

CITY OF PINSON
Pinson, Alabama

Financial Statements

For the Year Ended
June 30, 2023

CITY OF PINSON
Pinson, Alabama

Table of Contents
For the Year Ended June 30, 2023

Independent Auditor's Report.....	1-3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4-5
Financial Statements	
Statement of Net Position.....	6
Statement of Activities – Government Wide.....	7
Balance Sheet – Governmental Funds.....	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statements of Activities and Net Position.....	11
Notes to Financial Statements.....	12-28
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability.....	29
Schedule of City Contributions.....	30
Notes to Required Supplementary Information.....	31
Other Supplementary Information	
Combining Balance Sheet – Non-major Governmental Funds.....	32
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds.....	33
Schedule of Findings and Responses.....	34-35

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Pinson, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pinson, Alabama, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Pinson, Alabama's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Pinson, Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pinson, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Pinson, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Pinson, Alabama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of changes in net pension liability and the schedule of city contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

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

Supplementary 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 accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of the City of Pinson, Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Pinson, Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Pinson, Alabama's internal control over financial reporting and compliance.



Borland Benefield, P.C.
Birmingham, Alabama
June 21, 2024

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

Mayor and City Council
The City of Pinson, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 21, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 that we consider to be material weaknesses

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Pinson, Alabama's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Pinson, Alabama's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Pinson, Alabama's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Borland Benefield, P.C.
Birmingham, Alabama
June 21, 2024

CITY OF PINSON, ALABAMA

**Statement of Net Position
As of June 30, 2023**

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,580,174
Receivables, net	312,131
Prepaid expenses	28,335
Capital assets not being depreciated	1,957,054
Capital assets, net of accumulated depreciation	<u>7,845,520</u>
Total Assets	<u>\$ 13,723,214</u>
Deferred Outflows of Resources	
Pension related (See Note 7)	<u>253,869</u>
Liabilities	
Accounts payable	\$ 142,348
Accrued interest payable	20,600
Unearned revenue	575,175
Compensated absences	24,913
Other current liabilities	80,026
Noncurrent liabilities	
Long-term debt due within one year	161,951
Long-term debt due in more than one year	1,981,455
Net pension liability	<u>289,209</u>
Total Liabilities	<u>\$ 3,275,677</u>
Deferred Inflows of Resources	
Pension related (See Note 7)	<u>70,775</u>
Net Position	
Net investment in capital assets	\$ 7,659,168
Restricted	1,241,865
Unrestricted	<u>1,729,598</u>
Total Net Position	<u>\$ 10,630,631</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Statement of Activities - Government-Wide
For the Year Ended June 30, 2023**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental Activities					
General government	\$ 2,559,754	\$ 62,370	\$ 78,139	\$ 107,127	\$ (2,312,118)
Public safety	579,349	1,194	-	18,650	(559,505)
Public service	950,325	-	-	93,273	(857,052)
Parks and recreation	634,776	142,192	-	119,028	(373,556)
Interest and fiscal charges on long-term debt	37,318	-	-	-	(37,318)
Total Governmental Activities	4,761,522	205,756	78,139	338,078	(4,139,549)
General Revenues					
Sales and use taxes					3,415,440
Gasoline and other taxes					532,683
Licenses and permits					699,267
Miscellaneous revenues					72,784
Total General Revenues					4,720,174
Change in Net Position					580,625
Net Position, Beginning of Year					10,050,006
Net Position, End of Year					\$ 10,630,631

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Balance Sheet - Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>State Shared Gas Tax 4-6-5 Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 2,022,328	\$ -	\$ -	\$ 2,022,328
Due from other funds	11,148	26,268	224,304	261,720
Accounts receivable - net	292,361	5,507	14,263	312,131
Restricted cash and cash equivalents	584,461	429,725	543,660	1,557,846
Prepaid expenses	28,335	-	-	28,335
Total Assets	\$ 2,938,633	\$ 461,500	\$ 782,227	\$ 4,182,360
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 142,348	\$ -	\$ -	\$ 142,348
Due to other funds	250,572	-	11,148	261,720
Deferred revenue	575,175	-	-	575,175
Accrued expenses	80,026	-	-	80,026
Total Liabilities	1,048,121	-	11,148	1,059,269
Fund Balances				
Nonspendable	28,335	-	-	28,335
Restricted	9,286	461,500	595,479	1,066,265
Committed	-	-	175,600	175,600
Unassigned	1,852,891	-	-	1,852,891
Total Fund Balances	1,890,512	461,500	771,079	3,123,091
Total Liabilities and Fund Balances	\$ 2,938,633	\$ 461,500	\$ 782,227	\$ 4,182,360

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, 2023**

Total fund balance, governmental funds \$ 3,123,091

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. 9,802,574

Deferred outflows of resources related to pensions are not reported in the
governmental funds because the consumption of net position will occur in future
periods. 253,869

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	(20,600)	
Compensated absences	(24,913)	
Net pension liability	(289,209)	
Long-term debt	<u>(2,143,406)</u>	
		(2,478,128)

Deferred inflows of resources related to pensions are not reported in the
governmental funds because the acquisition of net position will occur in future
periods. (70,775)

Net Position of Governmental Activities \$ 10,630,631

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, 2023**

	<u>General Fund</u>	<u>State Shared Gas Tax 4-6-5 Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Revenue				
Sales and use taxes	\$ 3,415,440	\$ -	\$ -	\$ 3,415,440
Utility franchise fees in lieu of business licenses	429,088	-	-	429,088
Licenses and permits	270,179	-	-	270,179
Gasoline and other taxes	252,392	63,459	216,832	532,683
Charges for service	205,724	-	-	205,724
Intergovernmental	35,998	-	68,606	104,604
Federal grants	269,472	-	-	269,472
Nonfederal grants	78,139	-	-	78,139
Other revenues	31,966	2,927	1,925	36,818
Total Revenue	<u>4,988,398</u>	<u>66,386</u>	<u>287,363</u>	<u>5,342,147</u>
Expenditures				
Current				
General government				
General and administrative	1,513,065	-	325	1,513,390
Library	434,632	-	-	434,632
Appropriations	295,836	-	-	295,836
Public safety	557,223	-	-	557,223
Public service	746,325	-	60,186	806,511
Parks and recreation	551,805	-	-	551,805
Debt service				
Principal	-	-	150,000	150,000
Interest and other charges	-	-	42,700	42,700
Capital outlay	849,724	-	-	849,724
Total Expenditures	<u>4,948,610</u>	<u>-</u>	<u>253,211</u>	<u>5,201,821</u>
Excess of revenues over expenditures	<u>39,788</u>	<u>66,386</u>	<u>34,152</u>	<u>140,326</u>
Other Financing Sources (Uses)				
Transfers in	-	-	449,022	449,022
Transfers out	(449,022)	-	-	(449,022)
Total Other Financing Sources (Uses)	<u>(449,022)</u>	<u>-</u>	<u>449,022</u>	<u>-</u>
Net Change in Fund Balances	<u>(409,234)</u>	<u>66,386</u>	<u>483,174</u>	<u>140,326</u>
Fund Balances, Beginning	<u>2,299,746</u>	<u>395,114</u>	<u>287,905</u>	<u>2,982,765</u>
Fund Balances, Ending	<u>\$ 1,890,512</u>	<u>\$ 461,500</u>	<u>\$ 771,079</u>	<u>\$ 3,123,091</u>

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Fund to the Statements of Activities and Net Position
For the Year Ended June 30, 2023**

Net change in fund balances - total governmental funds:	\$ 140,326
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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 \$849,724 exceeded depreciation of \$528,221 in the current period.

321,503

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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium amortization

6,951

Principal paid on long-term debt

150,000

156,951

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Compensated absences expense

(24,914)

Net effect of accrued interest not reflected in governmental funds

(1,569)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of charges in deferred outflows and inflows of resources to pensions, and investment experience.

(11,672)

Change in Net Position of Governmental Activities

\$ 580,625

See accompanying notes to financial statements.

CITY OF PINSON, ALABAMA
Notes to Financial Statements
For the Year Ended June 30, 2023

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 or 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. 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 non-major 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, 2023:

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 **State Shared Gas Tax 4-6-5 Fund** is used to account for the proceeds of gasoline taxes the State of Alabama shares with municipalities whose expenditures are legally restricted to general road construction, improvement and maintenance related activities.

See independent auditor's report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Non-Major Funds:

Special Revenue Funds are used to account for specific revenues to be utilized in carrying out the specific terms of statutes, ordinances, grant requirements, or governing regulations.

Capital Projects Funds account for the costs of constructing or acquiring capital assets and major improvements.

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 and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions including special assessment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers local tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other governmental fund revenues are recognized when received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Reconciliation of Government-Wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation of the fund balances in the governmental funds to the net position reported in the government-wide statements. The reconciling items reflect the changes necessary to report the governmental fund balances on the economic resources measurement focus and accrual basis of accounting. In addition, capital assets and long-term debt are added to the governmental funds to compile the long-term view in the governmental activities column of the government-wide statement of net position.

See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 1 – Summary of Significant Accounting Policies (continued)

A similar reconciliation is included for the statement of revenues, expenditures and changes in fund balances of the governmental funds. The reconciling items reflect the transition from the modified accrual basis of accounting used for governmental funds to the accrual basis of accounting used in the statement of activities. Capital outlay is replaced with depreciation expense. The principal payments on long-term debt are eliminated from operating costs.

Budgets and Budgetary Accounting

A budget is adopted each year for General Fund only. Anticipated revenues and expenses are appropriated on a basis consistent with generally accepted accounting principles.

Cash and Cash Equivalents

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

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.

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 assets within the City limits, at the time of incorporation, remain the assets of Jefferson County (the County) or the State of Alabama (the State).

See independent auditor's report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Use of 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.

Property Tax Calendar

The City's ad valorem property taxes are collected and remitted to the City by Jefferson County. Property taxes are levied by the Jefferson County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and are delinquent after December 31. The enforceable legal claim for property taxes exists on October 1 preceding the February meeting of the County Commission.

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.

Net Position and Fund Balances

Net position in the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation, construction in progress, land, and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or law or regulations of other governments or imposed by law through state statute. Unrestricted net position is all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balance as follows:

Non-spendable – 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 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 4-6-5 Fund, 7-2 Fund, and Rebuild Alabama Fund to be Restricted Fund Balance. It also considers the road taxes and unspent Alabama Trust Fund receipts to be Restricted Fund Balance in the Misc. Road Fund and Capital Project Funds, respectively.

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 auditor's report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (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.

The City has not adopted a minimum fund balance policy for the General Fund. 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.

Pension Plan

The City participates in the Employees' Retirement System of Alabama (the Plan) whose financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions 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 Annual Comprehensive Financial Report.

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 pension activity that qualifies for reporting in this category (see Note 7).

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 pension activity that qualifies for reporting in this category (see Note 7).

Note 2 – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. All of these accounts are insured by the FDIC up to \$250,000 per institution. In addition, all City 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 monitors the maturity structure of any investments on a regular basis as a means of limiting its exposure to fair value losses arising from interest rate volatility, however, does not maintain a specific policy related to interest rate risk as part of its investment policy.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

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 as of June 30, 2023:

	General Fund	4-6-5 Gas Tax Fund	Nonmajor Funds
Sales and use taxes	\$ 281,411	\$ -	\$ -
Business licenses	2	-	-
Beer tax	3,877	-	-
Auto licenses	2,274	-	-
Tobacco tax	373	-	-
County gas tax	4,424	-	-
Road tax - 2.1 mil	-	-	1,471
Gas tax (10%) rebuild alabama	-	-	6,336
Gas tax (7%) street fund	-	-	6,456
Gas tax (5%) street fund	-	1,853	-
Gas tax (4%) street fund	-	3,654	-
Total	\$ 292,361	\$ 5,507	\$ 14,263

Note 4 – Interfund Receivables, Payables, and Transfers

At times throughout the year, interfund receivables and payables exist. At June 30, 2023, the composition of interfund balances was as follows:

	General Fund	4-6-5 Gas Tax Fund	Nonmajor Funds	Total
<u>Transfers To:</u>				
General Fund	\$ -	\$ -	\$ -	\$ -
4-6-5 Gas Tax Fund	-	-	-	-
Nonmajor Governmental Funds	(449,022)	-	449,022	-
Total	\$ (449,022)	\$ -	\$ 449,022	\$ -

The outstanding balances between funds result from the time lag between tax collections in the general fund and the payment made to the respective special revenue funds, capital projects fund, and debt service fund.

Transfers are indicative of funding for capital projects, debt service, re-allocations of special revenues, and creation of new funds. The following schedule briefly summarizes interfund activity for the year ended June 30, 2023:

See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 4 – Interfund Receivables, Payables, and Transfers (continued)

<u>Due To:</u>	<u>Due From:</u>			<u>Total</u>
	<u>General Fund</u>	<u>4-6-5 Gas Tax Fund</u>	<u>Nonmajor Funds</u>	
General Fund	\$ 11,148	\$ 26,268	\$ 224,304	\$ 261,720
4-6-5 Gas Tax Fund	(26,268)	-	-	(26,268)
Nonmajor Governmental Funds	(224,304)	-	(11,148)	(235,452)
Total	<u>\$ (239,424)</u>	<u>\$ 26,268</u>	<u>\$ 213,156</u>	<u>\$ -</u>

Note 5 – Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance June 30, 2022</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30, 2023</u>
Capital Assets Not Being Depreciated				
Land	\$ 1,957,054	\$ -	\$ -	\$ 1,957,054
Total Capital Assets Not Being Depreciated	<u>1,957,054</u>	<u>-</u>	<u>-</u>	<u>1,957,054</u>
Capital Assets Being Depreciated				
Buildings and improvements	4,260,087	493,245	-	4,753,332
Land improvements	3,009,247	172,460	-	3,181,707
Leasehold improvements	78,557	-	-	78,557
Vehicles	586,186	78,482	-	664,668
Furniture and fixtures	395,676	38,520	-	434,196
Other equipment	945,936	67,016	-	1,012,952
Infrastructure	<u>825,402</u>	<u>-</u>	<u>-</u>	<u>825,402</u>
Total Capital Assets Being Depreciated	<u>10,101,091</u>	<u>849,723</u>	<u>-</u>	<u>10,950,814</u>
Less Accumulated Depreciation for:				
Buildings and improvements	890,123	170,409	-	1,060,532
Land improvements	457,278	132,486	-	589,764
Leasehold improvements	38,873	1,351	-	40,224
Vehicles	276,228	58,742	-	334,970
Furniture and fixtures	210,087	28,270	-	238,357
Other equipment	345,461	99,331	-	444,792
Infrastructure	<u>359,023</u>	<u>37,632</u>	<u>-</u>	<u>396,655</u>
Total Accumulated Depreciation	<u>2,577,073</u>	<u>528,221</u>	<u>-</u>	<u>3,105,294</u>
Total Capital Assets Being Depreciated, Net	<u>7,524,018</u>	<u>321,502</u>	<u>-</u>	<u>7,845,520</u>
Total Capital Assets, Net	<u>\$ 9,481,072</u>	<u>\$ 321,502</u>	<u>\$ -</u>	<u>\$ 9,802,574</u>

See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 5 – Capital Assets (continued)

Depreciation expense for the year ended June 30, 2023 is charged to functions as follows:

General government	\$ 290,522
Public safety	21,129
Public service	137,337
Parks and recreation	79,233
	<u>\$ 528,221</u>

Note 6 – Long-Term Debt

Changes in long-term obligations for the year ended June 30, 2023, are as follows:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
2021 GO Warrant	\$ 2,210,000	\$ -	\$ (150,000)	\$ 2,060,000	\$ 155,000
Premium	<u>90,357</u>	<u>-</u>	<u>(6,951)</u>	<u>83,406</u>	<u>6,951</u>
Total	<u>\$ 2,300,357</u>	<u>\$ -</u>	<u>\$ (156,951)</u>	<u>\$ 2,143,406</u>	<u>\$ 161,951</u>

2021 GO Refunding Warrants: On January 21, 2021, the City issued tax-exempt General Obligation Refunding Warrants, Series 2021, in the amount of 2,260,000 in which the principal proceeds were applied to the cost of refunding the City's General Obligation Warrants, Series 2014, and General Obligation Warrants, Series 2018. The 2021 GO Refunding Warrants mature and become payable on July 1 in the years 2021 through 2034 and bear interest at 2.00%.

Line of Credit: On October 12, 2021, the City issued an up to \$500,000 taxable general obligation line of credit warrant at the adjusted SOFR Rate or the Adjusted Prime Rate. The line of credit warrant matured in October 2023. The City renewed the line of credit subsequent to year-end effective November 2, 2023, see Note 9 for further details. There was no outstanding balance on the line as of June 30, 2023.

Annual requirements to retire general long-term debt as of June 30, 2023, for the next five years and in five year increments are as follows:

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See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 6 – Long-Term Debt (continued)

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
Years Ended June 30,			
2024	\$ 155,000	\$ 39,650	\$ 194,650
2025	155,000	36,550	191,550
2026	160,000	33,400	193,400
2027	165,000	30,150	195,150
2028	165,000	26,850	191,850
2029-2033	885,000	82,450	967,450
2034-2038	<u>375,000</u>	<u>7,550</u>	<u>382,550</u>
Total	<u>\$ 2,060,000</u>	<u>\$ 256,600</u>	<u>\$ 2,316,600</u>

Note 7 – Pension Plan

General Information about the Pension Plan

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan, was established as of October 1, 1945 pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 Trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter* 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 15 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) Eight 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. One full time employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

See independent auditor's report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 7 – Pension Plan (continued)

- d. One full time employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
- e. One full time employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
- f. One full time employee of a participating employer other than a municipality, city, or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life.

Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. 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. 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 up to 80% of their average final compensation. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 608 employers adopted Act 2019-132 as of September 30, 2022.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 7 – Pension Plan (continued)

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOS) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

The ERS serves approximately 886 local participating employers. The ERS membership includes approximately 108,890 participants. As of September 30, 2022, membership consisted of:

	<u>ERS</u>	<u>City</u>
Retirees and beneficiaries currently receiving benefits	30,598	1
Terminated employees entitled to but not yet receiving benefits	2,286	1
Terminated employees not entitled to a benefit	18,689	11
Active members	57,278	17
Post-DROP retired members still in active service	39	-
Total	<u>108,890</u>	<u>30</u>

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.

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

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.

See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 7 – Pension Plan (continued)

For the year ended June 30, 2023, the City's active employee contribution rate for regular covered employees was 7.50% for Tier 1 and Tier 2. Additionally, the City's average contribution rate to fund the normal and accrued liability costs was 6.66% of covered employee payroll for the year ended June 30, 2023.

The City's contractually required contribution rate for the year ended September 30, 2022 was 5.61% of pensionable pay for Tier 1 employees, and 5.65% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2020, 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 \$51,307 for the year ended June 30, 2023.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 rolled forward to September 30, 2022 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual Before Plan Changes</u>	<u>Actual After Plan Changes</u>
(a) TPL as of September 30, 2021	\$ 804,113	\$ 840,168	\$ 840,168
(b) Discount rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2021 - September 30, 2022	77,407	77,407	77,407
(d) Transfers Among Employers:	-	(85,120)	(85,120)
(e) Actual Benefit Payments and Refunds for the period October 1, 2021 - September 30, 2022	<u>(3,113)</u>	<u>(3,113)</u>	<u>(3,113)</u>
(f) TPL as of September 30, 2022 = [(a) x (1 + (b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 938,197</u>	<u>\$ 891,819</u>	<u>\$ 891,819</u>
(g) Difference between Expected and Actual		\$ (46,378)	
(h) Less Liability Transferred for Immediate Recognition:		<u>(85,120)</u>	
(i) Difference between Expected and Actual Experience (Gain)/Loss = (g) - (h)		<u>\$ 38,742</u>	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/Loss			<u>\$ -</u>

See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 7 – Pension Plan (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2022 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2021. The key actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	3.25% - 6.00%
Investment rate of return*	7.45%

* Net of pension plan investment expense

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+) Setback (-)	Adjustments to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2; +2 Female: +2	Male: 90% ages < 65, 96% ages >=65; Female: 96% all ages
FLC / State Police Service Retirees	Public Safety Healthy Below Median	Male: +1; None Female: None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2; +2 Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7; +3 Female: +3	None
FLC / State Police Disabled Retirees	Public Safety Disability	Male: +7; None Female: None	None

The actuarial assumptions used in the actuarial valuation as of September 30, 2021 were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

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.

See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 7 – Pension Plan (continued)

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	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash Equivalents	5.00%	1.50%
Total	100%	

* Includes assumed rate of inflation of 2.00%

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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.

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See independent auditor's report.

CITY OF PINSON, ALABAMA

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2023**

Note 7 – Pension Plan (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at September 30, 2021	\$ 804,113	\$ 673,352	\$ 130,761
Changes for the year:			-
Service cost	77,407	-	77,407
Interest	59,790	-	59,790
Differences between expected and actual experience	38,742	-	38,742
Contributions - employer	-	42,565	(42,565)
Contributions - employee	-	62,090	(62,090)
Net investment income	-	(87,164)	87,164
Benefit payments, including refunds of employee contributions	(3,113)	(3,113)	-
Transfers among employers	(85,120)	(85,120)	-
Net changes	87,706	(70,742)	158,448
Balances at September 30, 2022	\$ 891,819	\$ 602,610	\$ 289,209

Sensitivity of the Net Pension Liability to Change in the Discount Rate

The following presents the City's net pension liability, calculated using the discount rate of 7.45%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Rate (7.45)%	1% Increase (8.45%)
City's net pension liability (asset)	\$ 421,870	\$ 289,209	\$ 180,247

See independent auditor's report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 7 – 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 Annual Comprehensive Financial Report for the fiscal year ended September 30, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended June 30, 2023, the City recognized net pension expense \$11,672. At June 30, 2023, 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	\$ 85,168	\$ 70,775
Changes of assumptions	55,934	-
Net difference between projected and actual earnings on pension plan investments	72,750	-
Employer contributions subsequent to the measurement date	40,017	-
Total	<u>\$ 253,869</u>	<u>\$ 70,775</u>

Deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date totaling \$40,017 will be recognized as a reduction of net pension liability in the year June 30, 2024. Other 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:	
2024	\$ 36,468
2025	32,892
2026	29,639
2027	44,276
2028	7,758
Thereafter	(7,956)

Note 8 – Risk Management

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

See independent auditor's report.

CITY OF PINSON, ALABAMA

Notes to Financial Statements (continued) For the Year Ended June 30, 2023

Note 9 – Subsequent Events

The City has evaluated subsequent events through June 21, 2024, the date the financial statements were available to be issued.

The City issued the Taxable General Obligation Line of Credit Warrant Series 2023 effective November 2, 2023. The line of credit has a maximum available balance of \$500,000, matures on November 1, 2025, and no funds have been drawn on the line of credit subsequent to year end.

Note 10 – Recent Pronouncements

GASB issued Statement No. 94 in March 2020, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to provide guidance for certain partnerships and arrangements that are not otherwise subject to current GASB standards. This statement is effective for reporting periods beginning after June 15, 2022 and was properly implemented by the City in the current year. There was no effect on the financial statements from the implementation.

In May 2020, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* was issued to provide accounting and financial reporting for subscription-based information technology arrangements based on the standards established in Statement No. 87, *Leases*. The statement requires governments to recognize such subscription-based arrangements as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability (with an exception for short-term agreements with maximum possible terms of 12 months). This statement is effective for fiscal years beginning after June 15, 2022 and was properly implemented by the City in the current year. The implementation did not have a material effect on the financial statements for the City.

In June 2022, GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62* was issued. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. Additionally, it requires note disclosures of descriptive information about accounting changes and error corrections. Information of the effect of the changes should be presented in required supplementary information (RSI) and supplementary information (SI). This statement is effective for fiscal years beginning after June 15, 2023.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, was issued. This Statement intends to update the recognition and measurement guidance for compensated absences and amend certain previously required disclosures. This Statement requires that a liability for specific types of compensated absences not be recognized until the leave is used and establishes guidance for measuring a liability for leave that has not been used. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. This statement is effective for fiscal years beginning after December 15, 2023.

The City is evaluating the requirements of the above statements and the impact on reporting.

CITY OF PINSON, ALABAMA

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										
Service cost	\$ 77,407	\$ 50,718	\$ 60,899	\$ 49,623	\$ 56,854	\$ 48,756	\$ 28,233	\$ 22,108	\$ 19,479	
Interest	59,790	43,939	37,881	35,236	32,035	22,628	11,874	8,012	5,976	
Changes of benefit terms	-	54,550	-	-	-	-	-	-	-	
Differences between expected and actual experience	38,742	6,642	(20,108)	(50,504)	(42,349)	56,100	50,726	18,157	-	
Changes of assumptions	-	45,268	-	-	3,197	-	53,320	-	-	
Benefit payments, including refunds of employee contributions	(3,113)	-	-	-	(10,975)	(1,218)	-	-	-	
Transfers among employers	(85,120)	32,360	-	-	-	-	-	-	-	
Net change in total pension liability	87,706	233,477	78,672	34,355	38,762	126,266	144,153	48,277	25,455	
Total pension liability - beginning	804,113	570,636	491,964	457,609	418,847	292,581	148,428	100,151	74,696	
Total pension liability - ending (a)	\$ 891,819	\$ 804,113	\$ 570,636	\$ 491,964	\$ 457,609	\$ 418,847	\$ 292,581	\$ 148,428	\$ 100,151	
Plan Fiduciary Net Position										
Contributions - employer	\$ 42,565	\$ 21,342	\$ 14,988	\$ 14,193	\$ 11,774	\$ 12,267	\$ 16,066	\$ 8,331	\$ 13,255	
Contributions - member	62,090	45,115	39,987	36,209	30,982	30,028	27,513	22,126	17,889	
Net investment income	(87,164)	113,379	23,441	8,951	26,048	27,812	16,164	1,256	6,487	
Benefit payments, including refunds of employee contributions	(3,113)	-	-	-	(10,975)	(1,218)	-	-	-	
Transfers among employers	(85,120)	32,360	-	-	-	-	-	29,094	-	
Net change in plan fiduciary net position	(70,742)	212,196	78,416	59,353	57,829	68,889	59,743	60,807	37,631	
Plan net position - beginning	673,352	461,156	382,740	323,387	265,558	196,669	136,926	76,119	38,488	
Plan net position - ending (b)	\$ 602,610	\$ 673,352	\$ 461,156	\$ 382,740	\$ 323,387	\$ 265,558	\$ 196,669	\$ 136,926	\$ 76,119	
Net pension liability (asset) - ending (a) - (b)	\$ 289,209	\$ 130,761	\$ 109,480	\$ 109,224	\$ 134,222	\$ 153,289	\$ 95,912	\$ 11,502	\$ 24,032	
Plan fiduciary net position as a percentage of the total pension liability	67.57%	83.74%	80.81%	77.80%	70.67%	63.40%	67.22%	92.25%	76.00%	
Covered-employee payroll*	\$ 860,249	\$ 691,190	\$ 588,103	\$ 533,995	\$ 536,284	\$ 412,344	\$ 378,660	\$ 292,206	\$ 306,330	
Net pension liability (asset) as a percentage of covered-employee payroll	33.62%	18.92%	18.62%	20.45%	25.03%	37.18%	25.33%	3.94%	7.85%	

* Employer's covered payroll during the measurement period is the total covered payroll. For FY2023 the measurement period is October 1, 2021 - September 30, 2022.

Fiscal year ended June 30, 2015 was the first year of implementation, therefore prior information is not provided.

CITY OF PINSON, ALABAMA

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution*	\$ 51,307	\$ 39,747	\$ 22,512	\$ 17,181	\$ 15,455	\$ 13,945	\$ 14,440	\$ 15,054	\$ 10,469	
Contributions in relation to the actuarially determined contribution	(51,307)	(39,747)	(22,512)	(17,181)	(15,455)	(13,945)	(14,440)	(15,054)	(10,469)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered-employee payroll**	\$ 770,102	\$ 730,322	\$ 626,005	\$ 545,387	\$ 517,107	\$ 456,436	\$ 382,760	\$ 351,915	\$ 335,796	
Contributions as a percentage of covered-employee payroll	6.66%	5.44%	3.60%	3.15%	2.99%	3.06%	3.77%	4.28%	3.12%	

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

** Employer's covered payroll for FY2023 is the total covered payroll for the 12 month period of the underlying financial statement.

Fiscal year ended June 30, 2015 was the first year of implementation, therefore prior information is not provided.

CITY OF PINSON, ALABAMA

**Notes to Required Supplementary Information
For the Year Ended June 30, 2023**

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

Since the City's financial reporting period of June 30, 2023 is other than September 30, 2023, additional assumptions are reported for the basis of determining the portion of the contribution prior to September 30, 2023 as follows:

For the Year Ended June 30, 2023

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2023 were based on the September 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2022 to September 30, 2023 are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	18.5 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increase	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

For the Year Ended June 30, 2022

Actuarially determined contribution rates as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022 are as follows:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	18.8 years
Asset valuation method	Five-year smoothed market
Inflation	2.75%
Salary increase	3.25 – 5.00%, including inflation
Investment rate of return	7.70%, net of pension plan investment expense, including inflation

CITY OF PINSON, ALABAMA

**Combining Balance Sheet - Non-Major Governmental Funds
Non-Major Governmental Funds
As of June 30, 2023**

	Special Revenue Funds			Capital Projects Fund	Debt Service Fund 2021 Warrants	Total
	Street Fund 7-2	Misc. Road Tax Fund	Rebuild Alabama Fund			
Assets						
Due from other funds	\$ 29,897	\$ 56,451	\$ 69,350	\$ 68,606	\$ -	\$ 224,304
Accounts receivable - net	6,456	1,471	6,336	-	-	14,263
Restricted cash and cash equivalents	114,603	21,027	87,799	144,631	175,600	543,660
Total Assets	\$ 150,956	\$ 78,949	\$ 163,485	\$ 213,237	\$ 175,600	\$ 782,227
Liabilities and Fund Balances						
Liabilities						
Due to other funds	\$ 11,148	\$ -	\$ -	\$ -	\$ -	\$ 11,148
Total Liabilities	11,148	-	-	-	-	11,148
Fund Balances						
Restricted	139,808	78,949	163,485	213,237	-	595,479
Committed	-	-	-	-	175,600	175,600
Total Fund Balances	139,808	78,949	163,485	213,237	175,600	771,079
Total Liabilities and Fund Balances	\$ 150,956	\$ 78,949	\$ 163,485	\$ 213,237	\$ 175,600	\$ 782,227

CITY OF PINSON, ALABAMA

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2023**

	Special Revenue Funds				Capital Projects Fund	Debt Service Fund 2021 Warrants	Total
	Fund Street Fund 7-2	Misc. Road Tax Fund	Rebuild Alabama Fund				
Revenues							
Gasoline and other taxes	\$ 70,004	\$ 71,143	\$ 75,685	\$ -	\$ -	\$ -	\$ 216,832
Intergovernmental	-	-	-	68,606	-	-	68,606
Other revenues	819	145	604	325	32	32	1,925
Total Revenues	<u>70,823</u>	<u>71,288</u>	<u>76,289</u>	<u>68,931</u>	<u>32</u>	<u>32</u>	<u>287,363</u>
Expenditures							
General government	-	-	-	325	-	-	325
Public service	46,820	13,366	-	-	-	-	60,186
Debt service	-	-	-	-	150,000	150,000	150,000
Principal	-	-	-	-	42,700	42,700	42,700
Interest and other charges	-	-	-	-	192,700	192,700	253,211
Total Expenditures	<u>46,820</u>	<u>13,366</u>	<u>-</u>	<u>325</u>	<u>192,700</u>	<u>192,700</u>	<u>253,211</u>
Excess (deficiency) of revenues over expenditures	24,003	57,922	76,289	68,606	(192,668)		34,152
Other Financing Sources (Uses)							
Transfers in	-	21,027	87,196	144,631	196,168	196,168	449,022
Total Other Financing Sources (Uses)	<u>-</u>	<u>21,027</u>	<u>87,196</u>	<u>144,631</u>	<u>196,168</u>	<u>196,168</u>	<u>449,022</u>
Net Change in Fund Balances	24,003	78,949	163,485	213,237	3,500		483,174
Fund Balances, Beginning	115,805	-	-	-	172,100		287,905
Fund Balances, Ending	<u>\$ 139,808</u>	<u>\$ 78,949</u>	<u>\$ 163,485</u>	<u>\$ 213,237</u>	<u>\$ 175,600</u>	<u>\$</u>	<u>\$ 771,079</u>

CITY OF PINSON, ALABAMA

Schedule of Findings and Responses For the Year Ended June 30, 2023

2023-001 – Segregation of Duties and Oversight of Financial Reporting

Criteria: Management is responsible for the preparation and fair presentation of the City's financial statements; 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. Ideally, the key functions of an accounting system should be segregated. Financial statements should be reviewed by management periodically in order to evaluate performance and potentially detect any irregularities.

Condition: During our audit, we identified ~~accounting functions~~ being performed that ~~lacked adequate segregation amongst the staff without proper mitigations or review.~~ Specifically, ~~one or more City employees associated with the custody of assets, records journal entries to the general ledger, and reconciles internal accounting records.~~ These functions are incompatible as they involve the custody of the asset, recording of transactions and subsequent reconciliation of those transactions. Additionally, there were ~~no documented review and approvals by an individual outside of that accounting function.~~

Cause: Due to the turnover of administrative personnel within the fiscal year, incompatible work functions were often performed by the same individual and lacked the appropriate review and approval by an individual outside of that accounting function. Difficulties encountered in the implementation of new accounting software provided for financial reporting that was not useful in evaluating the City's financial performance. Lack of defined responsibilities for administrative staff also attributed to the issues experienced in the City's financial reporting.

Effect: A lack of segregation of duties increases the risk of material misstatements and that such material misstatements would not be quickly identified. Accurate and useful financial statements could not be provided to management and City Council for their biweekly meetings. As a result, material adjusting journal entries were required to correct multiple financial statement accounts.

Recommendation: We ~~recommend that the functions associated with the custody of assets be segregated from the functions associated with the accounting for and recording transactions to the extent possible through staff assignments and secondary approvals. Management should review internal financial statements at least monthly to evaluate performance and for any irregularities.~~

Management's Response: ~~Management is in agreement with our recommendation.~~

2023-002 – Inconsistencies and Delays in Performance of Account Reconciliations

Criteria: The performance of account reconciliations is a basic accounting function that should be performed on a timely basis. The purpose of performing reconciliations is to verify the accuracy of amounts recorded in the accounting system of the City. Discrepancies should be investigated and resolved as soon as possible for accurate reporting and protection of the City's assets.

Condition: As a result of our audit procedures we ~~found that a considerable number of financial statement accounts were not reconciled timely, accurately or at all. These items included all basic operating accounts such as cash accounts, revenues, expenses, receivables, payables, prepaid assets, and other accruals. These accounts were all required to be adjusted in the prior year as well.~~

CITY OF PINSON, ALABAMA

Schedule of Findings and Responses (continued) For the Year Ended June 30, 2023

Cause: Due to the turnover of administrative personnel within the fiscal year and the lack of defined responsibilities for administrative staff, the City suffered delays in the performance of their monthly bank reconciliations and financial statement reviews. Difficulties encountered in the implementation of new accounting software provided for financial reporting that was not useful in evaluating the City's financial performance.

Effect: Unreconciled accounts created opportunities for undetected errors to remain in the accounting records. As a result, numerous audit adjusting journal entries were required to correct these balances.

Recommendation: We recommend that account reconciliations be performed timely and resolve any unexplained differences. Management should review internal financial statements at least monthly to evaluate performance and for any irregularities.

Management's Response: Management is in agreement with our recommendation.

2023-003 – Segregation of Duties and Oversight Over the Payroll Process

Criteria: Internal controls should be in place that provide reasonable assurance that employee time is properly approved and payroll is being processed accurately.

Condition: During our audit we found that there is no documented review and approval of time entered by the Department Heads for overtime and comp time.

Cause: Lack of defined responsibilities for the administrative staff and an improperly designed internal control system over the payroll process.

Effect: Due to the failure to require a documented review and approval of time entered, employees with the access and ability to make time entered in the accounting system may make such changes without the approval or knowledge of management. Such changes can lead to material errors and/or misappropriation.

Recommendation: Procedures should be implemented requiring the documented review and approval of all time entered. Procedures should be implemented for the documented review of payroll reports and comparisons to the approved time sheets prior to the issuance of pay checks. All variances should be examined for possible error or misappropriation.

Management's Response: Management is in agreement with our recommendation.