

**TOWN OF FLOMATON, ALABAMA**  
Flomaton, Alabama

AUDITED FINANCIAL STATEMENTS  
September 30, 2022

Directory of Town Officials

Dewey J. Bondurant, Jr.	Mayor
Charles Reardon	Councilmember
Lillian Dean	Councilmember
James Johnson	Councilmember
Kay Wagner	Councilmember
Roger Adkinson	Councilmember
Carrie Moore	Town Clerk

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**MDA PROFESSIONAL  
GROUP, P.C.**  
MISSION DRIVEN ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

**Opinions**

We have audited the accompanying 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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Flomaton, Alabama's basic financial statements as listed in the Table of Contents.

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, 2022, 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.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Flomaton, Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

### **Responsibilities of Management for the Financial Statements (Continued)**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Flomaton, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Flomaton, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Flomaton, Alabama's ability to continue as a going concern for a reasonable period of time.

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

### **Auditor's Responsibility for the Audit of the Financial Statements (Continued)**

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Schedules of Net Pension Liability, Changes in the Net Pension Liability, Employer Contributions, and Pension Investment Returns; and Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund, and Notes to Required Supplementary Information on pages 42 through 47, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*MDA Professional Group, P.C.*

Roanoke, Alabama  
October 13, 2025

## BASIC FINANCIAL STATEMENTS

## TOWN OF FLOMATON, ALABAMA

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and Cash Equivalents	\$ 928,441	\$ -	\$ 928,441
Restricted Cash and Cash Equivalents	61,632	-	61,632
Accounts Receivable, Net	187,270	46,960	234,230
Grant Receivables	-	9,600	9,600
Inventories	46,791	62,025	108,816
Total Current Assets	<u>1,224,134</u>	<u>118,585</u>	<u>1,342,719</u>
Noncurrent Assets:			
Capital Assets, Not Being Depreciated	284,688	52,329	337,017
Capital Assets, Net of Accumulated Depreciation	2,513,489	1,749,665	4,263,154
Total Noncurrent Assets	<u>2,798,177</u>	<u>1,801,994</u>	<u>4,600,171</u>
Total Assets	<u>4,022,311</u>	<u>1,920,579</u>	<u>5,942,890</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferrals	192,873	59,096	251,969
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,215,184</u>	<u>\$ 1,979,675</u>	<u>\$ 6,194,859</u>
LIABILITIES			
Accounts Payable	\$ 54,291	\$ 32,104	\$ 86,395
Accrued Payroll and Withholdings	38,858	36,092	74,950
Accrued Interest	2,263	-	2,263
Accrued Compensated Absences	45,353	3,143	48,496
Noncurrent Liabilities			
Customer Deposits Payable	-	21,718	21,718
Net Pension Liabilities	77,953	63,261	141,214
Due within one year	109,226	-	109,226
Due in more than one year	1,477,003	-	1,477,003
Total Liabilities	<u>1,804,947</u>	<u>156,318</u>	<u>1,961,265</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferrals	178,234	38,358	216,592
Total Liabilities and Deferred Inflows of Resources	<u>1,983,181</u>	<u>194,676</u>	<u>2,177,857</u>
NET POSITION			
Net Investment in Capital Assets	1,209,685	1,801,994	3,011,679
Restricted For:			
Gas Tax Fund	61,632	-	61,632
Unrestricted	960,686	(16,995)	943,691
Total Net Position	<u>2,232,003</u>	<u>1,784,999</u>	<u>4,017,002</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
	<u>\$ 4,215,184</u>	<u>\$ 1,979,675</u>	<u>\$ 6,194,859</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF FLOMATON, ALABAMA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Program Revenues			Net (Expenses) and Revenues and Changes in Net Position			
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
General Government	\$ 712,384	\$ -	\$ 213,591	\$ 15,844	\$ (482,949)	\$ -	\$ (482,949)
Public Safety							
Police	912,516	97,418	-	-	(815,098)	-	(815,098)
Fire	162,730	-	-	-	(162,730)	-	(162,730)
Public Works	442,437	-	-	-	(442,437)	-	(442,437)
Library	143,933	-	-	-	(143,933)	-	(143,933)
Park	107,919	-	-	-	(107,919)	-	(107,919)
Interest of Long-Term Debt	44,726	-	-	-	(44,726)	-	(44,726)
Total Governmental Activities	2,526,645	97,418	213,591	15,844	(2,199,792)	-	(2,199,792)
<b>Business-Type Activities</b>							
Trash and Garbage	153,196	165,871	-	-	-	12,675	12,675
Water	311,283	314,954	-	-	-	3,671	3,671
Sewer	323,174	255,594	-	9,600	-	(57,980)	(57,980)
Total Business-Type Activities	787,653	736,419	-	9,600	-	(41,634)	(41,634)
Total Primary Government	\$ 3,314,298	\$ 833,837	\$ 213,591	\$ 25,444	(2,199,792)	(41,634)	(2,241,426)
General Revenues:							
Taxes:							
Sales Tax					1,148,922	-	1,148,922
Other Taxes					881,841	-	881,841
Property Taxes					130,089	-	130,089
Franchise Taxes					125,061	-	125,061
Licenses, Permits, and Fees					95,149	-	95,149
Interest Income					89	18	107
Other Revenue					247,567	-	247,567
Loss on Sale of Assets					(27,000)	-	(27,000)
Transfers In/(Out)					(336,157)	336,157	-
Total General Revenues					2,265,561	336,175	2,601,736
Change in Net Position					65,769	294,541	360,310
Net Position - Beginning of Year (As Restated)					2,166,234	1,490,458	3,656,692
Net Position - End of Year					\$ 2,232,003	\$ 1,784,999	\$ 4,017,002

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## TOWN OF FLOMATON, ALABAMA

## BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2022

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 928,441	\$ -	\$ 928,441
Restricted Cash and Cash Equivalents	-	61,632	61,632
Accounts Receivable	187,270	-	187,270
Inventory	46,791	-	46,791
	<u>1,162,502</u>	<u>61,632</u>	<u>1,224,134</u>
Total Assets	<u>\$ 1,162,502</u>	<u>\$ 61,632</u>	<u>\$ 1,224,134</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 54,291	\$ -	\$ 54,291
Accrued Payroll and Withholdings	38,858	-	38,858
Accrued Compensated Absences	7,457	-	7,457
	<u>100,606</u>	<u>-</u>	<u>100,606</u>
Total Liabilities	<u>100,606</u>	<u>-</u>	<u>100,606</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Property Tax	45,778	-	45,778
	<u>146,384</u>	<u>-</u>	<u>146,384</u>
Total Liabilities and Deferred Inflows of Resources	<u>146,384</u>	<u>-</u>	<u>146,384</u>
<b>Fund Balances</b>			
Nonspendable	46,791	-	46,791
Restricted	-	61,632	61,632
Unassigned	969,327	-	969,327
	<u>1,016,118</u>	<u>61,632</u>	<u>1,077,750</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,162,502</u>	<u>\$ 61,632</u>	<u>\$ 1,224,134</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF FLOMATON, ALABAMA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

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

Total Fund Balances - Governmental Funds	\$ 1,077,750
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds balance sheet.	2,798,177
Revenues reported in the statement of activities that do not provide current financial resources are deferred in the governmental funds. This is the amount of accrued property tax revenue deferred in the governmental funds.	45,778
Pension related deferrals are deferred outflows and inflows of resources on the statement of net position and not reported in the governmental funds balance sheet.	14,639
Long-term liabilities including bonds payable, notes payable, compensated absences, and accrued interest payable, are not due and payable in the current period, and therefore, not reported in the governmental funds balance sheet.	<u>(1,704,341)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 2,232,003</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## TOWN OF FLOMATON, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	General Fund	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,108,869	\$ 42,697	\$ 2,151,566
Other Revenues	245,517	-	245,517
Grants and Contributions	229,435	-	229,435
Franchise Revenue	125,061	-	125,061
Fines and Forfeitures	97,418	-	97,418
Licenses and Permits	95,149	-	95,149
Rental Revenue	2,050	-	2,050
Investment Revenue	89	-	89
	<u>2,903,588</u>	<u>42,697</u>	<u>2,946,285</u>
<b>EXPENDITURES</b>			
General Government	396,378	-	396,378
Public Safety	1,018,108	-	1,018,108
Public Works	334,651	21,762	356,413
Other Departments	358,084	-	358,084
Capital Outlay	116,739	-	116,739
Debt Service - Principal	233,555	-	233,555
Debt Service - Interest	50,042	-	50,042
	<u>2,507,557</u>	<u>21,762</u>	<u>2,529,319</u>
Excess of Revenues Over Expenditures	<u>396,031</u>	<u>20,935</u>	<u>416,966</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Debt	74,155	-	74,155
Proceeds from Sale of Capital Assets	56,000	-	56,000
Payment to Fiduciary Fund	(112,678)	-	(112,678)
Transfers from (to) Governmental Funds	(28,520)	28,520	-
Transfers from (to) Proprietary Funds	(336,157)	-	(336,157)
	<u>(347,200)</u>	<u>28,520</u>	<u>(318,680)</u>
Net Change in Fund Balances	48,831	49,455	98,286
FUND BALANCES - Beginning of Year (As Restated)	<u>967,287</u>	<u>12,177</u>	<u>979,464</u>
FUND BALANCES - End of Year	<u>\$ 1,016,118</u>	<u>\$ 61,632</u>	<u>\$ 1,077,750</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

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, 2022

Amounts reported for governmental activities in the Statement of Activities  
(page 5) are different because:

Net Change in fund balances - total governmental funds (page 8)	\$	98,286
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital Outlay	\$	116,739	
Sale of Capital Assets		(83,000)	
Depreciation Expense		<u>(221,286)</u>	(187,547)

The proceeds received from bonds payable and notes payable obligations provide current financial resources to governmental funds, while the repayment of the principal of notes payable and lines of credit consumes the current financial resources of governmental funds.

Accrued Interest Expense	\$	5,316	
Repayment of Principal on Debt		233,555	
Proceeds from Issuance of Debt		<u>(74,155)</u>	164,716

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	9,272
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences	\$	(38,813)	
Pensions		<u>19,855</u>	<u>(18,958)</u>

Total Change in Net Position - Governmental Activities (Page 5)	\$	<u>65,769</u>
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The accompanying Notes to Financial Statements are an integral part of this financial statement.

## TOWN OF FLOMATON, ALABAMA

## STATEMENT OF NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2022

ASSETS	Trash and Garbage Fund	Water Fund	Sewer Fund	Total
Current Assets:				
Accounts Receivable, net	\$ 10,283	\$ 18,592	\$ 18,085	\$ 46,960
Grant Receivables	-	-	9,600	9,600
Inventories	-	45,703	16,322	62,025
Total Current Assets	<u>10,283</u>	<u>64,295</u>	<u>44,007</u>	<u>118,585</u>
Noncurrent Assets:				
Capital Assets, Not Being Depreciated	-	6,285	46,044	52,329
Capital Assets, Net of Accumulated Depreciation	-	823,930	925,735	1,749,665
Total Noncurrent Assets	<u>-</u>	<u>830,215</u>	<u>971,779</u>	<u>1,801,994</u>
Deferred Outflows of Resources				
Pension Related Deferrals	-	36,569	22,527	59,096
Total Deferred Outflows of Resources	<u>-</u>	<u>36,569</u>	<u>22,527</u>	<u>59,096</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 10,283</u></u>	<u><u>\$ 931,079</u></u>	<u><u>\$ 1,038,313</u></u>	<u><u>\$ 1,979,675</u></u>
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 10,890	\$ 2,268	\$ 18,946	\$ 32,104
Accrued Payroll and Withholdings	-	36,092	-	36,092
Accrued Compensated Absences	-	-	3,143	3,143
Noncurrent Liabilities				
Customer Deposits Payable	1,290	16,448	3,980	21,718
Net Pension Liability	-	30,163	33,098	63,261
Total Liabilities	<u>12,180</u>	<u>84,971</u>	<u>59,167</u>	<u>156,318</u>
DEFERRED INFLOWS OF RESOURCES				
Pension Related Deferrals	-	26,275	12,083	38,358
Total Deferred Inflows of Resources	<u>-</u>	<u>26,275</u>	<u>12,083</u>	<u>38,358</u>
NET POSITION (Deficit)				
Net Investment in Capital Assets	-	830,215	971,779	1,801,994
Unrestricted (Deficit)	(1,897)	(10,382)	(4,716)	(16,995)
Total Net Position (Deficit)	<u>(1,897)</u>	<u>819,833</u>	<u>967,063</u>	<u>1,784,999</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 10,283</u></u>	<u><u>\$ 931,079</u></u>	<u><u>\$ 1,038,313</u></u>	<u><u>\$ 1,979,675</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## TOWN OF FLOMATON, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Trash and Garbage Fund	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 165,871	\$ 314,954	\$ 255,594	\$ 736,419
Total Operating Revenues	<u>165,871</u>	<u>314,954</u>	<u>255,594</u>	<u>736,419</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	-	134,325	73,660	207,985
Cost of Sales and Services	132,803	-	-	132,803
Maintenance Supplies	-	59,229	30,694	89,923
Depreciation	-	35,009	53,419	88,428
Utilities	-	15,495	70,951	86,446
Other	18,025	13,879	42,846	74,750
Employee Benefits	-	31,498	20,728	52,226
Bad Debt	-	11,908	20,173	32,081
Insurance	744	6,709	6,772	14,225
Office Expense	1,501	1,565	1,351	4,417
Professional Fees	-	-	2,580	2,580
Contribution to Fiduciary Fund	-	1,666	-	1,666
Repair Parts and Materials	123	-	-	123
Total Operating Expenses	<u>153,196</u>	<u>311,283</u>	<u>323,174</u>	<u>787,653</u>
OPERATING INCOME (LOSS)	<u>12,675</u>	<u>3,671</u>	<u>(67,580)</u>	<u>(51,234)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Grants and Donations	-	-	9,600	9,600
Interest Income	-	18	-	18
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>18</u>	<u>9,600</u>	<u>9,618</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In (Out)	<u>73,484</u>	<u>(20,084)</u>	<u>282,757</u>	<u>336,157</u>
Total Other Financing Sources (Uses)	<u>73,484</u>	<u>(20,084)</u>	<u>282,757</u>	<u>336,157</u>
Changes in Net Position	86,159	(16,395)	224,777	294,541
TOTAL NET POSITION - Beginning (As Restated)	<u>(88,056)</u>	<u>836,228</u>	<u>742,286</u>	<u>1,490,458</u>
TOTAL NET POSITION - End	<u>\$ (1,897)</u>	<u>\$ 819,833</u>	<u>\$ 967,063</u>	<u>\$ 1,784,999</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## TOWN OF FLOMATON, ALABAMA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Trash and Garbage Fund	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 165,334	\$ 300,229	\$ 253,900	\$ 719,463
Payments to Suppliers	(152,091)	(184,615)	(197,993)	(534,699)
Payments to Employees	-	(127,994)	(75,318)	(203,312)
Net Cash Provided (Used) by Operating Activities	<u>13,243</u>	<u>(12,380)</u>	<u>(19,411)</u>	<u>(18,548)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Change in Due From Other Funds	(87,269)	(18,526)	(204,298)	(310,093)
Change in Due From External Parties	250	1,666	5,569	7,485
Transfers from (to) Other Funds	73,484	(20,084)	282,757	336,157
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(13,535)</u>	<u>(36,944)</u>	<u>84,028</u>	<u>33,549</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of Capital Assets	-	-	(70,129)	(70,129)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(70,129)</u>	<u>(70,129)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on Deposits	-	18	-	18
Net Cash Provided by Investing Activities	<u>-</u>	<u>18</u>	<u>-</u>	<u>18</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(292)</u>	<u>(49,306)</u>	<u>(5,512)</u>	<u>(55,110)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>292</u>	<u>49,306</u>	<u>5,512</u>	<u>55,110</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

## TOWN OF FLOMATON, ALABAMA

## STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Trash and Garbage Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 12,675	\$ 3,671	\$ (67,580)	\$ (51,234)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation Expense	-	13,879	42,846	56,725
Change in assets and liabilities				
Accounts Receivable, net	258	3,175	421	3,854
Prepaid Expenses	744	831	783	2,358
Inventories	-	(33,166)	(11,772)	(44,938)
Accounts Payable	361	(10,331)	9,091	(879)
Accrued Payroll and Withholdings	-	8,666	-	8,666
Accrued Compensated Absences	-	-	(490)	(490)
Customer Deposits	(795)	(17,900)	(2,115)	(20,810)
Net Pension Liability	-	(4,869)	(2,435)	(7,304)
Deferred Outflows	-	(2,623)	(1,311)	(3,934)
Deferred Inflows	-	5,157	2,578	7,735
	<u>\$ 13,243</u>	<u>\$ (33,510)</u>	<u>\$ (29,984)</u>	<u>\$ (50,251)</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF FLOMATON, ALABAMA

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

SEPTEMBER 30, 2022

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	<u>SAIL Fund</u>
<b>ASSETS</b>	
Cash	\$ 4,448
TOTAL ASSETS	<u>\$ 4,448</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 204
Total Liabilities	<u>204</u>
<b>NET POSITION</b>	
Restricted	<u>4,244</u>
Total Net Position	<u>4,244</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,448</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF FLOMATON, ALABAMA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	SAIL Fund
<hr/>	
ADDITIONS	
Governmental Contributions	\$ 114,344
Donations	4,465
Other Revenue	400
	<hr/>
TOTAL ADDITIONS	119,209
	<hr/>
DEDUCTIONS	
Salaries and Payroll	17,790
Utilities	5,646
Office Expenditures	4,117
Repairs and Maintenance	7,483
Rent	300
Travel	174
	<hr/>
TOTAL DEDUCTIONS	35,510
	<hr/>
Changes in Net Position	83,699
	<hr/>
TOTAL NET DEFICIT - Beginning	(79,455)
	<hr/>
TOTAL NET POSITION - End	<u>\$ 4,244</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Town of Flomaton, Alabama (the “Town”) was incorporated under the laws of the state of Alabama in 1908. The Town operates under a mayor-council form of government and provides the following services: streets and roads, police and public safety, parks and recreation, public library services, and general administrative services. These are included within the primary government entity. The council and mayor are responsible for adopting legislation, ordinances, and setting policies of the Town. The mayor is responsible for managing day-to-day operations in conjunction with the town clerk. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

Financial Reporting Entity

Accounting principles generally accepted in the United States of America require that the Town report on all entities for which it is considered to be financially accountable. The Town’s financial reporting entity comprises of the Town of Flomaton, Alabama as the primary government and has no component units. In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, “The Financial Reporting Entity”, and would have included all component units had one of the following conditions existed: (1) Town appointment of a voting majority of the unit’s board, (2) Town can impose its’ will on the unit, and (3) Financial benefit or burden relationship exists. The Town has determined that it does not have a component unit that meets these conditions.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely on user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, including fiduciary funds, and proprietary funds. Major individual governmental funds (governmental and fiduciary) and major individual proprietary funds are reported as separate columns in the fund financial statements. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum funds are maintained consistent with legal and managerial requirements.

Measurement Focus, Basis of Accounting, And Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accountings, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transactions can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as in accrual accounting. However, debt service expenditures are recognized only when payment is due. Certain compensated absences, claims, and judgments are recognized only when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales and use taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Other taxes and receipts become measurable when cash is received by the Town and are recognized as revenue at that time. Shared revenues and entitlements are recorded at the time of receipt or earlier if the accrual criteria are met.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary funds:

The Trash and Garbage Fund – The Trash and Garbage Fund accounts for the Town’s garbage operations.

The Water Fund – The Water Fund accounts for the activities of the water system that is operated by the Town.

The Sewer Fund – The Sewer Fund accounts for the activities of the sewer system that is operated by the Town.

Fiduciary funds are used to report assets held in a trust or agency capacity for others and, therefore, cannot be used to support the Town’s programs. The Town reports the following fiduciary fund type:

Agency Fund – Agency funds generally account for assets held by the Town in a purely custodial capacity. The Town reports the non-public funds held for senior programs as agency funds.

The Town reports special revenue funds in the “Nonmajor Governmental Funds” column. These funds account for the proceeds of “nonmajor” specific revenue sources that require separate accounting because of legal or regulatory provisions. Nonmajor Governmental funds consist of the State of Alabama gasoline excise tax funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Auditing Standards Board (GASB).

During the course of normal operations, the Town has transactions between funds to provide services and to make debt payments. These transactions are generally reflected as operating transfers except for transactions reimbursing a fund for expenditures made by it for the benefit of another fund. These transactions are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund reimbursed. As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements.

In the government-wide financial statements, amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing delivering goods in connection with a proprietary fund's ongoing operations. The principal operating revenues of the Trash and Garbage, Water, and Sewer are charges to customers for sales and services relating to garbage and water.

When both restricted and unrestricted resources are available for use, it is the Town's practice to use unrestricted resources first, then restricted resources as they are needed, except in the case of grant monies which are used for their required purpose.

ASSETS, LIABILITIES, AND NET POSITION

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.

Accounts Receivable and Property Taxes

Accounts receivable are shown net of any applicable allowance for uncollectible accounts. Property taxes are assessed for property as of October 1 of each year based on the established millage rates. Property taxes are due and payable the following October 1 and are delinquent after December 31. Revenue is recognized in the year when the taxes are levied and collected at the fund level. Revenue is recognized in the year for which they are levied at the government-wide level. The taxes are collected by the Escambia County tax collector and remitted to the Town.

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 a similar manner.

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.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	5 - 40
Improvements	5 - 40
Vehicles	5 - 10
Machinery and Equipment	5 - 20
Water System	5 - 40
Sewer System	5 - 40

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet – governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has three items which qualify for reporting in this category. The items are differences between expected and actual experience, changes of assumptions, and employer contributions subsequent to measurement date, all of which are reported only in the governmental activities statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet – governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items which qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is the unavailable property tax revenue and is reported only in the governmental funds balance sheet. The other two items are the differences between expected and actual experience and the net difference between projected and actual earnings on plan investments which are reported only in the governmental activities statement of net position.

Compensated Absences

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, 2022, the estimated amount of vacation and sick pay was \$45,353 for the general fund and \$3,143 for the proprietary funds.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The Employees' Retirement System of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Annual Comprehensive Financial Report.

Long-term Obligations

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

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.

Equity Classifications

Government-Wide statements – Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other debt attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – consists of all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity Classifications (Continued)

Fund equity is reported in the fund financial statements as fund balance. The following classifications of fund balance are reported in the fund financial statements:

- a) Nonspendable – This classification represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.
- b) Restricted – This classification includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- c) Committed – This classification includes amounts that can only be used for specific purposes. It is the practice of the Town to present assets in this classification pursuant to constraints imposed by formal action of the Council before the end of the fiscal year, and require the same level of formal action to remove the constraint. However, no formal policy regarding this action has been approved by the Town. No amounts were reported as committed as of September 30, 2022.
- d) Assigned – This classification includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. It is the practice of the Town to allow the Town Council to make a determination of the assigned amounts of fund balance, and also to allow the Town Council to remove the constraints. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. No formal policy regarding the assignment of fund balances to this classification has been approved by the Town. No amounts were reported as assigned as of September 30, 2022.
- e) Unassigned – This classification is the residual classification for the general fund, and represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

Risk Management

The Town is exposed to normal business risk in the course of operations. Commercial insurance is purchased by the Town to cover any normal, insurable loss up to policy limits. During the past three years, there have been no losses which exceeded insured amounts.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Preparation of Financial Statements

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 the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 13, 2025, which is the date the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

An annual budget is prepared for the Town's governmental funds as a whole. It is adopted on the modified accrual basis. All annual appropriations lapse at the fiscal year end. The Town is authorized to transfer budget amounts between departments within the general fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council.

B. DEFICIT FUND EQUITY

No individual fund had a deficit fund balance as of September 30, 2022.

NOTE 3 – DEPOSITS AND INVESTMENTS

At September 30, 2022, the Town's deposits were covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program ("SAFE Program"). The SAFE Program was established by the Alabama legislature and is governed by provisions of Alabama law contained in the Code of Alabama 1975, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, which is mandatory, each qualified public depository (QPD) holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by FDIC insurance. If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All deposits of the Town are held in a certified QPD.

At September 30, 2022, the carrying amounts of the Town's deposits with two financial institutions were \$1,037,533.

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 4 – ACCOUNTS RECEIVABLE

Governmental Activities accounts receivable at September 30, 2022, consisted of the following:

Taxes Receivable:	
Sales Tax	\$ 105,802
Motor Vehicle License	1,596
Beer Tax	1,148
Local Gas Tax	7,365
Use Tax	25,581
Property Tax	<u>45,778</u>
	<u>\$ 187,270</u>

Business-Type Activities accounts receivable at September 30, 2022, consist of the following:

	Trash and Garbage	Water	Sewer	Total
Accounts Receivable (Pre-payments)	\$ 48,909	\$ 62,628	\$ 74,312	\$ 185,849
Allowance for Doubtful Accounts	<u>(38,626)</u>	<u>(44,036)</u>	<u>(56,227)</u>	<u>(138,889)</u>
	<u>\$ 10,283</u>	<u>\$ 18,592</u>	<u>\$ 18,085</u>	<u>\$ 46,960</u>

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 5 – CAPITAL ASSETS

The following is a summary of changes in the Town’s Governmental Activities capital assets for the year ended September 30, 2022:

	<u>Balance</u> <u>October 1, 2021</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2022</u>
<u>Governmental Activities:</u>				
Land	\$ 297,327	\$ 70,361	\$ 83,000	\$ 284,688
Total Capital Assets, not Being Depreciated	<u>297,327</u>	<u>70,361</u>	<u>83,000</u>	<u>284,688</u>
Buildings	893,626	305,677	-	1,199,303
Improvements	5,897,067	175,236	-	6,072,303
Vehicles	-	672,827	-	672,827
Machinery and Equipment	<u>1,997,478</u>	<u>14,844</u>	<u>1,114,696</u>	<u>897,626</u>
Total Capital Assets Being Depreciated	<u>8,788,171</u>	<u>1,168,584</u>	<u>1,114,696</u>	<u>8,842,059</u>
Less Accumulated Depreciation				
Buildings	593,873	44,978	-	638,851
Improvements	4,135,378	126,704	-	4,262,082
Vehicles	552,344	23,726	-	576,070
Machinery and Equipment	<u>825,689</u>	<u>25,878</u>	<u>-</u>	<u>851,567</u>
	<u>6,107,284</u>	<u>221,286</u>	<u>-</u>	<u>6,328,570</u>
Total Capital Assets Being Depreciated - Net	<u>2,680,887</u>	<u>947,298</u>	<u>1,114,696</u>	<u>2,513,489</u>
Governmental Activities, Capital Assets - Net	<u>\$ 2,978,214</u>	<u>\$ 1,017,659</u>	<u>\$ 1,197,696</u>	<u>\$ 2,798,177</u>

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

General government	\$ 86,906
Public Safety	42,350
Parks and Recreation	22,831
Streets	<u>69,199</u>
Total depreciation expense - governmental activities	<u>\$ 221,286</u>

(Continued)

## TOWN OF FLOMATON, ALABAMA

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 5 – CAPITAL ASSETS (Continued)

The following is a summary of changes in the Town's Business-Type Activities capital assets for the year ended September 30, 2022:

	<u>Balance</u> <u>October 1, 2021</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>September 30, 2022</u>
<u>Business-Type Activities:</u>				
Land	22,434	-	-	22,434
Construction in Progress	-	29,895	-	29,895
Total Capital Assets, not Being Depreciated	<u>22,434</u>	<u>29,895</u>	<u>-</u>	<u>52,329</u>
Water System	2,262,454	-	-	2,262,454
Sewer System	1,690,295	-	-	1,690,295
Buildings	8,600	-	-	8,600
Machinery and Equipment	707,152	-	-	707,152
Vehicles	322,093	40,234	-	362,327
Total Capital Assets Being Depreciated	<u>4,990,594</u>	<u>40,234</u>	<u>-</u>	<u>5,030,828</u>
Less Accumulated Depreciation				
Water System	1,471,454	23,654	-	1,495,108
Sewer System	779,652	38,861	-	818,513
Buildings	7,643	191	-	7,834
Machinery and Equipment	611,893	21,028	-	632,921
Vehicles	322,093	4,694	-	326,787
	<u>3,192,735</u>	<u>88,428</u>	<u>-</u>	<u>3,281,163</u>
Total Capital Assets Being Depreciated - Net	<u>1,797,859</u>	<u>(48,194)</u>	<u>-</u>	<u>1,749,665</u>
Business-Type Activities Capital Assets - Net	<u>\$ 1,820,293</u>	<u>\$ (18,299)</u>	<u>\$ -</u>	<u>\$ 1,801,994</u>

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

Water Fund	\$ 13,879
Sewer Fund	<u>42,846</u>
Total depreciation expense - business-type activities	<u>\$ 56,725</u>

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 6 – USER DEPOSITS

The Town currently requires a \$25 deposit from its water users for homeowners. The Town requires a \$50, \$30, \$10 for Water, Sewer, and Garbage respectively for renters. The deposits are refundable and therefore represent a liability to the Town. As of September 30, 2022, the Town was liable for the following deposits:

Trash and Garbage Deposits	\$	1,290
Water Deposits		16,448
Sewer Deposits		<u>3,980</u>
	\$	<u>21,718</u>

NOTE 7 – LONG-TERM DEBT

Long-term debt at September 30, 2022, were comprised of the following:

General Obligation Warrant – Series 2021 issued on January 20, 2021, due in 180 monthly installments of \$11,565, including interest at 2.92%, maturing December 2026.

United Bank – Line of Credit dated February 26, 2021, with all outstanding balances due June 26, 2022, including interest at 5.00%. Line of Credit was paid in full during year end September 30, 2022.

Santander Bank – 2021 Dodge Durango dated March 18, 2022, payable in 5 annual installments of \$15,981, including interest at 3.88%, maturing March 2026.

The following is a summary of changes in long-term obligations for the year ended September 30, 2022:

<u>Governmental Activities</u>	(As Restated)			Ending Balance	Amounts Due Within One Year
	Beginning Balance	Additions	Reductions		
General Obligation Debt	\$ 1,620,049	\$ -	\$ 91,994	\$ 1,528,055	\$ 95,502
United Bank - Line of Credit	125,580	-	125,580	-	-
Santander Bank - 2021 Dodge Durango	-	74,155	15,981	58,174	13,724
Governmental Activities, Long-Term Liabilities	<u>\$ 1,745,629</u>	<u>\$ 74,155</u>	<u>\$ 233,555</u>	<u>\$ 1,586,229</u>	<u>\$ 109,226</u>

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 7 – LONG-TERM DEBT (Continued)

The following is a summary of principal and interest maturities for the year ended September 30, 2022:

<u>Fiscal Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 109,226	\$ 45,540	\$ 154,766
2024	112,583	42,183	154,766
2025	116,046	38,721	154,767
2026	1,248,374	12,452	1,260,826
	<u>\$ 1,586,229</u>	<u>\$ 138,896</u>	<u>\$ 1,725,125</u>

Total interest charged to functions of the governmental activities for the year ended September 30, 2022 was \$44,726.

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund transfers to/from for the year ended September 30, 2022, are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	
General Fund	Trash and Garbage Fund	\$ 73,484
Water Fund	General Fund	20,083
General Fund	Sewer Fund	282,757
General Fund	Nonmajor Funds	<u>28,520</u>
		<u>\$ 404,844</u>

Interfund balances are used to: (1) supply funds from a fund that has current resources to a fund that needs current resources and (2) facilitate transactions that are made by one fund for the benefit of more than one fund.

NOTE 9 – PENSION PLAN

Plan Description

The 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 15 trustees. Act 390 of the Legislative of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. 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 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - d. One full time employee or retiree of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - f. One full time employee of a participating employer other than a municipality, city, or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 9 – PENSION PLAN (Continued)

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 or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. 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.

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

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 9 – PENSION PLAN (Continued)

Benefits Provided (Continued)

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

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

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.

Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 9 – PENSION PLAN (Continued)

Contributions (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 costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2022, the Town's active employee contribution rate was 5%/6% of covered employee payroll for Tier 1 employees (7.5%/8.5% for Tier 2 employees), and the Town's average contribution rate to fund the normal and accrued liability costs was 3.66% and 2.17% of pensionable payroll for Tier 1 employees (1.22% and 2.17%, respectively, for Tier 2 employees).

The Town's contractually required contribution rate for the year ended September 30, 2022, was 6.20% of pensionable pay for Tier 1 employees, and 3.76% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2019, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Town were \$55,678 for the year ended September 30, 2022.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 9 – PENSION PLAN (Continued)

Net Pension Liability

The Town’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 the following table:

	Expected	Actual Before Act 2019-132	Actual After Act 2019-132	Actual After 2020 Experience Study
(a) <b>Total Pension Liability</b> as of September 30, 2020	\$ 1,852,707	\$ 1,906,041	\$ 1,976,074	\$ 2,070,896
(b) <b>Discount Rate</b>	7.70%	7.70%	7.70%	7.45%
(c) <b>Entry Age Normal Cost for</b> October 1, 2020 - September 30, 2021	73,152	73,152	85,475	95,218
(d) <b>Transfers Among Employers</b>	-	70,639	70,639	70,639
(e) <b>Actual Benefit Payments and Refund for</b> October 1, 2020 - September 30, 2021	(170,853)	(170,853)	(170,853)	(170,853)
(f) <b>Total Pension Liability</b> 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>	<u>2,106,914</u>	<u>2,213,818</u>
(g) <b>Difference between Expected and Actual:</b>		\$ 128,079		
(h) <b>Less Liability Transferred for Immediate Recognition:</b>		\$ 70,639		
(i) <b>Difference between Actual - Experience (Gain)/Loss</b>		\$ 57,440		
(j) <b>Difference between Actual TPL Before and and After Act 2019 - 132 - Benefit Change (Gain)/Loss</b>			\$ 87,748	
(k) <b>Difference between Actual TPL Before and and After 2020 Experience Study - Assumption Change (Gain)/Loss</b>				\$ 106,904

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% For State and Local Employees and 4.00% - 7.75% for State Police, including inflation
Investment Rate of Return*	7.45%, including inflation

\*Net of pension plan investment expense.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 9 – PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward(+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages > = 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 9 – PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	15.0%	2.80%
US Large Stocks	32.0%	8.00%
US Mid Stocks	9.0%	10.00%
US Small Stocks	4.0%	11.00%
Int'l Developed Mkt Stocks	12.0%	9.50%
Int'l Emerging Mkt Stocks	3.0%	11.00%
Alternatives	10.0%	9.00%
Real Estate	10.0%	6.50%
Cash	5.0%	1.50%
Total	100.0%	

\*Includes assumed rate of inflation of 2.00%

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 ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan 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.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 9 – PENSION PLAN (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
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
Difference 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	-	-	-
Transfer 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>

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

The following table presents the Town's net pension liability, calculated using the discount rate of 7.45%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Town's Net Pension Liability (Asset)	\$ 422,094	\$ 141,214	\$ (91,283)

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 9 – PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive 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 is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2022, the Town recognized pension expense of \$107,551. At September 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 102,221	\$ 66,378
Changes of assumptions	94,070	-
Net difference between projected and actual earnings on plan investments	-	150,214
Employer contributions subsequent to Measurement Date	<u>55,678</u>	<u>-</u>
	<u>\$ 251,969</u>	<u>\$ 216,592</u>

The \$55,678 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 9 – PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ended September 30:	
2023	\$ 8,929
2024	7,611
2025	(11,886)
2026	(27,032)
2027	2,077
Thereafter	-

NOTE 10 – 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.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

During the fiscal year ending September 30, 2022, the Town identified multiple errors in the reporting of financial information in the September 30, 2021 financial statements. These errors affected the government-wide financial statements, governmental funds (including fiduciary funds), and proprietary funds, and have been corrected through prior period adjustments to beginning fund balance and net position, as applicable.

Government-Wide Financial Statements – Governmental Activities

The following errors were identified in the government-wide financial statements-governmental activities and have been corrected through restatement of beginning net position for governmental activities:

1. Understatement of accounts receivable – accounts receivable was understated as of September 30, 2021, due to the omission of property tax receivable.
2. Overstatement of accounts payable – accounts payable was overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the accrual basis of accounting.
3. Overstatement of accrued liabilities – several insurance and payroll related liabilities were overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the accrual basis of accounting.
4. Overstatement of long-term debt – long-term debt was overstated at September 30, 2021 due to the inclusion of a portion of long-term debt that had been repaid before the year-end.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 11 – PRIOR PERIOD ADJUSTMENT (Continued)

The impact of the prior period adjustments are as follows:

Government Activities:

Beginning Net Position, as previously reported	\$ 1,449,683
Increase in Accounts Receivable	36,507
Reduction of Accounts Payable	604,855
Reduction of Accrued Liabilities	60,786
Reduction of Long-Term Debt	<u>14,403</u>
Beginning Net Position, as restated	<u>\$ 2,166,234</u>

Government-Wide Financial Statements – Business-Type Activities

The following errors were identified in the government-wide financial statements-business type activities and have been corrected through restatement of beginning net position for business type activities:

1. Overstatement of accounts payable – accounts payable was overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the accrual basis of accounting.

The impact of the prior period adjustments are as follows:

Business-Type

Beginning Net Position, as previously reported	\$ 1,427,953
Reduction of Accounts Payable	<u>62,505</u>
Beginning Net Position, as restated	<u>\$ 1,490,458</u>

Governmental Funds - General Fund

The following errors were identified in the governmental fund financial statements and have been corrected through restatement of beginning fund balance for the general fund:

1. Overstatement of accounts payable – accounts payable was overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the modified accrual basis of accounting.
2. Overstatement of accrued liabilities – a line of credit was incorrectly reported as a liability and several insurance and payroll related liabilities were overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the modified accrual basis of accounting.

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 11 – PRIOR PERIOD ADJUSTMENT (Continued)

The impact of the prior period adjustment is as follows:

General Fund:

Beginning Fund Balance, as previously reported	\$	176,066
Reduction of Accounts Payable		604,855
Reduction of Accrued Liabilities		<u>186,366</u>
Beginning Fund Balance, as restated	\$	<u><u>967,287</u></u>

These adjustments do not impact current year revenues or expenditures, but they ensure that beginning balances are accurately stated in accordance with generally accepted accounting principles (GAAP).

Proprietary Funds – Trash and Garbage Fund

Trash and Garbage Fund – accounts payable was overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the accrual basis of accounting.

The impact of the prior period adjustment is as follows:

Trash and Garbage Fund:

Beginning Net Position (Deficit), as previously reported	\$	(106,028)
Reduction of Accounts Payable		<u>17,972</u>
Beginning Net Position (Deficit), as restated	\$	<u><u>(88,056)</u></u>

Proprietary Funds – Water Fund

Water Fund – accounts payable was overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the accrual basis of accounting.

The impact of the prior period adjustment is as follows:

Water Fund:

Beginning Net Position, as previously reported	\$	807,303
Reduction of Accounts Payable		<u>28,925</u>
Beginning Net Position, as restated	\$	<u><u>836,228</u></u>

(Continued)

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 11 – PRIOR PERIOD ADJUSTMENT (Continued)

Proprietary Funds – Sewer Fund

Sewer Fund – accounts payable was overstated as of September 30, 2021, due to the inclusion of amounts that did not meet the recognition criteria under the accrual basis of accounting.

The impact of the prior period adjustment is as follows:

Sewer Fund:

Beginning Net Position, as previously reported	\$	726,678
Reduction of Accounts Payable		<u>15,608</u>
Beginning Net Position, as restated	\$	<u>742,286</u>

NOTE 12 – PRIOR PERIOD ADJUSTMENT / IMPLEMENTATION OF GASB STATEMENT NO. 84

Fiduciary Funds – SAIL Fund

The Town implemented GASB Statement No. 84, *Fiduciary Activities*, during the current fiscal year. This statement establishes criteria for identifying and reporting fiduciary activities of local governments and clarifies how these activities should be presented in financial statements.

As a result of the implementation, activities previously reported as agency funds have been evaluated under the new criteria and are now reported as custodial funds. In addition, certain funds previously reported within governmental funds were determined to meet the definition of fiduciary activities and have been reclassified accordingly.

The effect of this change is a restatement of beginning net position as follows:

Fiduciary Funds:

Beginning net position, as previously reported (Agency funds were not reported under old guidance)	\$	-
Addition of fiduciary activities under GASB 84		<u>(79,455)</u>
Beginning Net Position (Deficit), as restated	\$	<u>(79,455)</u>

Accordingly, the beginning balances for the affected funds and activities have been restated to conform to the new standard.

TOWN OF FLOMATON, ALABAMA

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

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NOTE 13 – NEW ACCOUNTING PRONOUNCEMENT

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases, which became effective for reporting periods beginning after June 15, 2021. The Town evaluated its contracts and agreements in accordance with the requirements of GASB Statement No. 87 and determined that the provisions of this Statement are not applicable to the Town's financial statements for the fiscal year ended September 30, 2022. Accordingly, no adjustments were required to the financial statements as a result of the implementation of this standard.

NOTE 14 – SUBSEQUENT EVENTS

In November 2022, the Town council approved a resolution authorizing the Town to receive a loan from the Clean Water State Revolving Fund program. The loan proceeds will be used to finance improvements to the Town's wastewater treatment system.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF FLOMATON, ALABAMA

SCHEDULE OF NET PENSION LIABILITY

SEPTEMBER 30, 2022

Actuarial Valuation as of September 30	Total Pension Liability	Plan Net Position	Net Pension (Asset) Liability	Plan Net Position as a % of Total Pension Liability	Covered Employee Payroll	Net Pension Liability as a % of Covered Employee Payroll
2014	\$ 1,246,877	\$ 1,068,516	\$ 178,361	85.70%	\$ 680,181	26.22%
2015	\$ 1,294,379	\$ 1,132,324	\$ 162,055	87.48%	\$ 820,733	19.75%
2016	\$ 1,373,678	\$ 1,219,964	\$ 153,714	88.81%	\$ 932,635	16.48%
2017	\$ 1,628,576	\$ 1,558,972	\$ 69,604	95.73%	\$ 1,053,276	6.61%
2018	\$ 1,783,150	\$ 1,635,347	\$ 147,803	91.71%	\$ 1,018,927	14.51%
2019	\$ 1,783,345	\$ 1,588,470	\$ 194,875	89.07%	\$ 802,008	24.30%
2020	\$ 1,852,707	\$ 1,706,524	\$ 146,183	92.11%	\$ 904,178	16.17%
2021	\$ 2,213,818	\$ 2,072,604	\$ 141,214	93.62%	\$ 996,739	14.17%

**Note to Schedule:**

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Actuarial Valuation as of September 30,										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
<b>Total pension liability</b>											
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	-	-	-	-	-	-	-	-	-	
Difference 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	-	-	
<b>Plan fiduciary net position</b>											
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 contributions	(170,853)	(137,789)	(156,192)	(138,298)	(121,605)	(96,312)	(120,087)	(66,284)	-	-	
Transfer 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 (b)	2,072,604	1,706,524	1,588,470	1,635,347	1,558,972	1,219,964	1,132,324	1,068,516	-	-	
<b>Net pension liability - ending (a) - (b)</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-employee payroll*	\$ 996,739	\$ 904,178	\$ 802,008	\$ 1,018,927	\$ 1,053,276	\$ 932,635	\$ 820,733	\$ 680,181	\$ -	\$ -	
Net pension liability as a percentage of covered-employee payroll	14.17%	16.17%	24.30%	14.51%	6.61%	16.48%	19.75%	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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Actuarial Valuation as of September 30,										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Actuarially determined contribution	\$ 31,375	\$ 34,967	\$ 37,870	\$ 38,935	\$ 67,664	\$ 64,620	\$ 54,137	\$ -	\$ -	\$ -	
Contributions in relation to the actuarially determined contribution	31,375	34,967	37,870	38,935	67,664	64,620	54,137	-	-	-	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Covered-employee payroll	\$ 996,739	\$ 904,178	\$ 802,008	\$ 1,018,927	\$ 1,053,276	\$ 932,635	\$ 854,672	\$ -	\$ -	\$ -	
Contributions as a percentage of covered-employee payroll	3.15%	3.87%	4.72%	3.82%	6.42%	6.93%	6.33%	-	-	-	

**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 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	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

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

SCHEDULE OF PENSION INVESTMENT RETURNS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Actuarial Valuation as of September 30,										
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	
Investment rate of return, net of pension plan investment expense, including inflation	7.70%	7.70%	7.75%	7.88%	8.00%	8.00%	8.00%	8.00%	-	-	

Note to Schedule:

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Final	Actual Amounts	Variance with Final Budget- Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 1,404,525	\$ 2,108,869	\$ 704,344
Other Revenues	49,000	245,517	196,517
Grants and Contributions	-	229,435	229,435
Licenses and Permits	277,000	95,149	(181,851)
Franchise Revenue	-	125,061	125,061
Fines and Forfeitures	110,000	97,418	(12,582)
Charges for Services	480	-	(480)
Rental Revenue	7,000	2,050	(4,950)
Investment Revenue	4,500	89	(4,411)
Intergovernmental Revenues	19,500	-	(19,500)
	<u>1,872,005</u>	<u>2,903,588</u>	<u>1,031,583</u>
<b>EXPENDITURES</b>			
General Government	314,849	396,378	(81,529)
Public Safety	798,591	1,018,108	(219,517)
Public Works	219,915	334,651	(114,736)
Other Departments	332,781	358,084	(25,303)
Capital Outlay	28,000	116,739	(88,739)
Debt Service - Principal	-	233,555	(233,555)
Debt Service - Interest	650	50,042	(49,392)
	<u>1,694,786</u>	<u>2,507,557</u>	<u>(812,771)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>177,219</u>	<u>396,031</u>	<u>218,812</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Debt	-	74,155	74,155
Proceeds from Sale of Capital Assets	10,000	56,000	46,000
Payment to Fiduciary Fund	-	(112,678)	(112,678)
Transfers from (to) Governmental Funds	-	(28,520)	(28,520)
Transfers from (to) Proprietary Funds	-	(336,157)	(336,157)
	<u>10,000</u>	<u>(347,200)</u>	<u>(357,200)</u>
Net Change in Fund Balance	187,219	48,831	(138,388)
FUND BALANCES - Beginning of Year	<u>967,287</u>	<u>967,287</u>	<u>-</u>
FUND BALANCES - End of Year	<u>\$ 1,154,506</u>	<u>\$ 1,016,118</u>	<u>\$ (138,388)</u>

TOWN OF FLOMATON, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2022

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An annual budget is prepared for the Town's governmental funds, and adopted on the modified accrual basis. All annual appropriations lapse at the fiscal year end. The Town is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council. There were no budgetary amendments during the year. Also, there was an unfavorable variance between the budgeted and actual expenditures for the governmental funds of approximately \$813,000.