

TOWN OF FLOMATON, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

**TOWN OF FLOMATON, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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FINANCIAL SECTION

Members

B. Vance Kilgore, CPA
Kim C. Brittain, CPA
B. Matthew Brown, CPA



Kilgore, Brown & Brittain, LLC

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison of the general fund of the Town of Flomaton, Alabama, as of and for the year ended September 30, 2019, 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 states 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Flomaton, Alabama, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and the Schedule of Employer Contributions on pages 35-36 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Flomaton, Alabama's basic financial statements. The supplementary information on pages 38-40 is presented for the purposes of additional analysis and are not required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates 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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2020 on our consideration of the Town of Flomaton, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kilgore, Brown & Brittain, LLC

Certified Public Accountants

October 26, 2020
Brewton, Alabama

TOWN OF FLOMATON, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 45,336	\$ 71,782	\$ 117,118
Receivables, net	55,477	64,078	119,555
Due from external parties	24,592	7,487	32,079
Prepaid expenses	17,106	2,358	19,464
Inventories	11,966	17,086	29,052
Capital assets, net			
Land and improvements	297,327	22,434	319,761
Other capital assets, net of depreciation	3,122,056	1,935,103	5,057,159
	<u>3,573,860</u>	<u>2,120,328</u>	<u>5,694,188</u>
Deferred outflows of resources	<u>135,537</u>	<u>48,492</u>	<u>184,029</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 3,709,397</u></u>	<u><u>\$ 2,168,820</u></u>	<u><u>\$ 5,878,217</u></u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 198,485	\$ 108,195	\$ 306,680
Customer deposits	-	29,450	29,450
Internal balances	17,684	(17,684)	-
Noncurrent liabilities			
Due within one year	212,081	27,647	239,728
Due in more than one year	1,498,627	9,261	1,507,888
Net pension liability	85,858	61,945	147,803
	<u>2,012,735</u>	<u>218,814</u>	<u>2,231,549</u>
Deferred inflows of resources	<u>39,318</u>	<u>13,528</u>	<u>52,846</u>
Total Liabilities and deferred inflows of resources	<u>2,052,053</u>	<u>232,342</u>	<u>2,284,395</u>
NET POSITION			
Net investment in capital assets	1,708,675	1,920,629	3,629,304
Restricted for street improvement and construction	22,472	-	22,472
Unrestricted	(73,803)	15,849	(57,954)
	<u>1,657,344</u>	<u>1,936,478</u>	<u>3,593,822</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 3,709,397</u></u>	<u><u>\$ 2,168,820</u></u>	<u><u>\$ 5,878,217</u></u>

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General	\$ 520,074	\$ 324,501	\$ -	\$ 8,391	\$ (187,182)		\$ (187,182)
Public safety							
Police	733,045	145,730	-	-	(587,315)		(587,315)
Fire	102,738	-	-	-	(102,738)		(102,738)
Public works							
Street	225,197	-	-	-	(225,197)		(225,197)
Library	139,317	-	-	-	(139,317)		(139,317)
Park	105,776	-	-	-	(105,776)		(105,776)
Unallocated depreciation	233,649	-	-	-	(233,649)		(233,649)
Interest on long-term debt	65,319	-	-	-	(65,319)		(65,319)
Total governmental activities	<u>520,074</u>	<u>324,501</u>	<u>-</u>	<u>8,391</u>	<u>(1,646,493)</u>		<u>(1,646,493)</u>
Business-type activities:							
Trash and garbage	125,289	129,295	-	-	-	\$ 4,006	4,006
Water	374,815	324,127	-	-	-	(50,688)	(50,688)
Sewer	290,845	251,493	-	-	-	(39,352)	(39,352)
Total business-type activities	<u>374,815</u>	<u>324,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,034)</u>	<u>(86,034)</u>
Total primary government	<u>\$ 894,889</u>	<u>\$ 648,628</u>	<u>\$ -</u>	<u>\$ 8,391</u>	<u>(1,646,493)</u>	<u>(86,034)</u>	<u>(1,732,527)</u>
General revenues:							
Taxes							
Property					113,167	-	113,167
Sales					899,761	-	899,761
Other					274,608	-	274,608
Investment earnings					63	30	93
Other					69,879	-	69,879
Transfers in/ (out)					32,255	(32,255)	-
Total general revenues and transfers					<u>1,389,733</u>	<u>(32,225)</u>	<u>1,357,508</u>
Change in net position					(256,760)	(118,259)	(375,019)
Net position, beginning					1,914,104	2,054,737	3,968,841
Net position, ending					<u>\$ 1,657,344</u>	<u>\$ 1,936,478</u>	<u>\$ 3,593,822</u>

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 29,901	\$ 15,435	\$ 45,336
Receivables	55,477	-	55,477
Prepaid items	17,106	-	17,106
Inventories	11,966	-	11,966
Due from other Town funds	232,855	7,112	239,967
Due from external parties	24,592	-	24,592
	<u>371,897</u>	<u>22,547</u>	<u>394,444</u>
Total Assets	<u>\$ 371,897</u>	<u>\$ 22,547</u>	<u>\$ 394,444</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 128,390	\$ 75	\$ 128,465
Accrued liabilities	62,438	-	62,438
Due to other Town funds	257,651	-	257,651
	<u>448,479</u>	<u>75</u>	<u>448,554</u>
Total Liabilities	<u>448,479</u>	<u>75</u>	<u>448,554</u>
FUND BALANCES			
Nonspendable	29,072	-	29,072
Restricted for street improvement and construction	-	22,472	22,472
Unassigned	(105,654)	-	(105,654)
	<u>(76,582)</u>	<u>22,472</u>	<u>(54,110)</u>
Total fund balances	<u>(76,582)</u>	<u>22,472</u>	<u>(54,110)</u>
Total Liabilities and Fund Balances	<u>\$ 371,897</u>	<u>\$ 22,547</u>	<u>\$ 394,444</u>

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACITIVITIES
SEPTEMBER 30, 2019**

Fund Balances as reported on page 5 \$ (54,110)

Net Position reported for governmental activities in the Statement of Net Position are different from Fund Balances for governmental activities because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in fund financial statements. Those assets consist of:

Land	297,327	
Other capital assets, net of \$5,652,192 accumulated depreciation	<u>3,122,056</u>	
Total capital assets		3,419,383

Deferred outflows (inflows) of resources related to pensions are applicable to future periods and, therefore, are not reported in government funds	96,219
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Some liabilities, including accrued interest, are not due and payable in the current period and therefore are not reported in the fund financial statements	(7,582)
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Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(85,858)
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Long-term liabilities, including general obligation debt, capital lease obligations and notes payable are not due and payable in the current period and therefore are not reported in the fund financial statements.	<u>(1,710,708)</u>
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Net Position of Governmental Activities as reported on page 3	<u><u>\$ 1,657,344</u></u>
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TOWN OF FLOMATON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,270,448	\$ 17,088	\$ 1,287,536
Intergovernmental	20,008	-	20,008
Licenses and permits	304,493	-	304,493
Fines and forfeitures	145,730	-	145,730
Fees and charges	380	-	380
Interest	63	-	63
Revenue from Town property	24,192	-	24,192
Other	45,307	-	45,307
	<u>1,810,621</u>	<u>17,088</u>	<u>1,827,709</u>
EXPENDITURES			
General	513,086	-	513,086
Public safety	835,783	-	835,783
Public works	216,797	8,400	225,197
Other departments	236,702	-	236,702
Debt service:			-
Principal	218,044	-	218,044
Interest	65,319	-	65,319
Capital outlay	25,530	-	25,530
	<u>2,111,261</u>	<u>8,400</u>	<u>2,119,661</u>
Excess Revenues Over (Under) Expenditures	<u>(300,640)</u>	<u>8,688</u>	<u>(291,952)</u>
OTHER FINANCING SOURCES AND (USES)			
Debt proceeds	36,001	-	36,001
Transfers in/ (out)	32,255	-	32,255
	<u>68,256</u>	<u>-</u>	<u>68,256</u>
NET CHANGE IN FUND BALANCES	(232,384)	8,688	(223,696)
Fund balances-beginning of year	<u>155,802</u>	<u>13,784</u>	<u>169,586</u>
FUND BALANCES-END OF YEAR	<u><u>\$ (76,582)</u></u>	<u><u>\$ 22,472</u></u>	<u><u>\$ (54,110)</u></u>

See independent auditors' report and notes to the financial statements.

TOWN OF FLOMATON, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances--total governmental funds, page 7 \$ (223,696)

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

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

Capital outlays for the year	25,530
Depreciation expense for the year	(233,649)

Bonds and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Notes payable incurred during the year	(36,001)
Principal payments on notes and warrants	218,044

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

Pension expense	<u>(6,988)</u>
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Change in Net Position of Government Activities, page 4 \$ (256,760)

TOWN OF FLOMATON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2019

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,155,225	\$ 1,270,448	\$ 115,223
Intergovernmental	33,500	20,008	(13,492)
Licenses and permits	313,500	304,493	(9,007)
Fines and forfeitures	140,000	145,730	5,730
Fees and charges	800	380	(420)
Interest	500	63	(437)
Revenue from Town property	29,000	24,192	(4,808)
Other	66,100	45,307	(20,793)
	<u>1,738,625</u>	<u>1,810,621</u>	<u>71,996</u>
EXPENDITURES			
General	202,894	513,086	310,192
Public safety	756,988	835,783	78,795
Public works	265,708	216,797	(48,911)
Other departments	211,747	236,702	24,955
Debt service:			
Principal	171,605	218,044	46,439
Interest	-	65,319	65,319
Capital outlay	-	25,530	25,530
	<u>1,608,942</u>	<u>2,111,261</u>	<u>502,319</u>
Excess Revenues Over (Under) Expenditures	<u>129,683</u>	<u>(300,640)</u>	<u>(430,323)</u>
OTHER FINANCING SOURCES AND (USES)			
Debt proceeds	-	36,001	36,001
Transfers in	39,362	32,255	71,617
	<u>39,362</u>	<u>68,256</u>	<u>107,618</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 169,045</u>	<u>(232,384)</u>	<u>\$ (322,705)</u>
Fund balances-Beginning of year		<u>155,802</u>	
Fund Balance at End of Year		<u>\$ (76,582)</u>	

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Assets	Trash and Garbage	Water Fund	Sewer Fund	Totals
Current assets				
Cash	\$ 2,590	\$ 57,800	\$ 11,392	\$ 71,782
Accounts receivable	13,299	24,982	25,797	64,078
Due from other Town funds	13,752	323,873	144,284	481,909
Due from external parties	250	1,667	5,570	7,487
Prepaid expenses	744	831	783	2,358
Inventories	-	12,537	4,550	17,087
	<u>30,635</u>	<u>421,690</u>	<u>192,376</u>	<u>644,701</u>
Total current assets				
Noncurrent assets				
Property, plant, and equipment				
Land, and improvements	-	6,285	16,149	22,434
Utility systems	-	2,143,165	1,673,386	3,816,551
Buildings and improvements	-	6,133	2,467	8,600
Equipment	10,453	636,567	382,226	1,029,246
	<u>10,453</u>	<u>2,792,150</u>	<u>2,074,228</u>	<u>4,876,831</u>
Less accumulated depreciation	<u>10,453</u>	<u>1,883,375</u>	<u>1,025,466</u>	<u>2,919,294</u>
	<u>-</u>	<u>908,775</u>	<u>1,048,762</u>	<u>1,957,537</u>
Net property, plant, and equipment				
Total noncurrent assets	<u>-</u>	<u>908,775</u>	<u>1,048,762</u>	<u>1,957,537</u>
Deferred outflows of resources	<u>-</u>	<u>29,024</u>	<u>19,468</u>	<u>48,492</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 30,635</u></u>	<u><u>\$ 1,359,489</u></u>	<u><u>\$ 1,260,606</u></u>	<u><u>\$ 2,650,730</u></u>

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Liabilities and Net Position	Trash and Garbage	Water Fund	Sewer Fund	Totals
Current liabilities				
Accounts payable	\$ 16,577	\$ 38,390	\$ 26,399	\$ 81,366
Accrued liabilities	-	26,829	-	26,829
Due to other Town funds	6,402	91,781	366,042	464,225
Customer deposits	1,700	21,790	5,960	29,450
Noncurrent liabilities				
Due within one year	-	27,647	-	27,647
Due in more than one year	-	9,261	-	9,261
Net pension liability	-	30,682	31,263	61,945
Total liabilities	24,679	246,380	429,664	700,723
Deferred inflows of resources	-	8,174	5,355	13,529
Total liabilities and deferred inflows of resources	24,679	254,554	435,019	714,252
Net position				
Net investment in capital assets	-	871,867	1,048,762	1,920,629
Unrestricted	5,956	233,068	(223,175)	15,849
Total net position	5,956	1,104,935	825,587	1,936,478
Total Liabilities and Net Position	\$ 30,635	\$ 1,359,489	\$ 1,260,606	\$ 2,650,730

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Trash And Garbage</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
Operating Revenues				
Charges for services	\$ 129,295	\$ 324,127	\$ 251,493	\$ 704,915
Total operating revenues	<u>129,295</u>	<u>324,127</u>	<u>251,493</u>	<u>704,915</u>
Operating Costs and Expenses				
Cost of sales and services	119,102	-	-	119,102
Salaries and wages	-	121,840	90,233	212,073
Utilities	-	25,370	35,151	60,521
Maintenance and supplies	-	81,552	64,178	145,730
Employee benefits	-	23,629	17,635	41,264
Insurance	-	23,958	14,185	38,143
Professional fees	1,290	2,107	8,542	11,939
Office expense	4,897	1,347	1,070	7,314
Depreciation and amortization	-	91,572	55,385	146,957
Other	-	3,441	4,465	7,906
Total operating costs and expenses	<u>125,289</u>	<u>374,816</u>	<u>290,844</u>	<u>790,949</u>
Operating Income (Loss)	<u>4,006</u>	<u>(50,689)</u>	<u>(39,351)</u>	<u>(86,034)</u>
Non-Operating Revenue (Expenses)				
Interest earned	<u>2</u>	<u>25</u>	<u>3</u>	<u>30</u>
Total non-operating revenue (expenses)	<u>2</u>	<u>25</u>	<u>3</u>	<u>30</u>
Transfers In (Out)	<u>(11,913)</u>	<u>(12,277)</u>	<u>(8,065)</u>	<u>(32,255)</u>
Change in Net Position	(7,905)	(62,941)	(47,413)	(118,259)
Net Position at Beginning of Year	<u>13,861</u>	<u>1,167,876</u>	<u>873,000</u>	<u>2,054,737</u>
Net Position at End of Year	<u>\$ 5,956</u>	<u>\$ 1,104,935</u>	<u>\$ 825,587</u>	<u>\$ 1,936,478</u>

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Trash And Garbage	Water Fund	Sewer Fund	Totals
Cash Flows from Operating Activities:				
Receipts from customers	\$ 130,334	\$ 314,152	\$ 256,688	\$ 701,174
Payments to suppliers	(126,453)	(144,052)	(136,442)	(406,947)
Payments to employees	-	(145,469)	(107,867)	(253,336)
Net Cash Provided by Operating Activities	<u>3,881</u>	<u>24,631</u>	<u>12,379</u>	<u>40,891</u>
Cash Flows from Noncapital Financing Activities				
Transfers in/ (out)	(11,913)	(12,277)	(8,065)	(32,255)
Payments from (to) other funds	<u>2,795</u>	<u>30,423</u>	<u>5,056</u>	<u>38,274</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(9,118)</u>	<u>18,146</u>	<u>(3,009)</u>	<u>6,019</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital debt	-	(27,598)	-	(27,598)
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>(14,734)</u>	<u>(14,734)</u>
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(27,598)</u>	<u>(14,734)</u>	<u>(42,332)</u>
Cash Flows from Investing Activities				
Interest income	<u>2</u>	<u>25</u>	<u>3</u>	<u>30</u>
Net Cash Provided by Investing Activities	<u>2</u>	<u>25</u>	<u>3</u>	<u>30</u>
Net Decrease in Cash	(5,235)	15,204	(5,361)	4,608
Cash at Beginning of Year	<u>7,825</u>	<u>42,596</u>	<u>16,752</u>	<u>67,173</u>
Cash at End of Year	<u><u>\$ 2,590</u></u>	<u><u>\$ 57,800</u></u>	<u><u>\$ 11,391</u></u>	<u><u>\$ 71,781</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 4,006	\$ (50,689)	\$ (39,351)	\$ (86,034)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	-	91,572	55,385	146,957
Change in pension expense as related to GASB 68	-	1,411	1,008	2,419
Change in accounts receivable	1,299	(7,470)	6,569	398
Change in customer deposits	(260)	(2,505)	(1,375)	(4,140)
Change in accrued expenses	-	(2,663)	(2,311)	(4,974)
Change in accounts payable	<u>(1,164)</u>	<u>(5,025)</u>	<u>(7,545)</u>	<u>(13,734)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 3,881</u></u>	<u><u>\$ 24,631</u></u>	<u><u>\$ 12,380</u></u>	<u><u>\$ 40,892</u></u>

See independent auditors' report and notes to the financial statements.

**TOWN OF FLOMATON, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019**

	Agency Funds
ASSETS	
Cash	\$ 966
Prepaid insurance	93
Due from grantor	17,918
TOTAL ASSETS	\$ 18,977
LIABILITIES	
Accounts payable	\$ 499
Due to Town	18,478
TOTAL LIABILITIES	\$ 18,977

See independent auditors' report and notes to the financial statements.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Flomaton, Alabama (the Town) was incorporated under the laws and statutes of the State of Alabama in 1908. The Town operates under a Mayor-Council form of government chosen at large every four years.

A. REPORTING ENTITY

The financial statements of the Town have been prepared in conformity with the accounting principles generally accepted in the United States of America as specified by the Governmental Accounting Standards Board (GASB). In addition, there are no component units as defined in Governmental Accounting Standards Board Statement 61, which are included in the Town's reporting entity.

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

Government-wide

The basic financial statements include government-wide and fund financial statements. The reporting model focuses on the Town as a whole and major funds. Government-wide and fund financial statements categorize primary activities as governmental or business type. In the Statement of Net Position, governmental and business-type activities (a) are presented on a consolidated basis, and (b) reflect full accrual accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations. As a general rule, eliminations have been made to minimize the double-counting of internal activities.

The Statement of Activities reflects both the gross and net cost per functional category (public works, police, fire, etc.) which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.). The Statement of Activities reduces gross expenses, including depreciation, by related program revenues. The program revenues must be directly associated with a function of a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Fund Level

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

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounts of the Town are organized on the basis of funds which are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principle activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues result from nonexchange transactions or ancillary activities. The various funds are grouped into broad fund categories as follows:

The *General Fund* accounts for all revenues and expenditures of the Town except those which must be accounted for by other funds, and it is the largest accounting activity of the Town. These resources together with the interfund revenues finance all of the current operations of the general governmental units which basically benefit all of the taxpayers or citizenry as a whole. In addition, it underwrites any deficits in other funds.

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance resolutions to finance particular activities or functions.

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

Agency Fund is used to account for assets held by the Town as an agent for individuals, private organizations, or governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The Town reports the following major governmental funds:

- *General Fund*
- The *Special Revenue Fund* accounts for the gasoline tax designated to support the Town streets and roadways.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major enterprise fund:

- The *Trash and Garbage Fund* accounts for the Town's garbage operations.
- The *Water Fund* accounts for the Town's water system operations.
- The *Sewer Fund* accounts for the Town's sewer operations.

Impact of Recently Issued Accounting Principles

GASB Statement No. 87, *Leases*, was issued to improve the consistency of accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB Statement No. 87 are effective for the fiscal year 2021. The Town is currently evaluating the impact that this statement may have on the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the disclosures in notes to government financial statements related to debt, including direct borrowings and direct placements. The statement also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for fiscal year 2019. The adoption of GASB Statement No. 88 did not have any impact on the Town's financial statements.

C. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets tangible in nature, with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase capital assets of business-type activities is reflected in the capitalized value of the asset constructed.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation of all exhaustible capital assets except infrastructure is charged as an expense against their operations or functions whereas the infrastructure depreciation is unallocated. Property, plant and equipment of the primary government are depreciated using the straight-line method over the useful lives as follows:

Buildings	20-25 years
Sidewalks, streets, and bridges	50 years
Vehicles and equipment	5-10 years
Furniture and fixtures	7 years
Computer equipment	3-5 years
Improvements other than buildings	20 years
Utility plants in service	20-40 years
Roads	20 years
Traffic signals	10-20 years

D. BASIS OF ACCOUNTING

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

Governmental funds use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual, that is, when they become *measurable and available*. *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers sales taxes and similar taxes collected by an intermediary at year end but not remitted until the following fiscal year to be available and therefore recognized as revenues if collected within 60 days of the year end. Revenue, which is not both measurable and available includes licenses, permits and fines. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which are recognized when due.

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

E. DEFERRED OUTFLOWS OF RESOURCES

Represent deferred losses associated with the pension plan at the end of the Town's fiscal year and is amortized over twelve months. Represent deferred losses on the net difference between projected and actual earnings on the pension plan investments which is amortized on the straight-line method over a five-year period.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. DEFERRED INFLOWS OF RESOURCES

Represent deferred gains on the net difference between projected and actual earnings on the pension plan investments which is amortized on the straight-line method over a five-year period.

G. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

H. INVENTORIES

Inventories in governmental funds consist of expandable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost. Proprietary funds are recorded in like manner.

I. BUDGETS AND BUDGETARY ACCOUNTING

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

1. 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 for the upcoming year. Line item budgets are used for administrative control the level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of an ordinance.
4. A report is submitted to the Town Council showing approved budget and actual operations.
5. The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer of funds between departments must be approved by the Town Council.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund.
7. Budgets for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. AD VALOREM TAXES

Ad Valorem taxes are levied on the assessed property valuations as of October 1 each year. They are due on October 1, but are not considered delinquent until December 31, after which delinquent penalties are levied. If taxes and penalties are not paid by the third week in May of the following year, the property is then sold for taxes due and remittance is made by the Escambia County Tax Collector to the Town of Flomaton.

K. NET POSITION AND EQUITY CLASSIFICATIONS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Town considers restricted fund balances to have been spent when both restricted and unrestricted fund balances are available. Also, the Town considers assigned and committed fund balances to have been spent when unassigned or unrestricted amounts are available.

L. INSURANCE

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. There were no instances of settlements that exceeded insurance coverage in the last three fiscal years.

M. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. ACCUMULATED UNPAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS

Accumulated unpaid vacation, sick pay, and other employee amounts are paid when incurred by the Town. Such amounts are accrued in the governmental funds and the proprietary funds. Governmental fund amounts are expected to be paid within one year. At September 30, 2019, the estimated amount of vacation pay and sick pay was \$30,509 for the general fund and \$24,712 for the proprietary funds.

O. MANAGEMENT ESTIMATES AND ASSUMPTIONS

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

P. SUBSEQUENT EVENTS

The Town has evaluated subsequent events through October 26, 2020, the date which the financial statements were available to be issued. There were no material subsequent events which require disclosure at September 30, 2019.

NOTE 2 DEPOSITS AND INVESTMENTS

Investment Risk

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

Credit Risk

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

Custodial Credit Risk

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

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At September 30, 2019, interfund receivables and payables consisted of the following:

	Interfund Payables				Totals
	General	Water	Sewer	Agency	
<u>Interfund Receivables</u>					
General	\$ -	\$ 70,897	\$ 337,113	\$ 24,592	\$ 432,602
Water	280,228	-	43,644	1,667	325,539
Sewer	127,684	16,600	-	5,570	149,854
Garbage	9,143	4,609	-	250	14,002
Special Revenue	7,112	-	-	-	7,112
Totals	<u>\$ 424,167</u>	<u>\$ 92,106</u>	<u>\$ 380,757</u>	<u>\$ 32,079</u>	<u>\$ 929,109</u>

The purpose of the interfund receivables and payables is to transfer funds for short-term loans.

At September 30, 2019, interfund transfers consisted of the following:

Transfers In	Transfers Out			Total
	Water	Sewer	Garbage	
General	\$ 15,278	\$ 7,567	\$ 9,410	\$ 32,255
Totals	<u>\$ 15,278</u>	<u>\$ 7,567</u>	<u>\$ 9,410</u>	<u>\$ 32,255</u>

These transfers were used to reimburse the general fund for expenditure paid by it on behalf of other funds.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance 10/1/2018	Additions	Reclassifications/ Retirements	Balance 9/30/2019
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 297,327	\$ -	\$ -	\$ 297,327
Construction in progress	200,721	-	200,721	-
Total capital assets not being depreciated	<u>498,048</u>	<u>-</u>	<u>200,721</u>	<u>297,327</u>
<i>Capital assets being depreciated</i>				
Buildings	893,626	-	-	893,626
Improvements other than buildings	5,683,090	213,977	-	5,897,067
Equipment	1,963,239	12,274	-	1,975,513
Total capital assets being depreciated	<u>8,539,955</u>	<u>226,251</u>	<u>-</u>	<u>8,766,206</u>
Less accumulated depreciation	<u>5,410,501</u>	<u>233,649</u>	<u>-</u>	<u>5,644,150</u>
Total capital assets being depreciated	<u>3,129,454</u>	<u>(7,398)</u>	<u>-</u>	<u>3,122,056</u>
Capital assets, net	<u>\$ 3,627,502</u>	<u>\$ (7,398)</u>	<u>\$ 200,721</u>	<u>\$ 3,419,383</u>

Depreciation was charged to governmental activities as follows:

General \$ 233,649

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 CAPITAL ASSETS (Continued)

	Balance 10/1/2018	Additions	Reclassifications/ Retirements	Balance 9/30/2019
Business-type Activities				
Trash and Garbage Fund				
<i>Capital assets being depreciated</i>				
Equipment	\$ 10,453	\$ -	\$ -	\$ 10,453
Less accumulated depreciation	10,453	-	-	10,453
Capital assets, net	\$ -	\$ -	\$ -	\$ -
Water Fund				
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 6,285	-	-	\$ 6,285
<i>Capital assets being depreciated</i>				
Buildings and improvements	6,133	-	-	6,133
Utility Systems	2,143,165	-	-	2,143,165
Equipment	636,567	-	-	636,567
Total capital assets being depreciated	2,785,865	-	-	2,785,865
Less accumulated depreciation	1,791,804	91,571	-	1,883,375
Total capital assets being depreciated	994,061	(91,571)	-	902,490
Capital assets, net	\$ 1,000,346	\$ (91,571)	\$ -	\$ 908,775
Sewer Fund				
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 16,149	\$ -	\$ -	\$ 16,149
<i>Capital assets being depreciated</i>				
Buildings and improvements	2,467	-	-	2,467
Utility systems	1,673,386	-	-	1,673,386
Equipment	367,492	14,734	-	382,226
Total capital assets being depreciated	2,043,345	14,734	-	2,058,079
Less accumulated depreciation	970,082	55,384	-	1,025,466
Total capital assets being depreciated	1,073,263	(40,650)	-	1,032,613
Capital assets, net	\$ 1,089,412	\$ (40,650)	\$ -	\$ 1,048,762

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5 USER DEPOSITS

The Town currently requires a \$25 deposit from its water users if you are a homeowner. The Town requires a \$50, \$30, \$10 for Water, Sewer, and Garbage respectively if you are a renter. The deposits are refundable, and, therefore represent a liability to the Town. As of September 30, 2019, the Town was liable for the following deposits:

Water Deposits	\$	21,790
Sewer Deposits		5,960
Garbage Deposits		1,700
	\$	29,450

NOTE 6 SHORT-TERM LIABILITIES

The Town had a beginning balance of \$0. The Town issued short-term notes payable in the amount of \$36,001 during the fiscal year 2019 and repaid \$36,000 during the year leaving a balance due of \$1. This debt was issued to assist the Town in financing operations.

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General obligation debt	\$ 1,892,751	\$ -	\$ 182,043	\$ 1,710,708	\$ 212,081
Governmental Activities, long-term liabilities	1,892,751	-	182,043	1,710,708	212,081
<u>Business-type Activities</u>					
Notes payable	64,506	-	27,598	36,908	27,647
Business-type Activities, long-term liabilities	64,506	-	27,598	36,908	27,647
Total long-term liabilities	\$ 1,957,257	\$ -	\$ 209,641	\$ 1,747,616	\$ 239,728

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM LIABILITIES (Continued)

Bonds and warrants payable at September 30, 2019, were comprised of the following:

General Obligation Warrant - Series 2016 completed December 13, 2016, principal due in 180 monthly installments of \$6,188, including interest at 2.675%, maturing December 2031	\$ 542,416
Note Payable due in 144 monthly installments of \$994 with an interest rate 4%, maturing August 2028	88,631
Note Payable for capital project, dated January 30, 2017, due in monthly installments of \$1,481, including interest at 2.90%, maturing February 2025	139,076
Note Payable for refinance of previous debt dated January 30, 2017, due in 60 monthly installments of \$4,282, including interest at 2.75%, maturing February 2022	119,450
Note Payable for purchase of City Hall dated July 20, 2016, due in 180 monthly installments of \$4,003, including interest at 3.41%, maturing July 2031	466,769
General Obligation Warrant - Series 2017 completed May 9, 2017, principal and interest, at a rate of 3.38% due annually in January, maturing January 2022	23,400
Note Payable for refinance of previous debt dated July 25, 2018, due in 120 monthly installments of \$3,799, including interest at 4.75%, maturing July 2028	330,967
Note Payable for the purchase of equipment dated February 17, 2016, due in 60 monthly installments of \$2,304, including interest at 0% maturing February 2021	<u>36,908</u>
Total general obligations bonds and warrants	<u><u>\$ 1,747,616</u></u>

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 7 LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity for general obligation bonds and warrants are as follows:

Year ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 212,081	\$ 54,788	\$ 27,647	\$ -
2021	219,745	47,888	9,261	-
2022	196,251	40,943	-	-
2023	172,872	34,823	-	-
2024	178,772	28,923	-	-
2025-2029	646,559	52,653	-	-
2030-2034	84,429	2,756	-	-
	<u>\$ 1,710,709</u>	<u>\$ 262,774</u>	<u>\$ 36,908</u>	<u>\$ -</u>

The Town has considered imputed interest for the above long-term liabilities and determined its affect to be insignificant.

NOTE 8 CAPITALIZED INTEREST

The Town capitalizes net interest cost as part of the cost of construction in various projects when material.

NOTE 9 POST EMPLOYMENT HEALTH CARE BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA) the Town provides health care benefits to eligible former employees and eligible dependents. The premium is paid in full by the insured. There is no associated cost to the Town for the program and no participants at September 30, 2019. The Town does not provide health care benefits to employees who retire from the Town.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 EMPLOYEE RETIREMENT SYSTEM

Plan Description

The Town's defined benefit pension plan provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan member and beneficiaries. The plan is affiliated with the Employees Retirement System of Alabama (RSA), an agency multiple-employer pension plan. The State of Alabama has the authority to establish and amend the benefits provisions of the plans that participate. RSA issues a publicly available financial report that includes financial statements and required supplementary information of the plan. This report may be obtained by contacting the Retirement Systems of Alabama, P. O. Box 302150, Montgomery, Alabama 36130-2150.

The RSA was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and on an elective basis to all cities counties, towns, and quasi public organizations. The responsibility for general administration and operation of the RSA is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Utilities authority to accept or reject various cost of living adjustments granted to retirees.

RSA issued a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained at www.rsa-al.gov.

As established by the state statute, all full-time employees of the Town must participate in the pension plan from the date they are hired. Contributions made by an employee vest immediately and contributions are made by the Town vest after 10 years of full-time employment. An employee who leaves the employment of the Town of Flomaton is entitled to his or her contributions and the Town's contributions if vesting requirements are satisfied. During its 2012 sessions, the Alabama Legislature passed, and the Governor signed into law changes in the pension plan creating a Tier 2 employee. Employees hired prior to January 1, 2013 (Tier 1 employees) must contribute 5% of his or her gross earnings to the pension plan. Employees hired on or after that date (Tier 2 employees) will contribute on gross earnings rate of 6%.

A Tier 1 employee may retire after 25 years of credited service and receive pension benefits equal to 2.0125% of the employee's average final salary multiplied times years of credited service. A Tier 2 employee may retire after attainment of age 62 and ten years of service years and with benefits equal to 1.65% of the employee's average final salary multiplied times years of credited service. Average final salary for Tier 1 employees is defined as the average of the three highest years' salary out of the last ten years of service. Average final salary for Tier 2 employees is defined as the average of the five highest years' salary out of the last ten years of service. The pension plan also provides death benefits and disability benefits as determined by the state statutes.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 EMPLOYEE RETIREMENT SYSTEM (continued)

The Town's contractually required contribution rate for the year ended September 20, 2019, was 5.71% for Tier 1 employees, and 2.05% for Tier 2 employees. The contribution requirements of plan members and the Town is established and may be amended by RSA. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, a percent of annual pensionable payroll and actuarially determined as an amount of that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan were \$37,870 for the year ended September 20, 2019.

At September 30, 2019, the following employees were covered by the Plan:

	<u>Number</u>
Retired members or their beneficiaries currently receiving benefits	12
Non-vested inactive members	7
Active members	<u>37</u>
	<u><u>56</u></u>

Net Pension Liability

The Town's net position liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 rolled forward to September 20, 2018 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2017	\$ 1,628,576	\$ 1,726,024
(b) Discount rate	7.75%	7.75%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	84,160	84,160
(d) Transfers Among Employers:	-	(27,034)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	<u>(138,298)</u>	<u>(138,298)</u>
(f) Total Pension Liability as of September 30, 2018 =[(a) x (1+b)] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 1,695,294</u>	<u>\$ 1,773,260</u>
(g) Difference between Expected and Actual		\$ 77,966
(h) Less Liability Transferred for Immediate Recognition		<u>(27,034)</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u><u>\$ 105,000</u></u>

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 EMPLOYEE RETIREMENT SYSTEM (continued)

Actuarial Assumptions- The total pension liability in the September 30, 2016, actuarial valuation was determined as part of actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) 8.0% investment rate of return (net of pension plan investment expense), (b) projected salary increases ranging from 3.75% to 7.25% per year, and an inflation component of 3%. Mortality rates for RSA were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2016 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Morality Table.

The actuarial assumptions used in the September 30, 2016 valuation were based on the results of an investigation of the economic and demographic experience for the RSA based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.0%	5.0%
U.S. Large Stocks	34.0%	9.0%
U.S. Mid Stocks	8.0%	12.0%
U.S. Small Stocks	3.0%	15.0%
Inter'ntl Developed Mkt Stks	15.0%	11.0%
Inter'ntl Emerging Mkt Stks	3.0%	16.0%
Real Estate	10.0%	7.5%
Cash	2.0%	1.5%

*Includes assumed rate of inflation of 2.5%

Discount Rate – The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the RSA Board of Control.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 EMPLOYEE RETIREMENT SYSTEM (continued)

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.

Changes in Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2017	\$ 1,628,576	\$ 1,558,972	\$ 69,604
Changes for the year:			
Service cost	84,160	-	84,160
Interest	120,856	-	120,856
Changes of assumptions	9,890	-	9,890
Differences between expected and actual experience	105,000	-	105,000
Contributions - employer	-	40,514	(40,514)
Contributions - employee	-	59,918	(59,918)
Net investment income	-	141,275	(141,275)
Benefit payments, including refunds of employee contributions	(138,298)	(138,298)	-
Administrative expense	-	-	-
Transfers among employers	(27,034)	(27,034)	-
Net changes	<u>154,574</u>	<u>76,375</u>	<u>78,199</u>
Balances at September 30, 2018	<u>\$ 1,783,150</u>	<u>\$ 1,635,347</u>	<u>\$ 147,803</u>

Sensitivity of the net pension liability to changes in the discount rate – The following table presents the Board'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 (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Net pension liability	\$ 371,317	\$ 147,803	\$ (37,797)

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10 EMPLOYEE RETIREMENT SYSTEM (continued)

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the RSA prepared as of September 30, 2018. The auditor’s report dated January 15, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended September 30, 2019, the Town recognized pension expense of \$40,514. At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 117,250	\$ -
Changes of assumptions	30,487	-
Net difference between projected and actual earnings on plan investments	-	52,846
Employer contributions subsequent to measurement date	37,870	-
Total	<u>\$ 185,607</u>	<u>\$ 52,846</u>

Employer contributions made from 10/1/2018 – 9/30/2019, related to normal and accrued liability components of employer rate net of any refunds or error service payments. These amounts will be recognized in 2019 as a reduction of the net pension liability.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 9 EMPLOYEE RETIREMENT SYSTEM (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized as an increase (decrease) in pension expense as follows:

Deferred Inflow, Outflow Amortization Schedule:	Year Ending September 30,	
	2020	\$ 20,080
	2021	5,172
	2022	10,061
	2023	20,219
	2024	18,903
	Thereafter	<u>20,456</u>
		<u>\$ 94,891</u>

NOTE 11 CONCENTRATION OF CREDIT RISK

The Town's utility systems provide services to customers located within the Town. Customer deposits are required to reduce the risk of loss in the event of non-payment.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FLOMATON, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
SEPTEMBER 30, 2019

Total pension liability	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost	\$ 84,160	\$ 76,805	\$ 69,352	\$ 37,856	\$ 37,522
Interest	120,856	101,748	99,698	94,947	92,037
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	105,000	30,260	9,912	34,786	-
Changes of assumptions	9,890	-	40,246	-	-
Benefit payments, including refunds of employee contributions	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)
Transfers among employers	(27,034)	167,690	(43,597)	-	-
Net change in total pension liability	<u>154,574</u>	<u>254,898</u>	<u>79,299</u>	<u>47,502</u>	<u>63,275</u>
Total pension liability - beginning	<u>1,628,576</u>	<u>1,373,678</u>	<u>1,294,379</u>	<u>1,246,877</u>	<u>1,183,602</u>
Total pension liability - ending (a)	<u><u>\$ 1,783,150</u></u>	<u><u>\$ 1,628,576</u></u>	<u><u>\$ 1,373,678</u></u>	<u><u>\$ 1,294,379</u></u>	<u><u>\$ 1,246,877</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 40,514	\$ 67,663	\$ 65,017	\$ 60,166	\$ 43,596
Contributions - member	59,918	58,055	48,555	38,083	24,843
Net investment income	141,275	167,205	113,977	12,978	114,357
Benefit payments, including refunds of employee	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)
Transfers among employers	(27,034)	167,690	(43,597)	72,668	-
Net change in plan fiduciary net position	<u>76,375</u>	<u>339,008</u>	<u>87,640</u>	<u>63,808</u>	<u>116,512</u>
Plan net position - beginning	<u>1,558,972</u>	<u>1,219,964</u>	<u>1,132,324</u>	<u>1,068,516</u>	<u>952,004</u>
Plan net position - ending	<u><u>\$ 1,635,347</u></u>	<u><u>\$ 1,558,972</u></u>	<u><u>\$ 1,219,964</u></u>	<u><u>\$ 1,132,324</u></u>	<u><u>\$ 1,068,516</u></u>
Net pension liability (asset) - ending (a) - (b)	\$ 147,803	\$ 69,604	\$ 153,714	\$ 162,055	\$ 178,361
Plan fiduciary net position as a percentage of the total pension liability	91.71%	95.73%	88.81%	87.48%	85.70%
Covered payroll*	1,024,692	990,994	990,994	854,672	680,181
Net pension liability (asset) as a percentage of covered payroll	14.42%	7.02%	15.51%	18.96%	26.22%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2019 the measurement period is October 1, 2017 - September 30, 2018. GASB issued a statement "Pension Issues" in March, 2016 to redefine covered payroll beginning with FY2017

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

**TOWN OF FLOMATON, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution*	\$ 37,870	\$ 38,935	\$ 67,664	\$ 64,620	\$ 54,137
Contributions in relation to the actuarially determined contribution*	<u>37,870</u>	<u>38,935</u>	<u>67,664</u>	<u>64,620</u>	<u>54,137</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 960,818	\$ 1,024,692	\$ 990,994	\$ 854,672	\$ 680,181
Contributions as a percentage of covered-employee payroll	3.94%	3.80%	6.83%	7.56%	7.96%

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

**Employer's covered-payroll for FY2019 is the total covered payroll for the 12 month period of the underlying financial statements

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	14.8 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

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

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF REVENUE AND OTHER FINANCING SOURCES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes			
Ad valorem tax	\$ 105,000	\$ 113,167	\$ 8,167
Beer tax	12,000	9,673	(2,327)
Cigarette tax	5,000	3,567	(1,433)
Sales tax	798,000	899,761	101,761
Town gasoline tax	220,000	204,496	(15,504)
Financial excise tax	5,200	17,835	12,635
Oil severance tax	10,000	21,949	11,949
Total Taxes	<u>1,155,200</u>	<u>1,270,448</u>	<u>115,248</u>
Licenses and Permits			
Business licenses	310,000	302,943	(7,057)
Building permits	3,500	1,550	(1,950)
Franchise fees	10,000	-	(10,000)
Total Licenses and Permits	<u>323,500</u>	<u>304,493</u>	<u>(19,007)</u>
Fines and Forfeitures			
Fines and court costs	150,000	145,730	(4,270)
Fees and Charges			
Miscellaneous fees	800	380	(420)
Intergovernmental Revenues			
Motor vehicle license	30,000	20,008	(9,992)
Revenue From Town Property			
Sale of Town property	10,000	1,662	(8,338)
Rent	19,000	22,530	3,530
Total Revenue From Town Property	<u>29,000</u>	<u>24,192</u>	<u>(4,808)</u>
Other Revenue			
Interest earned	500	63	(437)
Donations	12,000	1,428	(10,572)
Other	44,625	43,877	(748)
Total Other Revenue	<u>57,125</u>	<u>45,368</u>	<u>(11,757)</u>
Other Financing Sources			
Debt Proceeds	-	36,001	36,001
Transfers In	39,362	32,255	(7,107)
Total Revenues	<u>\$ 1,461,487</u>	<u>\$ 1,878,877</u>	<u>\$ 417,390</u>

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
Salaries	\$ 35,599	\$ 53,728	\$ 18,129
Employee benefits	15,141	50,180	35,039
Utilities	18,640	15,644	(2,996)
Telephone	100	8,625	8,525
Office supplies	9,000	26,235	17,235
Dues and publications	2,200	8,133	5,933
Insurance	12,654	218,909	206,255
Repairs and maintenance	3,990	5,049	1,059
Professional fees	13,750	16,547	2,797
SAIL program	30,126	21,609	(8,517)
Animal control	2,000	50	(1,950)
Capital expenditures	-	19,605	19,605
Other	59,694	49,169	(10,526)
Total General Government	<u>202,894</u>	<u>493,481</u>	<u>290,587</u>
Public Safety			
Police Department			
Salaries	450,978	534,184	83,206
Employee benefits	92,000	67,550	(24,450)
Telephone	8,300	4,432	(3,868)
Repairs and maintenance	20,600	38,521	17,921
Fuel, oil, and tires	25,000	19,030	(5,970)
Insurance	25,206	33,763	8,557
Professional fees	5,400	2,257	(3,143)
Uniform	4,000	2,477	(1,523)
Office supplies	5,000	1,138	(3,862)
Utilities	14,200	17,644	3,444
Other	17,000	18,797	1,797
Total Police Department	<u>667,684</u>	<u>739,794</u>	<u>72,110</u>

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Public Safety (continued)			
Fire Department			
Salaries	29,782	30,371	589
Employee benefits	3,700	6,638	2,938
Insurance	14,572	20,325	5,753
Repairs and maintenance	7,800	13,800	6,000
Tools and supplies	650	1,112	462
Utilities	14,800	16,444	1,644
Telephone	3,000	3,559	559
Office supplies	4,400	2,180	(2,220)
Fuel, oil, and tires	5,000	-	(5,000)
Professional fees	5,600	1,561	(4,039)
Total Fire Department	<u>89,304</u>	<u>95,989</u>	<u>6,685</u>
Total Public Safety	<u>756,988</u>	<u>835,783</u>	<u>78,795</u>
Public Works			
Street Department			
Salaries	116,046	74,857	(41,189)
Employee benefits	28,500	2,468	(26,032)
Insurance	15,212	21,900	6,688
Office supplies	200	25	(175)
Repairs and maintenance	21,800	27,610	5,810
Tools and supplies	15,350	10,690	(4,660)
Fuel, oil, and tires	9,000	8,704	(296)
Professional fees	4,300	2,107	(2,193)
Uniforms	1,500	2,365	865
Utilities	31,100	28,858	(2,242)
Telephone	1,600	1,016	(584)
Capital expenditures	-	2,963	2,963
Other	21,100	30,271	9,171
Total Street Department	<u>265,708</u>	<u>213,834</u>	<u>(51,874)</u>

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Other Departments			
Library Department			
Salaries	84,102	85,278	1,176
Employee benefits	12,800	9,949	(2,851)
Insurance	4,055	4,267	212
Utilities	17,400	21,393	3,993
Telephone	1,700	2,280	580
Repairs and maintenance	1,300	1,678	378
Books	3,000	3,934	934
Professional fees	6,100	2,107	(3,993)
Office supplies	2,150	6,765	4,615
Total Library Department	<u>132,607</u>	<u>137,650</u>	<u>5,043</u>
Park Department			
Salaries	25,750	37,700	11,950
Employee benefits	4,550	674	(3,876)
Fuel	3,200	1,632	(1,568)
Utilities	22,600	22,868	268
Insurance	10,090	1,392	(8,698)
Professional fees	3,100	2,182	(918)
Repairs and maintenance	6,000	5,104	(897)
Capital expenditures	-	2,963	2,963
Tools and supplies	3,850	24,537	20,687
Total Park Department	<u>79,140</u>	<u>99,052</u>	<u>19,912</u>
Total Other Departments	<u>211,747</u>	<u>236,702</u>	<u>24,955</u>
Debt Service			
Principal	171,605	218,044	46,439
Interest	-	65,319	65,319
Total Expenditures	<u>\$ 1,608,942</u>	<u>\$ 2,063,163</u>	<u>\$ 454,221</u>

COMPLIANCE SECTION

Members

B. Vance Kilgore, CPA
Kim C. Brittain, CPA
B. Matthew Brown, CPA



Kilgore, Brown & Brittain, LLC

- Certified Public Accountants and Consultants -

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Flomaton, Alabama, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Flomaton, Alabama's basic financial statements and have issued our report thereon dated October 26, 2020.

Internal Control over Financial Reporting

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

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

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

Segregation of Duties

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

Compliance and Other Matters

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

Purpose of this Report

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

Kilgore, Brown & Brittain, LLC

Certified Public Accountants

Brewton, Alabama
October 26, 2020