

**CITY OF PINSON
Pinson, Alabama**

Financial Statements

**For the Year Ended
June 30, 2015**

CITY OF PINSON
Pinson, Alabama

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For the Year Ended June 30, 2015

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CITY OF PINSON, ALABAMA

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2015

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 assets and deferred outflows exceeded its liabilities and deferred inflows by \$4,110,457, net position, at June 30, 2015. This is an increase of \$365,502, or 10%, from the prior period. For the year ended June 30, 2015, operating revenues in the City's General Fund exceeded its operating expenses by \$91,615, revenues exceeded expenses in the Capital Projects Funds by \$389,021, and revenues fell below expenses in the Nonmajor Governmental Funds (special revenue funds and debt service funds) by \$(83,454).

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. The City's General Fund and Capital Project funds are classified as major funds. All others are classified as nonmajor funds. Some funds are required to be established by State law and by 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, 2015 (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 a condensed Statement of Net Position, including all assets and liabilities, as of June 30, 2015 and 2014:

<u>Description</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Cash and cash equivalents	\$ 1,842,821	\$ 1,263,672	\$ 579,149
Capital assets, net	4,929,488	3,405,373	1,524,115
Other assets	<u>563,561</u>	<u>597,175</u>	<u>(33,614)</u>
Total Assets	<u>\$ 7,335,870</u>	<u>\$ 5,266,220</u>	<u>\$ 2,069,650</u>
Deferred Outflows of Resources	<u>6,395</u>	<u>13,255</u>	<u>(6,320)</u>
Liabilities			
Long term debt	\$ 2,956,256	\$ 1,423,308	\$ 1,532,948
Other Liabilities	<u>274,362</u>	<u>111,212</u>	<u>163,150</u>
Total Liabilities	<u>3,230,618</u>	<u>1,534,520</u>	<u>1,696,098</u>
Deferred Inflows of Resources	<u>\$ 1,730</u>	<u>\$ -</u>	<u>\$ 1,730</u>
Net Position			
Net investment in capital assets	\$ 1,973,232	\$ 1,982,065	\$ (8,833)
Restricted	770,062	661,671	108,391
Unrestricted	<u>1,367,163</u>	<u>1,101,219</u>	<u>265,944</u>
Total Net position	<u>\$ 4,110,457</u>	<u>\$ 3,744,955</u>	<u>\$ 365,502</u>

The City's net position increased \$365,502, or 10%, at the 2015 fiscal year-end. At June 30, 2015, cash on hand of \$1,842,821, represented 45% of net position compared to 34% in the prior period. At June 30, 2015, the City continues to be in a strong financial position, evidenced by an unrestricted net position of \$1,367,163. Unrestricted amounts are available for operations and represent approximately 8 months of expense reserve.

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

CITY OF PINSON, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015 (continued)**

Change in Net Position

The following table presents, in summary form, total revenues by major source for the years ended June 30, 2015 and 2014:

	Governmental Activities For the Year Ended June 30		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Taxes			
Sales and use	\$ 1,111,189	\$ 967,761	\$ 143,428
Gasoline and other	325,109	295,953	29,156
Auto licenses	22,820	19,217	3,603
Business license	156,340	140,304	16,036
Utility franchise fee in lieu of business license	402,074	382,038	20,036
Grant programs	127,876	11,181	116,695
Alabama Trust Fund proceeds	63,024	63,154	(130)
Investment earnings	250	412	(162)
Fines and forfeitures	3,964	10,263	(6,299)
Contributions	-	77,547	(77,547)
Other	97,096	117,768	(20,672)
Total Revenues	<u>\$ 2,309,742</u>	<u>\$ 2,085,598</u>	<u>\$ 224,144</u>

The following table presents, in summary form, program expenses by function for the years ended June 30, 2015 and 2014:

	For the Year Ended June 30,		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
General government	\$ 626,325	\$ 657,279	\$ (30,954)
Public Safety	366,919	374,578	(7,659)
Public service	348,158	406,097	(57,939)
Special appropriations	399,202	268,166	131,036
Interest and finance charges	<u>203,636</u>	<u>67,702</u>	<u>135,934</u>
Total Governmental Activities	<u>1,944,240</u>	<u>1,773,822</u>	<u>170,418</u>
Total Primary Government	<u>\$ 1,944,240</u>	<u>\$ 1,773,822</u>	<u>\$ 170,418</u>

Overall revenue increased \$224,144, or 11%, from the previous fiscal year. This was due, largely, to increases in sales and use taxes, gasoline and other taxes, business licenses, and utility franchise fees. These increases are, in part, attributable to the continued increases in annexed properties within the City's limits. Additionally, grant revenue increased \$116,695 from an ALDOT grant to fund the installation of a sidewalk along Highway 75 and adjacent to Pinson Valley High School.

Increased revenue and a strong financial base allowed the City to fund basic general government expenses, public safety, numerous street projects, repairs, and capital purchases from both unrestricted and restricted sources on hand.

CITY OF PINSON, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015 (continued)**

THE CITY'S FINANCES FROM A FUND PERSPECTIVE

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenue	\$ 2,163,505	\$ -	\$ 146,237	\$ 2,309,742
Operating expenditures	1,535,119	-	89,370	1,624,489
Capital outlay and debt service	354,203	1,229,202	814,666	2,398,071
Other financing sources (uses)	<u>(182,568)</u>	<u>1,618,223</u>	<u>674,345</u>	<u>2,110,000</u>
Net Change in Fund Balances	91,615	389,021	(83,454)	397,182
Beginning Fund Balances	1,248,819	-	539,935	1,788,754
Ending Fund Balances	<u>\$ 1,340,434</u>	<u>\$ 389,021</u>	<u>\$ 456,481</u>	<u>\$ 2,185,936</u>

As of June 30, 2015, the Governmental funds reported a combined fund balance of \$2,185,936, an increase from the prior year fund balance of \$1,788,754. This increase correlates with the increases current year revenues. Construction costs for the new Pinson Bicentennial Park represent the majority the City's capital outlays. The park construction is financed by the issuance of warrants totaling \$2,110,000.

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, 2015, projected \$1,800,000 in revenues and \$1,722,500 in expenditures. Actual General Fund revenues for the period were \$2,163,505; \$363,505 more than budgeted, while General Fund expenses totaled \$1,889,322; \$166,822 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 year 2015 exceeded budgeted amounts, primarily due to capital expenditures, library expenditures, and debt issuance costs. 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 and budgeted amounts is included in the Budgetary Comparison Schedule – General Fund contained in the Required Supplementary Information section of the accompanying financial statements and is herein incorporated by reference.

CITY OF PINSON, ALABAMA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015 (continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, net capital assets of the governmental activities totaled \$4,929,488. Current year additions totaled \$1,644,355. The majority of the current year additions are construction costs on the Pinson Bicentennial Park totaling \$1,229,202, or 75% of total current year additions. The remaining capital additions included land, vehicles, building improvements, street resurfacing, and other equipment.

Long-Term Debt

Total debt outstanding increased to \$2,956,256 after the issuance of the tax-exempt General Obligation Warrants, Series 2014, totaling \$2,110,000. Principal reductions during the year totaled \$577,052. The warrants issued in the current year were used to refund the City's General Obligation Warrant, Series 2007 in the amount of \$463,213 and to assist in financing the acquisition and construction of a new recreational park known as the Pinson Bicentennial Park. At year end, the outstanding balance of this new debt remained at \$2,110,000. Additionally, at year end, \$846,256 remained outstanding on the original \$900,000 tax-exempt general obligation warrant (2013 warrant) issued during the 2014 fiscal period for the purchase of the Rock School.

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

Key Revenue Assumptions and Trends for fiscal year 2014-2015

The 2014-2015 fiscal year continued to bring increased revenues to the City. Sales and use tax revenue results were better than expected as were business licenses and franchise utility fees due, in part, to the continued annexations of properties into the City. Expenditures increased as the City opted to fund projects, repairs, and purchases as funds allowed.

Key Revenue Assumptions and Trends for fiscal year 2015-2016

Management expects revenues to increase for the 2015-2016 year. Sales and use tax revenues should meet the budgeted amount of \$980,000. The City has annexed numerous properties over that past few years and expects more annexations to continue for 2016. Those additions to the City will continue to increase franchise fees and business license revenue. The number of business licenses issued by the City continued to exceed 600 for the 2015 year, which represents a continued increase in the number of businesses licensed to provide goods or services within the Pinson City limits.

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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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Pinson, Alabama

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the City of Pinson, Alabama (the City), as of and for the year ended June 30, 2015, 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, each major fund, and the aggregate remaining fund information of the City of Pinson, Alabama, as of June 30, 2015, 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, budgetary comparison information, schedule of changes in net pension liability, schedule of city contributions, and notes to the required supplementary information on pages 1–5 and 30-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The financial trend information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance of them.

Emphasis of a Matter

Change in Accounting Principle

As discussed in Note 12 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68. Our opinion is not modified with respect to this matter.



Borland Benefield, P.C.
Birmingham, Alabama
December 16, 2015

CITY OF PINSON, ALABAMA

Statement of Net Position
As of June 30, 2015

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,842,821
Receivables, net	206,379
Investments	251,695
Prepaid expenses	15,487
Long term receivable	90,000
Capital assets, net of accumulated depreciation	<u>4,929,488</u>
Total Assets	<u>\$ 7,335,870</u>
Deferred Outflows of Resources	
Employer contributions subsequent to the measurement date	<u>\$ 6,935</u>
Liabilities	
Accounts payable	\$ 211,177
Accrued interest payable	29,884
Other current liabilities	9,269
Net pension liability	24,032
Noncurrent liabilities	
Due within one year:	
Long-term debt	119,112
Due in more than one year:	
Long-term debt	<u>2,837,144</u>
Total Liabilities	<u>\$ 3,230,618</u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,730</u>
Net Position	
Net investment in capital assets	\$ 1,973,232
Restricted	770,062
Unrestricted	<u>1,367,163</u>
Total Net Position	<u>\$ 4,110,457</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Government-Wide Statement of Activities
For the Year Ended June 30, 2015**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary Government					
Governmental Activities					
General government	\$ 1,025,527	\$ -	\$ 89,190	\$ -	\$ (936,337)
Public safety	366,919	3,964	-	-	(362,955)
Public service	348,158	-	-	101,710	(246,448)
Interest and fiscal charges on long-term debt	203,636	-	-	-	(203,636)
Total Governmental Activities	<u>1,944,240</u>	<u>3,964</u>	<u>89,190</u>	<u>101,710</u>	<u>(1,749,376)</u>
General Revenues					
Taxes					1,436,298
Licenses and permits					581,234
Investment earnings					250
Miscellaneous revenue					<u>97,096</u>
Total General Revenues					<u>2,114,878</u>
			Change in Net Position		365,502
			Net Position, Beginning of Year		3,767,908
			Prior Period Adjustment		(22,953)
			Net Position, Beginning of Year (as Restated)		<u>3,744,955</u>
			Net Position, End of Year		<u>\$ 4,110,457</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Balance Sheet - Governmental Funds
As of June 30, 2015**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 807,119	\$ -	\$ 121,496	\$ 928,615
Investments	251,695	-	-	251,695
Accounts receivable - net	183,192	-	23,187	206,379
Restricted cash and cash equivalents	46,056	542,607	325,543	914,206
Prepaid expenses	15,487	-	-	15,487
Long term receivable	90,000	-	-	90,000
Total Assets	<u>\$ 1,393,549</u>	<u>\$ 542,607</u>	<u>\$ 470,226</u>	<u>\$ 2,406,382</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 43,846	\$ 153,586	\$ 13,745	\$ 211,177
Accrued expenses	9,269	-	-	9,269
Total Liabilities	<u>53,115</u>	<u>153,586</u>	<u>13,745</u>	<u>220,446</u>
 Fund Balances				
Nonspendable	105,487	-	-	105,487
Restricted	46,056	389,021	334,985	770,062
Committed	-	-	121,496	121,496
Unassigned	1,188,891	-	-	1,188,891
Total Fund Balances	<u>1,340,434</u>	<u>389,021</u>	<u>456,481</u>	<u>2,185,936</u>
Total Liabilities and Fund Balances	<u>\$ 1,393,549</u>	<u>\$ 542,607</u>	<u>\$ 470,226</u>	<u>\$ 2,406,382</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, 2015**

Total fund balance, governmental funds	\$ 2,185,936
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.	4,929,488
Employer contributions subsequent to the measurement date	6,935
Certain liabilities 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. Those liabilities consist of the following:	
Accrued interest	(29,884)
Net pension liability	(24,032)
Long-term debt	<u>(2,956,256)</u>
	(3,010,172)
Net difference between projected and actual earnings on pension plan investments	<u>(1,730)</u>
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 4,110,457</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, 2015**

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenue				
Sales and use taxes	\$ 1,111,189	\$ -	\$ -	\$ 1,111,189
Utility franchise in lieu of business licenses	402,074	-	-	402,074
Business licenses	156,340	-	-	156,340
Gasoline and other taxes	178,899	-	146,210	325,109
Fines and forfeitures	3,964	-	-	3,964
Auto licenses	22,820	-	-	22,820
Investment earnings	223	-	27	250
Alabama Trust Fund proceeds	63,024	-	-	63,024
Grant Programs	127,876	-	-	127,876
Other revenues	97,096	-	-	97,096
Total Revenue	<u>2,163,505</u>	<u>-</u>	<u>146,237</u>	<u>2,309,742</u>
Expenditures				
Current				
General government				
General and administrative	556,231	-	-	556,231
Appropriations	399,202	-	-	399,202
Public Safety	357,398	-	-	357,398
Public Service	222,288	-	89,370	311,658
Debt Service				
Principal	81,250	-	495,803	577,053
Interest and other charges	106,710	-	69,953	176,663
Capital Outlay	166,243	1,229,202	248,910	1,644,355
Total Expenditures	<u>1,889,322</u>	<u>1,229,202</u>	<u>904,036</u>	<u>4,022,560</u>
Excess (deficiency) of revenues over expenditures	<u>274,183</u>	<u>(1,229,202)</u>	<u>(757,799)</u>	<u>(1,712,818)</u>
Other Financing Sources (Uses)				
Transfers in	-	1,618,223	678,506	2,296,729
Transfers out	(2,292,568)	-	(4,161)	(2,296,729)
Proceeds from issuance of long-term debt	2,110,000	-	-	2,110,000
Total Other Financing Sources (Uses)	<u>(182,568)</u>	<u>1,618,223</u>	<u>674,345</u>	<u>2,110,000</u>
Net Change in Fund Balances	91,615	389,021	(83,454)	397,182
Fund Balances, Beginning	<u>1,248,819</u>	<u>-</u>	<u>539,935</u>	<u>1,788,754</u>
Fund Balances, Ending	<u>\$ 1,340,434</u>	<u>\$ 389,021</u>	<u>\$ 456,481</u>	<u>\$ 2,185,936</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, 2015

Net change in fund balances - total governmental funds: \$ 397,182

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 \$1,644,355 exceeded depreciation of \$120,240 in the current period.

1,524,115

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. The details of this difference are as follows:

Interest expense	(26,973)	
Retirement expenses	<u>4,125</u>	
		(22,848)

Governmental funds report debt 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 proceeds exceeded repayments.

(1,532,947)

Change in Net Position of Governmental Activities

\$ 365,502

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015**

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. The emphasis of fund financial statements is on the major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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, 2015:

Major governmental funds:

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.

The **Capital Improvement Fund** accounts for the acquisition and construction of the City's recreational park.

Nonmajor funds:

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

See independent auditors' report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements For the Year Ended June 30, 2015 (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

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

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 governmental activities column 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, 2015 (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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has only one item that qualifies for reporting in this category, which arises only under a modified accrual basis of accounting. It is the employer contributions paid by the City to the Retirement System of Alabama (RSA) subsequent to the measurement date (September 30, 2014), see Note 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has only one type of item that qualifies for reporting in this category, which arises only under a modified accrual basis of accounting. It is the net difference between projected and actual earnings on pension plan investments, see Note 11.

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 1 – Summary of Significant Accounting Policies (continued)

Pensions

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

Note 2 – Deposits and Investments

Cash and cash equivalents are presented at cost, which equals its market value as of June 30, 2015. Individual accounts comprising cash are listed below:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
General operations	\$ 804,083	\$ -	\$ -	\$ -
General road tax checking	38,946	-	-	-
Library checking	7,043	-	-	-
Capital projects checking	3,103	-	-	-
Park construction checking	-	542,607	-	-
State gasoline fund	-	-	229,991	-
Special state gas checking	-	-	95,552	-
Warrant checking	-	-	-	121,496
Total	<u>\$ 853,175</u>	<u>\$ 542,607</u>	<u>\$ 325,543</u>	<u>\$ 121,496</u>

The City's investments carried at fair value as of June 30, 2015, are:

<u>Investments</u>	<u>Fair Value</u>	<u>Effective Duration</u>	<u>Interest Rate</u>
Certificate of deposit	<u>\$ 251,695</u>	<u>1 year</u>	<u>1.00%</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.

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (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:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Gas tax (7%) street fund	\$ -	\$ 12,176	\$ 12,176
Gas tax (5%) street fund	-	3,632	3,632
Gas tax (4%) street fund	-	7,379	7,379
Sales and use taxes	116,817		116,817
Franchise fees	18,766	-	18,766
Beer tax	9,647	-	9,647
County gas tax	8,729	-	8,729
Financial institution excise tax	10,243	-	10,243
Other receivables	12,487	-	12,487
Auto licenses	4,481	-	4,481
Tobacco tax	1,195	-	1,195
Fines and forfeitures	827	-	827
Total	<u>\$ 183,192</u>	<u>\$ 23,187</u>	<u>\$ 206,379</u>

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, 2015, 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 10) 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, unspent Alabama Trust Fund receipts, and unspent construction costs in the Capital Project Fund 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.

See independent auditors’ report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 5 – Fund Balances (continued)

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 – 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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See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 7 – Capital Assets

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

	<u>July 1 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Capital Assets Not Being Depreciated				
Land	\$ 1,634,826	\$ 1,762	\$ -	\$ 1,636,588
Construction in progress	-	<u>1,229,202</u>	-	<u>1,229,202</u>
Total Capital Assets Not Being Depreciated	<u>1,634,826</u>	<u>1,230,964</u>	-	<u>2,865,790</u>
Capital Assets Being Depreciated				
Buildings and improvements	1,260,897	29,889	-	1,290,786
Land improvements	84,248	-	-	84,248
Leasehold improvements	78,557	-	-	78,557
Vehicles	103,987	10,200	-	114,187
Furniture and equipment	130,750	-	-	130,750
Other equipment	54,524	17,725	-	72,249
Infrastructure	<u>456,590</u>	<u>355,577</u>	-	<u>812,167</u>
Total Capital Assets Being Depreciated	<u>2,169,553</u>	<u>413,391</u>	-	<u>2,582,944</u>
Less accumulated depreciation for:				
Buildings and improvements	163,403	52,914	-	216,317
Land improvements	8,600	2,106	-	10,706
Leasehold improvements	10,775	4,011	-	14,786
Vehicles	46,734	16,181	-	62,915
Furniture and equipment	75,702	13,412	-	89,114
Other equipment	34,230	5,125	-	39,355
Infrastructure	<u>59,562</u>	<u>26,491</u>	-	<u>86,053</u>
Total Accumulated Depreciation	<u>399,006</u>	<u>120,240</u>	-	<u>519,246</u>
Total Capital Assets Being Depreciated, net	<u>1,770,547</u>	<u>293,151</u>	-	<u>2,063,698</u>
Total Capital Assets, net	<u>\$ 3,405,373</u>	<u>\$ 1,524,115</u>	<u>\$ -</u>	<u>\$ 4,929,488</u>

Depreciation expense is charged to functions as follows:

General and administrative	\$ 79,339
Public safety	4,401
Public service	<u>36,500</u>
	<u>\$ 120,240</u>

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 8 – Lease Agreements

In April 2010, the City received the deed to the property formerly conveyed by the County to the Pinson Valley Youth Association (PVYA). The City purchased the property for the recording fee and leased it back to PVYA for a period of ten years with no rents due. Effective July 2, 2015, the lease agreement was terminated and the PVYA conveyed all equipment, supplies, furniture and several other items to the City.

The property is now called the Pinson Youth Sports Complex in which the City is now responsible for all operations. 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 requiring a written approval of the Jefferson County Commission to sell 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.

In December 2014, the City leased a certain portion of the Rock School Center to the Center Point Church of Christ for an initial term of one year at. The lease payment is \$600 per month. After conclusion of the initial term, the lease will automatically review itself for additional terms of one year apiece, upon a maximum cumulative lease of five years. Either the City or Church may elect to terminate the lease prior to the end of the initial term or any additional term by giving the other party ninety days written notice.

Note 9 – Long-Term Debt

Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Due Within</u> <u>One Year</u>
2007 GO warrant	\$ 463,213	\$ -	\$ (463,213)	\$ -	\$ -
2013 GO warrant	878,845	-	(32,589)	846,256	34,112
2014 GO warrants	-	2,110,000	-	2,110,000	85,000
Note payable	<u>81,250</u>	<u>-</u>	<u>(81,250)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,423,308</u>	<u>\$ 2,110,000</u>	<u>\$ (577,052)</u>	<u>\$ 2,956,256</u>	<u>\$ 119,112</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. In July 2014, the warrant was refunded from principal proceeds of new general obligation warrants issued on the same date (see below).

On April 17, 2013, 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. The note payable matured and was paid during the fiscal year.

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 9 – Long-Term Debt (continued)

On October 15, 2013, the City issued a qualified tax-exempt general obligation warrant in the amount of \$900,000 to assist in financing the purchase of property known as the Rock School located in Pinson, Alabama. The warrant holds an annual rate of 3.31% and is payable in monthly installments of \$5,132 over five years with a balloon payment due October 15, 2018, of the unpaid principal and interest. At June 30, 2015, the outstanding principal balance was \$846,256.

On July 1, 2014, the City issued tax-exempt General Obligation Warrants, Series 2014, in the amount of \$2,110,000 in which a partial amount of principal proceeds were applied to the cost of refunding the City’s General Obligation Warrant, Series 2007, dated November 14, 2007. The remaining proceeds, net of issuance costs, are being used for the cost of acquiring and constructing a public park in the City. The warrants mature and become payable on July 1 in the years and in the amounts and shall bear interest at the per annum rates of interest as follows:

Year	Principal Amount	Interest Rate
2015	\$ 85,000	2.000%
2017	170,000	2.000%
2020	275,000	2.000%
2022	190,000	2.250%
2024	200,000	2.250%
2026	210,000	2.750%
2028	225,000	3.000%
2030	235,000	3.125%
2032	255,000	3.300%
2034	265,000	3.500%

Annual requirements to retire general long-term debt as of June 30, 2015, for the next five years and in five year increments are as follows:

Years Ended June 30,	Principal	Interest	Total
2016	\$ 119,112	\$ 84,059	\$ 203,171
2017	120,258	81,212	201,470
2018	121,363	78,407	199,770
2019	830,523	59,545	890,068
2020	90,000	49,634	139,634
Thereafter	<u>1,675,000</u>	<u>285,378</u>	<u>1,960,378</u>
Total	<u>\$ 2,956,256</u>	<u>\$ 638,235</u>	<u>\$ 3,594,491</u>

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 10 – 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. In the subsequent reporting period, the promissory note is currently in default. The real estate developer has until October 7, 2017 to agree to the foreclosure price, at which time the City will take possession of the secured property. The promissory note is secured by real property in St. Clair County and Jefferson County, Alabama.

Note 11 – Pension Plan

General Information about the Pension Plan

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

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

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

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 11 – Pension Plan (continued)

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

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

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member’s age, service credit, employment status and eligibility for retirement.

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2014, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21,691
Terminated employees entitled to but not yet receiving benefits	1,252
Terminated employees not entitled to a benefit	5,048
Active members	<u>55,883</u>
Total	<u><u>83,874</u></u>

See independent auditors’ report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 11 – Pension Plan (continued)

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended June 30, 2015, the City's active employee contribution rate was 7.50% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 3.12% of covered employee payroll.

City's contractually required contribution rate for the year ended June 30, 2015 was 3.20% of pensionable pay for Tier 1 employees, and 3.06% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$10,469 for the year ended June 30, 2015.

Net Pension Liability

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

Total Pension Liability as of September 30, 2013 (a)	\$	74,696
Entry Age Normal Cost for the period October 1, 2013 - September 30, 2014 (b)		19,479
Actual Benefit Payments and Refunds for the period October 1, 2013 - September 30, 2014 (c)		-
Total Pension Liability as of September 30, 2014 [(a) x (1.08)] + (b) - [(c) x (1.04)]	\$	100,151

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 11 – Pension Plan (continued)

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

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

* Net of pension plan investment expense

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

The actuarial assumptions used in the September 30, 2013 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

* Includes assumed rate of inflation of 2.50%

See independent auditors' report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)

Note 11 – Pension Plan (continued)

Discount rate: The discount rate used to measure the total pension liability was the long term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contributions rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at September 30, 2014	\$ 74,696	\$ 38,488	\$ 36,208
Changes for the year:			
Service cost	19,479	-	19,479
Interest	5,976	-	5,976
Changes of assumptions	-	-	-
Differences between expected and actual experience	-	-	-
Contributions - employer	-	13,255	(13,255)
Contributions - employee	-	17,889	(17,889)
Net investment income	-	6,487	(6,487)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Transfers among employers	-	-	-
Net changes	<u>25,455</u>	<u>37,631</u>	<u>(12,176)</u>
Balances at September 30, 2014	<u>\$ 100,151</u>	<u>\$ 76,119</u>	<u>\$ 24,032</u>

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate 8.00%	1% Increase (9.00%)
City's net pension liability (asset)	\$ 44,530	\$ 24,032	\$ 7,859

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements
For the Year Ended June 30, 2015 (continued)**

Note 11 – Pension Plan (continued)

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor’s report dated June 3, 2015 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

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

For the year ended June 30, 2015, the City recognized pension expense of \$6,343. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,730
Employer contributions subsequent to the measurement date	<u>6,935</u>	<u>-</u>
 Total	 <u>\$ 6,935</u>	 <u>\$ 1,730</u>

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

Year ended June 30:	
2016	\$ 432
2017	432
2018	432
2019	434
2020	-
Thereafter	-

See independent auditors’ report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements For the Year Ended June 30, 2015 (continued)

Note 12 - Recently Adopted Accounting Standards and Prior Period Adjustments

For the fiscal year ended June 30, 2015, the City adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68. The objective of Statement 68 is to improve accounting and financial reporting by state and local governments for pensions and requires entities to report any unfunded pension liabilities on their balance sheet. The objective of Statement 71 is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined pension plan after the measurement date of the government's beginning net pension liability. In accordance with the adoption of the new accounting standards, a prior period adjustment has been made to beginning net position to record the prior year balance of the deferred outflows of resources of \$13,255 and the net pension liability of \$36,208.

Note 13 – Subsequent Events

The City has evaluated subsequent events through December 16, 2015, the date the financial statements were available to be issued.

See independent auditors' report.

CITY OF PINSON, ALABAMA

**Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
Business licenses	\$ 126,000	\$ 156,340	\$ 30,340
Sales and use taxes	980,000	1,111,189	131,189
Franchise fees in lieu of business licenses	370,000	402,074	32,074
Fines and forfeitures	10,000	3,964	(6,036)
Alcohol tax	75,000	78,722	3,722
Tobacco tax	7,000	5,639	(1,361)
Gasoline tax	55,000	51,869	(3,131)
Miscellaneous revenues	15,000	193,219	178,219
Financial institution excise tax	22,000	10,243	(11,757)
Auto licenses	20,000	22,820	2,820
PHCC use income	5,000	6,340	1,340
Community Center use	3,000	2,580	(420)
Road and bridge tax	47,000	55,482	8,482
Zoning / subdivision fees	1,000	-	(1,000)
Park income	1,000	-	(1,000)
Alabama Trust Fund proceeds	63,000	63,024	24
Total Revenue	<u>1,800,000</u>	<u>2,163,505</u>	<u>363,505</u>
Expenditures			
Legal and professional	97,500	77,495	(20,005)
Animal control	10,000	9,353	(647)
Utilities and telephone	73,500	93,525	20,025
Auto fleet and equipment	35,000	3,521	(31,479)
Conferences, training and dues	29,000	29,097	97
Office expenses	42,000	32,626	(9,374)
Probate and elections	3,000	8,643	5,643
Insurance	27,500	30,094	2,594
City promotions	50,000	67,863	17,863
Public safety	413,000	414,974	1,974
Building and grounds	133,000	64,338	(68,662)
Road maintenance	40,000	52,470	12,470
Library expenses	180,000	217,027	37,027
Payroll	260,000	244,117	(15,883)
Parks and recreation	134,000	92,738	(41,262)
Schools	100,000	97,239	(2,761)
Land acquisitions	5,000	-	(5,000)
Capital outlay	-	166,243	166,243
Principal paid on debt	90,000	81,250	(8,750)
Debt issuance cost	-	106,710	106,710
Total Expenditures	<u>1,722,500</u>	<u>1,889,322</u>	<u>166,822</u>
Excess (deficiency) of revenues over expenditures	<u>77,500</u>	<u>274,183</u>	<u>196,683</u>
Other Financing Sources (Uses)			
Proceeds from issuance of debt	-	2,110,000	2,110,000
Transfers out	-	(2,292,568)	(2,292,568)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(182,568)</u>	<u>(182,568)</u>
Excess Revenue and Financing Sources			
Over (Under) Expenditures and Financing Uses	<u>\$ 77,500</u>	<u>\$ 91,615</u>	<u>\$ 14,115</u>

CITY OF PINSON, ALABAMA

**Schedules of Required Supplementary Information
Schedule of Changes in the Net Pension Liability
Last 10 Fiscal Years Ending September 30**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability										
Service Cost	\$ 19,479									
Interest	5,976									
Changes of benefit terms	-									
Differences between expected and actual experience	-									
Changes of assumptions	-									
Benefit payments, including refunds of employee contributions	-									
Net change in total pension liability	25,455									
Total pension liability - beginning	74,696									
Total pension liability - ending (a)	\$ 100,151									
Plan fiduciary net position										
Contributions - employer	\$ 13,255									
Contributions - member	17,889									
Net investment income	6,487									
Benefit payments, including refunds of employee contributions	-									
Transfers among employers	-									
Net change in plan fiduciary net position	\$ 37,631									
Plan net position - beginning	38,488									
Plan net position - ending (b)	\$ 76,119									
Net pension liability (asset) - ending (a) - (b)	\$ 24,032									
Plan fiduciary net position as a percentage of the total pension liability	76.00%									
Covered-employee payroll*	\$ 306,330									
Net pension liability (asset) as a percentage of covered-employee payroll	7.85%									

* Employer's covered-payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For FY 2014 the measurement period is October 1, 2013 - September 30, 2014.

This is the first year of implementation, therefore only current year information is provided.

CITY OF PINSON, ALABAMA

**Schedules of Required Supplementary Information
Schedule of City Contributions
Last 10 Fiscal Years Ending June 30**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution*	\$ 10,469									
Contributions in relation to the actuarially determined contribution	<u>(10,469)</u>									
Contribution deficiency (excess)	<u>\$ -</u>									
City's covered-employee payroll**	\$ 335,796									
Contributions as a percentage of covered-employee payroll	3.12%									

* Amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. For FY 2015, the fiscal year is the twelve month period beginning after 6/15/2014.

** Employer's covered-payroll during fiscal year is the total payroll to covered employees (not just penionable payroll). For FY 2015, the fiscal year is the twelve month period beginning after 6/15/2014.

This is the first year of implementation, therefore only current year information is provided.

CITY OF PINSON, ALABAMA

**Notes to Required Supplementary Information
For the Year Ended June 30, 2015**

Note 1 – Method and Assumptions Used in Calculations of Actuarially Determined Contributions

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2015 were based on the September 30, 2012 actuarial valuation.

Methods and assumptions used to determine contribution rates are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	10 years
Asset valuation method	Five year smoothed market
Inflation	3.00%
Salary increase	3.75 - 7.25%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

CITY OF PINSON, ALABAMA

**Combining Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2015**

	<u>Street Fund 7-2</u>	<u>Street Fund 4-6-5</u>	<u>Debt Service Fund 2007 Warrant</u>	<u>Debt Service Fund 2013 Warrant</u>	<u>Debt Service Fund 2014 Warrants</u>	<u>Total Nonmajor Governmental Funds</u>
Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 7,779	\$ 113,717	\$ 121,496
Accounts receivable - net	12,176	11,011	-	-	-	23,187
Restricted cash and cash equivalents	<u>229,991</u>	<u>95,552</u>	-	-	-	<u>325,543</u>
Total Assets	<u>\$ 242,167</u>	<u>\$ 106,563</u>	<u>\$ -</u>	<u>\$ 7,779</u>	<u>\$ 113,717</u>	<u>\$ 470,226</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 13,745	\$ -	\$ -	\$ -	\$ -	\$ 13,745
Total Liabilities	<u>13,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,745</u>
Fund Balances						
Restricted	228,422	106,563	-	-	-	334,985
Committed	-	-	-	7,779	113,717	121,496
Total Fund Balances	<u>228,422</u>	<u>106,563</u>	<u>-</u>	<u>7,779</u>	<u>113,717</u>	<u>456,481</u>
Total Liabilities and Fund Balances	<u>\$ 242,167</u>	<u>\$ 106,563</u>	<u>\$ -</u>	<u>\$ 7,779</u>	<u>\$ 113,717</u>	<u>\$ 470,226</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

Combining Statement Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		Debt Service Fund 2007 Warrant	Debt Service Fund 2013 Warrant	Debt Service Fund 2014 Warrants	Total Nonmajor Governmental Funds
	<u>Street Fund 7-2</u>	<u>Street Fund 4-6-5</u>				
Revenue						
Gasoline and other taxes	\$ 77,668	\$ 68,542	\$ -	\$ -	\$ -	\$ 146,210
Investment earnings	-	27	-	-	-	27
Total Revenue	<u>77,668</u>	<u>68,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,237</u>
Expenditures						
Current						
Public Service	89,370	-	-	-	-	89,370
Debt Service						
Principal	-	-	463,213	32,590	-	495,803
Interest and other charges	666	695	10,418	29,390	28,784	69,953
Capital Outlay	<u>18,650</u>	<u>230,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>248,910</u>
Total Expenditures	<u>108,686</u>	<u>230,955</u>	<u>473,631</u>	<u>61,980</u>	<u>28,784</u>	<u>904,036</u>
Excess (deficiency) of revenues over expenditures	<u>(31,018)</u>	<u>(162,386)</u>	<u>(473,631)</u>	<u>(61,980)</u>	<u>(28,784)</u>	<u>(757,799)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	473,605	62,400	142,501	678,506
Transfers out	<u>-</u>	<u>-</u>	<u>(4,161)</u>	<u>-</u>	<u>-</u>	<u>(4,161)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>469,444</u>	<u>62,400</u>	<u>142,501</u>	<u>674,345</u>
Net Change in Fund Balances	<u>(31,018)</u>	<u>(162,386)</u>	<u>(4,187)</u>	<u>420</u>	<u>113,717</u>	<u>(83,454)</u>
Fund Balances, Beginning	<u>259,440</u>	<u>268,949</u>	<u>4,187</u>	<u>7,359</u>	<u>-</u>	<u>539,935</u>
Fund Balances, Ending	<u>\$ 228,422</u>	<u>\$ 106,563</u>	<u>\$ -</u>	<u>\$ 7,779</u>	<u>\$ 113,717</u>	<u>\$ 456,481</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund
For the Years Ended June 30, 2010 through 2015**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenue						
Sales and use taxes	\$ 1,111,189	\$ 967,761	\$ 977,272	\$ 993,788	\$ 762,496	\$ -
Franchise fees	402,074	382,038	351,716	315,291	305,698	291,360
Business licenses	156,340	140,304	125,793	120,436	105,432	100,483
Gasoline and other taxes	178,899	170,106	191,320	190,678	187,298	183,961
Fines and forfeitures	3,964	10,263	11,324	9,381	2,733	5,899
Auto licenses	22,820	19,217	18,117	18,663	18,857	16,899
Investment earnings	223	364	1,215	8	12	9
Alabama Trust Fund proceeds	63,024	63,154	163,433	62,484	40,218	-
Grant Programs	127,876	11,181	14,134	4,889	12,745	68,163
Contributions and reimbursements	-	77,547	-	-	-	136,189
Other revenues	97,096	117,768	39,141	44,479	99,849	11,095
Total Revenue	<u>2,163,505</u>	<u>1,959,703</u>	<u>1,893,465</u>	<u>1,760,097</u>	<u>1,535,338</u>	<u>814,058</u>
Expenditures						
Current						
General government						
General and administrative	556,231	613,680	535,688	443,808	372,142	311,317
Appropriations	399,202	268,166	280,568	238,515	124,232	64,206
Public Safety	357,398	365,944	362,945	299,794	172,255	171,685
Public Service	222,288	306,451	188,894	223,718	177,819	47,628
Debt Service						
Principal	81,250	81,250	20,000	20,000	92,672	150,700
Interest and other charges	106,710	22,125	-	-	762	-
Capital Outlay	166,243	1,262,924	285,871	375,454	60,197	140,235
Total Expenditures	<u>1,889,322</u>	<u>2,920,540</u>	<u>1,673,966</u>	<u>1,601,289</u>	<u>1,000,079</u>	<u>885,771</u>
Excess (deficiency) of revenues over expenditures	<u>274,183</u>	<u>(960,837)</u>	<u>219,499</u>	<u>158,808</u>	<u>535,259</u>	<u>(71,713)</u>
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	40,780
Transfers out	(2,292,568)	(96,700)	(48,000)	(44,000)	(44,708)	-
Proceeds from issuance of long-term debt	2,110,000	900,000	162,500	-	-	-
Proceeds from disposal of capital assets	-	10,256	-	-	-	-
Total Other Financing Sources (Uses)	<u>(182,568)</u>	<u>813,556</u>	<u>114,500</u>	<u>(44,000)</u>	<u>(44,708)</u>	<u>40,780</u>
Net Change in Fund Balances	91,615	(147,281)	333,999	114,808	490,551	(30,933)
Fund Balances, Beginning	<u>1,248,819</u>	<u>1,396,100</u>	<u>1,062,101</u>	<u>947,293</u>	<u>456,742</u>	<u>487,675</u>
Fund Balances, Ending	<u>\$ 1,340,434</u>	<u>\$ 1,248,819</u>	<u>\$ 1,396,100</u>	<u>\$ 1,062,101</u>	<u>\$ 947,293</u>	<u>\$ 456,742</u>

See accompanying notes to financial statements.