

# City of Brundidge

## FINANCIAL STATEMENTS

For the Year Ended September 30, 2019



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRIcpa.com](http://CRIcpa.com)

**City of Brundidge**  
**Table of Contents**  
**September 30, 2019**

**REPORT**

Independent Auditors' Report	1
------------------------------	---

**FINANCIAL STATEMENTS**

**Government-wide Financial Statements**

Statement of Net Position	4
---------------------------	---

Statement of Activities	6
-------------------------	---

**Fund Financial Statements**

Balance Sheet – Governmental Funds	7
------------------------------------	---

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	8
--	---

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
---	---

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
---	----

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	11
--	----

Statement of Net Position – Proprietary Fund	12
--	----

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	14
--	----

Statement of Cash Flows – Proprietary Fund	15
--	----

Notes to Financial Statements	17
-------------------------------	----

**Required Supplementary Information**

Schedule of Changes in Net Pension Liability	48
--	----

Schedule of Employer Contributions	49
------------------------------------	----

**Combining and Individual Fund Statements**

Description of Nonmajor Governmental Funds	50
--	----

Combining Balance Sheet – Nonmajor Governmental Funds	51
---	----

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	52
--	----

**COMPLIANCE SECTION**

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
---	----

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members  
of the City Council  
City of Brundidge, Alabama

### ***Report on the Financial Statements***

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 City of Brundidge, Alabama (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Brundidge Solid Waste Authority and Industrial Development Board were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Basis for Qualified Opinion on the Discretely Presented Component Units***

The financial statements of the Brundidge Solid Waste Authority and Industrial Development Board have not been audited, and we were not engaged to audit the Brundidge Solid Waste Authority or the Industrial Development Board's financial statements as part of our audit of the City's basic financial statements. The Brundidge Solid Waste Authority and Industrial Development Board's financial activities are included in the City's basic financial statements as discretely presented component units.

***Qualified Opinion***

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly in all material respects, the financial position of the discretely presented component units of the City as of September 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

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

***Other Matters***

***Required Supplementary Information***

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

Accounting principles generally accepted in the United States of America also require that the schedule of changes in net pension liability on page 48 and schedule of employer contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

January 21, 2020

**City of Brundidge**  
**Statement of Net Position**  
**September 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Board (Unaudited)
<b>Assets</b>				
Cash and cash equivalents	\$ 736,803	\$ 17,032	\$ 753,835	\$ 5,964
Receivables, net	499,718	742,036	1,241,754	-
Certificates of deposit	394,906	1,008,775	1,403,681	20,556
Internal balances	12,970	(12,970)	-	-
Restricted assets				
Cash and cash equivalents	103,943	49,762	153,705	-
Investments	-	377,113	377,113	-
Inventory	2,851	362,114	364,965	-
Prepaid expenses	50,720	17,093	67,813	-
Other assets	22,545	36,720	59,265	-
Capital assets, net of depreciation	2,980,542	10,542,111	13,522,653	5,916,879
Capital assets, not being depreciated	2,373,547	60,801	2,434,348	230,500
<b>Total assets</b>	<b>7,178,545</b>	<b>13,200,587</b>	<b>20,379,132</b>	<b>6,173,899</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension	140,773	81,452	222,225	-
Deferred charge on debt refunding	-	220,780	220,780	-
<b>Total deferred outflows of resources</b>	<b>140,773</b>	<b>302,232</b>	<b>443,005</b>	<b>-</b>
<b>Liabilities</b>				
Accounts payable	196,468	361,042	557,510	-
Accrued expenses	74,605	73,739	148,344	-
Customer deposits	-	144,218	144,218	-
Compensated absences	94,731	58,110	152,841	-
Noncurrent liabilities				
Notes payable	-	-	-	4,768,078
Net pension liability	116,913	38,975	155,888	-
Revenue warrants				
Due within one year	134,508	535,000	669,508	-
Due in more than one year	546,497	7,724,142	8,270,639	-
<b>Total liabilities</b>	<b>1,163,722</b>	<b>8,935,226</b>	<b>10,098,948</b>	<b>4,768,078</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pension	246,303	131,917	378,220	-
Property taxes levied for subsequent periods	238,369	-	238,369	-
<b>Total deferred inflows of resources</b>	<b>484,672</b>	<b>131,917</b>	<b>616,589</b>	<b>-</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Net Position (Continued)**  
**September 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Industrial Development Board (Unaudited)
<b>Net Position</b>				
Net investment in capital assets	4,834,514	2,564,550	7,399,064	-
Restricted for:				
Capital improvements	98,550	-	98,550	-
Court	5,393	-	5,393	-
Fire department	62,361	-	62,361	-
Highways and streets	452,914	-	452,914	-
Library	18,043	-	18,043	-
Unrestricted	199,149	1,871,126	2,070,275	1,405,821
Total net position	\$ 5,670,924	\$ 4,435,676	\$ 10,106,600	\$ 1,405,821

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 726,596	\$ 97,321	\$ -
Public safety	1,014,025	34,399	32,492
Sanitation and recycling	104,620	128,926	-
Health and welfare	87,643	-	16,700
Culture and recreation	349,208	2,908	8,201
Highways and streets	603,791	-	21,084
Interest	18,973	-	-
<b>Total governmental activities</b>	<b>2,904,856</b>	<b>263,554</b>	<b>78,477</b>
<b>Business-type Activities:</b>			
Electric	4,513,655	6,156,598	-
Sewer	758,849	917,784	-
Water	644,732	655,692	-
Miscellaneous	-	5,424	-
Amortization	4,938	-	-
Interest	203,370	7,820	-
<b>Total business-type activities</b>	<b>6,125,544</b>	<b>7,743,318</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 9,030,400</b>	<b>\$ 8,006,872</b>	<b>\$ 78,477</b>
<b>Component Units</b>			
Industrial Development Board	\$ (249,666)	\$ -	\$ -
<b>General Revenues</b>			
Taxes:			
Property taxes			
Sales taxes			
Gas taxes			
Other taxes			
Rental income			
Interest income			
Other revenues			
Transfers			
<b>Total general revenues and transfers</b>			
Change in net position			
Net position - beginning			
Net position - ending			

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Revenues	Net (Expense) Revenue and Changes in Net Position			
	Primary Government			Component Unit
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Industrial Development Board (Unaudited)
\$ 6,300	\$ (622,975)	\$ -	\$ (622,975)	\$ -
-	(947,134)	-	(947,134)	-
-	24,306	-	24,306	-
-	(70,943)	-	(70,943)	-
-	(338,099)	-	(338,099)	-
-	(582,707)	-	(582,707)	-
-	(18,973)	-	(18,973)	-
6,300	(2,556,525)	-	(2,556,525)	-
-	-	1,642,943	1,642,943	-
-	-	158,935	158,935	-
-	-	10,960	10,960	-
-	-	5,424	5,424	-
-	-	(4,938)	(4,938)	-
-	-	(195,550)	(195,550)	-
-	-	1,617,774	1,617,774	-
\$ 6,300	(2,556,525)	1,617,774	(938,751)	-
\$ -	-	-	-	249,666
-	206,213	-	206,213	-
-	658,862	-	658,862	-
-	120,860	-	120,860	-
-	339,626	-	339,626	-
-	40,017	-	40,017	-
-	3,311	-	3,311	71
-	19,321	5,112	24,433	1,250
-	1,330,584	(1,330,584)	-	-
-	2,718,794	(1,325,472)	1,393,322	1,321
-	162,269	292,302	454,571	250,987
-	5,508,655	4,143,374	9,652,029	1,154,834
\$ -	\$ 5,670,924	\$ 4,435,676	\$ 10,106,600	\$ 1,405,821

**City of Brundidge**  
**Balance Sheet – Governmental Funds**  
**September 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 509,637	\$ 227,166	\$ 736,803
Receivables, net	488,532	11,186	499,718
Certificates of deposit	99,940	294,966	394,906
Due from other funds	12,970	-	12,970
Inventory	2,851	-	2,851
Restricted cash	103,943	-	103,943
Other assets	22,545	-	22,545
<b>Total assets</b>	<b>\$ 1,240,418</b>	<b>\$ 533,318</b>	<b>\$ 1,773,736</b>
<b>Liabilities</b>			
Accounts payable	\$ 196,468	\$ -	\$ 196,468
Accrued expenses	71,158	-	71,158
<b>Total liabilities</b>	<b>267,626</b>	<b>-</b>	<b>267,626</b>
<b>Deferred Inflows of Resources</b>			
Property taxes levied for subsequent periods	238,369	-	238,369
<b>Fund Balances</b>			
Nonspendable	2,851	18,043	20,894
Restricted	103,943	515,275	619,218
Unassigned	627,629	-	627,629
<b>Total fund balances</b>	<b>734,423</b>	<b>533,318</b>	<b>1,267,741</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,240,418</b>	<b>\$ 533,318</b>	<b>\$ 1,773,736</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**September 30, 2019**

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balances - governmental funds	\$	1,267,741
Prepaid expenses are recorded as expenditures in governmental funds when paid rather than assets until consumed, as reported on the Statement of Net Position.		50,720
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		5,354,089
Deferred inflows, deferred outflows and net pension liability represent an acquisition or consumption of net position that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.		(222,443)
Some liabilities such as revenue warrants, accrued interest and compensated absences are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		(779,183)
Net position of governmental activities in the Statement of Net Position	\$	5,670,924

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**

**For the Year Ended September 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 1,016,301	\$ 137,379	\$ 1,153,680
Fees and fines	34,399	-	34,399
Licenses and permits	269,202	-	269,202
Intergovernmental	84,777	-	84,777
Charges for services	131,834	-	131,834
Investment earnings	1,283	2,028	3,311
Rental income	40,017	-	40,017
Miscellaneous	19,515	-	19,515
<b>Total revenues</b>	<b>1,597,328</b>	<b>139,407</b>	<b>1,736,735</b>
<b>Expenditures</b>			
Current			
General government	711,501	-	711,501
Public safety	920,592	-	920,592
Highways and streets	560,173	-	560,173
Sanitation and recycling	98,318	-	98,318
Health and welfare	63,382	-	63,382
Culture and recreation	323,456	-	323,456
Debt service			
Principal	161,333	-	161,333
Interest	19,544	-	19,544
Capital outlay	284,629	-	284,629
<b>Total expenditures</b>	<b>3,142,928</b>	<b>-</b>	<b>3,142,928</b>
Excess (deficiency) of revenues over expenditures	(1,545,600)	139,407	(1,406,193)
<b>Other Financing Sources (Uses)</b>			
Debt proceeds	103,192	-	103,192
Transfers in (out)	1,369,150	(38,566)	1,330,584
<b>Total other financing sources (uses)</b>	<b>1,472,342</b>	<b>(38,566)</b>	<b>1,433,776</b>
Net change in fund balances	(73,258)	100,841	27,583
<b>Fund Balances - beginning</b>	<b>807,681</b>	<b>432,477</b>	<b>1,240,158</b>
<b>Fund Balances - ending</b>	<b>\$ 734,423</b>	<b>\$ 533,318</b>	<b>\$ 1,267,741</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended September 30, 2019**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds:	\$	27,583
Prepaid expenses reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the Statement of Activities.		(11,412)
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		284,629
The cost of capital assets disposed of during the year is expensed in the Statement of Activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(194)
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities reports such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term debt.		
Debt proceeds		(103,192)
Repayment of debt		161,333
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.		(256,895)
Change in deferred outflow and inflows as related to pension liability does not require current financial resources and are not reported in the governmental funds.		72,655
Change in accrued interest is expensed in the Statement of Activities; however, these are not included in the governmental funds.		571
Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:		
Compensated absences		(12,809)
Change in net position of governmental activities	\$	162,269

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**

**Statement of Revenues, Expenditures and Changes in Fund Balance -  
Budget and Actual - General Fund  
For the Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Taxes	\$ 852,850	\$ 973,349	\$ 1,016,301	\$ 42,952
Fees and fines	17,000	23,000	34,399	11,399
Licenses and permits	174,550	174,550	269,202	94,652
Intergovernmental	74,081	74,081	84,777	10,696
Charges for services	125,000	125,000	131,834	6,834
Interest	450	450	1,283	833
Rental income	39,495	39,495	40,017	522
Miscellaneous	15,500	18,000	19,515	1,515
<b>Total revenues</b>	<b>1,298,926</b>	<b>1,427,925</b>	<b>1,597,328</b>	<b>169,403</b>
<b>Expenditures</b>				
Current				
General government	732,100	707,596	711,501	(3,905)
Public safety	1,003,292	997,199	920,592	76,607
Highways and streets	678,928	643,712	560,173	83,539
Sanitation and recycling	112,250	105,250	98,318	6,932
Health and welfare	68,596	64,396	63,382	1,014
Culture and recreation	385,269	358,341	323,456	34,885
Debt service				
Principal	123,379	167,779	161,333	6,446
Interest	20,549	21,849	19,544	2,305
Capital outlay	129,317	254,209	284,629	(30,420)
<b>Total expenditures</b>	<b>3,253,680</b>	<b>3,320,331</b>	<b>3,142,928</b>	<b>177,403</b>
Excess (deficiency) of revenues over expenditures	(1,954,754)	(1,892,406)	(1,545,600)	346,806
<b>Other Financing Sources</b>				
Debt proceeds	42,417	103,192	103,192	-
Sale of capital assets	2,000	-	-	-
Transfers in	1,952,606	1,952,606	1,369,150	(583,456)
<b>Total other financing sources</b>	<b>1,997,023</b>	<b>2,055,798</b>	<b>1,472,342</b>	<b>(583,456)</b>
Net change in fund balances	42,269	163,392	(73,258)	(236,650)
<b>Fund Balances - beginning</b>	<b>807,681</b>	<b>807,681</b>	<b>807,681</b>	<b>-</b>
<b>Fund Balances - ending</b>	<b>\$ 849,950</b>	<b>\$ 971,073</b>	<b>\$ 734,423</b>	<b>\$ (236,650)</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Net Position – Proprietary Fund**  
**September 30, 2019**

	<b>Utilities Department</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 17,032
Certificates of deposit	1,008,775
Receivables, net	742,036
Inventory	362,114
Prepaid expenses	17,093
Total current assets	2,147,050
Noncurrent assets	
Restricted assets	
Cash	49,762
Investments	377,113
Other assets	36,720
Capital assets, net of depreciation	10,602,912
Total noncurrent assets	11,066,507
Total assets	13,213,557
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension	81,452
Deferred charge on refunding	220,780
Total deferred outflows of resources	302,232
<b>Liabilities</b>	
Current liabilities	
Accounts payable	361,042
Due to other funds	12,970
Accrued expenses	73,739
Customer deposits	144,218
Compensated absences	58,110
Utility revenue warrants - current	535,000
Total current liabilities	1,185,079
Noncurrent liabilities	
Net pension liability	38,975
Utility revenue warrants	7,724,142
Total noncurrent liabilities	7,763,117
Total liabilities	8,948,196

(Continued)

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Net Position – Proprietary Fund (Continued)**  
**September 30, 2019**

	<b>Utilities Department</b>
<hr/>	
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pension	131,917
<hr/>	
<b>Net Position</b>	
Net investment in capital assets	2,564,550
Unrestricted	1,871,126
<hr/>	
Total net position	\$ 4,435,676
<hr/> <hr/>	

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Revenues, Expenses and Changes in Net Position -**  
**Proprietary Fund**  
**For the Year Ended September 30, 2019**

	<b>Utilities Department</b>
<hr/>	
<b>Operating Revenues</b>	
Electric	\$ 6,156,598
Sewer	917,784
Water	655,692
<hr/>	
Total operating revenues	7,730,074
<hr/>	
<b>Operating Expenses</b>	
Cost of sales and service	3,787,862
Administration	1,241,543
Repairs and maintenance	390,423
Depreciation	497,408
<hr/>	
Total operating expenses	5,917,236
<hr/>	
<b>Operating Income</b>	<b>1,812,838</b>
<hr/>	
<b>Non-Operating Revenues (Expenses)</b>	
Interest revenue	7,820
Miscellaneous	10,536
Interest expense	(203,370)
Amortization	(4,938)
<hr/>	
Total non-operating revenue (expenses)	(189,952)
<hr/>	
<b>Income Before Transfers</b>	<b>1,622,886</b>
Transfers out	(1,330,584)
<hr/>	
Change in net position	292,302
<hr/>	
<b>Net Position - beginning</b>	<b>4,143,374</b>
<hr/>	
<b>Net Position - ending</b>	<b>\$ 4,435,676</b>
<hr/>	

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Cash Flows – Proprietary Fund**  
**For the Year Ended September 30, 2019**

	<b>Utilities Department</b>
<hr/>	
<b>Cash Flows From Operating Activities</b>	
Receipts from customers and users	\$ 7,818,303
Payments to suppliers	(4,748,887)
Payments to employees	(704,828)
<hr/>	
Net cash provided by operating activities	2,364,588
<hr/>	
<b>Cash Flows From Noncapital Financing Activities</b>	
Other receipts	8,539
Transfers to other funds	(1,330,584)
<hr/>	
Net cash used in noncapital financing activities	(1,322,045)
<hr/>	
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal payments on long-term debt	(520,000)
Interest and financing payments on capital debt	(205,740)
Purchase of capital assets	(162,817)
Purchases of investments	(1,083,396)
<hr/>	
Net cash used in capital and related financing activities	(1,971,953)
<hr/>	
<b>Cash Flows From Investing Activities</b>	
Sales of investments	524,410
Interest received	7,820
<hr/>	
Net cash provided by investing activities	532,230
<hr/>	
Net decrease in cash and cash equivalents	(397,180)
<hr/>	
<b>Cash and Cash Equivalents - Beginning</b>	463,974
<hr/>	
<b>Cash and Cash Equivalents - Ending</b>	\$ 66,794
<hr/> <hr/>	

-Continued-

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**City of Brundidge**  
**Statement of Cash Flows – Proprietary Fund (Continued)**  
**For the Year Ended September 30, 2019**

	<b>Utilities</b>
	<b>Department</b>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>    Provided by Operating Activities</b>	
Operating income	\$ 1,812,838
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	497,408
Changes in operating assets and liabilities:	
Decrease in receivables	86,846
Decrease in inventory	10,521
Decrease in prepaid expenses	3,237
Decrease in accounts payable	(4,105)
Decrease in accrued expenses	(1,010)
Decrease in net pension liability and related deferred inflows and outflows	(47,779)
Increase in customer deposits	1,383
Increase in compensated absences	5,249
Net cash provided by operating activities	\$ 2,364,588

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**NOTE**

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance, and Accountability
3. Cash, Cash Equivalents and Investments
4. Receivables
5. Interfund Activity
6. Restricted Assets
7. Other Assets
8. Capital Assets
9. Long-Term Debt
10. Operating Leases
11. Employee Retirement Plan
12. Other Post-Employment Benefits
13. Commitments and Contingencies
14. Risk Management and Litigation
15. Tax Abatements
16. Interest Costs
17. Cash Flow Information
18. Accumulated Patronage Capital Credits
19. Economic Dependency
20. Related Organizations
21. Subsequent Events

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Brundidge (the “City”) have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to governmental units in accordance with the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City’s basic financial statements.

***Reporting Entity***

The City is a municipal corporation governed by an elected mayor and five-member governing council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The city reported no blended component units.

***Discretely Presented Component Units***

The component unit column in the combined financial statements include the unaudited financial data of the Industrial Development Board. The Brundidge Solid Waste Authority, which has no assets or liabilities, reported no activity in 2019 and was also unaudited.

*Industrial Development Board (the “Board”)* – The Board strives to bring economic development to the City. The citizens who serve on the Governing Board are appointed by the City Council and the City has guaranteed a portion of the Board’s debt. Refer to Note 13 for details of the Guaranty Agreement.

*Brundidge Solid Waste Authority (the “Authority”)* – Provides for the collection and disposal of solid waste and to encourage the planning of solid waste collection, disposal and resource recovery activities. The citizens who serve on the Board of the Authority are appointed by the City Council. In September of 2007, each of the City Council members and the City manager were appointed as members of the Board of the Authority with staggering terms of office. During the fiscal year ended September 30, 2017, the Authority became inactive and all assets and liabilities were transferred to the City.

***Government-wide and Fund Financial Statements***

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net position and the statement of activities and reports information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

activity has been removed from these statements. Fiduciary funds of the government are eliminated from this presentation since these resources are not available for general government funding purposes. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered.

Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net position for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Department are charges to customers for sales and services.

Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utilities functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is reported as a major governmental fund:

**General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following nonmajor governmental fund types in the "Other Governmental Funds" column:

**Special Revenue Funds** accounts for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative action. Special revenue funds consist of the following, Four and Five Cent Gas Tax Fund, Seven Cent Gas Tax Fund, Two Cent Gas Tax Fund, and Tobacco Tax Fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Permanent Funds** accounts for resources from other parties, including individuals, private organizations and other governments, whereby use of the resources are restricted to the extent only earnings and not principal, may be used for a specified program(s), for the benefit of the government and its citizenry. The City reported only one permanent fund, the Joseph Carroll Library Fund.

The following is reported as a major proprietary fund:

**Utilities Department** accounts for the operations of the Utilities Department (electric, sewer, water and wastewater).

***Cash and Cash Equivalents***

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***

The City's investments are limited to funds that invest in U.S. Government backed securities and certificates of deposits at federally insured banks. These investments are reported at fair value, except for the certificates of deposit, which are carried at amortized cost.

***Receivables and Unbilled Revenue***

Proprietary fund accounts receivables are shown net of an allowance for uncollectible accounts outstanding in excess of 90 days. The City grants credit to customers who use its various services, substantially all of who are local residents or businesses. The Proprietary Fund receivable represents uncollected billing for services billed prior to year-end and an amount due for services rendered prior to September 30 that were not billed until October (unbilled revenue). Federal and other financial assistance due to the City as reimbursement for expenditures made as of September 30 are accrued and reported as revenues in the year the expenditures are made. Accounts receivables for court costs and fines are shown net of an allowance for uncollectible accounts outstanding in excess of one year. For all other receivables, provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. Accounts receivable are written off on an individual basis in the year the City deems them uncollectible.

***Inventories and Prepaid Items***

Inventories are stated at cost, which approximates market using the average cost method. Purchases of inventories for governmental funds are reported as expenditures in the period purchased. Inventories of proprietary fund types are reported as an expense when consumed in the operations of the fund.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. At the fund level, expenditures are recognized when the available finance resource is expended.

***Interfund Loans and Transfers***

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

***Restricted Assets***

The business-type activities restricted assets as reported in the Statement of Net Position are restricted by bond agreements to retire the long-term debt shown in the proprietary fund. The assets were accumulated according to the bond indenture of the various issues. Restricted asset reported as governmental activities is restricted for capital improvements, fire department, library and highways and streets.

It is the City’s policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

***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 City as assets with an initial, individual cost of more than \$1,000 and with 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 capital assets are recorded at acquisition value at the date of donation. The City did not report infrastructure acquired prior to October 1, 2003.

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.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Electrical	10 – 50 years
Water system	10 – 50 years
Buildings	25 – 50 years
Sewer system	10 – 50 years
Vehicles	5 - 10 years
Infrastructure	10 – 50 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Unamortized Bond Insurance***

Unamortized debt expense related to bond insurance is amortized by using the outstanding principal method over the life of the related debt and is reported as other assets on the statement of net position. Other bond issuance costs are expensed as incurred.

***Compensated Absences***

The City allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon retirement or termination of employment, an employee is compensated for accumulated vacation hours at current wage rates. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financial sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Pensions***

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, the deferred charge on refunding and the deferred outflows related to pension reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow related to pension results from contributions related to normal and accrued liability components of employer rate (net of any refunds or error service payments) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, the property taxes levied for subsequent periods and the deferred inflows related to pension. The property taxes levied for subsequent periods result from property taxes that are levied by the County Commission in February of each year based on property on record as of the preceding October 1. The enforceable legal claim exists as of October 1 preceding the February meeting of the County Commission. A deferred inflow related to pension results from the net difference between projected and actual earnings on plan investments, and is amortized over five years beginning with the year in which the difference occurred.

***Net Position and Fund Equity***

Net position is reported on the government-wide financial statements in the following categories:

- *Net investment in capital assets* – Component of net position that consists of the historical cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.
- *Restricted* – Component of net position that consists of assets that are restricted by contributors, contractual provisions (such as debt covenants), or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- *Unrestricted* - This component of net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The City reported \$18,043 of nonspendable fund balances in the Joseph Carroll Library fund (Permanent Fund) and \$2,851 in the general fund for inventory. Donor restrictions only allow earnings from assets held in that fund to be expended. In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

*Restricted* – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City’s restricted fund balance primarily includes taxes for road and bridge maintenance and repairs, state funds for capital improvements, court operations, library and fire department.

*Committed* – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City has no fund balances classified as committed.

*Assigned* – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City has not assigned fund balances.

*Unassigned* – Fund balances of the general fund that are not constrained for any particular purpose.

The authority to establish, modify, or rescind a committed or assigned fund balance rests with the City Council and these actions are accomplished through an adopted resolution.

When both restricted and unrestricted fund balances are available for use, it is the City’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Proprietary fund equity is classified the same as in the government-wide statements.

***Property Tax Calendar***

In Alabama, city property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. Taxes levied in fiscal year 2019 for the 2020 budget year have been recorded as receivables and deferred inflows. These balances are deemed collectible and no allowance for uncollectibles is reported.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Management Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

***New Accounting Standards Adopted***

In Fiscal Year 2019, the Board adopted two new statements of financial accounting standards issued by the *Governmental Accounting Standards Board (GASB)*:

- Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB 88)*

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of the statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. GASB 83 had no impact on the City's financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses. GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. GASB 88 had no impact on the City's financial statements.

***Pronouncements Issued But Not Yet Effective***

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Board upon implementation. Management has not yet evaluated the effect of implementation of these standards.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

<b>GASB Statement No.</b>	<b>GASB Accounting Standard</b>	<b>Effective Fiscal Year</b>
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61</i>	2020
91	<i>Conduit Debt Obligations</i>	2022

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

Each year formal budgets are legally adopted and amended as required by the City Council for the General Fund, Special Revenue Funds and Utilities Department. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the City Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the government function category level. Budgets for the governmental funds are adopted on a basis consistent with GAAP.

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

***Cash and Cash Equivalents***

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's deposits at year-end were entirely covered by federal deposit 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 the provisions contained in Section 41-14A of the Code of Alabama 1975, as amended.

Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions 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 the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

**NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

***Investments***

The City’s investment policy, addressing credit and interest rate risk, limits its exposure to both as noted below. Concentration of credit risk is the risk of loss attributable to the quantity of the government’s investments in a single issuer. The City has limited its credit risk by investing only in funds that invest in U.S. Government backed securities and certificates of deposit at federally insured banks. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has limited its interest rate risk by investing in securities with a maturity of three years or less. All certificates of deposit have maturities of 12 months.

For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments that are in the possession of an outside party if the counterparty fails. The Treasury Portfolio securities noted below are held by the City’s counterparties in the trust department of Regions Bank, not in the City’s name. At September 30, 2019, the City held the following investments:

<b>Investment Type</b>	<b>Investment Rating</b>	<b>Maturities</b>	<b>Level</b>	<b>Fair Value</b>
Restricted investments				
Morgan Stanley Institutional Liquidity Fund – Treasury Portfolio	AAAm	Current	1	\$ 377,113

***Fair Value Measurements***

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets. Quoted price data is generally obtained from exchange or dealer markets.
- Level 2 inputs are significant other observable inputs. Inputs are obtained from various sources, including market participants, dealers and brokers.
- Level 3 inputs are significant unobservable inputs as they trade infrequently or not at all.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 4 - RECEIVABLES**

Receivables at September 30, 2019 consist of the following:

	General Fund	Other Governmental Funds	Proprietary
Taxes	\$ 447,447	\$ 11,186	\$ -
Accounts	11,294	-	674,459
Unbilled revenues	2,477	-	69,982
Court costs and fines	99,278	-	-
Other receivables	17,049	-	202
Total receivable	577,545	11,186	744,643
Less allowance for uncollectible accounts	(49,049)	-	(2,607)
Less amount due to others	(39,964)	-	-
<b>Receivables, net</b>	<b>\$ 488,532</b>	<b>\$ 11,186</b>	<b>\$ 742,036</b>

**NOTE 5 - INTERFUND ACTIVITY**

Interfund balances and transfers are generally used to meet cash demands necessary to pay operating expenses. Amounts are generally repaid during the next fiscal year. Balances due to/from other funds at September 30, 2019 are as follows:

Fund	Due to	Due From
General	\$ -	\$ 12,970
Proprietary	12,970	-
	<b>\$ 12,970</b>	<b>\$ 12,970</b>

Interfund transfers for the year ended September 30, 2019 are as follows:

Interfund Transfers	Transfers in	Transfers out
General fund	\$ 1,369,150	\$ -
Other governmental funds	-	38,566
Proprietary fund	-	1,330,584
	<b>\$ 1,369,150</b>	<b>\$ 1,369,150</b>

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 6 - RESTRICTED ASSETS**

Restricted assets were comprised of the following:

<i>September 30, 2019</i>	<b>General</b>	<b>Proprietary</b>
Cash restricted for:		
Capital improvements	\$ 98,550	\$ -
Court	5,393	-
Debt service	-	49,762
Investments restricted for:		
Debt service	-	377,113
	<u>\$ 103,943</u>	<u>\$ 426,875</u>

**NOTE 7 - OTHER ASSETS**

Other assets at September 30, 2019 consist of the following:

	<b>General Fund</b>	<b>Proprietary Fund</b>
Deposits	\$ 22,545	\$ 2,500
Unamortized bond insurance	-	34,220
	<u>\$ 22,545</u>	<u>\$ 36,720</u>

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

	<b>Beginning Balance 10/1/2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 9/30/2019</b>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,342,497	\$ -	\$ -	\$ 2,342,497
Construction in progress	131,579	183,435	283,964	31,050
Capital assets, not being depreciated	<u>\$ 2,474,076</u>	<u>\$ 183,435</u>	<u>\$ 283,964</u>	<u>\$ 2,373,547</u>

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 8 - CAPITAL ASSETS (Continued)**

	Balance 10/1/2018	Increases	Decreases	Balance 9/30/2019
Capital assets, being depreciated:				
Equipment	\$ 2,497,204	\$ 89,504	\$ 68,355	\$ 2,518,353
Buildings	2,383,485	295,654	-	2,679,139
Public improvements	1,851,166	-	-	1,851,166
<b>Total capital assets, being depreciated</b>	<b>6,731,855</b>	<b>385,158</b>	<b>68,355</b>	<b>7,048,658</b>
Less accumulated depreciation for:				
Equipment	1,841,697	151,896	68,161	1,925,432
Buildings	1,530,009	66,534	-	1,596,543
Public improvements	517,676	38,465	-	556,141
	<b>3,889,382</b>	<b>256,895</b>	<b>68,161</b>	<b>4,078,116</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 2,852,473</b>	<b>\$ 128,263</b>	<b>\$ 194</b>	<b>\$ 2,980,542</b>
<b>Business-type Activities:</b>				
<b>Utilities Department</b>				
Capital assets not being depreciated:				
Land	\$ 60,801	\$ -	\$ -	\$ 60,801
Capital assets being depreciated:				
Equipment	\$ 1,144,752	\$ 43,459	\$ -	\$ 1,188,211
Buildings	128,730	3,800	-	132,530
Public improvements	18,525,571	115,558	-	18,641,129
<b>Total capital assets, being depreciated</b>	<b>19,799,053</b>	<b>162,817</b>	<b>-</b>	<b>19,961,870</b>
Less accumulated depreciation for:				
Equipment	964,238	72,211	-	1,036,449
Buildings	94,937	4,447	-	99,384
Public improvements	7,863,176	420,750	-	8,283,926
	<b>8,922,351</b>	<b>497,408</b>	<b>-</b>	<b>9,419,759</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 10,876,702</b>	<b>\$ (334,591)</b>	<b>\$ -</b>	<b>\$ 10,542,111</b>

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 8 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to functions as follows:

**Governmental Activities:**

General government	\$	28,493
Public safety		119,367
Highways and streets		50,229
Sanitation and recycling		6,302
Culture and recreation		28,052
Health and welfare		24,452

Total depreciation expense – governmental activities	\$	256,895
--	----	---------

**Business-type Activities:**

Electric	\$	170,788
Sewer		201,235
Water		125,385

Utilities department	\$	497,408
----------------------	----	---------

**NOTE 9 - LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2019 was as follows:

	Beginning Balance 10/1/2018	Additions	Reductions	Ending Balance 9/30/2019	Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 81,922	\$ 77,448	\$ 64,639	\$ 94,731	\$ 94,731
General obligation warrants	739,146	103,192	161,333	681,005	134,508
	821,068	180,640	225,972	775,736	229,239
<b>Business-type Activities:</b>					
Compensated absences	52,861	49,481	44,232	58,110	58,110
Utility revenue warrants	8,805,000	-	520,000	8,285,000	535,000
Bond discounts	(27,983)	-	(2,125)	(25,858)	-
	8,829,878	49,481	562,107	8,317,252	593,110
Total	\$ 9,650,946	\$ 230,121	\$ 788,079	\$ 9,092,988	\$ 822,349

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

**Governmental Activities**

**Series 2015A General Obligation Warrants** – Debt service requirements on these bonds at September 30, 2019 are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2020	\$ 43,314	\$ 6,292
2021	44,491	5,115
2022	35,385	3,877
	\$ 123,190	\$ 15,284

On May 14, 2015, the City issued General Obligation Warrants Series 2015A in the amount of \$1,120,192. Proceeds of the warrants were used to purchase real property. Principal and interest is payable annually. The interest rate on the bonds is 2.75%. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged. On November 2, 2016, a loan modification agreement was signed due to unscheduled principal reduction. The debt service requirements are based on the loan modification agreement.

**Series 2016 General Obligation Warrants** – Debt service requirements on these bonds at September 30, 2019 are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2020	\$ 76,887	\$ 2,158
2021	72,259	898
2022	12,284	27
	\$ 161,430	\$ 3,083

On August 24, 2016, the City issued General Obligation Warrants Series 2016 in the amount of \$350,000. Proceeds of the warrants were used to resurface roads. Principal and interest is payable monthly. The interest rate on the bonds is 1.75%. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

**Series 2017 General Obligation Warrants** – Debt service requirements on these bonds at September 30, 2019 are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2020	\$ 14,308	\$ 13,630
2021	14,831	13,697
2022	15,381	13,146
2023	15,952	12,577
2024	16,510	12,018
2025-2029	92,365	50,275
2030-2034	110,835	31,805
2035-2039	116,203	9,797
	<u>\$ 396,385</u>	<u>\$ 156,945</u>

During June of 2017, the City authorized the issuance and sale of up to \$400,000 General Obligation Warrants Series 2017. Proceeds of the warrants will be used to purchase property and renovate and equip the property for use by the City as City Hall. The construction/draw period will be for 18 months at 2.48% interest. Payments of interest only shall be made quarterly starting November 30, 2017 during the draw period. At the end of the construction/draw period, the debt will convert to a 20 year term at 3.65% interest. On March 1, 2019, this warrant became a term warrant in a principal amount equal to the aggregate outstanding principal balance of all advances during draw period plus unpaid interest. Payments of principal and interest will be made in equal monthly installments beginning March 31, 2019 and continuing through February 28, 2039. This warrant is a general obligation of the City on which the full faith and credit of the City has been irrevocably pledged.

**Business-type Activities**

**2012 Utility Revenue Warrants** – Debt service requirements on these bonds at September 30, 2019 are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2020	\$ 40,000	\$ 20,074
2021	40,000	18,975
2022	45,000	17,806
2023	45,000	16,569
2024	45,000	15,331
2025-2029	250,000	56,925
2030-2034	285,000	20,008
	<u>\$ 750,000</u>	<u>\$ 165,688</u>

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

On December 1, 2012, the City issued Utility Revenue Warrants Series 2012-DWSRF-DL in the amount of \$940,000 through the State Revolving Fund administered by Alabama Drinking Water Finance Authority and ADEM. Proceeds of the warrants were used to make improvements to the City's utility system. Principal is payable annually and interest is payable semi-annually. The interest rate on the bonds is 2.75% and the City pledged future electric, water and sewer customer revenues, net of specified operating expenses, to repay the bonds. Such pledge is subject and subordinate to the pledge of the net revenues for the 2015 obligations. The bonds are payable solely from customer net revenues and are payable through 2034. The total principal and interest remaining to be paid on the warrants is \$915,686. Principal and interest paid for the current year and total operating net income were \$61,175 and \$1,812,838, respectively. The principal forgiveness is earned as requirements of the agreement are met. For the fiscal year ended September 30, 2019, the City earned \$5,112 in principal forgiveness and the balance of the unearned principal forgiveness was \$-0-.

**2016 Utility Revenue Warrants** – Debt service requirements on these bonds at September 30, 2019 are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 100,000	\$ 43,010
2021	100,000	40,810
2022	105,000	38,555
2023	105,000	36,245
2024	105,000	33,935
2025-2029	570,000	133,100
2030-2034	645,000	66,275
2035-2036	275,000	6,105
	<b>\$ 2,005,000</b>	<b>\$ 398,035</b>

On February 1, 2016, the City issued Utility Revenue Warrants Series 2016-CWSRF-DL in the amount of \$2,285,000 through the State Revolving Fund administered by Alabama Water Pollution Control Authority and ADEM. Proceeds of the warrants will be used to make capital improvements to the City's sewer system. Principal is payable annually and interest is payable semi-annually. The interest rate on the bonds is 2.2% and the City pledged future electric, water and sewer customer revenues, net of specified operating expenses, to repay the bonds. Such pledge is subject and subordinate to the pledge of the net revenues for the 2015 and 2012 obligations. The bonds are payable solely from customer net revenues and are payable through 2036. The total principal and interest remaining to be paid on the warrants is \$2,403,035. Principal and interest paid for the current year and total operating net income were \$140,155 and \$1,812,838, respectively.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 9 - LONG-TERM DEBT (Continued)**

**2015 Utility Revenue Warrants** – Debt service requirements on these bonds at September 30, 2019 are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2020	\$ 395,000	\$ 132,499
2021	400,000	126,138
2022	410,000	119,045
2023	415,000	110,999
2024	425,000	102,070
2025-2029	2,280,000	345,265
2030-2032	1,205,000	46,983
	<b>\$ 5,530,000</b>	<b>\$ 982,999</b>

On November 1, 2015, the City issued warrants totaling \$6,670,000 to refund Series 2005 warrants outstanding in the principal amount of \$6,605,000 and related costs in connection with issuance of warrants. The refunding decreased the total debt service payments of the City over the next sixteen years by approximately \$1,521,573 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) for the City of approximately \$1,010,860. The City has pledged future electric, water and sewer customer revenues, net of specified operating expenses, to repay in utility revenue bonds issued in 2015. The bonds are payable solely from customer net revenues and are payable through 2032. The total principal and interest remaining to be paid on the warrants is \$6,512,999. Principal and interest paid for the current year and total operating net income were \$524,410 and \$1,812,838, respectively.

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt is carried as deferred refunding cost and will be amortized over the remaining life of the old bond on the straight line basis. The amount deferred on the reacquisition was \$290,341, which includes \$143,383 of previous unamortized refunding costs; the total amount amortized for the year ended September 30, 2019 was \$1,008 and was reported as a part of interest expense. The balance of deferred refunding cost for this warrant at September 30, 2019, was \$220,780.

**Other Long-Term Debt**

Compensated absences are generally liquidated by the City’s general fund and Utilities Department, respectively.

**NOTE 10 - OPERATING LEASES**

The City entered into a lease with Wal-Mart Stores East, L.P. (Lessee) on April 17, 2002 wherein the City agreed to lease certain property acquired with capital grants. The lease calls for annual lease payments of \$1 and will expire on April 16, 2101. The lessee has the unrestricted option to terminate the lease at any time upon written notice to the City and purchase the property for a price of \$939,856. The lessee shall also have the right of first refusal to purchase the property in the event the City obtains an offer, at a price equal to the offer, not to exceed \$939,856.

The City (Lessee) entered into leases with Xerox Corporation during fiscal year ending September 30, 2017 to lease two copiers. Lease expense under this noncancelable lease for September 30, 2019 was \$2,202. At September 30, 2019, future minimum rentals under noncancelable operating leases with a remaining lease term in excess of one year are summarized as follows:

2020	\$ 1,470
2020	\$ 1,470

**NOTE 11 - EMPLOYEE RETIREMENT PLAN**

***General Information about the Pension Plan***

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

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

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

**NOTE 11 - EMPLOYEE RETIREMENT PLAN (Continued)**

- b. Two vested active state employees.
- c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

*Benefits provided.* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

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

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-DROP participants who are still in active service	141
<u>Total</u>	<u>90,999</u>

**NOTE 11 - EMPLOYEE RETIREMENT PLAN (Continued)**

*Contributions.* Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2019, the City's active employee contribution rate was 5% of covered employee payroll for normal Tier 1 employees and 6% of covered employee payroll for normal Tier 2 employees, and the City's average contribution rate to fund the normal and accrued liability costs was 6.4% of pensionable payroll for Tier 1 employees and 4.81% for Tier 2 employees.

The City's contractually required contribution rate for the year ended September 30, 2019 was 6.77% of pensionable pay for Tier 1 employees, and 5.18% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$111,942 for the year ended September 30, 2019.

***Net Pension Liability***

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

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 11 - EMPLOYEE RETIREMENT PLAN (Continued)**

	Expected	Actual	Actual
(a) TPL as of September 30, 2017	\$ 6,225,671	\$ 6,134,871	\$ 6,164,942
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	133,878	133,878	135,071
(d) Transfers Among Employers	-	(58,798)	(58,798)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(189,520)	(189,520)	(189,520)
(f) TPL as of September 30, 2018 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 6,645,175	\$ 6,488,540	\$ 6,519,000
(g) Difference between Expected and Actual		(156,635)	
(h) Less Liability Transferred for Immediate Recognition		(58,798)	
(i) Experience (Gain)/Loss = (g) - (h)		(97,887)	
(j) Difference between Actual at 7.70% and Actual at 7.75% [Assumption Change (Gain)/Loss] =			30,560

*Actuarial assumptions.* The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

\* Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2016. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 11 - EMPLOYEE RETIREMENT PLAN (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:

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed income	17.00%	4.40%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real estate	10.00%	7.50%
Cash equivalents	3.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

*\*includes assumed rate of inflations of 2.50%*

*Discount rate.* The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 11 - EMPLOYEE RETIREMENT PLAN (Continued)**

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Position Liability (a) - (b)
Balances at September 30, 2017	\$ 6,225,671	\$ 5,863,089	\$ 362,582
Changes for the year:			
Service cost	133,878	-	133,878
Interest	475,146	-	475,146
Change in assumptions	30,560	-	30,560
Differences between expected and actual experience	(97,837)	-	(97,837)
Contributions - employer	-	114,423	(114,423)
Contributions - employee	-	93,284	(93,284)
Net investment income	-	540,734	(540,734)
Benefit payments, including refunds of employee contributions	(189,520)	(189,520)	-
Transfers among employers	(58,798)	(58,798)	-
<b>Net changes</b>	<b>293,429</b>	<b>500,123</b>	<b>(206,694)</b>
Balances at September 30, 2018	\$ 6,519,100	\$ 6,363,212	\$ 155,888

*Sensitivity of the net pension liability to changes in the discount rate.* The following table presents the City's net pension liability calculated using the discount rate of 7.70%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's net pension liability	\$ 833,229	\$ 155,888	\$ (417,303)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

**City of Brundidge**  
**Notes to Financial Statements**

**NOTE 11 - EMPLOYEE RETIREMENT PLAN (Continued)**

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

For the year ended September 30, 2019, the City recognized pension expense of \$(1,786). At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 170,819
Changes of assumptions	110,283	-
Net difference between projected and actual earnings on pension plan investments	-	207,401
Employer contributions subsequent to the measurement date	111,942	-
<b>Total</b>	<b>\$ 222,225</b>	<b>\$ 378,220</b>

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

<b>Year Ended September 30:</b>	
2020	\$ (40,634)
2021	(100,805)
2022	(80,702)
2023	(22,494)
2024	(4,135)
Thereafter	(19,167)

***Deferred Compensation Plan***

In addition to the State retirement plan discussed above, the City offers its employees a Section 457 retirement plan. The plan administered by ERS is RSA-1, which is available to all City employees. In addition to RSA-1, the City has two employees that participate with Nationwide; however, this pool is closed and no other employees are allowed to join. Both plans permit employees to defer a portion of their salary until future years. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the individuals who participate in the deferred compensation plan and are not subject to the claims of the City's general creditors.

**NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS**

The City has one retiree receiving life insurance benefits. Presently the group is closed and no future employees are eligible for the coverage. The retiree pays 100% of the premium at the same rate as the active premium rate. This would produce an implied subsidy of \$2.20/\$1,000 of additional cost to the City. The estimated unfunded actuarial accrued liability would be \$16,924 with an estimated net annual required contribution of \$-0-. Management deems this immaterial and no amount has been reported in the financial statements for this unfunded liability.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

***Solid Waste Landfill***

The City landfill operated by the Pike County Commission on land leased by the City was closed in 1994. Under EPA regulations, the landfill will be monitored for up to 30 years. The City may have to share the monitoring cost, but the permit from ADEM was issued to the Pike County Commission. No liability is reported for potential monitoring cost.

***Federal Grants***

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

***Guaranty Agreement – Industrial Development Board (the “Board”)***

The Board (a component unit of the City) received a loan from South Alabama Electric Cooperative in the amount of \$325,000 with a term of ten years and an interest rate of zero percent, for the purpose of financing a portion of the costs of constructing and equipping a rail spur and related improvements at a facility owned by the IDB of the City of Brundidge and leased to Southern Classic Food Group, LLC. On February 28, 2013, the City signed a guaranty agreement in accordance with the provisions of Section 94.01 of the Constitution of Alabama (also known as Amendment 772 to the Alabama Constitution of 1901) with South Alabama Electric Cooperative to guarantee the loan. Should the Board default, the agreement did not stipulate any recourse for the City against the Board. As of September 30, 2019, debt outstanding was \$117,361.

***Business Income Insurance***

On November 4, 2015, the City obtained business income insurance on dependent property (Walmart Distribution Center) in the amount of \$2,000,000. This policy will pay for the actual loss of business income (utilities revenue) due to suspension of operations at the dependent property during the period of restoration, which must begin within 72 hours after the time of direct physical loss or damage.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)**

***Wholesale Power Contract***

On March 1, 1975, the City signed a wholesale power contract for the purchase and sale of electric power and energy. This supply and purchase shall continue until termination of the agreement. The City agrees to pay rates according to terms of the agreement, which includes a billing demand which shall be the maximum kilovolt ampere (kva) load used the consumer for any period of 15 consecutive minutes during the month for which the bill is rendered as indicated or recorded by demand meter, but not less than either 75% of the highest demand established during the preceding 11 months nor less than the contract demand at any delivery point. The minimum monthly charge for service shall not be less than the charge for billing demand. As of September 30, 2015, the 11 month high was August 2015 with 10,302 kva. On December 31, 2015, the City and PowerSouth Energy Cooperative agreed to amend the contract and to provide for the automatic extensions of the agreement as follows:

1. Extend and continue in effect until December 31, 2055; and
2. Thereafter automatically extend and renew for additional five (5) year periods (each such five-year renewal is a "renewal period") on the five (5) year anniversary date following the Effective Date of this Amendment and on such anniversary date each fifth (5<sup>th</sup>) year thereafter, unless PowerSouth Energy Cooperative or the City gives written notice of intent to the other party hereto not to extend and renew prior to any such fifth (5<sup>th</sup>) year anniversary date. In the event such a notice is given, which such notice may not be changed without the written consent of the other party, the Contract for Wholesale Power Service shall terminate on January 1<sup>st</sup> following the expiration of the last renewal period then in effect.

**NOTE 14 - RISK MANAGEMENT AND LITIGATION**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from insurance companies, effectively transferring any risk of loss. The City is involved in litigation and claims arising in the ordinary course of operations. In the opinion of legal counsel, the range of potential liabilities, if any, is not reasonable determinable. No accrual for loss contingency have been made in the financial statements. a defendant in various lawsuits.

**NOTE 15 - TAX ABATEMENTS**

The City enters into property tax abatement agreements with new or expanding businesses under the state Tax Incentive Reform Act of 1992 Section 40-9B-1 et seq., Code of Alabama 1975. Under the Act, cities may grant tax abatements to qualifying businesses for construction related transaction taxes, state and local non-educational portion of property taxes on real and personal property for up to a maximum of 20 years (data processing centers can be abated to up to 30 years), and mortgage and recording taxes.

**NOTE 15 - TAX ABATEMENTS (Continued)**

For the fiscal year ending September 30, 2019, the City abated 2018 property taxes to two businesses totaling \$20,847. The City also abated construction related transaction taxes to two businesses for construction that began during the fiscal year ending September 30, 2018 and was completed during fiscal year ending September 30, 2019 totaling \$210,000.

**NOTE 16 - INTEREST COSTS**

The amount of interest cost, including deferred refunding cost of \$1,008, incurred for the Utilities Department was \$203,370 for the year ended September 30, 2019, all of which was charged to operations.

**NOTE 17 - CASH FLOW INFORMATION**

The Utilities Department considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash paid for interest for the year ended September 30, 2019 was \$205,740.

**NOTE 18 - ACCUMULATED PATRONAGE CAPITAL CREDITS**

The City has accumulated patronage capital credits on the books of the PowerSouth Energy Cooperative of Andalusia, Alabama.

Total credits as of September 30, 2019 are as follows: \$ 2,553,664

This amount has not been included in the financial statements of the City of Brundidge, as the City does not anticipate receiving these credits. The City has accumulated these patronage capital credits by purchasing electricity.

**NOTE 19 - ECONOMIC DEPENDENCY**

During the year ended September 30, 2019, approximately 30% of total accounts receivable in the proprietary fund and 37% of total electric revenues were from Walmart Distribution Center. The Utilities Department purchases all of the electricity sold to its customers from PowerSouth Energy Cooperative. See Note 13 regarding insurance obtained and agreement amended with PowerSouth Energy Cooperative.

**NOTE 20 - RELATED ORGANIZATIONS**

**Brundidge Housing Authority** – The Authority administers federal funding and/or other financing for improvement of housing conditions in the City. The citizens who serve on the Governing Board are appointed by the Mayor. The City has no significant influence over the management, budget, or policies of Brundidge Housing Authority. The Authority reports independently. Audited financial statements are available from the Brundidge Housing Authority. The Housing Authority is excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments.

**NOTE 21 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 21, 2020, the date these financial statements were available to be issued, and there were none to be disclosed.

**City of Brundidge**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability**

<i>September 30,</i>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service cost	\$ 133,878	\$ 132,940	\$ 130,453	\$ 128,917	\$ 134,487
Interest	475,146	448,361	415,352	389,942	358,681
Change of assumptions	30,560	-	137,198	-	-
Differences between expected and actual experience	(97,837)	(55,003)	(6,765)	(87,882)	-
Benefit payments, including refunds of employee	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	(58,798)	1,640	58,722	-	-
Net change in total pension liability	293,429	352,803	626,983	312,231	407,127
Total pension liability - beginning	6,225,671	5,872,868	5,245,885	4,933,654	4,526,527
Total pension liability - ending (a)	\$ 6,519,100	\$ 6,225,671	\$ 5,872,868	\$ 5,245,885	\$ 4,933,654
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 114,423	\$ 123,119	\$ 129,885	\$ 130,306	\$ 126,264
Contributions - member	93,284	93,667	90,715	85,784	84,441
Net investment income	540,734	663,046	468,712	52,386	461,874
Benefit payments, including refunds of employee	(189,520)	(175,135)	(107,977)	(118,746)	(86,041)
Transfers among employers	(58,798)	1,640	58,722	-	(13,232)
Net change in plan fiduciary net position	500,123	706,337	640,057	149,730	573,306
Plan net position - beginning	5,863,089	5,156,752	4,516,695	4,366,965	3,793,659
Plan net position - ending (b)	\$ 6,363,212	\$ 5,863,089	\$ 5,156,752	\$ 4,516,695	\$ 4,366,965
Net pension liability (asset) - ending (a) - (b)	\$ 155,888	\$ 362,582	\$ 716,116	\$ 729,190	\$ 566,689
Plan fiduciary net position as a percentage of the total pension liability	97.61%	94.18%	87.81%	86.10%	88.51%
Covered payroll*	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777	\$ 1,609,718
Net pension liability (asset) as a percentage of covered payroll	8.90%	20.53%	41.67%	44.77%	35.20%

\*Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2019, the measurement period is October 1, 2017 - September 2018.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**City of Brundidge**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**

<i>September 30,</i>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 111,942	\$ 114,425	\$ 119,089	\$ 129,705	\$ 133,666
Contributions in relation to the actuarially determined contribution*	111,942	114,425	119,089	129,705	133,666
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll**	\$ 1,823,215	\$ 1,751,449	\$ 1,766,434	\$ 1,718,728	\$ 1,628,777
Contributions as a percentage of covered	6.14%	6.53%	6.74%	7.55%	8.21%

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

\*\*Employer's covered-payroll for FY 2018 is the total covered payroll for the twelve month period of the underlying financial statement.

**Notes to Schedule**

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

Methods and assumptions used to determine contribution rates for the period October 1, 2018 to September 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	16.0 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as information becomes available.



## DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds** – Special revenue funds include operating funds which are restricted as to use by the Federal or State governments and special purpose funds established by authority of the City Council.

**Four and Five Cent State Gasoline Tax Fund and Seven Cent State Gasoline Tax Fund** accounts for a state gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges, and streets.

**Two Cent Gas Tax Fund** accounts for proceeds from a local gasoline tax. The use of this funding is for highway and street expenditures.

**Tobacco Tax Fund** accounts for proceeds for the Pike County Firefighter Association. The use of this funding is restricted to capital expenditures for the fire department.

**Permanent Funds** – Accounts for resources from other parties restricted to the extent only earnings and not principal may be expended for a specified purpose.

**Joseph Carroll Library Fund** accounts for money that was donated to the City from Joseph Carroll Memorial Fund. Interest on these funds is restricted for the purchase of new library books.

**City of Brundidge**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

	Special Revenue	
	\$.04 and \$.05 Gas Tax	\$.07 Gas Tax
<b>Assets</b>		
Cash and cash equivalents	\$ 32,664	\$ 43,941
Receivables, net	902	1,149
Investments	-	3,400
<hr/>		
Total assets	\$ 33,566	\$ 48,490
<hr/>		
<b>Fund Balances</b>		
Nonspendable	\$ -	\$ -
Restricted	33,566	48,490
<hr/>		
Total liabilities and fund balances	\$ 33,566	\$ 48,490
<hr/>		

<b>Funds</b>		<b>Permanent Fund</b>	
<b>\$.02 Gas Tax</b>	<b>Tobacco Tax</b>	<b>Joseph Carroll Library Fund</b>	<b>Total</b>
\$ 89,251	\$ 61,310	\$ -	\$ 227,166
8,084	1,051	-	11,186
273,523	-	18,043	294,966
<b>\$ 370,858</b>	<b>\$ 62,361</b>	<b>\$ 18,043</b>	<b>\$ 533,318</b>
\$ -	\$ -	\$ 18,043	\$ 18,043
370,858	62,361	-	515,275
<b>\$ 370,858</b>	<b>\$ 62,361</b>	<b>\$ 18,043</b>	<b>\$ 533,318</b>

**City of Brundidge**  
**Combining Statement of Revenues, Expenditures and Changes in Fund**  
**Balances -**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

	<u>\$.04 and \$.05 Gas</u>		<u>Special Revenue</u>	
	<u>Tax</u>		<u>\$.07 Gas Tax</u>	
<b>Revenues</b>				
Taxes	\$	9,892	\$	12,585
Investment earnings		-		8
<hr/>				
Total revenues		9,892		12,593
<b>Other Financing Sources (Uses)</b>				
Transfers out		-		-
<hr/>				
Net change in fund balances		9,892		12,593
Fund balances - beginning		23,674		35,897
<hr/>				
Fund balances - ending	\$	33,566	\$	48,490
<hr/> <hr/>				

<b>Funds</b>		<b>Permanent Fund</b>			
<b>\$.02 Gas Tax</b>	<b>Tobacco Tax</b>	<b>Joseph Carroll</b>	<b>Library Fund</b>	<b>Total</b>	
\$ 98,383	\$ 16,519	\$ -	\$	\$ 137,379	
1,829	146	45		2,028	
100,212	16,665	45		139,407	
(31,875)	(6,646)	(45)		(38,566)	
68,337	10,019	-		100,841	
302,521	52,342	18,043		432,477	
\$ 370,858	\$ 62,361	\$ 18,043	\$	\$ 533,318	

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

Honorable Mayor and Members of  
the City Council  
Brundidge, Alabama

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Brundidge, Alabama (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements and have issued our report thereon dated January 21, 2020. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report qualified an opinion on said financial statements because the financial statements of the Brundidge Solid Waste Disposal Authority and the Industrial Development Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Brundidge Solid Waste Disposal Authority and the Industrial Development Board.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control described below that we consider to be a material weakness and a significant deficiency.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider Item 2003-001 described below to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Item 2018-001 described below to be a significant deficiency.

### **2003-001 Separation of Duties (Repeat)**

**Condition** – There are instances when one individual may bill, collect, receipt, and deposit revenues. This usually occurs when other employees tasked with those responsibilities are out of the office during lunch, vacation or sick leave. In addition, in the municipal court, the same individual may bill, collect, receipt, deposit and record revenues.

**Criteria** – Management is responsible for establishing and maintaining effective internal control over financial reporting.

**Cause** – The City lacks sufficient personnel to appropriately separate all accounting functions.

**Effect** – The finding could result in material misstatements to the financial statements and the misappropriation of assets.

**Recommendation** – We recommend the City continue to improve on their policies to obtain greater segregation of duties.

**Management Response** – Due to our lack of resources, we are unable to properly separate duties. However, the City maintains records that agree receipts and deposit slips. The City Council will continue to monitor transactions to provide financial oversight.

### **2018-001 Municipal Court Administration (Repeat)**

**Condition** – The City does not have formally documented policies and procedures for Court Administration.

**Criteria** – Policies and procedures should provide effective controls over access and authorization, as well as adequate audit evidence to support transactions.

**Cause** – The City is susceptible to increased risks of data loss, fraud, and improper accounting without policies and procedures that mitigate areas of known risks.

**Effect** – Opportunities exist for fraudulent activities to occur and go undetected.

**Recommendation** – The City should formally document the policies and procedures of the Municipal Court. The basis of such policies and procedures should be Rule 43 of the Alabama Rules of Judicial Administration. One of the cornerstones of a solid accounting and reporting control environment is documented policies and procedures. Though not all inclusive, specific procedures noted that should be addressed when developing policies included:

- a. Lack of Information Technology controls as noted in the management letter.
- b. Documentation procedures authorizing any changes to payments, fines and altered case charges, as well as a system to monitor and track due dates. Currently, the computer system allows employees to change fees, fines and alter case charges.

- c. Documentation procedures applying the allocation of payments to court costs and fines.
- d. Documentation procedures approving the write-off of fines.

We recommend that a risk assessment be performed of all activities relating to the Municipal Court Administration. Once the assessment is completed, policies and procedures should be drafted and documented to mitigate identified risks with emphasis placed on both preventive and detection controls.

**Management Response** – The City will consider all recommendations.

### **Compliance and Other Matters**

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

### **City of Brundidge, Alabama's Response to Findings**

The City's responses to the findings identified in our audit are described above following each finding and identified as "Management Response". The City's response was not subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

January 21, 2020