363,167	$ (329,132)

Business type revenue and expenditures are summarized below.

	2020	2019	Varience
Revenue			
Charges for services	$ 912,672	$ 887,626	$ 25,046
Operating expenses			
Cost of water and garbage service	130,219	118,354	11,865
Salaries	191,925	153,398	38,527
Depreciation	97,747	79,829	17,918
Repairs	52,796	43,189	9,607
Insurance	42,082	49,903	(7,821)
Other operating expenses	174,636	138,203	36,433
	689,405	582,876	106,529
Operating income	223,267	304,750	(81,483)
Non-operating income (expenses)	(95,358)	(198,175)	102,817
Change in net position	$ 127,909	$ 106,575	$ 21,334

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2020 and 2019.

Revenues	2020 Amount	2019 Amount	Increase (Decrease) From 2019
Governmental Revenues			
Taxes	$ 730,266	$ 670,279	$ 59,987
Licenses and permits	312,768	247,444	65,324
Intergovernmental	172,343	167,008	5,335
Fines and forfeitures	94,051	133,096	(39,045)
Investment income	922	15,410	(14,488)
Other	53,812	35,174	18,638
Total governmental revenues	1,364,162	1,268,411	95,751
Expenditures			
Governmental Expenditures			
General government	415,110	256,747	158,363
Public safety	531,568	532,945	(1,377)
Streets, sanitation and parks	17,024	16,408	616
Capital outlays and debt service	591,303	971,769	(380,466)
Transfers	(98,941)	(200,800)	101,859
Total governmental expenditures	1,456,064	1,577,069	(121,005)
Excess revenues (expenditures)	$ (91,902)	$ (308,658)	$ 216,756

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2020, the City had $20,798,109 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 2019.

	Government Activities		Business Activities	
	2020	2019	2020	2019
Land	$ 406,007	$ 406,007	$ -	$ -
Construction in progress	-	668,168	-	-
Buildings and improvements	1,161,544	383,657	22,915	1,878
Automotive	486,568	506,016	101,477	101,477
Equipment and furniture	571,086	531,300	183,274	74,230
Roads and drainage system	15,051,695	15,051,695		
Water plant			2,813,543	2,782,622
	$ 17,676,900	$ 17,546,843	$ 3,121,209	$ 2,960,207

Total investment for 2020	$ 20,798,109

Debt

As of September 30, 2020, the City had $1,986,020 in outstanding bonds and notes payable versus $2,089,500 last year, a decrease of $103,480. As of September 30, 2020, the water department had $508,980 in outstanding bonds and notes payable versus $535,500 last year, a decrease of $26,520.

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 2021.

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
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125 School Street
Margaret, AL 35112
(205) 629-5742

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	**Business Activities**	**Total**
ASSETS			
Cash and cash equivalents	$ 1,153,421	$ 360,259	$ 1,513,680
Receivables (net)	88,209	96,635	184,844
Inventories		21,413	21,413
Prepaids	10,358	9,825	20,183
Total Current Assets	1,251,988	488,132	1,740,120
Restricted assets:			
Cash and cash equivalents	222,630	103,710	326,340
Total Current Assets	1,474,618	591,842	2,066,460
Non-current assets			
Capital assets:			
Non-depreciable	406,007	-	406,007
Depreciable	13,987,822	1,621,683	15,609,505
Net pension asset	142,871	65,187	208,058
Total Non-Current Assets	14,536,700	1,686,870	16,223,570
Total Assets	16,011,318	2,278,712	18,290,030
Deferred outflows of resources	134,903	61,509	196,412
Total Assets and Deferred Outflows of Resources	$ 16,146,221	$ 2,340,221	$ 18,486,442

	Primary Government		
	Governmental Activities	Business Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	$ 28,695	$ 33,929	$ 62,624
Liabilities payable from restricted assets			
Customer deposits		103,710	103,710
Current maturities of long-term debt	103,480	26,520	130,000
Interest payable	5,894	1,523	7,417
Total Current Liabilities	138,069	165,682	303,751
Non-current liabilities			
Bonds payable	1,986,020	508,980	2,495,000
Accrued compensated absences	15,524	11,685	27,209
Other non-current liabilities		23,965	23,965
Less current maturities	(103,480)	(26,520)	(130,000)
Total Non-current Liabilities	1,898,064	518,110	2,416,174
Total Liabilities	2,036,133	683,792	2,719,925
Deferred Inflows of Resources	297,120	135,565	432,685
NET POSITION			
Net Investment in capital assets	12,407,808	1,112,703	13,520,511
Restricted position	216,736	-	216,736
Unrestricted assets	1,188,424	408,161	1,596,585
	13,812,968	1,520,864	15,333,832
	$ 16,146,221	$ 2,340,221	$ 18,486,442

See Independent Accountants' Report and notes to the financial statements.

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

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Function/Program Activities	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total
Primary Government:							
Government Activities:							
General government	$ 610,283	$ 3,500	$ 2,698	$ -	$ (604,085)		$ (604,085)
Police and Courts	359,248	90,591	2,724	-	(265,933)		(265,933)
Fire	337,933		10,102	-	(327,831)		(327,831)
Parks and recreation	29,068			-	(29,068)		(29,068)
Interest on long-tern debt	71,499			-	(71,499)		(71,499)
Total governmental activities	1,408,031	94,091	15,524	-	(1,298,416)		(1,298,416)
Business-type Activities							
Water department operating income						223,267	223,267
Interest expense and other income						(17,454)	(17,454)
Total business-type activities						205,813	205,813
Total primary government	$ 1,408,031	$ 94,091	$ 15,524	$ -	(1,298,416)	205,813	(1,092,603)
General Revenues:							
Taxes:							
Ad valorem taxes					151,917		151,917
Sales tax					522,189		522,189
Gas tax					30,757		30,757
Licenses and permits					312,768		312,768
intergovernmental					197,747		197,747
Investment earnings					922		922
Miscellaneous					38,247		38,247
Transfers (net)					77,904	(77,904)	-
Total general revenues and transfers					1,332,451	(77,904)	1,254,547
Change in net assets from activities					34,035	127,909	161,944
Net position, beginning of year					13,778,933	1,392,955	15,171,888
Net position, end of year					$ 13,812,968	$ 1,520,864	$ 15,333,832

See Independent Accountants' Report and notes to the financial statements.

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General	Special Revenue Funds	Total Governmental Funds
Assets and other debits			
Assets:			
Cash and cash equivalents	$1,153,421	$ -	$ 1,153,421
Receivables			
Taxes	83,378	4,831	88,209
Prepaid expenses	10,358		10,358
Restricted assets:			-
Cash and cash equivalents	20,513	202,117	222,630
Total assets and other debits	$1,267,670	$ 206,949	$ 1,474,619
Liabilities, equity and other credits			
Liabilities:			
Accounts payable and accrued liabilities	$ 27,072	$ 1,624	$ 28,696
Total liabilities	27,072	1,624	28,696
Equity and other credits:			
Non-spendable	10,358	-	10,358
Restricted	20,513	205,325	225,838
Unassigned	1,209,727		1,209,727
Total equity and other credits	1,240,598	205,325	1,445,923
	$1,267,670	$ 206,949	$ 1,474,619

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, 2020

Fund Balance - Total Governmental Funds	$	1,445,923
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		14,393,820
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		(5,894)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet.		(1,986,020)
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		(15,524)
Net pension fund liability is not payable in the current period and therefore this liabilityis not reported in the governmental funds balance sheet		142,871
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		(162,208)
Net Assets of Governmental Activities	$	13,812,968

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

	2020		
	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues:			
Taxes	$ 674,106	$ 56,160	$ 730,266
Licenses and permits	312,768	-	312,768
Intergovernmental	65,635	106,708	172,343
Fines and forfeitures	94,051	-	94,051
Interest	914	8	922
Other	43,790	10,022	53,812
	1,191,264	172,898	1,364,162
Expenditures			
Current operations:			
General government	247,785	167,325	415,110
Public safety	483,367	48,201	531,568
Streets, sanitation and parks	17,024	-	17,024
Total current operations	748,176	215,526	963,702
Capital outlays	416,158		416,158
Debt service:			
Principal	103,480		103,480
Interest and fiscal charges	71,665		71,665
Total expenditures	1,339,479	215,526	1,555,005
Excess (deficiency) of revenues over (under) expenditures	(148,215)	(42,628)	(190,843)
Other financial sources (uses):			
Operating transfers in	86,622	12,319	98,941
Total other financing sources (uses)	86,622	12,319	98,941
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(61,593)	(30,309)	(91,902)
Fund balance, beginning	1,302,191	235,634	1,537,825
Fund balance, ending	$1,240,598	$ 205,325	$ 1,445,923

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, 2020

Change in fund balances - total governmental funds	$	(91,902)
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 theses assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		251,074
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debtconsumes the current financial resources of governmental funds.		
Repayment of long-term debt		103,480
Accrued compensated absences is recorded in the government-wide statements of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, accrued compensated absencer are not recorded as an expenditure in governmental funds		(4,070)
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.		(240,277)
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.		165
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 recongnized on the accrual basis.		15,565
Change in net assets of governmental activities	$	34,035

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, 2020

Assets	
Current Assets	
Cash and cash equivalents	$ 360,259
Cash Restricted for customer deposits	103,710
Receivables	
Customer accounts (less allowance for doubtful accounts of $7,000	96,635
Inventories	21,413
Prepaid Expenses	9,825
Total Current Assets	591,842
Property, Plant and Equipment	
Capital assets	3,121,209
Less Accumulated depreciation	1,499,526
	1,621,683
Net Pension Asset	65,187
Total Assets	2,278,712
Deferred Outflows of Resources	61,509
Total Assets and Deferred Outflows of Resources	$ 2,340,221

Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 33,929
Total current liabilities (payable from current assets)	33,929
Current Liabilities (payable from restricted assets)	
Meter deposits	103,710
Current maturities of long-term debt	26,520
Accrued interest	1,523
Total current liabilities (payable from restricted assets)	131,753
Total current liabilities	165,682
Non-current Liabilities	
Bonds payable	508,980
Premium on bonds issued	23,965
Compensated absences	11,685
Less current bond maturities	(26,520)
Total non-current liabilities	518,110
Total Liabilities	683,792
Deferred Inflows of Resources	135,565
Net Position	
Restricted	28,043
Invested in capital assets, net of related debt	1,112,703
Unrestricted	380,118
	1,520,864
	$ 2,340,221

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, 2020

	Amount	% of Revenue
Operating revenues		
Charges for services		
Water	$ 755,392	82.8
Taps and other charges	157,280	17.2
	912,672	100.0
Operating expenses		
Salaries and wages	191,925	21.0
Cost of water and garbage service	130,219	14.3
Depreciation	97,747	10.7
Materials and supplies	81,522	8.9
Repairs and maintenance	52,796	5.8
Insurance	42,082	4.6
Office expense	27,389	3.0
Testing and professional fees	26,074	2.9
Utilities	20,100	2.2
Fuel	11,533	1.3
Retirement	6,921	0.8
Other expenses	787	0.1
Uniforms	280	0.0
Training	30	0.0
Total operating expenses	689,405	75.5
Operating income	223,267	24.5
Non-operating income (expenses)		
Miscellaneous	14	0.0
Operating transfers net	(77,904)	(8.5)
Interest	(17,468)	(1.9)
Total non-operating income (expense)	(95,358)	(10.4)
Change in net assets	127,909	14.1
Net assets, beginning of year	1,392,955	
Net assets, end of year	$ 1,520,864	

See Independent Accountants' Report and notes to the financial statements.

-THE CITY OF MARGARET, ALABAMA
STATEMENTS OF CASH FLOWS -
WATER SYSTEM ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Cash flows from operating activities:	
Received from customers	$ 907,106
Paid to suppliers	(418,038)
Paid to Employees	(186,836)
Net cash provided by operating activities	302,232
Cash flows from non-capital financing activities:	
Operating transfers	(77,904)
Net cash provided (used) by non-capital financing activities	(77,904)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(161,002)
Repayment of indebtedness	(26,520)
Interest paid on capital and related financing activities	(19,066)
Net cash used by capital and related financing activities	(206,588)
Cash flows from investing activities	
Interest received on investments	14
Net cash provided by investing activities	14
Net increase (decrease) in cash and cash equivalents	17,754
Cash and cash equivalents at beginning of year	446,215
Cash and cash equivalents at end of year	$ 463,969
Unrestricted cash	$ 360,259
Restricted cash	103,710
	$ 463,969
Reconciliation of operating income to Net cash provided by operations	
Operating income	$ 223,267
Adjustments to reconcile operating income to net Cash provided by operating activities:	
Depreciation	97,747
Changes in operating assets and liabilities	
(Increase) decrease in accounts receivable	(7,669)
(Increase) decrease in inventories and prepayments	(1,388)
Increase (decrease) in accounts payable and accrued expenses	4,477
Increase (decrease) in customer deposits	(9,087)
Increase (decrease) in pension liabilities	(5,115)
	$ 302,232

See Independent Accountants' Report and notes to the financial statements.

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.

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, each fund financial statement is 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 2089 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.

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.

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 4.33% 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 .37% of covered compensation and employees contributed 6% except for police officers who contribute 7%.

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).

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	$ 46,045	$ -	$ 46,045
Gas taxes	4,831		4,831
Beer and tobacco tax	625		625
Intergovernmental			
AdValorem	31,189		31,189
Other	5,519	11,191	16,710
Accounts			-
Water service		92,444	92,444
Total receivables	88,209	103,635	191,844
Less allowance for uncollectable accounts	-	7,000	7,000
Net total receivables	$ 88,209	$ 96,635	$ 184,844

Gas Tax receivable includes $2,788 in taxes which are restricted for road improvements

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2020, was as follows:

	Beginning Balance Oct. 1, 2019	Additions	Retirements	Ending Balance Sept. 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 406,007	$ -	$ -	$ 406,007
Construction in process	668,169		668,169	-
Total capital assets not being depreciate	1,074,176	-	668,169	406,007
Capital assets being depreciated				
Buildings	383,657	856,049	78,162	1,161,544
Automotive equipment	506,016	44,445	63,893	486,568
Equipment and furniture	531,300	39,786		571,086
Streets and roads	15,051,695			15,051,695
	16,472,668	940,280	142,055	17,270,893
Less accumulated depreciation	3,163,813	240,277	121,018	3,283,072
Net capital assets being depreciated	13,308,855	700,003	21,037	13,987,821
Governmental activities, net capital assets	$ 14,383,031	$ 700,003	$ 689,206	$ 14,393,828

Depreciation was charged to governmental functions as follows:

Administrative	$ 185,052
Police	23,786
Fire	19,396
Parks and public works	12,043
	$ 240,277

Business Type Activities				
Buildings	$ 1,878	$ 21,037	$ -	$ 22,915
Automotive equipment	101,478	-	-	101,478
Utility plant and equipment	2,782,622	30,921		2,813,543
Heavy equipment	68,945	109,044		177,989
Furniture and office equipment	5,284		-	5,284
	2,960,207	161,002	-	3,121,209
Less accumulated depreciation	1,401,779	97,747	-	1,499,526
Business type activities net capital assets	$ 1,558,428	$ 63,255	$ -	$ 1,621,683

Depreciation expense charged to water department	$ 97,747

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.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Balance 9-30-19	Issued	Retired	Balance 9-30-20
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	$2,089,500		$ 103,480	$1,986,020
Governmental fund total	2,089,500	-	103,480	1,986,020
Business Type Activities				
Series 2017 bonds described above	535,500		26,520	$ 508,980
Business type activitie total	535,500	-	26,520	508,980
Total all long-term debt	$2,625,000	$ -	$ 130,000	$2,495,000

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		
	Principal	Interest	Principal	Interest	Total
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	123,380	54,606	31,620	13,994	223,600
2026 - 2030	652,720	212,522	167,280	54,465	1,086,987
2031 - 2035	776,100	87,679	199,920	22,471	1,086,170
	$1,986,020	$606,422	$510,000	$155,415	$3,257,857

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.

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.

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 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, 2020, 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	6
Active Members	25
Total	**34**

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.

Effective October 1, 2020 the City elected to treat all employees as tier 1 employees. This election will mandate larger contributions by the City in future years.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020 active employee contribution rate was 4.33% of covered employee payroll for tier 1 employees and .37% 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, 2019 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, 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 $29,021 for the year ended September 30, 2020.

NOTE 7 - PENSION PLAN - continued

B. Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018 rolled forward to September 30, 2019 using standard roll-forward techniques as shown in the following table:

		Expected	Actual
Total pension liability, September 30, 2018	(a)	$ 937,952	$ 749,118
Discount rate	(b)	7.70%	7.70%
Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	(c	46,320	46,320
Transfers among employers	(d)	-	77,670
Actual Benefit payments and refunds for the period October 1, 2018 - September 30 2019	(e	(33,948)	(33,948)
Total Pension Liability as of September 30, 2019 =[(a) x (1+(b))]+(c+(d)+[(e x (1+.5*(b)]	(f)	$ 1,021,239	$ 895,535
Difference between Expected and Actual	(g)		$ (125,704)
Less liability transferred for immediate recognition	(h)		77,670
Experience (Gain)/Loss	(i)		$ (203,374)
Difference between Actual at 7.70% and Actual at 7.75% (Assumption Change (Gain)/Loss)			

Actuarial assumptions. The total pension liability in the September 30, 2019 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.

NOTE 7 - PENSION PLAN – continued -

The actuarial assumptions used in the September 30, 2019 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, 2018. The Board of Control accepted and approved these changes in September 2019, which became effective at the beginning of fiscal year 2019.

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%
	100.00%	

* Includes assumed rate of inflation of 2.50%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. 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 (6.75%)	Current Rate (7.70%)	1% Increase (8.75%)
City's net pension liability	$ (115,783)	$ (208,058)	$ (285,794)

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, 2018	$ 937,952	$ 987,793	$ (49,841)
Changes for the year:			
Service Cost	46,320		46,320
Interest	70,915		70,915
Changes of assumptions	0		-
Difference between expected and actual experience	(203,374)		(203,374)
Contributions - Employer		19,731	(19,731)
Contributions - Employee		25,836	(25,836)
Net investment income		26,511	(26,511)
Benefit payments, including refunds of employee contributions	(33,948)	(33,948)	-
Transfers among employers	77,670	77,670	-
Net Change	(42,417)	115,800	(158,217)
Balances at September 30, 2019	$ 895,535	$ 1,103,593	$ (208,058)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. 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, 2020 the City recognized pension expense (revenue) of ($9,891). At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual experience	$ 136,981	$ 432,684
Changes in assumptions	34,187	-
Net difference between projected and actual earnings on plan investments	15,353	-
Employer contributions subsequent to measurement date	9,891	-
	$ 196,412	$ 432,684

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:	
2020	$ (18,266)
2021	(25,778)
2022	(19,306)
2023	(16,541)
2024	(45,394)
Thereafter	(110,987)
	$ (236,272)

NOTE 8- RESERVED NET POSITION AND RESTRICTED ASSETACCOUNTS

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	$ 20,513	$ 20,513	$ -
Special revenue accounts	202,217		
Customer deposit funds			103,710
	$ 222,730	$ 20,513	$ 103,710

OTE 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	1,596	$690,300	Minimum Units per 1,000 units -	
			2,000	$14.75
			4,000	5.50
			6,000	7.40
Commercial	22	65,057	Minimum Units per 1,000 units -	
			2,500	$26.00
			10,000	3.00
	1,618	$755,355	12,000	2.50

NOTE 11 – SUBSEQUENT EVENTS

The City Council adopted a provision of the Retirement System of Alabama (RSA) which allows Tier II members to receive Tier I benefits. This new provision takes effect October 1, 2020 and will require additional contributions by both employees and the City. This change is expected to have a minimum effect on the net pension plan liability and required City expenditures. The City has reviewed subsequent events until January 16, 2021, the date of this report and has determined there are no other events requiring disclosure.

NOTE 10 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2020 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, 2020

Total Pension Liability	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Service Cost	$ 46,320	$ 45,113	$ 51,742	$ 28,883	$ 36,757	$ 35,907
Interest	70,915	90,300	67,517	36,573	32,865	29,577
Difference between expected and actual experience	(203,374)	(336,970)	127,772	108,020	12,453	-
Change of assumptions	-	4,571	-	54,964	-	-
Benefit payments including refunds of employee contributions	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	77,670	7,604	139,733	257,885	-	-
Net change in total pension liability	(42,417)	(265,038)	276,830	451,658	45,295	53,493
Total pension liability - beginning	937,952	1,202,990	926,160	474,502	429,207	375,714
Total pension liability - ending	$ 895,535	$ 937,952	$ 1,202,990	$ 926,160	$ 474,502	$ 429,207
Plan fiduciary net position						
Contributions - employer	$ 19,731	$ 16,163	$ 11,780	$ 6,338	$ 7,238	$ 21,662
Contributions - member	25,836	21,317	18,849	18,187	16,130	17,464
Net investment income	26,511	84,968	102,518	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	77,670	7,604	139,733	257,885	(6,370)	(48,918)
Net change to plan fiduciary net position	115,800	54,396	162,946	307,506	(14,238)	30,505
Plan net position - beginning	987,793	933,397	770,451	462,945	477,183	446,678
Plan net position - ending	$ 1,103,593	$ 987,793	$ 933,397	$ 770,451	$ 462,945	$ 477,183
Net pension liability (asset) - ending	$ (208,058)	$ (49,841)	$ 269,593	$ 155,709	$ 11,557	$ (47,976)
Plan fiduciary net position as a percentage of the total pension liability	123.23%	105.31%	77.59%	83.19%	97.56%	111.18%
Covered payroll*	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873	$ 339,393
Net pension liability (asset) as a percentage of covered payroll	-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 FY2018 the measurement period is October 1, 2016 to September 30, 2017

The net pension liability presented in the statement of net position is as of September 30, 2019.

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2020

	2020	2019	2018	2017	2016	2015
Actuarially Determined contribution	$ 9,891	$ 18,833	$ 16,488	$ 13,021	$ 7,371	$ 8,261
Contributions in relation to the actuarial determined contribution	9,891	18,833	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873
Contributions as a percentage of covered employee payroll	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 2020 were based on the September 30, 2017 actuarial valuation

Methods and assumptions used to determine contribution rates for the period October 1, 2017 to September 30, 2018

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	47.3 years
Asset valuation method	Five year smoothed market
Inflation	0
Salary increases	3.25 - 5.00% including inflation
Investment rate of return	7.75% net of pension plan investment expense, including inflation

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

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

CITY OF MARGARET, ALABAMA
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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, 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

P. 205.879.3292
F. 205.879.3295

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, L.L.C.

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.

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

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.

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	Varience 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
	1,597,997	1,364,162	233,835
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
	1,221,829	1,330,127	(108,298)
Change in net position	$ 376,168	$ 34,035	$ 342,133

Business type revenue and expenditures are summarized below.

	2021	2020	Varience 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)
	713,696	689,405	24,291
Operating income	357,658	223,267	134,391
Non-operating income (expenses)	(45,776)	(95,358)	49,582
Change in net position	$ 311,882	$ 127,909	$ 183,973

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	1,347,404	1,456,064	(108,660)
Excess revenues (expenditures)	$ 250,591	$ (91,902)	$ 342,493

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
	$ 17,933,333	$ 17,676,900	$ 3,333,037	$ 3,121,209

Total investment for 2021	$ 21,266,370

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.

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
Prepaids	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	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Government Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: 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-tern 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	$ 1,482,374	$ 794,646	$ 2,277,020
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
	$ 1,482,374	$ 794,646	$ 2,277,020

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
	1,358,662	239,333	1,597,995
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	889,910	97,130	987,040
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	1,236,809	178,705	1,415,514
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)	100,874	(32,764)	68,110
Excess of revenues and other financing sources over expenditures and other financing uses	222,727	27,864	250,591
Fund balance, beginning	1,240,598	205,325	1,445,923
Fund balance, ending	$ 1,463,325	$ 233,189	$ 1,696,514

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 theses 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 recongnized 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
	89,816
Inventories	61,699
Prepaid expenses	21,277
Total Current Assets	657,067
Property, Plant and Equipment	
Land	125,000
Capital assets	3,208,037
	3,333,037
Less accumulated depreciation	1,612,818
	1,720,219
Restricted Assets	
Customer deposits	119,115
	119,115
Net Pension Asset	56,248
Total Assets	2,552,649
Deferred Outflows of Resources	55,199
Total Assets and Deferred Outflows of Resources	$ 2,607,848

Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 25,722
Total current liabilities (payable from current assets)	25,722
Current Liabilities (payable from restricted assets)	
Meter deposits	117,010
Current maturities of long-term debt	26,520
Accrued interest	1,353
Total current liabilities (payable from restricted assets)	144,883
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	(26,520)
Total non-current liabilities	487,151
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	592,882
	1,832,746
	$ 2,607,848

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

	Amount	% of Revenue
Operating revenues		
Charges for services		
Water	$ 819,318	76.48
Taps and other charges	252,036	23.52
	1,071,354	100.00
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	713,696	66.62
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)	(84,621)	(24.20)
Contributions in Aid of Construction	38,845	3.63
Change in net assets	311,882	29.11
Net assets, beginning of year	1,520,864	
Net assets, end of year	$ 1,832,746	

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		425,313
Cash flows from non-capital financing activities:		
Operating transfers		(68,110)
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		(217,799)
Cash flows from investing activities		
Interest received on investments		17
Net cash provided by investing activities		17
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)
	$	425,313

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.

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.

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.

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).

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

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

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

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.

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.

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

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%
	100.00%	

* Includes assumed rate of inflation of 2.50%

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

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

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 un-metered customers. Customer revenue and rates by class of customers are as follows:

Customer Class	Number of Customers	Gross Revenue	Rate Schedule
Residential	1,748	$ 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	

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
Changesof 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

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

CITY OF MARGARET, ALABAMA
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SEPTEMBER 30, 2022

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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

Opinions

We have audited the accompanying financial statements of the governmental activities of the City of Margaret, Alabama (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, each major fund and the remaining fund information of the City of Margaret, Alabama as of September 30, 2022 and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Certified Public Accountants
2100 Southbridge Parkway, Suite 530
Birmingham, AL 35209

P. 205.879.3292 F. 205.879.3295

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing* Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, the schedule of changes in the 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, LLC

Birmingham, Alabama
July 10, 2023

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

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

To the City Council
City of Margaret, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Margaret, Alabama, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Margaret, Alabama's basic financial statements, and have issued our report thereon dated July 10, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Certified Public Accountants
2100 Southbridge Parkway, Suite 530
Birmingham, AL 35209

P. 205.879.3292 F. 205.879.3295

Report on Compliance and Other Matters

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

Purpose of This Report

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

Cork, Hill & Company, LLC

Birmingham, Alabama
July 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Margaret (the City)'s financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the City's financial statements, which begin on page 12.

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 12 and 13) 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 14. 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 are an 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 begin on page 18 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 14 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.

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 reconciliations on pages 15 and 17.

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.

	2022	2021	Variance
City as a Whole			
Cash	$ 2,020,434	$ 1,386,145	$ 634,289
Receivables	245,861	79,560	166,301
Restricted cash	1,259,822	810,984	448,838
Other assets	9,979	331	9,648
Total Current Assets	3,536,096	2,277,020	1,259,076
Capital assets	14,378,719	14,408,461	(29,742)
Net pension asset	179,768	124,156	55,612
Total Assets	18,094,583	16,809,637	1,284,946
Deferred Outflows of Resources	144,801	121,841	22,960
Total Assets and Deferred Outflows of Resources	$ 18,239,384	$ 16,931,478	$ 1,307,906
Accounts payable	$ 114,976	$ 20,430	$ 94,546
Current maturities of long-term debt	111,440	103,480	7,960
Interest payable	5,118	5,376	(258)
Total Current Liabilities	231,534	129,286	102,248
Non-current liabilities	2,625,693	2,354,037	271,656
Total liabilities	2,857,227	2,483,323	373,904
Deferred Inflows of Resources	287,738	259,019	28,719
Net Assets			
Invested in capital assets	12,594,541	12,525,921	68,620
Restricted	1,259,822	810,984	448,838
Unrestricted	1,240,056	852,231	387,825
Total fund balance	15,094,419	14,189,136	905,283
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 18,239,384	$ 16,931,478	$ 1,307,906

BUSINESS ACTIVITIES	2022	2021	Variance
Cash	$ 974,004	$ 484,275	$ 489,729
Receivables	205,544	89,816	115,728
Other current assets	96,285	82,976	13,309
Restricted cash	1,252,945	119,115	1,133,830
Total Current Assets	2,528,778	776,182	1,752,596
Capital assets	5,728,460	1,720,219	4,008,241
Net pension asset	88,987	56,248	32,739
Total Assets	8,346,225	2,552,649	5,793,576
Deferred Outflows of Resources	71,049	55,199	15,850
Total Assets and Deferred Outflows of Resources	$ 8,417,274	$ 2,607,848	$ 5,809,426
Accounts payable	$ 39,761	$ 25,722	$ 14,039
Current maturities of long-term debt	38,560	26,520	12,040
Other current liabilities	298,437	118,363	180,074
Total Current Liabilities	376,758	170,605	206,153
Non-current liabilities	5,449,984	487,151	4,962,833
Total liabilities	5,826,742	657,756	5,168,986
Deferred Inflows of Resources	142,432	117,346	25,086
Net Position			
Net investment in capital assets	208,436	1,237,759	(1,029,323)
Restricted	1,252,945	2,105	1,250,840
Unrestricted	986,719	592,882	393,837
	2,448,100	1,832,746	615,354
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 8,417,274	$ 2,607,848	$ 5,809,426

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.

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 18. 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, 2022 and 2021.

	2022	2021	Favorable (Unfavorable)
Revenues			
Program revenues	$ 75,261	$ 99,457	$ (24,196)
Taxes and licenses	1,156,498	802,560	353,938
Investment earnings	548	65	483
Other	1,212,044	695,915	516,129
	2,444,351	1,597,997	846,354
Expenditures			
Administrative	646,253	532,956	113,297
Police	468,133	444,087	24,046
Fire	329,019	212,839	116,180
Public works	48,309	32,014	16,295
Interest	66,160	68,043	(1,883)
Transfers - net	(18,806)	(68,110)	49,304
	1,539,068	1,221,829	317,239
Change in net position	$ 905,283	$ 376,168	$ 529,115

Business type revenue and expenditures are summarized below.

	2022	2021	Varience Favorable (Unfavorable)
Revenue			
Charges for services	$ 1,734,143	$ 1,071,354	$ 662,789
Operating expenses			
Cost of water	170,048	157,067	12,981
Salaries	244,604	203,142	41,462
Depreciation	192,179	113,292	78,887
Insurance	89,296	65,708	23,588
Repairs	32,167	37,652	(5,485)
Other operating expenses	261,131	136,835	124,296
	989,425	713,696	275,729
Operating income	744,718	357,658	387,060
Non-operating income (expenses)	(129,364)	(45,776)	(83,588)
Change in net position	$ 615,354	$ 311,882	$ 303,472

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2022 and 2021.

Revenues	2022 Amount	2021 Amount	Increase (Decrease) From 2021
Governmental Revenues			
Taxes	$ 1,156,498	$ 802,560	$ 353,938
Licenses and permits	434,793	397,142	37,651
Intergovernmental	500,463	261,387	239,076
Fines and forfeitures	70,809	95,094	(24,285)
Investment income	547	64	483
Other	290,922	41,748	249,174
Total governmental revenues	$ 2,454,032	$ 1,597,995	$ 856,037

Expenditures	2022 Amount	2021 Amount	Increase (Decrease) From 2021
Governmental Expenditures			
General government	$ 458,010	$ 335,677	$ 122,333
Public safety	765,102	622,216	142,886
Streets, sanitation and parks	45,442	29,147	16,295
Debt service and capital outlays	432,058	428,474	3,584
Transfers	(18,806)	(68,110)	49,304
Total governmental expenditures	1,681,806	1,347,404	334,402
Excess revenues (expenditures)	$ 772,226	$ 250,591	$ 521,635

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2022, the City had $25,657,857 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, sewer system, and land. (See Table Below). This amount represents a net increase (including additions and deductions) of $4,428,414 from 2021. This significant increase is primarily due to the acquisition of the City's new sewer system.

	Government Activities		Business Activities	
	2022	2021	2022	2021
Land	$ 497,007	$ 497,007	$ 125,000	$ 125,000
Buildings and improvements	1,167,044	1,167,044	22,915	22,915
Automotive	688,192	625,436	242,111	133,153
Equipment and furniture	757,389	592,151	238,426	238,426
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant & sewer system	-	-	6,868,078	2,813,543
	$ 18,161,327	$ 17,933,333	$ 7,496,530	$ 3,333,037

Total investment for 2022	$ 25,657,857

Debt

As of September 30, 2022, the City had $1,779,060 in outstanding bonds and notes payable versus $1,882,540 last year, a decrease of $103,480. As of September 30, 2022, the water department had $5,585,940 in outstanding bonds and notes payable versus $482,460 last year, an increase of $5,103,480. This increase in debt for the water department is related to funding acquired for the purchase of the City's sewer system.

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, fees, and the economy. The City's revenues are relatively stable and are expected to increase in future years due to economic growth and development within the City. Similarly, the City's expenses have remained consistent with prior years and are expected to increase in future years as the City continues to provide additional services to the community.

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, 2022

	Primary Government		
	Governmental Activities	Business Activities	Total
ASSETS			
Current Assets - Unrestricted			
Cash and cash equivalents	$ 2,020,434	$ 974,004	$ 2,994,438
Receivables (net)	245,861	205,544	451,405
Inventories	-	85,098	85,098
Prepaids	9,979	11,187	21,166
Total Current Assets - Unrestricted	2,276,274	1,275,833	3,552,107
Current Assets - Restricted			
Cash and cash equivalents	1,259,822	1,252,945	2,512,767
Total Current Assets - Restricted	1,259,822	1,252,945	2,512,767
Total Current Assets	3,536,096	2,528,778	6,064,874
Non-Current Assets			
Capital assets:			
Non-depreciable	497,007	125,000	622,007
Depreciable - net of depreciation	13,881,712	5,603,460	19,485,172
Total capital assets, net of depreciation	14,378,719	5,728,460	20,107,179
Other Assets			
Net pension asset	179,768	88,987	268,755
Total Assets	18,094,583	8,346,225	26,440,808
Deferred Outflows of Resources	144,801	71,049	215,850
Total Assets and Deferred Outflows of Resources	$ 18,239,384	$ 8,417,274	$ 26,656,658

	Primary Government		
	Governmental Activities	Business Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	$ 114,976	$ 39,761	$ 154,737
Liabilities payable from restricted assets:			
Customer deposits	-	262,505	262,505
Current maturities of long-term debt	111,440	38,560	150,000
Interest payable	5,118	35,932	41,050
Total Current Liabilities	231,534	376,758	608,292
Non-Current liabilities			
Bonds payable	1,667,620	5,318,081	6,985,701
Accrued compensated absences	5,693	4,452	10,145
Unamortized bond premium	-	127,451	127,451
Unearned revenue	952,380	-	952,380
Total Non-Current Liabilities	2,625,693	5,449,984	8,075,677
Total Liabilities	2,857,227	5,826,742	8,683,969
Deferred Inflows of Resources	287,738	142,432	430,170
NET POSITION			
Net Investment in capital assets	12,594,541	208,436	12,802,977
Restricted position	1,259,822	1,252,945	2,512,767
Unrestricted assets	1,240,056	986,719	2,226,775
	15,094,419	2,448,100	17,542,519
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 18,239,384	$ 8,417,274	$ 26,656,658

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Government Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Government Activities:							
General government	$ 646,253	$ 185	$ 177	$ -	$ (645,891)	$ -	$ (645,891)
Police and Courts	468,133	70,199	1,275	-	(396,659)		(396,659)
Fire	329,019	425	3,000	-	(325,594)		(325,594)
Parks and recreation	48,309	-	-	-	(48,309)		(48,309)
Interest on long-tern debt	66,160	-	-	-	(66,160)		(66,160)
Total governmental activities	1,557,874	70,809	4,452	-	(1,482,613)		(1,482,613)
Business-type Activities							
Water department operating income						744,718	744,718
Interest expense and other income						(110,558)	(110,558)
Total business-type activities						634,160	634,160
Total primary government	$ 1,557,874	$ 70,809	$ 4,452	$ -	(1,482,613)	634,160	(848,453)
General Revenues:							
Taxes:							
Ad valorem taxes					319,403		319,403
Sales tax					805,035		805,035
Gas tax					32,060		32,060
Licenses and permits					434,793		434,793
Intergovernmental					500,463		500,463
Investment earnings					548		548
Miscellaneous					276,788		276,788
Transfers (net)					18,806	(18,806)	-
Total general revenues and transfers					2,387,896	(18,806)	2,369,090
Change in net assets from activities					905,283	615,354	1,520,637
Change in net position					905,283	615,354	1,520,637
Net position, beginning of year					14,189,136	1,832,746	16,021,882
Net position, end of year					$ 15,094,419	$ 2,448,100	$ 17,542,519

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General	Non Major Funds	Total Governmental Funds
Assets			
Assets:			
Cash and cash equivalents	$ 2,020,434	$ -	$ 2,020,434
Receivables			
Taxes	232,093	13,768	245,861
Prepaid expenses	9,979	-	9,979
Restricted assets:			
Cash and cash equivalents	33,726	1,226,096	1,259,822
Total Assets	$ 2,296,232	$ 1,239,864	$ 3,536,096
Liabilities and equity			
Liabilities:			
Accounts payable and accrued liabilities	$ 114,976	$ -	$ 114,976
Unearned revenue	-	952,380	952,380
Total Liabilities	114,976	952,380	1,067,356
Fund Balance			
Non-spendable	9,979	-	9,979
Restricted	33,726	287,484	321,210
Unassigned	2,137,551		2,137,551
Total Fund Balance	2,181,256	287,484	2,468,740
Total Liabilities and Fund Balance	$ 2,296,232	$ 1,239,864	$ 3,536,096

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

Fund Balance - Total Governmental Funds	$	2,468,740
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		14,378,719
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		(5,118)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		(1,667,620)
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		(5,693)
Net pension fund asset is not receivable in the current period and therefore this asset is not reported in the governmental funds balance sheet		179,768
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		(142,937)
Net Position of Governmental Activities	$	15,205,859

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Non Major Funds	Total Governmental Funds
Revenues:			
Taxes	$ 1,124,438	$ 32,060	$ 1,156,498
Licenses and permits	434,793	-	434,793
Intergovernmental	99,058	401,405	500,463
Fines and forfeitures	65,842	4,967	70,809
Interest	488	59	547
Other	277,561	13,361	290,922
	2,002,180	451,852	2,454,032
Expenditures			
Current operations:			
General government	398,031	59,979	458,010
Public safety	675,464	89,638	765,102
Streets, sanitation and parks	37,368	8,074	45,442
Total current operations	1,110,863	157,691	1,268,554
Capital outlays	78,333	183,826	262,159
Debt service:			
Principal	103,480	-	103,480
Interest and fiscal charges	66,419	-	66,419
Total expenditures	1,359,095	341,517	1,700,612
Excess of revenues over expenditures	643,085	110,335	753,420
Other financial sources (uses):			
Operating transfers out	(555,896)	(61,582)	(617,478)
Operating transfers in	630,742	5,542	636,284
Total other financing sources (uses)	74,846	(56,040)	18,806
Excess of revenues and other financing sources over expenditures and other financing uses	717,931	54,295	772,226
Fund balance, beginning	1,463,325	233,189	1,696,514
Fund balance, ending	$ 2,181,256	$ 287,484	$ 2,468,740

See Independent Auditors' 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, 2022

Change in fund balances - total governmental funds	$	772,226
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 position, the cost of theses assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period, net of current year disposals.		252,479
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. These transactions are as follows:		
Repayment of long-term debt		103,480
Accrued compensated absences is recorded in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, accrued compensated absences are not recorded as an expenditure in governmental funds.		9,208
Depreciation expense on capital assets 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, depreciation expense is not recorded as an expenditure in governmental funds.		(282,221)
Accrued interest expense on long-term debt is recorded in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds.		259
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 recongnized on the accrual basis		49,852
Change in net position of governmental activities	$	905,283

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2022

Assets		
Current Assets		
Cash and cash equivalents	$	974,004
Receivables		
Customer accounts (less allowance for doubtful accounts of $7,000)		205,544
		205,544
Inventories		85,098
Prepaid expenses		11,187
Total Current Assets		1,275,833
Property, Plant and Equipment		
Land		125,000
Capital assets		7,371,530
		7,496,530
Less accumulated depreciation		1,768,070
		5,728,460
Restricted Assets		
Trust and construction funds		1,049,851
Customer deposits		203,094
		1,252,945
Net Pension Asset		88,987
Total Assets		8,346,225
Deferred Outflows of Resources		71,049
Total Assets and Deferred Outflows of Resources	$	8,417,274

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	$ 39,761
Total current liabilities (payable from current assets)	39,761
Current Liabilities (payable from restricted assets)	
Meter deposits	262,505
Current maturities of long-term debt	38,560
Accrued interest	35,932
Total current liabilities (payable from restricted assets)	336,997
Total current liabilities	376,758
Non-current Liabilities	
Bonds payable	5,356,641
Premium on bonds issued	127,451
Compensated absences	4,452
Less current bond maturities	(38,560)
Total non-current liabilities	5,449,984
Total Liabilities	5,826,742
Deferred Inflows of Resources	142,432
Net Position	
Restricted	1,252,945
Invested in capital assets, net of related debt	208,436
Unrestricted	986,719
	2,448,100
	$ 8,417,274

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Amount	% of Revenue
Operating revenues		
Charges for services		
Water and sewer charges	$ 1,408,454	81.22
Taps and other charges	325,689	18.78
Total operating revenues	1,734,143	100.00
Operating expenses		
Salaries and wages	244,604	14.11
Depreciation	192,179	11.08
Materials and supplies	179,101	10.33
Cost of water	170,048	9.81
Insurance	89,296	5.15
Repairs and maintenance	32,167	1.85
Office expense	31,048	1.79
Fuel	25,430	1.47
Testing and professional fees	20,103	1.16
Utilities	18,859	1.09
Uniforms	3,206	0.18
Other expenses	2,133	0.12
Retirement	(18,749)	(1.08)
Total operating expenses	989,425	57.06
Operating income	744,718	42.94
Non-operating revenue (expenses)		
Investment income	3,863	0.22
Operating transfers net	(18,806)	(1.08)
Interest	(114,421)	(6.60)
Total non-operating revenue (expense)	(129,364)	(7.46)
Change in net assets	615,354	35.48
Net assets, beginning of year	1,832,746	
Net assets, end of year	$ 2,448,100	

See Independent Auditors' Report and Notes to the Financial Statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Cash flows from operating activities:	
Received from customers	$ 1,763,910
Paid to suppliers	(577,532)
Paid to employees	(246,878)
Net cash provided by operating activities	939,500
Cash flows from non-capital financing activities:	
Operating transfers	(18,806)
Net cash used by non-capital financing activities	(18,806)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(4,200,419)
Repayment of indebtedness	(26,520)
Proceeds from debt	5,005,785
Interest paid on capital and related financing activities	(79,842)
Net cash provided by capital and related financing activities	699,004
Cash flows from investing activities	
Interest received on investments	3,863
Net cash provided by investing activities	3,863
Net increase in cash and cash equivalents	$ 1,623,561
Cash and cash equivalents at beginning of year	$ 603,388
Cash and cash equivalents at end of year	$ 2,226,949
Unrestricted cash	$ 974,004
Restricted cash	$ 1,252,945
	$ 2,226,949
Reconciliation of operating income to Net cash provided by operations	
Operating income	$ 744,718
Adjustments to reconcile operating income to net Cash provided by operating activities:	
Depreciation	192,179
Changes in operating assets and liabilities	
Increase in accounts receivable	(115,728)
Increase in inventories and prepayments	(13,309)
Increase in accounts payable and accrued expenses	9,648
Increase in customer deposits	145,495
Change in pension related accounts	(23,503)
	$ 939,500

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.

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.

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. The City has 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 or enabling legislation.

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 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 2.68% 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 .37% 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, differences between actual and expected experience changes in actuarial assumptions and for earnings which were less than projected. The deferred outflows resulting from changes in experience, earnings being less than expected and change of assumptions are recognized over periods ranging from 5 to 10.1 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 5 to 10.1 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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).

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.

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	$ 212,459	$ -	$ 212,459
Gas taxes	13,768	-	13,768
Beer and tobacco tax	1,204	-	1,204
Intergovernmental			-
AdValorem	4,526	-	4,526
Other	3,282	-	3,282
Other taxes	5,891	-	5,891
Licenses and permits	4,731		4,731
Accounts			
Sewer deposits		49,492	49,492
Water service	-	163,052	163,052
Total receivables	245,861	212,544	458,405
Less allowance for uncollectable accounts	-	7,000	7,000
Net total receivables	$ 245,861	$ 205,544	$ 451,405

Gas Tax receivable includes $13,768 in taxes which are restricted for road improvements

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2022, was as follows:

	Beginning Balance Oct. 1, 2021	Additions	Retirements	Ending Balance Sept. 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	$ 497,007	$ -	$ -	$ 497,007
Total capital assets not being depreciated	497,007	-	-	497,007
Capital assets being depreciated				
Buildings	1,167,044	-	-	1,167,044
Automotive equipment	625,436	96,921	34,165	688,192
Equipment and furniture	592,151	165,238	-	757,389
Streets and roads	15,051,695	-	-	15,051,695
	17,436,326	262,159	34,165	17,664,320
Less accumulated depreciation	3,524,872	282,221	24,485	3,782,608
Net capital assets being depreciated	13,911,454	(20,062)	9,680	13,881,712
Governmental activities, net capital assets	$ 14,408,461	$ (20,062)	$ 9,680	$ 14,378,719

Depreciation was charged to governmental functions as follows:

Administrative	$ 204,492
Police	43,912
Fire	30,950
Parks and public works	2,867
	$ 282,221

NOTE 4 - CAPITAL ASSETS – continued

Capital asset activity for the Business Activities of the City during the year ended September 30, 2022, was as follows:

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	133,153	108,958	-	242,111
Utility plant and equipment	2,813,543	4,091,461	36,926	6,868,078
Heavy equipment	233,142	-	-	233,142
Furniture and office equipment	5,284	-	-	5,284
	3,208,037	4,200,419	36,926	7,371,530
Less accumulated depreciation	1,612,817	192,179	36,926	1,768,070
Net capital assets being depreciated	1,595,220	4,008,240	-	5,603,460
Net Capital Assets	$ 1,720,220	$ 4,008,240	$ -	$ 5,728,460
Depreciation expense charged to water department				$ 192,179

In December 2021, the City issued $5,130,000 of Series 2021 general obligation warrants to fund the purchase of the City's new sewer system. The sewer system, acquired March 2022, was purchased for $4,000,000 from the City of Moody, Alabama.

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. In December 2021, The City issued Series 2021 general obligation warrants in the amount of $5,130,000 to fund the purchase of the water department's new sewer system. The outstanding debt of the City is detailed as follows:

	Balance Oct. 1, 2021	Issued	Retired	Balance Sept. 30, 2022
Governmental Activities				
Series 2017 General Obligation Bonds dated 12/21/2017 in the amount of $2,830,000. 79.6% allocated to the Governmental funds of the City and the remaining 20.4% allocated to the Water system. Maturing 9/1/2035 carrying interest ranging from 2.00-4.00% payable June 1 and December 1, principal beginning 9/1/2018.	$ 1,882,540	$ -	$ 103,480	$ 1,779,060
Governmental fund total	$ 1,882,540	$ -	$ 103,480	$ 1,779,060
Business Type Activities				
Series 2017 General Obligation Bonds dated 12/21/2017 in the amount of $2,830,000. 79.6% allocated to the Governmental funds of the City and the remaining 20.4% allocated to the Water system. Maturing 9/1/2035 carrying interest ranging from 2.00-4.00% payable June 1 and December 1, principal beginning 9/1/2018.	$ 482,460	$ -	$ 26,520	$ 455,940
Series 2021 General Obligation Bonds dated 12/30/2021 in the amount of $5,130,000 for purchase of the City's Sewer system. Maturing 12/1/2051 carrying interest ranging from 2.00-3.00% payable June 1 and December 1, principal beginning 12/1/2022.	-	5,130,000	-	5,130,000
Business type activities total	$ 482,460	$ 5,130,000	$ 26,520	$ 5,585,940
Less:				
Unamortized discounts				(229,299)
Net general obligation warrants payable				$ 5,356,641
Total all long-term debt	$ 2,365,000	$ 5,130,000	$ 130,000	$ 7,135,701

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

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

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

Year Ending	Governmental Activities		Business Type Activities		
September 30	Principal	Interest	Principal	Interest	Total
2023	$ 111,440	$ 61,411	$ 38,560	$ 154,220	$ 365,631
2024	115,420	58,068	39,580	153,163	366,231
2025	123,380	54,606	36,620	152,125	366,731
2026	123,380	50,904	41,620	151,027	366,931
2027	123,380	46,894	46,620	149,749	366,643
2028 - 2032	700,480	164,951	239,520	727,479	1,832,430
2033 - 2037	481,580	37,452	623,420	675,453	1,817,905
2038 - 2042	-	-	1,310,000	512,705	1,822,705
2043 - 2047	-	-	1,505,000	319,719	1,824,719
2048 - 2052	-	-	1,705,000	114,254	1,819,254
	$ 1,779,060	$ 474,286	$ 5,585,940	$ 3,109,894	$ 10,949,180

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 Employees' Retirement System (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    f. One full time employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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

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 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership of 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	10
Active members	20
Total	34

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

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to 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, 2022 active employee contribution rate was 2.68% of covered employee payroll for tier 1 employees and .37% for tier 2 employees. The City's average contribution rate to fund the normal and accrued liability costs was 1.39% of covered employee payroll.

NOTE 7 - PENSION PLAN - continued

The City's contractually required contribution rate for the year ended September 30, 2022 was 2.68% of pensionable pay for Tier 1 employees, and .37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, 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 $10,361 for the year ended September 30, 2022.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the following table:

Roll Forward of Total Pension Liability	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) Total pension liability, September 30, 2020	$ 982,299	$ 1,050,470	$ 1,050,470	$ 1,101,958
(b) Discount rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2010 - September 30, 2021	40,233	40,233	40,233	46,300
(d) Transfers among employers	-	272,962	272,962	272,962
(e) Actual Benefit payments and refunds for the period October 1, 2020 - September 30 2021	(56,326)	(56,326)	(56,326)	(56,326)
(f) Total Pension Liability as of September 30, 2021 =[(a) x (1+(b))]+(c+(d)+[(e x (1+.5*(b)]	$ 1,039,674	1,386,057	1,386,057	1,444,892
(g) Difference between Expected and Actual		346,383	-	-
(h) Less liability transferred for immediate recognition		272,962	-	-
(i) Difference between Expected and Actual - Experience (Gain)/Loss		$ 73,421	-	-
(j) Difference between Actual TPL Before and After Act 2019-132 - Benefit Change (Gain)/Loss			$ -	-
(k) Difference between Actual TPL Before and After 2020 Experience Study - Assumption Change (Gain)/Loss				$ 58,835

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	2.50%
Salary Increases	3.25% - 6.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

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, 2015 – September 30, 2020.

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	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
	100.00%	

* Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	$ (119,054)	$ (268,755)	$ (379,324)

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, 2020	$ 982,299	$ 1,162,703	$ (180,404)
Changes for the year:			
Service cost	40,233	-	40,233
Interest	73,468	-	73,468
Changes of benefit terms	-	-	-
Changes of assumptions	58,835	-	58,835
Difference between expected and actual experience	73,421	-	73,421
Contributions - Employer	-	8,949	(8,949)
Contributions - Employee	-	37,907	(37,907)
Net investment income	-	287,452	(287,452)
Benefit payments, including refunds of employee contributions	(56,326)	(56,326)	-
Administrative expense	-	-	-
Transfers among employers	272,962	272,962	-
Net Change	462,593	550,944	(88,351)
Balances at September 30, 2021	$ 1,444,892	$ 1,713,647	$ (268,755)

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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditors' 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

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2022 the City recognized pension income of $62,804. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 135,074	$ 311,508
Changes of assumptions	70,415	-
Net difference between projected and actual earnings on plan investments	-	118,662
Employer contributions subsequent to measurement date	10,361	-
	$ 215,850	$ 430,170

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:	
2023	$ (22,092)
2024	(29,688)
2025	(58,539)
2026	(66,086)
2027	(102)
Thereafter	(37,813)
	$ (214,320)

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	$ -	$ 33,726	$ 1,049,851
Special revenue accounts	1,259,822	-	-
Customer deposit funds	-	-	45,144
	$ 1,259,822	$ 33,726	$ 1,094,995

NOTE 9 - UNEARNED REVENUE

For the year ended September 30, 2022, the City received federal funds from the American Rescue Plan Act (ARPA) in the amount of $611,234. 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, 2022 was $218,299. The amount of unearned revenue at year end is $952,380.

NOTE 10 - SUBSEQUENT EVENTS

The City has reviewed subsequent events until July 10, 2023, the date of this report and has determined there are no other events requiring disclosure.

NOTE 11 - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The statements address:

- Statement No. 91, *Conduit Debt Obligations* to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB 91 were originally effective for fiscal years beginning after December 15, 2020, but was extended to fiscal years beginning after December 15, 2021, with the issuance of GASB Statement 95, *Postponement of the Effective Date of Certain Authoritative Guidance.* The City expects no change to its financial statements in implementing this statement.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – This statement will become effective for the City in Fiscal year 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
- Statement No. 99, *Omnibus 2022,* which relates to the extension of the use of LIBOR, disclosures for non-monetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in statement No. 34 and terminology updates that take effect upon issuance. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62,* that will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences,* that will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective will be achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 12 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2022 were as follows:

Mr. Jeffery Wilson, Mayor
Mr. James Chapman, Council Member
Mr. Darius Crump, 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, 2022

Total Pension Liability	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Service Cost	$ 40,233	$ 40,287	$ 46,320	$ 45,113	$ 51,742	$ 28,883	$ 36,757	$ 35,907
Interest	73,468	67,644	70,915	90,300	67,517	36,573	32,865	29,577
Changesof benefit terms	-	30,076	-	-	-	-	-	-
Difference between expected and actual experience	73,421	(8,538)	(203,374)	(336,970)	127,772	108,020	12,453	-
Change of assumptions	58,835	-	-	4,571	-	54,964	-	-
Benefit payments including refunds of employee contributions	(56,326)	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	272,962	(8,621)	77,670	7,604	139,733	257,885	-	-
Net change in total pension liability	462,593	86,764	(42,417)	(265,038)	276,830	451,658	45,295	53,493
Total pension liability - beginning	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207	375,714
Total pension liability - ending	1,444,892	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207
Plan fiduciary net position								
Contributions - employer	8,949	9,920	19,731	16,163	11,780	6,338	7,238	21,662
Contributions - member	37,907	28,943	25,836	21,317	18,849	18,187	16,130	17,464
Net investment income	287,452	62,952	26,511	84,968	102,518	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(56,326)	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	272,962	(8,621)	77,670	7,604	139,733	257,885	(6,370)	(48,918)
Net change to plan fiduciary net position	550,944	59,110	115,800	54,396	162,946	307,506	(14,238)	30,505
Plan net position - beginning	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183	446,678
Plan net position - ending	1,713,647	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183
Net pension liability (asset) - ending	$ (268,755)	$ (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	118.60%	118.37%	123.23%	105.31%	77.59%	83.19%	97.56%	111.18%
Covered payroll*	$ 660,657	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873	$ 339,393
Net pension liability (asset) as a percentage of covered payroll	-40.68%	-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 FY2022 the measurement period is October 1, 2020 to September 30, 2021

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 10,361	$ 8,758	$ 9,891	$ 18,833	$ 16,488	$ 13,021	$ 7,371	$ 8,261
Contributions in relation to the actuarially determined contribution	10,361	8,758	9,891	18,833	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered employee payroll	$ 745,611	$ 660,657	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873
Contributions as a percentage of covered employee payroll	1.39%	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 2022 were based on the September 30, 2019 actuarial valuation

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022

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

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

CITY OF MARGARET, ALABAMA
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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

Opinions

We have audited the accompanying financial statements of the governmental activities of the City of Margaret, Alabama (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, each major fund and the remaining fund information of the City of Margaret, Alabama as of September 30, 2023 and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing* Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the 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, LLC

Birmingham, Alabama
July 16, 2024

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

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

To the City Council
City of Margaret, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Margaret, Alabama, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Margaret, Alabama's basic financial statements, and have issued our report thereon dated July 16, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be *material weaknesses* or, *significant deficiencies*. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be *material weaknesses*. However, *material weaknesses* or *significant deficiencies* may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of This Report

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

Cork, Hill & Company, LLC

Birmingham, Alabama
July 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Margaret (the City)'s financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the City's financial statements, which begin on page 12.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a more comprehensive view of the City's finances. Fund financial statements start on page 14. 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 the current year changes in net position. 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 are an 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 begin on page 18 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 14 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.

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 the availability of 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 reconciliations on pages 15 and 17.

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.

	2023	2022	Variance
City as a Whole			
Cash	$ 2,601,731	$ 2,020,434	$ 581,297
Receivables	198,683	245,861	(47,178)
Restricted cash	1,034,814	1,259,822	(225,008)
Other assets	16,680	9,979	6,701
Total Current Assets	3,851,908	3,536,096	315,812
Capital assets	14,109,597	14,378,719	(269,122)
Net pension asset	-	179,768	(179,768)
Total Assets	17,961,505	18,094,583	(133,078)
Deferred Outflows of Resources	240,569	144,801	95,768
Total Assets and Deferred Outflows of Resources	$ 18,202,074	$ 18,239,384	$ (37,310)
Accounts payable	$ 120,968	$ 114,976	$ 5,992
Current maturities of long-term debt	115,420	111,440	3,980
Interest payable	4,839	5,118	(279)
Total Current Liabilities	241,227	231,534	9,693
Non-current liabilities	2,380,200	2,625,693	(245,493)
Total liabilities	2,621,427	2,857,227	(235,800)
Deferred Inflows of Resources	164,998	287,738	(122,740)
Net Assets			
Invested in capital assets	12,437,138	12,594,541	(157,403)
Restricted	1,034,814	1,259,822	(225,008)
Unrestricted	1,943,697	1,240,056	703,641
Total net assets	15,415,649	15,094,419	321,230
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 18,202,074	$ 18,239,384	$ (37,310)

BUSINESS ACTIVITIES	2023	2022	Variance
Cash	$ 1,454,450	$ 974,004	$ 480,446
Receivables	237,359	205,544	31,815
Other current assets	78,077	96,285	(18,208)
Restricted cash	1,330,226	1,252,945	77,281
Total Current Assets	3,100,112	2,528,778	571,334
Capital assets	5,869,938	5,728,460	141,478
Net pension asset	-	88,987	(88,987)
Total Assets	8,970,050	8,346,225	623,825
Deferred Outflows of Resources	119,051	71,049	48,002
Total Assets and Deferred Outflows of Resources	$ 9,089,101	$ 8,417,274	$ 671,827
Accounts payable	$ 72,662	$ 39,761	$ 32,901
Current maturities of long-term debt	39,580	38,560	1,020
Other current liabilities	274,137	298,437	(24,300)
Total Current Liabilities	386,379	376,758	9,621
Non-current liabilities	5,471,474	5,449,984	21,490
Total liabilities	5,857,853	5,826,742	31,111
Deferred Inflows of Resources	81,653	142,432	(60,779)
Net Position			
Net investment in capital assets	386,001	208,436	177,565
Restricted	1,330,226	1,252,945	77,281
Unrestricted	1,433,368	986,719	446,649
	3,149,595	2,448,100	701,495
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 9,089,101	$ 8,417,274	$ 671,827

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.

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 19. 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, 2023 and 2022.

	2023	2022	Variance Favorable (Unfavorable)
Revenues			
Program revenues	$ 56,280	$ 75,261	$ (18,981)
Taxes and licenses	1,039,953	1,156,498	(116,545)
Investment earnings	5,930	548	5,382
Other	1,182,232	1,212,044	(29,812)
	2,284,395	2,444,351	(159,956)
Expenditures			
Administrative	822,169	646,253	175,916
Police	490,201	468,133	22,068
Fire	441,010	329,019	111,991
Public works	32,451	48,309	(15,858)
Interest	62,819	66,160	(3,341)
Transfers - net	114,515	(18,806)	133,321
	1,963,165	1,539,068	424,097
Change in net position	$ 321,230	$ 905,283	$ (584,053)

Business-type revenue and expenditures are summarized below.

	2023	2022	Variance Favorable (Unfavorable)
Revenue			
Charges for services	$ 2,099,260	$ 1,734,143	$ 365,117
Operating expenses			
Cost of water	185,634	170,048	15,586
Salaries	314,950	244,604	70,346
Depreciation	260,304	192,179	68,125
Insurance	75,839	89,296	(13,457)
Repairs	50,143	32,167	17,976
Other operating expenses	507,724	261,131	246,593
	1,394,594	989,425	405,169
Operating income	704,666	744,718	(40,052)
Non-operating income (expenses)	(3,171)	(129,364)	42,605
Change in net position	$ 701,495	$ 615,354	$ 2,553

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2023 and 2022.

Revenues	2023 Amount	2022 Amount	Increase (Decrease) From 2022
Governmental Revenues			
Taxes	$ 1,039,953	$ 1,156,498	$ (116,545)
Licenses and permits	411,967	434,793	(22,826)
Intergovernmental	517,534	500,463	17,071
Fines and forfeitures	51,229	70,809	(19,580)
Investment income	5,930	547	5,383
Other	257,782	290,922	(33,140)
Total governmental revenues	$ 2,284,395	$ 2,454,032	$ (169,637)

Expenditures	2023 Amount	2022 Amount	Increase (Decrease) From 2022
Governmental Expenditures			
General government	$ 594,234	$ 458,010	$ 136,224
Public safety	824,229	765,102	59,127
Streets, sanitation and parks	29,584	45,442	(15,858)
Debt service and capital outlays	193,877	432,058	(238,181)
Transfers	114,515	(18,806)	133,321
Total governmental expenditures	1,756,439	1,681,806	74,633
Excess revenues (expenditures)	$ 527,956	$ 772,226	$ (244,270)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2023, the City had $26,071,519 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, sewer system, and land. See table below for current year to prior year comparisons of capital assets for governmental activities as well as business activities. This amount represents a net increase (including additions and deductions) of $413,662 from 2022.

	Government Activities		Business Activities	
	2023	2022	2023	2022
Land	$ 497,007	$ 497,007	$ 125,000	$ 125,000
Buildings and improvements	1,167,044	1,167,044	22,915	22,915
Automotive	688,192	688,192	242,111	242,111
Equipment and furniture	776,728	757,389	237,186	238,426
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant and sewer system	-	-	7,263,641	6,868,078
	$ 18,180,666	$ 18,161,327	$ 7,890,853	$ 7,496,530

Total investment for 2023	$ 26,071,519

Debt

As of September 30, 2023, the City had $1,667,620 in outstanding bonds and notes payable versus $1,779,060 last year, a decrease of $111,440. As of September 30, 2023, the water department had $5,547,380 in outstanding bonds and notes payable versus $5,585,940 last year, a decrease of $38,560.

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, fees, and the economy. The City's revenues are relatively stable and are expected to increase in future years due to economic growth and development within the City. Similarly, the City's expenses have remained consistent with prior years and are expected to increase in future years as the City continues to provide additional services to the community.

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
825 Woodland Circle
Margaret, AL 35120
(205) 629-5742

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental Activities	Business Activities	Total
ASSETS			
Current Assets - Unrestricted			
Cash and cash equivalents	$ 2,601,731	$ 1,454,450	$ 4,056,181
Receivables (net)	198,683	237,359	436,042
Inventories	-	70,653	70,653
Prepaids	16,680	7,424	24,104
Total Current Assets - Unrestricted	2,817,094	1,769,886	4,586,980
Current Assets - Restricted			
Cash and cash equivalents	1,034,814	1,330,226	2,365,040
Total Current Assets - Restricted	1,034,814	1,330,226	2,365,040
Total Current Assets	3,851,908	3,100,112	6,952,020
Noncurrent Assets			
Capital assets:			
Non-depreciable	497,007	125,000	622,007
Depreciable - net of depreciation	13,612,590	5,744,938	19,357,528
Total Capital Assets, Net of Depreciation	14,109,597	5,869,938	19,979,535
Total Assets	17,961,505	8,970,050	26,931,555
Deferred Outflows of Resources	240,569	119,051	359,620
Total Assets and Deferred Outflows of Resources	$ 18,202,074	$ 9,089,101	$ 27,291,175

	Primary Government		
	Governmental Activities	Business Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	$ 120,968	$ 72,662	$ 193,630
Liabilities payable from restricted assets:			
Customer deposits	-	238,327	238,327
Current maturities of long-term debt	115,420	39,580	155,000
Interest payable	4,839	35,810	40,649
Total Current Liabilities	241,227	386,379	627,606
Noncurrent liabilities			
Bonds payable	1,552,200	5,286,341	6,838,541
Accrued compensated absences	39,828	36,240	76,068
Unamortized bond premium	-	122,206	122,206
Net pension liability	53,928	26,687	80,615
Unearned revenue	734,244	-	734,244
Total Noncurrent Liabilities	2,380,200	5,471,474	7,851,674
Total Liabilities	2,621,427	5,857,853	8,479,280
Deferred Inflows of Resources	164,998	81,653	246,651
NET POSITION			
Net Investment in capital assets	12,437,138	386,001	12,823,139
Restricted position	1,034,814	1,330,226	2,365,040
Unrestricted assets	1,943,697	1,433,368	3,377,065
	15,415,649	3,149,595	18,565,244
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 18,202,074	$ 9,089,101	$ 27,291,175

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Government Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Government Activities:							
General government	$ 822,169	$ 190	$ 120	$ -	$ (821,859)	$ -	$ (821,859)
Police and Courts	490,201	55,015	955	-	(434,231)	-	(434,231)
Fire	441,010	-	-	-	(441,010)	-	(441,010)
Parks and recreation	32,451	-	-	-	(32,451)	-	(32,451)
Interest on long-term debt	62,819	-	-	-	(62,819)	-	(62,819)
Total governmental activities	1,848,650	55,205	1,075	-	(1,792,370)	-	(1,792,370)
Business-type Activities							
Water department operating income						704,666	704,666
Interest expense and other income						(117,686)	(117,686)
Total business-type activities						586,980	586,980
Total primary government	$ 1,848,650	$ 55,205	$ 1,075	$ -	(1,792,370)	586,980	(1,205,390)
General Revenues:							
Taxes:							
Ad valorem taxes					163,581	-	163,581
Sales tax					845,427	-	845,427
Gas tax					30,945	-	30,945
Licenses and permits					411,967	-	411,967
Intergovernmental					517,535	-	517,535
Investment earnings					5,930	-	5,930
Miscellaneous					252,730	-	252,730
Transfers (net)					(114,515)	114,515	-
Total general revenues and transfers					2,113,600	114,515	2,228,115
Change in net position					321,230	701,495	1,022,725
Net position, beginning of year					15,094,419	2,448,100	17,542,519
Net position, end of year					$ 15,415,649	$ 3,149,595	$ 18,565,244

See Independent Auditors' Report and Notes to the Financial Statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General	American Rescue Plan Act Fund	Non Major Funds	Total Governmental Funds
Assets				
Assets:				
Cash and cash equivalents	$ 2,601,731	$ -	$ -	$ 2,601,731
Receivables				
Taxes	184,879	-	13,804	198,683
Prepaid expenses	16,680	-	-	16,680
Restricted assets:				
Cash and cash equivalents	18,263	734,244	282,307	1,034,814
Total Assets	$ 2,821,553	$ 734,244	$ 296,111	$ 3,851,908
Liabilities and equity				
Liabilities:				
Accounts payable and accrued liabilities	$ 68,871	$ -	$ 52,097	$ 120,968
Unearned revenue	-	734,244	-	734,244
Total Liabilities	68,871	734,244	52,097	855,212
Fund Balance				
Non-spendable	16,680	-	-	16,680
Restricted	18,263	-	244,014	262,277
Unassigned	2,717,739	-	-	2,717,739
Total Fund Balance	2,752,682	-	244,014	2,996,696
Total Liabilities and Fund Balance	$ 2,821,553	$ 734,244	$ 296,111	$ 3,851,908

THE CITY OF MARGARET, ALABAMA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund Balance - Total Governmental Funds	$	2,996,696
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		14,109,597
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		(4,839)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet		(1,667,620)
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		(39,828)
Net pension liability is not payable in the current period and therefore this liability is not reported in the governmental funds balance sheet		(53,928)
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		75,571
Net Position of Governmental Activities	$	15,415,649

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	American Rescue Plan Act Fund	Non Major Funds	Total Governmental Funds
Revenues:				
Taxes	$ 1,009,008	$ -	$ 30,945	$ 1,039,953
Licenses and permits	411,967	-	-	411,967
Intergovernmental	111,123	218,136	188,275	517,534
Fines and forfeitures	51,229	-	-	51,229
Interest	5,829	86	15	5,930
Other	250,617	-	7,165	257,782
	1,839,773	218,222	226,400	2,284,395
Expenditures				
Current operations:				
General government	370,270	-	223,964	594,234
Public safety	768,611	17,958	37,660	824,229
Streets, sanitation and parks	21,132	-	8,452	29,584
Total current operations	1,160,013	17,958	270,076	1,448,047
Capital outlays	7,208	12,131	-	19,339
Debt service:				
Principal	111,440	-	-	111,440
Interest and fiscal charges	63,098	-	-	63,098
Total expenditures	1,341,759	30,089	270,076	1,641,924
Excess of revenues over expenditures	498,014	188,133	(43,676)	642,471
Other financial sources (uses):				
Operating transfers out	(17,424)	(187,927)	-	(205,351)
Operating transfers in	90,836	-	-	90,836
Total other financing sources (uses)	73,412	(187,927)	-	(114,515)
Excess of revenues and other financing sources over expenditures and other financing uses	571,426	206	(43,676)	527,956
Fund balance, beginning	2,181,256	(206)	287,690	2,468,740
Fund balance, ending	$ 2,752,682	$ -	$ 244,014	$ 2,996,696

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, 2023

Change in fund balances - total governmental funds	$	527,956
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, 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, net of current year disposals.		19,339
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. These transactions are as follows:		
Repayment of long-term debt		111,440
Accrued compensated absences is recorded in the government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, accrued compensated absences are not recorded as an expenditure in governmental funds.		(34,134)
Depreciation expense on capital assets is recorded in the government-wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.		(288,461)
Accrued interest expense on long-term debt is recorded in the government-wide Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest expense is not recorded as an expenditure in governmental funds.		284
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 recongnized on the accrual basis		(15,194)
Change in net position of governmental activities	$	321,230

THE CITY OF MARGARET, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2023

Assets and Deferred Outflows of Resources	
Current Assets	
Cash and cash equivalents	$ 1,454,450
Receivables	
Customer accounts (less allowance for doubtful accounts of $7,000)	237,359
	237,359
Inventories	70,653
Prepaid expenses	7,424
Total Current Assets	1,769,886
Property, Plant and Equipment	
Land	125,000
Depreciable capital assets	7,765,853
	7,890,853
Less accumulated depreciation	2,020,915
	5,869,938
Restricted Assets	
Trust and construction funds	1,105,168
Customer deposits	225,058
	1,330,226
Total Assets	8,970,050
Deferred Outflows of Resources	119,051
Total Assets and Deferred Outflows of Resources	$ 9,089,101

Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 72,662
Total current liabilities (payable from current assets)	72,662
Current Liabilities (payable from restricted assets)	
Meter deposits	238,327
Current maturities of long-term debt	39,580
Accrued interest	35,810
Total current liabilities (payable from restricted assets)	313,717
Total current liabilities	386,379
Noncurrent Liabilities	
Bonds payable	5,325,921
Premium on bonds issued	122,206
Compensated absences	36,240
Net pension liability	26,687
Less current bond maturities	(39,580)
Total noncurrent liabilities	5,471,474
Total Liabilities	5,857,853
Deferred Inflows of Resources	81,653
Net Position	
Restricted	1,330,226
Invested in capital assets, net of related debt	386,001
Unrestricted	1,433,368
	3,149,595
Total Liabilities, Deferred Outflows of Resources, and Net Assets	$ 9,089,101

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Amount	% of Revenue
Operating revenues		
Charges for services		
Water and sewer charges	$ 1,823,940	86.88
Taps and other charges	275,320	13.12
Total operating revenues	2,099,260	100.00
Operating expenses		
Salaries and wages	314,950	15.00
Depreciation	260,304	12.40
Materials and supplies	391,443	18.65
Cost of water	185,634	8.84
Insurance	75,839	3.61
Repairs and maintenance	50,143	2.39
Office expense	32,833	1.56
Fuel	25,782	1.23
Testing and professional fees	24,665	1.17
Utilities	19,650	0.94
Uniforms	2,030	0.10
Retirement	11,321	0.54
Total operating expenses	1,394,594	66.43
Operating income	704,666	33.57
Nonoperating revenue (expenses)		
Investment income	40,910	1.95
Operating transfers net	114,515	5.46
Interest	(158,596)	(7.55)
Total nonoperating revenue (expense)	(3,171)	(0.14)
Change in net assets	701,495	33.42
Net assets, beginning of year	2,448,100	
Net assets, end of year	$ 3,149,595	

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash flows from operating activities:		
Received from customers	$	2,043,267
Paid to suppliers		(762,076)
Paid to employees		(282,424)
Net cash provided by operating activities		998,767
Cash flows from non-capital financing activities:		
Operating transfers		114,515
Net cash provided by non-capital financing activities		114,515
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets		(401,782)
Repayment of indebtedness		(30,720)
Interest paid on capital and related financing activities		(163,963)
Net cash used by capital and related financing activities		(596,465)
Cash flows from investing activities		
Interest received on investments		40,910
Net cash provided by investing activities		40,910
Net increase in cash and cash equivalents	$	557,727
Cash and cash equivalents at beginning of year	$	2,226,949
Cash and cash equivalents at end of year	$	2,784,676
Unrestricted cash	$	1,454,450
Restricted cash		1,330,226
	$	2,784,676
Reconciliation of operating income to Net cash provided by operations		
Operating income	$	704,666
Adjustments to reconcile operating income to net Cash provided by operating activities:		
Depreciation		260,304
Changes in operating assets and liabilities		
Increase in accounts receivable		(31,815)
Decrease in inventories and prepayments		18,208
Increase in accounts payable and accrued expenses		64,689
Decrease in customer deposits		(24,178)
Change in pension related accounts		6,893
	$	998,767

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.

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.

American Rescue Plan Act Fund - This fund is used to account for the American Rescue Plan Act Funds that were received as a result of COVID-19. These funds are to be used for the general operations of the City.

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. The City has 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 nonoperating 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 or enabling legislation.

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 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 3.50% 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 1.75% 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 represent a consumption of net position that applies to a future period and therefore, will not be recognized as an outflow of resources (expense) until then. The City currently has three types of items that qualify for reporting in this category; the deferred loss on refunding debt, differences between expected and actual pension service costs and deferred pension expense. The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt. The differences between expected and actual pension service costs occur when actuarially projected amounts differ from actual results. These differences are amortized over 5 to 10.5 years. Deferred pension expense results from contributions made after the liability measurement date. These contributions will be incorporated in the actuarial calculations of the next measurement date.

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 (revenue) until that time. The City currently has deferred inflows for differences in expected and actual pension experience that are being amortized over 7 years, differences in projected and actual pension investment earnings that are being amortized over 5 to 10.5 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Bond Premium - On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are shown as additional long-term liabilities on the Statement of Net Position.

On the governmental fund financial statements, bond premiums are recognized in the year the bonds are issued.

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).

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.

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	$ 148,242	$ -	$ 148,242
Gas taxes	13,804	-	13,804
Beer and tobacco tax	818	-	818
Intergovernmental			
AdValorem	25,202	-	25,202
Other	3,052	-	3,052
Other taxes	3,866	-	3,866
Licenses and permits	3,699	-	3,699
Accounts			
Sewer deposits	-	47,192	47,192
Water service	-	197,167	197,167
Total receivables	198,683	244,359	443,042
Less allowance for uncollectable accounts	-	7,000	7,000
Net total receivables	$ 198,683	$ 237,359	$ 436,042

Gas Tax receivable includes $13,804 in taxes which are restricted for road improvements

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2023, was as follows:

	Beginning Balance Oct. 1, 2022	Additions	Retirements	Ending Balance Sept. 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 497,007	$ -	$ -	$ 497,007
Total capital assets not being depreciated	497,007	-	-	497,007
Capital assets being depreciated				
Buildings	1,167,044	-	-	1,167,044
Automotive equipment	688,192	-	-	688,192
Equipment and furniture	757,389	19,339	-	776,728
Streets and roads	15,051,695	-	-	15,051,695
	17,664,320	19,339	-	17,683,659
Less accumulated depreciation	3,782,608	288,461	-	4,071,069
Net capital assets being depreciated	13,881,712	(269,122)	-	13,612,590
Governmental activities, net capital assets	$ 14,378,719	$ (269,122)	$ -	$ 14,109,597

Depreciation was charged to governmental functions as follows:

Administrative	$ 206,295
Police	45,588
Fire	33,711
Parks and public works	2,867
	$ 288,461

NOTE 4 - CAPITAL ASSETS - continued

Capital asset activity for the Business Activities of the City during the year ended September 30, 2023, was as follows:

	Beginning Balance Oct. 1, 2022	Additions	Retirements	Ending Balance Sept. 30, 2023
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	242,111	-	-	242,111
Utility plant and equipment	6,868,078	401,782	6,219	7,263,641
Heavy equipment	233,142	-	-	233,142
Furniture and office equipment	5,284	-	1,240	4,044
	7,371,530	401,782	7,459	7,765,853
Less accumulated depreciation	1,768,070	260,304	7,459	2,020,915
Net capital assets being depreciated	5,603,460	141,478	-	5,744,938
Net Capital Assets	$ 5,728,460	$ 141,478	$ -	$ 5,869,938
Depreciation expense charged to water department				$ 142,479
Depreciation expense charged to sewer department				117,825
				$ 260,304

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 outstanding debt of the City is detailed as follows:

	Balance Oct. 1, 2022	Issued	Retired	Balance Sept. 30, 2023
Governmental Activities				
Series 2017 General Obligation Bonds dated 12/21/2017 in the amount of $2,830,000. 79.6% allocated to the Governmental funds of the City and the remaining 20.4% allocated to the Water system. Maturing 9/1/2035 carrying interest ranging from 2.00-4.00% payable June 1 and December 1, principal beginning 9/1/2018.	$ 1,779,060	$ -	$ 111,440	$ 1,667,620
Governmental fund total	$ 1,779,060	$ -	$ 111,440	$ 1,667,620
Business Type Activities				
Series 2017 General Obligation Bonds dated 12/21/2017 in the amount of $2,830,000. 79.6% allocated to the Governmental funds of the City and the remaining 20.4% allocated to the Water system. Maturing 9/1/2035 carrying interest ranging from 2.00-4.00% payable June 1 and December 1, principal beginning 9/1/2018.	$ 455,940	$ -	$ 28,560	$ 427,380
Series 2021 General Obligation Bonds dated 12/30/2021 in the amount of $5,130,000 for purchase of the City's Sewer system. Maturing 12/1/2051 carrying interest ranging from 2.00-3.00% payable June 1 and December 1, principal beginning 12/1/2022.	5,130,000	-	10,000	5,120,000
Business type activities total	$ 5,585,940	$ -	$ 38,560	$ 5,547,380
Less:				
Unamortized discounts				(221,459)
Net general obligation warrants payable				$ 5,325,921
Total all long-term debt	$ 7,365,000	$ -	$ 150,000	$ 6,993,541

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

NOTE 5 - LONG-TERM DEBT - continued

Long-Term Debt Maturities

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

Year Ending	Governmental Activities		Business Type Activities		
September 30	Principal	Interest	Principal	Interest	Total
2024	$ 115,420	$ 58,068	$ 39,580	$ 153,163	$ 366,231
2025	123,380	54,606	36,620	152,125	366,731
2026	123,380	50,904	41,620	151,027	366,931
2027	123,380	46,894	46,620	149,749	366,643
2028	131,340	42,885	43,660	148,472	366,357
2029 - 2033	724,360	139,778	245,640	719,827	1,829,605
2034 - 2038	326,360	19,741	818,640	652,639	1,817,380
2039 - 2043	-	-	1,350,000	473,518	1,823,518
2044 - 2048	-	-	1,545,000	281,391	1,826,391
2049 - 2053	-	-	1,380,000	73,763	1,453,763
	$ 1,667,620	$ 412,876	$ 5,547,380	$ 2,955,674	$ 10,583,550

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 Employees' Retirement System (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
    f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

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

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 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership of the City of Margaret consisted of:

Membership from the City of Margaret	
Retirees and beneficiaries currently receiving benefits	3
Vested Inactive Members	2
Non-vested inactive members	12
Active members	24
Total	41

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

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to 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, 2023 active employee contribution rate was 3.50% of covered employee payroll for tier 1 employees and 1.75% for tier 2 employees. The City's average contribution rate to fund the normal and accrued liability costs was 1.67% of covered employee payroll.

NOTE 7 - PENSION PLAN - continued

The City's contractually required contribution rate for the year ended September 30, 2023 was 3.50% of pensionable pay for Tier 1 employees, and 1.75% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, 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 $14,792 for the year ended September 30, 2023.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2022 using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
Roll Forward of Total Pension Liability			
(a) Total pension liability, September 30, 2021	$ 1,444,895	$ 1,455,807	$ 1,455,807
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	66,294	66,294	66,294
(d) Transfers among employers	-	43,332	43,332
(e) Actual Benefit payments and refunds for the period October 1, 2021 - September 30 2022	(60,578)	(60,578)	(60,578)
(f) Total Pension Liability as of September 30, 2022 =[(a) x (1+(b))]+(c+(d)+[(e x (1+.5*(b)]	$ 1,555,996	1,611,056	1,611,056
(g) Difference between Expected and Actual		55,060	-
(h) Less liability transferred for immediate recognition		43,332	-
(i) Difference between Expected and Actual - Experience (Gain)/Loss		$ 11,728	-
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			$ -

Actuarial assumptions. The total pension liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25% - 6.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

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, 2021 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
	100.00%	

* Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	$ 276,806	$ 80,615	$ (68,903)

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, 2021	$ 1,444,892	$ 1,713,647	$ (268,755)
Changes for the year:			
Service cost	66,294	-	66,294
Interest	105,388	-	105,388
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	11,728	-	11,728
Contributions - Employer	-	10,207	(10,207)
Contributions - Employee	-	45,447	(45,447)
Net investment income	-	(221,614)	221,614
Benefit payments, including refunds of employee contributions	(60,578)	(60,578)	-
Administrative expense	-	-	-
Transfers among employers	43,332	43,332	-
Net Change	166,164	(183,206)	349,370
Balances at September 30, 2022	$ 1,611,056	$ 1,530,441	$ 80,615

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditors' 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.

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2023 the City recognized pension expense of $36,719. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 103,133	$ 246,651
Changes of assumptions	54,442	-
Net difference between projected and actual earnings on plan investments	187,253	-
Employer contributions subsequent to measurement date	14,792	-
	$ 359,620	$ 246,651

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:	
2024	$ 57,183
2025	13,495
2026	5,948
2027	71,933
2028	(12,950)
Thereafter	(22,640)
	$ 112,969

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	Non Major Funds	Business Type Activity
Debt service investments	$ -	$ 18,263	$ -	$ 1,105,168
Special revenue accounts	1,034,814	-	244,014	-
Customer deposit funds	-	-	-	225,058
	$ 1,034,814	$ 18,263	$ 244,014	$ 1,330,226

NOTE 9 - UNEARNED REVENUE

The City received federal funds from the American Rescue Plan Act (ARPA) in the amount of $1,220,579. 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, 2023 was $218,136. The amount of unearned revenue at year end is $734,244.

NOTE 10 - SUBSEQUENT EVENTS

The City has reviewed subsequent events until July 16, 2024, the date of this report and has determined there are no other events requiring disclosure.

NOTE 11 - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The City is evaluating any possible impacts on future financial statements from the following pronouncements:

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62,* that will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The provisions of this statement are effective for fiscal years beginning after June 15, 2023.

- Statement No. 101, *Compensated Absences,* will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective will be achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 12 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2023 were as follows:

Mr. Isaac Howard, Mayor
Mr. James Chapman, Council Member
Mr. Darius Crump, 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, 2023

Total Pension Liability	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Service cost	$ 66,294	$ 40,233	$ 40,287	$ 46,320	$ 45,113	$ 51,742	$ 28,883	$ 36,757	$ 35,907
Interest	105,388	73,468	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	11,728	73,421	(8,538)	(203,374)	(336,970)	127,772	108,020	12,453	-
Change of assumptions	-	58,835	-	-	4,571	-	54,964	-	-
Benefit payments including refunds of employee contributions	(60,578)	(56,326)	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	43,332	272,962	(8,621)	77,670	7,604	139,733	257,885	-	-
Net change in total pension liability	166,164	462,593	86,764	(42,417)	(265,038)	276,830	451,658	45,295	53,493
Total pension liability - beginning	1,444,892	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207	375,714
Total pension liability - ending	1,611,056	1,444,892	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207
Plan Fiduciary Net Position									
Contributions - employer	10,207	8,949	9,920	19,731	16,163	11,780	6,338	7,238	21,662
Contributions - member	45,447	37,907	28,943	25,836	21,317	18,849	18,187	16,130	17,464
Net investment income	(221,614)	287,452	62,952	26,511	84,968	102,518	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(60,578)	(56,326)	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	43,332	272,962	(8,621)	77,670	7,604	139,733	257,885	(6,370)	(48,918)
Net change to plan fiduciary net position	(183,206)	550,944	59,110	115,800	54,396	162,946	307,506	(14,238)	30,505
Plan net position - beginning	1,713,647	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183	446,678
Plan net position - ending	1,530,441	1,713,647	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183
Net pension liability (asset) - ending	$ 80,615	$ (268,755)	$ (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	95.00%	118.60%	118.37%	123.23%	105.31%	77.59%	83.19%	97.56%	111.18%
Covered payroll*	$ 745,611	$ 660,657	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873	$ 339,393
Net pension liability (asset) as a percentage of covered payroll	10.81%	-40.68%	-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 Fiscal Year 2022 the measurement period is October 1, 2020 to September 30, 2021

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 14,792	$ 10,361	$ 8,758	$ 9,891	$ 18,833	$ 16,488	$ 13,021	$ 7,371	$ 8,261
Contributions in relation to the actuarially determined contribution	14,792	10,361	8,758	9,891	18,833	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-
Covered employee payroll	$ 887,237	$ 745,611	$ 660,657	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873
Contributions as a percentage of covered employee payroll	1.67%	1.39%	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 2023 were based on the September 30, 2020 actuarial valuation

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023

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

THE CITY OF MARGARET, ALABAMA

GENERAL PURPOSE FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

CITY OF MARGARET, ALABAMA
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k. Hill & Company, L.L.C.

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities of the City of Margaret, Alabama (the City), as of and for the year ended September 30, 2024, and the related notes to the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, each major fund and the remaining fund information of the City of Margaret, Alabama as of September 30, 2024, and the changes in its net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Certified Public Accountants

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing* Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the 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
August 5, 2025

rk, Hill & Company, L.L.C.

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

To the City Council
City of Margaret, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Margaret, Alabama, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Margaret, Alabama's basic financial statements, and have issued our report thereon dated August 5, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Birmingham, Alabama
August 5, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Margaret (the City)'s financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2024. Please read it in conjunction with the City's financial statements, which begin on page 12.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a more comprehensive view of the City's finances. Fund financial statements start on page 14. 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 the current year changes in net position. 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 are an 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 begin on page 18 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 14 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.

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 the availability of 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 reconciliations on pages 15 and 17.

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.

	2024	2023	Variance
City as a Whole			
Cash	$ 2,677,879	$ 2,601,731	$ 76,148
Receivables	130,796	198,683	(67,887)
Restricted cash	740,127	1,034,814	(294,687)
Other assets	16,680	16,680	-
Total Current Assets	3,565,482	3,851,908	(286,426)
Capital assets	14,459,635	14,109,597	350,038
Total Assets	18,025,117	17,961,505	63,612
Deferred Outflows of Resources	186,674	240,569	(53,895)
Total Assets and Deferred Outflows of Resources	$ 18,211,791	$ 18,202,074	$ 9,717
Accounts payable	$ 22,664	$ 120,968	$ (98,304)
Current maturities of long-term debt	123,380	115,420	7,960
Interest payable	4,839	4,839	-
Total Current Liabilities	150,883	241,227	(90,344)
Noncurrent liabilities	1,840,309	2,380,200	(539,891)
Total Liabilities	1,991,192	2,621,427	(630,235)
Deferred Inflows of Resources	195,482	164,998	30,484
Net Position			
Invested in capital assets	12,902,596	12,437,138	465,458
Restricted	383,195	1,034,814	(651,619)
Unrestricted	2,739,326	1,943,697	795,629
Total Net Position	16,025,117	15,415,649	609,468
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 18,211,791	$ 18,202,074	$ 9,717

BUSINESS ACTIVITIES	2024	2023	Variance
Cash	$ 1,777,304	$ 1,454,450	$ 322,854
Receivables	309,598	237,359	72,239
Other current assets	85,187	78,077	7,110
Restricted cash	1,411,620	1,330,226	81,394
Total Current Assets	3,583,709	3,100,112	483,597
Capital assets	5,871,429	5,869,938	1,491
Total Assets	9,455,138	8,970,050	485,088
Deferred Outflows of Resources	142,250	119,051	23,199
Total Assets and Deferred Outflows of Resources	$ 9,597,388	$ 9,089,101	$ 508,287
Accounts payable	$ 44,168	$ 72,662	$ (28,494)
Current maturities of long-term debt	36,620	39,580	(2,960)
Other current liabilities	312,108	274,137	37,971
Total Current Liabilities	392,896	386,379	6,517
Noncurrent liabilities	5,390,295	5,471,474	(81,179)
Total Liabilities	5,783,191	5,857,853	(74,662)
Deferred Inflows of Resources	148,961	81,653	67,308
Net Position			
Net investment in capital assets	424,478	386,001	38,477
Restricted	1,411,620	1,330,226	81,394
Unrestricted	1,829,138	1,433,368	395,770
	3,665,236	3,149,595	515,641
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 9,597,388	$ 9,089,101	$ 508,287

The City operated with a surplus and reinvested current operations into capital assets. The public works department also operated with a surplus and reinvested current operations into the water plant and other assets.

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 19. 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, 2024 and 2023.

	2024	2023	Variance Favorable (Unfavorable)
Revenues			
Program revenues	$ 43,164	$ 56,280	$ (13,116)
Taxes and licenses	2,461,413	1,969,455	491,958
Investment earnings	4,810	5,930	(1,120)
Other	285,189	252,730	32,459
	2,794,576	2,284,395	510,181
Expenditures			
Administrative	759,355	822,169	(62,814)
Police	662,353	490,201	172,152
Fire	621,567	441,010	180,557
Public works	26,423	32,451	(6,028)
Interest	58,068	62,819	(4,751)
Transfers - net	57,342	114,515	(57,173)
	2,185,108	1,963,165	221,943
Change in net position	$ 609,468	$ 321,230	$ 288,238

Business-type revenue and expenditures are summarized below.

	2024	2023	Variance Favorable (Unfavorable)
Revenue			
Charges for services	$ 2,128,401	$ 2,099,260	$ 29,141
Operating expenses			
Cost of water	189,052	185,634	3,418
Salaries	318,617	314,950	3,667
Depreciation	278,036	260,304	17,732
Insurance	126,510	75,839	50,671
Repairs	52,761	50,143	2,618
Other operating expenses	604,806	507,724	97,082
	1,569,782	1,394,594	175,188
Operating income	558,619	704,666	(146,047)
Non-operating income (expenses)	(42,978)	(3,171)	(39,807)
Change in net position	$ 515,641	$ 701,495	$ (185,854)

The following schedule presents a summary of governmental fund revenues and expenditures for the year ending September 30, 2024 and 2023.

Revenues	2024 Amount	2023 Amount	Increase (Decrease) From 2023
Governmental Revenues			
Taxes	$ 1,278,029	$ 1,039,953	$ 238,076
Licenses and permits	521,353	411,967	109,386
Intergovernmental	662,031	517,534	144,497
Fines and forfeitures	39,441	51,229	(11,788)
Investment income	4,811	5,930	(1,119)
Other	288,913	257,782	31,131
Total governmental revenues	$ 2,794,578	$ 2,284,395	$ 510,183

Expenditures	2024 Amount	2023 Amount	Increase (Decrease) From 2023
Governmental Expenditures			
General government	$ 548,527	$ 594,234	$ (45,707)
Public safety	1,123,478	824,229	299,249
Streets, sanitation and parks	23,556	29,584	(6,028)
Debt service and capital outlays	858,315	193,877	664,438
Transfers	57,342	114,515	(57,173)
Total governmental expenditures	2,611,218	1,756,439	854,779
Excess revenues (expenditures)	$ 183,360	$ 527,956	$ (344,596)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2024, the City had $27,035,873 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, sewer system, and land. See table below for current year to prior year comparisons of capital assets for governmental activities as well as business activities. This amount represents a net increase (including additions and deductions) of $964,354 from 2023.

	Government Activities		Business Activities	
	2024	2023	2024	2023
Land	$ 722,007	$ 497,007	$ 125,000	$ 125,000
Buildings and improvements	1,167,044	1,167,044	22,915	22,915
Automotive	1,101,584	688,192	242,111	242,111
Equipment and furniture	823,163	776,728	237,186	237,186
Roads and drainage system	15,051,695	15,051,695	-	-
Water plant and sewer system	-	-	7,543,168	7,263,641
	$ 18,865,493	$ 18,180,666	$ 8,170,380	$ 7,890,853
Total investment for 2024	$ 27,035,873			

Debt

As of September 30, 2024, the City had $1,552,200 in outstanding bonds and notes payable versus $1,667,620 last year, a decrease of $115,420. As of September 30, 2024, the water department had $5,507,800 in outstanding bonds and notes payable versus $5,547,380 last year, a decrease of $39,580.

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, fees, and the economy. The City's revenues are relatively stable and are expected to increase in future years due to economic growth and development within the City. Similarly, the City's expenses have remained consistent with prior years and are expected to increase in future years as the City continues to provide additional services to the community.

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
825 Woodland Circle
Margaret, AL 35120
(205) 629-5742

	Primary Government		
	Governmental Activities	Business Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	$ 22,664	$ 44,168	$ 66,832
Liabilities payable from restricted assets:			
Customer deposits	-	276,298	276,298
Current maturities of long-term debt	123,380	36,620	160,000
Interest payable	4,839	35,810	40,649
Total Current Liabilities	150,883	392,896	543,779
Noncurrent liabilities			
Bonds payable	1,428,820	5,257,560	6,686,380
Accrued compensated absences	40,892	9,804	50,696
Unamortized bond premium	-	116,961	116,961
Net pension liability	7,835	5,970	13,805
Unearned revenue	362,762	-	362,762
Total Noncurrent Liabilities	1,840,309	5,390,295	7,230,604
Total Liabilities	1,991,192	5,783,191	7,774,383
Deferred Inflows of Resources	195,482	148,961	344,443
NET POSITION			
Net Investment in capital assets	12,902,596	424,478	13,327,074
Restricted position	383,195	1,411,620	1,794,815
Unrestricted assets	2,739,326	1,829,138	4,568,464
	16,025,117	3,665,236	19,690,353
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 18,211,791	$ 9,597,388	$ 27,809,179

See Independent Auditors' Report and Notes to the Financial Statements

THE CITY OF MARGARET, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Function/Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Government Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
Government Activities:							
General government	$ 759,355	$ 380	$ 20	$ -	$ (758,955)	$ -	$ (758,955)
Police and courts	662,353	41,092	400	-	(620,861)	-	(620,861)
Fire	621,567	-	1,272	-	(620,295)	-	(620,295)
Parks and recreation	26,423	-	-	-	(26,423)	-	(26,423)
Interest on long-term debt	58,068	-	-	-	(58,068)	-	(58,068)
Total governmental activities	2,127,766	41,472	1,692	-	(2,084,602)	-	(2,084,602)
Business-type Activities							
Water department operating income						558,619	558,619
Interest expense and other income						(100,320)	(100,320)
Total business-type activities						458,299	458,299
Total primary government	$ 2,127,766	$ 41,472	$ 1,692	$ -	(2,084,602)	458,299	(1,626,303)
General Revenues:							
Taxes:							
Ad valorem taxes					334,941	-	334,941
Sales tax					815,423	-	815,423
Gas tax					127,665	-	127,665
Licenses and permits					521,353	-	521,353
Intergovernmental					662,031	-	662,031
Investment earnings					4,810	-	4,810
Miscellaneous					285,189	-	285,189
Transfers (net)					(57,342)	57,342	-
Total general revenues and transfers					2,694,070	57,342	2,751,412
Change in net position					609,468	515,641	1,125,109
Net position, beginning of year					15,415,649	3,149,595	18,565,244
Net position, end of year					$ 16,025,117	$ 3,665,236	$ 19,690,353

See Independent Auditors' Report and Notes to the Financial Statements

THE CITY OF MARGARET, ALABAMA
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2024

	General	American Rescue Plan Act Fund	Non Major Funds	Total Governmental Funds
Assets				
Assets:				
Cash and cash equivalents	$ 2,677,879	$ -	$ -	$ 2,677,879
Receivables				
Taxes	122,340	-	8,456	130,796
Prepaid expenses	16,680	-	-	16,680
Restricted assets:				
Cash and cash equivalents	18,675	362,762	358,690	740,127
Total Assets	$ 2,835,574	$ 362,762	$ 367,146	$ 3,565,482
Liabilities and Fund Balance				
Liabilities:				
Accounts payable and accrued liabilities	$ 20,038	$ -	$ 2,626	$ 22,664
Unearned revenue	-	362,762	-	362,762
Total Liabilities	20,038	362,762	2,626	385,426
Fund Balance				
Non-spendable	16,680	-	-	16,680
Restricted	18,675	-	364,520	383,195
Unassigned	2,780,181	-	-	2,780,181
Total Fund Balance	2,815,536	-	364,520	3,180,056
Total Liabilities and Fund Balance	$ 2,835,574	$ 362,762	$ 367,146	$ 3,565,482

See Independent Auditors' 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, 2024

Fund Balance - Total Governmental Funds	$	3,180,056
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.		14,459,635
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.		(4,839)
Long-Term Liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet.		(1,552,200)
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:		(40,892)
Net pension liability is not payable in the current period and therefore this liability is not reported in the governmental funds balance sheet.		(7,835)
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.		(8,808)
Net Position of Governmental Activities	$	16,025,117

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	General Fund	American Rescue Plan Act Fund	Non Major Funds	Total Governmental Funds
Revenues:				
Taxes	$ 1,150,364	$ -	$ 127,665	$ 1,278,029
Licenses and permits	521,353	-	-	521,353
Intergovernmental	83,493	371,482	207,056	662,031
Fines and forfeitures	39,441	-	-	39,441
Interest	4,743	54	14	4,811
Other	284,186	-	4,727	288,913
	2,083,580	371,536	339,462	2,794,578
Expenditures				
Current operations:				
General government	497,641	-	50,886	548,527
Public safety	941,005	17,959	164,514	1,123,478
Streets, sanitation and parks	15,000	-	8,556	23,556
Total current operations	1,453,646	17,959	223,956	1,695,561
Capital outlays	450,000	234,827	-	684,827
Debt service:				
Principal	115,420	-	-	115,420
Interest and fiscal charges	58,068	-	-	58,068
Total expenditures	2,077,134	252,786	223,956	2,553,876
Excess of revenues over expenditures	6,446	118,750	115,506	240,702
Other financial sources (uses):				
Operating transfers out	(5,000)	(118,750)	-	(123,750)
Operating transfers in	61,408	-	5,000	66,408
Total other financing sources (uses)	56,408	(118,750)	5,000	(57,342)
Excess of revenues and other financing sources over expenditures and other financing uses	62,854	-	120,506	183,360
Fund balance, beginning	2,752,682	-	244,014	2,996,696
Fund balance, ending	$ 2,815,536	$ -	$ 364,520	$ 3,180,056

See Independent Auditors' 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, 2024

Change in fund balances - total governmental funds	$	183,360
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, 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, net of current year disposals.		684,827
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. These transactions are as follows:		
Repayment of long-term debt		115,420
Accrued compensated absences is recorded in the government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, accrued compensated absences are not recorded as an expenditure in governmental funds.		(1,065)
Depreciation expense on capital assets is recorded in the government-wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not recorded as an expenditure in governmental funds.		(334,789)
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 recongnized on the accrual basis.		(38,285)
Change in net position of governmental activities	$	609,468

Liabilities and Net Position	
Current Liabilities	
Accounts payable and accrued expenses	$ 44,168
Total current liabilities (payable from current assets)	44,168
Current Liabilities (payable from restricted assets)	
Meter deposits	276,298
Current maturities of long-term debt	36,620
Accrued interest	35,810
Total current liabilities (payable from restricted assets)	348,728
Total current liabilities	392,896
Noncurrent Liabilities	
Bonds payable	5,257,560
Premium on bonds issued	116,961
Compensated absences	9,804
Net pension liability	5,970
Total noncurrent liabilities	5,390,295
Total Liabilities	5,783,191
Deferred Inflows of Resources	148,961
Net Position	
Restricted	1,411,620
Invested in capital assets, net of related debt	461,098
Unrestricted	1,792,518
	3,665,236
Total Liabilities, Deferred Outflows of Resources, and Net Position	$ 9,597,388

THE CITY OF MARGARET, ALABAMA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Amount	% of Revenue
Operating revenues		
Charges for services		
Water charges	$ 1,091,642	51.29
Sewer charges	732,186	34.40
Taps and other charges	304,573	14.31
Total operating revenues	2,128,401	100.00
Operating expenses		
Materials and supplies	418,711	19.67
Salaries and wages	318,617	14.97
Depreciation	278,036	13.06
Cost of water	189,052	8.88
Insurance	126,510	5.94
Repairs and maintenance	52,761	2.48
Testing and professional fees	42,160	1.98
Office expense	34,837	1.64
Retirement	31,354	1.47
Other expenses	26,282	1.23
Utilities	25,986	1.22
Fuel	24,060	1.13
Uniforms	1,416	0.07
Total operating expenses	1,569,782	73.75
Operating income	558,619	26.25
Nonoperating revenue (expenses)		
Investment income	55,437	2.60
Operating transfers net	57,342	2.69
Interest	(155,757)	(7.32)
Total nonoperating revenue (expense)	(42,978)	(2.02)
Change in net assets	515,641	24.23
Net assets, beginning of year	3,149,595	
Net assets, end of year	$ 3,665,236	

THE CITY OF MARGARET, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Cash flows from operating activities:	
Received from customers	$ 2,094,133
Paid to suppliers	(984,613)
Paid to employees	(345,781)
Net cash provided by operating activities	763,739
Cash flows from non-capital financing activities:	
Operating transfers	57,342
Net cash provided by non-capital financing activities	57,342
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(279,527)
Repayment of indebtedness	(31,741)
Interest paid on capital and related financing activities	(161,002)
Net cash used by capital and related financing activities	(472,270)
Cash flows from investing activities	
Interest received on investments	55,437
Net cash provided by investing activities	55,437
Net increase in cash and cash equivalents	$ 404,248
Cash and cash equivalents at beginning of year	$ 2,784,676
Cash and cash equivalents at end of year	$ 3,188,924
Unrestricted cash	$ 1,777,304
Restricted cash	1,411,620
	$ 3,188,924
Reconciliation of operating income to Net cash provided by operations	
Operating income	$ 558,619
Adjustments to reconcile operating income to net Cash provided by operating activities:	
Depreciation	278,036
Changes in operating assets and liabilities	
Increase in accounts receivable	(72,239)
Increase in inventories and prepayments	(7,110)
Decrease in accounts payable and accrued expenses	(54,930)
Increase in customer deposits	37,971
Change in pension related accounts	23,392
	$ 763,739

See Independent Auditors' Report and Notes to the Financial Statements

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.

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.

American Rescue Plan Act Fund - This fund is used to account for the American Rescue Plan Act Funds that were received as a result of COVID-19. These funds are to be used for the general operations of the City.

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 use the accrual basis of accounting. The City has 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 nonoperating 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 or enabling legislation.

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 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 3.50% 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 1.75% 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 represent a consumption of net position that applies to a future period and therefore, will not be recognized as an outflow of resources (expense) until then. The City currently has three types of items that qualify for reporting in this category; the deferred loss on refunding debt, differences between expected and actual pension service costs, and deferred pension expense. The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the lesser of the life of the refunded or refunding debt. The differences between expected and actual pension service costs occur when actuarially projected amounts differ from actual results. These differences are amortized over 5 to 10.1 years. Deferred pension expense results from contributions made after the liability measurement date. These contributions will be incorporated in the actuarial calculations of the next measurement date.

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 (revenue) until that time. The City currently has deferred inflows for differences in expected and actual pension experience that are being amortized over 7 years, differences in projected and actual pension investment earnings that are being amortized over 5 to 10.1 years.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Bond Premium - On government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are shown as additional long-term liabilities on the Statement of Net Position.

On the governmental fund financial statements, bond premiums are recognized in the year the bonds are issued.

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).

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.

Unrestricted 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.

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	$ 81,638	$ -	$ 81,638
Gas taxes	8,456	-	8,456
Beer and tobacco tax	629	-	629
Intergovernmental			
Ad Valorem	33,714	-	33,714
Other taxes	2,831	-	2,831
Licenses and permits	3,528	-	3,528
Accounts			
Sewer deposits	-	118,730	118,730
Water service	-	197,868	197,868
Total receivables	130,796	316,598	447,394
Less allowance for uncollectable accounts	-	7,000	7,000
Net total receivables	$ 130,796	$ 309,598	$ 440,394

Gas Tax receivable includes $8,456 in taxes which are restricted for road improvements

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the City during the year ended September 30, 2024, was as follows:

	Beginning Balance Oct. 1, 2023	Additions	Retirements	Ending Balance Sept. 30, 2024
Governmental Activities				
Capital assets not being depreciated				
Land	$ 497,007	$ 225,000	$ -	$ 722,007
Total capital assets not being depreciated	497,007	225,000	-	722,007
Capital assets being depreciated				
Buildings	1,167,044	-	-	1,167,044
Automotive equipment	688,192	413,392	-	1,101,584
Equipment and furniture	776,728	46,435	-	823,163
Streets and roads	15,051,695	-	-	15,051,695
	17,683,659	459,827	-	18,143,486
Less accumulated depreciation	4,071,069	334,789	-	4,405,858
Net capital assets being depreciated	13,612,590	125,038	-	13,737,628
Governmental activities, net capital assets	$ 14,109,597	$ 350,038	$ -	$ 14,459,635

Depreciation was charged to governmental functions as follows:

Administrative	$ 206,577
Fire	68,208
Police	57,137
Parks and public works	2,867
	$ 334,789

NOTE 4 - CAPITAL ASSETS - continued

Capital asset activity for the Business Activities of the City during the year ended September 30, 2024, was as follows:

	Beginning Balance Oct. 1, 2023	Additions	Retirements	Ending Balance Sept. 30, 2024
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	242,111	-	-	242,111
Utility plant and equipment	7,263,641	279,527	-	7,543,168
Heavy equipment	233,142	-	-	233,142
Furniture and office equipment	4,044	-	-	4,044
	7,765,853	279,527	-	8,045,380
Less accumulated depreciation	2,020,915	278,036	-	2,298,951
Net capital assets being depreciated	5,744,938	1,491	-	5,746,429
Net Capital Assets	$ 5,869,938	$ 1,491	$ -	$ 5,871,429

Depreciation expense charged to water department	$ 159,037
Depreciation expense charged to sewer department	118,999
	$ 278,036

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 outstanding debt of the City is detailed as follows:

	Balance Oct. 1, 2023	Issued	Retired	Balance Sept. 30, 2024
Governmental Activities				
Series 2017 General Obligation Bonds dated 12/21/2017 in the amount of $2,830,000. 79.6% allocated to the Governmental funds of the City and the remaining 20.4% allocated to the Water system. Maturing 9/1/2035 carrying interest ranging from 2.00-4.00% payable June 1 and December 1, principal beginning 9/1/2018.	$ 1,667,620	$ -	$ 115,420	$ 1,552,200
Governmental fund total	$ 1,667,620	$ -	$ 115,420	$ 1,552,200
Business Type Activities				
Series 2017 General Obligation Bonds dated 12/21/2017 in the amount of $2,830,000. 79.6% allocated to the Governmental funds of the City and the remaining 20.4% allocated to the Water system. Maturing 9/1/2035 carrying interest ranging from 2.00-4.00% payable June 1 and December 1, principal beginning 9/1/2018.	$ 427,380	$ -	$ 29,580	$ 397,800
Series 2021 General Obligation Bonds dated 12/30/2021 in the amount of $5,130,000 for purchase of the City's Sewer system. Maturing 12/1/2051 carrying interest ranging from 2.00-3.00% payable June 1 and December 1, principal beginning 12/1/2022.	5,120,000	-	10,000	5,110,000
Business type activities total	$ 5,547,380	$ -	$ 39,580	$ 5,507,800
Less:				
Unamortized discounts				(213,620)
Net general obligation warrants payable				$ 5,294,180
Total all long-term debt	$ 7,215,000	$ -	$ 155,000	$ 6,846,380

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

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	Governmental Activities		Business Type Activities		
	Principal	Interest	Principal	Interest	Total
2025	123,380	54,606	36,620	152,125	$ 366,731
2026	123,380	50,904	41,620	151,027	366,931
2027	123,380	46,894	46,620	149,749	366,643
2028	131,340	42,885	43,660	148,472	366,357
2029	135,320	38,288	44,680	147,093	365,381
2030 - 2034	748,240	114,543	252,780	712,160	1,827,723
2035 - 2039	167,160	6,686	1,021,820	623,719	1,819,385
2040 - 2044	-	-	1,390,000	434,581	1,824,581
2045 - 2049	-	-	1,580,000	241,716	1,821,716
2050-2052	-	-	1,050,000	41,869	1,091,869
	$ 1,552,200	$ 354,806	$ 5,507,800	$ 2,802,511	$ 10,217,317

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 Employees' Retirement System (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 15 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) Eight 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. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6.*
    d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6.*
    e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6.*
    f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6.*

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

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 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2024, membership of the City of Margaret consisted of:

Membership from the City of Margaret	
Retirees and beneficiaries currently receiving benefits	3
Vested Inactive Members	2
Non-vested inactive members	11
Active members	26
Total	42

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

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation. Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to 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, 2024 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 2.03% of covered employee payroll.

NOTE 7 - PENSION PLAN - continued

The City's contractually required contribution rate for the year ended September 30, 2024, 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, 2021, 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 $16,188 for the year ended September 30, 2024.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022, rolled forward to September 30, 2023, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
Roll Forward of Total Pension Liability			
(a) Total pension liability, September 30, 2022	$ 1,611,056	$ 1,582,995	$ 1,582,995
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2022 - September 30, 2023	97,742	97,742	97,742
(d) Transfers among employers	-	(260,348)	(260,348)
(e) Actual Benefit payments and refunds for the period October 1, 2022 - September 30 2023	(41,748)	(41,748)	(41,748)
(f) Total Pension Liability as of September 30, 2023 =[(a) x (1+(b))]+(c+(d)+[(e x (1+.5*(b)]	$ 1,785,519	1,495,019	1,495,019
(g) Difference between Expected and Actual		(290,500)	-
(h) Less liability transferred for immediate recognition		(260,348)	-
(i) Difference between Expected and Actual - Experience (Gain)/Loss		$ (30,152)	-
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			$ -

Actuarial assumptions. The total pension liability in the September 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25% - 6.00%
Investment rate of return*	7.45%

*Net of pension plan investment expense

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, 2021, valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
	100.00%	

* Includes assumed rate of inflation of 2.00%

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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 7.45%, 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 (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
City's net pension liability (asset)	$ 234,397	$ 13,805	$ (158,423)

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, 2022	$ 1,611,056	$ 1,530,441	$ 80,615
Changes for the year:			
Service cost	97,742	-	97,742
Interest	118,469	-	118,469
Changes of benefit terms	-	-	-
Changes of assumptions	-	-	-
Difference between expected and actual experience	(30,152)	-	(30,152)
Contributions - Employer	-	16,298	(16,298)
Contributions - Employee	-	52,994	(52,994)
Net investment income	-	183,577	(183,577)
Benefit payments, including refunds of employee contributions	(41,748)	(41,748)	-
Administrative expense	-	-	-
Transfers among employers	(260,348)	(260,348)	-
Net Change	(116,037)	(49,227)	(66,810)
Balances at September 30, 2023	$ 1,495,019	$ 1,481,214	$ 13,805

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, 2023. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2023. The auditors' 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.

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2024, the City recognized pension expense of $138,635. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	$ 59,463	$ 206,747
Changes of assumptions	38,469	-
Net difference between projected and actual earnings on plan investments	214,804	137,696
Employer contributions subsequent to measurement date	16,188	-
	$ 328,924	$ 344,443

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:	
2025	$ 8,838
2026	(14,897)
2027	51,088
2028	(33,751)
2029	(24,783)
Thereafter	(2,014)
	$ (15,519)

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	Non Major Funds	Business Type Activity
Debt service investments	$ 18,675	$ 18,675	$ -	$ 1,157,052
Special revenue accounts	364,520	-	364,520	-
Customer deposit funds	-	-	-	254,568
	$ 383,195	$ 18,675	$ 364,520	$ 1,411,620

NOTE 9 - UNEARNED REVENUE

The City received federal funds from the American Rescue Plan Act (ARPA) in the amount of $1,220,579. 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, 2024, was $371,482. The amount of unearned revenue at year end is $362,762.

NOTE 10 - SUBSEQUENT EVENTS

The City has reviewed subsequent events until August 5, 2025, the date of this report and has determined there are no other events requiring disclosure.

NOTE 11 - FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in subsequent fiscal years. The City is evaluating any possible impacts on future financial statements from the following pronouncements:

- Statement No. 101, *Compensated Absences,* will better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective will be achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The provisions of this statement are effective for fiscal years beginning after December 15, 2024.

NOTE 12 - MAYOR AND COUNCIL MEMBERS

Mayor and council members of the City of Margaret at September 30, 2024, were as follows:

Mr. Daryl McIntyre, Mayor
Mr. James Chapman, Council Member
Mr. Darius Crump, Council Member
Mrs. Sandra Cook, 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, 2024

Total Pension Liability	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Service cost	$ 97,742	$ 66,294	$ 40,233	$ 40,287	$ 46,320	$ 45,113	$ 51,742	$ 28,883	$ 36,757	$ 35,907
Interest	118,469	105,388	73,468	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	(30,152)	11,728	73,421	(8,538)	(203,374)	(336,970)	127,772	108,020	12,453	-
Change of assumptions	-	-	58,835	-	-	4,571	-	54,964	-	-
Benefit payments including refunds of employee contributions	(41,748)	(60,578)	(56,326)	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	(260,348)	43,332	272,962	(8,621)	77,670	7,604	139,733	257,885	-	-
Net change in total pension liability	(116,037)	166,164	462,593	86,764	(42,417)	(265,038)	276,830	451,658	45,295	53,493
Total pension liability - beginning	1,611,056	1,444,892	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207	375,714
Total pension liability - ending	1,495,019	1,611,056	1,444,892	982,299	895,535	937,952	1,202,990	926,160	474,502	429,207
Plan Fiduciary Net Position										
Contributions - employer	16,298	10,207	8,949	9,920	19,731	16,163	11,780	6,338	7,238	21,662
Contributions - member	52,994	45,447	37,907	28,943	25,836	21,317	18,849	18,187	16,130	17,464
Net investment income	183,577	(221,614)	287,452	62,952	26,511	84,968	102,518	59,763	5,544	52,288
Benefit payments including refunds of employee contributions	(41,748)	(60,578)	(56,326)	(34,084)	(33,948)	(75,656)	(109,934)	(34,667)	(36,780)	(11,991)
Transfers among employers	(260,348)	43,332	272,962	(8,621)	77,670	7,604	139,733	257,885	(6,370)	(48,918)
Net change to plan fiduciary net position	(49,227)	(183,206)	550,944	59,110	115,800	54,396	162,946	307,506	(14,238)	30,505
Plan net position - beginning	1,530,441	1,713,647	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183	446,678
Plan net position - ending	1,481,214	1,530,441	1,713,647	1,162,703	1,103,593	987,793	933,397	770,451	462,945	477,183
Net pension liability (asset) - ending	$ 13,805	$ 80,615	$ (268,755)	$ (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	99.08%	95.00%	118.60%	118.37%	123.23%	105.31%	77.59%	83.19%	97.56%	111.18%
Covered payroll*	$ 887,237	$ 745,611	$ 660,657	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873	$ 339,393
Net pension liability (asset) as a percentage of covered payroll	1.56%	10.81%	-40.68%	-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 Fiscal Year 2024 the measurement period is October 1, 2022 to September 30, 2023.

THE CITY OF MARGARET, ALABAMA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 16,188	$ 14,792	$ 10,361	$ 8,758	$ 9,891	$ 18,833	$ 16,488	$ 13,021	$ 7,371	$ 8,261
Contributions in relation to the actuarially determined contribution	16,188	14,792	10,361	8,758	9,891	18,833	16,488	13,021	7,371	8,261
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered employee payroll	$ 797,871	$ 887,237	$ 745,611	$ 660,657	$ 544,258	$ 516,443	$ 433,418	$ 377,878	$ 355,480	$ 341,873
Contributions as a percentage of covered employee payroll	2.03%	1.67%	1.39%	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 2024 were based on the September 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2023 to September 30, 2024.

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Five year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00% including inflation
Investment rate of return	7.45% net of pension plan investment expense, including inflation

Company name	Full name	Department	Current
City of Margaret	Ballard, Willam	200 Police	$ 23.84
City of Margaret	Fellows, Terry A	200 Police	$ 23.84
City of Margaret	Frondorf, Guy T	200 Police	$ 25.03
City of Margaret	Jackson, Carletra L	200 Police	$ 23.84
City of Margaret	King, Jeffrey W	200 Police	$ 25.00
City of Margaret	Pippin, Curtis M	200 Police	$ 23.84
City of Margaret	Rivera, Jose M	200 Police	$ 22.70
City of Margaret	Tipton, Andrew M	200 Police	$ 28.00
City of Margaret	Walton, Wayne L	200 Police	$ 2,920.00
City of Margaret	Warmely, Jamey R	200 Police	$ 25.03

Gmail **Matt Tortorice <mtortorice@gmail.com>**

Employee Handbook

City of Margaret <cityofmargaret@gmail.com> Wed, Jun 1, 2022 at 9:08 AM
To: Matt Tortorice <mtortorice@gmail.com>, Mayor Wilson <mayorwilson64@gmail.com>, Councilman McIntyre <ddmcntyr@gmail.com>, Councilman Chapman <argoair@yahoo.com>, dcrump205@gmail.com, Jonathan Ray <jray.mcc5@gmail.com>, Erskine Funderburg <erskine@tfrbf.com>

From: Matt Tortorice <mtortorice@gmail.com>
Sent: Wednesday, June 1, 2022 8:54 AM
To: City of Margaret <cityofmargaret@gmail.com>; Mayor Wilson <mayorwilson64@gmail.com>; Councilman McIntyre <ddmcntyr@gmail.com>; Councilman Chapman <argoair@yahoo.com>; dcrump205@gmail.com; Jonathan Ray <jray.mcc5@gmail.com>; Erskine Funderburg <erskine@tfrbf.com>
Subject: Employee Handbook

Teja,

Can you send me a copy of the employee handbook? If we don't have a digital copy I can come pickup a copy.

Thank You,

Matt Tortorice

Personnel Policy.doc
70K

CITY OF MARGARET
PERSONNEL POLICY

1. EMPLOYMENT

A. Applications for employment will be submitted to the department head.
B. Verification, before any application and/or recommendation for employment they will submitted to the Council by the department head, the following steps must be completed.

1. Verify all educational reference.
2. Check on all reference relating to all previous employment
3. Verify all credit references.
4. Verify all personal references.
5. Verify military record and attach documentation are to be attached to application upon employment; this record is placed in the employee's file.
6. Valid driver's license
7. At Mayor's request applicants, will take a psychiatric elevation

C. Interview/Recommendation

The department head shall, after verification of application, interview all applicants for position and then make a recommendation in writing to the Council for hiring.

D. Hiring

All recommended applicants are to be interviewed and a drug test required, and then the City Council with a majority vote will hire one of the applicants. All employees are "at-will" employees

E. Job Posting

All job announcements must be posted in at least three (3) public places.

F. Probation

The probation period for all employees will be a period of 90 days. This is a working test period for both the employee and his/her supervisor. When the employee satisfactorily completes this initial stage of employment, he/she will attain permanent status with the City. This means that the employee will hold permanent status

conditioned upon the condition satisfactory job performance, honesty, loyalty and the City's ability to finance services.

G. Non-Discrimination

No person; shall be hired; appointed to; or removed from a position based on race, sex, age or religion.

II. Personnel Files:

A. The following items: are to be given to the City Clerk to be placed in the employee's personnel file.
   1. Any documentation submitted for verification with the employment applications.
   2. Leave/vacation record.
   3. Attendance/time sheets
   4. Commendations
   5. Work Performance Evaluation.
      a. Evaluations are due on anniversary date of employment.
      b. Evaluations are to be completed by the department head and discussed with employee before becoming part of personnel file.
      c. Evaluation to be sign and dated by employee.
      d. Evaluation will be reviewed by department head and Mayor and if needed by Council.
   6. Driver's License History
   7. Salary History
   8. Disciplinary Action(s)

III. <u>General Policies</u>

A. Hours of work. The hours of works shall be fixed by the council with due regard to the convenience of the public, and to working hours customarily observed in the City.
B. Salary Increases. Salary increases on the employee evaluation. Salary increases, shall be based on the employee's evaluation performance date. In addition, increases, shall only be given based on availability of funds.
C. Conflict of Interest

In order to avoid a conflict of interest, any employee who wishes to engage in an outside work or activity for personal profit, shall file a written request setting out the nature of such outside employment. Reasons for rejection of the request shall be limited to whether or not such employment creates a conflict of interest, or is incompatible with an employee's position in the City.

D. Resignation and Retirement

An employee with permanent status who wishes to resign or retired from his/her position in good standing, shall submit his/her notice in writing to the Council not less than 14 working days prior to the effective date. Under unusual conditions, the Council may reduce the required number of days' notice.

E. Overtime

1. In case of an event such that includes fire, flood, catastrophe or another unforeseeable emergency.
2. In a work area that is unmanned and another employee is not available for work.
3. To provide essential services, when such services is over-lapping work schedules.
4. To carry on short-range projects in which the utilization of present employees is more advantageous to the City than the hiring of additional personnel.
5. In general, no employee, shall be scheduled to work **overtime regularly.**
6. Overtime shall be defined as any work performed by a full-time employee exceeding the normal work week called for in the pay plan, when such work is assigned by an authorized supervisor.
7. In the event an employee is required to work on a recognized legal holiday. The employee must have 40 working hours.

    a. The employee shall be awarded eight (8) hours pay.
    b. Part-time employees will not be paid for holidays.
    c. The council reserves the right to make final disposition of all payments for overtime and periodically conduct reviews of departmental practices of granting overtime.

F. Reimbursement of Monies

An employee whose job requires special job training, the expense of the training is incurred by the City; the employee will be required to work for a twelve (12) month period. If the employee leaves the employment of the City prior to the twelve (12) month period, the employee will be responsible for reimbursement of funds spent for his/her job training.

G. Paid Benefits

Only full-time employees are eligible to receive paid benefits.

H. Personnel Rules

All employees are to be given a complete booklet of the personnel rules and regulations.

1. A signed documentation of receipt and understanding of the City's Personnel Rules and Regulations will be in personnel file. This is the responsibility of the department head.

I. Posting of Personnel Rules

A copy of the personnel rules and regulations of the City will be on file at all times, within City Hall.

IV. Employee Benefits

A. Holidays:

1. New Year's Day (January 1st)
2. Martin Luther King Jr. Day (third Monday in January).
3. Good Friday (Friday before Easter)
4. Memorial Day (last Monday in May)
5. Independence Day (July 4th)
6. Labor Day (first Monday in September)
7. Veteran's Day (as observed by state law)
8. Thanksgiving Day & Friday after (November)
9. Christmas Eve (December 24th)
10. Christmas Day (December 25th)

B. Vacation:

Hourly employee:

1. An employee will be paid for one (1 week, 40 hours) vacation upon one-year employment, (after and not before employee's anniversary date).
2. An employee is eligible for three (3weeks, 120 hours, 15 days) vacation upon five years' consecutive employment (after and not before employee's anniversary date) and three weeks thereafter.
3. Vacation request must be requested two (2) weeks in advance.
4. The department head will determine all scheduling of vacation leave, with due consideration to seniority, length of service and request of employee.

Salary employees:

1. An employee is eligible for one (1) week paid vacation upon one (1) years employment (after and not before employee's anniversary date).

2. An employee is eligible for two (2) weeks paid vacation upon (2) consecutive years' employment (after and not before employee's anniversary date) and two (2) weeks each year thereafter.

3. Vacation request must be requested two (2) in advance.

4. The department head with due consideration to seniority, length of service and request of employee will determine scheduling of vacation leave.

C. Leave days recognized by the City are detailed as follows:

1. Sick- Leave. Sick leave accrual at the rate of one (1) day for each full calendar month of employment. Sick leave will be granted in increments of not less than one half day. Employee, will be allowed to accrue a maximum of thirty (30) sick leave days. All sick leaves are subject to verification by a medical certification. A return to work release will be extended illness or injury. Abuse of this privilege may result in disciplinary action. Sick leave may be used due to illness of the employee's immediate family, (self, spouse, child). All, records of the employee's attendance are being kept by the City Clerk.

A. An employee's sick time shall not be granted during leave during a leave of absence without pay, suspension, or when the employee is otherwise in a non-pay status for more than fifteen (15) calendar days in a month. An employee currently using sick leave, shall not earn additional vacation or sick leave during the period when he/she is on sick leave.
B. Sick leave shall not be granted to an employee whose absence from duty is a result of his/her own misconduct. Absence for misconduct will be considered as absence without leave, and shall subject the employee to disciplinary action.

C. Sick leave shall not be granted an employee whose absence from duty is caused by injury or disability sustained because of his/her engaging in employment and/or activities outside the employment of the City.

2. Injury Leave:

A full-time employee who sustains a disabling injury without fault or negligence on his/her part while performing the duties of his/her position may be granted leave with pay. Each application apply for injury leave, shall contain a statement by the employee and affirmed by his/her department head setting forth the details of the accident. This application has to be in writing. In addition, it must be accompanied by a doctor's certificate, which should reflect the nature and extent of the injury, plus, the period of disability. In case of Alabama's Workmen's Compensation Law, the leave with pay benefit provided by this rule shall be complementary to said workmen's compensation benefit subject to the following limitations.

A. The amount of such complementary benefit shall equal the difference between the amount of workmen's compensation and the amount to which the employee would have been entitled under this rule. Injury leave is to begin pay after the first three (3) days off. The employee may use his/her own sick days the first three (3) days pending approval of the department head.
B. In so case shall the total amount of benefits, taking into account the workmen's compensation and the benefit provided by this rule, exceed the base salary amount established by the City for the period during which said disability exists.

3. Maternity Leave:

An expectant mother is allowed to continue working as long as the employee's physician feels she can adequately perform her duties without endangering her health. When the expectant mother can no longer perform her job duties, she may either resign or request a maternity leave of

absence without pay. This leave cannot exceed six (6) weeks unless otherwise stated by the employee's physician.

4. Military Leave:

The City of Margaret is proud of our uniformed service members, active National Guard, and Reserve. Of course, the City of Margaret will excuse employees eligible for military leave in compliance with State and Federal law. In general; eligible employees are employees reporting for active duty or training, whether or not on a voluntary or involuntary basis in the armed forces, in the National Guard, or in the Air National guard (uniformed services). If you believe that you are eligible and have advanced notice of your obligation, please give as much notice as possible. Unless unusual circumstances exist, reasonable advanced notice will include alerting the City as soon as possible of any unit alerts or personal alerts of possible deployments. This will enable the City to plan accordingly for your absence.

5. Jury Duty:

Employees called for jury duty must notify and submit a copy of summons to the Supervisor as soon as possible before jury duty begins. Such employees will be granted a leave of absence, and they will be paid their regular pay for scheduled workdays during the time they are serving on jury duty, but they must return to work immediately following jury duty.

6. Bereavement Leave:

A full-time employee shall be granted bereavement leave, due to the death of his/her immediate family members, with pay. The amount of days taken with pay cannot exceed three (3) for each family member. Total amount of bereavement days off must have the approval of the department head. Immediate Family Members Recognized by the City are as follows:

A. Spouse
B. Child
C. Parent
D. Grandparent
E. Brother
F. Sister

G. Mother-in-Law
H. Father-in-Law

C. Uniforms:

All full-time employees, who are required to wear a uniform will be provided a uniform by the City.

V. Disciplinary Action and Procedures:

A. Disciplinary Policy: The tenure of every employee will be determined by the satisfactory conduct of the employee and continued, efficient performance of assigned duties and responsibilities. The Mayor may remove any employee for just cause and fill the vacancy caused thereby temporarily. The reasons for such action shall be furnished in writing to such employee, department head, and Council. Any employee suspended, demoted, or dismissed for any reason shall have the rights as set forth in the following provisions.

Cause for Disciplinary Action: The following are among the causes, which shall be sufficient for suspension, demotion, or dismissal:

1. Absent without leave (AWOL). Absent one (1) day without proper notification.
2. The commitment of any criminal act.
3. Conduct unbecoming of an employee in the public service.
4. Conviction of a criminal offense or of a misdemeanor involving moral turpitude.
5. Disorderly or immoral conduct.
6. Failure to pay or make proper provision for the liquidation of such debts.
7. Incapacity due to mental or physical disability or a permanent nature.
8. Incompetence or inefficiency.
9. Insubordination
10. Reporting to work under the influence of and/or possession of alcohol or drugs (other than those prescribed by a physician and taken as directed.

11. Neglect of duty
12. Negligence or willful damage to public property or waste of public supplies or equipment.
13. Willful violation of any of the provisions of these policies.
14. Refusal of employee to testify or answer any questions before any board of any body authorized to conduct any hearing concerning the affairs of government or the conduct of any officer or employee, on the grounds his/her testimony would tend to incriminate him/her or refusal to waiver immunity from prosecution.
15. Failure to report any personal injury incurred during working hours.
16. Being late to work three (3) times within a thirty-day period.
17. Performing outside work that interferes with employment with the City.
18. Abuse of sick leave.
19. Failure to comply with departmental policies and procedures.
20. Failure to report abuse, destruction or waste of City property
21. For any other reason deemed to be in the best interest of the public service and not inconsistent with the intent of these rules.
22. Falsifying:

    a. Time sheets
    b. Employment Records
    c. Personnel Records
    d. Any business record of the City
    e. Clocking in/out any other employee

Suspension:

The Mayor may suspend for improper behavior and without pay, any employee. Such suspension shall be effective by delinquency for which suspension was made.

Demotions:

Any employee may be demoted by the Mayor to a position of a lower grade for which he is qualified for any of the following reasons:

1. When an employee would otherwise be laid off because his/her position is being abolished, reclassified to a higher grade or lower grade, lack of work, lack of funds, or because of the return to work from an authorized leave of another employee to such a position in accordance with the rules on leave.
2. When an employee does not possess the necessary qualifications to render satisfactory service in the position he/she holds.
3. When an employee is removed from probation.
4. When an employee voluntarily requests such demotion.
5. When an employee is demoted for disciplinary reasons.

Dismissal:

Notice of dismissal shall be in writing and shall set forth:

1. The cause of the action.
2. The date dismissal is to become effective.
3. Any other information deemed appropriate.

A copy of such notice shall be delivered to the Council on the same day that notice is served on the employee.

Appeal:

An employee shall have the right to appeal any suspension, demotion, or dismissal by the Mayor, to the Council. An employee desiring to appeal shall have ten (10) calendar days after notice thereof, file with the City Clerk, in duplicate, a written answer to the charges and request a hearing. The City Clerk will be responsible for forwarding a copy of said request for appeal to each Council member. Such request shall contain:

1. The reason of denial or guilt.
2. An admission of denial or guilt.

3. Reasons why suspension, demotion or dismissal should not take effect.

Hearing:

In the event an employee appeals any such suspension, demotion or dismissal as set forth herein above, the Council shall order a hearing. The hearing shall be for the purpose of determining whether or not the employee, by reason of his/her act or acts charged and his/her record of service, merits retention of their job or whether they should be removed there from or otherwise disciplines; and to that end the Council shall not be bound by the technical rules of evidence but shall diligently seek bound by the technical rules of evidence but shall diligently seek all of the information and evidence bearing on the merits of the case. Council may represent either party of interest.

Witnesses:

It shall be the duty of the Council to subpoena witnesses, other than character witnesses for or against the employee on written request and affidavit that their testimony is necessary. Employee of the City shall be required to attend and testify without subpoena.

Decision:

The Council shall render its decision within ten (10) calendar days after the conclusion of the hearing, which shall forthwith be forwarded to the Mayor and enforced by him/her.

Copies of the decision shall be delivered to all other parties at interest. The Council may rescind, modify or increase the penalty imposed by the Mayor as warranted by the fact adduced at the hearing.

Record of Testimony:

The Council may require that testimony introduced at hearings be recorded but same shall not be transcribed except under further order.

Vacation Forfeited:

Any employee who is dismissed for cause shall forfeit all vacation allowances.

Personal Phone Calls:

Personal phone calls for employees of the City are prohibited unless in an emergency.

City of Margaret Employee Handbook

Effective Date: January 5, 2026

Version: 01

Adopted by the City Council of the City of Margaret, Alabama

The City of Margaret at its option, may change, delete, suspend or discontinue parts or the policy in its entirety, at any time without prior notice. In the event of a policy change, employees will be notified. Any such action shall apply to existing as well as to future employees.

Document Control

Prepared For

Document Owner(s)	Project/Organization Role
City Council	City of Margaret

Employment Manual Version Control

Version	Date	Author	Change Description
01	Jan 5th 2026		City of Margaret (Council Adopted Policy)

Note The content of a manual does not constitute, nor should it be construed as a promise of employment or as a contract between The City of Margaret and any of its employees.

Policy Amendment and Authority

This Handbook is adopted by the City Council. Amendments to this Handbook shall be made by City Council action unless the Council has expressly delegated limited authority to the Mayor or City Clerk to issue administrative procedures consistent with this Handbook. No employee or department may modify this Handbook by practice or informal directive.

Important Notices

This Handbook sets forth general employment policies and procedures for the City of Margaret. Nothing in this Handbook creates a contract of employment or alters the at-will employment relationship, except as required by applicable law or a written agreement approved by the City Council. The City reserves the right to amend, modify, suspend, or discontinue policies at any time, to the extent permitted by law, by action of the City Council or as otherwise authorized herein.

This Handbook supersedes and replaces all prior personnel policies, manuals, memoranda, and handbooks, whether written or unwritten, including the City of Margaret Employee Handbook effective August 1, 2022, and any legacy 'Personnel Policy' drafts.

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1. INTRODUCTION

This Handbook is intended to familiarize employees with the City of Margaret and to provide clear, consistent guidance regarding working conditions, key policies, procedures, compensation, and benefits.

1.1 History

Margaret is a city in St. Clair County, Alabama, United States.

1.2 Changes in Policy

This Handbook supersedes all previous employee manuals and memos. Where any provision of this Handbook conflicts with federal or state law, the City will apply the controlling law and interpret this Handbook accordingly.

1.3 Departmental Procedures and Supplements

Departments may issue written procedures or operational guidelines to implement this Handbook. Such procedures may clarify scheduling, approval processes, or provide benefits that are more generous than those contained herein.

No department, supervisor, or employee may waive, reduce, or alter the minimum standards, rights, or obligations established by this Handbook unless authorized by formal City Council action.

In the event of a conflict between a departmental procedure and this Handbook, **this Handbook controls**.

1.4 Administrative Procedures and Due Process

This Handbook establishes policies and standards governing employment with the City of Margaret. It is not intended to prescribe rigid investigative or disciplinary timelines or to create procedural rights beyond those required by law.

Administrative actions, investigations, and disciplinary determinations shall be conducted in a manner that is reasonable, prompt, and appropriate to the circumstances, taking into account the nature and seriousness of the matter.

Nothing in this Handbook limits the authority of the Mayor or City Council to act in the best interest of the City, public safety, or public trust.

2. EMPLOYEE DEFINITION AND STATUS

An “employee” of the City of Margaret is a person who regularly works and is paid by the City on a wage or salary basis.

2.1 Employment Classification

Employees are classified as “exempt” or “non-exempt” under the Fair Labor Standards Act (FLSA). Non-exempt employees are eligible for overtime compensation as required by law.

In addition, every employee is assigned an employment status classification for administrative and benefits purposes, such as:

- Regular full-time
- Regular part-time
- Temporary/seasonal (full-time or part-time)
- Hourly (regular or contingent)
- Other classifications established by the City for operational needs

Classification does not alter at-will employment status.

2.2 Application for Employment

A. Applications for employment must be submitted to the appropriate department head or designated hiring authority.

B. Verification. Prior to recommendation for employment, the department head will ensure that job-related screening and verification steps are completed as applicable and permitted by law:

- Verify education and required credentials where job-related.
- Verify prior employment and professional references.
- Verify licenses and certifications required for the position (e.g., driver’s license).
- Verify military service documentation if voluntarily provided and job-related.
- Conduct criminal background checks where job-related and permitted by law.
- Conduct credit checks only where lawful and demonstrably job-related (e.g., significant financial duties), with required disclosures/authorization.
- Conduct post-offer medical or psychological evaluations only where job-related and consistent with business necessity and applicable law (e.g., public safety roles).

C. Interview/Recommendation. Following verification, the department head shall interview qualified applicants and submit a written recommendation consistent with City hiring procedures.

2.3 Hiring Policies

All recommended applicants may be interviewed and may be required to complete pre-employment testing (including drug testing where lawful). Where Council action is required, the City Council will approve hiring by majority vote. All employees are “at-will” employees, except as required by law.

2.4 Job Posting

Unless an exception is authorized, job announcements shall be posted in at least three (3) public places and/or the City's official website or other authorized posting locations.

2.5 Non-Discrimination Hiring Policy

No person shall be hired, appointed, promoted, disciplined, or removed from a position based on any protected characteristic under federal or Alabama law.

2.6 Probationary Period for New Employees

Probationary period for each new regular full-time employee will be one (1) year.

A. Probationary Period. Newly hired employees are considered probationary during the first year of employment. During this period, the City will monitor performance, work habits, attendance, and suitability for continued employment.

a. The probationary period does not create a promise or guarantee of employment. During probation, employees remain at-will and may be disciplined, demoted, laid off, or terminated without appeal, except as required by law.

b. Benefits during probation. Probationary employees may be eligible for City benefits as provided by plan documents. Probationary employees may accrue, but may be restricted from using vacation or sick leave until completion of probation, except as required by law or approved by the Mayor/department head for emergency/medical necessity. Probationary employees may use approved compensatory time (Comp Time) during probation if eligible under Section 5.3.

Part-time employees work less than thirty-two (32) hours per week and remain at-will. Part-time employees shall not supervise full-time employees without express written authorization.

Full-time employment is generally based on a forty (40) hour work week.

2.6a SECONDARY PROBATIONARY PERIOD FOR PROMOTED EMPLOYEES

Employees promoted within the City must complete a 12-month secondary probationary period with each assignment to a new position. Benefits eligibility and "Regular Employee" status, if obtained, are not changed during the secondary probationary period that results from a promotion within the City. If a promoted employee is not successful in a new position, he or she may be removed from that position at any time during the secondary probationary period that results from a promotion within the City. If a promoted employee is not successful in a new position, he or she may be removed from that position at any time during the secondary probationary period. If this occurs, the employee may be allowed to return to his or her former position, depending on the availability of such a position and the needs of the City.

Supervisors and employees are strongly encouraged to discuss job performance and goals on a regular, informal basis. Formal performance evaluations are conducted at the end of an employee's initial probationary period in any new position.

2.7 Nature of Employment

After completion of probation, employees remain at-will unless required otherwise by law or a written agreement approved by the City Council.

2.8 Absence from Work

Employees must notify their supervisor as soon as possible of any absence or lateness. For foreseeable absences, employees should provide advance notice to allow coverage. The City may require documentation to substantiate absences to the extent permitted by law. Employees must obtain supervisor approval before leaving a duty station prior to scheduled departure.

2.9 Pay Day

All employees are on a bi-weekly pay period and are generally paid every other Friday. If payday falls on a holiday, pay may be issued on the prior business day. Payroll schedules, cutoffs, and procedures are administered by the City Clerk/Finance. No employee may clock in/out or otherwise record time for another employee.

3. EMPLOYMENT POLICIES

3.1 Equal Employment Opportunity

The City of Margaret is an equal employment opportunity employer. Employment decisions are based on merit and operational needs and not on protected characteristics.

3.2 Diversity and Inclusion

The City is committed to fostering a culture of respect and inclusion. Employees are expected to exhibit professional conduct that reflects inclusion during work, at work functions, and at City-sponsored events.

3.3 Americans with Disabilities Act (ADA)

The City complies with federal and state laws concerning employment of persons with disabilities and will provide reasonable accommodations to qualified individuals unless doing so would cause undue hardship or pose a direct threat that cannot be mitigated.

3.4 Immigration Law Compliance

All offers of employment are contingent upon verification of the employee's right to work in the United States. Employees must complete required federal forms and provide documentation as required by law.

3.5 Employee Background Check

The City may conduct job-related background checks as permitted by law, including prior employment verification, professional reference checks, education confirmation, criminal history checks (where permitted), and credit checks where lawful and job-related.

3.6 Criminal Records

Where job-related and permitted by law, criminal record checks may be performed to protect the City's interests and public trust.

3.7 New Employee Orientation

New employee orientation will be conducted by a City representative or supervisor and includes an overview of the City, policies, safety practices, and job expectations.

3.8 Personnel Records and Administration

Personnel records are maintained by the City Clerk or designated custodian. Personnel information is confidential and shared only as required by law and with those who have a business need.

Personnel files may include, without limitation:

- Application and hiring documentation
- Background check documentation (where applicable)
- Leave and attendance records
- Performance evaluations and related acknowledgments
- Training records and certifications
- Disciplinary actions
- Driver's license history (where job-related)
- Salary history and pay-related documentation

Medical information is maintained in a separate confidential file in accordance with law.

3.9 Change of Personal Data

Employees must report changes in name, address, phone number, marital status, dependents, emergency contact, insurance beneficiaries, or tax withholding information promptly in writing to the City Clerk.

3.10 Safety

The safety and health of employees and the public is a priority. The City will make reasonable efforts to comply with workplace safety requirements and expects employees to follow safety rules, training, and instructions.

- Follow applicable City safety manuals and driving policies (as adopted and issued).
- In emergencies or if threatened, call 911 immediately.
- Weapons/firearms: Employees are prohibited from carrying firearms or weapons on their person or in City vehicles during work hours unless required by job duties and expressly authorized. Sworn law enforcement officers are exempt while acting within scope of duty.

Employees must exercise caution and common sense in all work activities.

3.11 Personal Property

The City assumes no responsibility for personal property brought to City facilities or job sites. Employees are encouraged to secure valuables and maintain personal insurance.

3.12 Health-related Issues

Employees who become aware of health-related issues that could affect job performance or workplace safety should notify their supervisor as soon as possible. The City will handle medical information consistent with privacy and ADA requirements.

3.13 Employee Requiring Medical Attention

Employees must report all work-related injuries and accidents immediately to their supervisor and follow City procedures, including:

- For life-threatening injury: call 911 or proceed to the nearest emergency facility.
- For non-life-threatening injury: notify supervisor or Mayor and proceed to a designated medical provider or non-emergency facility.
- Prepare required incident documentation and submit promptly.

3.14 Weather-related and Emergency-related Closings

Emergencies may disrupt operations. The Mayor (or designee) will decide on closure and provide official notification. Essential employees may be required to report as directed.

4. STANDARDS OF CONDUCT

4.1 General Guidelines

Employees are expected to follow City policies and procedures, perform duties competently, and maintain professional conduct consistent with public service.

4.2 Attendance and Punctuality

Employees must be ready to work at the start of assigned hours and complete work by the end of assigned hours. Absences must be reported promptly to supervisors.

4.3 Absence and Lateness

Employees are responsible for timely communication about lateness or absence. Patterns of unexcused absence or tardiness may result in discipline.

4.4 Unscheduled Absence / Job Abandonment

Absence for one (1) scheduled workday without notifying management may be treated as job abandonment unless circumstances demonstrate otherwise.

4.5 Conflict of Interest

Employees must avoid conflicts of interest and comply with Alabama ethics requirements. Outside employment for personal profit requires prior written disclosure and approval when it may conflict with City duties.

4.6 Harassment Policy

The City maintains a workplace free of harassment. Harassment based on protected characteristics is prohibited. Employees should report harassment to a supervisor, the Mayor, or the City Clerk. Retaliation is prohibited.

Harassment by **any individual**, including supervisors, department heads, elected officials, contractors, vendors, or members of the public, will not be tolerated.

The City will take reasonable steps to prevent and correct harassment even when the conduct originates outside the traditional supervisory chain.

4.7 Sexual Harassment Policy

Sexual harassment is prohibited. Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature are prohibited. Reports will be investigated promptly and confidentially to the extent possible.

4.8 Violence in the Workplace

The City prohibits workplace violence, threats, intimidation, and coercion. Violations may result in discipline up to and including termination and referral to law enforcement.

4.9 Confidential Information and Nondisclosure

Employees must protect confidential information acquired through City employment and may not disclose or use such information except as authorized.

4.10 Ethical Standards and Public Trust

Employees of the City of Margaret are public servants entrusted with public resources, authority, and confidence. All employees are expected to conduct themselves in a manner that upholds the integrity of municipal government and public trust.

Employees shall comply with all applicable provisions of the Alabama Ethics Law, City ordinances, and adopted policies, including but not limited to rules governing:

- Conflicts of interest
- Use of public office for personal gain
- Acceptance of gifts or things of value
- Use of City resources

Duty to Report:

Employees who reasonably believe that a violation of law, ethics rules, fraud, waste, abuse, or misuse of public resources has occurred must report such concerns to a supervisor, the Mayor, the City Clerk, or other designated authority.

Non-Retaliation:

Retaliation against an employee who makes a good-faith report or participates in an investigation is strictly prohibited and may result in disciplinary action up to and including termination.

4.11 Conduct

Courtesy toward the public and each other is required. Employees shall not engage in bullying, threats, or harassment. Employees must follow supervisory instructions and utilize proper channels to report concerns about unlawful or unsafe orders.

4.12 Dress Code

Employees are expected to maintain a clean and professional appearance appropriate to their duties. Uniformed employees must comply with uniform requirements.

4.13 Uniforms

Full-time employees required to wear uniforms will be provided uniforms as authorized by department policy and City budget.

4.14 Use of Equipment

City equipment is provided for City business. Unauthorized personal use or removal is prohibited unless expressly approved for job duties.

4.15 Use of Computer, Phone, and Mail

City property, including computers, phones, email, and voice mail, should be used primarily for City business. Limited incidental personal use may be permitted if it does not interfere with operations. The City may monitor City systems to the extent permitted by law.

4.16 Use of Internet

Internet use must be ethical and lawful, for City purposes, and must not interfere with productivity. The City may monitor websites visited on City equipment.

4.17 Software and Computer Use

Employees must comply with software licensing and cybersecurity requirements. Unauthorized duplication of software is prohibited.

4.18 Smoking Policy

Smoking and vaping are prohibited in City buildings and City vehicles unless otherwise designated.

4.19 Alcohol and Substance Abuse

The City maintains a drug-free workplace. Employees may not possess, use, sell, or be impaired by illegal drugs or alcohol while on duty or on City property. Testing may occur pre-employment and for-cause, consistent with law. DOT-covered employees are subject to DOT testing rules.

4.20 Gifts

Employees must comply with the Alabama Ethics Law and any applicable gift limitations. When in doubt, employees should consult the City Clerk or City Attorney.

4.21 Solicitations and Distributions

Solicitation and distribution of non-City materials during working time and in working areas is prohibited unless authorized.

4.22 Complaint Procedure

Employees should first discuss job-related issues with their immediate supervisor. If unresolved, employees may escalate to the department head, Mayor, or City Clerk as appropriate.

4.23 Corrective Procedure

The City may use progressive discipline (oral reminder, written warning, counseling, suspension, termination). The City reserves discretion to skip steps based on severity.

4.24 Administrative Leave / Crisis Suspension

The City may place an employee on administrative leave (with or without pay as permitted by law) pending investigation of serious allegations or safety concerns.

4.25 Employment Termination/Resignation

Employment may be terminated at-will except as required by law. Employees who resign in good standing should provide written notice at least fourteen (14) working days prior to the effective date unless modified by the Mayor or Council.

4.26 Exit Interview

The City may conduct exit interviews in voluntary separations to gather feedback and ensure return of City property.

4.27 Return of City Property

All City property issued to employees must be returned at separation. Employees may be held responsible for lost or damaged items to the extent permitted by law.

4.28 Employment of Relatives (Nepotism)

The City of Margaret shall comply with all applicable provisions of Alabama law, including the Alabama Ethics Law, governing nepotism, conflicts of interest, and the use of official position for personal gain.

No elected official, appointed official, supervisor, or employee shall use or attempt to use his or her official position to secure employment, promotion, transfer, compensation, or favorable treatment for a family member or person with whom the official or employee has a personal or financial relationship, except as permitted by law.

Employment decisions involving individuals related by blood, marriage, or other familial relationship to an elected official or City employee shall be evaluated and approved in a manner consistent with state law and City policy, with particular attention to avoiding:

- Direct supervision by a related individual;
- Participation by a related individual in hiring, promotion, discipline, or compensation decisions;
- Any actual or perceived conflict of interest; and
- Any violation of the Alabama Ethics Law.

The City reserves the right to deny, modify, reassign, or condition employment or supervisory arrangements as necessary to ensure compliance with law, maintain public trust, and avoid conflicts of interest.

Questions regarding the application of nepotism or ethics laws shall be referred to the City Clerk, City Attorney, or other designated authority prior to any employment action.

5. COMPENSATION POLICIES

5.1 Base Compensation

The City seeks to provide competitive and equitable compensation based on role, responsibilities, performance, and budget. Compensation is determined by Council-approved pay plans and appropriations.

5.2 Timekeeping Procedures

Accurate time records are required by law. Employees may not record time for others. Corrections must be approved by a supervisor. Falsification may result in discipline up to termination.

5.3 Overtime Pay and Compensatory Time (Comp Time)

Overtime compensation is paid to non-exempt employees in accordance with federal and state law. Overtime must be authorized in advance except in emergencies.

Authorized overtime may include:

- Fire, flood, catastrophe, or unforeseeable emergency response.
- Essential services coverage where no alternate staffing is available.
- Short-duration operational needs where use of existing employees is more advantageous than hiring.

Compensatory Time (Comp Time) may be provided to eligible non-exempt employees in lieu of cash overtime when permitted by law and agreed to in advance.

- Accrual rate: 1.5 hours Comp Time for each 1 hour overtime worked.
- Accrual caps: up to 240 hours for non-public-safety employees; up to 480 hours for public safety employees, as permitted by FLSA.
- Use: Employees may request to use Comp Time; requests will be granted within a reasonable period unless it would unduly disrupt operations.
- Payout: Unused Comp Time will be paid out upon separation at the employee's final regular rate or as otherwise required by law.

5.3.1 Department Heads and Exempt Employees

Department heads and other positions designated as exempt/salaried are not eligible for overtime pay or compensatory time (Comp Time).

Department heads are presumed **exempt/salaried** unless specifically designated otherwise in a Council-approved pay plan.

Exempt employees are compensated on a salary basis and are expected to fulfill the duties of their position as required by operational needs.

No Comp Time for Exempt Employees:
Exempt employees, including department heads, shall not accrue, use, borrow, transfer, donate, or share compensatory time or overtime hours.

Exception:
Any deviation from this rule requires prior written authorization approved by both the Mayor and the City Council, specifying:

- The reason for the exception
- The duration
- The compensation method

Unauthorized accrual or use of Comp Time or overtime by exempt employees constitutes misuse of City time and may result in disciplinary action.

Any approved exception must be documented in writing by the City Clerk/Finance and tracked separately for audit purposes.

5.3.2 Department Heads

Supervisors and department heads are responsible for ensuring compliance with overtime and Comp Time rules.
Knowingly approving, encouraging, or allowing unauthorized overtime or compensatory time constitutes a policy violation and may result in disciplinary action.

5.3.3 Comp Time Administration and Non-Transferability

Compensatory Time is an earned benefit of the individual employee and is non-transferable. Comp Time may not be donated, shared, assigned, sold, or used by any person other than the employee who earned it.
No supervisor or department head may “reallocate,” “bank,” or “trade” Comp Time among employees, permit off-the-clock work, or allow an employee to work overtime without properly recording time. Any such conduct is a serious policy violation and may result in discipline.

5.4 Payroll and Paydays

Employees are paid bi-weekly. Payroll schedules are administered by the City Clerk/Finance. Direct deposit may be offered where available.

5.5 Reimbursement of Expenses and Training Costs

Employees may be reimbursed for approved, job-related expenses consistent with City policy, procurement rules, and budget. Receipts are required. For specialized training paid by the City, the City may require a written agreement that the employee remain employed for a defined

period or reimburse costs if the employee voluntarily separates early, to the extent permitted by law.

5.6 Opportunities for Advancement

The City seeks to promote from within when possible. Advancement depends on qualifications, training, performance, and operational needs. The City may also recruit externally as needed.

5.7 PROMOTIONS

All promotions of City employees and associated pay raises shall be approved by the City Council.

5.8 INCREASES TO COMPENSATION

All increases to the compensation of City employees shall be approved by the City Council.

6. GROUP HEALTH AND RELATED BENEFITS

6.1 Health Insurance

Eligible full-time employees may receive health insurance as provided by the City's health plan. Plan documents control eligibility, premiums, and coverage.

At the time of adoption of this Handbook, the City contributes toward premiums for eligible employees as set by Council and plan terms. Premium contributions may be modified by Council action.

6.2 Dental Insurance

Dental benefits, if offered, are governed by plan documents and administered by the plan provider.

6.3 Vision Care Insurance

Vision benefits, if offered, are governed by plan documents and administered by the plan provider.

6.4 Disability Insurance

Disability benefits, if offered, are governed by plan documents and administered by the plan provider.

6.5 Life, Accidental Death, and Dismemberment Insurance

Life/AD&D benefits, if offered, are governed by plan documents and administered by the plan provider.

6.6 COBRA Notification

Under COBRA, eligible employees and dependents may have the right to continue health coverage after certain qualifying events at their own expense. The Benefits Administrator will provide required notices.

6.7 Workers' Compensation

All employees are covered by workers' compensation for work-related injuries, administered through the City's insurer/program.

6.8 Unemployment Compensation

Unemployment compensation is administered by the State. Eligibility is determined by the State based on law and facts of separation.

6.9 Social Security

The City complies with Social Security withholding and employer contribution requirements as applicable.

6.10 Retirement Plans

Eligible employees participate in retirement benefits as provided by the applicable Alabama retirement system(s) and plan rules. Plan documents and statutes control.

6.11 Educational Assistance

The City may provide educational assistance for courses determined to be directly job-related or that prepare an employee for additional responsibilities, subject to budget, prior approval, and any required agreements.

6.12 Training and Professional Development

The City encourages training and professional development. Required courses must be approved in advance by the supervisor and department head.

7. TIME-OFF BENEFITS

7.1 Holiday Policy

Regular full-time employees are eligible for holiday pay after one year of employment unless otherwise required by law or authorized by Council policy.

The City recognizes the following holidays as paid holidays (subject to operational needs):

- New Year's Day (January 1)
- Martin Luther King Jr. Day (third Monday in January)
- Good Friday (Friday before Easter)
- Memorial Day (last Monday in May)

- Independence Day (July 4)
- Labor Day (first Monday in September)
- Veterans Day (as observed by state law)
- Thanksgiving Day and the Friday after
- Christmas Eve (December 24)
- Christmas Day (December 25)

Weekend observation: When a holiday falls on Saturday or Sunday, it is observed on the preceding Friday or following Monday unless otherwise directed. Public safety employees may receive holiday pay consistent with scheduling and policy. If an employee works on a recognized holiday, the employee may receive holiday pay in addition to hours worked, subject to overtime rules and departmental requirements.

7.2 Vacation Time / Personal Days

The City provides vacation leave as described below. Any separate personal days must be authorized by Council policy; otherwise, vacation leave is used for personal time.

7.3 Vacation Accrual

Hourly employees:

- Eligible for one (1) week (40 hours) of paid vacation upon completion of one (1) year of employment (after anniversary date).
- Eligible for three (3) weeks (120 hours / 15 workdays) of paid vacation upon completion of five (5) consecutive years of employment (after anniversary date), and three (3) weeks thereafter.

Salary employees:

- Eligible for one (1) week of paid vacation upon completion of one (1) year of employment (after anniversary date).
- Eligible for two (2) weeks of paid vacation upon completion of two (2) consecutive years of employment (after anniversary date), and two (2) weeks each year thereafter.

Vacation requests must generally be submitted at least fourteen (14) days in advance unless the Mayor or supervisor approves otherwise. Department heads will schedule vacation to maintain minimum staffing and consider seniority and operational needs.

Carryover: Employees may carry over accrued vacation into the next calendar year up to a maximum of thirty (30) 8 hour days unless otherwise authorized by the City Council.

7.4 Sick Leave

Sick leave accrues at the rate of 0.5 day per month during the first year of employment (maximum 6 days per year). Employees may accrue sick leave during the first year but may not

use it until after the first anniversary unless otherwise required by law or approved due to emergency.

After the first anniversary, employees continue to accrue 0.5 day per month up to a maximum of six (6) days per calendar year. Sick leave may be used for the employee's illness or for immediate family illness (self, spouse, child) as permitted by City policy.

Sick leave rules:

- Medical verification may be required, including a return-to-work release for extended illness or injury.
- Sick leave is not granted during unpaid leave, suspension, or non-pay status for more than fifteen (15) calendar days in a month.
- Sick leave is not granted for absences caused by employee misconduct or outside employment/activities.
- Carryover: Sick leave may carry over with no cap unless revised by Council policy; misuse may result in discipline.

Grandfathering: Employees grandfathered at a higher accrual rate retain that rate unless changed by lawful Council action.

7.5 Injury Leave

A full-time employee who sustains a disabling injury without fault or negligence while performing duties may be granted injury leave with pay, coordinated with workers' compensation, subject to documentation and approval.

Requirements include:

- Written statement of the accident by the employee and department head.
- Doctor's certificate reflecting the nature and extent of injury and period of disability.
- Injury leave pay may be complementary to workers' compensation and may begin after the first three (3) days, during which the employee may use available sick leave subject to approval.
- Total benefits may not exceed base salary for the disability period.

7.6 Pregnancy, Childbirth, and Related Leave

The City provides leave for pregnancy, childbirth, and related medical conditions consistent with applicable law (including the Pregnancy Discrimination Act, ADA accommodations where applicable, and FMLA where eligible). Leave may be administered through sick leave, FMLA, and/or approved unpaid leave depending on eligibility and circumstances.

7.7 Bereavement Leave

Eligible full-time employees may be granted paid bereavement leave up to three (3) days for immediate family members, subject to supervisor approval and documentation as needed.

Immediate family includes: father, mother, spouse, child, brother, sister, grandparent, mother-in-law, father-in-law.

7.8 Jury Duty and Court Appearances

Employees summoned for jury duty will receive normal pay for the period required to serve, consistent with City policy and law, and must provide summons documentation. Employees must report to work as soon as released from duty.

Court appearances in an official capacity on behalf of the City are considered work time. Other court absences may require use of leave or be unpaid depending on circumstances.

7.9 Military Leave

The City complies with USERRA and applicable state law. Eligible employees are entitled to paid military leave **as provided by Alabama law**, currently up to **168 working hours per calendar year**, and such leave shall be administered consistent with state and federal law.7.10 Family/Medical Leaves of Absence (FMLA).

The City complies with FMLA. Eligible employees may take up to 12 weeks of unpaid, job-protected leave in a 12-month period for qualifying reasons, and up to 26 weeks for covered servicemember care as provided by law. The City will provide required notices and may require certification.

7.11 Uniformed Services Employment and Reemployment (USERRA)

The City provides reemployment rights and related protections as required by USERRA.

7.12 Personal Leaves of Absence

Personal leaves of absence without pay may be granted in special circumstances, must be requested in writing, and are subject to approval. Personal leave may not be used to work other employment.

7.13 Disposition of Leave Upon Separation

Vacation Leave: An employee who resigns in good standing, retires, or is separated due to reduction in force may receive payout of accrued unused vacation leave up to ten (10) days, unless otherwise authorized by Council policy. Employees terminated for cause may forfeit vacation payout to the extent permitted by law and Council policy.

Compensatory Time: Accrued Comp Time shall be paid out upon separation as required by the FLSA.

Sick Leave: Accrued sick leave is not paid out upon resignation, retirement, or termination unless expressly authorized by City Council action.

No Supervisor Authority: No supervisor or department head may promise or authorize payouts or exceptions outside this section.

7.14 Other Leaves of Absence Without Pay

Other unpaid leaves may be granted as required by law or approved by the City consistent with operational needs.

7.15 TIME OFF TO VOTE

The City encourages employees to fulfill their civic responsibilities by participating in elections, and will comply with Alabama law regarding time off to vote. (Ala. Code § 17-1-5). Upon reasonable notice to your supervisor, an employee will be permitted to take necessary time off from work to vote in any municipal, county, state, or federal primary or general election for which the employee is qualified and registered to vote. The necessary time off shall not exceed one hour and if the work hours of the employee commence at least two hours after the opening of the polls or end at least one hour prior to the closing of the polls, then the time off for voting shall not be available. The City will specify the hour during which the employee may take voting leave.

8. DISCIPLINARY ACTION AND PROCEDURES

8.1 Disciplinary Policy

Employee tenure depends upon satisfactory conduct and continued efficient performance. The Mayor may remove an employee for just cause and temporarily fill the vacancy as needed. Reasons for adverse action will be provided in writing to the employee and, where applicable, the department head and Council.

Cause for disciplinary action includes, but is not limited to:

i. Theft or inappropriate removal or possession of property;
ii. Possession, distribution, sale, transfer, or use of alcohol or illegal drugs in the workplace, while on duty, or while operating the City's vehicles or equipment;
iii. Improper use of City property;
iv. Fighting or threatening violence in the workplace;
v. Boisterous or disruptive activity in the workplace;
vi. Sexual or other unlawful or unwelcome harassment;
vii. Possession of unauthorized materials, such as explosives or firearms in the workplace, with the exception of authorized police department personnel;
viii. Violations of personnel policies;
ix. Downloading pornographic images on City computers or using the City's network;
x. Gambling in any form while on duty;
xi. Absent without leave (AWOL) or job abandonment;

xii. Commission of criminal acts or conduct unbecoming public service;
xiii. Conviction of a criminal offense or misdemeanor involving moral turpitude;
xiv. Insubordination, neglect of duty, incompetence, or inefficiency;
xv. Reporting to work under the influence of alcohol or drugs (except lawfully prescribed and taken as directed);
xvi. Willful damage to public property or waste of public supplies/equipment;
xvii. Falsifying time sheets, personnel records, or City business records;
xviii. Abuse of sick leave or repeated attendance violations; and
xix. Failure to comply with departmental policies and procedures.

The City reserves the discretion to apply progressive discipline or impose immediate discipline depending on severity and circumstances.

Disciplinary hearings conducted by the City Council are administrative in nature. The Council is not bound by technical rules of evidence and may consider any information it deems relevant and reliable.

The Council's decision constitutes final administrative action unless otherwise provided by law.

8.1.1 Suspension

The Mayor may suspend employees for improper behavior, with or without pay as permitted by law and policy.

8.1.2 Demotions

Employees may be demoted for lack of qualifications, disciplinary reasons, organizational changes, or voluntary request, consistent with City needs.

8.1.3 Dismissal

Dismissal notice shall be in writing and shall state the basis and effective date. A copy may be provided to the Council where required by City procedure.

8.1.4 Appeal

Where the City provides an appeal process or where required by law, an employee may appeal suspension, demotion, or dismissal to the City Council. Appeals must be filed in writing with the City Clerk within ten (10) calendar days after notice.

8.1.5 Hearing

A disciplinary hearing is not automatic. Hearings are conducted only where required by law or where an appeal is granted under this Handbook.

Disciplinary hearings before the City Council are **administrative in nature**, not judicial proceedings. The Council is not bound by technical rules of evidence and may consider any information it deems relevant and reliable.

The City Council's decision constitutes final administrative action unless otherwise provided by law.

8.1.6 Witnesses

Witnesses may be requested and required to attend as permitted by law and City procedures.

8.1.7 Decision

The Council will **generally** render a decision **as soon as practicable** after the conclusion of the hearing, and **typically within ten (10) calendar days**, unless additional time is reasonably necessary due to the complexity of the matter, scheduling needs, or other good cause. The decision will be issued in writing and enforced by the Mayor.

8.1.8 Record of Testimony

The City may record hearings as needed. Transcripts are prepared only if ordered.

8.1.9 Vacation Forfeited

An employee dismissed for cause may forfeit accrued vacation payout eligibility to the extent permitted by law and Council policy.

8.1.10 Personal Phone Calls

Personal phone calls should be limited and must not interfere with operations, except for emergencies.

Nothing in this Section 8 creates a contractual right to continued employment or a contractual requirement that the City follow a particular sequence, step, or timeline of discipline, except as required by applicable law.

8.2 Disciplinary Process Framework

The City may address alleged misconduct, policy violations, or performance deficiencies through an administrative process that may include investigation, determination, and disciplinary action.

Investigations

The City may conduct an investigation as it deems appropriate. Investigations shall be conducted promptly and reasonably, considering the nature, seriousness, and complexity of the matter. No fixed investigative timeline is required.

Administrative Leave

When warranted, an employee may be placed on administrative leave, with or without pay as permitted by law, pending investigation. Administrative leave is not disciplinary in nature.

Disciplinary Determination

Upon completion of an investigation, the Mayor or authorized designee may impose disciplinary action, up to and including termination, consistent with this Handbook and applicable law.

The City reserves the right to modify, combine, or bypass any step in this process based on the circumstances of the case.

9. EXPENSES

9.1 Introduction

This section provides guidance on reporting and reimbursement of City business expenses. Approving an expense indicates it is legitimate, reasonable, and complies with policy.

9.2 Company Supplies and Other Expenditures

Only authorized persons may purchase supplies in the name of the City. Purchases generally require approved purchase orders. Emergency purchases must be reported promptly and documented.

9.3 Expense Reimbursement

Reimbursements are generally based on actual reasonable expenses with receipts. Travel, lodging, meals, and incidentals must be approved and comply with any City travel policy and budget limits.

10. EMPLOYEE COMMUNICATIONS

10.1 Open Communication

Employees are encouraged to address issues directly where appropriate and escalate to supervisors or management if unresolved. Retaliation for good-faith reporting is prohibited.

10.2 Suggestions

Employees are encouraged to submit suggestions for improving operations and service to residents.

10.3 Closing Statement

Successful operations depend on effective communication and shared understanding of policies and expectations.

10.4 Solicitation—

In an effort to assure a productive and harmonious work environment, persons not employed by the City may not solicit or distribute literature in the workplace at any time for any purpose. If employees have a message of interest for the workplace, they may submit it to the department head for approval.

11. USE OF CITY VEHICLES

1. City employees shall operate their vehicle in a manner consistent with the principles of courtesy and safety and in compliance with all traffic and parking regulations. Employees who receive a traffic summons while operating a City vehicle are personally responsible for honoring the citation. Department Heads will not authorize extra work hours to offset the fine.
2. City vehicles may not be used for personal business.
3. Unless prior approval is provided, City vehicles may not be driven home unless the employee is on call for after-hours emergencies.
4. Only authorized drivers are allowed to drive City vehicles. NO EXCEPTIONS. No employees, family members, or any other non-employees are allowed to drive City vehicles. No City employees are allowed to drive any City vehicles unless they have received approval from their Department Head.
5. Unless prior approval is provided, no passengers are allowed in City vehicles at any time unless it is in the course of City business. Allowing unauthorized passengers may result in disciplinary action against the employee. Unauthorized passengers include, but are not limited to, family members. Non-employees are not allowed to ride in City vehicles unless prior approval has been granted by the driver's Department Head.
6. Pushing or pulling another vehicle with a City vehicle is not permitted unless the vehicle is equipped with push bumpers (i.e., police cars).
7. Safety belts must be worn at all times.
8. City fuel is to be used for City vehicles only. Under no circumstance is City fuel to be used for a personal vehicle.
9. Vehicles must be refueled when the gauge is registering ¼ or less in the tank.
10. Unauthorized uses of City vehicles include, but are not limited to the following:
    a) Operating City vehicles while under the influence as defined by Alabama State law;
    b) Travel or task performance of a personal nature not connected with the accomplishment of official business;
    c) Travel or task performance beyond the stated capabilities of the vehicle;
    d) Unauthorized transport of families, friends, associates, or other persons who are not employees of the City or serving the interest of the City, except that family members may be transported in a valid family emergency only to the extent necessary to alleviate the emergency situation;
    e) Use of City vehicle for personal errands while en route on City business;
    f) Transport of hitchhikers, except for law enforcement personnel;
    g) Transport of items or cargo having no relation to the conduct of official business;
    h) Transport of acids, explosives, weapons, ammunition, or highly flammable material except in an emergency, law enforcement situation, or performance of an authorized task in the normal scope of duties;

i) Transport of any item, equipment, or cargo that projects from the side, front, or rear of the vehicle in such a manner as to constitute a hazard to safe driving;
j) Extending the length of dispatch beyond that required to accomplish the official business purpose of the trip;
k) Transportation between place of residence and place of employment unless authorized use of a vehicle in a category that allows take home privileges;
l) Outings except planned City activities; and
m) Loan of a vehicle for use in non-City authorized functions.

ACCIDENT HANDLING AND REPORTING

IN THE EVENT OF AN ACCIDENT, THE FOLLOWING STEPS SHOULD BE TAKEN:

Employee

1. Move your vehicle off the road if the vehicle is drivable and creating an imminent hazard to other drivers. The goal is to protect the scene and reduce the chance of causing a secondary accident.
2. If possible, activate your emergency hazard flashers.
3. Call the police, no matter how small the accident, and request emergency medical assistance if necessary. Assist any injured people if possible.
4. Call your supervisor immediately.
5. Write an incident report in your own words.

Supervisor

1. Assure the vehicle is taken to the City's Garage as soon as possible so that damages can be assessed. If the vehicle is not operational, contact the City Public Works Department for assistance;
2. Make an accident report and attach digital photographs of damage to vehicles and any other damaged property.
3. Assure a drug/alcohol test is obtained (the alcohol portion of the test must be administered by the Police Department). If the accident occurs after hours, the Police will administer the drug/alcohol test. The results of these tests must be sent to the City Clerk.
4. Make three (3) copies of the accident report with photographs attached and distribute as follows:
    a. City Clerk;
    b. Department Head/Mayor; and
    c. Personnel File
5. These reports MUST be delivered to the above-listed departments on the day the accident occurs. If the accident occurs after hours, reports must be delivered at 8:00 the following morning. No work or cost estimates may begin on the vehicle until the reports are submitted.
6. Report to City Clerk:

a. Immediately report any injury, unless it is a life-threatening situation, so that City approved physicians can provide medical treatment. Compensation will not be approved for services provided by a personal physician.
b. The City Clerk and/or the respective department head will handle insurance issues. This includes reporting the incident, handling claim questions, etc. If an insurance company notifies the employee or supervisor, the calls or correspondence should be referred to the City Clerk and/or the respective department head.
c. Key Points to Remember When In An Accident:
    i. Never admit fault or apologize. Apologies could be interpreted as an admission of fault.
    ii. Never argue with other drivers or witnesses.
    iii. Never argue with the police.
    iv. Never make a statement to the media. Refer all reporters and media to your supervisor.
    v. Never discuss details of the incident with anyone but a City Representative or the police.

12. COMPETITIVE BIDDING ON PUBLIC CONTRACTS

As a municipal body in the State of Alabama, the City of Margaret is subject to the requirements of the State Bid Law. In accordance with the Alabama Competitive Bid Law (Section 41-16-50, Code of Alabama, 1975), with the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds of whatever nature for labor, service work, or for the purchase of materials, equipment, supplies, or other personal property involving fifteen thousand and no/100 ($15,000.00) dollars or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of fifteen thousand and no/100 ($15,000.00) dollars or more, made by or on behalf of any City and county boards of education, the district boards of education of independent school districts, the county commissions, governing bodies of the municipalities of the state, and the governing boards of instrumentalities of counties and municipalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions, shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder.

13. POLITICAL ACTIVITY

Employees have the right to participate in City, county, or state political activities to the same extent as any other citizen of the State of Alabama, including endorsing candidates and contributing to campaigns of his or her choosing. (Ala. Code § 17-1-4). However, employees are

prohibited under state law (Ala. Code §§ 17-17-4 and 17-17-5) from engaging in the following conduct:

A. Using his or her official authority or position for the purpose of influencing the vote or political action of any person. This is a felony offense punishable by a fine of up to $10,000.00 or imprisonment for up to 2 years, or both;
B. Using City funds, property or time for any political activities;
C. Engaging in political activities while performing job duties. The employee must engage in such activities on personal time (before or after work and on holidays) or while on approved leave.
D. Soliciting any type of campaign contribution for subordinate employees or coerce or attempt to coerce any subordinate to work in any capacity in any political campaign or cause.

Any violation of B, C, or D is a Class A Misdemeanor - i.e., the offense of Trading in Public Office, and is punishable by imprisonment of up to 1 year and a fine of up to $2,000.00.

In the event that a City employee qualifies to seek a political office with the governmental entity with which he or she is employed, the employee must take a leave of absence from employment. Leave will be unpaid unless the employee has accrued overtime or vacation leave. The employee must remain on leave from the date of qualification until the date on which the election results are certified or the employee is no longer a candidate or there are no other candidates on the ballot. Violation of this provision will result in termination of employment. This prohibition is not applicable to elected officials. (Ala. Code § 17-1-4(b)).

14. FAMILY AND MEDICAL LEAVE ACT

POLICY STATEMENT

It is the policy of the City to grant employees family and medical leaves of absence under certain circumstances in accordance with federal law and the guidelines established below. Except as stated below, employees will not receive compensation during a Family and Medical Leave Act ("FMLA") leave of absence. What is the Family and Medical Leave Act?

A. Under FMLA, regular full-time employees and part-time employees are eligible to request family, medical and/or service member caregiver leave.
B. Employees are eligible for FMLA leave only after having worked for the City for 12 months and having worked at least 1,250 hours during the previous 12 months.

WHAT REASONS QUALIFY FOR LEAVE UNDER THE FMLA?

A. FAMILY AND MEDICAL LEAVE

Up to 12 weeks of leave within any consecutive 12-month period may be taken for any of the following reasons:

(1) To fulfill obligations relating directly to childbirth, adoption, or placement of a foster child;
(2) To care for a child, spouse, or parent with a serious health condition;
(3) For the employee's own serious health condition; or
(4) For employees with a spouse, child, or parent serving in the National Guard or Reserves, because of any Qualifying Exigency arising out of the fact that the covered military member is on active duty (or has been notified of an impending call or order to active duty) in support of a contingency operation.

The 12-month period in which the 12-week family and medical leave entitlement occurs shall be determined based on a rolling 12-month period measured backward from the date an employee uses any FMLA leave.

B. SERVICE MEMBER CAREGIVER LEAVE

(1) To care for a spouse, child, parent, or next of kin who is a Covered Service member and who has a serious injury or illness for which he or she is undergoing medical treatment, recuperation, or therapy; or otherwise in outpatient status; or otherwise on the temporary disability retired list.
(2) Covered Service members are current members of the Armed Forces, including members of the National Guard or Reserves, or members of the Armed Forces, the National Guard or Reserves on the temporary disability retired list.
(3) A "serious injury or illness" under this provision means an injury or illness incurred by a Covered Service member in the line of duty on active duty that may render the service member medically unfit to perform the duties of his or her office, grade, rank, or rating.
(4) An eligible employee shall be entitled to a total of twenty-six (26) work weeks of leave during a single 12-month period to care for the service member.
(5) The "single 12-month period" described above begins on the first day the eligible employee takes FMLA leave to care for a covered service member and ends 12 months after that date.
(6) The leave entitlement described above is to be applied on a per-covered-service member, per-injury basis such that an eligible employee may be entitled to take more than one period of 26 workweeks of leave if the leave is to care for different covered service members or to care for the same service member with a subsequent serious injury or illness, except that no more than 26 workweeks of leave may be taken within any single 12-month period.
(7) During the single 12-month period described above, an eligible employee's total Family And Medical Leave and Service member Caregiver Leave combined may not exceed 26 weeks.

WHAT IS A SERIOUS HEALTH CONDITION?

A *serious health condition* is an illness, injury, impairment, or physical or mental condition that involves:

A. Inpatient care in a hospital
B. A period of incapacity of more than three consecutive, full calendar days, and any subsequent treatment or period of incapacity relating to the same condition, that also involves:
    (1) Treatment 2 or more times or under the orders of a health care provider within 30 days of the beginning of the period of incapacity and the first visit to the health care provider must take place within seven days of the first day of incapacity, or
    (2) Treatment by a health care provider on at least one occasion, within seven days of the first day of incapacity, that results in a supervised regimen of continuing treatment.
C. Any period of incapacity due to pregnancy, or for prenatal care;
D. Any period of incapacity or treatment for such incapacity due to a chronic serious health condition, which is a condition that:
    (1) Requires periodic visits (defined as at least twice a year) for treatment by a health care provider, or by a nurse under direct supervision of a health care provider requires;
    (2) Continues over an extended period of time (including recurring episodes of a single underlying condition); and
    (3) May cause episodic rather than a continuing period of incapacity (e.g., asthma, diabetes, epilepsy, etc.).
E. A period of incapacity which is permanent or long-term due to a condition for which treatment may not be effective. The employee or family member must be under the continuing supervision of, but need not be receiving active treatment by, a health care provider.
F. Any period of absence to receive multiple treatments (including any period of recovery therefrom) by a health care provider for:
    (1) Restorative surgery after an accident or other injury; or
    (2) A condition that would likely result in a period of incapacity of more than three consecutive, full calendar days in the absence of medical intervention or treatment, such as cancer (chemotherapy, radiation, etc.), severe arthritis (physical therapy), or kidney disease (dialysis).

WHAT IS CONSIDERED TO BE A QUALIFYING EXIGENCY

A. SHORT-NOTICE DEPLOYMENT
    (1) To address any issue that arises from the fact that a covered military member is notified of an impending call or order to active duty in support of a contingency operation seven or less calendar days prior to the date of deployment;

(2) Leave taken for this purpose can be used for a period of seven calendar days beginning on the date a covered military member is notified of an impending call or order to active duty in support of a contingency operation;

B. MILITARY EVENTS AND RELATED ACTIVITIES

(1) To attend any official ceremony, program, or event sponsored by the military that is related to the active duty or call to active duty status of a covered military member; and

(2) To attend family support or assistance programs and informational briefings sponsored or promoted by the military, military service organizations, or the American Red Cross that are related to the active duty or call to active duty status of a covered military member;

C. CHILDCARE AND SCHOOL ACTIVITIES

(1) To arrange for alternative childcare when the active duty or call to active duty status of a covered military member necessitates a change;

(2) To provide childcare on an urgent, immediate need basis when the need to provide such care arises from the active duty or call to active duty status of a covered military member;

(3) To enroll in or transfer to a new school or day care facility when enrollment or transfer is necessitated by the active duty or call to active duty status of a covered military member; and

(4) To attend meetings with staff at a school or a daycare facility, when such meetings are necessary due to circumstances arising from the active duty or call to active duty status of a covered military member;

D. FINANCIAL AND LEGAL ARRANGEMENTS

(1) To make or update financial or legal arrangements to address the covered military member's absence while on active duty or call to active duty status; and

(2) To act as the covered military member's representative before a federal, state, or local agency for purposes of obtaining, arranging, or appealing military service benefits while the covered military member is on active duty or call to active duty status, and for a period of 90 days following the termination of the covered military member's active duty status;

E. COUNSELING

F. REST AND RECUPERATION

(1) To spend time with a covered military member who is on short-term, temporary, rest and recuperation leave during the period of deployment;

(2) Eligible employees may take up to five days of leave for each instance of rest and recuperation;

G. POST-DEPLOYMENT ACTIVITIES

(1) To attend arrival ceremonies, reintegration briefings and events, and any other official ceremony or program sponsored by the military for a period of 90 days

following the termination of the covered military member's active duty status; and

(2) To address issues that arise from the death of a covered military member while on active duty status, such as meeting and recovering the body of the covered military member and making funeral arrangements.

NOTICE REQUIREMENTS

A. Employees must notify the City of the need for leave at least 30 days prior to the commencement of the leave if the need for leave is foreseeable based on an expected birth, placement for adoption or foster care, or planned medical treatment for a serious health condition.

(1) If the need for leave is unforeseeable, or if 30 days' notice is not practicable, employees must provide notice of the need for leave to the City as soon as practicable.

(2) "As soon as practicable" ordinarily means the same day or within one day of when the need for leave becomes known to the employee.

(3) Employees should complete a Request for FMLA Leave form at the time of giving notice of the need for leave.

B. When planning medical treatment, the employee must consult with the City and make a reasonable effort to schedule the leave so as not to disrupt unduly the City's operations.

C. After the employee provides notice of the need for leave, the City will provide the following notices to the employee:

(1) A Notice of Eligibility And Rights And Responsibilities -within five days of receipt of the Employee's notice; and

(2) A Notice of Designation - within five days of receipt of any supporting documentation requested by the Employer. Documentation Requirements

D. REQUIRED CERTIFICATIONS

(1) Employees requesting leave related to their own serious health condition or the serious health condition of a child, spouse, or parent will be required to submit a Medical Certification from the health care provider.

(2) Employees requesting leave related to a qualifying exigency will be required to submit a Qualifying Exigency Certification and written documentation confirming a covered military member's active duty or call to active duty status in support of a contingency operation.

(3) Employees requesting Service member Caregiver Leave will be required to submit a Covered Service Member Illness Certification from a United States Department Of Defense ("DOD") health care provider, VA health care provider, DOD Tricare network health care provider or other authorized private health care provider.

E. Failure to provide a certification within 15 days of the City's request to do so could result in delay in approval or denial of your FMLA leave request.

F. If the City determines that a medical certification is incomplete or insufficient, the City will notify the employee in writing what information is lacking. The employee then has 7 days to provide a complete certification.
G. Employees taking continuous FMLA leave will be required to provide reports on their status to the City during the leave. This requirement is waived if the employee is unable to contact the City due to the employee's serious health condition.
H. Employees taking FMLA leave for their own serious health condition will be required to provide a Fitness-For-Duty Certification by a health care provider before being returned to work.

IS LEAVE PAID OR UNPAID

A. Employees will be required to first use any accrued paid leave time during any eligible FMLA leave, assuming that the eligibility requirements for each particular type of leave are met.
B. To the extent paid leave is used, such periods count toward the total twelve (12) or twenty-six (26) weeks of available FMLA leave.
C. After paid sick, vacation, or personal leave is exhausted, any remaining FMLA leave is without pay.

WILL BENEFITS BE CONTINUED DURING FMLA LEAVE

A. The City will continue to maintain health insurance and group life insurance benefits during any FMLA leave of absence subject to the terms, conditions, and limitations of the applicable plans.
B. The employee will be required to continue paying his or her share of the premium for health and/or group life insurance during FMLA leave. During any unpaid FMLA leave, the employee must make arrangements to pay his or her share of the premium for health and/or group life insurance directly to the City.
C. If the employee fails to pay his or her share of the premium before the end of the grace period, the City may, at its sole option, cease paying the premium and allow the coverage to terminate, or pay the employee's share of the premium. Upon return to work, the employee must reimburse the City if it has made the employee's premium payments.
D. If the employee fails to return to work after the FMLA leave, then the City may recover its share of the payments for health insurance and group life insurance benefit coverage for the period of leave. The premiums for health insurance cannot be recovered if the employee did not return to work as a result of an onset or recurrence of a serious medical condition eligible for leave under the FMLA, or if the employee failed to return to work due to reasons beyond the employee's control.
E. If any other leave, such as unpaid medical leave or long term disability leave, is available in excess of the FMLA leave entitlement, the employee may continue the health insurance and group life insurance benefits during such other leave provided he or she pays the full group premium.

F. Benefit accruals, such as vacation, sick leave, personal time, or holiday benefits, will be suspended during unpaid FMLA leave.

WHAT ARE AN EMPLOYEE'S RIGHTS ON RETURNING TO WORK FROM FMLA LEAVE?

A. Following FMLA leave, an employee is entitled to be returned to the same position the employee held when the leave commenced, or to an equivalent position with equivalent benefits, pay, and other conditions of employment.

B. An employee has no greater right to reinstatement or to other benefits and conditions of employment than if the employee had been continuously employed during the FMLA leave. For example, if an employee is laid off due to lack of work during FMLA leave and employment is terminated, the employer's responsibility to continue FMLA leave, maintain group health benefits, and restore the employee to work cease at the time the employee is laid off.

C. Overstaying the leave of absence without proper notification and approval or seeking and accepting other employment during FMLA leave without previous authorization constitutes an automatic resignation and subsequent loss of benefits.

D. If an employee fails or is unable to return to work after exhausting his or her 12 weeks of family and medical leave (or 26 weeks of service member caregiver leave), the employee is no longer entitled to reinstatement or to any other protections of the FMLA.

12. ACKNOWLEDGMENT

I acknowledge that I have received a copy of the City of Margaret Employee Handbook effective January 5, 2026, and I understand that I am responsible for reading and complying with its policies.

I understand that this Handbook does not create a contract of employment and that my employment is at-will, except as required by law or a written agreement approved by the City Council.

Employee Printed Name: _____

Position: _____

Employee Signature: _____

Date: _____