

**TOWN OF FLOMATON, ALABAMA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020**

**TOWN OF FLOMATON, ALABAMA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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## **FINANCIAL 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 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, 2020, 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 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, 2020, 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 37-38 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 39-42 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 June 1, 2021 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

June 1, 2021  
Brewton, Alabama

**TOWN OF FLOMATON, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 86,983	\$ 61,980	\$ 148,963
Receivables, net	77,299	77,220	154,519
Due from external parties	24,592	7,487	32,079
Prepaid expenses	17,106	2,358	19,464
Inventories	11,966	17,087	29,053
Capital assets, net			
Land and improvements	297,327	22,434	319,761
Other capital assets, net of depreciation	2,896,417	1,923,303	4,819,720
Total assets	3,411,690	2,111,869	5,523,559
Deferred outflows of resources	135,365	46,596	181,961
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 3,547,055</u>	<u>\$ 2,158,465</u>	<u>\$ 5,705,520</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 490,456	\$ 70,184	\$ 560,640
Customer deposits	-	28,995	28,995
Line of credit	124,501	-	124,501
Internal balances	(291,054)	291,054	-
Noncurrent liabilities			
Due within one year	249,213	9,368	258,581
Due in more than one year	1,314,833	-	1,314,833
Net pension liability	123,405	71,470	194,875
Total liabilities	2,011,354	471,071	2,482,425
Deferred inflows of resources	25,336	9,981	35,317
Total Liabilities and deferred inflows of resources	2,036,690	481,052	2,517,742
<b>NET POSITION</b>			
Net investment in capital assets	1,629,698	1,936,369	3,566,067
Restricted for street improvement and construction	28,145	-	28,145
Unrestricted	(147,478)	(258,956)	(406,434)
Total net position	1,510,365	1,677,413	3,187,778
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,547,055</u>	<u>\$ 2,158,465</u>	<u>\$ 5,705,520</u>

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

**TOWN OF FLOMATON, ALABAMA  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2020**

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	\$ 648,689	\$ 304,153	\$ -	\$ 3,473	\$ (341,063)		\$ (341,063)
Public safety							
Police	662,351	97,790	-	-	(564,561)		(564,561)
Fire	90,203	-	-	-	(90,203)		(90,203)
Public works							
Street	191,031	-	-	-	(191,031)		(191,031)
Library	138,727	-	-	-	(138,727)		(138,727)
Park	123,279	-	-	-	(123,279)		(123,279)
Unallocated depreciation	233,862	-	-	-	(233,862)		(233,862)
Interest on long-term debt	57,936	-	-	-	(57,936)		(57,936)
Total governmental activities	<u>2,146,078</u>	<u>401,943</u>	<u>-</u>	<u>3,473</u>	<u>(1,740,662)</u>		<u>(1,740,662)</u>
Business-type activities:							
Trash and garbage	149,182	125,347	-	-	-	\$ (23,835)	(23,835)
Water	383,357	341,848	-	-	-	(41,509)	(41,509)
Sewer	246,111	265,724	-	-	-	19,613	19,613
Total business-type activities	<u>778,650</u>	<u>732,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,731)</u>	<u>(45,731)</u>
Total primary government	<u>\$ 2,924,728</u>	<u>\$ 1,134,862</u>	<u>\$ -</u>	<u>\$ 3,473</u>	<u>(1,740,662)</u>	<u>(45,731)</u>	<u>(1,786,393)</u>
General revenues:							
Taxes							
Property					112,870	-	112,870
Sales					995,218	-	995,218
Other					247,726	-	247,726
Investment earnings					2,238	11	2,249
Other					22,286	-	22,286
Transfers in/(out)					213,345	(213,345)	-
Total general revenues and transfers					<u>1,593,683</u>	<u>(213,334)</u>	<u>1,380,349</u>
Change in net position					(146,979)	(259,065)	(406,044)
Net position, beginning					1,657,344	1,936,478	3,593,822
<b>Net position, ending</b>					<u>\$ 1,510,365</u>	<u>\$ 1,677,413</u>	<u>\$ 3,187,778</u>

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

**TOWN OF FLOMATON, ALABAMA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 69,275	\$ 17,708	\$ 86,983
Receivables	77,299	-	77,299
Prepaid items	17,106	-	17,106
Inventories	11,966	-	11,966
Due from other Town funds	538,994	10,512	549,506
Due from external parties	24,592	-	24,592
	<u>739,232</u>	<u>28,220</u>	<u>767,452</u>
<b>Total Assets</b>	<u>\$ 739,232</u>	<u>\$ 28,220</u>	<u>\$ 767,452</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 429,518	\$ 75	\$ 429,593
Accrued liabilities	53,281	-	53,281
Line of credit	124,501	-	124,501
Due to other Town funds	258,451	-	258,451
	<u>865,751</u>	<u>75</u>	<u>865,826</u>
<b>Total Liabilities</b>	<u>865,751</u>	<u>75</u>	<u>865,826</u>
<b>FUND BALANCES</b>			
Nonspendable	29,072	-	29,072
Restricted for street improvement and construction	-	28,145	28,145
Unassigned	(155,591)	-	(155,591)
	<u>(126,519)</u>	<u>28,145</u>	<u>(98,374)</u>
<b>Total fund balances</b>	<u>(126,519)</u>	<u>28,145</u>	<u>(98,374)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 739,232</u>	<u>\$ 28,220</u>	<u>\$ 767,452</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, 2020**

**Fund Balances as reported on page 5** \$ (98,374)

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 \$5,886,439 accumulated depreciation	<u>2,896,417</u>	
Total capital assets		3,193,744

Deferred outflows (inflows) of resources related to pensions are applicable to future periods and, therefore, are not reported in government funds	110,029
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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	(7,583)
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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.	(123,405)
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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>(1,564,046)</u>
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**Net Position of Governmental Activities as reported on page 3** \$ 1,510,365

**TOWN OF FLOMATON, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 1,340,542	\$ 15,273	\$ 1,355,815
Intergovernmental	22,424	-	22,424
Licenses and permits	281,729	-	281,729
Fines and forfeitures	97,790	-	97,790
Fees and charges	15	-	15
Interest	2,238	-	2,238
Other	22,271	-	22,271
	<u>1,767,009</u>	<u>15,273</u>	<u>1,782,282</u>
<b>EXPENDITURES</b>			
General	624,953	-	624,953
Public safety	752,553	-	752,553
Public works	181,431	9,600	191,031
Other departments	258,532	-	258,532
Debt service:			
Principal	256,143	-	256,143
Interest	57,936	-	57,936
Capital outlay	8,223	-	8,223
	<u>2,139,771</u>	<u>9,600</u>	<u>2,149,371</u>
Excess Revenues Over (Under) Expenditures	<u>(372,762)</u>	<u>5,673</u>	<u>(367,089)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Debt proceeds	109,480	-	109,480
Transfers in/ (out)	213,345	-	213,345
	<u>322,825</u>	<u>-</u>	<u>322,825</u>
NET CHANGE IN FUND BALANCES	(49,937)	5,673	(44,264)
Fund balances-beginning of year	<u>(76,582)</u>	<u>22,472</u>	<u>(54,110)</u>
<b>FUND BALANCES-END OF YEAR</b>	<u><u>\$ (126,519)</u></u>	<u><u>\$ 28,145</u></u>	<u><u>\$ (98,374)</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, 2020**

**Net change in fund balances--total governmental funds, page 7** \$ (44,264)

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	8,223
Depreciation expense for the year	(233,862)

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	(109,480)
Principal payments on notes and warrants	256,143

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	(23,739)
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**Change in Net Position of Government Activities, page 4** \$ (146,979)

**TOWN OF FLOMATON, ALABAMA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**SEPTEMBER 30, 2020**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>			
Taxes	\$ 1,247,825	\$ 1,340,542	\$ 92,717
Intergovernmental	62,636	22,424	(40,212)
Licenses and permits	333,500	281,729	(51,771)
Fines and forfeitures	140,000	97,790	(42,210)
Fees and charges	800	15	(785)
Interest	500	2,238	1,738
Revenue from Town property	30,000	-	(30,000)
Other	49,000	22,271	(26,729)
	<u>1,864,261</u>	<u>1,767,009</u>	<u>(97,252)</u>
<b>EXPENDITURES</b>			
General	192,431	624,953	432,522
Public safety	819,347	752,553	(66,794)
Public works	210,890	181,431	(29,459)
Other departments	209,207	258,532	49,325
Debt service:			
Principal	238,068	256,143	18,075
Interest	-	57,936	57,936
Capital outlay	-	8,223	8,223
	<u>1,669,943</u>	<u>2,139,771</u>	<u>469,828</u>
Excess Revenues Over (Under) Expenditures	<u>194,318</u>	<u>(372,762)</u>	<u>(567,080)</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>			
Debt proceeds	-	109,480	109,480
Transfers in	41,336	213,345	254,681
	<u>41,336</u>	<u>322,825</u>	<u>364,161</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 235,654</u>	<u>(49,937)</u>	<u>\$ (202,919)</u>
Fund balances-Beginning of year		<u>(76,582)</u>	
<b>Fund Balance at End of Year</b>		<u>\$ (126,519)</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, 2020**

<b>Assets</b>	<b>Trash and Garbage</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
Current assets				
Cash	\$ 10,674	\$ 33,518	\$ 17,788	\$ 61,980
Accounts receivable	17,495	28,990	30,735	77,220
Due from other Town funds	22,337	324,457	108,507	455,301
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
<b>Total current assets</b>	<b>51,500</b>	<b>402,000</b>	<b>167,933</b>	<b>621,433</b>
Noncurrent assets				
Property, plant, and equipment				
Land, and improvements	-	6,285	16,149	22,434
Utility systems	-	2,262,454	1,690,295	3,952,749
Buildings and improvements	-	6,133	2,467	8,600
Equipment	10,453	636,567	382,226	1,029,246
	10,453	2,911,439	2,091,137	5,013,029
Less accumulated depreciation	10,453	1,975,185	1,081,654	3,067,292
<b>Net property, plant, and equipment</b>	<b>-</b>	<b>936,254</b>	<b>1,009,483</b>	<b>1,945,737</b>
<b>Total noncurrent assets</b>	<b>-</b>	<b>936,254</b>	<b>1,009,483</b>	<b>1,945,737</b>
Deferred outflows of resources	-	28,049	18,547	46,596
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 51,500</b>	<b>\$ 1,366,303</b>	<b>\$ 1,195,963</b>	<b>\$ 2,613,766</b>

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, 2020**

<b>Liabilities and Net Position</b>	<b>Trash and Garbage</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
Current liabilities				
Accounts payable	\$ 18,195	\$ 33,460	\$ 15,700	\$ 67,355
Accrued liabilities	-	2,829	-	2,829
Due to other Town funds	111,718	232,649	401,988	746,355
Customer deposits	1,690	21,465	5,840	28,995
Noncurrent liabilities				
Due within one year	-	9,368	-	9,368
Due in more than one year	-	-	-	-
Net pension liability	-	35,583	35,887	71,470
<b>Total liabilities</b>	<b>131,603</b>	<b>335,354</b>	<b>459,415</b>	<b>926,372</b>
Deferred inflows of resources	-	6,349	3,632	9,981
<b>Total liabilities and deferred inflows of resources</b>	<b>131,603</b>	<b>341,703</b>	<b>463,047</b>	<b>936,353</b>
Net position				
Net investment in capital assets	-	926,886	1,009,483	1,936,369
Unrestricted	(80,103)	97,714	(276,567)	(258,956)
<b>Total net position</b>	<b>(80,103)</b>	<b>1,024,600</b>	<b>732,916</b>	<b>1,677,413</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 51,500</b>	<b>\$ 1,366,303</b>	<b>\$ 1,195,963</b>	<b>\$ 2,613,766</b>

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, 2020**

	<u>Trash And Garbage</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
<b>Operating Revenues</b>				
Charges for services	\$ 125,347	\$ 341,848	\$ 265,724	\$ 732,919
Total operating revenues	<u>125,347</u>	<u>341,848</u>	<u>265,724</u>	<u>732,919</u>
<b>Operating Costs and Expenses</b>				
Cost of sales and services	131,422	-	-	131,422
Salaries and wages	-	107,878	103,160	211,038
Utilities	-	24,358	25,209	49,567
Maintenance and supplies	-	134,995	34,504	169,499
Employee benefits	-	19,027	19,169	38,196
Insurance	-	1,120	375	1,495
Professional fees	-	1,333	3,313	4,646
Office expense	17,760	388	368	18,516
Depreciation and amortization	-	91,809	56,188	147,997
Other	-	2,449	3,825	6,274
Total operating costs and expenses	<u>149,182</u>	<u>383,357</u>	<u>246,111</u>	<u>778,650</u>
Operating Income (Loss)	<u>(23,835)</u>	<u>(41,509)</u>	<u>19,613</u>	<u>(45,731)</u>
<b>Non-Operating Revenue (Expenses)</b>				
Interest earned	-	11	-	11
Total non-operating revenue (expenses)	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>
<b>Transfers In (Out)</b>	<u>(62,224)</u>	<u>(38,837)</u>	<u>(112,284)</u>	<u>(213,345)</u>
Change in Net Position	(86,059)	(80,335)	(92,671)	(259,065)
Net Position at Beginning of Year	<u>5,956</u>	<u>1,104,935</u>	<u>825,587</u>	<u>1,936,478</u>
<b>Net Position at End of Year</b>	<u>\$ (80,103)</u>	<u>\$ 1,024,600</u>	<u>\$ 732,916</u>	<u>\$ 1,677,413</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, 2020**

	<b>Trash And Garbage</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from customers	\$ 121,141	\$ 337,515	\$ 260,666	\$ 719,322
Payments to suppliers	(147,564)	(189,521)	(74,472)	(411,557)
Payments to employees	-	(126,905)	(122,327)	(249,232)
Net Cash Provided by Operating Activities	<u>(26,423)</u>	<u>21,089</u>	<u>63,867</u>	<u>58,533</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers in/ (out)	(62,224)	(38,837)	(112,284)	(213,345)
Payments from (to) other funds	96,731	140,284	71,723	308,738
Net Cash Provided (Used) by Noncapital Financing Activities	<u>34,507</u>	<u>101,447</u>	<u>(40,561)</u>	<u>95,393</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Principal paid on capital debt	-	(27,540)	-	(27,540)
Purchase of capital assets	-	(119,289)	(16,909)	(136,198)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(146,829)</u>	<u>(16,909)</u>	<u>(163,738)</u>
<b>Cash Flows from Investing Activities</b>				
Interest income	-	11	-	11
Net Cash Provided by Investing Activities	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>
Net Decrease in Cash	8,084	(24,282)	6,397	(9,801)
Cash at Beginning of Year	<u>2,590</u>	<u>57,800</u>	<u>11,391</u>	<u>71,781</u>
<b>Cash at End of Year</b>	<u>\$ 10,674</u>	<u>\$ 33,518</u>	<u>\$ 17,788</u>	<u>\$ 61,980</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (23,835)	\$ (41,509)	\$ 19,613	\$ (45,731)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	-	91,809	56,188	147,997
Change in pension expense as related to GASB 68	-	4,052	3,823	7,875
Change in accounts receivable	(4,196)	(4,008)	(4,938)	(13,142)
Change in customer deposits	(10)	(325)	(120)	(455)
Change in accrued expenses	-	(24,000)	-	(24,000)
Change in accounts payable	1,618	(4,930)	(10,699)	(14,011)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ (26,423)</u>	<u>\$ 21,089</u>	<u>\$ 63,867</u>	<u>\$ 58,533</u>

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



**TOWN OF FLOMATON, ALABAMA  
STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2020**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 824
Prepaid insurance	93
Due from grantor	<u>17,918</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 18,835</u></u>
<b>LIABILITIES</b>	
Due to Town	<u>\$ 18,835</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 18,835</u></u>

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

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020**

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, 2020, the estimated amount of vacation and sick pay was \$7,589 for the general fund and \$2,119 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 June 1, 2021, the date which the financial statements were available to be issued. On January 1, 2021, the Town refinanced existing debt. The new debt is due in 180 monthly installments of \$11,565, including interest at 2.919%, maturing January 2036.

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, 2020**

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At September 30, 2020, interfund receivables and payables consisted of the following:

	Interfund Payables				Totals
	General	Water	Sewer	Garbage	
<u>Interfund Receivables</u>					
General	\$ -	\$ 232,649	\$ 358,344	\$ 111,718	\$ 702,711
Water	280,813	-	43,644	-	324,457
Sewer	108,507	-	-	-	108,507
Garbage	22,337	-	-	-	22,337
Special Revenue	10,512	-	-	-	10,512
Totals	<u>\$ 422,169</u>	<u>\$ 232,649</u>	<u>\$ 401,988</u>	<u>\$ 111,718</u>	<u>\$ 1,168,524</u>

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

At September 30, 2020, interfund transfers consisted of the following:

Transfers In	Transfers Out			Total
	Water	Sewer	Garbage	
General	\$ 81,447	\$ 69,674	\$ 62,224	\$ 213,345
Totals	<u>\$ 81,447</u>	<u>\$ 69,674</u>	<u>\$ 62,224</u>	<u>\$ 213,345</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, 2020**

## NOTE 4 CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance 10/1/2019	Additions	Reclassifications/ Retirements	Balance 9/30/2020
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 297,327	\$ -	\$ -	\$ 297,327
Total capital assets not being depreciated	<u>297,327</u>	<u>-</u>	<u>-</u>	<u>297,327</u>
<i>Capital assets being depreciated</i>				
Buildings	893,626	-	-	893,626
Improvements other than buildings	5,897,067	-	-	5,897,067
Equipment	1,975,513	8,223	-	1,983,736
Total capital assets being depreciated	<u>8,766,206</u>	<u>8,223</u>	<u>-</u>	<u>8,774,429</u>
Less accumulated depreciation	<u>5,644,150</u>	<u>233,862</u>	<u>-</u>	<u>5,878,012</u>
Total capital assets being depreciated	<u>3,122,056</u>	<u>(225,639)</u>	<u>-</u>	<u>2,896,417</u>
Capital assets, net	<u>\$ 3,419,383</u>	<u>\$ (225,639)</u>	<u>\$ -</u>	<u>\$ 3,193,744</u>

Depreciation was charged to governmental activities as follows:

General      \$ 233,862

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

## NOTE 4 CAPITAL ASSETS (Continued)

	Balance 10/1/2018	Additions	Reclassifications/ Retirements	Balance 9/30/2019
<b>Business-type Activities</b>				
<b>Trash and Garbage Fund</b>				
<i>Capital assets being depreciated</i>				
Equipment	\$ 10,453	\$ -	\$ -	\$ 10,453
Less accumulated depreciation	10,453	-	-	10,453
Capital assets, net	\$ -	\$ -	\$ -	\$ -
<b>Water Fund</b>				
<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	119,289	-	2,262,454
Equipment	636,567	-	-	636,567
Total capital assets being depreciated	2,785,865	119,289	-	2,905,154
Less accumulated depreciation	1,883,375	91,810	-	1,975,185
Total capital assets being depreciated	902,490	27,479	-	929,969
Capital assets, net	\$ 908,775	\$ 27,479	\$ -	\$ 936,254
<b>Sewer Fund</b>				
<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	16,909	-	1,690,295
Equipment	382,226	-	-	382,226
Total capital assets being depreciated	2,058,079	16,909	-	2,074,988
Less accumulated depreciation	1,025,466	56,188	-	1,081,654
Total capital assets being depreciated	1,032,613	(39,279)	-	993,334
Capital assets, net	\$ 1,048,762	\$ (39,279)	\$ -	\$ 1,009,483

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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, 2020, the Town was liable for the following deposits:

Water Deposits	\$	21,465
Sewer Deposits		5,840
Garbage Deposits		1,690
	\$	28,995

NOTE 6 SHORT-TERM LIABILITIES

The Town had a beginning balance of \$1. The Town issued short-term notes payable in the amount of \$109,467 during the fiscal year 2020 and repaid \$80,000 during the year leaving a balance due of \$29,468. 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, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General obligation debt	\$ 1,710,708	\$ -	\$ 176,130	\$ 1,534,579	\$ 219,745
Governmental Activities, long-term liabilities	1,710,708	-	176,130	1,534,579	219,745
<u>Business-type Activities</u>					
Notes payable	36,908	-	27,540	9,368	9,368
Business-type Activities, long-term liabilities	36,908	-	27,540	9,368	9,368
Total long-term liabilities	\$ 1,747,616	\$ -	\$ 203,670	\$ 1,543,947	\$ 229,113

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

NOTE 7 LONG-TERM LIABILITIES (Continued)

Bonds and warrants payable at September 30, 2020, 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	\$ 505,000
Note Payable due in 144 monthly installments of \$994 with an interest rate 4%, maturing August 2028	80,259
Note Payable for capital project, dated January 30, 2017, due in monthly installments of \$1,481, including interest at 2.90%, maturing February 2025	118,023
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	75,798
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	438,221
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	16,400
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	300,877
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>9,368</u>
Total general obligations bonds and warrants	<u><u>\$ 1,543,947</u></u>

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

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
2021	\$ 219,745	\$ 47,888	\$ 9,368	\$ -
2022	201,309	40,943	-	-
2023	172,872	34,823	-	-
2024	178,772	28,923	-	-
2025-2029	673,346	52,653	-	-
2030-2034	88,534	2,756	-	-
	<u>\$ 1,534,579</u>	<u>\$ 207,986</u>	<u>\$ 9,368</u>	<u>\$ -</u>

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

NOTE 8 LINE OF CREDIT

The Town has a line of credit with a \$200,000 limit. As of September 30, 2020, the balance was \$124,501. The interest rate is 3.75% with a maturity date of September 23, 2021.

NOTE 9 CAPITALIZED INTEREST

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

NOTE 10 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, 2020. 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, 2020**

## NOTE 11 PENSION PLAN

Plan Description

The Employees' Retirement System (ERS), an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
  - a) Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
  - b) Two vested active state employees
  - c) Two vested active employees of an employer participating in ERS pursuant to § 36-27-6.

*Benefits Provided*

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. 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 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.



**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

NOTE 11 PENSION PLAN (CONTINUED)

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

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

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2020, membership consisted of:

	<u>ERS</u>	<u>Town</u>
Retirees and beneficiaries currently receiving benefits	25,871	12
Terminated employees entitled to but not yet receiving benefits	1,794	-
Terminated employees not entitled to a benefit	11,001	13
Active members	55,222	28
Post-DROP participants who are still in active service	98	-
Total	<u>93,986</u>	<u>53</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.

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

NOTE 11 PENSION PLAN (CONTINUED)

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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2020, the City's active employee contribution rate was 5.81% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 10.07% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2020, was 11.27% of pensionable pay for Tier 1 employees, and 7.96% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2017, 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 City were \$60,251 for the year ended September 30, 2020.

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

## NOTE 11 PENSION PLAN (CONTINUED)

## Net Pension Liability

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

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2018	\$ 1,783,150	\$ 1,745,068
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2018 - September 30, 2019	81,374	81,374
(d) Transfers Among Employers:	-	(15,262)
(e) Actual Benefit Payments and Refunds for the period October 1, 2018 - September 30, 2019	<u>(156,192)</u>	<u>(156,192)</u>
(f) Total Pension Liability as of September 30, 2019 = [(a) x (1+b)] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 1,839,621</u>	<u>\$ 1,783,345</u>
(g) Difference between Expected and Actual		\$ (56,276)
(h) Less Liability Transferred for Immediate Recognition		<u>(15,262)</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ (41,014)</u>

*Actuarial Assumptions*

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected Salary Increases	3.25-5.00%
Investment Rate of Return*	7.70%

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

NOTE 11 PENSION PLAN (CONTINUED)

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 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 actuarial valuation as of September 30, 2017, 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 which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	17.00%	4.40%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
Inter'ntl Developed Mkt Stks	12.00%	9.50%
Inter'ntl Emerging Mkt Stks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%

\*Includes assumed rate of inflation of 2.5%

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

## NOTE 11 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 RSA 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.

*Changes in Net Pension Liability*

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at September 30, 2018	\$ 1,783,150	\$ 1,635,347	\$ 147,803
Changes for the year:			
Service cost	81,374	-	81,374
Interest	131,289	-	131,289
Changes of assumptions	-	-	-
Differences between expected and actual experience	(41,014)	-	(41,014)
Contributions - employer	-	31,298	(31,298)
Contributions - employee	-	52,413	(52,413)
Net investment income	-	40,866	(40,866)
Benefit payments, including refunds of employee contributions	(156,192)	(156,192)	-
Administrative expense	-	-	-
Transfers among employers	(15,262)	(15,262)	-
Net changes	<u>195</u>	<u>(46,877)</u>	<u>47,072</u>
Balances at September 30, 2019	<u>\$ 1,783,345</u>	<u>\$ 1,588,470</u>	<u>\$ 194,875</u>

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

## NOTE 11 PENSION PLAN (CONTINUED)

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

The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net position 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	\$ 426,137	\$ 194,875	\$ 4,476

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2019. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. The additional financial and actuarial information is available at [www.rsa-al.gov](http://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, 2020, the Board recognized pension expenses of \$40,661. At September 30, 2020, the Board report 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	\$ 96,848	\$ 35,318
Changes of assumptions	23,034	-
Net difference between projected and actual earnings on plan investments	20,271	-
Employer contributions subsequent to measurement date	36,087	-
Total	<u>\$ 176,240</u>	<u>\$ 35,318</u>

**TOWN OF FLOMATON, ALABAMA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020**

NOTE 11 PENSION PLAN (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:

Year Ending <u>September 30,</u>		
2021	\$	15,812
2022		20,701
2023		30,859
2024		29,541
2025		10,043
Thereafter		<u>(2,121)</u>
		<u>\$ 104,835</u>

NOTE 12 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, 2020**

<b>Total pension liability</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service Cost	\$ 81,374	\$ 84,160	\$ 76,805	\$ 69,352	\$ 37,856	\$ 37,522
Interest	131,289	120,856	101,748	99,698	94,947	92,037
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(41,014)	105,000	30,260	9,912	34,786	-
Changes of assumptions	-	9,890	-	40,246	-	-
Benefit payments, including refunds of employee contributions	(156,192)	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)
Transfers among employers	(15,262)	(27,034)	167,690	(43,597)	-	-
<b>Net change in total pension liability</b>	<u>195</u>	<u>154,574</u>	<u>254,898</u>	<u>79,299</u>	<u>47,502</u>	<u>63,275</u>
<b>Total pension liability - beginning</b>	<u>1,783,150</u>	<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>
<b>Total pension liability - ending (a)</b>	<u>\$ 1,783,345</u>	<u>\$ 1,783,150</u>	<u>\$ 1,628,576</u>	<u>\$ 1,373,678</u>	<u>\$ 1,294,379</u>	<u>\$ 1,246,877</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 31,298	\$ 40,514	\$ 67,663	\$ 65,017	\$ 60,166	\$ 43,596
Contributions - member	52,413	59,918	58,055	48,555	38,083	24,843
Net investment income	40,866	141,275	167,205	113,977	12,978	114,357
Benefit payments, including refunds of employee	(156,192)	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)
Transfers among employers	(15,262)	(27,034)	167,690	(43,597)	72,668	-
<b>Net change in plan fiduciary net position</b>	<u>(46,877)</u>	<u>76,375</u>	<u>339,008</u>	<u>87,640</u>	<u>63,808</u>	<u>116,512</u>
<b>Plan net position - beginning</b>	<u>1,635,347</u>	<u>1,558,972</u>	<u>1,219,964</u>	<u>1,132,324</u>	<u>1,068,516</u>	<u>952,004</u>
<b>Plan net position - ending</b>	<u>\$ 1,588,470</u>	<u>\$ 1,635,347</u>	<u>\$ 1,558,972</u>	<u>\$ 1,219,964</u>	<u>\$ 1,132,324</u>	<u>\$ 1,068,516</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	\$ 194,875	\$ 147,803	\$ 69,604	\$ 153,714	\$ 162,055	\$ 178,361
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	89.07%	91.71%	95.73%	88.81%	87.48%	85.70%
<b>Covered payroll*</b>	965,903	1,024,692	990,994	990,994	854,672	680,181
<b>Net pension liability (asset) as a percentage of covered payroll</b>	20.18%	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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution*	\$ 36,088	\$ 37,870	\$ 38,935	\$ 67,664	\$ 64,620
Contributions in relation to the actuarially determined contribution*	<u>36,088</u>	<u>37,870</u>	<u>38,935</u>	<u>67,664</u>	<u>64,620</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll**	\$ 965,903	\$ 960,818	\$ 1,024,692	\$ 990,994	\$ 854,672
Contributions as a percentage of covered-employee payroll	3.74%	3.94%	3.80%	6.83%	7.56%

\*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 FY2020 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 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization method	16.2 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, 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, 2020**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues</b>			
<b>Taxes</b>			
Ad valorem tax	\$ 114,000	\$ 112,870	\$ (1,130)
Beer tax	15,000	1,869	(13,131)
Cigarette tax	4,000	156	(3,844)
Sales tax	871,000	1,210,322	339,322
Town gasoline tax	220,000	-	(220,000)
Financial excise tax	5,200	30	(5,170)
Oil severance tax	8,000	15,325	7,325
Total Taxes	<u>1,237,200</u>	<u>1,340,572</u>	<u>103,372</u>
<b>Licenses and Permits</b>			
Business licenses	310,000	281,729	(28,271)
Building permits	3,500	-	(3,500)
Franchise fees	10,000	-	(10,000)
Total Licenses and Permits	<u>323,500</u>	<u>281,729</u>	<u>(41,771)</u>
<b>Fines and Forfeitures</b>			
Fines and court costs	<u>150,000</u>	<u>104,145</u>	<u>(45,855)</u>
<b>Fees and Charges</b>			
Miscellaneous fees	<u>800</u>	<u>15</u>	<u>(785)</u>
<b>Intergovernmental Revenues</b>			
Motor vehicle license	<u>20,000</u>	<u>22,423</u>	<u>2,423</u>
<b>Revenue From Town Property</b>			
Sale of Town property	10,000	-	(10,000)
Rent	20,000	80	(19,920)
Total Revenue From Town Property	<u>30,000</u>	<u>80</u>	<u>(29,920)</u>
<b>Other Revenue</b>			
Interest earned	500	2,238	1,738
Donations	5,000	-	(5,000)
Other	55,925	22,412	(33,513)
Total Other Revenue	<u>61,425</u>	<u>24,650</u>	<u>(36,775)</u>
<b>Other Financing Sources</b>			
Debt Proceeds	-	233,981	233,981
Transfers In	41,336	213,345	172,009
<b>Total Revenues</b>	<u><u>\$ 1,864,261</u></u>	<u><u>\$ 2,220,940</u></u>	<u><u>\$ 356,679</u></u>

**TOWN OF FLOMATON, ALABAMA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Expenditures</b>			
<b>General Government</b>			
Salaries	\$ 62,270	\$ 79,694	\$ 17,424
Employee benefits	15,041	49,380	34,339
Utilities	18,800	6,532	(12,268)
Telephone	100	20,224	20,124
Office supplies	9,000	60,621	51,621
Dues and publications	2,200	28,405	26,205
Insurance	12,700	292,153	279,453
Repairs and maintenance	3,990	1,170	(2,820)
Professional fees	13,811	30,275	16,464
SAIL program	23,819	19,843	(3,976)
Animal control	2,000	820	(1,180)
Capital expenditures	-	8,223	8,223
Other	28,700	20,633	(8,067)
Total General Government	192,431	617,972	425,541
<b>Public Safety</b>			
<b>Police Department</b>			
Salaries	511,219	525,099	13,880
Employee benefits	94,000	66,211	(27,789)
Telephone	8,300	3,944	(4,356)
Repairs and maintenance	19,600	22,988	3,388
Fuel, oil, and tires	28,000	16,947	(11,053)
Insurance	27,000	11,404	(15,596)
Professional fees	5,800	1,333	(4,467)
Uniform	5,000	429	(4,571)
Office supplies	5,000	663	(4,337)
Utilities	14,200	8,322	(5,878)
Other	13,600	11,008	(2,592)
Total Police Department	731,719	668,350	(63,369)

**TOWN OF FLOMATON, ALABAMA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Public Safety (continued)</b>			
<b>Fire Department</b>			
Salaries	30,178	33,203	3,025
Employee benefits	3,700	8,869	5,169
Insurance	14,900	10,239	(4,661)
Repairs and maintenance	7,400	7,507	107
Tools and supplies	4,150	3,919	(231)
Utilities	14,800	15,064	264
Telephone	3,000	1,077	(1,923)
Office supplies	900	7,024	6,124
Fuel, oil, and tires	5,000	1,882	(3,118)
Professional fees	3,600	1,333	(2,267)
Total Fire Department	<u>87,628</u>	<u>90,118</u>	<u>2,490</u>
Total Public Safety	<u>819,347</u>	<u>758,467</u>	<u>(60,880)</u>
<b>Public Works</b>			
<b>Street Department</b>			
Salaries	65,228	78,456	13,228
Employee benefits	24,500	21,219	(3,281)
Insurance	15,212	11,943	(3,269)
Office supplies	200	60	(140)
Repairs and maintenance	26,800	6,328	(20,472)
Tools and supplies	15,250	17,084	1,834
Fuel, oil, and tires	9,000	3,478	(5,522)
Professional fees	4,300	1,333	(2,967)
Uniforms	1,500	2,645	1,145
Utilities	31,100	31,440	340
Telephone	1,600	1,144	(456)
Other	16,200	24,996	8,796
Total Street Department	<u>210,890</u>	<u>200,127</u>	<u>(10,763)</u>

**TOWN OF FLOMATON, ALABAMA  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<b>Original and Final Amended Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Other Departments</b>			
<b>Library Department</b>			
Salaries	84,296	86,553	2,257
Employee benefits	12,800	13,109	309
Insurance	4,055	13,012	8,957
Utilities	17,400	14,918	(2,482)
Telephone	1,700	2,497	797
Repairs and maintenance	1,000	1,343	343
Books	3,000	-	(3,000)
Professional fees	6,400	1,333	(5,067)
Office supplies	2,150	9,352	7,202
Total Library Department	<u>132,801</u>	<u>142,119</u>	<u>9,318</u>
<b>Park Department</b>			
Salaries	28,006	56,875	28,869
Employee benefits	4,550	12,825	8,275
Fuel	3,200	2,958	(242)
Utilities	17,600	41,524	23,924
Insurance	10,100	11,232	1,132
Professional fees	3,100	1,333	(1,767)
Repairs and maintenance	6,000	9,000	3,000
Capital expenditures	-	2,963	2,963
Tools and supplies	3,850	19,608	15,758
Total Park Department	<u>76,406</u>	<u>158,318</u>	<u>81,912</u>
Total Other Departments	<u>209,207</u>	<u>300,436</u>	<u>91,229</u>
<b>Debt Service</b>			
Principal	238,068	218,044	(20,024)
Interest	-	65,319	65,319
Total Expenditures	<u>\$ 1,669,943</u>	<u>\$ 2,160,365</u>	<u>\$ 490,422</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, 2020, 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 June 1, 2021.

#### **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  
June 1, 2021