

**CITY OF PINSON  
Pinson, Alabama**

**Financial Statements**

**For the Year Ended  
June 30, 2011**

**CITY OF PINSON  
Pinson, Alabama**

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For the Year Ended June 30, 2011**

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## CITY OF PINSON, ALABAMA

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

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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 assets (assets less liabilities) were \$2,497,311 at June 30, 2011. This is an increase of \$724,705 from the prior period.

For the year ended June 30, 2011, operating revenues in the City's General Fund exceeded its operating expenses by \$490,551. Special fund and debt service fund expenditures for the same period exceeded revenues by \$35,342.

#### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-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 Assets 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 assets* and changes in them. You can think of the City's net assets – 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 assets is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, 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, 2011 (continued)**

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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 Assets or Statement of Activities) and governmental funds in reconciliations after the fund financial statements.

**Financial Analysis of the City as a Whole**

**Net Assets**

The following table presents the condensed statement of net assets as of June 30, 2011 and 2010.

<u>Description</u>	<u>2011</u>	<u>2010</u>
Assets	\$ 3,146,508	\$ 2,427,099
Liabilities	<u>649,197</u>	<u>654,493</u>
Net Assets	<u>\$ 2,497,311</u>	<u>\$ 1,772,606</u>

Net assets represent the difference between the City's total assets and its total liabilities. At June 30, 2011, capital assets represent 59% (\$1,477,734) of the City's total net assets of \$2,497,311. Cash, totaling \$1,146,903, represented 46% of net assets. The City had, at June 30, 2011, unrestricted net assets of \$907,507 available for operations representing approximately 12 months of expenses based upon fiscal 2011 activity.

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

**Change in Net Assets**

The following table presents, in summary form, total revenues by major source for the years ended June 30, 2011 and 2010:

	<b>Government Activities</b>	
	<b>For the Year Ended June 30,</b>	
	<u>2011</u>	<u>2010</u>
<b>General Revenues</b>		
Taxes		
Sales and use taxes	\$ 762,496	\$ -
Gasoline and other taxes	300,388	315,552
Auto licenses	18,857	16,899
License and permits	105,432	100,483
Utility franchise fee in lieu of business license	305,698	291,360
General contributions	-	136,189
Grant programs	12,745	68,163
Alabama Trust Fund proceeds	40,218	42,293
Investment earnings	515	637
Other	102,582	16,994
<b>Total General Revenues</b>	<u>\$ 1,648,931</u>	<u>\$ 988,570</u>

**CITY OF PINSON, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011 (continued)**

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The following table presents, in summary form, program expenses by function for the years ended June 30, 2011 and 2010:

	<b>For the Year Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Program Expenses</b>		
Governmental Activities		
General government	\$ 362,748	\$ 335,503
Public safety	175,927	173,968
Streets	234,273	79,877
Special appropriations	124,232	64,206
Interest and finance charges	27,046	26,334
Total Governmental Activities	<u>924,226</u>	<u>679,888</u>
<b>Total Primary Government</b>	<u>\$ 924,226</u>	<u>\$ 679,888</u>

**THE CITY'S FUNDS**

As of June 30, 2011, the Governmental funds reported a combined fund balance of \$1,587,705, which is approximately 43% more than the beginning of the year. This increase was largely a result of an increase in revenue in the General Fund. The General Fund experienced a net increase of \$490,551, resulting primarily from the introduction of a local sales tax in September 2010 that generated over \$750,000 in revenue for the 2011 fiscal period.

**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, 2011 projected \$618,000 in revenues and \$581,000 in expenses. Actual General Fund revenues for the period were \$1,535,338; \$917,338 more than budgeted, while General Fund expenses totaled \$985,079; \$395,365 more than budgeted. As mentioned above, the City chose not to budget for any sales tax receipts for the period despite the new sales tax being introduced in the third month of the fiscal year. This was done mainly due to the uncertainty in how much sales tax receipts would be collected.

Actual expenses for fiscal 2011 exceeded budgeted amounts primarily due to capital expenditures, additional special appropriations and paving and repair costs associated with the Pinson Valley Youth Association (PVYA). In addition, transfers between funds and debt transactions were not budgeted. A detailed analysis of the variance between actual results 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 funds for the fiscal year ended June 30, 2011.

**CITY OF PINSON, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011 (continued)**

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2011, net capital assets of the governmental activities totaled \$1,477,734. Additions of \$308,879 in the current year included land, sidewalks, street resurfacing as well as furniture and fixtures.

	<u>Governmental Activities</u>
Land	\$ 526,839
Assets not in service	47,981
Buildings and improvements	560,636
Land Improvements	81,966
Leasehold improvements	24,769
Automotive equipment	5,370
Furniture and fixtures	39,929
Other equipment	21,370
Infrastructure	168,874
Net Capital Assets	<u>\$ 1,477,734</u>

**Long-Term Debt**

At June 30, 2011, the City had a \$40,000 note payable outstanding and \$531,803 outstanding of the original \$600,000 tax-exempt general obligation warrant issued during a prior year for the purchase of a new City Hall complex.

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

**Key Revenue Assumptions and Trends for fiscal year 2010-2011**

The 2010-2011 fiscal years continued to bring increased revenues to the City. In September 2010, the City introduced a 2 cent sales tax which resulted in higher than expected revenue. Consumptions, and subsequent revenue, of franchised utilities is expected to increase due, in part, to prior year annexations of properties into the City, especially in commercial areas. County revenues have increased over the last year as well. In the current year, the City purchased several pieces of property for greenspace and recreational purposes and continued renovations to recreational facilities at Pinson Valley Youth Association and the Palmerdale Homestead Community Center.

**Key Revenue Assumptions and Trends for fiscal year 2011-2012**

Management expects the 2011-2012 fiscal year to continue to bring increased revenues to the City. The fiscal year will be the first full year of the 2 cent sales tax. This is expected to generate \$800,000-\$1,000,000 per year and exceed budgeted amounts. The City has not, and has not contemplated any acquisition of new debt. New construction and continued improvements will be paid for at the time of acquisition.

**CITY OF PINSON, ALABAMA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2011 (continued)**

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In addition, the City has received grants and donations and has used them to open a library in the rear portion of City Hall. The area has self-contained features remaining from the original use of a medical lobby that are conducive to library use with minimal modifications. The costs of library operation are to be funded by the sales tax.

Consumptions, and subsequent revenue, of franchised utilities is expected to increase due, in part, to 2007-2008 annexations of properties into the City, especially in commercial areas, and the projection of continued annexation. County revenues have increased over the last year and the 2011-2012 budget reflects the expectation that these revenues will continue to increase. In addition, with the 2010 Census results, the City has seen an increase from the 6,108 incorporation population to a current population of 7,163. An updated population will mean additional funds from State and County where a population share is received.

**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.



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The Honorable Mayor and City Council  
City of Pinson, Alabama

### **Independent Auditors' Report**

We have audited the accompanying financial statements of the governmental activities and major funds of the City of Pinson, Alabama, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the index. These financial statements are the responsibility of the City of Pinson's management. Our responsibility is to express an opinion 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the governmental activities and major funds of the City of Pinson, Alabama, as of June 30, 2011, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 through 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 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.

Borland Benefield, P.C.  
Birmingham, Alabama  
November 30, 2011



CITY OF PINSON, ALABAMA

Statement of Net Assets  
June 30, 2011

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	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,146,903
Receivables, net	172,131
Investments	250,000
Prepaid expenses	5,316
Long term receivable	90,000
Deferred debt expense, net	4,424
Capital assets, net of accumulated depreciation	<u>1,477,734</u>
<b>Total Assets</b>	<b><u>\$ 3,146,508</u></b>
<b>Liabilities and Net Assets</b>	
Liabilities	
Accounts payable	\$ 76,644
Accrued interest payable	750
Noncurrent liabilities	
Due within one year	
Long-term debt	42,231
Due in more than one year	
Long-term debt	<u>529,572</u>
Total Liabilities	<u>649,197</u>
Net Assets	
Invested in capital assets, net of related debt	905,932
Restricted	683,872
Unrestricted	<u>907,507</u>
Total Net Assets	<u>2,497,311</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 3,146,508</u></b>

See accompanying notes to financial statements.

**CITY OF PINSON, ALABAMA**

**Government-Wide Statement of Activities  
For the Year Ended June 30, 2011**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net Revenue (Expense) and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government				
Governmental Activities				
General government	\$ 486,980	\$ -	\$ 52,963	\$ (434,017)
Public safety	175,927	2,733	-	(173,194)
Public service	234,273	-	-	(234,273)
Interest and fiscal charges on long-term debt	27,046	-	-	(27,046)
Total Governmental Activities	924,226	2,733	52,963	(868,530)
 <b>General Revenues</b>				
				1,062,884
				429,987
				515
				99,849
				1,593,235
				724,705
				1,772,606
				\$ 2,497,311

*See accompanying notes to financial statements.*

**CITY OF PINSON, ALABAMA**

**Balance Sheet - Governmental Funds  
June 30, 2011**

	<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>
<b>Assets</b>					
Cash and cash equivalents	\$ 444,868	\$ -	\$ -	\$ 3,957	\$ 448,825
Investments	250,000	-	-	-	250,000
Accounts receivable - net	154,514	7,586	10,031	-	172,131
Restricted cash and cash equivalents	47,418	368,528	282,132	-	698,078
Prepaid expenses	5,314	-	-	-	5,314
Long term receivable	<u>90,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,000</u>
<b>Total Assets</b>	<u>\$ 992,114</u>	<u>\$ 376,114</u>	<u>\$ 292,163</u>	<u>\$ 3,957</u>	<u>\$ 1,664,348</u>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 36,571	\$ 31,823	\$ -	\$ -	\$ 68,394
Due to other funds	-	-	-	-	-
Accrued expenses	<u>8,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,249</u>
Total Liabilities	<u>44,820</u>	<u>31,823</u>	<u>-</u>	<u>-</u>	<u>76,643</u>
Fund Balances					
Nonspendable	95,314	-	-	-	95,314
Restricted	47,418	344,291	292,163	-	683,872
Committed	-	-	-	3,957	3,957
Unassigned	<u>804,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>804,562</u>
Total Fund Balances	<u>947,294</u>	<u>344,291</u>	<u>292,163</u>	<u>3,957</u>	<u>1,587,705</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 992,114</u>	<u>\$ 376,114</u>	<u>\$ 292,163</u>	<u>\$ 3,957</u>	<u>\$ 1,664,348</u>

*See accompanying notes to financial statements.*

**CITY OF PINSON, ALABAMA**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
For the Year Ended June 30, 2011**

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Total fund balance, governmental funds	\$ 1,587,705
Amounts reported for governmental activities in the Statement of Net Assets 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 Assets.	1,477,734
The City issued new bonds in prior years and has paid \$9,175 in bond issuance costs. These costs are recognized as an expenditure when paid in the funds but are capitalized in the statement of net assets and amortized to expense in the statement of activities over the remaining life of the new debt. The unamortized balance at June 30, 2011 is reflected herein.	4,424
Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds 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 Assets.	<u>(572,552)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 2,497,311</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, 2011**

	<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>
<b>Revenue</b>					
Sales and use taxes	\$ 762,496	\$ -	\$ -	\$ -	\$ 762,496
Utility franchise in lieu of business licenses	305,698	-	-	-	305,698
Business licenses	105,432	-	-	-	105,432
Gasoline and other taxes	187,298	63,740	49,350	-	300,388
Fines and forfeitures	2,733	-	-	-	2,733
Auto licenses	18,857	-	-	-	18,857
Investment earnings	12	254	249	-	515
Alabama Trust Fund proceeds	40,218	-	-	-	40,218
Grant Programs	12,745	-	-	-	12,745
Other revenues	99,849	-	-	-	99,849
<b>Total Revenue</b>	<u>1,535,338</u>	<u>63,994</u>	<u>49,599</u>	<u>-</u>	<u>1,648,931</u>
<b>Expenditures</b>					
Current					
General government					
General and administrative	371,042	-	-	-	371,042
Appropriations	124,232	-	-	-	124,232
Public Safety	172,255	-	-	-	172,255
Streets	179,681	43,373	480	-	223,534
Debt Service					
Principal	15,000	-	-	20,826	35,826
Interest and other charges	-	74	13	25,746	25,833
Capital Outlay	137,869	30,825	72,306	-	241,000
<b>Total Expenditures</b>	<u>1,000,079</u>	<u>74,272</u>	<u>72,799</u>	<u>46,572</u>	<u>1,193,722</u>
Excess (deficiency) of revenues over expenditures	<u>535,259</u>	<u>(10,278)</u>	<u>(23,200)</u>	<u>(46,572)</u>	<u>455,209</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	44,708	44,708
Transfers out	(44,708)	-	-	-	(44,708)
<b>Total other financing sources and uses</b>	<u>(44,708)</u>	<u>-</u>	<u>-</u>	<u>44,708</u>	<u>-</u>
<b>Net change in fund balances</b>	490,551	(10,278)	(23,200)	(1,864)	455,209
<b>Fund balances, beginning</b>	<u>456,743</u>	<u>354,569</u>	<u>315,363</u>	<u>5,821</u>	<u>1,132,496</u>
<b>Fund balances, ending</b>	<u>\$ 947,294</u>	<u>\$ 344,291</u>	<u>\$ 292,163</u>	<u>\$ 3,957</u>	<u>\$ 1,587,705</u>

*See accompanying notes to financial statements.*

City of Pinson, Alabama

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of  
Funds to the Statement of Activities  
For the Year Ended June 30, 2011

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Net change in fund balances - total governmental funds: \$ 455,209

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 \$281,283 exceeded depreciation \$46,400 in the current period. 234,883

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. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. 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. (1,213)

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. 35,826

Change in net assets of governmental activities \$ 724,705

*See accompanying notes to financial statements.*

## CITY OF PINSON, ALABAMA

### Notes to Financial Statements For the Year Ended June 30, 2011

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#### 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 assets 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, 2011:

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.

## CITY OF PINSON, ALABAMA

### Notes to Financial Statements For the Year Ended June 30, 2011 (continued)

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#### 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 assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. 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.

##### Inter-fund Receivables/Payables

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as “transfers in” or “transfers out” in the accompanying financial statements.

During the normal course of operations, the City has numerous transactions between funds to provide services, construct assets, service debt, etc. These receivables and payables, when applicable, are classified as “due to/from other funds” as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements.



**CITY OF PINSON, ALABAMA**

**Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)**

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**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

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
Automobiles	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 or the State of Alabama.

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 assets. Bond issuance costs, when applicable, are reported as deferred charges and are amortized over the life of the related debt.

CITY OF PINSON, ALABAMA

Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)

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Note 2 – Deposits and Investments

Cash and cash equivalents are presented at cost which equals its market value as of June 30, 2011. Individual accounts comprising cash are listed below:

Description	General Fund	Special Revenue Funds	Debt Service Fund	Total
General Operations	\$ 444,868	\$ -	\$ -	\$ 444,868
State Gasoline Fund	-	368,528	-	368,528
Special State Gas Checking	-	282,132	-	282,132
General Road Tax Checking	32,840	-	-	32,840
Library Checking	888	-	-	888
Warrant Checking	-	-	3,957	3,957
Capital Projects Checking	13,690	-	-	13,690
Totals	<u>\$ 492,286</u>	<u>\$ 650,660</u>	<u>\$ 3,957</u>	<u>\$ 1,146,903</u>

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.

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**CITY OF PINSON, ALABAMA**

**Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)**

**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:

Description	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Sales tax (7%) Street Fund	\$ -	\$ 7,586	\$ 7,586
Sales tax (5%) Street Fund	-	3,309	3,309
Sales tax (4%) Street Fund	-	6,722	6,722
Sales and use taxes	98,593		98,593
Financial institution excise tax	19,190	-	19,190
Franchise fees	12,678	-	12,678
Beer tax	9,766	-	9,766
County gas tax	9,078	-	9,078
Auto licenses	3,210	-	3,210
Tobacco tax	1,056	-	1,056
Fines and forfeitures	456	-	456
Other receivable	410	-	410
Oil production privilege	38	-	38
Motor vehicle license	35	-	35
Municipal real estate licenses	4	-	4
Totals	<u>\$ 154,514</u>	<u>\$ 17,617</u>	<u>\$ 172,131</u>

**Note 4 – Inter-fund Receivables and Payables**

At times throughout the year, interfund receivables and payables consist. 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, 2011, no interfund payables or receivables exist. If there were, these amounts would be eliminated in the government-wide financial statements.

**Note 5 – Fund Balances**

As of these financial statements, the City has adopted GASB Statement No. 54, which redefines 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 or enabling legislation or because of 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.

**CITY OF PINSON, ALABAMA**

**Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)**

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**Note 5 – Fund Balances (continued)**

*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 \$5,000 from the Jefferson County Commission to assist in the opening of the Pinson Public Library. All funds were received and expended in the current fiscal year.

During a prior year, the City was awarded a grant from the Regional Planning Commission of Greater Birmingham to assist the City with the costs of construction of sidewalks within the Innsbrooke subdivision and around Pinson Valley High School. This is a reimbursement type grant whereby the City must absorb 20% of the total cost of \$139,200. Expenses of \$7,745 were incurred and reimbursed during the current fiscal year.

**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.

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**CITY OF PINSON, ALABAMA**

**Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)**

**Note 8 – Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
Capital assets not being depreciated				
Land	\$ 449,166	\$ 87,673	\$ (10,000)	\$ 526,839
Construction in progress	17,156	30,825	-	47,981
Total capital assets not being depreciated	<u>466,322</u>	<u>118,498</u>	<u>(10,000)</u>	<u>574,820</u>
Capital assets being depreciated				
Buildings and improvements	618,590	12,150	-	630,740
Land improvements	84,248	-	-	84,248
Leasehold improvements	2,095	24,000	-	26,095
Automobiles	14,100	-	-	14,100
Furniture and equipment	50,696	15,629	-	66,325
Other equipment	37,319	-	-	37,319
Infrastructure	53,607	121,006	-	174,613
Total capital assets being depreciated	<u>860,655</u>	<u>172,785</u>	<u>-</u>	<u>1,033,440</u>
Less accumulated depreciation for				
Buildings and improvements	48,951	21,153	-	70,104
Land improvements	176	2,106	-	2,282
Leasehold improvements	-	1,326	-	1,326
Automobiles	5,910	2,820	-	8,730
Furniture and equipment	17,139	9,257	-	26,396
Other equipment	10,119	5,830	-	15,949
Infrastructure	1,831	3,908	-	5,739
Total accumulated depreciation	<u>84,126</u>	<u>46,400</u>	<u>-</u>	<u>130,526</u>
Total capital assets being depreciated, net	<u>776,529</u>	<u>126,385</u>	<u>-</u>	<u>902,914</u>
Total capital assets, net	<u>\$ 1,242,851</u>	<u>\$ 244,883</u>	<u>\$ (10,000)</u>	<u>\$ 1,477,734</u>

Depreciation expense is charged to functions as follows:

General and administrative	\$ 34,128
Public Safety	2,346
Streets	9,926
	<u>\$ 46,400</u>

**Note 9 – Lease Agreements**

In April 2010, the City received the deed to the property formerly conveyed by Jefferson County, Alabama to the Pinson Valley Youth Association. The City purchased the property for the recording fee and now owns the property and has leased it back to Pinson Valley Youth Association 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.

**CITY OF PINSON, ALABAMA**

**Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)**

**Note 9 – Lease Agreements (continued)**

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 due to the restrictions on the property, management has decided to record the property at a \$0 value.

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, 2011, are as follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
GO Warrant	\$ 552,629	\$ -	\$ (20,826)	\$ 531,803	\$ 22,231
Note payable	55,000	-	(15,000)	40,000	20,000
Total	<u>\$ 607,629</u>	<u>\$ -</u>	<u>\$ (35,826)</u>	<u>\$ 571,803</u>	<u>\$ 42,231</u>

During the year ended June 30, 2007, the City purchased the building housing City Hall that had been leased in prior years from Civitan International for \$100,000 at zero percent interest payable to Civitan International. At the execution of the contract, \$10,000 was paid. \$15,000 is due April 2011 and \$20,000 is due in April 2012 and 2013.

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 \$3,854.18 payments with a balloon payment due December 15, 2014 of the unpaid principal and interest.

Annual requirements to retire general long-term debt as of June 30, 2011, for the next five years and in five year increments are as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 42,231	\$ 24,019	\$ 66,250
2013	43,280	22,970	66,250
2014	24,378	21,872	46,250
2015	461,914	10,508	472,422
2016	-	-	-
2017 and thereafter	-	-	-
Total	<u>\$ 571,803</u>	<u>\$ 79,369</u>	<u>\$ 651,172</u>

**CITY OF PINSON, ALABAMA**

**Notes to Financial Statements  
For the Year Ended June 30, 2011 (continued)**

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**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 November 30, 2011, the date of the financial statements.

**CITY OF PINSON, ALABAMA**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under)</u> <u>Budget</u>
<b>Revenues</b>			
Business licenses	\$ 90,000	\$ 105,432	\$ 15,432
Franchise fees in lieu of business licenses	280,000	305,698	25,698
Sales and use taxes	-	762,496	762,496
Fines and forfeitures	8,000	2,733	(5,267)
Beer tax	60,000	54,571	(5,429)
Tobacco tax	7,000	6,155	(845)
Gasoline tax	50,000	57,881	7,881
Interest income	2,000	12	(1,988)
Miscellaneous revenues	91,000	221,170	130,170
Financial institution excise tax	30,000	19,190	(10,810)
<b>Total Revenue</b>	<u>618,000</u>	<u>1,535,338</u>	<u>917,338</u>
<b>Expenditures</b>			
Auditing and accounting	10,000	11,180	1,180
Utilities and telephone	40,000	48,661	8,661
Mileage reimbursement/auto expense	1,000	4,608	3,608
Dues and subscriptions/training	24,000	9,876	(14,124)
Postage/publishing	10,000	12,632	2,632
Probate	3,000	361	(2,639)
Legal	40,000	81,846	41,846
Insurance	12,000	13,443	1,443
City Promotions	33,000	43,714	10,714
Public Safety	175,000	172,255	(2,745)
Building and Grounds	26,000	88,852	62,852
Miscellaneous Road Expense	35,000	57,086	22,086
Supplies/Miscellaneous	12,000	38,740	26,740
Equipment/Technology	5,000	3,333	(1,667)
Payroll	60,000	85,534	25,534
Special Appropriations	95,000	175,089	71,375
Capital Expenditures	-	137,869	137,869
<b>Total Expenditures</b>	<u>581,000</u>	<u>985,079</u>	<u>395,365</u>
Excess Revenue Over (Under) Expenditures	<u>37,000</u>	<u>550,259</u>	<u>521,973</u>
<b>Other Financing Sources (Uses)</b>			
Principal paid on debt	-	(15,000)	(15,000)
Transfers	-	(44,708)	(44,708)
Total	<u>-</u>	<u>(59,708)</u>	<u>(59,708)</u>
Excess Revenue and Financing Sources			
Over (Under) Expenditures and Financing Uses	<u>\$ 37,000</u>	<u>\$ 490,551</u>	<u>\$ 462,265</u>
Equity Transfer	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenue and Financing Sources Over (Under)			
Expenditures, Financing Uses and Equity Transfer	<u>\$ 37,000</u>	<u>\$ 490,551</u>	<u>\$ 453,551</u>