

**TOWN OF ECLECTIC, ALABAMA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**TOWN OF ECLECTIC, ALABAMA**  
SEPTEMBER 30, 2015

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## **Independent Auditors' Report**

Honorable Mayor and Members of  
The Town Council  
Town of Eclectic, Alabama

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, of the Town of Eclectic, Alabama (the Town) as of September 30, 2015 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town as of September 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 14 to the financial statements, the Town adopted new accounting guidance, Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This standard has been applied retroactively, resulting in the restatement of beginning net position. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedules of pension funding progress on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Warren Averett, LLC*

Montgomery, Alabama  
January 16, 2017

## **FINANCIAL STATEMENTS**

**TOWN OF ECLECTIC, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 398,254	\$ 968,446	\$ 1,366,700
Receivables, net	110,906	101,673	212,579
Internal balances	21,069	(21,069)	-
Inventories	4,656	34,942	39,598
Prepaid expenses	26,663	7,219	33,882
Note receivable	-	2,088	2,088
Net pension asset	174,735	56,608	231,343
Capital assets not being depreciated:			
Land	376,690	105,291	481,981
Capital assets net of accumulated depreciation:			
Buildings	792,847	155,900	948,747
Machinery and equipment	470,844	490,918	961,762
Utility system	-	1,644,747	1,644,747
Land improvements	11,991	94,167	106,158
<b>TOTAL ASSETS</b>	<b>2,388,655</b>	<b>3,640,930</b>	<b>6,029,585</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred employer retirement contributions	9,555	3,095	12,650
<b>LIABILITIES</b>			
Accounts payable	6,019	45,580	51,599
Accrued interest payable	14,398	-	14,398
Other current liabilities	40,912	7,802	48,714
Customer deposits	-	72,589	72,589
Line of credit	89,000	-	89,000
Noncurrent liabilities:			
Due within one year	177,600	3,922	181,522
Due in more than one year	1,442,171	-	1,442,171
<b>TOTAL LIABILITIES</b>	<b>1,770,100</b>	<b>129,893</b>	<b>1,899,993</b>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	23,063	7,471	30,534
<b>NET POSITION</b>			
Net investment in capital assets	45,232	2,491,023	2,536,255
Restricted for:			
Public works	15,290	-	15,290
Municipal court	45,952	-	45,952
Unrestricted	498,573	1,015,638	1,514,211
<b>TOTAL NET POSITION</b>	<b>\$ 605,047</b>	<b>\$ 3,506,661</b>	<b>\$ 4,111,708</b>

See accompanying notes to financial statements.

**TOWN OF ECLECTIC, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
Governmental activities:				
General government	\$ 330,742	\$ 247,858	\$ -	\$ -
Public safety	737,166	270,789	-	138,219
Public works	124,545	746	12,124	1,301
Public welfare	142,486	28,583	-	-
Interest and fiscal charges on long-term debt	76,793	-	-	-
Total governmental activities	<u>1,411,732</u>	<u>547,976</u>	<u>12,124</u>	<u>139,520</u>
Business-type activities:				
Eclectic Water and Sewer Fund	<u>692,162</u>	<u>724,304</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,103,894</u>	<u>\$ 1,272,280</u>	<u>\$ 12,124</u>	<u>\$ 139,520</u>

**General Revenues**

Sales taxes  
Property taxes  
Alcoholic beverage taxes  
Other taxes  
Interest income  
Miscellaneous revenue  
Total general revenues  
Change in net position  
Net position - beginning, as originally stated  
Cumulative effect of change in accounting principle  
  
Net position - beginning as restated  
Net position - ending

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**Net (Expense) Revenue and  
Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (82,884)	\$ -	\$ (82,884)
(328,158)	-	(328,158)
(110,374)	-	(110,374)
(113,903)	-	(113,903)
(76,793)	-	(76,793)
<u>(712,112)</u>	<u>-</u>	<u>(712,112)</u>
-	32,142	32,142
<u>(712,112)</u>	<u>32,142</u>	<u>(679,970)</u>
983,440	-	983,440
73,655	-	73,655
30,447	-	30,447
25,578	-	25,578
115	558	673
<u>35,643</u>	<u>52,000</u>	<u>87,643</u>
<u>1,148,878</u>	<u>52,558</u>	<u>1,201,436</u>
<u>436,766</u>	<u>84,700</u>	<u>521,466</u>
<u>66,832</u>	<u>3,389,095</u>	<u>3,455,927</u>
<u>101,449</u>	<u>32,866</u>	<u>134,315</u>
<u>168,281</u>	<u>3,421,961</u>	<u>3,590,242</u>
<u>\$ 605,047</u>	<u>\$ 3,506,661</u>	<u>\$ 4,111,708</u>

See accompanying notes to financial statements.



# TOWN OF ECLECTIC, ALABAMA

## BALANCE SHEET

### GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	<u>General Fund</u>	<u>Street Fund</u>	<u>Municipal Court</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 326,778	\$ 14,529	\$ 56,947	\$ 398,254
Receivables	104,993	761	5,152	110,906
Inventories	4,656	-	-	4,656
Prepaid expenses	26,663	-	-	26,663
Due from other funds	23,408	-	-	23,408
<b>TOTAL ASSETS</b>	<u>\$ 486,498</u>	<u>\$ 15,290</u>	<u>\$ 62,099</u>	<u>\$ 563,887</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 3,150	\$ -	\$ 2,869	\$ 6,019
Other current liabilities	29,973	-	10,939	40,912
Due to other funds	-	-	2,339	2,339
Line of credit	89,000	-	-	89,000
<b>TOTAL LIABILITIES</b>	<u>122,123</u>	<u>-</u>	<u>16,147</u>	<u>138,270</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventories	4,656	-	-	4,656
Prepaid expenses	26,663	-	-	26,663
Restricted:				
Public works	-	15,290	-	15,290
Municipal court	-	-	45,952	45,952
Unassigned	333,056	-	-	333,056
<b>TOTAL FUND BALANCES</b>	<u>364,375</u>	<u>15,290</u>	<u>45,952</u>	<u>425,617</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 486,498</u>	<u>\$ 15,290</u>	<u>\$ 62,099</u>	<u>\$ 563,887</u>

See accompanying notes to financial statements.

**TOWN OF ECLECTIC, ALABAMA**

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015

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

Total fund balances - governmental funds	\$	425,617
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,652,372
Net pension asset as a result of the implementation of GASB 68.		174,735
Deferred employer retirement contributions are applicable to future periods and, therefore, are not reported in governmental funds.		9,555
Long-term liabilities, including bonds payable, and accrued interest are not due and payable in the current period and, therefore, are not reported in the governmental funds. Balances at September 30, 2015, were:		
Bonds, leases, and notes payable	\$	(1,607,140)
Accrued interest		(14,398)
Deferred inflows related to pension		(23,063)
Compensated absences		(12,631)
Total long-term liabilities		<u>(1,657,232)</u>
Net position of governmental activities	\$	<u>605,047</u>

See accompanying notes to financial statements.

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**TOWN OF ECLECTIC, ALABAMA**

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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	<u>General Fund</u>	<u>Street Funds</u>	<u>Municipal Court</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 1,103,718	\$ 9,402	\$ -	\$ 1,113,120
Licenses and permits	244,943	1,979	-	246,922
Intergovernmental	157,644	-	-	157,644
Charges for services	192,431	-	-	192,431
Fines and forfeitures	41,384	-	56,235	97,619
Miscellaneous revenues	40,076	-	567	40,643
Interest	110	-	11	121
Total revenues	<u>1,780,306</u>	<u>11,381</u>	<u>56,813</u>	<u>1,848,500</u>
<b>EXPENDITURES</b>				
Current operations:				
General government	412,376	9,780	41,840	463,996
Public safety	773,778	-	-	773,778
Public works	118,925	-	-	118,925
Public welfare	111,581	-	-	111,581
Debt service:				
Principal retirement	233,829	-	-	233,829
Interest charges	78,959	-	-	78,959
Total expenditures	<u>1,729,448</u>	<u>9,780</u>	<u>41,840</u>	<u>1,781,068</u>
Excess of revenues over expenditures	<u>50,858</u>	<u>1,601</u>	<u>14,973</u>	<u>67,432</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from notes payable	155,000	-	-	155,000
Transfers in	-	6,500	-	6,500
Transfers out	<u>(6,500)</u>	<u>-</u>	<u>-</u>	<u>(6,500)</u>
Total other financing sources	<u>148,500</u>	<u>6,500</u>	<u>-</u>	<u>155,000</u>
Net change in fund balances	<u>199,358</u>	<u>8,101</u>	<u>14,973</u>	<u>222,432</u>
<b>FUND BALANCES - BEGINNING</b>	<u>165,017</u>	<u>7,189</u>	<u>30,979</u>	<u>203,185</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 364,375</u>	<u>\$ 15,290</u>	<u>\$ 45,952</u>	<u>\$ 425,617</u>

See accompanying notes to financial statements.

## TOWN OF ECLECTIC, ALABAMA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2015

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Differences in amounts reported for Governmental Activities in the Statement of Activities.

Net change in fund balances - total governmental funds		\$	222,432
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.			220,587
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(150,635)
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position:			
Capital lease financing			(155,000)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position:			
General obligation bonds	\$	105,000	
Lease payable		15,025	
Notes payable		113,803	
Total repayments		<u>233,828</u>	233,828
Adjustments to pension expense as a result of the implementation of GASB 68.			59,778
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures of governmental funds.			
Compensated absences		3,610	
Accrued interest		2,166	
Additional expenses		<u>5,776</u>	<u>5,776</u>
Change in net position of governmental activities		\$	<u><u>436,766</u></u>

See accompanying notes to financial statements.

**TOWN OF ECLECTIC, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2015**

	<b>Eclectic Water and Sewer Fund</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 968,446
Receivables, net	101,673
Inventories	34,942
Prepaid expenses	7,219
Note receivable	2,088
Net pension asset	56,608
Total current assets	<u>1,170,976</u>
<b>CAPITAL ASSETS</b>	
Land	105,291
Land improvements	300,000
Buildings	290,865
Machinery and equipment	2,073,702
Utility system	3,032,846
Less accumulated depreciation	<u>(3,311,681)</u>
Total capital assets, net of accumulated depreciation	<u>2,491,023</u>
<b>TOTAL ASSETS</b>	<u>3,661,999</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred employer retirement contributions	<u>3,095</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	45,580
Other liabilities	7,802
Compensated absences	3,922
Due to other funds	21,069
Customer deposits	<u>72,589</u>
Total current liabilities	<u>150,962</u>
<b>TOTAL LIABILITIES</b>	<u>150,962</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	<u>7,471</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,491,024
Unassigned	<u>1,015,637</u>
<b>TOTAL NET POSITION</b>	<u>\$ 3,506,661</u>

See accompanying notes to financial statements.

**TOWN OF ECLECTIC, ALABAMA****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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	<b><u>Eclectic Water and Sewer Fund</u></b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 714,879
Fee revenues	9,425
Total operating revenues	<u>724,304</u>
<b>OPERATING EXPENSES</b>	
Personnel, operations and maintenance, and utilities:	
Operations and maintenance	241,374
Salaries and wages	158,347
Water purchases	147,728
Depreciation	138,009
Total operating expenses	<u>685,458</u>
<b>OPERATING INCOME</b>	<u>38,846</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>	
Interest income	558
Interest expense	(6,704)
Settlement income	52,000
Total nonoperating revenues (expenses)	<u>45,854</u>
Change in net position	<u>84,700</u>
<b>TOTAL NET POSITION - BEGINNING, AS ORIGINALLY STATED</b>	3,389,095
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<u>32,866</u>
<b>TOTAL NET POSITION - BEGINNING, AS RESTATED</b>	<u>3,421,961</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>\$ 3,506,661</u></u>

See accompanying notes to financial statements.

**TOWN OF ECLECTIC, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<b><u>Eclectic Water and Sewer Fund</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 737,266
Payments to suppliers for goods and services	(382,868)
Payments to employees for services	(157,232)
	<u>197,166</u>
Net cash provided by operating activities	<u>197,166</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash payments to other funds	(9,505)
Receipts on claims receivable	306,730
	<u>297,225</u>
Net cash provided by noncapital financing activities	<u>297,225</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of property and equipment	(59,814)
Principal payments on capital debt	(162,447)
Interest paid on capital debt	(6,704)
	<u>(228,965)</u>
Net cash used in capital and related financing activities	<u>(228,965)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>558</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	265,984
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>702,462</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 968,446</u></u>

See accompanying notes to financial statements.

**TOWN OF ECLECTIC, ALABAMA**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

	<b>Eclectic Water and Sewer Fund</b>
	<u>          </u>
Operating income	\$ 38,846
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	138,009
Decrease in accounts receivable	10,402
Decrease in note receivable	1,193
Decrease in prepaid expenses	1,204
Decrease in inventory	3,193
Decrease in deferred outflows	1,820
Increase in net pension asset	(28,657)
Increase in accounts payable	22,318
Increase in customer deposits	1,367
Increase in deferred inflows	7,471
	<u>          </u>
Net cash provided by operating activities	<u><u>\$ 197,166</u></u>

See accompanying notes to financial statements.



**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The Town of Eclectic (the Town) was incorporated under the laws of the State of Alabama in 1907 and operates under an elected Mayor-Council form of government as required by State of Alabama Legislative Act No. 73-618 approved August 28, 1973. The Town provides the following services: public safety (police and fire), highways and streets, sanitation and utilities (water and sewer), health and social services, public improvements, planning and zoning, recreation and general administrative services.

***Government-Wide and Fund Financial Statements***

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. 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 unit. For the most part, the effect of inter-fund activity has been removed from these statements. The exception to this is interfund services provided and used which are eliminated in the consolidation process. 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.

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 help support all functions of government and contribute to the change in the net position for the fiscal year.

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 funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 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 received or when an enforceable legal claim exists, whichever comes first. 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 or soon enough thereafter to pay liabilities of 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.

The Town reports the following major governmental funds:

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

**Street Fund** – This is a special revenue fund in which the Town accounts for the gasoline taxes received that are restricted to the maintenance and capital improvements of the Town’s streets.

**Municipal Court Fund** – This is a special revenue fund in which the Town accounts for court fines and bonds received.

The Town reports the following major enterprise fund:

**Eclectic Water and Sewer Fund** – Accounts for water and sanitary sewer services provided to the residents of the Town.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 enterprise funds and of the internal service funds are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds 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 nonoperating revenues and expenses.

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Stewardship, Compliance, and Accountability***

An annual budget is adopted for the Town's general fund. Under state law, the Mayor submits the annual budget to the Council for consideration and approval no later than October 1. Such budget is based on expected expenditures by program and estimated resources by source. The budget is prepared using the modified accrual basis of accounting. Revisions to the budget must be approved by the Council. All annual appropriations lapse at fiscal year-end.

***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.

***Assets, Liabilities, and Equity***

**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.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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 noncurrent portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of any applicable allowance for uncollectibles.

Property taxes are assessed on October 1 and levied on the subsequent October 1 for the fiscal year beginning on the levy date, at which time a lien is attached. These taxes are due and payable on October 1 (levy date) and delinquent after December 31 in each year (except with respect to motor vehicles, which have varying due dates), after which a penalty and interest are required to be charged. If real property taxes are not paid by the June 15 following the due date, a tax sale is required to be held. Revenue is recognized in the year when the taxes are levied and collected. The taxes are collected by the Elmore County tax collector and remitted to the Town.

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Inventories and Prepaid Items**

Inventories are valued at cost using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories are summarized as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Fuel	\$ 4,656	\$ -	\$ 4,656
Materials and supplies	-	34,942	34,942
	<u>\$ 4,656</u>	<u>\$ 34,942</u>	<u>\$ 39,598</u>

**Capital Assets**

Capital assets, purchased or constructed, are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than two years. The Town 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30 years
Improvements	20 years
Machinery and equipment	7-20 years
Utility system	50 years
Infrastructure	50 years

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Compensated Absences**

The Town allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The Town reports deferred outflow items related to the Town's pension plan which are described further in Note 9.

In addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflow items related to the Town's pension plan which are described further in Note 9.

**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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Lease Obligations**

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest in the lease. Also, in the year an asset is acquired by capital lease, the expenditure for the asset and the offsetting amount of the financing source are reflected in the fund financial statements in the statement of revenues, expenditures, and changes in fund balances. Capital lease obligations of proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

**Fund Equity**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**Nonspendable** - This classification includes amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - This classification includes amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - This classification includes amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

**Assigned** - This classification includes amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Town Council may assign amounts for specific purposes.

**Unassigned** - This classification includes all other spendable amounts.

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Fund Equity (Continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**2. CASH AND CASH EQUIVALENTS**

*Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

As of September 30, 2015, none of the Town’s bank balance of \$1,390,739 was exposed to custodial credit risk. All of the Town’s bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

**3. RECEIVABLES**

Receivables as of September 30, 2015, for the government’s individual major funds are as follows:

	<b>General Fund</b>	<b>Street Fund</b>	<b>Municipal Court</b>	<b>Eclectic Water and Sewer Fund</b>	<b>Total</b>
Taxes	\$ 95,819	\$ 761	\$ -	\$ -	\$ 96,580
Accounts	9,174	-	5,152	111,561	125,887
Gross receivables	104,993	761	5,152	111,561	222,467
Less allowance for uncollectable	-	-	-	9,888	9,888
Total receivables	<u>\$ 104,993</u>	<u>\$ 761</u>	<u>\$ 5,152</u>	<u>\$ 101,673</u>	<u>\$ 212,579</u>

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**4. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

*Primary Government*

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 376,690	\$ -	\$ -	\$ -	\$ 376,690
Total capital assets, not being depreciated	<u>376,690</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,690</u>
Capital assets, being depreciated:					
Buildings	856,377	75,000	-	-	931,377
Machinery and equipment	1,399,721	145,587	-	-	1,545,308
Land improvements	21,318	-	-	-	21,318
Total capital assets, being depreciated	<u>2,277,416</u>	<u>220,587</u>	<u>-</u>	<u>-</u>	<u>2,498,003</u>
Less accumulated depreciation for:					
Buildings	107,412	31,118	-	-	138,530
Machinery and equipment	956,013	118,451	-	-	1,074,464
Land improvements	8,261	1,066	-	-	9,327
Total accumulated depreciation	<u>1,071,686</u>	<u>150,635</u>	<u>-</u>	<u>-</u>	<u>1,222,321</u>
Total capital assets, being depreciated, net	<u>1,205,730</u>	<u>69,952</u>	<u>-</u>	<u>-</u>	<u>1,275,682</u>
Governmental activities capital assets, net	<u>\$ 1,582,420</u>	<u>\$ 69,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,652,372</u>



**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

**4. CAPITAL ASSETS (Continued)**

*Primary Government (Continued)*

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 105,291	\$ -	\$ -	\$ -	\$ 105,291
Total capital assets, not being depreciated	<u>105,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,291</u>
Capital assets, being depreciated:					
Buildings	290,865	-	-	-	290,865
Machinery and equipment	2,064,202	9,500	-	-	2,073,702
Land improvements	300,000	-	-	-	300,000
Utility system	<u>2,982,531</u>	<u>50,315</u>	<u>-</u>	<u>-</u>	<u>3,032,846</u>
Total capital assets, being depreciated	<u>5,637,598</u>	<u>59,815</u>	<u>-</u>	<u>-</u>	<u>5,697,413</u>
Less accumulated depreciation for:					
Buildings	117,590	17,375	-	-	134,965
Machinery and equipment	1,532,249	50,535	-	-	1,582,784
Land improvements	195,833	10,000	-	-	205,833
Utility system	<u>1,328,000</u>	<u>60,099</u>	<u>-</u>	<u>-</u>	<u>1,388,099</u>
Total accumulated depreciation	<u>3,173,672</u>	<u>138,009</u>	<u>-</u>	<u>-</u>	<u>3,311,681</u>
Total capital assets, being depreciated, net	<u>2,463,926</u>	<u>(78,194)</u>	<u>-</u>	<u>-</u>	<u>2,385,732</u>
Business-type activities capital assets, net	<u>\$ 2,569,217</u>	<u>\$ (78,194)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,491,023</u>

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

**Governmental activities:**

General government	\$ 9,188
Public safety	103,922
Public works	6,442
Cultural and recreation	<u>31,083</u>

Total depreciation expense - governmental activities \$ 150,635

**Business-type activities**

\$ 138,009

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
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**5. INTERFUND BALANCES**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. Except for amounts due from Enterprise and Internal Service Funds, these amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2015, is shown below.

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General	Municipal Court	\$ 2,339
	Eclectic Water and Sewer Fund	21,069
		<u>\$ 23,408</u>

**6. SHORT-TERM DEBT**

The Town maintains a \$200,000 line of credit to support operations pending collection and receipt of outstanding Town revenue. Interest is paid on outstanding balances at 3.85%. Short-term debt activity for the year ended September 30, 2015, was as follows:

Beginning balance	\$ 124,607
Issues	294,438
Redemptions	<u>(330,045)</u>
Ending Balance	<u>\$ 89,000</u>

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

**7. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2015, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,135,000	\$ -	\$ (105,000)	\$ 1,030,000	\$ 110,000
Notes payable	469,054	155,000	(113,803)	510,251	39,293
Capital leases	81,914	-	(15,025)	66,889	15,676
Compensated absences	16,241	-	(3,610)	12,631	12,631
Governmental activity long-term liabilities	<u>1,702,209</u>	<u>155,000</u>	<u>(237,438)</u>	<u>1,619,771</u>	<u>177,600</u>
<b>Business-type activities:</b>					
Notes payable	162,447	-	(162,447)	-	-
Compensated absences	3,922	-	-	3,922	3,922
Business-type activity long-term liabilities	<u>166,369</u>	<u>-</u>	<u>(162,447)</u>	<u>3,922</u>	<u>3,922</u>
Total long-term debt	<u>\$ 1,868,578</u>	<u>\$ 155,000</u>	<u>\$ (399,885)</u>	<u>\$ 1,623,693</u>	<u>\$ 181,522</u>

***General Obligation Bonds***

The Town issues general obligation bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. The current outstanding balances are as follows:

<b>\$1,200,000 Series 1996 General Obligation Warrants</b> due in annual installments of \$40,000 to \$85,000 through August 15, 2017, with a maximum principal of \$85,000 due in fiscal year 2017, interest at 4.00%.	\$ 130,000
<b>\$1,210,000 Series 2007 General Obligation Refunding Warrants</b> due in annual installments of \$10,000 to \$80,000 through August 1, 2030, with a maximum principal of \$80,000 due in fiscal year 2030, interest at 4.00% to 4.70%.	<u>900,000</u>
Total general obligation bonds	<u>\$ 1,030,000</u>

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

**7. LONG-TERM DEBT (Continued)**

*General Obligation Bonds (Continued)*

The following schedule illustrates debt service to maturity for the general obligation bonds at September 30, 2015:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending September 30:			
2016	\$ 110,000	\$ 46,213	\$ 156,213
2017	110,000	41,700	151,700
2018	45,000	37,188	82,188
2019	50,000	35,275	85,275
2020-2024	285,000	140,990	425,990
2025-2029	350,000	68,885	418,885
2030	80,000	3,760	83,760
Totals	<u>\$ 1,030,000</u>	<u>\$ 374,011</u>	<u>\$ 1,404,011</u>

*Notes Payable*

The Town has received funding from local banks to provide for the acquisition of capital assets. The current outstanding balances are as follows:

**Governmental activities:**

Note payable with First Community Bank of Central Alabama used to pay off the original note with Trustmark and to reduce the line of credit. The note is due in monthly payments of \$1,171 through December 4, 2029 and has an interest rate of 4.25%. The note is secured by the municipal building.	\$ 148,637
Note payable with First Community Bank of Central Alabama used to fund costs related to the purchase of two fire trucks. The note is due in annual payments of \$46,631 through July 14, 2025 and has an interest rate of 4.50%. The note is secured by two fire trucks.	<u>361,614</u>
	<u>\$ 510,251</u>

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

**7. LONG-TERM DEBT (Continued)**

*Notes Payable (Continued)*

**Governmental activities (Continued):**

The following schedule illustrates debt service to maturity for the notes payable at September 30, 2015:

	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending September 30:			
2016	\$ 39,293	\$ 19,976	\$ 59,269
2017	38,918	25,840	64,758
2018	45,814	18,943	64,757
2019	47,862	16,896	64,758
2020-2024	273,331	50,457	323,788
2025-2029	62,756	7,498	70,254
2030	2,277	13	2,290
Totals	<u>\$ 510,251</u>	<u>\$ 139,623</u>	<u>\$ 649,874</u>

**Capital Lease**

The Town has entered into lease agreements as lessee for financing the acquisition of property and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<b>Governmental Activities</b>
Machinery and equipment	\$ 91,016
Less accumulated depreciation	<u>9,102</u>
Total	<u>\$ 81,914</u>

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

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**7. LONG-TERM DEBT (Continued)**

*Capital Lease (Continued)*

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

	<b><u>Governmental Activities</u></b>
Year ending September 30:	
2016	\$ 18,569
2017	18,569
2018	18,569
2019	<u>18,569</u>
 Total minimum lease payments	 74,276
Less amount representing interest	<u>7,387</u>
 Present value of minimum lease payments	 <u>\$ 66,889</u>

**8. OPERATING LEASES**

The Town is obligated under an operating lease agreement for copiers through August 11, 2018. The future minimum lease payments under these lease agreements are:

Year ending September 30:	
2016	<u>\$ 4,620</u>

Total rental expense for the above mentioned lease is \$8,207 for the year ended September 30, 2015.

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**9. PENSION PLAN**

*Plan Description*

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

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

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

*Benefits Provided*

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service 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.

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
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**9. PENSION PLAN (Continued)**

*Contributions*

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, 2015, the Town's active employee contribution rate was 5% of covered payroll for Tier 1 employees and 6% of covered employee payroll for Tier 2 employees, and the Town's active employee contribution rate for certified law enforcement, correctional officers, and firefighters (FLC) was 6% of covered payroll for Tier 1 FLC and 7% of covered payroll for Tier 2 FLC. The Town's average contribution rate to fund the normal and accrued liability costs was 3.34% of covered employee payroll.

The Town's contractually required contribution rate for the year ended September 30, 2015 was 3.32% of pensionable pay for Tier 1 employees, and 1.02% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2014, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Town were \$11,935 for the year ended September 30, 2015.

*Net Pension Liability*

The Town's net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2013 rolled forward to September 30, 2014 using standard roll-forward techniques as shown in the following table:

Total pension liability as of September 30, 2013	<u>\$ 811,332</u>
Entry age normal cost for October 1, 2013 - September 30, 2014	<u>\$ 60,115</u>
Actual benefit payments and refunds for October 1, 2013 - September 30, 2014	<u>\$ (67,010)</u>
Total pension liability as of September 30, 2014	<u>\$ 866,663</u>



**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

**9. PENSION PLAN (Continued)**

*Actuarial Assumptions*

The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 - 7.25%
Investment rate of return*	8.00%

\*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2013 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	

\*Includes assumed rate of inflation of 2.50%.

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

**9. PENSION PLAN (Continued)**

*Discount Rate*

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

*Changes in Net Pension Liability*

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a)-(b)</b>
Balance at September 30, 2013	\$ 811,332	\$ 925,560	\$ (114,228)
Changes for the year:			
Service cost	60,115	-	60,115
Interest	62,226	-	62,226
Contributions - employer	-	20,087	(20,087)
Contributions - employee	-	32,091	(32,091)
Net investment income	-	114,529	(114,529)
Benefit payments, including refunds of employee contributions	(67,010)	(67,010)	-
Transfers among employers	-	72,749	(72,749)
Net changes	<u>55,331</u>	<u>172,446</u>	<u>(117,115)</u>
Balance at September 30, 2014	<u>\$ 866,663</u>	<u>\$ 1,098,006</u>	<u>\$ (231,343)</u>

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

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**9. PENSION PLAN (Continued)**

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

The following table presents the Town’s net pension asset calculated using the discount rate of 8%, as well as what the Town’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is one percentage point lower (7%) or one percentage point higher (9%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Town’s net pension liability (asset)	\$ (110,330)	\$ (231,343)	\$ (330,666)

*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, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2015, the Town recognized pension income of \$66,494. At September 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 30,534
Employer contributions subsequent to the measurement date	<u>12,650</u>	<u>-</u>
Total	<u>\$ 12,650</u>	<u>\$ 30,534</u>

**TOWN OF ECLECTIC, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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**9. PENSION PLAN (Continued)**

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

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

Year ended September 30:		
2016	\$	7,634
2017		7,634
2018		7,634
2019		7,632
2020		-
Thereafter		-

**10. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town has purchased general liability insurance through a commercial insurance carrier. Coverage provides up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000. The Town also purchased commercial insurance for other risks of loss, including property and casualty insurance.

The Town has worker's compensation insurance through the Municipal Workers Compensation Fund. Coverage is provided up to \$1,000,000 for each injury by accident or disease.

The Town has employee health coverage through the Local Government Health Insurance Plan (LGHIP) administered by the State's Employees' Health Insurance Board. LGHIP is a self-insured health insurance program funded from the premiums of the participating local government units and their subscribers. LGHIP provides group health insurance for employees of local government units, certain organizations, and associations. Monthly premiums are determined by the plan's actuary and are based on past claims experience.

**11. CONTINGENT LIABILITIES**

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

The Town is a defendant in various lawsuits whose outcome is not presently determinable. In the opinion of the Town's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**TOWN OF ECLECTIC, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2015

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**12. BOND COVENANT**

The Town was in violation of a covenant contained in the Series 1996 General Obligation Warrants for fiscal year 2015. The covenant states that the Town will furnish the Alabama Water Pollution Control Authority (Authority) a copy of its audited financial statements no later than one hundred eighty days following the close of the fiscal year.

The Town contacted the Alabama Department of Environmental Management (ADEM) regarding this violation. ADEM responded stating that although they would not waive this requirement, the Authority does not plan on taking any action on this violation.

**13. CLAIMS RECEIVABLE**

Beginning in fiscal year 2014, the Eclectic Water and Sewer Fund received settlement payments related to the case against Harold Whatley and Donald Strickland. These payments began on September 4, 2014 and continued through June 4, 2015. A claims receivable was recorded in the amount of \$262,774 as of September 30, 2013, which represents the total settlement received net of estimated legal expenses. During fiscal years 2014 and 2015, the Town received payments totaling \$8,044 and \$306,730, respectively, which reduced the claims receivable balance to zero and resulted in additional income of \$52,000 as of September 30, 2015.

**14. ACCOUNTING CHANGES AND RESTATEMENTS**

In fiscal year 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which improves accounting and financial reporting by state and local governments for pensions.

The implementation of Statement No. 68 resulted in the restatement of the beginning net position of the governmental and business-type activities in the government-wide financial statements:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position at September 30, 2014, as originally stated	\$ 66,832	\$ 3,389,095
Change in reporting for pension benefits	<u>101,449</u>	<u>32,866</u>
Net position at September 30, 2014, as restated	<u>\$ 168,281</u>	<u>\$ 3,421,961</u>

**15. EFFECT OF NEW PRONOUNCEMENTS**

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the Town.

The GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, in June 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in June 2015. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF ECLECTIC, ALABAMA**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,069,281	\$ 1,069,281	\$ 1,103,718	\$ 34,437
Licenses and permits	211,980	211,980	244,943	32,963
Intergovernmental	201,972	201,972	157,644	(44,328)
Charges for services	215,790	215,790	192,431	(23,359)
Fines and forfeitures	118,000	118,000	41,384	(76,616)
Miscellaneous revenues	69,281	69,281	40,076	(29,205)
Interest	-	-	110	110
Total revenues	<u>1,886,304</u>	<u>1,886,304</u>	<u>1,780,306</u>	<u>(105,998)</u>
<b>EXPENDITURES</b>				
Current operations:				
General government	779,765	779,765	412,376	367,389
Public safety	769,185	769,185	773,778	(4,593)
Public works	53,050	53,050	118,925	(65,875)
Public welfare	72,070	72,070	111,581	(39,511)
Debt service:				
Principal retirement	240,234	240,234	233,829	6,405
Interest charges	-	-	78,959	(78,959)
Total expenditures	<u>1,914,304</u>	<u>1,914,304</u>	<u>1,729,448</u>	<u>184,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,000)</u>	<u>(28,000)</u>	<u>50,858</u>	<u>78,858</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from note payable	28,000	28,000	155,000	127,000
Transfers out	-	-	(6,500)	(6,500)
Total other financing sources	<u>28,000</u>	<u>28,000</u>	<u>148,500</u>	<u>120,500</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>199,358</u>	<u>199,358</u>
<b>FUND BALANCES - BEGINNING</b>	<u>165,017</u>	<u>165,017</u>	<u>165,017</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 165,017</u>	<u>\$ 165,017</u>	<u>\$ 364,375</u>	<u>\$ 199,358</u>



**TOWN OF ECLECTIC, ALABAMA**  
**EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**  
**SCHEDULE OF FUNDING PROGRESS**

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**SCHEDULE OF FUNDING PROGRESS**

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Actuarial Valuation Date January 1	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) - Entry Age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [( b-a )/c]
09/30/09	\$ 677,710	\$ 691,247	\$ 13,537	98.0%	\$ 631,598	2.1%
09/30/10 <sup>1</sup>	669,935	784,998	115,063	85.3%	576,530	20.0%
09/30/11 <sup>4</sup>	635,315	582,089	(53,226)	109.1%	466,654	-11.4%
09/30/12 <sup>2</sup>	783,440	611,847	(171,593)	128.0%	551,880	-31.1%
09/30/12 <sup>2,3</sup>	783,440	617,735	(165,705)	126.8%	551,880	-30.0%
09/30/13 <sup>5</sup>	884,132	780,591	(103,541)	113.3%	635,635	-16.3%
09/30/14	1,036,401	976,067	(60,334)	106.2%	601,189	-10.0%
09/30/14 <sup>3</sup>	1,036,401	981,850	(54,551)	105.6%	601,189	-9.1%

<sup>1</sup> Reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011.

<sup>2</sup> Reflects changes in interest smoothing technology.

<sup>3</sup> Reflects the impact of Act 2011-27 as well as Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

<sup>4</sup> Reflects changes in actuarial assumptions.

<sup>5</sup> Reflects implementation of Board Funding Policy.

**TOWN OF ECLECTIC, ALABAMA**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

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<b>Year Ended *</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of the Net Pension Asset</b>	<b>Actual Covered Employee Payroll</b>	<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>Fiduciary Net Position as a Percentage of Total Pension Asset</b>
09/30/14	-0.005%	\$ (231,343)	\$ 626,354	-36.93%	126.69%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

\* The data provided in the schedule is as of the measurement date of the Town's net pension liability, which is as of the beginning of the Town's fiscal year.

# TOWN OF ECLECTIC, ALABAMA

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO THE TOWN'S EMPLOYEE PENSION PLAN

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<u>Year Ended</u>	<u>Statutorily Required Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contributions Excess / (Deficiency)</u>	<u>Actual Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
09/30/15	\$ (66,494)	\$ 9,555	\$ 76,049	\$ 626,354	12.14%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.