

TOWN OF FLOMATON, ALABAMA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**TOWN OF FLOMATON, ALABAMA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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FINANCIAL SECTION

Members

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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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

November 21, 2022
Brewton, Alabama

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 548,617	\$ 55,111	\$ 603,728
Receivables, net	127,680	50,814	178,494
Due from external parties	78,482	7,487	85,969
Prepaid expenses	17,106	2,358	19,464
Inventories	12,836	17,087	29,923
Capital assets, net			
Land and improvements	297,327	22,434	319,761
Other capital assets, net of depreciation	<u>2,689,314</u>	<u>1,797,860</u>	<u>4,487,174</u>
Total assets	3,771,362	1,953,151	5,724,513
Deferred outflows of resources	<u>170,579</u>	<u>55,162</u>	<u>225,741</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 3,941,941</u>	<u>\$ 2,008,313</u>	<u>\$ 5,950,254</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 788,571	\$ 126,550	\$ 915,121
Customer deposits	-	42,528	42,528
Line of credit	125,580	-	125,580
Internal balances	(310,094)	310,094	-
Noncurrent liabilities			
Due within one year	-	-	-
Due in more than one year	1,634,452	-	1,634,452
Net pension liability	<u>119,341</u>	<u>70,565</u>	<u>189,906</u>
Total liabilities	<u>2,357,850</u>	<u>549,737</u>	<u>2,907,587</u>
Deferred inflows of resources	<u>134,408</u>	<u>30,623</u>	<u>165,031</u>
Total Liabilities and deferred inflows of resources	<u>2,492,258</u>	<u>580,360</u>	<u>3,072,618</u>
NET POSITION			
Net investment in capital assets	1,352,189	1,820,294	3,172,483
Restricted for street improvement and construction	12,177	-	12,177
Unrestricted	<u>85,317</u>	<u>(392,341)</u>	<u>(307,024)</u>
Total net position	<u>1,449,683</u>	<u>1,427,953</u>	<u>2,877,636</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,941,941</u>	<u>\$ 2,008,313</u>	<u>\$ 5,950,254</u>

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

TOWN OF FLOMATON, ALABAMA
STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Governmental activities:							
General	\$ 791,184	\$ 131,467	\$ 212,121	\$ -	\$ (447,596)		\$ (447,596)
Public safety							
Police	684,822	73,778	-	-	(611,044)		(611,044)
Fire	129,692	-	-	-	(129,692)		(129,692)
Public works							
Street	268,287	-	-	-	(268,287)		(268,287)
Library	136,930	-	-	-	(136,930)		(136,930)
Park	115,297	-	-	-	(115,297)		(115,297)
Unallocated depreciation	220,845	-	-	-	(220,845)		(220,845)
Interest on long-term debt	55,357	-	-	-	(55,357)		(55,357)
Total governmental activities	<u>2,402,414</u>	<u>205,245</u>	<u>212,121</u>	<u>-</u>	<u>(1,985,048)</u>		<u>(1,985,048)</u>
Business-type activities:							
Trash and garbage	140,750	152,401	-	-	-	\$ 11,651	11,651
Water	513,401	299,582	-	-	-	(213,819)	(213,819)
Sewer	242,051	261,952	-	-	-	19,898	19,898
Total business-type activities	<u>896,202</u>	<u>713,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,270)</u>	<u>(182,270)</u>
Total primary government	<u>\$ 3,298,616</u>	<u>\$ 919,180</u>	<u>\$ 212,121</u>	<u>\$ -</u>	<u>(1,985,048)</u>	<u>(182,270)</u>	<u>(2,167,318)</u>
General revenues:							
Taxes							
Property					117,789	-	117,789
Sales					979,281	-	979,281
Other					424,378	-	424,378
Investment earnings					3,859	14	3,873
Other					331,654	-	331,654
Transfers in/(out)					67,405	(67,204)	201
Total general revenues and transfers					<u>1,924,366</u>	<u>(67,190)</u>	<u>1,857,176</u>
Change in net position					(60,682)	(249,460)	(310,142)
Net position, beginning					1,510,365	1,677,413	3,187,778
Net position, ending					<u>\$ 1,449,683</u>	<u>\$ 1,427,953</u>	<u>\$ 2,877,636</u>

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

**TOWN OF FLOMATON, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 484,847	\$ 63,770	\$ 548,617
Receivables	127,680	-	127,680
Prepaid items	17,106	-	17,106
Inventories	12,836	-	12,836
Due from other Town funds	1,456,439	(48,817)	1,407,622
Due from external parties	78,882	-	78,882
	<u>2,177,790</u>	<u>14,953</u>	<u>2,192,743</u>
Total Assets	<u>\$ 2,177,790</u>	<u>\$ 14,953</u>	<u>\$ 2,192,743</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 655,321	\$ 2,776	\$ 658,097
Accrued liabilities	248,475	-	248,475
Line of credit	-	-	-
Due to other Town funds	1,097,928	-	1,097,928
	<u>2,001,724</u>	<u>2,776</u>	<u>2,004,500</u>
Total Liabilities	<u>2,001,724</u>	<u>2,776</u>	<u>2,004,500</u>
FUND BALANCES			
Nonspendable	29,942	-	29,942
Restricted for street improvement and construction	-	12,177	12,177
Unassigned	146,124	-	146,124
	<u>176,066</u>	<u>12,177</u>	<u>188,243</u>
Total fund balances	<u>176,066</u>	<u>12,177</u>	<u>188,243</u>
Total Liabilities and Fund Balances	<u>\$ 2,177,790</u>	<u>\$ 14,953</u>	<u>\$ 2,192,743</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, 2021**

Fund Balances as reported on page 5 \$ 188,243

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>2,689,314</u>	
Total capital assets		2,986,641

Deferred outflows (inflows) of resources related to pensions are applicable to future periods and, therefore, are not reported in government funds	36,171
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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	(7,579)
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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.	(119,341)
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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>(1,634,452)</u>
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Net Position of Governmental Activities as reported on page 3 \$ 1,449,683

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

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,504,871	\$ 16,499	\$ 1,521,370
Operating and capital grants	291,127		\$ 291,127
Intergovernmental	25,350	-	25,350
Licenses and permits	220,343	-	220,343
Fines and forfeitures	73,778	-	73,778
Fees and charges	438	-	438
Interest	3,859	-	3,859
Revenue from Town property	5,000	-	5,000
Other	132,926	-	132,926
	<u>2,257,692</u>	<u>16,499</u>	<u>2,274,191</u>
Total revenues			
EXPENDITURES			
General	687,715	-	687,715
Public safety	814,619	-	814,619
Public works	235,787	32,467	268,254
Other departments	285,698	-	285,698
Debt service:			
Principal	1,609,059	-	1,609,059
Interest	55,357	-	55,357
Capital outlay	13,742	-	13,742
	<u>3,701,977</u>	<u>32,467</u>	<u>3,734,444</u>
Total expenditures			
Excess Revenues Over (Under) Expenditures	<u>(1,444,285)</u>	<u>(15,968)</u>	<u>(1,460,253)</u>
OTHER FINANCING SOURCES AND (USES)			
Debt proceeds	1,679,465	-	1,679,465
Transfers in/ (out)	67,405	-	67,405
	<u>1,746,870</u>	<u>-</u>	<u>1,746,870</u>
Total other financing sources and (uses)			
NET CHANGE IN FUND BALANCES	302,585	(15,968)	286,617
Fund balances-beginning of year	<u>(126,519)</u>	<u>28,145</u>	<u>(98,374)</u>
FUND BALANCES-END OF YEAR	<u>\$ 176,066</u>	<u>\$ 12,177</u>	<u>\$ 188,243</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, 2021

Net change in fund balances--total governmental funds, page 7 \$ 286,617

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	13,742
Depreciation expense for the year	(220,845)

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	(1,679,465)
Principal payments on notes and warrants	1,609,059

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>(69,793)</u>
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Change in Net Position of Government Activities, page 4 \$ (60,685)

TOWN OF FLOMATON, ALABAMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
SEPTEMBER 30, 2021

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,294,225	\$ 1,504,871	\$ 210,646
Intergovernmental	-	25,350	25,350
Licenses and permits	249,000	220,343	(28,657)
Fines and forfeitures	110,000	73,778	(36,222)
Fees and charges	1,800	438	(1,362)
Interest	500	3,859	3,359
Revenue from Town property	10,000	5,000	(5,000)
Other	69,000	132,925	63,925
Total revenues	<u>1,734,525</u>	<u>1,966,564</u>	<u>232,039</u>
EXPENDITURES			
General	424,905	687,715	262,810
Public safety	676,557	814,619	138,062
Public works	320,573	235,787	(84,786)
Other departments	175,058	285,698	110,640
Debt service:			
Principal	-	1,609,059	1,609,059
Interest	-	55,357	55,357
Capital outlay	-	13,742	13,742
Total expenditures	<u>1,597,093</u>	<u>3,701,977</u>	<u>2,104,884</u>
Excess Revenues Over (Under) Expenditures	<u>137,432</u>	<u>(1,735,413)</u>	<u>(1,872,845)</u>
OTHER FINANCING SOURCES AND (USES)			
Debt proceeds	-	1,679,465	1,679,465
Transfers in	-	67,405	67,405
Total other financing sources and (uses)	<u>-</u>	<u>1,746,870</u>	<u>1,746,870</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>\$ 137,432</u>	11,457	<u>\$ (125,975)</u>
Fund balances-Beginning of year		<u>1,176,480</u>	
Fund Balance at End of Year		<u>\$ 1,187,937</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, 2021**

Assets	Trash and Garbage	Water Fund	Sewer Fund	Totals
Current assets				
Cash	\$ 292	\$ 49,306	\$ 5,512	\$ 55,110
Accounts receivable	10,541	21,767	18,506	50,814
Due from other Town funds	80,214	268,067	158,872	507,153
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
Total current assets	<u>92,041</u>	<u>354,175</u>	<u>193,793</u>	<u>640,009</u>
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
	<u>10,453</u>	<u>2,911,439</u>	<u>2,091,137</u>	<u>5,013,029</u>
Less accumulated depreciation	<u>10,453</u>	<u>2,046,215</u>	<u>1,136,067</u>	<u>3,192,735</u>
Net property, plant, and equipment	<u>-</u>	<u>865,224</u>	<u>955,070</u>	<u>1,820,294</u>
Total noncurrent assets	<u>-</u>	<u>865,224</u>	<u>955,070</u>	<u>1,820,294</u>
Deferred outflows of resources	<u>-</u>	<u>33,946</u>	<u>21,216</u>	<u>55,162</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 92,041</u></u>	<u><u>\$ 1,253,345</u></u>	<u><u>\$ 1,170,079</u></u>	<u><u>\$ 2,515,465</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, 2021**

Liabilities and Net Position	Trash and Garbage	Water Fund	Sewer Fund	Totals
Current liabilities				
Accounts payable	\$ 28,501	\$ 41,524	\$ 25,463	\$ 95,488
Accrued liabilities	-	27,426	3,633	31,059
Due to other Town funds	167,483	286,593	363,170	817,246
Customer deposits	2,085	34,348	6,095	42,528
Noncurrent liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
Net pension liability	-	35,032	35,533	70,565
Total liabilities	198,069	424,923	433,894	1,056,886
Deferred inflows of resources	-	21,118	9,505	30,623
Total liabilities and deferred inflows of resources	198,069	446,041	443,399	1,087,509
Net position				
Net investment in capital assets	-	865,224	955,070	1,820,294
Unrestricted	(106,028)	(57,921)	(228,392)	(392,341)
Total net position	(106,028)	807,303	726,678	1,427,953
Total Liabilities and Net Position	\$ 92,041	\$ 1,253,344	\$ 1,170,077	\$ 2,515,462

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, 2021

	Trash And Garbage	Water Fund	Sewer Fund	Totals
Operating Revenues				
Charges for services	\$ 152,401	\$ 299,582	\$ 261,952	\$ 713,935
Total operating revenues	<u>152,401</u>	<u>299,582</u>	<u>261,952</u>	<u>713,935</u>
Operating Costs and Expenses				
Cost of sales and services	132,208	-	-	132,208
Salaries and wages	-	132,718	94,132	226,850
Utilities	-	21,773	27,750	49,523
Maintenance and supplies	-	86,972	35,742	122,714
Employee benefits	-	21,193	15,947	37,140
Insurance	315	253	568	1,136
Professional fees	-	667	667	1,334
Office expense	8,225	2,735	105	11,065
Depreciation and amortization	-	71,030	54,413	125,443
Other	-	176,063	12,729	188,792
Total operating costs and expenses	<u>140,748</u>	<u>513,404</u>	<u>242,053</u>	<u>896,205</u>
Operating Income (Loss)	<u>11,653</u>	<u>(213,822)</u>	<u>19,899</u>	<u>(182,270)</u>
Non-Operating Revenue (Expenses)				
Interest earned	-	14	-	14
Total non-operating revenue (expenses)	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
Transfers In (Out)	<u>(37,578)</u>	<u>(3,489)</u>	<u>(26,137)</u>	<u>(67,204)</u>
Change in Net Position	(25,925)	(217,297)	(6,238)	(249,460)
Net Position at Beginning of Year	<u>(80,103)</u>	<u>1,024,600</u>	<u>732,916</u>	<u>1,677,413</u>
Net Position at End of Year	<u>\$ (106,028)</u>	<u>\$ 807,303</u>	<u>\$ 726,678</u>	<u>\$ 1,427,953</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, 2021**

	Trash And Garbage	Water Fund	Sewer Fund	Totals
Cash Flows from Operating Activities:				
Receipts from customers	\$ 159,752	\$ 319,688	\$ 274,436	\$ 753,876
Payments to suppliers	(130,444)	(247,480)	(61,315)	(439,239)
Payments to employees	-	(153,911)	(110,077)	(263,988)
Net Cash Provided by Operating Activities	<u>29,308</u>	<u>(81,703)</u>	<u>103,044</u>	<u>50,649</u>
Cash Flows from Noncapital Financing Activities				
Transfers in/ (out)	(37,578)	(3,489)	(26,137)	(67,204)
Payments from (to) other funds	<u>(2,112)</u>	<u>110,334</u>	<u>(89,183)</u>	<u>19,039</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(39,690)</u>	<u>106,845</u>	<u>(115,320)</u>	<u>(48,165)</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital debt	-	(9,368)		(9,368)
Interest paid on capital debt	-	-	-	-
Proceeds on sale of capital assets	-	-	-	-
Purchase of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(9,368)</u>	<u>-</u>	<u>(9,368)</u>
Cash Flows from Investing Activities				
Interest income	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
Net Decrease in Cash	(10,382)	15,788	(12,276)	(6,870)
Cash at Beginning of Year	<u>10,674</u>	<u>33,518</u>	<u>17,788</u>	<u>61,980</u>
Cash at End of Year	<u>\$ 292</u>	<u>\$ 49,306</u>	<u>\$ 5,512</u>	<u>\$ 55,110</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 11,653	\$ (213,822)	\$ 19,899	\$ (182,270)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and amortization	-	71,030	54,413	125,443
Change in pension expense as related to GASB 68	-	8,321	2,849	11,170
Change in accounts receivable	6,954	7,223	12,229	26,406
Change in customer deposits	395	12,883	255	13,533
Change in accrued expenses	-	24,596	3,633	28,229
Change in accounts payable	<u>10,306</u>	<u>8,064</u>	<u>9,763</u>	<u>28,133</u>
Net Cash Provided by Operating Activities	<u>\$ 29,308</u>	<u>\$ (81,705)</u>	<u>\$ 103,041</u>	<u>\$ 50,644</u>

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

**TOWN OF FLOMATON, ALABAMA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2021**

	Agency Funds
ASSETS	
Cash	\$ 1,227
Prepaid insurance	93
Due from grantor	14,601
TOTAL ASSETS	\$ 15,921
LIABILITIES	
Due to Town	\$ 15,921
TOTAL LIABILITIES	\$ 15,921

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

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, the estimated amount of vacation and sick pay was \$33,998 for the general fund and \$25,443 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 November 21, 2022, the date which the financial statements were available to be issued. No subsequent events noted.

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, 2021

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At September 30, 2021, interfund receivables and payables consisted of the following:

	Interfund Payables				Totals
	General	Water	Sewer	Garbage	
<u>Interfund Receivables</u>					
General	\$ -	\$ 286,593	\$ 363,170	\$ 167,483	\$ 817,246
Water	286,390	-	-	-	286,390
Sewer	85,376	-	-	-	85,376
Garbage	37,756	-	-	-	37,756
Special Revenue	9,048	-	-	-	9,048
Totals	<u>\$ 418,570</u>	<u>\$ 286,593</u>	<u>\$ 363,170</u>	<u>\$ 167,483</u>	<u>\$ 1,235,816</u>

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

At September 30, 2021, interfund transfers consisted of the following:

Transfers In	Transfers Out			Total
	Water	Sewer	Garbage	
General	\$ 3,489	\$ 26,137	\$ 37,578	\$ 67,204
Totals	<u>\$ 3,489</u>	<u>\$ 26,137</u>	<u>\$ 37,578</u>	<u>\$ 67,204</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, 2021

NOTE 4 CAPITAL ASSETS

Changes to capital assets are as follows:

	Balance 10/1/2020	Additions	Reclassifications/ Retirements	Balance 9/30/2021
<u>Governmental Activities</u>				
<i>Capital assets not being depreciated</i>				
Land	\$ 297,327	\$ -	\$ -	\$ 297,327
Total capital assets not being depreciated	297,327	-	-	297,327
<i>Capital assets being depreciated</i>				
Buildings	893,626	-	-	893,626
Improvements other than buildings	5,897,067	-	-	5,897,067
Equipment	1,983,736	13,742	-	1,997,478
Total capital assets being depreciated	8,774,429	13,742	-	8,788,171
Less accumulated depreciation	617,284	220,849	-	838,133
Total capital assets being depreciated	8,157,145	(207,107)	-	7,950,038
Capital assets, net	\$ 8,454,472	\$ (207,107)	\$ -	\$ 8,247,365

Depreciation was charged to governmental activities as follows:

General \$ 220,849

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4 CAPITAL ASSETS (Continued)

	Balance 10/1/2020	Additions	Reclassifications/ Retirements	Balance 9/30/2021
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	2,262,454	-	-	2,262,454
Equipment	636,567	-	-	636,567
Total capital assets being depreciated	2,905,154	-	-	2,905,154
Less accumulated depreciation	2,046,215	-	-	2,046,215
Total capital assets being depreciated	858,939	-	-	858,939
Capital assets, net	\$ 865,224	\$ -	\$ -	\$ 865,224
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	1,690,295	-	-	1,690,295
Equipment	382,226	-	-	382,226
Total capital assets being depreciated	2,074,988	-	-	2,074,988
Less accumulated depreciation	1,136,067	-	-	1,136,067
Total capital assets being depreciated	938,921	-	-	938,921
Capital assets, net	\$ 955,070	\$ -	\$ -	\$ 955,070

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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	\$	34,348
Sewer Deposits		6,095
Garbage Deposits		<u>2,085</u>
	\$	<u><u>42,528</u></u>

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities</u>					
General obligation debt	\$ 1,534,579	\$ 1,679,465	\$ 1,585,595	\$ 1,628,449	\$ 101,130
Governmental Activities, long-term liabilities	<u>1,534,579</u>	<u>1,679,465</u>	<u>1,585,595</u>	<u>1,628,449</u>	<u>101,130</u>
<u>Business-type Activities</u>					
Notes payable	9,368	-	9,368	-	-
Business-type Activities, long-term liabilities	<u>9,368</u>	<u>-</u>	<u>9,368</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 1,543,947</u>	<u>\$ 1,679,465</u>	<u>\$ 1,594,963</u>	<u>\$ 1,628,449</u>	<u>\$ 101,130</u>

**TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 6 LONG-TERM LIABILITIES (Continued)

Bonds and warrants payable at September 30, 2021, were comprised of the following:

General Obligation Warrant - Series 2021 completed January 20, 2021 principal due in 180 monthly installments of \$11,565, including interest at 2.919%, maturing December 2031	\$ 1,620,049
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	<u>8,400</u>
Total general obligations bonds and warrants	<u><u>\$ 1,628,449</u></u>

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6 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
2022	\$ 101,130	\$ 46,055	\$ -	\$ -
2023	95,473	43,312	-	-
2024	98,298	40,487	-	-
2025	101,206	37,579	-	-
2026-2030	552,751	141,175	-	-
2031-2035	639,496	54,430	-	-
2036	40,096	209	-	-
	<u>\$ 1,628,449</u>	<u>\$ 363,247</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE 7 LINE OF CREDIT

The Town has a line of credit with a \$200,000 limit. As of September 30, 2021, the balance was \$125,580. The interest rate is 5.00% with a maturity date of September 23, 2022.

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, 2021. 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, 2021

NOTE 10 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.

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, 2021

NOTE 10 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 104,510 participants. As of September 30, 2021, membership consisted of:

	<u>ERS</u>	<u>Town</u>
Retirees and beneficiaries		
currently receiving benefits	29,727	11
Terminated employees entitled to		
but not yet receiving benefits	2,130	0
Terminated employees not		
entitled to a benefit	16,415	19
Active Members	56,184	29
Post-DROP participants who		
are still in active service	54	0
Total	<u><u>104,510</u></u>	<u><u>59</u></u>

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. 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, 2021

NOTE 10 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 Town's active employee contribution rate was 5.00% of covered employee payroll, and the Town's average contribution rate to fund the normal and accrued liability costs was 3.00% of pensionable payroll.

The Town's contractually required contribution rate for the year ended September 30, 2020, was 5.69% of pensionable pay for Tier 1 employees, and 2.03% 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 \$57,245 for the year ended September 30, 2021.

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 rolled forward to September 30, 2021 using standard roll-forward techniques as shown in the table below:

	<u>Expected</u>	<u>Actual</u>
(a) Total Pension Liability as of September 30, 2020	\$ 1,852,707	\$ 1,906,041
(b) Discount rate	7.70%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2020 - September 30, 2021	73,152	73,152
(d) Transfers Among Employers:	-	70,639
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 - September 30, 2021	<u>(170,852)</u>	<u>(170,853)</u>
(f) Total Pension Liability as of September 30, 2021 = [(a) x (1+b)] + (c) + (d) + [(e) x (1+0.5*(b))]	<u>\$ 1,891,087</u>	<u>\$ 2,019,166</u>
(g) Difference between Expected and Actual		\$ 128,079
(h) Less Liability Transferred for Immediate Recognition		<u>70,639</u>
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 57,440</u>

Actuarial Assumptions

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

Inflation	2.50%
Projected Salary Increases	3.25-6.00%
Investment Rate of Return*	7.45%

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 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, 2020, 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	15.00%	2.80%
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%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%

*Includes assumed rate of inflation of 2.00%

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the 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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2020	\$ 1,852,707	\$ 1,706,524	\$ 146,183
Changes for the year:			
Service cost	73,152	-	73,152
Interest	136,081	-	136,081
Changes of benefit terms	87,748		87,748
Changes of assumptions	106,904	-	106,904
Differences between expected and actual experience	57,440	-	57,440
Contributions - employer	-	31,375	(31,375)
Contributions - employee	-	57,245	(57,245)
Net investment income	-	377,674	(377,674)
Benefit payments, including refunds of employee contributions	(170,853)	(170,853)	-
Administrative expense	-	-	-
Transfers among employers	70,639	70,639	-
Net changes	<u>361,111</u>	<u>366,080</u>	<u>(4,969)</u>
Balances at September 30, 2021	<u>\$ 2,213,818</u>	<u>\$ 2,072,604</u>	<u>\$ 141,214</u>

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45%)	1% Increase (8.45%)
Net pension liability	\$ 422,094	\$ 141,214	\$ (91,283)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes 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.

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

For the year ended September 30, 2021, the Board recognized pension expenses of \$84,597. At September 30, 2021, 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	\$ 102,221	\$ 66,378
Changes of assumptions	94,070	-
Net difference between projected and actual earnings on plan investments	-	-
Employer contributions subsequent to measurement date	34,967	-
Total	<u>\$ 231,258</u>	<u>\$ 66,378</u>

TOWN OF FLOMATON, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 10 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 September 30,	
2023	\$ 8,929
2024	7,611
2025	(11,886)
2026	(27,032)
2027	77
Thereafter	-
	<u>\$ (22,301)</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, 2021

Total pension liability	2021	2020	2019	2018	2017	2016	2015	2014
Service Cost	\$ 73,152	\$ 65,281	\$ 81,374	\$ 84,160	\$ 76,805	\$ 69,352	\$ 37,856	\$ 37,522
Interest	136,081	132,013	131,289	120,856	101,748	99,698	94,947	92,037
Changes of benefit terms	87,748	87,748	-	-	-	-	-	-
Differences between expected and actual experience	57,440	(64,796)	(41,014)	105,000	30,260	9,912	34,786	-
Changes of assumptions	106,904	-	-	9,890	-	40,246	-	-
Benefit payments, including refunds of employee contributions	(170,853)	(137,789)	(156,192)	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)
Transfers among employers	70,639	74,653	(15,262)	(27,034)	167,690	(43,597)	-	-
Net change in total pension liability	361,111	69,362	195	154,574	254,898	79,299	47,502	63,275
Total pension liability - beginning	1,852,707	1,783,345	1,783,150	1,628,576	1,373,678	1,294,379	1,246,877	1,183,602
Total pension liability - ending (a)	\$ 2,213,818	\$ 1,852,707	\$ 1,783,345	\$ 1,783,150	\$ 1,628,576	\$ 1,373,678	\$ 1,294,379	\$ 1,246,877
Plan fiduciary net position								
Contributions - employer	31,375	32,511	\$ 31,298	\$ 40,514	\$ 67,663	\$ 65,017	\$ 60,166	\$ 43,596
Contributions - member	57,245	57,152	52,413	59,918	58,055	48,555	38,083	24,843
Net investment income	377,674	91,527	40,866	141,275	167,205	113,977	12,978	114,357
Benefit payments, including refunds of employee	(170,853)	(137,789)	(156,192)	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)
Transfers among employers	70,639	74,653	(15,262)	(27,034)	167,690	(43,597)	72,668	-
Net change in plan fiduciary net position	366,080	118,054	(46,877)	76,375	339,008	87,640	63,808	116,512
Plan net position - beginning	1,706,524	1,588,470	1,635,347	1,558,972	1,219,964	1,132,324	1,068,516	952,004
Plan net position - ending	2,072,604	1,706,524	\$ 1,588,470	\$ 1,635,347	\$ 1,558,972	\$ 1,219,964	\$ 1,132,324	\$ 1,068,516
Net pension liability (asset) - ending (a) - (b)	\$ 141,214	\$ 146,183	\$ 194,875	\$ 147,803	\$ 69,604	\$ 153,714	\$ 162,055	\$ 178,361
Plan fiduciary net position as a percentage of the total pension liability	93.62%	92.11%	89.07%	91.71%	95.73%	88.81%	87.48%	85.70%
Covered payroll*	\$ 970,984	\$ 965,903	965,903	1,024,692	990,994	990,994	854,672	680,181
Net pension liability (asset) as a percentage of covered payroll	14.54% #	15.13%	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 FY2022 the measurement period is October 1, 2020 - September 30, 2021. 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, 2021**

	<u>2021</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution*	\$ 34,967	\$ 37,870	\$ 38,935	\$ 67,664	\$ 64,620	\$ 54,137
Contributions in relation to the actuarially determined contribution*	<u>34,967</u>	<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>	<u>\$ -</u>
Covered-employee payroll**	\$ 970,984	\$ 960,818	\$ 1,024,692	\$ 990,994	\$ 854,672	\$ 680,181
Contributions as a percentage of covered-employee payroll	3.60%	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 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	11 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

<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, 2021**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Revenues			
Taxes			
Ad valorem tax	\$ 114,000	\$ 117,789	\$ 3,789
Beer tax	15,000	11,117	(3,883)
Cigarette tax	4,000	3,388	(612)
Sales tax	915,000	979,281	64,281
Town gasoline tax	220,000	215,104	(4,896)
Financial excise tax	5,200	42,796	37,596
Oil severance tax	8,000	18,913	10,913
Total Taxes	<u>1,281,200</u>	<u>1,388,388</u>	<u>107,188</u>
Licenses and Permits			
Business licenses	225,000	104,117	(120,883)
Building permits	3,500	1,940	(1,560)
Franchise fees	1,000	-	(1,000)
Total Licenses and Permits	<u>229,500</u>	<u>106,057</u>	<u>(123,443)</u>
Fines and Forfeitures			
Fines and court costs	1,800	80,103	78,303
Fees and Charges			
Miscellaneous fees	500	438	(63)
Intergovernmental Revenues			
Motor vehicle license	20,000	25,380	5,380
Revenue From Town Property			
Sale of Town property	10,000	-	(10,000)
Rent	20,000	5,080	(14,920)
Total Revenue From Town Property	<u>30,000</u>	<u>5,080</u>	<u>(24,920)</u>
Other Revenue			
Interest earned	500	3,859	3,359
Donations	5,000	-	(5,000)
Other	174,000	128,049	(45,951)
Total Other Revenue	<u>179,500</u>	<u>131,908</u>	<u>(47,592)</u>
Other Financing Sources			
Debt Proceeds	-	233,981	233,981
Transfers In	-	67,205	67,205
Total Revenues	<u>\$ 1,742,500</u>	<u>\$ 2,038,539</u>	<u>\$ 296,039</u>

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Expenditures			
General Government			
Salaries	\$ 27,110	\$ 76,141	\$ 49,031
Employee benefits	-	86,003	86,003
Utilities	15,061	12,098	(2,963)
Telephone	21,593	23,636	2,043
Office supplies	30,336	31,421	1,085
Dues and publications	73,565	22,748	(50,817)
Insurance	136,939	148,798	11,859
Repairs and maintenance	2,608	2,829	221
Professional fees	46,637	85,359	38,722
SAIL program		-	-
Animal control	25	25	-
Capital expenditures		2,564	2,564
Other	24,957	16,865	(8,092)
Total General Government	<u>378,831</u>	<u>508,486</u>	<u>129,656</u>
Public Safety			
Police Department			
Salaries	449,262	504,725	55,463
Employee benefits	45,787	66,102	20,315
Telephone	2,507	4,423	1,916
Repairs and maintenance	27,636	34,776	7,140
Fuel, oil, and tires	14,251	19,420	5,169
Insurance	7,555	11,448	3,893
Professional fees	9,045	667	(8,378)
Uniform	2,144	2,086	(58)
Office supplies	3,260	599	(2,661)
Utilities	6,070	7,753	1,683
Other	15,544	22,847	7,303
Total Police Department	<u>583,061</u>	<u>674,846</u>	<u>91,786</u>

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Public Safety (continued)			
Fire Department			
Salaries	28,106	34,860	6,754
Employee benefits	4,592	7,051	2,459
Insurance	6,419	10,447	4,028
Repairs and maintenance	29,881	30,923	1,042
Tools and supplies		23,376	23,376
Utilities	11,357	14,464	3,107
Telephone	4,426	4,723	297
Office supplies	953	358	(595)
Fuel, oil, and tires	1,838	2,268	430
Professional fees	667	667	(0)
Total Fire Department	88,239	129,137	40,898
Total Public Safety	671,300	803,983	132,683
Public Works			
Street Department			
Salaries	112,774	127,061	14,287
Employee benefits	24,972	31,964	6,992
Insurance	7,246	9,837	2,591
Office supplies		98	98
Repairs and maintenance	13,878	16,636	2,758
Tools and supplies	8,207	7,446	(761)
Fuel, oil, and tires	3,724	4,530	806
Professional fees	667	667	(0)
Uniforms	2,496	2,836	340
Utilities	25,090	29,085	3,995
Telephone	2,217	2,600	383
Other	13,853	20,446	6,593
Total Street Department	215,124	264,383	49,259

**TOWN OF FLOMATON, ALABAMA
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original and Final Amended Budget	Actual	Variance Positive (Negative)
Other Departments			
Library Department			
Salaries	86,589	94,090	7,501
Employee benefits	10,980	15,520	4,540
Insurance	1,268	3,768	2,500
Utilities	10,214	13,355	3,141
Telephone	2,689	2,225	(464)
Repairs and maintenance	3,038	4,022	984
Books	-	-	-
Professional fees	1,168	667	(501)
Office supplies	5,359	10,060	4,701
Total Library Department	<u>121,305</u>	<u>143,708</u>	<u>22,403</u>
Park Department			
Salaries	28,110	30,948	2,838
Employee benefits	9,077	10,247	1,170
Fuel	3,407	3,835	428
Utilities	16,279	40,957	24,678
Insurance	7,246	9,837	2,591
Professional fees	667	667	(0)
Repairs and maintenance	27,385	33,017	5,632
Capital expenditures		2,963	2,963
Tools and supplies	10,022	20,656	10,634
Total Park Department	<u>102,193</u>	<u>153,126</u>	<u>50,933</u>
Total Other Departments	<u>223,498</u>	<u>296,834</u>	<u>73,336</u>
Debt Service			
Principal		218,044	218,044
Interest	-	65,319	65,319
Total Expenditures	<u>\$ 1,488,753</u>	<u>\$ 2,157,049</u>	<u>\$ 668,297</u>

COMPLIANCE SECTION

Members

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



Kilgore, Brown & Brittain, LLC

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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, 2021, 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 November 21, 2022.

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
November 21, 2022