

TOWN OF ECLECTIC, ALABAMA

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

TOWN OF ECLECTIC, ALABAMA
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2021

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PATTERSON & DUKE, P.C.

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of
the Town Council
Town of Eclectic, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Eclectic, Alabama (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

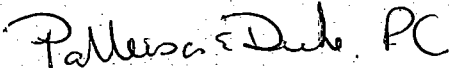
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension comparison information on pages 29-31 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.



Patterson & Duke, P.C.
Tallahassee, Alabama
December 5, 2022

FINANCIAL STATEMENTS

TOWN OF ECLECTIC, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,098,105.06	\$ 473,091.68	\$ 3,571,196.74
Cash and cash equivalents, restricted	245,845.49	-	245,845.49
Receivables, net	162,000.01	91,310.60	253,310.61
Internal balances	135,954.01	(135,954.01)	-
Inventories	-	43,633.82	43,633.82
Prepaid expenses	52,287.68	13,930.19	66,217.87
Capital assets not being depreciated	116,770.90	344,750.16	461,521.06
Capital assets being depreciated, net	1,397,885.90	2,989,194.80	4,387,080.70
TOTAL ASSETS	5,208,849.05	3,819,957.24	9,028,806.29
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer retirement contributions	243,322.66	61,076.34	304,399.00
LIABILITIES			
Liabilities payable from restricted assets:			
Accounts payable	31,470.21	-	31,470.21
Other current liabilities	25,076.94	-	25,076.94
Accounts payable	3,450.79	30,427.87	33,878.66
Accrued interest payable	8,469.48	-	8,469.48
Other current liabilities	28,363.98	6,925.42	35,289.40
Customer deposits	-	70,374.09	70,374.09
Long-term liabilities:			
Due within one year	156,223.12	9,691.06	165,914.18
Due in more than one year	2,570,776.93	-	2,570,776.93
Other liabilities due in more than one year:			
Net pension liability	420,808.00	93,647.25	514,455.25
TOTAL LIABILITIES	3,244,639.45	211,065.69	3,455,705.14
TOTAL DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	40,463.58	11,151.42	51,615.00
NET POSITION			
Net investment in capital assets	1,233,241.43	3,333,944.96	4,567,186.39
Restricted for:			
Public safety	14,206.88	-	14,206.88
Public works	131,622.12	-	131,622.12
Municipal court	44,483.06	-	44,483.06
Unrestricted	743,515.19	324,871.51	1,068,386.70
TOTAL NET POSITION	\$ 2,167,068.68	\$ 3,658,816.47	\$ 5,825,885.15

See accompanying notes to financial statements.

TOWN OF ECLECTIC, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business -type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 652,940.93	\$ 379,901.96	\$ 84,546.33	\$ -	\$ (188,492.64)	\$ -	\$ (188,492.64)
Public safety	1,121,050.26	221,943.59	226,075.09	17,237.00	(655,794.58)	-	(655,794.58)
Public works	275,631.61	-	29,802.95	-	(245,828.66)	-	(245,828.66)
Public welfare	109,371.03	23,778.81	20,260.00	-	(65,332.22)	-	(65,332.22)
Interest and fiscal charges on long-term debt	68,901.34	-	-	-	(68,901.34)	-	(68,901.34)
Total governmental activities	<u>2,227,895.17</u>	<u>625,624.36</u>	<u>360,684.37</u>	<u>17,237.00</u>	<u>(1,224,349.44)</u>	<u>-</u>	<u>(1,224,349.44)</u>
Business-type activities:							
Eclectic Water and Sewer Fund	1,046,660.93	799,340.06	-	-	-	(247,320.87)	(247,320.87)
Total primary government	<u>3,274,556.10</u>	<u>1,424,964.42</u>	<u>360,684.37</u>	<u>17,237.00</u>	<u>(1,224,349.44)</u>	<u>(247,320.87)</u>	<u>(1,471,670.31)</u>
General Revenues							
Sales taxes					1,443,330.96	-	1,443,330.96
Alcoholic beverage taxes					37,497.86	-	37,497.86
Franchise fee					77,839.61	-	77,839.61
Other taxes					18,447.40	-	18,447.40
Interest income					2,459.96	1,160.60	3,620.56
Miscellaneous revenue					23,305.02	-	23,305.02
Gain (loss) on sale of capital assets					(14,250.00)	-	(14,250.00)
Transfers					<u>(267,224.03)</u>	<u>267,224.03</u>	<u>-</u>
Total general revenues and transfers					<u>1,321,406.78</u>	<u>268,384.63</u>	<u>1,589,791.41</u>
Special Item							
Gain on sale of real estate					<u>139,500.00</u>		<u>139,500.00</u>
Change in net position					<u>236,557.34</u>	<u>21,063.76</u>	<u>257,621.10</u>
Net position - beginning					1,930,511.34	3,637,752.71	5,568,264.05
Net position - ending					<u>\$ 2,167,068.68</u>	<u>\$ 3,658,816.47</u>	<u>\$ 5,825,885.15</u>

See accompanying notes to financial statements.

TOWN OF ECLECTIC, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Street Fund	Municipal Court	Total Governmental Funds
ASSETS				
Cash	\$ 3,098,105.06	\$ 79,261.65	\$ 74,036.27	\$ 3,251,402.98
Cash - restricted	92,547.57	-	-	92,547.57
Receivables	158,927.67	2,656.34	416.00	162,000.01
Prepaid expenses	52,287.68	-	-	52,287.68
Due from other funds	138,012.63	-	-	138,012.63
TOTAL ASSETS	3,539,880.61	81,917.99	74,452.27	3,696,250.87
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	3,450.79	28,636.56	2,833.65	34,921.00
Other current liabilities	28,363.98	-	25,076.94	53,440.92
Due to other funds	-	-	2,058.62	2,058.62
TOTAL LIABILITIES	31,814.77	28,636.56	29,969.21	90,420.54
FUND BALANCES				
Nonspendable:				
Prepaid expenses	52,287.68	-	-	52,287.68
Restricted:				
Public safety	14,206.88	-	-	14,206.88
Public works	78,340.69	53,281.43	-	131,622.12
Municipal court	-	-	44,483.06	44,483.06
Unassigned	3,363,230.59	-	-	3,363,230.59
TOTAL FUND BALANCES	3,508,065.84	53,281.43	44,483.06	3,605,830.33
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,539,880.61	\$ 81,917.99	\$ 74,452.27	\$ 3,696,250.87

See accompanying notes to financial statements.

TOWN OF ECLECTIC, ALABAMA

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Differences in amounts reported in governmental activities in the Statement of Net Position:

Total fund balances – governmental funds		\$ 3,605,830.33
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		1,514,656.80
Deferred employer retirement contributions are applicable to future periods and, therefore, are not reported in governmental funds		243,322.66
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Balances at September 30, 2021, were:		
Bonds, leases, and notes payable	(2,701,415.37)	
Accrued interest	(8,469.48)	
Deferred inflows related to pension	(40,463.58)	
Compensated absences	(25,584.68)	
Total long-term liabilities		(2,775,933.11)
Net pension liability as a result of the implementation of GASB 71		(420,808.00)
Net position of governmental activities		<u>\$ 2,167,068.68</u>

See accompanying notes to financial statements.

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

	<u>General Fund</u>	<u>Street Fund</u>	<u>Municipal Court</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,661,662.16	\$ 28,318.32	\$ -	\$ 1,689,980.48
Licenses and permits	236,974.47	1,484.63	-	238,459.10
Intergovernmental	219,541.49	-	-	219,541.49
Charges for services	242,122.40	-	-	242,122.40
Fines and forfeitures	39,603.32	-	103,324.17	142,927.49
Miscellaneous revenues	47,165.02	-	-	47,165.02
Interest	2,443.71	-	16.25	2,459.96
Total revenues	<u>2,449,512.57</u>	<u>29,802.95</u>	<u>103,340.42</u>	<u>2,582,655.94</u>
EXPENDITURES				
Current operations:				
General government	430,569.18	-	111,806.54	542,375.72
Public safety	1,040,549.28	-	-	1,040,549.28
Public works	211,622.15	42,529.94	-	254,152.09
Public welfare	77,905.77	-	-	77,905.77
Capital outlay	92,865.10	-	-	92,865.10
Debt service:				
Principal retirement	950,995.16	-	-	950,995.16
Interest charges	67,643.98	-	-	67,643.98
Total expenditures	<u>2,872,150.62</u>	<u>42,529.94</u>	<u>111,806.54</u>	<u>3,026,487.10</u>
Excess of revenues over expenditures	<u>(422,638.05)</u>	<u>(12,726.99)</u>	<u>(8,466.12)</u>	<u>(443,831.16)</u>
OTHER FINANCING SOURCES				
Proceeds from general obligation bond	2,650,289.97	-	-	2,650,289.97
Proceeds from sale of capital assets	453,000.00	-	-	453,000.00
Transfers in	10,473.18	-	-	10,473.18
Transfers out	(267,224.03)	-	(10,473.18)	(277,697.21)
Total other financing sources	<u>2,846,539.12</u>	<u>-</u>	<u>(10,473.18)</u>	<u>2,836,065.94</u>
Net change in fund balances	<u>2,423,901.07</u>	<u>(12,726.99)</u>	<u>(18,939.30)</u>	<u>2,392,234.78</u>
FUND BALANCES - BEGINNING	<u>1,084,164.77</u>	<u>66,008.42</u>	<u>63,422.36</u>	<u>1,213,595.55</u>
FUND BALANCES - ENDING	<u>\$ 3,508,065.84</u>	<u>\$ 53,281.43</u>	<u>\$ 44,483.06</u>	<u>\$ 3,605,830.33</u>

See accompanying notes to financial statements.

TOWN OF ECLECTIC, 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

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds		\$ 2,392,234.78
Capital outlays, reported as expenditures in governmental funds, are shown as capital assets in the Statement of Net Position		92,865.10
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(119,249.66)
Proceeds from the sale of capital assets are reported as "Other Financing Sources" in the governmental funds; however, only the gain on the sale of capital assets is reported in the Statement of Activities.		
Proceeds from the sale of capital assets, including land	(453,000.00)	
Net gain on sale of capital assets	<u>125,250.00</u>	
		(327,750.00)
Proceeds from the issuance of debt provides current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		(2,650,289.97)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:		
Principal payments on long-term liabilities		950,995.16
Some expenses reported in the Statement of Activities do not require the use of current financial resources and; therefore, are not reported as expenditures in the funds.		
Change in accrued interest payable on long-term debt	(1,257.36)	
Change in net pension liability and related deferred amounts	(95,428.00)	
Change in the accrual for compensated absences	<u>(5,562.71)</u>	
		(102,248.07)
Change in net position of governmental activities		<u>\$ 236,557.34</u>

See accompanying notes to financial statements.

TOWN OF ECLECTIC, ALABAMA

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2021

ASSETS

Current assets

Cash	\$ 473,091.68
Accounts receivable, net	91,310.60
Prepaid insurance	13,930.19
Inventory	43,633.82
Total current assets	<u>621,966.29</u>

Non-current assets

Capital assets

Non-depreciable:

Land	284,550.16
Construction in progress	60,200.00

Depreciable:

Buildings and improvements	305,991.61
Land improvements	300,000.00
Machinery and equipment	2,115,674.10
Utility system	4,457,701.75
Less: accumulated depreciation	<u>(4,190,172.66)</u>

Total non-current assets	<u>3,333,944.96</u>
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TOTAL ASSETS

3,955,911.25

DEFERRED OUTFLOWS OF RESOURCES

Deferred employer retirement contributions	<u>61,076.34</u>
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LIABILITIES

Current liabilities

Accounts payable	30,427.87
Other liabilities	6,925.42
Compensated absences	9,691.06
Due to other funds	135,954.01
Customer deposits	70,374.09
Total current liabilities	<u>253,372.45</u>

Non-current liabilities

Net pension liability	<u>93,647.25</u>
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TOTAL LIABILITIES

347,019.70

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>11,151.42</u>
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NET POSITION

Net investment in capital assets	3,333,944.96
Unrestricted	<u>324,871.51</u>

TOTAL NET POSITION

\$ 3,658,816.47

See accompanying notes to financial statements.

TOWN OF ECLECTIC, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

OPERATING REVENUES	
Charges for services	\$ 753,015.06
Fee revenues	46,325.00
Total operating revenues	<u>799,340.06</u>
OPERATING EXPENSES	
Water purchases	247,923.16
Personnel	275,097.51
Operation and maintenance	354,702.76
Depreciation	168,937.50
Total operating expenses	<u>1,046,660.93</u>
OPERATING INCOME (LOSS)	<u>(247,320.87)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	1,160.60
Interest expense	-
Total non-operating revenues (expenses)	<u>1,160.60</u>
Income (loss) before transfers and contributions	(246,160.27)
Transfers in (Transfers out)	267,224.03
Capital contributions	-
CHANGE IN NET POSITION	21,063.76
NET POSITION AT BEGINNING OF YEAR	3,637,752.71
NET POSITION AT END OF YEAR	<u>\$ 3,658,816.47</u>

See accompanying notes to financial statements.

TOWN OF ECLECTIC, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 797,556.71
Payments to vendors	(589,242.42)
Payments to employees	(257,732.82)
Net cash provided (used) by operating activities	<u>(49,418.53)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of property and equipment	(131,556.00)
Net cash payments from (to) other funds	27,850.25
Capital contributions	-
Net cash provided (used) by capital and related financing activities	<u>(103,705.75)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on cash accounts	<u>1,160.60</u>
Net cash provided (used) by investing activities	<u>1,160.60</u>

Net Cash Provided (Used)	(151,963.68)
Cash Balances - Beginning of the Year	<u>625,055.36</u>
Cash Balances - End of the Year	<u>\$ 473,091.68</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (247,320.87)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	168,937.50
Net change in deferred outflows, deferred inflows and net pension liability	21,987.00
Changes in assets and liabilities:	
Accounts receivable	3,645.41
Inventory	5,413.20
Accounts and other payables	(10,461.41)
Compensated absences payable	2,479.15
Due to other funds	11,330.25
Meter deposits	(5,428.76)
Net cash provided (used) by operating activities	<u>\$ (49,418.53)</u>

NONCASH CAPITAL FINANCING ACTIVITIES

Capital assets of \$288,183.99 were acquired using COVID grants and bond funds. The General Fund received the funds and made the purchases on behalf of the Proprietary Fund. The on-behalf payments are recorded as "Transfers In"

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Eclectic (the Town) was incorporated under the laws of the State of Alabama in 1907 and operates under an elected mayor-council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. The Town provides the following services: public safety (police, emergency medical services and fire), highways and streets, sanitation and utilities (water and sewer), health and social services, public improvements, planning and zoning, recreation and general administrative services.

Government-Wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net position and the statement of activities and reports information of all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. The exception to this is inter-fund services provided and used which are eliminated in the consolidation process. Governmental activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of government and contributes to the change in the net position for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year received or when an enforceable legal claim exists, whichever comes first. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – This is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWN OF ECLECTIC, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Street Fund – This is a special revenue fund in which the Town accounts for the gasoline taxes received that are restricted to the maintenance and capital improvements of the Town’s streets.

Municipal Court Fund – This is a special revenue fund in which the Town accounts for court fines and bonds received.

The Town reports the following major enterprise (proprietary) fund:

Eclectic Water and Sewer Fund – Accounts for water and sanitary sewer services provided to the residents of the Town.

Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary 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 a proprietary fund’s principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Stewardship, Compliance, and Accountability

An annual budget is adopted for the Town’s General Fund. Under state law, the mayor submits the annual budget to the Council for consideration and approval no later than October 1. Such budget is based on expected expenditures by program and estimated resources by source. The budget is prepared using the modified accrual basis of accounting. Revisions to the budget must be approved by Council. All annual appropriations lapse at fiscal year-end.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principle generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Assets, Liabilities, and Equity

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for governmental and proprietary funds, 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.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies, and instrumentalities; U.S. dollar denominated deposit accounts and certificates of deposit; pre-funded public obligations as defined by state law; and interests in any common trust fund or other collective investment bank, trust company or savings and loan association.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of the inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

All receivables are shown net of any applicable allowances for uncollectible amounts.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Elmore County tax collector and remitted to the Town.

Inventories and Prepaid Items

Inventories are valued at cost using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of the proprietary fund are valued at cost using the average cost method. Inventory in the proprietary fund consists of expendable supplies used for future consumption.

Prepaid items reflected in the governmental and proprietary funds relate to insurance premiums paid in the current fiscal year but benefit the subsequent fiscal year.

Capital Assets

Capital assets, purchased or constructed are reported at cost or estimated historical cost. In the governmental funds, donated capital assets are recorded at acquisition value at the date of donation in the government-wide financial statements only. Acquisition value is an estimate of a price that would be paid to acquire a similar asset in an orderly market transaction at the acquisition date.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. The Town did not report infrastructure acquired prior to October 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Improvements	20 years
Machinery and equipment	7-20 years
Utility system	50 years
Infrastructure	50 years

Compensated Absences

Effective February 2, 2003, Town employees are credited with 4 hours of annual leave per bi-weekly pay period of service with accumulation capped at 120 hours. Additional leave is credited to employees based on tenure. Employees with 10 continuous years of service up to 15 years earn an additional 2 hours bi-weekly for a total of 6 hours with accumulation capped at 144 hours, and employees with 15 years or more of continuous service earn an additional 2 hours bi-weekly for a total of 8 hours with accumulation capped at 160 hours. Upon separation of employment, unused annual leave is paid to Town employees. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the government-wide statements as well as the applicable business-type funds.

After three months of service, all full-time employees are eligible to accrue sick leave at the rate of 4 hours per bi-weekly pay period of service. Sick leave need not be used within a specified leave year and may be accumulated up to a maximum of 1,456 hours. Upon retirement, an employee may convert unused sick leave to retirement service credit. Employees separating from service for any reason other than retirement forfeits unused sick leave.

For governmental activities, compensated absences are generally paid by the General Fund. For business-type activities, compensated absences are generally paid by the Water Works Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Town reports deferred outflow items related to the Town's pension plan which are described further in Note 8.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflow items related to the Town's pension plan which are described further in Note 8.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs related to prepaid insurance, are deferred and amortized over the life of the bond using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discounts. Bond issuance costs are expensed at issuance, except for those related to prepaid insurance, which are recorded as prepaids in the Statement of Net Position.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while

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discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Obligations

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures, and changes in fund balances. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with 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.

Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvements of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in the calculation.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation. At September 30, 2021, \$14,206.88 is restricted for public safety, \$131,622.12 is restricted for public works (street maintenance) and \$44,483.06 is restricted for court operations.

Unrestricted – The net amount of 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 portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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Nonspendable – This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – This classification includes amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

Assigned – This classification includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town’s adopted policy, only the Town Council may assign amounts for specific purposes.

Unassigned – This classification includes all other spendable amounts.

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

Recently Implemented Accounting Pronouncements

GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will no longer be capitalized in business-type activities.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposit may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

As of September 30, 2021, none of the Town’s bank balance of \$3,811,424.47 was exposed to custodial credit risk. All of the Town’s bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

As of September 30, 2021, the Town had no investments.

3. RECEIVABLES

Receivables as of September 30, 2021, for the government’s individual major funds are as follows:

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	General Fund	Street Fund	Municipal Court	Eclectic Water and Sewer Fund	Total
Taxes	\$ 153,417.59	\$ 2,656.34	\$ -	\$ -	\$ 156,073.93
Accounts Receivable	5,510.08	-	416.00	101,198.78	107,124.86
Gross Receivables	158,927.67	2,656.34	416.00	101,198.78	263,198.79
Less Allowance for Uncollectable	-	-	-	9,888.18	9,888.18
Total Receivables	\$ 158,927.67	\$ 2,656.34	\$ 416.00	\$ 91,310.60	\$ 253,310.61

4. CAPITAL ASSETS

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

Primary Government

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Non-depreciable assets:				
Land	\$ 427,270.90	\$ -	\$ 310,500.00	\$ 116,770.90
Construction in progress	-	-	-	-
Total non-depreciable assets	427,270.90	-	310,500.00	116,770.90
Depreciable assets:				
Buildings	909,937.73	-	-	909,937.73
Machinery and equipment	1,691,425.01	92,865.10	158,717.34	1,625,572.77
Land improvements	532,567.74	-	-	532,567.74
Total depreciable assets	3,133,930.48	92,865.10	158,717.34	3,068,078.24
Less accumulated depreciation for:				
Buildings	281,077.09	30,375.85	-	311,452.94
Machinery and equipment	1,371,968.61	66,932.92	141,467.34	1,297,434.19
Land improvements	39,364.32	21,940.89	-	61,305.21
Total accumulated depreciation	1,692,410.02	119,249.66	141,467.34	1,670,192.34
Total depreciable assets, net	1,441,520.46	(26,384.56)	17,250.00	1,397,885.90
Governmental activities capital assets, net	\$ 1,868,791.36	\$ (26,384.56)	\$ 327,750.00	\$ 1,514,656.80

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TOWN OF ECLECTIC, ALABAMA
NOTES TO FINANCIAL STATEMENTS
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	Beginning Balance	Increase	Decrease	Ending Balance
Business-Type Activities				
Non-depreciable assets:				
Land	\$ 105,291.00	\$179,259.16	\$ -	\$ 284,550.16
Construction in progress	113,890.00	-	53,690.00	60,200.00
Total non-depreciable assets	219,181.00	179,259.16	53,690.00	344,750.16
Depreciable assets:				
Utility system	4,269,172.81	203,654.83	-	4,472,827.64
Buildings	290,865.00	-	-	290,865.00
Machinery and equipment	2,078,848.11	36,826.00	-	2,115,674.11
Land improvements	300,000.00	-	-	300,000.00
Total depreciable assets	6,938,885.92	240,480.83	-	7,179,366.75
Less accumulated depreciation for:				
Utility system	1,985,690.86	144,834.53	-	2,130,525.39
Buildings	161,283.65	5,263.73	-	166,547.38
Machinery and equipment	1,617,599.34	8,673.67	-	1,626,273.01
Land improvements	256,660.85	10,165.57	-	266,826.42
Total accumulated depreciation	4,021,234.70	168,937.50	-	4,190,172.20
Total depreciable assets, net	2,917,651.22	71,543.33	-	2,989,194.55
Business-type activities capital assets, net	\$ 3,136,832.22	\$250,802.49	\$ 53,690.00	\$ 3,333,944.71

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 9,574.50
Public safety	56,730.38
Public works	21,479.52
Public welfare	31,465.26
Total depreciation expense - governmental activities	<u>\$ 119,249.66</u>
Business-type activities:	<u>\$ 168,937.50</u>

5. INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2021, is shown below:

Due to/from other funds:

Receivable Fund	Payable Fund	Total
General	Eclectic Water & Sewer Fund	\$ 135,954.01
General	Municipal Court	2,058.62
		<u>\$ 138,012.63</u>

TOWN OF ECLECTIC, ALABAMA
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6. SHORT-TERM DEBT

The Town maintains a \$200,000 line of credit to support operations pending collection and receipt of outstanding Town revenue. Interest is paid on outstanding balance at 3.25%. The line of credit matures May 1, 2022. Short-term debt activity for the year ended September 30, 2021, was as follows.

Beginning Balance	\$ 1,035.37
Issues	0.00
Redemptions	<u>(1,035.37)</u>
Ending Balance	<u>\$ 0.00</u>

7. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 665,000.00	\$2,420,000.00	\$ 665,000.00	\$ 2,420,000.00	\$ 94,000.00
Notes payable	237,427.72	230,289.97	262,504.23	205,213.46	12,217.45
Capital leases	99,692.84	-	23,490.93	76,201.91	24,420.99
Compensated absences	20,021.97	5,562.71	-	25,584.68	25,584.68
Governmental activity long-term liabilities	<u>1,022,142.53</u>	<u>2,655,852.68</u>	<u>950,995.16</u>	<u>2,727,000.05</u>	<u>156,223.12</u>
Business-Type Activities:					
Compensated absences	7,211.91	2,479.15	-	9,691.06	9,691.06
Business type activity long-term liabilities	<u>7,211.91</u>	<u>2,479.15</u>	<u>-</u>	<u>9,691.06</u>	<u>9,691.06</u>
Total long-term debt	<u>\$ 1,029,354.44</u>	<u>\$ 2,658,331.83</u>	<u>\$ 950,995.16</u>	<u>\$ 2,736,691.11</u>	<u>\$ 165,914.18</u>

General Obligation Bonds

The Town issues general obligation bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. At September 30, 2021, the Town had one outstanding bond described as follows:

\$1,210,000 Series 2007 General Obligation Refunding Warrants pursuant to the ordinance of the Town Council, duly adopted on January 25, 2021, all of the outstanding 2007 Warrants were called for redemption at a price of \$668,590.42, includes \$3,590.42 interest. The warrants were redeemed with proceeds from the sale of the industrial park land (\$450,000) and from the 2021 general obligation bond (\$218,712.88).	\$ 0.00
\$2,420,000 Series 2021 General Obligation Warrant issued for the purpose of financing the costs of acquisition and installation of certain municipal capital improvements, redeem the warrants of the 2007 General Obligation Refunding Warrant, and to the pay the cost of issuance of the Warrant. Issuance costs totaled \$40,000. \$2,161,287.12 was deposited into an account at PNC Bank that is known as the Acquisition Fund and is controlled by the Town.	\$2,420,000.00

The following schedule reflects debt service to maturity for the general obligation bonds at September 30, 2021:

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SEPTEMBER 30, 2021

Governmental Activities

	Principal	Interest	Total
Year ending September 30:			
2022	\$ 94,000.00	\$ 62,172.60	\$156,172.60
2023	96,000.00	59,683.60	155,683.60
2024	99,000.00	57,129.10	156,129.10
2025	101,000.00	54,509.10	155,509.10
2026	104,000.00	51,823.60	155,823.60
2027-2031	562,000.00	216,202.40	778,202.40
2032-2036	1,364,000.00	128,249.00	1,492,249.00
Totals:	\$2,420,000.00	\$629,769.40	\$3,049,769.40

Notes Payable

The Town has received funding from local banks to provide for the acquisition of capital assets. The current outstanding balances are as follows:

Note payable with First Community Bank of Central Alabama used to pay off the original note with Trustmark and to reduce the line of credit. The note is due in monthly payments of \$1,171 through December 4, 2029 and has an interest rate of 4.2%. The note is secured by the municipal building.	\$ 15,704.69
Note payable with First Community Bank of Central Alabama used to fund costs related to the purchase of two fire trucks. This note was refinanced with the purchase of additional fire truck.	0.00
Note payable with First Community Bank of Central Alabama used to refinance loan for 2 fire trucks and to purchase additional fire truck. This note is due in 6 annual installments of \$43,939.69 and has a fixed interest rate of 4%. The note is secured by three fire trucks. The loan originated in April 2021 with the first payment due April 2022. The Town paid the 2022 payment in June 2021.	189,508.77
Total notes payable:	\$ 205,213.46

The following schedule illustrates debt service to maturity for the notes payable at September 30, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2022	\$ 12,217.45	\$ 1,833.35	\$ 14,050.80
2023	39,558.77	7,893.16	47,451.93
2024	37,522.44	6,417.25	43,939.69
2025	39,031.71	4,907.98	43,939.69
2026	40,601.68	3,338.01	43,939.69
2027	36,281.41	1,553.80	37,835.21
Totals:	<u>\$205,213.46</u>	<u>\$ 25,943.55</u>	<u>\$231,157.01</u>

Capital Lease Payable

The Town of Eclectic entered into a lease agreement as lessee for the financing acquisition of 3 police vehicles. The lease agreement qualifies as a financed purchase and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The lease requires 5 annual payments of \$27,438 with the first due and paid on August 1, 2020. All subsequent annual payments are due on August 1. The lease agreement has a stated interest rate of 3.926%.

The following schedule reflects details about cost and related accumulated depreciation of assets purchased using a capital lease. Amounts reflected are as of the financial statement date.

TOWN OF ECLECTIC, ALABAMA

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Asset	Governmental Activities
Machinery and equipment	\$ 121,370.36
Less accumulated depreciation	19,216.97
Total	\$ 102,153.39

The following schedule illustrates debt service to maturity for the capital lease payable at September 30, 2021:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30:			
2022	24,420.99	3,017.01	27,438.00
2023	25,387.87	2,050.13	27,438.00
2024	26,393.05	1,044.95	27,438.00
Totals:	<u>\$ 76,201.91</u>	<u>\$ 6,112.09</u>	<u>\$ 82,314.00</u>

8. PENSION PLAN

Plan Description

The Employee's Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement 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. Effective October 1, 2021, Act 390 of the Legislature of 2021 will create two additional representatives and change the composure of representatives within the ERS Board of Control. 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 who 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 who 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. State employees who retire after 60 (52 for State Police) with 10 years or more of creditable service or with 25

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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 of 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 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 member 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. Tier 1 retirement

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 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. In the January 2020 council meeting, Town Council approved the implementation of Act 2019-132.

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

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active members	56,369
Post-DROP participants who are still in active service	97
Total	<u>101,245</u>

As of September 30, 2020, ERS membership attributed to the Town of Eclectic consisted of:

Retired members or their beneficiaries currently receiving benefits	6
Vested inactive members	0
Non-vested inactive members	6
Active members	23
Post-DROP retired members still in active service	0
Total	<u>35</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

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 8.5% of earnable compensation. State Police of the ERS contribute 10% 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 pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2021, the Town's active employee contribution rate was 5% of covered payroll for Tier 1 employees and 6% of covered employee payroll for Tier 2 employees, and the Town's active employee contribution rate for certified law enforcement, correctional officers, and firefighters (FLC) was 6% of covered payroll for Tier 1 FLC and 7% of covered payroll for Tier 2 FLC. The Town's average contribution rate to fund the normal and accrued liability costs was 6.62% of pensionable payroll for Tier 1 employees and 4.38% of pensionable payroll for Tier 2 employees.

The Town's contractually required contribution rate for the year ended September 30, 2021, was 6.99% of pensionable pay for Tier 1 employees, and 4.75% 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 from the Town were \$53,825 for the year ended September 30, 2021.

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TOWN OF ECLECTIC, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Net Pension Liability

The Town'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
(a) TPL as of September 30, 2019	\$1,722,954	\$1,827,913	\$1,847,277
(b) Discount Rate	7.70%	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2019 – September 30, 2020	73,642	73,642	79,056
(d) Transfers Among Employers:	0	(57,290)	(57,290)
(e) Actual Benefit Payments and Refunds for the period October 1, 2019 – September 30, 2020	(71,503)	(71,503)	(71,503)
(f) TPL as of September 30, 2020 = [(a) x (1.08)] + (c) + (d) + [(e) x (1 + .05(b))]	\$1,855,008	\$1,910,758	\$1,937,027
(g) Difference between Expected and Actual:		\$55,750	
(h) Less Liability Transferred for Immediate Recognition:		(57,290)	
(i) Experience (Gain)/Loss = (g) – (h)		\$113,040	
(j) Difference between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss			26,269

Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25%– 5.00%
Investment rate of return*	7.70%

*Net of pension plan investment expense

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

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016 (the discount rate of 7.70% was adopted on December 4, 2018).

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

TOWN OF ECLECTIC, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 of 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 Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

The long-term expected rate of return includes an 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 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.

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TOWN OF ECLECTIC, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (Asset) (a) – (b)
Balances at September 30, 2019	\$ 1,722,954	\$ 1,379,949	\$ 343,005
Changes for the year:			
Service cost	73,642		73,642
Interest	129,915		129,915
Changes of benefit terms	26,269		26,269
Changes of assumptions	0		0
Differences between expected and actual experience	113,040		113,040
Contributions – employer		49,282	(49,282)
Contributions – employee		44,284	(44,284)
Net investment income		77,848	(77,848)
Benefit payments, including refunds of employee contributions	(71,503)	(71,503)	0
Administrative expense		0	0
Transfers among employers	(57,290)	(57,290)	0
Net changes	214,073	42,621	171,452
Balances at September 30, 2020	\$ 1,937,027	\$ 1,422,570	\$ 514,457

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

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

	<u>1% Decrease (6.70%)</u>	<u>Current Rate (7.70%)</u>	<u>1% Increase (8.70%)</u>
Town’s net pension liability (asset)	\$ <u>788,683</u>	\$ <u>514,457</u>	\$ <u>285,752</u>

Pension Plan Fiduciary Net Position

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

TOWN OF ECLECTIC, ALABAMA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2021

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

For the year ended September 30, 2021, the Town recognized pension expense of \$139,507.31. At September 30, 2021, 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	\$ 193,194	\$ 51,615
Changes of assumptions	12,541	0
Net difference between projected and actual earnings on plan investments	44,839	0
Employer contributions subsequent to the measurement date	53,825	0
Total	\$ 304,399	\$ 51,615

\$53,825 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2022	\$ 66,235
2023	67,736
2024	23,734
2025	16,529
2026	17,663
Thereafter	7,062

9. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has purchased general liability insurance through a commercial insurance carrier. Coverage provides up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000. The Town also purchased commercial insurance for other risks of loss, including property and casualty insurance.

The Town has worker's compensation insurance through the Municipal Workers Compensation Fund. Coverage is provided up to \$1,000,000 for each injury by accident or disease.

The Town has employee health coverage through the Local Government Health Insurance Plan (LGHIP) administered by the State's Employees' Health Insurance Board. LGHIP is self-insured health insurance program funded from the premiums of the participating local government units and their subscribers. LGHIP provides group health insurance for employees of local government units, certain organizations, and associations. Monthly premiums are determined by the plan's actuary and are based on past claims experience.

10. CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed

TOWN OF ECLECTIC, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

by the grantor cannot be determined at the time, although the Town expects such amounts, if any, to be immaterial.

11. RELATED PARTY TRANSACTIONS

On July 30, 2019, the Town entered into a Biosolids Procurement Agreement with George Family Farm located in Eclectic, Alabama. The term of the agreement is 3 years with an automatic 1 year renewal, unless the Town gives George Family Farm a written 90-day notice of termination.

During the fiscal year ended September 30, 2021, the Town of Eclectic paid George Family Farms a total of \$29,281 for services rendered relative to the sewer system and the Biosolids Procurement Agreement.

During the 2020 fiscal year, Chris George, owner of George Family Farm and the individual responsible for fulfilling the Biosolids Procurement Agreement, became a management level employee of the Town of Eclectic. The Town of Eclectic obtained an opinion from its legal counsel regarding the impact of Mr. George's employment status on the agreement named above. The contract is not compromised by Mr. George's employment. The details of the related party contract have been filed with the Alabama Ethics Commission pursuant to Section 11-43-12.1 of the Code of Alabama.

12. SUBSEQUENT EVENTS

The Town was awarded a \$300,000 grant from ADECA on January 20, 2022, to use to replace the play structure at Panther Palace Playground. The grant award has a 10% match requirement. A contract has been let on the project. Work began in December 2022 with an expected completion in Summer 2023.

**REQUIRED SUPPLEMENTARY
INFORMATION**

TOWN OF ECLECTIC, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Taxes	\$ 1,523,000.00	\$ 1,523,000.00	\$ 1,661,662.16	\$ 138,662.16
Licenses and permits	248,600.00	248,600.00	236,974.47	(11,625.53)
Intergovernmental revenues	71,425.00	71,425.00	219,541.49	148,116.49
Charges for services	242,700.00	242,700.00	242,122.40	(577.60)
Fines and forfeitures	26,500.00	26,500.00	39,603.32	13,103.32
Miscellaneous	32,300.00	32,300.00	47,165.02	14,865.02
Interest	2,000.00	2,000.00	2,443.71	443.71
Total revenues	<u>2,146,525.00</u>	<u>2,146,525.00</u>	<u>2,449,512.57</u>	<u>302,987.57</u>
Expenditures				
Current:				
General government	583,548.00	583,548.00	430,569.18	152,978.82
Public safety	931,900.00	931,900.00	1,040,549.28	(108,649.28)
Public works	228,350.00	228,350.00	211,622.15	16,727.85
Public welfare	81,950.00	81,950.00	77,905.77	4,044.23
Capital outlay	82,000.00	82,000.00	92,865.10	(10,865.10)
Debt service	160,157.00	160,157.00	1,018,639.14	(858,482.14)
Total expenditures	<u>2,067,905.00</u>	<u>2,067,905.00</u>	<u>2,872,150.62</u>	<u>(804,245.62)</u>
Excess of revenues over (under) expenditures	<u>78,620.00</u>	<u>78,620.00</u>	<u>(422,638.05)</u>	<u>(501,258.05)</u>
Other Financing Sources (Uses)				
Proceeds from general obligation bond	-	-	2,650,289.97	2,650,289.97
Proceeds from sale of general capital assets	-	-	453,000.00	453,000.00
Transfers in	-	-	10,473.18	10,473.18
Transfers out	-	-	(267,224.03)	(267,224.03)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,846,539.12</u>	<u>2,846,539.12</u>
Net Change in Fund Balances	<u>\$ 78,620.00</u>	<u>\$ 78,620.00</u>	<u>\$ 2,423,901.07</u>	<u>\$ 2,345,281.07</u>
Fund Balance - Beginning	\$ 1,084,164.77	\$ 1,084,164.77	\$ 1,084,164.77	\$ -
Fund Balance - Ending	<u><u>\$ 1,162,784.77</u></u>	<u><u>\$ 1,162,784.77</u></u>	<u><u>\$ 3,508,065.84</u></u>	<u><u>\$ 2,345,281.07</u></u>

Note A: Budgetary Information

The budgetary comparison schedule required by GASB includes the general fund only. The Town is not legally required to adopt a budget and chooses not to do so for the special revenue funds.

TOWN OF ECLECTIC, ALABAMA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total Pension Liability							
Service Cost	\$ 73,642	\$ 69,148	\$ 78,384	\$ 65,900	\$ 64,668	\$ 56,043	\$ 60,115
Interest	129,915	125,778	101,619	87,466	84,618	67,230	62,226
Changes of Benefit Terms	26,269	-	-	-	-	-	-
Differences Between Expected and Actual Experience	113,040	(72,021)	174,698	96,914	(29,879)	146,293	-
Changes in Assumptions	-	-	8,936	-	46,902	-	-
Benefits Payments, Including Refunds of Employee Contributions	(71,503)	(70,096)	(70,185)	(75,728)	(51,857)	(52,574)	(67,010)
Transfers Among Employers	(57,290)	1,615	28,778	5,291	(31,650)	-	-
Net Change in Total Pension Liability	214,073	54,424	322,230	179,843	82,802	216,992	55,331
Total Pension Liability - Beginning	1,722,954	1,668,530	1,346,300	1,166,457	1,083,655	866,663	811,332
Total Pension Liability - Ending (a)	<u>\$ 1,937,027</u>	<u>\$ 1,722,954</u>	<u>\$ 1,668,530</u>	<u>\$ 1,346,300</u>	<u>\$ 1,166,457</u>	<u>\$ 1,083,655</u>	<u>\$ 866,663</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 49,282	\$ 35,629	\$ 27,239	\$ 16,487	\$ 15,980	\$ 9,830	\$ 20,087
Contributions - Members	44,284	43,399	41,664	35,970	37,505	33,031	32,091
Net Investment Income	77,848	34,416	111,919	136,726	100,916	12,407	114,529
Benefit Payments, Including Refunds of Employee Contributions	(71,503)	(70,096)	(70,185)	(75,728)	(51,857)	(52,574)	(67,010)
Transfers Among Employers	(57,290)	1,615	28,778	5,291	(31,650)	(94,769)	72,749
Net Change in Plan Fiduciary Net Position	\$ 42,621	\$ 44,963	\$ 139,415	\$ 118,746	\$ 70,894	\$ (92,075)	\$ 172,446
Plan Net Position - Beginning	1,379,949	1,334,986	1,195,571	1,076,825	1,005,931	1,098,006	925,560
Plan Net Position - Ending (b)	<u>\$ 1,422,570</u>	<u>\$ 1,379,949</u>	<u>\$ 1,334,986</u>	<u>\$ 1,195,571</u>	<u>\$ 1,076,825</u>	<u>\$ 1,005,931</u>	<u>\$ 1,098,006</u>
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 514,457	\$ 343,005	\$ 333,544	\$ 150,729	\$ 89,632	\$ 77,724	\$ (231,343)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.44%	80.09%	80.01%	88.80%	92.32%	92.83%	126.69%
Covered Payroll*	\$ 800,926	\$ 738,195	\$ 750,033	\$ 653,910	\$ 729,167	\$ 626,354	\$ 626,354
Net Pension Liability (Asset) as a Percentage of Covered Payroll	64%	46.47%	44.47%	23.05%	12.29%	12.41%	-36.93%

* Employer's covered payroll during the measurement period is the total covered payroll. For FY 2021, the measurement period is October 1, 2019 - September 30, 2020. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll effective FY 2017. Covered payroll is defined as payroll on which contributions to a pension plan are based.

TOWN OF ECLECTIC, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 53,825	\$ 53,592	\$ 37,058	\$ 30,011	\$ 18,890	\$ 18,295	\$ (66,494)
Contributions in relation to the actuarially determined contribution	<u>53,825</u>	<u>53,592</u>	<u>37,058</u>	<u>30,011</u>	<u>18,890</u>	<u>18,295</u>	<u>9,555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,049</u>
Covered payroll	\$ 866,231	\$ 800,926	\$ 738,195	\$ 750,033	\$ 653,910	\$ 729,167	\$ 626,354
Contributions as a percentage of covered payroll	6.00%	6.69%	5.02%	4.00%	2.89%	2.51%	12.14%

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	26.8 years
Asset valuation method	Five year smoothed market
Actuarial assumptions:	
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
Cost-of-living adjustments	None