

TOWN OF MAGNOLIA SPRINGS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

TOWN OF MAGNOLIA SPRINGS, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Page</u>
Independent Auditors' Report	1-2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Statement of Assets, Liabilities and Fund Balances	5
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to the Financial Statements	9-24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	25
Schedule of Changes in Net Pension Liability	26
Schedule of Employer Contributions	27
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	28

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Town Council
Town of Magnolia Springs, Alabama

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Magnolia Springs, Alabama as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Magnolia Springs, Alabama'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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Magnolia Springs, Alabama, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Magnolia Springs, Alabama, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Town of Magnolia Springs, Alabama'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.

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 auditor's 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 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, 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 Town of Magnolia Springs, Alabama'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 Town of Magnolia Springs, Alabama'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 budgetary comparison information on page 26, schedule of changes in the net pension liability on page 27 and schedule of employer contributions on page 28, and be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2023, on our consideration of Town of Magnolia Springs, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Magnolia Springs, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Magnolia Springs, Alabama's internal control over financial reporting and compliance.

Avizo Group, Inc.

Certified Public Accountants

February 20, 2023
Fairhope, Alabama

TOWN OF MAGNOLIA SPRINGS, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 889,446
Restricted cash and cash equivalents	122,536
Accounts receivable - taxes	41,459
Grants receivable	487,591
Prepays	3,300
Net pension asset	13,889
Capital assets, net	<u>1,920,669</u>
TOTAL ASSETS	<u>3,478,890</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	<u>4,897</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,483,787</u>
LIABILITIES	
Accounts payable	<u>\$ 16,230</u>
TOTAL LIABILITIES	<u>16,230</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	<u>22,246</u>
NET POSITION	
Net investment in capital assets	1,920,669
Restricted for streets construction and improvements	122,836
Unrestricted	<u>1,401,806</u>
Total net position	<u>3,445,311</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,483,787</u>

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

TOWN OF MAGNOLIA SPRINGS, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 241,961	\$ -	\$ 252,061	\$ -	\$ 10,100
Library	31,739	-	-	-	(31,739)
Parks and recreation	975	-	-	-	(975)
Public safety	88,130	-	-	-	(88,130)
Public works	144,677	-	-	-	(144,677)
Total governmental activities	\$ 507,482	\$ -	\$ 252,061	\$ -	(255,421)
General revenues:					
Property taxes					67,199
Local taxes					594,187
State taxes					3,747
Gas tax					28,942
Franchise agreement					68,733
Investment earnings					343
License and permits					86,400
Other					175,429
Total general revenues					1,024,980
Change in net position					769,559
Net position, beginning of year as previously stated					2,675,752
Net position, ending					\$ 3,445,311

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

TOWN OF MAGNOLIA SPRINGS, ALABAMA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
– GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 889,446	\$ 122,536	\$ 1,011,982
Accounts receivable	528,750	300	529,050
Prepays	3,300	-	3,300
	Total assets	\$ 122,836	\$ 1,544,332
	\$ 1,421,496	\$ 122,836	\$ 1,544,332
 LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 16,230	\$ -	\$ 16,230
Total liabilities	16,230	-	16,230
	16,230	-	16,230
 FUND BALANCES:			
Nonspendable	3,300	-	3,300
Restricted for:			
Street construction and improvements	-	122,836	122,836
Unassigned	1,401,966	-	1,401,966
	Total fund balances	122,836	1,528,102
	1,405,266	122,836	1,528,102
 Total liabilities and fund balances	\$ 1,421,496	\$ 122,836	\$ 1,544,332

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

TOWN OF MAGNOLIA SPRINGS, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2022

Fund Balances as reported on page 5	\$ 1,528,102
Net Position reported for governmental activities in the Statement of Net Position (page 3) is different from Fund Balances for governmental activities because:	
Capital assets used in governmental activities are financial resources and therefore are not reported in fund financial statements. Those assets consist of:	
Land	\$ 516,426
Other capital assets, net of \$619,986 accumulated depreciation	<u>1,404,243</u>
Total capital assets	1,920,669
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Deferred outflows of resources as related to the net pension liability	4,897
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Net pension liability	13,889
Other liabilities used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Deferred inflows of resources as related to the net pension liability	<u>(22,246)</u>
Net Position of Governmental Activities as reported on page 3	<u><u>\$3,445,311</u></u>

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

TOWN OF MAGNOLIA SPRINGS, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES—
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 67,199	\$ -	\$ 67,199
Local taxes	603,540	-	603,540
State taxes	-	3,747	3,747
Franchise agreement	68,733	-	68,733
Grants and contributions	252,061	28,942	281,003
Interest income	341	-	341
Licenses and permits	86,400	-	86,400
Miscellaneous other fees	166,077	-	166,077
	<u>1,244,351</u>	<u>32,689</u>	<u>1,277,040</u>
EXPENDITURES			
Current:			
General	199,961	-	199,961
Library	31,739	-	31,739
Parks and recreation	975	-	975
Public safety	88,130	-	88,130
Public works	144,677	-	144,677
Capital outlay	170,495	-	170,495
Total expenditures	<u>635,977</u>	<u>-</u>	<u>635,977</u>
Excess (deficiency) of revenue over expenditures	<u>608,374</u>	<u>32,689</u>	<u>641,063</u>
NET CHANGES IN FUND BALANCES	608,374	32,689	641,063
Fund balances-beginning of year	<u>796,892</u>	<u>90,147</u>	<u>887,039</u>
FUND BALANCES-END OF YEAR	<u><u>\$ 1,405,266</u></u>	<u><u>\$ 122,836</u></u>	<u><u>\$ 1,528,102</u></u>

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

TOWN OF MAGNOLIA SPRINGS, ALABAMA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net changes in fund balances--total governmental funds, page 7 \$ 641,063

Amounts reported for governmental activities in the Statement of Activities (page 4) are different from the Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the assets:

Capital outlays for the year	\$ 170,495	
Depreciation expense for the year	<u>(58,147)</u>	
		112,348

Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in the governmental funds.

Retirement expense		<u>16,148</u>
--------------------	--	---------------

Changes in Net Position of Government Activities, page 4 \$ 769,559

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Magnolia Springs, Alabama, (the “Town”), was incorporated under the applicable laws of the State of Alabama on June 29, 2006. The Town operates under a Mayor-Council form the government and provides the following services to its citizens: public improvements, planning and zoning, and other general administrative services.

The following is a summary of the more significant policies.

A. REPORTING ENTITY

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB).

For financial reporting purposes, the Town includes those funds, account groups, agencies, boards, commissions, and authorities for which the Town has the ability to exercise its oversight responsibility and provides financial and managerial assistance.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE AND FUND LEVEL

Government-wide

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function.

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Level

The governmental fund level financial statements are presented on a current financial resource and modified accrual basis of accounting. Since governmental fund level financial statements are presented on a different basis of accounting and measurement focus than governmental activities in the government-wide presentation, a summary is presented to explain adjustments necessary to reconcile fund level statements to the government-wide presentation.

The accounts of the Town are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into broad fund categories as follows:

Governmental Funds:

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources.

Recently Issued and Adopted Accounting Principles

GASB Statement No. 87, *Leases*, was issued to improve the consistency of accounting and financial reporting for leases by governments 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. The requirements of GASB Statement No. 87 are effective for the fiscal year 2022. The Town has implemented GASB Statement No. 87 and concluded leases were not significant to the financial statements in the current year.

GASB Statement 92, Omnibus 2020, was issued as guidance addressing various accounting and financial reporting issues identified during the implementation and application of GASB Statement No. 87, *Leases*, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, GASB Statement No. 84, *Fiduciary Activities*, and the measurement of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The various requirements of GASB Statement No. 92 are effective as early as fiscal year 2022. The Town has evaluated the impact that this statement has on its financial statements and has determined the effect is not significant.

(continued)

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB Statement 93, Replacement of Interbank Offered Rate, was issued as result of global reference rate reform, in which LIBOR is expected to cease to exist, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The requirements of GASB Statement No. 93 are effective for the fiscal year 2022. The Town has evaluated the impact that this statement has on its financial statements and has determined the effect is not significant.

Recently Issued Accounting Principles

GASB Statement 96, Subscription-Based Information Technology Arrangements, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end by (1) defining a SBITA, (2) establishing that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) note disclosures regarding a SBITA. The requirements of GASB Statement No. 96 are effective for the fiscal year 2023. The Town is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, was issued to define accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes, along with the accounting, reporting, and disclosures relating to these changes. The requirements of GASB Statement No. 100 are effective for the reporting periods beginning after June 15, 2023. The Town is currently evaluating the impact that this statement may have on its financial statements.

GASB Statement No. 101, *Compensated Absence*, requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of GASB Statement No. 101 are effective for the reporting periods beginning after June 15, 2023. The Town is currently evaluating the impact that this statement may have on its financial statements.

(continued)

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CAPITAL ASSETS

The accounting treatment concerning capital assets depends on whether the assets are used for fund level or government-wide reporting.

In government-wide reporting, all fixed assets are reported as capital assets for governmental-type activities. The Town has not established a minimum capitalization threshold at this time. Depreciation is provided on all capital assets at the government-wide level.

In fund reporting, capital assets are reported as expenditures by governmental funds.

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated. The County contributed roads and bridges to the Town on August 7, 2007 in the amount of \$1,600,000.

Depreciation is allocated as an expense in the Statement of Activities (government-wide level) and accumulated depreciation is reflected in the Statement of Net Position (government-wide level). Depreciation has been provided over the estimated useful lives using the straight-line rates as follows:

Infrastructure assets	30 years
Vehicles and equipment	5 - 10 years

(continued)

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. COMPENSATED ABSENCES

Town employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. At year end, there were no accrued compensated absences.

E. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual that is when they become both “measurable” and “available” to finance expenditures of the current period. Ad valorem and other taxes collected by an intermediary are considered “measurable” when in the hand of the intermediary collecting governments and may be recognized as revenue at that time. Expenditures, generally, are recorded at the time liabilities are incurred.

The revenues susceptible to accrual are taxes, franchise fees and intergovernmental revenues. Taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

F. PROPERTY TAX

All ad valorem taxes levied by the state, county and any municipality in Baldwin County are assessed by the Tax Assessor and collected by the Revenue Commissioner of Baldwin County. The Baldwin County property tax calendar requires the Revenue Commissioner to assess and attach taxes as enforceable liens on property as of September 30 and taxes are due October 1 thru December 31. Property taxes not paid by January 1 are considered as delinquent. Tax collections received by the County Revenue Commissioner are remitted to the Town on a monthly basis. In accordance with implementation of GASB Statement No. 33, revenue is recorded based upon taxes assessed and considered available.

(continued)

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

H. BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted annually at the beginning of each fiscal year. The Mayor and members of the Town Council are responsible for the adoption of amendments to the budget. All appropriations lapse at the end of each fiscal year. A budget was not adopted for the special revenue fund.

I. USE OF ESTIMATES

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

J. NET POSITION AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

GASB Statement No. 63 requires the classification of net position (formerly net assets in GASB Statement No. 34) into three components

- Net investment in capital assets—Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent proceeds.
- Restricted net position—Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position—Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

(continued)

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The fund equity of the governmental fund financial statements is classified as fund balance. In March 2009, the GASB adopted a standard that establishes a hierarchy based on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

Fund balance is classified into one of the following five categories:

- Non-spendable fund balance—Consists of amounts that are not in a spendable form or are required to be maintained intact.
- Restricted fund balance—Consists of fund balances with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the Town’s own laws through its enabling legislation and other provisions of its laws and regulations.
- Committed fund balance—Consists of fund balances that are useable only for specific purposes by formal action of the government’s highest level of decision making authority. The Town’s highest level of decision making lies with the Mayor of the Town and the Town Council. In order to establish, modify or rescind a fund balance commitment, the Mayor and Town Council must pass a law by formal action committing the funds.
- Assigned fund balance—Consists of fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (1) the governing body itself, or (2) a subordinate high-level body or official which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Mayor and the Town Council have the power to assign fund balance amounts to specific purposes. The governing body must vote to grant authorization of assigned fund balances to specific purposes.
- Unassigned fund balance—All other fund balances that do not meet the definition of “Non-spendable, restricted, committed, or assigned fund balances.”

The Town considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the Town considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available. The Town does not have a formal minimum fund balance policy.

K. SUBSEQUENT EVENTS

The Town has evaluated subsequent events through February 20, 2023, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure in the September 30, 2022 financial statements.

TOWN OF MAGNOLIA SPRINGS, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 2 DEPOSITS AND INVESTMENTS

Investment Credit Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State statutes authorize the Town's investments. The Town is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations to the state, and SEC registered mutual funds holding like maturities. The Town has no investment policy that further limits investment choices.

Custodial Credit Risk

The Town is a participant in the Security for Alabama Funds Enhancement (SAFE) Program, a multiple financial institution collateral pool, administered by the State of Alabama. The program, by law, provides administration of pledged collateral coverage for all governments and agencies in the State and requires qualified financial institutions to provide collateral to the administrator adequate to secure all deposits of public funds in that financial institution. The State guarantees deposits identified as "public funds" will be adequately secured by insurance or collateral. Any collateral shortages of one financial institution are assessed to other member financial institutions.

NOTE 3 CAPITAL ASSETS

Changes in capital assets during the fiscal year were as follows:

	Balance 10/1/2021	Additions	Retirements	Balance 9/30/2022
<i>Governmental Activities</i>				
<i>Capital assets not being depreciated</i>				
Land	\$ 516,426	\$ -	\$ -	\$ 516,426
<i>Capital assets being depreciated</i>				
Roads and buildings	1,768,057	169,205	-	1,937,262
Leasehold improvements	48,462	-	-	48,462
Vehicles and equipment	37,215	1,290	-	38,505
Total capital assets being depreciated	1,853,734	170,495	-	2,024,229
Less accumulated depreciation	(561,839)	(58,147)	-	(619,986)
Total capital assets being depreciated	1,291,895	112,348	-	1,404,243
Capital assets, net	\$1,808,321	\$112,348	\$ -	\$ 1,920,669

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 4 FACILITY USAGE AGREEMENT

On June 1, 2021, the Town signed a 3 year facility usage agreement for use of the Town Hall building. Agreement terms include monthly payments of \$700 for the first two years and \$750 for the last year. The future minimum payments are as follows:

2023	\$ 8,550
2024	6,750
Total	<u>\$ 15,300</u>

NOTE 5 PENSION PLAN

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

General Information about the Pension Plan

Plan Description

The 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 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

1. The Governor, ex officio.
2. The State Treasurer, ex officio.
3. The State Personnel Director, ex officio.
4. The State Director of Finance, ex officio.
5. Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
6. Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 PENSION PLAN (continued)

- a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
- b. Two vested active state employees.
- c. Two vested active employees of an employer participating in ERS pursuant to the Code of Alabama 1975, Section 36-27-6.

Benefits Provided

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

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

Members are eligible for disability retirement if they have 10 years of 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.

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 PENSION PLAN (continued)

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

As of September 30, 2021, the Town membership consisted of:

	<u>Number</u>
Retired members or their beneficiaries currently receiving benefits	1
Vested inactive members	-
Non-vested inactive members	2
Active members	<u>1</u>
	<u><u>4</u></u>

Contributions

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

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

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.

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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2022, the Town's active employee contribution rate was 5% for Tier 1 – Regular, 6% for Tier 1 – FLC, 7.5% for Tier 2 – Regular

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 PENSION PLAN (continued)

and 8.5% for Tier 2 - FLC of covered employee payroll, and the Town's average contribution rate to fund the normal and accrued liability costs was 9.85% of pensionable payroll.

Town's contractually required contribution rate for the year ended September 30, 2022, was 8.56% of pensionable pay for Tier 1 employees and 8.14% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of 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 \$4,897 for the year ended September 30, 2022.

Net Pension Liability

The Town'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:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) Total Pension Liability as of September 30, 2020	\$ 198,282	\$ 191,990	\$ 191,990	\$ 197,378
(b) Discount rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 to September 30, 2021	-	-	-	-
(d) Transfers Among Employers:	-	-	-	-
(e) Actual Benefit Payments & Refunds for October 1, 2020 to September 30, 2021	<u>(23,309)</u>	<u>(23,309)</u>	<u>(23,309)</u>	<u>(23,309)</u>
(f) Total Pension Liability as of September 30, 2021 =[(a) x (1+(b))] + (c) +(d)+ [(e) x (1+.5*(b))]	<u>\$ 189,343</u>	<u>\$ 192,567</u>	<u>\$ 182,567</u>	<u>\$ 187,905</u>
(g) Difference between Expected and Actual:		\$ (6,776)		
(h) Less Liability Transferred for Immediate Recognition		-		
(i) Difference between Expected and Actual - Experience (Gain)/Loss		\$ (6,776)		
(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				\$ 5,338

TOWN OF MAGNOLIA SPRINGS, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 5 PENSION PLAN (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

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

*Net of pension plan investment expense

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Set Back (-)		Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male:+2	Female:+2	Male: 90% ages <65, 96% ages >=65 Female: 96% all ages
FLC/State Police Service Retirees	Contingent Survivor Below Median	Male:+1	Female:None	None
Beneficiaries	Contingent Survivor Below Median	Male:+2	Female:+2	None
Non-FLC Disabled Retirees	General Disability	Male:+7	Female:+3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male:+7	Female:None	None

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 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:

TOWN OF MAGNOLIA SPRINGS, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5 PENSION PLAN (continued)

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.8%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
Inter'ntl Developed Mkt Stks	12.0%	9.5%
Inter'ntl Emerging Mkt Stks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash	5.0%	1.5%

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 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.

TOWN OF MAGNOLIA SPRINGS, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 5 PENSION PLAN (continued)

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
Balances at September 30, 2020	\$ 198,282	\$ 178,746	\$ 19,536
Changes for the year:			
Service cost	-	-	-
Interest	14,370	-	14,370
Changes of benefit terms	-	-	-
Changes of assumptions	5,338	-	5,338
Differences between expected and actual experience	(6,776)	-	(6,776)
Contributions - employer	-	4,282	(4,282)
Contributions - employee	-	4,045	(4,045)
Net investment income	-	38,030	(38,030)
Benefit payments, including refunds of employee contributions	(23,309)	(23,309)	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net Changes	<u>(10,377)</u>	<u>23,048</u>	<u>(33,425)</u>
Balances at September 30, 2021	<u>\$ 187,905</u>	<u>\$ 201,794</u>	<u>\$ (13,889)</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Town's net pension liability calculated using the discount rate of 7.45%, as well as what the Town'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 (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Net pension liability(asset)	\$ 1,119	\$ (13,889)	\$ (26,937)

TOWN OF MAGNOLIA SPRINGS, ALABAMA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE 5 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, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. 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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2022, the Town recognized a reduction of pension expense of \$10,515. At September 30, 2022, the Town 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
Differences between expected and actual experience	\$ -	\$ 7,600
Changes of assumptions	-	-
Net difference between projected and actual earnings on plan investments	-	14,646
Employer contributions subsequent to measurement date*	4,897	-
Total	<u>\$ 4,897</u>	<u>\$ 22,246</u>

*FY2022 Employer Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023.

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

Year Ending <u>September 30,</u>	
2023	\$ (5,404)
2024	(4,726)
2025	(5,053)
2026	(5,742)
2027	(775)
Thereafter	(546)
	<u>\$ (22,246)</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MAGNOLIA SPRINGS, ALABAMA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2022

	Original/Final Budget	Actual	Variance with Final Budget Over/ (Under)
REVENUES			
Property taxes	\$ 66,000	\$ 67,199	\$ 1,199
Local taxes	389,072	603,540	214,468
Franchise agreement	62,000	68,733	6,733
Grants and contributions	-	252,061	252,061
Interest income	2,400	341	(2,059)
Licenses and permits	85,286	86,400	1,114
Miscellaneous other fees	5,367	166,077	160,710
	<u>610,125</u>	<u>1,244,351</u>	<u>634,226</u>
Total revenues			
EXPENDITURES			
Current:			
General	227,525	199,961	(27,564)
Library	23,852	31,739	7,887
Parks and recreation	4,560	975	(3,585)
Public safety	80,500	88,130	7,630
Public works	273,688	144,677	(129,011)
Capital outlay	-	170,495	170,495
Total expenditures	<u>610,125</u>	<u>635,977</u>	<u>25,852</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ 608,374</u>	<u>\$ 608,374</u>
Fund balances-beginning of year		<u>796,892</u>	
FUND BALANCES-END OF YEAR		<u>\$ 1,405,266</u>	

**TOWN OF MAGNOLIA SPRINGS, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
SEPTEMBER 30, 2022**

Total pension liability	2021	2020	2019	2018	2017	2016	2015
Service cost	\$ -	\$ 4,886	\$ 4,327	\$ -	\$ -	\$ 4,006	\$ 3,803
Interest	14,370	14,364	14,281	14,366	13,733	10,977	9,954
Changes of benefit terms	-	6,605	-	-	-	-	-
Differences between expected and actual experience	(6,776)	(5,971)	(8,195)	(700)	552	(5,175)	(968)
Changes of assumptions	5,338	-	-	702	-	30,178	-
Benefit payments, including refunds of employee contributions	(23,309)	(16,302)	(16,302)	(12,227)	-	-	-
Transfers among employers	-	-	6,965	-	-	-	-
Net change in total pension liability	(10,377)	3,582	1,076	2,141	14,285	39,986	12,789
Total pension liability- beginning	198,282	194,700	193,624	191,483	177,198	137,212	124,423
Total pension liability- ending (a)	\$ 187,905	\$ 198,282	\$ 194,700	\$ 193,624	\$ 191,483	\$ 177,198	\$ 137,212
Plan fiduciary net position							
Contributions- employer	\$ 4,282	\$ 788	\$ 848	\$ 929	\$ 2,275	\$ 2,439	\$ 2,297
Contributions- member	4,045	4,222	2,825	2,112	2,235	2,284	2,142
Net investment income	38,030	9,968	4,579	15,735	19,563	13,695	1,523
Benefit payments, including refunds of employee contributions	(23,309)	(16,302)	(16,302)	(12,227)	-	-	-
Transfers among employers	-	-	6,965	-	-	-	-
Net change in plan fiduciary net position	23,048	(1,324)	(1,085)	6,549	24,073	18,418	5,962
Plan net position- beginning	178,746	180,070	181,155	174,606	150,533	132,115	126,153
Plan net position- ending (b)	\$ 201,794	\$ 178,746	\$ 180,070	\$ 181,155	\$ 174,606	\$ 150,533	\$ 132,115
Net pension liability (asset)- ending (a) - (b)	\$ (13,889)	\$ 19,536	\$ 14,630	\$ 12,469	\$ 16,877	\$ 26,665	\$ 5,097
Plan fiduciary net position as a percentage of the total pension liability	107.39%	90.15%	92.49%	93.56%	91.19%	84.95%	96.29%
Covered payroll *	\$ 63,028	\$ 67,417	\$ 70,375	\$ 54,395	\$ 47,455	\$ 50,941	\$ 41,598
Net pension liability (asset) as a percentage of covered payroll	-22.04%	28.98%	20.79%	22.92%	35.56%	52.34%	12.25%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY2022 the measurement period is October 1, 2020 - September 30, 2021. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll for FY2017.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.
--

TOWN OF MAGNOLIA SPRINGS, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution*	\$ 4,897	\$ 4,282	\$ 788	\$ 845	\$ 982	\$ 2,275	\$ 2,431	\$ 2,216
Contributions in relation to the contractually required contribution*	4,897	4,282	788	845	982	2,275	2,431	2,216
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee-payroll**	\$ 63,028	\$ 67,417	\$ 70,375	\$ 57,271	\$ 54,395	\$ 47,455	\$ 45,676	\$ 42,846
Contributions as a percentage of covered-employee payroll	7.77%	6.35%	1.12%	1.48%	1.81%	4.79%	5.32%	5.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

**Employer's covered payroll for FY 2022 is the total covered payroll for the 12 month period of the underlying financial statement.

COMPLIANCE SECTION



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*

Honorable Mayor and Members
of the Town Council

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Magnolia Springs, Alabama's basic financial statements, and have issued our report thereon dated February 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Magnolia Springs, Alabama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Magnolia Springs, Alabama's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Magnolia Springs, 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the following paragraph that we consider to be a significant deficiency.

Segregation of Duties

Our study and evaluation disclosed that because of the limited size of your accounting staff, your organization has limited segregation of duties. A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from inception to completion. While we recognize that your organization is not large enough to permit an adequate segregation of duties in all respects, it is important that you be aware of this condition.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Magnolia Springs, 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 and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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.

Avizo Group, Inc.

Certified Public Accountants

February 20, 2023
Fairhope, Alabama