

**CITY OF PINSON
Pinson, Alabama**

Financial Statements

**For the Year Ended
June 30, 2013**

**CITY OF PINSON
Pinson, Alabama**

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For the Year Ended June 30, 2013**

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Pinson, Alabama

We have audited the accompanying financial statements of the governmental activities and major funds of the City of Pinson, Alabama (the City), as of and for the year ended June 30, 2013, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Pinson, Alabama, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–5 and 22 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.

A handwritten signature in blue ink that reads "Borland Benefield P.C.".

Borland Benefield, P.C.
Birmingham, Alabama
December 9, 2013

CITY OF PINSON, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2013

The City of Pinson's (the City) Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the city's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The City's total net position (assets less liabilities) was \$3,449,342 at June 30, 2013. This is an increase of \$446,154 from the prior period.

For the year ended June 30, 2013, operating revenues in the City's General Fund exceeded its operating expenses by \$333,999. Special fund and debt service fund expenditures for the same period exceeded revenues by \$23,932.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a long-term view of the City's finances. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting on the City as a Whole

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in them. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's *financial health* or *financial position*. Over time, *increases* or *decreases* in the City's net position is one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in the City's business base and the condition of the City's roads, to assess the overall health of the City.

Reporting on the City's Funds

The fund financial statements provide detailed information about the City's funds. All of the City's funds are classified as major funds. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and other money. All of the City's funds are governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides.

CITY OF PINSON, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013 (continued)**

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position or Statement of Activities) and governmental funds in reconciliations after the fund financial statements.

Financial Analysis of the City as a Whole

Net Position

The following table presents the condensed Statement of Net Position, including all assets and liabilities, as of June 30, 2013 and 2012:

<u>Description</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Assets	\$ 4,181,688	\$ 3,594,733	\$ 586,955
Liabilities	<u>732,346</u>	<u>591,545</u>	<u>140,801</u>
Net Position	<u>\$ 3,449,342</u>	<u>\$ 3,003,188</u>	<u>\$ 446,154</u>

Net position represents the difference between the City's total assets and its total liabilities. At June 30, 2013, capital assets represent 64% (\$2,210,718) of the City's total net position of \$3,449,342. Cash, totaling \$1,424,741, represented 41% of net position. At June 30, 2013, the City continues to be in a strong financial position, evidenced by unrestricted net assets of \$1,263,962. This represents a 27% increase from \$996,869 at June 30, 2012. Unrestricted net assets are available for operations and represent approximately 11 months of expense reserve.

For more detailed information, see the Statement of Net Position.

Change in Net Position

The following table presents, in summary form, total revenues by major source for the years ended June 30, 2013 and 2012:

	Government Activities		
	For the Year Ended June 30,		
	<u>2013</u>	<u>2012</u>	<u>Change</u>
Taxes			
Sales use	\$ 977,272	\$ 993,788	\$ (16,516)
Gasoline and other	323,124	322,654	470
Auto licenses	18,117	18,663	(546)
License and permits	125,793	120,436	5,357
Utility franchise fee in lieu of business license	351,716	315,291	36,425
Grant programs	14,134	4,889	9,245
Alabama Trust Fund proceeds	163,433	62,484	100,949
Investment earnings	1,265	82	1,183
Fines and forfeitures	11,325	-	11,325
Other	<u>39,142</u>	<u>53,860</u>	<u>(14,718)</u>
Total Revenues	<u>\$ 2,025,321</u>	<u>\$ 1,892,147</u>	<u>\$ 133,174</u>

CITY OF PINSON, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013 (continued)**

The following table presents, in summary form, program expenses by function for the years ended June 30, 2013 and 2012:

	<u>For the Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
General government	\$ 597,983	\$ 478,050
Public safety	371,004	304,934
Public service	300,866	338,259
Special appropriations	280,567	238,515
Interest and finance charges	<u>25,637</u>	<u>26,509</u>
Total Government Activities	<u>1,576,057</u>	<u>1,386,267</u>
Total Primary Government	<u>\$ 1,576,057</u>	<u>\$ 1,386,267</u>

Overall revenue increased during the 2013 fiscal period. This was due, in part, to a one-time correction payment from State of Alabama's Trust Fund and utility franchise fees. Sales tax receipts were down less than 2% however were almost 5% ahead of budget projections. Increased revenue and a strong financial base allowed the City to fund increased basic general government expenses and public safety cost and other projects. In addition, the City funded numerous street projects, repairs, and capital purchases from both unrestricted and restricted sources on hand.

THE CITY'S FINANCES FROM A FUND PERSPECTIVE

	<u>General Fund</u>	<u>Street Fund 7-2</u>	<u>Street Fund 4-6-5</u>	<u>Debt Service Fund</u>
Revenue	\$ 1,893,467	\$ 69,396	\$ 62,458	\$ -
Expenditures	1,673,968	73,201	83,985	46,600
Other financing sources (uses)	<u>114,500</u>	<u>-</u>	<u>-</u>	<u>48,000</u>
Net Change in Fund Balances	<u>\$ 333,999</u>	<u>\$ (3,805)</u>	<u>\$ (21,527)</u>	<u>\$ 1,400</u>

As of June 30, 2013, the Governmental funds reported a combined fund balance of \$1,889,734, up substantially from the prior year fund balance of \$1,579,668. The increase was largely a result of conservative budgeting and operations and improvement in revenue.

Budget Reporting

The budget has always been used to encourage spending adherence, ensuring that expenditures do not exceed budget, and therefore complying with a legally adopted budget. The form of the budget historically set forth a "budget-to-actual" comparison statement. The General Fund budget adopted by the City Council for the fiscal year ended June 30, 2013, projected \$1,646,000 in revenues and \$1,426,000 in expenses. Actual General Fund revenues for the period were \$1,893,466; \$247,466 more than budgeted, while General Fund expenses totaled \$1,673,968; \$247,968 more than budgeted. The City chose to budget conservatively for sales tax receipts and other major revenue sources for the period. Higher than expected revenue allowed for additional spending in areas where warranted.

Actual expenses for fiscal 2013 exceeded budgeted amounts, primarily due to capital expenditures and legal expenses. In addition, transfers between funds and debt transactions were not budgeted, but paid from the capital trust proceeds. The City, as is typical for similarly sized municipalities, does not formally amend its budget throughout the fiscal period to match actual expenditures. A detailed analysis of the variance between actual results

CITY OF PINSON, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013 (continued)

and budgeted amounts is included in the Budgetary Comparison Schedule contained in the Required Supplementary Information section of the accompanying financial statements and is herein incorporated by reference. The City did not formally adopt a budget for any of the other governmental funds for the fiscal year ended June 30, 2013.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, net capital assets of the governmental activities totaled \$1,561,045. Additions of \$361,364 in the current year included land, sidewalks, vehicles, street resurfacing, furniture, fixtures, and other equipment.

Long-Term Debt

During the year ended June 30, 2013, the City incurred an additional \$162,500 in debt to help finance a land purchase. Total debt outstanding increased to \$649,674 after principal reductions during the year of \$42,868. At year end, \$487,174 remained outstanding on the original \$600,000 tax-exempt general obligation warrant issued during the 2008 fiscal period for the purchase of the City Hall complex.

ECONOMIC FACTORS AFFECTING THE CITY OF PINSON AND NEXT YEAR'S BUDGET INFORMATION

Key Revenue Assumptions and Trends for fiscal year 2012-2013

The 2012-2013 fiscal year continued to bring increased revenues to the City. Sales tax revenues came in better than expected as did franchised utility fees due, in part, to prior year annexations of commercial properties into the City. County revenues increased over the last year, as well. Expenditures increased as the City opted to fund projects, repairs, and purchases as funds allowed.

Key Revenue Assumptions and Trends for fiscal year 2013-2014

Management expects revenues to continue to increase for the 2013-2014 year. Sales tax revenues should meet the upper estimate of \$1,000,000. To date, all park improvements were paid by completion. The City received the awaited release from the Department of Justice oversight in the spring of 2012. This will reduce the legal expenses for the City. In addition, the moratorium on annexation activity during the release process is now lifted and annexations have resumed. The City annexed numerous properties in 2013 and expects that to continue for 2014. Those additions to the City will increase franchise income, as well as population counts for population based revenues. The number of business licenses issued by the City exceeded 600 for the 2013 year, which represents a continued increase in the number of businesses licensed to provide goods or services within the Pinson City Limits.

The City contemplates the beginning of park construction in 2014. The City may use reserves to supplement a general obligation warrant to fund construction. The City may also consider using reserves to reduce principal, or satisfy entirely, the balloon note due on City Hall in December of 2014. The City may proceed with repair items for the residences at the park property, prior to construction, for security purposes.

The City contemplates several road projects over the next two years. There are subdivisions within the City, or that may become part of the City, that have incomplete roads from their initial development. The City is working with Jefferson County to use or make available bond or surety funds that may be on deposit or assigned to Jefferson County. The City expects to use its 4-5-6 gasoline account for these projects. The City has substantial savings available from its Gasoline (Road) tax accounts to fund these projects at the time of execution.

CITY OF PINSON, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2013 (continued)**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk at the City of Pinson, P.O. Box 1599, Pinson, AL 35126.

CITY OF PINSON, ALABAMA

Statement of Net Position
As of June 30, 2013

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,424,741
Receivables, net	184,771
Investments	251,192
Prepaid expenses	20,266
Long term receivable	90,000
Capital assets, net of accumulated depreciation	<u>2,210,718</u>
Total Assets	<u>\$ 4,181,688</u>
Deferred Outflows of Resources	
None	<u>\$ -</u>
Liabilities	
Accounts payable	\$ 73,040
Accrued interest payable	1,437
Other current liabilities	8,196
Noncurrent liabilities	
Due within one year:	
Long-term debt	105,628
Due in more than one year:	
Long-term debt	<u>544,045</u>
Total Liabilities	<u>\$ 732,346</u>
Deferred Inflows of Resources	
None	<u>\$ -</u>
Net Position	
Net investment in capital assets	\$ 1,561,045
Restricted	624,335
Unrestricted	<u>1,263,962</u>
Total Net Position	<u>\$ 3,449,342</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Government-Wide Statement of Activities
For the Year Ended June 30, 2013**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
General government	\$ 878,550	\$ -	\$ 177,567	\$ (700,983)
Public safety	371,004	11,325	-	(359,679)
Public service	300,866	-	-	(300,866)
Interest and fiscal charges on long-term debt	25,637	-	-	(25,637)
Total Governmental Activities	1,576,057	11,325	177,567	(1,387,165)
General Revenues				
Taxes				1,300,396
Licenses and permits				495,626
Investment earnings				1,265
Miscellaneous revenue				39,142
Total General Revenues				1,836,429
			Change in Net Position	449,264
			Net Position, Beginning of Year As Previously Reported	3,003,188
			Prior period adjustment (See Note 13)	(3,110)
			Net Position, Beginning of Year, As Restated	3,000,078
			Net Position, End of Year	\$ 3,449,342

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Balance Sheet - Governmental Funds
As of June 30, 2013**

	<u>General Fund</u>	<u>Street Fund 7-2</u>	<u>Street Fund 4-6-5</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 808,682	\$ -	\$ -	\$ 2,752	\$ 811,434
Investments	251,192	-	-	-	251,192
Accounts receivable - net	163,294	10,413	11,064	-	184,771
Restricted cash and cash equivalents	136,040	243,705	233,562	-	613,307
Prepaid expenses	20,266	-	-	-	20,266
Long term receivable	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
Total Assets	<u>\$ 1,469,474</u>	<u>\$ 254,118</u>	<u>\$ 244,626</u>	<u>\$ 2,752</u>	<u>\$ 1,970,970</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 65,178	\$ 2,205	\$ 5,657	\$ -	\$ 73,040
Accrued expenses	<u>8,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,196</u>
Total Liabilities	<u>73,374</u>	<u>2,205</u>	<u>5,657</u>	<u>-</u>	<u>81,236</u>
Fund Balances					
Nonspendable	110,266	-	-	-	110,266
Restricted	133,453	251,913	238,969	-	624,335
Committed	-	-	-	2,752	2,752
Unassigned	<u>1,152,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,152,381</u>
Total Fund Balances	<u>1,396,100</u>	<u>251,913</u>	<u>238,969</u>	<u>2,752</u>	<u>1,889,734</u>
Total Liabilities and Fund Balances	<u>\$ 1,469,474</u>	<u>\$ 254,118</u>	<u>\$ 244,626</u>	<u>\$ 2,752</u>	<u>\$ 1,970,970</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
For the Year Ended June 30, 2013**

Total fund balance, governmental funds	\$ 1,889,734
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources, and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	2,210,718
Some liabilities (such as warrants and notes payable and accrued interest payable) 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.	<u>(651,110)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 3,449,342</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Street Fund 7-2</u>	<u>Street Fund 4-6-5</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenue					
Sales and use taxes	\$ 977,272	\$ -	\$ -	\$ -	\$ 977,272
Utility franchise in lieu of business licenses	351,716	-	-	-	351,716
Business licenses	125,793	-	-	-	125,793
Gasoline and other taxes	191,320	69,396	62,408	-	323,124
Fines and forfeitures	11,325	-	-	-	11,325
Auto licenses	18,117	-	-	-	18,117
Investment earnings	1,215	-	50	-	1,265
Alabama Trust Fund proceeds	163,433	-	-	-	163,433
Grant Programs	14,134	-	-	-	14,134
Other revenues	39,142	-	-	-	39,142
Total Revenue	<u>1,893,467</u>	<u>69,396</u>	<u>62,458</u>	<u>-</u>	<u>2,025,321</u>
Expenditures					
Current					
General government					
General and administrative	535,162	-	-	-	535,162
Appropriations	280,567	-	-	-	280,567
Public Safety	362,945	-	-	-	362,945
Streets	189,423	72,719	7,830	-	269,972
Debt Service					
Principal	20,000	-	-	22,868	42,868
Interest and other charges	-	482	662	23,732	24,876
Capital Outlay	285,871	-	75,493	-	361,364
Total Expenditures	<u>1,673,968</u>	<u>73,201</u>	<u>83,985</u>	<u>46,600</u>	<u>1,877,754</u>
Excess (deficiency) of revenues over expenditures	<u>219,499</u>	<u>(3,805)</u>	<u>(21,527)</u>	<u>(46,600)</u>	<u>147,567</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	48,000	48,000
Transfers out	(48,000)	-	-	-	(48,000)
Proceeds from issuance of long-term debt	162,500	-	-	-	162,500
Total Other Financing Sources (Uses)	<u>114,500</u>	<u>-</u>	<u>-</u>	<u>48,000</u>	<u>162,500</u>
Net Change in Fund Balances	333,999	(3,805)	(21,527)	1,400	310,067
Fund Balances, Beginning	<u>1,062,101</u>	<u>255,718</u>	<u>260,496</u>	<u>1,352</u>	<u>1,579,667</u>
Fund Balances, Ending	<u>\$ 1,396,100</u>	<u>\$ 251,913</u>	<u>\$ 238,969</u>	<u>\$ 2,752</u>	<u>\$ 1,889,734</u>

See accompanying notes to financial statements.

City of Pinson, 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 June 30, 2013**

Net change in fund balances - total governmental funds: \$ 310,067

Amounts reported for governmental activities in the Statement of Activities are different because:

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. This is the amount by which capital outlays of \$361,364 exceeded depreciation of \$101,774 in the current period. 259,590

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transaction that are not normally paid with expendable available financial resources. However, expenses and liabilities are reported regardless of when financial resources are available in the Statement of Activities, which is presented on the accrual basis. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of two balances. (761)

Governmental funds report bond and warrant proceeds as current financial resources. In contrast, the Statement of Activities treats 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 liabilities. This is the amount by which repayments exceeded proceeds. (119,632)

Change in Net Position of Governmental Activities \$ 449,264

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013**

Note 1 – Summary of Significant Accounting Policies

The City of Pinson, Alabama (the City) was incorporated in 2004 and operates under a Mayor-Council form of government, providing the following services: annexation and general administrative services and public safety.

The financial statements of the City are prepared in conformity with *Generally Accepted Accounting Principles* as applied to governmental units (GAAP). The more significant of the City's accounting policies are described below:

The Reporting Entity

The City's basic financial statements include the accounts of all City operations. The City has no business type activities and no component units.

Basis of Presentation

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. The effect of inter-fund activity within the governmental activities has been removed from these statements.

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

Fund Financial Statements

The City segregates transactions related to certain function or activities in separate funds in order to aid financial management and to demonstrate legal compliance. All funds are currently classified as major and are shown in a separate column on the financial statements.

Governmental funds are those through which general governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds as there are no proprietary funds. The following is a brief description of the fund types used by the City in fiscal year ended June 30, 2013:

The **General Fund** is the City's primary operating fund and accounts for all financial resources except for those required to be accounted for in other funds.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt, principal, interest, and related costs.

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013 (continued)**

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers local taxes as available if they are collected within sixty days after year end. All other governmental fund type revenues are recognized when received. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include accrued interest on long-term liabilities, which are recorded as fund liabilities when due.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

A budget is adopted each year for General Fund only. Anticipated revenues and expenses are appropriated using methods comparable to those used in the accompanying financial statements.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets include property, buildings, infrastructure (which consist of the City’s roads), furniture, vehicles and other equipment. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statement. Capital outlays are recorded as expenditures of the governmental funds. Capital assets are recorded at cost where historical cost is available or at estimated historical cost if actual cost is not available. Donated capital assets are recorded at their estimated fair value at time of donation. The costs of normal repair and maintenance that do not add to the value of the asset or materially extend useful lives are expensed. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

See independent auditors’ report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013 (continued)**

Note 1 – Summary of Significant Accounting Policies (continued)

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

<u>Assets</u>	<u>Years</u>
Furniture and equipment	5 – 10
Leasehold improvements	20
Vehicles	5
Buildings	40
Building improvements	10 - 20
Infrastructure	20

The City elects to capitalize all infrastructure assets that are acquired (purchased, constructed, or donated), subsequent to its incorporation. All infrastructure within the City limits, at the time of incorporation, remain the assets of Jefferson County (the County) or the State of Alabama (the State).

Estimates

In preparing these financial statements, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Note 2 – Deposits and Investments

Cash and cash equivalents are presented at cost, which equals its market value as of June 30, 2013. Individual accounts comprising cash are listed below:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>
General operations	\$ 807,055	\$ -	\$ -	\$ 807,055
State gasoline fund	-	243,705	-	243,705
Special state gas checking	-	233,563	-	233,563
General road tax checking	15,823	-	-	15,823
Library checking	4,213	-	-	4,213
Warrant checking	-	-	2,752	2,752
Capital projects checking	117,630	-	-	117,630
Total	<u>\$ 944,721</u>	<u>\$ 477,268</u>	<u>\$ 2,752</u>	<u>\$ 1,424,741</u>

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013 (continued)**

Note 2 – Deposits and Investments (continued)

The City's investments carried at fair value as of June 30, 2013, are:

<u>Investments</u>	<u>Fair Value</u>	<u>Effective Duration</u>	<u>Interest Rate</u>
Certificate of deposit	\$ 251,192	6 months	0.15%

All of these accounts are insured by the FDIC up to \$250,000 per institution. In addition, all monies are deposited with member banks of the Security for Alabama Funds Enhancement Program (SAFE). The SAFE program eliminates the need for individually collateralized deposits for balances in excess of the FDIC coverage.

The City does not have a formal investment policy; however, all funds are invested in compliance with state statutes. State statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. corporate equities, State of Alabama obligations, County obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

Note 3 – Accounts Receivable

Accounts receivable are presented at cost which approximates their fair market value. Due to the nature of the accounts, an allowance for doubtful accounts is not maintained. Accounts receivable consists of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Sales tax (7%) street fund	\$ -	\$ 10,413	\$ 10,413
Sales tax (5%) street fund	-	3,647	3,647
Sales tax (4%) street fund	-	7,417	7,417
Sales and use taxes	93,963		93,963
Financial institution excise tax	22,018	-	22,018
Franchise fees	16,413	-	16,413
Beer tax	10,382	-	10,382
County gas tax	9,388	-	9,388
Other receivable	3,834	-	3,834
Auto licenses	3,273	-	3,273
Business license	1,548	-	1,548
Fines and forfeitures	1,315	-	1,315
Tobacco tax	1,158	-	1,158
Municipal real estate licenses	2	-	2
Total	<u>\$ 163,294</u>	<u>\$ 21,477</u>	<u>\$ 184,771</u>

See independent auditors' report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements For the Year Ended June 30, 2013 (continued)

Note 4 – Interfund Receivables and Payables

At times throughout the year, interfund receivables and payables exist. During the year, transfers are made between the General Fund and the two special revenue funds to properly distribute special revenues from the various restricted gasoline tax funds. Jefferson County electronically deposits all revenues into the City's General Fund account, requiring the City to transfer those proceeds to the special gasoline tax funds. At June 30, 2013, no interfund payables or receivables exist. If there were, these amounts would be eliminated in the government-wide financial statements.

Note 5 – Fund Balances

The City has adopted GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The City considers prepaid items and its long term receivable (see Note 11) to be Nonspendable Fund Balance.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The City considers unspent gas tax revenues in the 7-2 and 4-6-5 Street Funds and unspent Alabama Trust Fund receipts to be Restricted Fund Balance.

Committed – Amounts that can only be used for specific purposes determined by a formal action by City Council ordinance or resolution. The City considers amounts held for debt service payments to be Committed Fund Balance.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has no Assigned Fund Balance.

Unassigned – All amounts not included in other spendable classifications.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Note 6 – Grants Received

During the fiscal year, the City received \$4,019 from the state of Alabama passed through the Jefferson County Library Cooperative to assist in the operating of the Pinson Public Library.

Note 7 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster. Risk Management is the process of managing the City's activities to minimize the adverse effects of certain types of losses and to obtain finances to provide for or restore the economic damages of these losses. The City finances its risk through the purchase of general liability insurance.

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013 (continued)**

Note 8 – Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	<u>July 1 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Capital Assets Not Being Depreciated				
Land	\$ 757,268	\$ 260,104	\$ -	\$ 1,017,372
Construction in progress	<u>41,626</u>	<u>-</u>	<u>41,626</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>798,894</u>	<u>260,104</u>	<u>41,626</u>	<u>1,017,372</u>
Capital Assets Being Depreciated				
Buildings and improvements	673,481	9,678	-	683,159
Land improvements	84,248	-	-	84,248
Leasehold improvements	28,690	-	-	28,690
Vehicles	79,087	4,200	-	83,287
Furniture and equipment	122,152	6,998	-	129,150
Other equipment	41,544	4,890	-	46,434
Infrastructure	<u>318,479</u>	<u>117,118</u>	<u>-</u>	<u>435,597</u>
Total Capital Assets Being Depreciated	<u>1,347,681</u>	<u>142,884</u>	<u>-</u>	<u>1,490,565</u>
Less accumulated depreciation for:				
Buildings and improvements	93,125	25,069	-	118,194
Land improvements	4,388	2,106	-	6,494
Leasehold improvements	4,090	2,882	-	6,972
Automobiles	14,216	23,258	-	37,474
Furniture and equipment	41,479	18,010	-	59,489
Other equipment	22,273	7,419	-	29,692
Infrastructure	<u>15,874</u>	<u>23,030</u>	<u>-</u>	<u>38,904</u>
Total Accumulated Depreciation	<u>195,445</u>	<u>101,774</u>	<u>-</u>	<u>297,219</u>
Total Capital Assets Being Depreciated, net	<u>1,152,236</u>	<u>41,110</u>	<u>-</u>	<u>1,193,346</u>
Total Capital Assets, net	<u>\$ 1,951,130</u>	<u>\$ 301,214</u>	<u>\$ 41,626</u>	<u>\$ 2,210,718</u>

Depreciation expense is charged to functions as follows:

General and administrative	\$ 70,126
Public safety	8,059
Streets	<u>23,589</u>
	<u>\$ 101,774</u>

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013 (continued)**

Note 9 – Lease Agreements

In April 2010, the City received the deed to the property formerly conveyed by the County to the PVYA. The City purchased the property for the recording fee and now owns the property and has leased it back to PVYA for a period of ten years with no rents due. This property cannot be sold except with the written approval of the Jefferson County Commission.

The City is now responsible for the repairs and maintenance on this property. Monies earned by PVYA are retained by PVYA and are used for operating expenses. The property has a fair market value of approximately \$314,000, but management has decided to record the property at a \$0 value due to the restrictions on the property.

In March 2010, the City leased the Palmerdale Homestead Community Center (PHCC) and Palmerdale Fire District (PFD) property from the Jefferson County Board of Education for a period of twenty years. The City will pay no rent, but will maintain the facility, pay for operating/maintenance expenses and maintain public liability insurance. The City, in turn, subleases the properties to the PHCC and the PFD and receives all monies that the PHCC receives from citizens who rent the use of the building. These sub-rental agreements continue through December 31, 2020.

Note 10 – Long-Term Debt

Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	<u>Balance June 30, 2012</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
GO warrant	\$ 510,041	\$ -	\$ (22,868)	\$ 487,173	\$ 24,378
Notes payable	<u>20,000</u>	<u>162,500</u>	<u>(20,000)</u>	<u>162,500</u>	<u>81,250</u>
Total	<u>\$ 530,041</u>	<u>\$ 162,500</u>	<u>\$ (42,868)</u>	<u>\$ 649,673</u>	<u>\$ 105,628</u>

On November 15, 2007, the City issued a qualified tax-exempt general obligation warrant for \$600,000 for the purchase and renovation of a building that would house City Hall, council chambers and the administrative offices. The warrant holds a fixed rate of 4.6172% and is payable in monthly installments of \$3,854 with a balloon payment due December 15, 2014, of the unpaid principal and interest.

During the current year, the City purchased property for commercial development for \$260,252. The City paid \$97,752 down and issued a promissory note in the amount of \$162,500. The note has a fixed rate of 3% and is payable in two annual installments due February 17, 2014, and February 16, 2015.

Annual requirements to retire general long-term debt as of June 30, 2013, for the next five years and in five year increments are as follows:

Years Ended June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	105,628	26,747	132,375
2015	<u>544,045</u>	<u>12,946</u>	<u>556,991</u>
Total	<u>\$ 649,673</u>	<u>\$ 39,693</u>	<u>\$ 689,366</u>

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2013 (continued)**

Note 11 – Long Term Receivable

In the 2011 fiscal period, the City recorded a long-term receivable as a result of an October 2010 agreement in which the cost of certain capital outlays is to be recovered from a real estate developer. The receivable is guaranteed by a promissory note in the amount of \$90,000 payable to the City on or before October 6, 2015, and bears no interest. The promissory note is secured by real property in St. Clair County and Jefferson County, Alabama.

Note 12 – Subsequent Events

The City has evaluated subsequent events through December 9, 2013, the date the financial statements were available to be issued.

Subsequent to year end, the City issued warrants in the amount of \$900,000 to assist in financing the purchase of property near Pinson City Hall. The warrant holds a fixed rate of 2.758% and is payable in monthly installments of \$5,132.20 over five years with a balloon payment due October 15, 2018, in the amount of \$727,364.

Note 13 – Recently Adopted Accounting Standards

For the fiscal year ended June 30, 2013, the City adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of Statement 63 is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net assets reporting requirements in Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definition of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In accordance with the adoption of GASB Statements No. 65, a prior period adjustment has been made to beginning net position to write off the prior year balance of bond issuance costs totaling \$3,110.

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CITY OF PINSON, ALABAMA

**Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2013**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
Business licenses	\$ 110,000	\$ 125,443	\$ 15,443
Franchise fees in lieu of business licenses	300,000	351,716	51,716
Sales and use taxes	932,000	977,272	45,272
Fines and forfeitures	7,000	11,325	4,325
Alcohol tax	60,000	75,117	15,117
Tobacco tax	6,000	6,718	718
Gasoline tax	55,000	56,987	1,987
Interest income	-	1,215	1,215
Alabama Trust Fund proceeds	60,000	163,433	103,433
Miscellaneous revenues	20,000	30,656	10,656
Road and bridge tax	47,000	47,765	765
Zoning / subdivision fees	1,000	225	(775)
Auto licenses	20,000	18,886	(1,114)
PHCC use proceeds	5,000	2,935	(2,065)
Community Center use	3,000	1,745	(1,255)
Financial institution excise tax	20,000	22,029	2,029
Total Revenue	<u>1,646,000</u>	<u>1,893,467</u>	<u>247,467</u>
Expenditures			
Auditing and accounting	12,000	13,000	1,000
BJC animal control	10,000	9,022	(978)
Utilities and telephone	60,000	63,075	3,075
Mileage reimbursement/auto expense	7,000	2,993	(4,007)
Dues and subscriptions/training	18,000	31,557	13,557
EMA dues	10,000	9,527	(473)
Postage/publishing	18,000	19,238	1,238
Probate	3,000	19,057	16,057
Legal	50,000	106,624	56,624
Insurance	20,000	18,364	(1,636)
City promotions	48,000	49,183	1,183
Public safety	375,000	389,915	14,915
Building and grounds	35,000	90,349	55,349
Miscellaneous road expense	35,000	65,053	30,053
Supplies/miscellaneous	12,000	12,650	650
Library expenses	170,000	148,296	(21,704)
Equipment/technology	10,000	9,305	(695)
Payroll	158,000	190,299	32,299
Special appropriations	215,000	120,590	(94,410)
Capital expenditures	160,000	285,871	125,871
Total Expenditures	<u>1,426,000</u>	<u>1,653,968</u>	<u>227,968</u>
Excess (deficiency) of revenues over expenditures	<u>220,000</u>	<u>239,499</u>	<u>19,499</u>
Other Financing Sources (Uses)			
Principal paid on debt	-	(20,000)	(20,000)
Proceeds from issuance of debt	-	162,500	162,500
Transfers	-	(48,000)	(48,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>94,500</u>	<u>94,500</u>
Excess Revenue and Financing Sources Over (Under) Expenditures and Financing Uses	<u>\$ 220,000</u>	<u>\$ 333,999</u>	<u>\$ 113,999</u>