

TOWN OF WILTON, ALABAMA
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

TOWN OF WILTON, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

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INDEPENDENT AUDITOR'S REPORT

Jessica Martin, Mayor
Members of the Town Council
Town of Wilton, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilton, Alabama, 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.

Auditor's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Wilton, Alabama, 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

Accounting principles generally accepted in the United States of America require that the schedules listed in the table of contents as “required supplementary information” to 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 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 Government 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Wilton, Alabama's basic financial statements. The combining nonmajor fund financial statements (pages 63-64) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DeLoach, Barber & Caspers, P.C.

September 5, 2022

TOWN OF WILTON, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
<u>Current Assets</u>			
Cash	\$ 236,749	\$ 147,333	\$ 384,082
Accounts receivable, net of allowance	12,958	54,236	67,194
Interfund receivable	1,200	2,912	4,112
Prepaid expenses	14,704		14,704
Inventory		30,258	30,258
<u>Restricted Assets</u>			
Cash	162,370	31,480	193,850
<u>Non-current Assets</u>			
Land and construction in progress	61,010	5,283	66,293
Other capital assets, net of accumulated depreciation	320,758	229,143	549,901
	<hr/>	<hr/>	<hr/>
Total Assets	809,749	500,645	1,310,394
 DEFERRED OUTFLOWS OF RESOURCES			
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pension		110,652	110,652
	<hr/>	<hr/>	<hr/>
Total Assets and Deferred Outflows of Resources	809,749	611,297	1,421,046

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

TOWN OF WILTON, ALABAMA

STATEMENT OF NET POSITION (Continued)
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
<u>Current Liabilities (payable from current assets)</u>			
Accounts payable	5,351	23,448	28,799
Accounts payable - county agreement	52,567		52,567
Offer in compromise payable - IRS agreement	71,587	11,587	83,174
Utility tax payable		1,416	1,416
Accrued wages		3,119	3,119
Accrued compensated absences		2,843	2,843
Deferred grant - ARPA	80,863		80,863
Interfund payables	2,912	1,200	4,112
<u>Current Liabilities (payable from restricted assets)</u>			
Customer deposits		48,909	48,909
<u>Long-term Liabilities</u>			
Net pension obligation		119,784	119,784
Notes payable - portion due in one year		22,183	22,183
Notes payable - portion due in more than one year		53,069	53,069
	213,280	287,558	500,838
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension		8,497	8,497
	213,280	296,055	509,335
NET POSITION			
<u>Net Position</u>			
Investment in capital assets, net of related debt	381,768	159,174	540,942
Restricted for:			
Public Services	83,379		83,379
Customer deposits		(17,429)	(17,429)
Capital improvements - MHA		16,628	16,628
Unrestricted	131,322	156,869	288,191
	\$ 596,469	\$ 315,242	\$ 911,711

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

TOWN OF WILTON, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Expenses	\$ 1,627	\$	\$	(1,627)	\$	(1,627)
Annex	2,568			(2,568)		(2,568)
Community Center	73,873	3,692		(34,793)		(34,793)
General government	1,612			(1,612)		(1,612)
Park and recreation	79,510	50		(79,460)		(79,460)
Police protection	31,130			(31,130)		(31,130)
Street						
Total Governmental Activities	190,320	3,692	0	(151,190)		(151,190)
Business-Type Activities						
Sewer	9,415				0	0
Water	541,635				(85,706)	(85,706)
Gas	18,072				57,703	57,703
Sanitation	34,125				9,198	9,198
Total Business-type Activities	603,247	0	0	(18,805)		(18,805)
Total Primary Government	\$ 793,567	\$ 3,692	\$ 0			(169,995)

General revenues:

Taxes:						
Sales tax	226,078					226,078
Simplified sellers use tax	37,170					37,170
Property taxes	13,904					13,904
Advalorem - motor vehicles	3,202					3,202
Gasoline taxes	4,715					4,715
Beer and alcoholic beverage taxes	3,165					3,165
Motor vehicle taxes	6,786					6,786
Miscellaneous other taxes	222					222
Shared revenues - gas taxes	3,071					3,071
Shared revenues - rebuild al	16,247					16,247
State Capital Improvement	7,954					7,954
Gain on sale of asset					1,130	1,130
Interest income					121	147
Miscellaneous					13,731	13,772
Gain on offer in compromise with IRS					64,368	128,736
	386,949				79,350	466,299
Change in net position	235,759				60,545	296,304
Net position at beginning of year	360,710				254,697	615,407
Net position at end of year	\$ 596,469	\$	\$	\$ 315,242	\$	911,711

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

TOWN OF WILTON, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

ASSETS	General	Other Governmental Funds	Totals Governmental Funds
<u>Assets</u>			
Cash	\$ 236,749	\$	\$ 236,749
Accounts receivable	11,221	1,737	12,958
Interfund receivable	1,300	235	1,535
Prepaid expenses	14,704		14,704
<u>Restricted Assets</u>			
Cash	80,863	81,507	162,370
Total Assets	\$ 344,837	\$ 83,479	\$ 428,316
 LIABILITIES AND FUND BALANCES			
<u>Liabilities</u>			
Accounts payable	\$ 5,351	\$	\$ 5,351
Accounts payable - County agreement	52,567		52,567
Offer in compromise payable - IRS agreement	71,587		71,587
Deferred ARPA Grant	80,863		80,863
Interfund payables	3,147	100	3,247
Total Liabilities	213,515	100	213,615
 <u>Fund Balances</u>			
Nonspendable	14,704		14,704
Restricted for:			
Special revenue funds		83,379	83,379
Unassigned			
General fund	116,618		116,618
Total Fund Balances	131,322	83,379	214,701
Total Liabilities and Fund Balances	\$ 344,837	\$ 83,479	\$ 428,316

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

TOWN OF WILTON, ALABAMA

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

Total fund balances for governmental funds \$ 214,701

Amounts reported for governmental activities in the statement of
net position are different because:

Capital assets net of depreciation have not been included as
financial resources in governmental fund activity. 381,768

Net position of governmental activities \$ 596,469

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

TOWN OF WILTON, ALABAMA

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>Revenues</u>			
Fines and fees	\$ 50	\$	\$ 50
Grant income	3,692		3,692
Interest		26	26
Licenses and permits	35,388		35,388
Miscellaneous	41		41
State capital		7,954	7,954
Tax revenue	295,245	19,316	314,561
	<u>334,416</u>	<u>27,296</u>	<u>361,712</u>
<u>Expenditures</u>			
Annex	451		451
Community center	775		775
General government	70,413		70,413
Park and recreation	70		70
Police protection	79,510		79,510
Street	9,278		9,278
	<u>160,497</u>	<u>0</u>	<u>160,497</u>
Excess of revenues over (under) expenditures	173,919	27,296	201,215
<u>Other Financing Sources (Uses)</u>			
Gain on offer in compromise with IRS	64,368		64,368
	<u>64,368</u>	<u>0</u>	<u>64,368</u>
Net change in fund balances	238,287	27,296	265,583
Fund Balance, Beginning of Year	<u>(106,965)</u>	<u>56,083</u>	<u>(50,882)</u>
Fund Balance, End of Year	<u>\$ 131,322</u>	<u>\$ 83,379</u>	<u>\$ 214,701</u>

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

TOWN OF WILTON, ALABAMA

RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds \$ 265,583

Amounts reported in the statement of revenues, expenditures,
and changes in fund balance are different than amounts
reported in the statement of activities because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated
over their estimated useful lives and reported as depreciation
expense. This is the amount by which depreciation of \$29,824
exceeds capital expenditures of \$-0- in the current period.

(29,824)

Change in net position of governmental activities

\$ 235,759

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

TOWN OF WILTON, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Enterprise Funds		
ASSETS	Sewer Department	Water & Gas Department	Total
<u>Current Assets</u>			
Cash and cash equivalents	\$ 17,828	\$ 129,505	\$ 147,333
Accounts receivable - customers, net of allowance	484	53,752	54,236
Interfund receivable		2,912	2,912
Inventory		30,258	30,258
<u>Restricted Assets</u>			
Cash		31,480	31,480
<u>Non-current Assets</u>			
Land and construction in progress		5,283	5,283
Other capital assets, net of accumulated depreciation		229,143	229,143
Total Assets	18,312	482,333	500,645
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pension		110,652	110,652
Total Deferred Outflows of Resources	0	110,652	110,652
Total Assets and Deferred Outflows of Resources	18,312	592,985	611,297

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

TOWN OF WILTON, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2021

	Enterprise Funds		Total
	Sewer Department	Water & Gas Department	
LIABILITIES			
<u>Current Liabilities (payable from current assets)</u>			
Accounts payable	484	22,964	23,448
Offer in compromise payable - IRS agreement		11,587	11,587
Utility tax payable		1,416	1,416
Accrued wages and salaries		3,119	3,119
Accrued compensated absences		2,843	2,843
Interfund payables	1,200		1,200
<u>Current Liabilities (payable from restricted assets)</u>			
Customer deposits		48,909	48,909
<u>Non-current Liabilities</u>			
Net pension obligation		119,784	119,784
Portion due or payable within one year:			
Notes payable		22,183	22,183
Portion due or payable after one year:			
Notes payable		53,069	53,069
	1,684	285,874	287,558
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources - pension		8,497	8,497
	1,684	294,371	296,055
<u>Net Position</u>			
Investment in capital assets, net of related debt		159,174	159,174
Restricted for:			
Customer deposits		(17,429)	(17,429)
Capital improvements - Sewer MHA	16,628		16,628
Unrestricted		156,869	156,869
	\$ 16,628	\$ 298,614	\$ 315,242

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

TOWN OF WILTON, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Enterprise Funds		Totals
	Sewer Department	Water & Gas Department	
<u>Operating Revenues</u>			
Water sales	\$	\$ 403,393	\$ 403,393
Water service charges		52,536	52,536
Gas sales		74,601	74,601
Gas service charges		1,174	1,174
Sanitation charges		43,323	43,323
Sewage charges - MHA	9,415		9,415
Interest income		121	121
Miscellaneous income		13,731	13,731
		<hr/>	<hr/>
Total Revenues	<hr/>	<hr/>	<hr/>
	9,415	588,879	598,294
<u>Expenditures</u>			
Advertising		3,128	3,128
Auto expense		125	125
Bank charges		265	265
Contract labor and subcontractors	4,861	26,071	30,932
Depreciation		48,160	48,160
Drug testing		360	360
Dues and subscriptions		970	970
Emergency services and fire protection		14,600	14,600
Equipment rental		8,032	8,032
Equipment repairs		3,973	3,973
Gas and oil		6,556	6,556
Insurance - employee health		26,455	26,455
Insurance - general		372	372
Lease expense - copier		1,123	1,123
Milage reimbursement		132	132
Miscellaneous		2,887	2,887
Office expense		13,784	13,784
Payroll service fees		2,105	2,105
Payroll taxes		11,937	11,937
Penalties		226	226
Pipes, parts and supplies		3,942	3,942
Postage		3,495	3,495
Professional fees		2,985	2,985
Repairs and maintenance	3,256	75,865	79,121
Salaries and wages		162,539	162,539
Small tools and equipment		137	137
State retirement		24,053	24,053
Uniforms		1,622	1,622
Utilities	1,298	50,797	52,095
Utility tax		20,917	20,917
Water bills		4,328	4,328
Water purchase		14,890	14,890

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

TOWN OF WILTON, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Sewer Department</u>	<u>Water & Gas Department</u>	
Gas Department - Expenditures			
Gas purchases		14,777	14,777
Gas transportation		1,211	1,211
Repairs and maintenance		1,600	1,600
Utilities		484	484
Sanitation - Expenditures			
Contract labor - sanitation services		34,125	34,125
Total Expenditures	<u>9,415</u>	<u>589,028</u>	<u>598,443</u>
Operating income (loss)	0	(149)	(149)
<u>Nonoperating Revenues (Expenses)</u>			
Gain on offer and compromise with IRS		64,368	64,368
Gain on sale of asset		1,130	1,130
Interest expense		<u>(4,804)</u>	<u>(4,804)</u>
Total Nonoperating Revenues (Expenses)	<u>0</u>	<u>60,694</u>	<u>60,694</u>
Net change in net position	0	60,545	60,545
Total Net Position - Beginning of Year	<u>16,628</u>	<u>238,069</u>	<u>254,697</u>
Total Net Position - End of Year	<u>\$ 16,628</u>	<u>\$ 298,614</u>	<u>\$ 315,242</u>

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

TOWN OF WILTON, ALABAMA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Sewer Department</u>	<u>Water & Gas Department</u>	<u>Totals</u>
<u>Cash Flows From Operating Activities</u>			
Receipts from customers and users	\$ 11,523	\$ 620,747	\$ 632,270
Payments to employees and related payroll expenses	(288,939)	(288,939)	(288,939)
Payments to suppliers	(11,023)	(329,082)	(340,105)
	<u>500</u>	<u>2,726</u>	<u>3,226</u>
Net cash provided (used) by operating activities			
<u>Cash Flows From Capital and Related Financing Activities</u>			
Payments for capital acquisitions	(47,576)		(47,576)
Proceeds from sale of assets	1,805		1,805
Principal payments on bonds payable	(17,957)		(17,957)
Interest payments on bonds payable	(4,804)		(4,804)
Proceeds from issuance of bonds payable	31,764		31,764
	<u>0</u>	<u>(36,768)</u>	<u>(36,768)</u>
Net cash used by capital and related financing activities			
<u>Cash Flows From Investing Activities</u>			
Interest received		121	121
		<u>121</u>	<u>121</u>
Net cash provided by investing activities			
Net increase (decrease) in cash and cash equivalents	500	(2,157)	(1,657)
Cash and cash equivalents, beginning of year (restricted and nonrestricted)	17,328	163,142	180,470
Cash and cash equivalents, end of year (restricted and nonrestricted)	<u>\$ 17,828</u>	<u>\$ 160,985</u>	<u>\$ 178,813</u>

(Continued)

The accompanying notes are an integral part of these statements.

TOWN OF WILTON, ALABAMA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Sewer</u> <u>Department</u>	<u>Water & Gas</u> <u>Department</u>	<u>Totals</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	\$ 0	\$ (149)	\$ (149)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		48,160	48,160
Changes in assets and liabilities:			
(Increase) decrease:			
Accounts receivable	2,108	19,075	21,183
Inventories		(6,064)	(6,064)
Interfund receivable		(2,912)	(2,912)
Deferred outflows of resources - pension		(66,209)	(66,209)
Increase (decrease):			
Accounts payable	(1,608)	9,117	7,509
Payroll taxes payable		(75,000)	(75,000)
Utility tax payable		(160)	(160)
Accrued wages and compensated absences		1,636	1,636
Deferred inflows of resources - pension		(2,280)	(2,280)
Net pension obligation		80,281	80,281
Customer deposit liability		(2,769)	(2,769)
Total adjustments	<u>500</u>	<u>2,875</u>	<u>3,375</u>
Net cash provided (used) by operating activities	<u>\$ 500</u>	<u>\$ 2,726</u>	<u>\$ 3,226</u>

(Continued)

The accompanying notes are an integral part of these statements.

TOWN OF WILTON, ALABAMA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Sewer</u> <u>Department</u>	<u>Water & Gas</u> <u>Department</u>	<u>Totals</u>
	\$ 17,828	\$ 129,505	\$ 147,333
	<u> </u>	<u>31,480</u>	<u>31,480</u>
	<u>\$ 17,828</u>	<u>\$ 160,985</u>	<u>\$ 178,813</u>

Reconciliation of Cash Per Statements of Cash Flows
to the Statement of Net Position

Current Assets	\$ 17,828
Restricted Assets	31,480
Total Cash and Equivalents	\$ 178,813

The accompanying notes are an integral part of these statements.

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

The Town of Wilton, Alabama (the Town) was incorporated as a municipality in 1918. The Town operates under a Mayor-Council form of government and provides the following services: public safety, streets, park and recreation, general and administrative, water, gas, sanitation, and sewer services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Financial Reporting Entity

These financial statements present the Town (the primary government) and its component units (if applicable). As defined by GASBS No. 14, component units are legally separate entities that are included in the Town's reporting entity because of the significance of their operating or financial relationships with the Town.

Based on the application of the criteria in GASBS No. 14, there are no component units which should be included as part of the financial reporting entity of the Town of Wilton, Alabama

The Town, for financial reporting purposes, includes all of the funds and account groups relevant to the operation of the Town of Wilton, Alabama. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Wilton, Alabama. There are no separately administered organizations that are controlled by or dependent on the Town.

Government-wide and Fund Financial Statements

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Town) and its component unit. These statements include the financial activities of the overall government, except for fiduciary funds or component units that are fiduciary in nature. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including its fiduciary funds and blended component units (if applicable). Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented if applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or eliminations of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments, if applicable. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use tax, property taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

The Town does not currently employ an indirect cost allocation system.

Fund Types and Major Funds

An emphasis is placed on major funds within the governmental categories. At a minimum, governmental and proprietary funds other than the general fund must be reported as major funds if they meet both of the following criteria:

- A. Ten percent criterion. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least ten percent (10%) of the corresponding total for all funds of that type.
- B. Five percent criterion. An individual governmental fund reports at least five percent (5%) of the aggregated total for both governmental funds and proprietary funds of any one of the items for which it met the ten percent (10%) criterion.

The Town may also elect to present a fund as major if it does not meet the above criteria to emphasize the importance of a certain fund's activity.

The funds of the financial reporting entity are described below:

Major Governmental Funds:

General Fund - The General Fund is the principal fund of the Town and is always classified as a major fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund. All general operating revenues which are not restricted or designated as to their use by outside sources are recorded in the General Fund.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Types and Major Funds (Continued)

Major Proprietary Funds:

Sewer Department - The Sewer Department accounts for the activities of the Town's sewer utilities services provided to the Montevallo Housing Authority.

Water and Gas Department - The Water and Gas Department accounts for the activities of the Town's water and gas utilities services.

Other Fund Types:

Nonmajor Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

The Town at September 30, 2021 had no internal service funds, agency funds, or blended or discretely presented component units.

Cash and Equivalents

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

At September 30, 2021 the carrying amount of the Town of Wilton, Alabama's deposits (cash and certificates of deposits) was \$577,932 and the bank balance was \$578,175. Of the bank balance \$334,294 was covered by either federal depository insurance or federal savings and loan insurance. Deposits with Alabama financial institutions that are in excess of FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Alabama public funds are protected through a collateral pool administered by the Alabama State Treasury. The Town had \$243,881 of Category 1 deposits covered by the SAFE Program at September 30, 2021.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of primarily supplies valued at the lower of cost (first-in, first-out) or market value. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures on acquisition and significant inventories on hand at year-end are reflected as assets.

Prepaid Items

Payments made to vendors for goods or services that will benefit beyond September 30, 2021 are reported as prepaid items. These prepayments are recognized as expenses ratably over the related underlying period.

Restricted Assets

Certain assets of the Town have been restricted due to state regulations, debt service obligations, and other external requirements. These assets consist of cash, and cash equivalents as follows:

General Fund - ARPA Grant	\$ 80,863
Special Revenue - Gas Taxes	44,900
Special Revenue - State Capital Improvement	36,607
Water Works - Cash - customer deposits	<u>31,480</u>
Total Restricted Assets	<u>\$ 193,850</u>

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as they are needed.

Restricted Special Revenue - Cash - the Town is required to place various monies received from the State, local, or granting agencies into separately maintained banking accounts and to account for these monies in separate funds.

Restricted ARPA Grant - these monies are restricted for usage of monies for grant requirements in accordance with the American Rescue Plan Act federal funding grant provided to local governments by a flow thru grant with the State of Alabama.

(Continued)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation, and Amortization

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and have an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets. There was no capitalized interest included in construction costs for year end September 30, 2021.

Capital assets are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The range of estimated useful lives used for depreciation purposes for each capital asset class are as follows:

Automotive and automotive equipment	5-7 years
Building and building improvements	29-50 years
Computer equipment	3-5 years
Infrastructure	40-60 years
Land improvements	15-20 years
Machinery and equipment	7-10 years
Office furniture and equipment	5-7 years
Meters	15 years
Park and recreation equipment	5-10 years

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

For vacation and other compensated absences with similar characteristics, Governmental Accounting Standards requires the accrual of a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Full-time employees are provided vacation (annual) leave as follows:

After 1 year of employment	40 hours (1 Week)
After three years of employment	80 hours (2 Weeks)
After ten years of employment	120 hours (3 Weeks)

Annual leave cannot be accumulated and an employee cannot be paid for annual leave in lieu of time off. Unused leave is paid upon termination of employment. At September 30, 2021, the Town recorded liabilities for accrued vacation leave of \$2,843 in the water department fund.

Sick leave is earned by full time employees at a rate of 48 hours (6 days) per year. Upon termination, sick leave is canceled and no compensation is paid. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on these financial statements.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts and gains/losses on refunding are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources until then. The Town had the following items that qualified for reporting in this category for the year ended September 30, 2021:

Deferred outflows of resources - pension plan	\$ <u>110,652</u>
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In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources until that time. The Town had the following items that qualified for reporting in this category for the year ended September 30, 2021:

Deferred inflows of resources - pension plan	\$ <u>8,497</u>
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(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

In accordance with GASB Standards, the Town classified net position into three components - invested in capital assets, net of related debt; restricted; and unrestricted. The classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted 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 improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consist of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Town is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes any long-term amount of interfund loans.

Restricted - Fund balance is reported as restricted when constraints place on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by laws through constitutional provisions or enabling legislation.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Town can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes the amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolution) of the Town Council. Those committed amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Town Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classifications are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or not committed. In the General Fund, assigned amounts represent intended uses established by Town Council or a Town official delegated that authority by Town Charter or ordinance.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amount had been restricted, committed, or assigned.

The Town applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

During the normal operations the Town has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements reflect these transactions as transfers.

Use of Estimates

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

Revenue Recognition

Advalorem taxes are assessed on property valuations and statutory liens are attached to such properties as of October 1st each year. These taxes are due October 1st but do not become delinquent until January 1st after which penalties are levied.

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

"Total fund balances" of the Town's governmental funds of \$214,701 differs from "net position" of governmental activities of \$596,469 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The following illustrates the differences:

Capital Related Items - When capital assets (property, plant, equipment, etc.) that are used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets as assets of the Town as a whole.

Governmental capital assets	\$ 641,295
Less: Depreciation expense to date	<u>(259,527)</u>
	<u>\$ 381,768</u>

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances the Government-wide Statement of Activities

The "net change in fund balances" for governmental funds of \$265,583 differs from the "change in net position" for governmental activities of \$235,759 reported in the statement of activities. The differences primarily arise from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following illustrates the difference:

Capital Related Items - When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decreases by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$	0
Depreciation expense		<u>(29,824)</u>
	\$	<u>(29,824)</u>

Pension

The Employees' Retirement System of Alabama (the Plan) 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 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.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards

In fiscal year ending September 30, 2021 the Town adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

The Governmental Accounting Standards Board (GASB) issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The guidance postpones by one year to eighteen months the effective dates of certain provisions in the following pronouncements:

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Town upon implementation. Management is currently evaluating the effect of implementation of these standards. (Effective dates are shown as reflected in GASB Statement No. 95 Postponement of the Effective Dates of Certain Authoritative Guidance.)

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
84	Fiduciary Activities	Fiscal years beginning after June 15, 2021
87	Leases	Fiscal years beginning after June 15, 2021
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	Fiscal years beginning after Dec. 15, 2020
91	Conduit Debt Obligations	Fiscal years beginning after Dec 15, 2021
92	Omnibus 2020	Fiscal years beginning after June 15, 2021
93	Replacement of Interbank Offered Rates	Fiscal years beginning after June 15, 2021

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

The GASB issued Statement No. 84, Fiduciary Activities to establish criteria for identifying fiduciary activities of all state and local governments. The requirements of GASB 84 are effective for fiscal years beginning after June 15, 2021. The Town is currently evaluating the impact GASB 84 may have on its financial statements.

The GASB issued Statement No. 87, Leases to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB 87 are effective for fiscal years beginning after June 15, 2021. The Town is currently evaluating the impact GASB 87 may have on its financial statements.

The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2020. The Town is currently evaluating the impact GASB 89 may have on its financial statements.

The GASB Issued Statement No. 91, Conduit Debt Obligations for the primary objectives to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for fiscal years beginning after December 15, 2021. The Town is currently evaluating the impact GASB 91 may have on its financial statements.

(Continued)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

The GASB Issued Statement No. 92, Omnibus for the primary objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports.

Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

The applicability of Statements 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, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.

The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.

Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.

Terminology used to refer to derivative instruments.

The requirements of GASB 92 are effective for fiscal years beginning after June 15, 2021. The Town is currently evaluating the impact GASB 92 may have on its financial statements.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

The GASB Issued Statement No. 93, Replacement of Interbank Offered Rates for the primary objectives to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.

Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.

Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.

Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap

Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of GASB 93 are effective for fiscal years beginning after June 15, 2021. The Town is currently evaluating the impact GASB 93 may have on its financial statements.

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2021 the Town had the following cash and investments:

Cash and cash equivalents	\$ 549,671
Certificates of deposit	<u>28,261</u>
	<u>\$ 577,932</u>

Credit Risk

The Town has not adopted a formal written deposit and investment policy. The Town's informal investment policy permits investments in direct obligations of agencies of the United States of America, obligations in which the principal and interest are unconditionally guaranteed by the United States of America, certificates of deposits, with FDIC insurance, or money market funds of financial and brokerage institutions which the Board has the power to invest directly in governmental securities or bonds which are qualified by the Board. Investments in U.S. government securities must be rated by Standard and Poor's or Moody's Investment Services as one of their four highest rated categories.

Interest Rate 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.

Concentration Credit Risk

The Town does not have a formal investment policy that limits the amount invested into certain types of investments as a means of managing its exposure to losses arising from over concentration in certain types of investments.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a written deposit policy for custodial credit risk. As of September 30, 2021, the Town had \$-0- in cash and cash equivalents exposed to custodial credit risk as Category 3 unsecured and uncollateralized deposits.

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

NOTE 3: ACCOUNTS RECEIVABLE

Governmental Funds

Accounts receivables for governmental funds were as follows for September 30, 2021:

Accounts receivable	\$ 12,958
Allowance for doubtful accounts	<u> </u>
Accounts receivable - net	\$ <u>12,958</u>

Enterprise Funds

Accounts receivables from customers were as follows for September 30, 2021:

	<u>Proprietary Fund Types</u>		
	Sewer	Water & Gas	Total
Accounts receivable - customer	\$ 484	\$ 107,362	\$ 107,846
Allowance for doubtful accounts	<u> </u>	<u>(53,610)</u>	<u>(53,610)</u>
Accounts receivable - customers net of allowance	\$ <u>484</u>	\$ <u>53,752</u>	\$ <u>54,236</u>

The Town expects that a portion of the customer receivables will not be collected within one year.

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

Governmental Activities

	Balance 10/01/20	Additions	Deletions	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 61,010	\$	\$	\$ 61,010
Total capital assets, not being depreciated	<u>61,010</u>	<u>0</u>	<u>0</u>	<u>61,010</u>
Capital assets, being depreciated				
Buildings and building improvements	147,400			147,400
Infrastructure	327,785			327,785
Land improvements	13,000			13,000
Machinery and equipment	22,981			22,981
Office furniture and equipment	22,419		(1,720)	20,699
Park and recreation	<u>48,420</u>			<u>48,420</u>
Total capital assets being depreciated	<u>582,005</u>	<u>0</u>	<u>(1,720)</u>	<u>580,285</u>
Less accumulated depreciation for:				
Buildings and building improvements	75,779	4,852		80,631
Infrastructure	63,736	21,852		85,588
Land improvements	7,222	867		8,089
Machinery and equipment	22,137	221		22,358
Office furniture and equipment	21,650	491	(1,720)	20,421
Park and recreation	<u>40,899</u>	<u>1,541</u>		<u>42,440</u>
Total accumulated depreciation	<u>231,423</u>	<u>29,824</u>	<u>(1,720)</u>	<u>259,527</u>
Total capital assets, being depreciated net	<u>350,582</u>	<u>(29,824)</u>	<u>0</u>	<u>320,758</u>
Governmental activities capital assets, net	<u>\$ 411,592</u>	<u>\$ (29,824)</u>	<u>\$ 0</u>	<u>\$ 381,768</u>

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Annex	\$	1,176
General government		3,460
Community center		1,794
Park and recreation		1,542
Street dept		<u>21,852</u>
	<u>\$</u>	<u>29,824</u>

Business-Type Activities

	Balance		Balance
	10/01/20	Additions	Deletions
	9/30/21		
Capital assets, not being depreciated:			
Land - water department	\$ <u>5,283</u>	\$ _____	\$ _____
			\$ <u>5,283</u>
Total capital assets, not being depreciated	<u>5,283</u>	<u>0</u>	<u>0</u>
			<u>5,283</u>
Capital assets, being depreciated			
Gas Department:			
Buildings and building improvements	10,700		10,700
Machinery and equipment	13,482		13,482
Gas system	66,512		(400)
			66,112
Water Department:			
Automotive equipment	28,006	31,764	(4,500)
Building and building improvements	13,934		13,934
Machinery and equipment	174,027	15,812	(10,740)
Water meters, system, & lines	<u>1,288,418</u>	_____	_____
			<u>1,288,418</u>
Total capital assets being depreciated	<u>1,595,079</u>	<u>47,576</u>	<u>(15,640)</u>
			<u>1,627,015</u>

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities (Continued)</u>	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/21</u>
Less accumulated depreciation for:				
Gas Department:				
Buildings and building improvements	10,700			10,700
Machinery and equipment	13,082			13,082
Gas system	66,512			66,512
Water Department:				
Automotive equipment	17,478	8,327	(3,825)	21,980
Building and building improvements	10,049	555		10,604
Machinery and equipment	119,056	9,914	(10,740)	118,230
Water meters, system, & lines	<u>1,127,400</u>	<u>29,364</u>	<u> </u>	<u>1,156,764</u>
Total accumulated depreciation	<u>1,364,277</u>	<u>48,160</u>	<u>(14,565)</u>	<u>1,397,872</u>
Total capital assets, being depreciated net	<u>230,802</u>	<u>(584)</u>	<u>(1,075)</u>	<u>229,143</u>
Business-Type activities capital assets, net	<u>\$ 236,085</u>	<u>\$ (584)</u>	<u>\$ (1,075)</u>	<u>\$ 234,426</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Gas department	\$	
Water department		<u>48,160</u>
	\$	<u>48,160</u>

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT

Proprietary Fund - Water and Gas Dept

Capital lease payable - KS StateBank, interest at 7.60%, 60 monthly payments at \$1,254, with remainder due and payable in full at maturity in July 2026. The note is a general obligation of the Town and the full faith and credit are pledged. The note is secured by a Case 580N Backhoe Loader.

	\$	49,897	\$	(11,653)	\$	38,244	\$	12,571
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Note payable - Trustmark Bank, interest at 5.90%, 72 monthly payments at \$342.08, with remainder due and payable in full at maturity in September 2023. The note is a general obligation of the Town and the full faith and credit are pledged. The note is secured by a 2017 Chevrolet C150.

	11,546		(3,518)		8,028		3,731
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Note payable - Trustmark Bank, interest at 5.07%, 35 monthly payments at \$601.28, with remainder due of \$14,237 and payable in full at maturity in March 2024. The note is a general obligation of the Town and the full faith and credit are pledged. The note is secured by a 2020 Chevrolet.

			31,764		28,980		5,881
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(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

<u>Proprietary Fund - Water and Gas Dept</u>	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/21</u>	<u>Due Within</u> <u>One Year</u>
Subtotal	\$ <u>61,443</u>	\$ <u>31,764</u>	\$ <u>(17,955)</u>	75,252	\$ <u>22,183</u>
				<u>(22,183)</u>	
				\$ <u>53,069</u>	

Portion due within one year

Portion due in more than one year

Maturities of notes and capital leases payable are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 22,183	\$ 4,185	\$ 26,368
2023	23,705	2,664	26,369
2024	<u>29,364</u>	<u>822</u>	<u>30,186</u>
	\$ <u>75,252</u>	\$ <u>7,671</u>	\$ <u>82,923</u>

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: SCHEDULE OF INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables/payables between the various individual funds at year ended September 30, 2021:

<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Description</u>	<u>Amount</u>
General Fund	Proprietary Fund - Water & Gas	General Fund owes to Water & Gas Dept for expenses paid on General Fund's behalf.	\$ 2,912
General Fund	2 & 7 Cents Gas Tax	General Fund owes to 2 & 7 Cents Gas Tax Fund for income put into General Fund in error.	235
Sewer Dept - MHA	General Fund	Sewer Dept - MHA owes to the General Fund for expenses paid on its behalf.	1,200
Rebuild AL - Fund	General Fund	Rebuild AL Gas Tax Fund owes to the General Fund for money transferred to open bank acct.	<u>100</u>
Total Interfund Receivables/Payables			\$ <u><u>4,447</u></u>

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan, was established 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. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

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

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

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

6. Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
- ◆ 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.
 - ◆ Two vested active state employees.
 - ◆ 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 post retirement 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.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

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

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

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020 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	<u>97</u>
 Total Members	 <u>101,245</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. ERS local participating employers are not required by statute to increase contribution rates for their members.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statute to increase covered members 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 contributions 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 5.20% of covered employee payroll, and the Town's average contribution rate to fund the normal and accrued liability costs was 8.73% of pensionable payroll.

Town's contractually required contribution rate for the year ended September 30, 2021 was 9.14% of pensionable pay for Tier 1 employees, and 6.64% 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 System were \$12,261 for the year ended September 30, 2021.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

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 September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of September 30, 2019:	\$ 321,412	\$ 386,387
Discount Rate	7.70%	7.70%
Entry Age Normal Cost for October 1, 2019 thru September 30, 2020	17,364	17,364
Transfers Among Employers	0	0
Actual Benefit Payments and Refunds for October 1, 2019 thru September 30, 2020	<u>(11,741)</u>	<u>(11,741)</u>
Total Pension Liability as of September 30, 2020	<u>\$ 351,332</u>	<u>\$ 421,310</u>
Difference Between Expected and Actual	<u>\$ 69,978</u>	
Experience (Gain)/Loss	<u>\$ 69,978</u>	

Actuarial Assumptions

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

Inflation:	2.75%
Projected salary increases:	3.25% - 5.00%
Investment rate of return*:	7.70%

* Net of pension plan investment expense.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

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

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	3.0%	1.5%
	<hr/>	
Total	<u>100.00%</u>	

* Includes assumed rate of inflation of 2.50%.

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and 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.

Schedule of Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at September 30, 2019	\$ 321,412	\$ 281,909	\$ 39,503
Changes for the year:			
Service Cost	17,364	0	17,364
Interest	24,297	0	24,297
Changes of assumptions:	0		0
Difference between expected and actual experience	69,978		69,978
Contributions - employer		7,374	(7,374)
Contributions - employee		7,778	(7,778)
Net Investment income		16,206	(16,206)
Benefit payments, including refunds of employee contributions	(11,741)	(11,741)	0
Administrative expense		0	0
Transfers Among Employers	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes	<u>99,898</u>	<u>19,617</u>	<u>80,281</u>
Balances at September 30, 2020	<u>\$ 421,310</u>	<u>\$ 301,526</u>	<u>\$ 119,784</u>

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease <u>(6.70%)</u>	Current Rate <u>(7.70%)</u>	1% Increase <u>(8.70%)</u>
Town's Net Pension Liability (Asset)	\$ <u>165,110</u>	\$ <u>119,784</u>	\$ <u>81,155</u>

(Dollar amounts in thousands)

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 <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports>.

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN (Continued)

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 \$24,053. At September 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,986	\$ 8,497
Changes of assumptions	9,239	0
Net difference between projected and actual earnings on plan investments	9,166	0
Employer contributions subsequent to the Measurement Date	<u>12,261</u>	<u>0</u>
Total	<u>\$ 110,652</u>	<u>\$ 8,497</u>

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

Year Ended September 30:

2022	\$ 19,773
2023	20,863
2024	21,258
2025	19,760
2026	7,419
Thereafter	<u>821</u>
Total	<u>\$ 89,894</u>

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 8: CONTINGENT LIABILITIES

COVID-19 Outbreak

Public health epidemics or outbreaks could adversely impact the world economy and the economies of the United States, the State of Alabama and the Town. In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to many other countries and infections have been reported globally, including in the United States, where the virus has caused infections in each state, including the State of Alabama. The continued spread of the coronavirus in the United States and the State of Alabama could have a material adverse effect on the Town's operations and its financial condition, including a negative impact on the Town's collections of sales and uses taxes, lodging taxes and other taxes and fees necessary for the operation of the Town. Like other cities in the State of Alabama, a large portion of the annual revenues of the Town comes from the collection of sales and uses taxes, and a reduction in the collection of these taxes could have a material adverse effect on the financial condition of the Town and could impact the Town's ability to pay the principal of and interest on the Town's debt obligations. The extent to which the coronavirus impacts the Town's operations and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Therefore, it is currently impossible to accurately predict what the long term effects of the coronavirus will be on our operations.

Risk Financing

The Town of Wilton, Alabama is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage in the prior fiscal year.

Federal Grants

In the normal course of operations, the Town receives funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 9: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid

Total interest paid on debt	\$ <u>4,804</u>
Total interest expensed	\$ <u>4,804</u>
Total interest capitalized	\$ <u>0</u>

NOTE 10: SIGNIFICANT COMMITMENTS

Offer In Comprise Settlement with the Internal Revenue Service (IRS)

In April of 2021, the Town and the Internal Revenue Service signed an agreement in regards to an offer in compromise for prior year unpaid payroll taxes, penalties and interest. The original application was submitted in August 2020. The original application was modified by addendum on April 20, 2021 and final approval was received July 2021. The IRS accepted the offer subject to various terms. The conditions of the offer require the Town to timely file and pay all required taxes for five years (including any extensions). The IRS had filed a federal tax lien against the Town. This lien will be released once the offer is paid in full. If the Town fails to meet any of the terms and conditions of the offer, the IRS will issue a notice to default the agreement. If the offer defaults, the original tax, including all penalties and interest will be due immediately. The approved and final addendum to Form 656 to the offer in compromise agreed upon the following repayment terms. The Town was to make total payments of \$173,174, which included an initial down payment with the offer of \$25,000, plus initial installments made of \$35,000 (7 payments of \$5,000), and to make payments of \$5,000 per month beginning with the month of April 2021 for 21 consecutive months with a final payment of \$3,174 to be paid on the 15th day of the 23rd month.

	<u>General Fund</u>	<u>Water and Gas</u>	<u>Total</u>
Estimated Balance due at initial offer and compromise (including estimated penalties, interest, and tax due:	\$ 150,955	\$ 150,955	\$ 301,910
Offer in compromise adjustment (gain):	<u>(64,368)</u>	<u>(64,368)</u>	<u>(128,736)</u>
Balance due after acceptance of offer in compromise with IRS	86,587	86,587	173,174

(Continued)

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10: SIGNIFICANT COMMITMENTS (Continued)

	<u>General Fund</u>	<u>Water and Gas</u>	<u>Total</u>
Initial down payment and installment payments made by Sept. 30, 2021	<u>(15,000)</u>	<u>(75,000)</u>	<u>(90,000)</u>
Remaining balance due on offer in compromise at September 30, 2021:	<u>\$ 71,587</u>	<u>\$ 11,587</u>	<u>\$ 83,174</u>

The Town recognized a total gain as a result of the offer in compromise of \$128,736. This gain is split equally between the General Fund and the Water/Gas Department. A portion of the remaining balance under the agreement is due after one year, but for purposes of the financial statements the Town is recognizing the full liability as short term due to the potential for recall of full balance if compliance requirements aren't met. Final payoff of the offer in compromise is expected to occur in February 2023.

Payable Agreement with Shelby County Commission

The Town has an agreement with the Shelby County Commission in which the County provides police contract services in the form of a full time deputy within the Town limits for a set monthly costs. The agreement and cost is adjusted annually as needed. The Town had fallen behind on its monthly obligation payments. As of September 30, 2021 the Town owed to the Shelby County Commission for police contract services previously provided in the amount of \$52,567. Per agreement with the Town and the Shelby County Commission, the County has agreed to let the Town defer payments for past due amounts until such time the IRS offer in compromise is paid in full. At such time the Town has agreed to begin making payments of \$5,000 per month (in addition to normal monthly charge for current monthly services) until the debt with the Shelby County Commission is satisfied. Due to the nature of the agreement and that the services have already been provided and the Town is recognizing the entire payable to the County as a short-term liability.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 5, 2022, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended September 30, 2021. No items requiring recording or disclosure were noted.

TOWN OF WILTON, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 12: ASSET RETIREMENT OBLIGATIONS

The GASB issued Statement No. 83, Certain Asset Retirement Obligations to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

The Town has determined that the financial statements are subject to recognition of an Asset Retirement Obligation in accordance with GASB Statement No. 83. The Town operates a water system facility that would be subject to recognition as an asset retirement obligation. At this time, the Town has determined that the amount of the related asset retirement obligation was undeterminable and as a result no asset retirement obligation has been recognized.

NOTE 13: CONCENTRATIONS

The Town collects a significant portion of its total sales tax from a small number of consumers.

The Town collects a significant portion of its total franchise fees from a small number of consumers.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WILTON, ALABAMA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Revenues</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fines and fees	\$ 50	\$ 50	50	50
Grant income			3,692	3,692
Licenses and permits	27,920	27,920	35,388	7,468
Miscellaneous			41	41
Tax revenue	<u>131,925</u>	<u>131,925</u>	<u>297,054</u>	<u>165,129</u>
Total Revenues	<u>159,845</u>	<u>159,845</u>	<u>336,225</u>	<u>176,380</u>
<u>Expenditures</u>				
Annex	350	350	451	(101)
Community center	750	750	775	(25)
General government	59,200	59,200	82,090	(22,890)
Park and recreation		0	70	(70)
Police protection	91,510	91,510	83,884	7,626
Payment on debt - IRS offer in compromise	35,000	35,000	15,000	20,000
Street	<u>8,500</u>	<u>8,500</u>	<u>9,278</u>	<u>(778)</u>
Total Expenditures	<u>195,310</u>	<u>195,310</u>	<u>191,548</u>	<u>3,762</u>
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	<u>\$ (35,465)</u>	<u>\$ (35,465)</u>	<u>144,677</u>	<u>\$ 180,142</u>
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Revenue and transfer accruals			77,263	
Expenditure and transfer accruals			<u>16,347</u>	
Net changes in fund balances (GAAP basis)		<u>\$ 238,287</u>		

NOTE: The Town is not legally required to adopt a budget for the Sewer and Water/Gas Funds.

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

TOWN OF WILTON, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

Budgets and Budgetary Accounting

An operating budget is adopted each year for the general fund.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is enacted through passage of a resolution.
- c. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- d. Budgets are adopted on the cash basis of accounting.
- e. Excess appropriations at the end of the fiscal year lapse.

Budgeted amounts reported in the financial statements are as originally adopted, or as amended by the Town Council.

See independent auditor's report.

TOWN OF WILTON, ALABAMA

SCHEDULE OF CHANGES IN NET PENSION ASSET
FOR THE YEARS ENDED SEPTEMBER 30,

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 17,364	\$ 7,005	\$ 4,867	\$ 4,485	\$ 6,031	\$ 5,375	\$ 6,072
Interest	24,297	13,760	10,820	9,802	6,926	7,642	6,627
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	69,978	584	30,386	(177)	8,116	(21,970)	0
Changes of assumptions	0	0	840	0	18,830	0	0
Benefit payments, including refunds of employee contributions	(11,741)	(15,743)	(1,957)	0	0	0	0
Transfers among employers	<u>0</u>	<u>129,237</u>	<u>1,022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in total pension liability	99,898	134,843	45,978	14,110	39,903	(8,953)	12,699
Total pension liability - beginning	<u>321,412</u>	<u>186,569</u>	<u>140,591</u>	<u>126,481</u>	<u>86,578</u>	<u>95,531</u>	<u>82,832</u>
Total pension liability ending (a)	\$ <u>421,310</u>	\$ <u>321,412</u>	\$ <u>186,569</u>	\$ <u>140,591</u>	\$ <u>126,481</u>	\$ <u>86,578</u>	\$ <u>95,531</u>

(Continued)

See notes to required supplementary information.

TOWN OF WILTON, ALABAMA

SCHEDULE OF CHANGES IN NET PENSION ASSET (Continued)
FOR THE YEARS ENDED SEPTEMBER 30,

Plan Fiduciary Net Position	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributions - employer	\$ 7,374	\$ 6,652	\$ 4,017	\$ 5,014	\$ 4,791	\$ 5,286	\$ 4,069
Contributions - member	7,778	7,995	6,105	5,485	4,699	4,886	3,408
Net investment income	16,206	5,454	12,174	13,814	9,049	926	7,421
Benefit payments, including refunds of employee contributions	(11,741)	(15,743)	(1,957)	0	0	0	0
Transfers among employers	<u>0</u>	<u>129,237</u>	<u>1,022</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in plan fiduciary net position	19,617	133,595	21,361	24,313	18,539	11,098	14,898
Plan net position - beginning	<u>281,909</u>	<u>148,314</u>	<u>126,953</u>	<u>102,640</u>	<u>84,101</u>	<u>73,003</u>	<u>58,105</u>
Plan net position - ending (b)	<u>\$ 301,526</u>	<u>\$ 281,909</u>	<u>\$ 148,314</u>	<u>\$ 126,953</u>	<u>\$ 102,640</u>	<u>\$ 84,101</u>	<u>\$ 73,003</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 119,784</u>	<u>\$ 39,503</u>	<u>\$ 38,255</u>	<u>\$ 13,638</u>	<u>\$ 23,841</u>	<u>\$ 2,477</u>	<u>\$ 22,528</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.57%</u>	<u>87.71%</u>	<u>79.50%</u>	<u>90.30%</u>	<u>81.15%</u>	<u>97.14%</u>	<u>76.42%</u>
Covered-employee payroll	<u>\$ 151,729</u>	<u>\$ 119,434</u>	<u>\$ 110,708</u>	<u>\$ 107,786</u>	<u>\$ 110,631</u>	<u>\$ 104,544</u>	<u>\$ 90,121</u>
Net pension liability (asset) as a percentage of covered-employee payroll	<u>(78.95)%</u>	<u>(33.08)%</u>	<u>(34.55)%</u>	<u>(12.65)%</u>	<u>(21.55)%</u>	<u>(2.37)%</u>	<u>(24.99)%</u>

See notes to required supplementary information.

TOWN OF WILTON, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED SEPTEMBER 30,

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 12,261	\$ 7,374	\$ 6,652	\$ 4,017	\$ 5,014	\$ 4,791	\$ 5,286
Contributions in relation to the actuarially determined contribution	<u>12,261</u>	<u>7,374</u>	<u>6,652</u>	<u>4,017</u>	<u>5,014</u>	<u>4,791</u>	<u>5,286</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered - employee payroll	<u>\$ 140,434</u>	<u>\$ 151,729</u>	<u>\$ 119,434</u>	<u>\$ 110,708</u>	<u>\$ 107,786</u>	<u>\$ 110,631</u>	<u>\$ 104,544</u>
Contributions as a percentage of covered-employee payroll	<u>8.73%</u>	<u>4.86%</u>	<u>5.57%</u>	<u>3.63%</u>	<u>4.65%</u>	<u>4.33%</u>	<u>5.06%</u>

See notes to required supplementary information.

TOWN OF WILTON, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

NOTE 2: SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

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:	12.8 years
Asset valuation method:	Five year smoothed market
Inflation:	2.75%
Salary increases:	3.25 - 5.00% including inflation
Investment rate of return:	7.70%, net of pension plan investment expense, including inflation

See independent auditor's report.

SUPPLEMENTARY INFORMATION

TOWN OF WILTON, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

<u>ASSETS</u>								
<u>Assets</u>								
Accounts receivable	\$ 157	\$ 124	\$ 1,456	\$			\$ 1,737	
Interfund receivable	235						235	
<u>Restricted Assets</u>								
Cash	<u>9,754</u>	<u>8,923</u>	<u>26,223</u>	<u>36,607</u>			<u>81,507</u>	
Total Assets	<u>\$ 10,146</u>	<u>\$ 9,047</u>	<u>\$ 27,679</u>	<u>\$ 36,607</u>			<u>\$ 83,479</u>	
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Interfund payable	\$	\$	\$ 100	\$			\$ 100	
Total Liabilities	<u>0</u>	<u>0</u>	<u>100</u>	<u>0</u>			<u>100</u>	
<u>Fund Balances</u>								
Restricted	<u>10,146</u>	<u>9,047</u>	<u>27,579</u>	<u>36,607</u>			<u>83,379</u>	
Total Fund Balances	<u>10,146</u>	<u>9,047</u>	<u>27,579</u>	<u>36,607</u>			<u>83,379</u>	
Total Liabilities and Fund Balances	<u>\$ 10,146</u>	<u>\$ 9,047</u>	<u>\$ 27,679</u>	<u>\$ 36,607</u>			<u>\$ 83,479</u>	

See independent auditor's report.

TOWN OF WILTON, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>2 & 7 Cents Gas Tax</u>	<u>4 & 5 Cents Gas Tax</u>	<u>Rebuild AL Gas Tax</u>	<u>State Capital Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Revenues</u>					
Interest	\$ 5	\$ 4	\$	\$ 17	\$ 26
State capital				7,954	7,954
Taxes - state gas allocations	<u>1,715</u>	<u>1,354</u>	<u>16,247</u>		<u>19,316</u>
Total Revenue	<u>1,720</u>	<u>1,358</u>	<u>16,247</u>	<u>7,971</u>	<u>27,296</u>
<u>Expenditures</u>					
Street					0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	1,720	1,358	16,247	7,971	27,296
Fund Balance, Beginning of Year	<u>8,426</u>	<u>7,689</u>	<u>11,332</u>	<u>28,636</u>	<u>56,083</u>
Fund Balance, End of Year	<u>\$ 10,146</u>	<u>\$ 9,047</u>	<u>\$ 27,579</u>	<u>\$ 36,607</u>	<u>\$ 83,379</u>

See independent auditor's report.