

Certified Public Accountants  
& Consultants



**Town of Pike Road, Alabama**  
**For the Year Ended September 30, 2019**  
**Annual Financial Report**

## **Introductory Section**

**Town of Pike Road, Alabama  
Annual Financial Report  
For the Year Ended September 30, 2019**

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**Town of Pike Road, Alabama**  
**List of Principal Officials**  
**As of September 30, 2019**

**Mayor - Gordon Stone**

**Town Council**

Betsy Atkins  
Angie Bradsher  
Chris Dunn

Rob Steindorff  
Leroy Tolliver

**Heads of Departments**

Finance Director  
Town Clerk  
Planning Director  
Building Director  
Community Development Director

Nancy Parks  
Lisa Burke  
Jonathan Smith  
Lowell Thomas  
Liz Craig

## **Financial Section**

## **Independent Auditor's Report**

The Honorable Mayor and  
Members of the Town Council  
Town of Pike Road, Alabama

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pike Road, Alabama, (the Town) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Pike Road, Alabama, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 schedule - general fund, budgetary comparison schedule - education fund, schedule of changes in the net pension liability, and schedule of employer contributions on pages 3 through 10 and 39 through 42 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 Town of Pike Road, Alabama's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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 on it.

*Jackson Thornton & Co. PC*

Montgomery, Alabama  
March 6, 2020

**Town of Pike Road, Alabama**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2019**

The Town of Pike Road's (the Town) Management Discussion and Analysis report provides an overview of the Town's financial activities for fiscal year ended September 30, 2019. Please read the report in conjunction with the Town's financial statements and notes to the financial statements that immediately follow this analysis.

**Financial Highlights - Significant Items to Note**

- ❖ The assets and deferred outflows of the Town exceeded the liabilities and deferred inflows at the close of the 2019 fiscal year by \$59.8 million (net position).
- ❖ The Town's net position increased \$0.7 million in the 2019 fiscal year.
- ❖ The total cost of the Town's programs for the 2019 fiscal year was \$8.5 million. The excess of expenses over charges for services, grants, and contributions was \$7.6 million.
- ❖ The General Fund revenues during the 2019 fiscal year exceeded expenditures by \$2.5 million.
- ❖ At the end of the 2019 fiscal year, the General Fund unassigned fund balance was \$4.5 million, or 188% of the total General Fund operating expenses before debt service and capital outlay (\$176,000).
- ❖ Major capital expenditures for the 2019 fiscal year totaled \$3.5 million, which includes \$3.2 million of school construction costs.

**Using the Annual Financial Report - An Overview for the User**

The annual financial report consists of five parts - management's discussion and analysis (this section), the independent auditor's report, the basic financial statements, required supplementary information, and other supplementary information.

The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**Government-Wide Financial Statements** - The focus of these statements is to provide readers with a broad overview of the Town's finances as a whole, similar to a private-sector business, instead of an individual fund basis.

Government-wide financial statements report both long-term and short-term information about the Town's overall financial status including the capitalization of capital assets and depreciation of all exhaustible capital assets and the outstanding balances of long-term debt and other obligations. These statements report all assets and liabilities perpetuated by these activities using the accrual basis of accounting. The accrual basis takes into account all of the Town's current year's revenues and expenses regardless of when cash is received or paid. This approach moves the financial reporting method for governmental entities closer to the financial reporting methods used in the private sector.

The following government-wide financial statements report is on all of the governmental activities of the Town as a whole.

The statement of net position (page 11) is most closely related to a balance sheet. It presents information on all of the Town's assets (what it owns) and liabilities (what it owes), with the difference between the two reported as net position. The net position reported in this statement represents the accumulation of changes in net position for the current fiscal year and all fiscal years in the past combined. Over time, the increase or decrease in net position reported in this statement may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.



**Town of Pike Road, Alabama**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2019**

The statement of activities (page 12) is most closely related to an income statement. It presents information showing how the Town's net position changed during the current fiscal year only. All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This statement shows gross expenses and offsetting program revenues to arrive at net cost information for each major expense function or activity of the Town. By showing the change in net position for the year, the reader may be able to determine whether the Town's financial position has improved or deteriorated over the course of the current fiscal year.

However, the reader will also need to consider nonfinancial factors, such as changes in the Town's property tax base and the condition of the Town's infrastructure assets, in order to assess the overall health of the Town.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal and internal requirements. All of the funds of the Town can be classified as either governmental funds or proprietary funds.

**Governmental Funds** - Governmental fund financial statements (page 13) account for basically the same governmental activities reported in the government-wide financial statements. Fund financial statements presented herein display separate information on each of the Town's most significant governmental funds or major funds. This is required in order to better assess the Town's accountability for significant governmental programs or certain dedicated revenue. The Town's major funds are the General Fund, the Capital Projects Fund, and the Education Fund.

**Proprietary Funds** - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the activities of its shopping center facility (page 17).

The fund financial statements are measured on the modified-accrual basis of accounting. As a result, the fund financial statements focus more on the near-term use and availability of spendable resources. The information provided in these statements is useful in determining the Town's immediate financial needs. This is in contrast to the accrual-based government-wide financial statements, which focus more on overall long-term availability of spendable resources. The relationship between governmental activities reported in the government-wide financial statements and the governmental funds reported in the fund financial statements are reconciled in these financial statements (pages 14 and 16). These reconciliations are useful to readers in understanding the long-term impact of the Town's short-term financing decisions.

**Notes to the Basic Financial Statements** - The notes to the basic financial statements (pages 20 - 38) provide additional information that is essential for the statements to fairly represent the Town's financial position and its operations. The notes contain important information that is not part of the basic financial statements. However, the notes are an integral part of the statements, not an appendage to them.

After the presentation of the basic financial statements, the required supplementary information is presented following the notes to the basic financial statements. The required supplementary information (pages 39 - 42) provides a comparison of the adopted budget of the Town's General Fund and Education Fund to the actual operating results for the fiscal year. The comparison of this data allows users to assess management's ability to project and plan for its operations throughout the year.

Lastly, the combining and individual fund statements (pages 43 and 44) provides information for special revenue funds which include operating funds that are restricted as to use by Federal or State governments and special purpose funds established by authority of the Town Council.

**Town of Pike Road, Alabama**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2019**

**Analysis of the Town of Pike Road's Overall Financial Position**

As indicated earlier, net position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of net position.

**Table 1: Summary of Net Position**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>						
Current and other assets	\$ 28,937	\$ 30,386	\$ 54	\$ 24	\$ 28,991	\$ 30,410
Capital assets	80,241	79,296	3,085	3,182	83,326	82,478
Total assets	<u>109,178</u>	<u>109,682</u>	<u>3,139</u>	<u>3,206</u>	<u>112,317</u>	<u>112,888</u>
<b>Deferred Outflows of Resources</b>	<u>126</u>	<u>151</u>			<u>126</u>	<u>151</u>
<b>Liabilities</b>						
Current liabilities	1,449	1,702	195	188	1,644	1,890
Long-term liabilities	48,581	49,440	2,357	2,540	50,938	51,980
Total liabilities	<u>50,030</u>	<u>51,142</u>	<u>2,552</u>	<u>2,728</u>	<u>52,582</u>	<u>53,870</u>
<b>Deferred Inflows of Resources</b>	<u>13</u>	<u>11</u>			<u>13</u>	<u>11</u>
<b>Net Position</b>						
Investment in capital assets, net	41,781	43,063	553	473	42,334	43,536
Restricted	3,227	2,422			3,227	2,422
Unrestricted	<u>14,253</u>	<u>13,195</u>	<u>34</u>	<u>5</u>	<u>14,287</u>	<u>13,200</u>
Total net position	<u>\$ 59,261</u>	<u>\$ 58,680</u>	<u>\$ 587</u>	<u>\$ 478</u>	<u>\$ 59,848</u>	<u>\$ 59,158</u>

The Town's assets exceeded liabilities by \$59.3 million at September 30, 2019, an increase of 1.2% from last year.

Net position invested in capital assets of \$41.8 million reflect the Town's investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, fixtures, furniture, equipment, and transportation equipment), less accumulated depreciation and debt related to the acquisition of the assets. Since these capital assets are used in governmental activities, this portion of net position is not available for future spending or funding of operations.

Restricted net position in the amount of \$3.2 million represents the fund balances of the Capital Projects Fund, Education Fund, Fire Protection Fund, Gasoline Tax Fund, and Government Improvement Fund. The first two funds have been restricted by contracts executed by the Council and third parties, with the last three funds restricted by enabling legislation.

**Town of Pike Road, Alabama**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2019**

**Analysis of the Town of Pike Road's Overall Operating Results**

The results of the 2019 fiscal year's operations as a whole are reported in detail in the statement of activities (page 12). Table 2 below condenses the results of operations for the 2019 fiscal year into a format where the reader can easily see the total revenues of the Town for the year. It also shows the impact that operations had on changes in net position as of September 30, 2019 and 2018.

**Table 2: Summary of Changes in Net Position**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 388	\$ 368	\$ 387	\$ 357	\$ 775	\$ 725
Capital grants and contributions	134	728			134	728
General revenues						
Taxes	6,529	5,302			6,529	5,302
Unrestricted shared revenues - sales taxes	1,400	1,293			1,400	1,293
Interest income	266	133			266	133
Miscellaneous	57	54			57	54
Transfers		(31)		31		
Total revenues	<u>8,774</u>	<u>7,847</u>	<u>387</u>	<u>388</u>	<u>9,161</u>	<u>8,235</u>
<b>Expenses</b>						
General government	1,504	1,858			1,504	1,858
Public works	1,718	1,893			1,718	1,893
Public safety	875	708			875	708
Economic development	248	260			248	260
Community related	385	328			385	328
Education	1,538	2,987			1,538	2,987
Interest and fiscal charges	1,925	1,513			1,925	1,513
Pike Road Station			278	301	278	301
Total expenses	<u>8,193</u>	<u>9,547</u>	<u>278</u>	<u>301</u>	<u>8,471</u>	<u>9,848</u>
<b>Special Item - Funding Agreements</b>		10,076				10,076
<b>Change in Net Position</b>	581	8,376	109	87	690	8,463
<b>Net Position - Beginning</b>	<u>58,680</u>	<u>50,304</u>	<u>478</u>	<u>391</u>	<u>59,158</u>	<u>50,695</u>
<b>Net Position - Ending</b>	<u>\$ 59,261</u>	<u>\$ 58,680</u>	<u>\$ 587</u>	<u>\$ 478</u>	<u>\$ 59,848</u>	<u>\$ 59,158</u>

The Town's total revenues increased 11% (\$926,000). The increase was due primarily to an increase in tax revenues of 31% (\$1.3 million).

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**September 30, 2019**

The Town's program expenses decreased 14% (\$1.4 million). The decrease was due primarily to a decrease in education expenses of 49% (\$1.4 million), the majority of which was paid to the State Board of Education on behalf of the Pike Road Board of Education in 2018.

Table 3 is a condensed statement taken from the statement of activities (page 12) showing the total cost for providing services for the eight major Town activities. Total cost of services is compared to the net cost of providing these services. The net cost of services is the remaining cost of services after subtracting grants, contributions, and charges for services that the Town used to offset the program's total cost. In other words, the net cost shows the financial burden that was placed on all taxpayers for each of these activities. This information allows citizens to consider the cost of each program in comparison to the benefits provided.

**Table 3: Net Cost of Government-Wide Activities**

	Fiscal Year Ended September 30, 2019 (in thousands)	
	Total Cost of Services	Net Cost of Services
General government	\$ 1,504	\$ 1,116
Public works	1,718	1,584
Public safety	875	875
Economic development	248	248
Community related	385	385
Education	1,538	1,538
Interest and fiscal charges	1,925	1,925
Pike Road Station	278	(109)
Total	\$ 8,471	\$ 7,562

**Performance of Town Funds**

As noted earlier, the Town uses fund accounting to control and manage resources in order to ensure compliance with finance-related legal and internal requirements. Using funds to account for resources for particular purposes helps the reader to determine the Town's accountability for these resources whether provided by taxpayers and other entities, and to help to provide more insight into the Town's overall financial health. The following analysis of the Town's funds should be read in reference to the fund financial statements that begin on page 13.

**Governmental Funds** - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financial requirements. (Note: The reconciliation statement between the fund financial statements and the government-wide financial statements are presented on pages 14 and 16.) At the end of the 2019 fiscal year, the Town's governmental funds reported a combined fund balance of \$18.9 million, which includes \$12.6 million restricted fund balances to be used for education, capital improvements, emergency services, and debt service; \$1.8 million in assigned fund balances to be used for various capital projects; \$19,000 in nonspendable fund balances; and \$4.5 million of unassigned General Fund balance which is available for future needs.

**Town of Pike Road, Alabama**  
**Management's Discussion and Analysis (MD&A)**  
**September 30, 2019**

**Proprietary Funds** - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. At the end of the 2019 fiscal year, total net position of the Pike Road Station enterprise fund was \$587,000, as compared to \$478,000 at the end of last fiscal year, an increase of \$109,000.

**Budgetary Highlights of the General Fund**

At the beginning of each fiscal year, the Mayor prepares and submits an annual budget to be considered and adopted by the Town Council. The 2019 fiscal year budget was adopted in November 2018. The comparison of the General Fund budget to the actual results is detailed in the budget to actual comparison schedule - general fund on page 39. The Town's actual results as compared to the Town's budget can be briefly summarized as follows:

- ❖ Actual revenues were more than budget by 13.3% (\$723,000). A significant portion of the variance is related to unbudgeted revenue received from the Pike Road Board of Education related to the funding agreements.
- ❖ Actual expenditures were less than budget by 0.6% (\$19,000). There were no significant variances related to actual expenditures compared to the budget.

**Capital Assets and Debt Administration**

**Capital Assets** - The Town's investment in capital assets at the end of the 2019 fiscal year amounted to \$83.3 million, net of accumulated depreciation. The Town's investment in capital assets, which includes land, land improvements, buildings and improvements, equipment, furniture, and infrastructure at actual or estimated historical cost, and construction in progress, is shown in Table 4. Assets are presented net of accumulated depreciation.

**Table 4: Capital Assets (Net of Accumulated Depreciation)**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Land	\$ 10,772	\$ 10,772	\$ 447	\$ 447	\$ 11,219	\$ 11,219
Construction in progress	4,099	687			4,099	687
Buildings	33,125	34,253	2,599	2,725	35,724	36,978
Infrastructure	29,720	30,879			29,720	30,879
Land improvements	1,471	1,571			1,471	1,571
Leasehold improvements	368	400			368	400
Equipment and vehicles	556	573	39	10	595	583
Office equipment	27	35			27	35
Furniture	103	126			103	126
Total capital assets	<u>\$ 80,241</u>	<u>\$ 79,296</u>	<u>\$ 3,085</u>	<u>\$ 3,182</u>	<u>\$ 83,326</u>	<u>\$ 82,478</u>

**Town of Pike Road, Alabama**  
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Additions to capital assets during the 2019 fiscal year included the following (in thousands):

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Construction in progress	\$ 3,412	
Buildings	18	
Equipment	41	\$ 27
Total capital asset additions	<u>\$ 3,471</u>	<u>\$ 27</u>

Additional information on the Town's capital assets can be found in Note 3 to the financial statements.

**Long-Term Debt** - At the 2019 fiscal year end, the Town had \$51.8 million outstanding in general obligation warrants, school revenue warrants, warrants from direct placements, and related debt issuance discounts and premium. This is a decrease of 1.9% in debt from last year, as shown in Table 5 below.

**Table 5: Outstanding Debt**  
**(in thousands)**

	<b>As of September 30, 2019</b>		
	<b>Beginning Balance</b>	<b>Net Change</b>	<b>Ending Balance</b>
Governmental activities			
General obligation warrants	\$ 28,175	\$ (245)	\$ 27,930
School revenue warrants	20,635	(480)	20,155
Debt issuance discounts	(23)	1	(22)
Debt issuance premiums	1,154	(44)	1,110
Warrant from direct placement	149	(74)	75
Total governmental activities	<u>50,090</u>	<u>(842)</u>	<u>49,248</u>
Business-type activities			
General obligation warrants	2,725	(180)	2,545
Debt issuance discounts	(15)	2	(13)
Total business-type activities	<u>2,710</u>	<u>(178)</u>	<u>2,532</u>
Total outstanding debt	<u>\$ 52,800</u>	<u>\$ (1,020)</u>	<u>\$ 51,780</u>

Long-term debt activity for the current year consisted of the following:

- ❖ The Town reduced its general obligation warrants by \$245,000 and its school revenue warrants by \$480,000. The warrant from direct placement decreased by \$74,000.

Additional information on the Town's long-term debt can be found in Note 5 to the financial statements.

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**Economic Factors and Next Year's Budget**

In recent years, the growth in population of the Town has averaged over 10% per year. The addition of Georgia Washington School and improvements to all three of the Pike Road school facilities have been significant factors in this increase in population and residential interest in Pike Road. The Town issued 188 residential building permits during the fiscal year. The high demand for residential properties is generating an increase in interest from commercial and retail developers, as evidenced by the issuance of 635 contractor licenses during the year. The Town anticipates the addition of various retail businesses in coming years. Construction of a \$1.8 million agriculture, recreation, and performing arts complex has begun. Each area of new growth represents a future positive impact on the Town's economy and its ability to serve its citizens.

**Ad Valorem Tax** - The Town's ad valorem tax is based on an annual reassessment of property values. Effective with the October 1, 2012 property assessment, the Town began collecting an additional 16 mill ad valorem tax. The Town has directed this increase to education purposes. For 2019, the education related property taxes generated \$2.5 million, an increase of 7% from the prior year.

Effective with the October 1, 2017 property assessment, the Town began collecting an additional 5 mill ad valorem tax. By State law, the Town has directed this levy to fire protection and emergency medical services. Contributions by the Town to the three area volunteer fire departments totaled over \$650,000 for the year.

**Education Support** - The Town has committed to provide support to the Pike Road school system through the dedication of the 16 mill ad valorem tax, as noted above. Currently, the Town is supporting the Pike Road School System through a capital improvement program. During the fiscal year 2019, the Town spent \$3.2 million on school improvement upgrades. At Georgia Washington, renovations are in progress which will double student capacity in the future. Also, mechanical, electrical, lighting, and safety systems are being upgraded, along with new football, baseball, and softball fields and gymnasium improvements at Georgia Washington. Additional classrooms are under construction at Pike Road Historic School. Included in the 2020 operating budget is \$60,000 for School Resource Officers and \$300,000 for general support.

The ongoing, education-directed ad valorem taxes (mentioned above) are providing revenue to significantly cover the levels of annual debt service required for the education-related bonds.

**Contacting the Town's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Lisa Burke, City Clerk/Treasurer, at the Town of Pike Road, 9575 Vaughn Road, P. O. Box 640339, Pike Road, Alabama 36064, or by calling (334) 272-9883 during regular office hours, Monday through Friday, from 8:00 a.m. to 5:00 p.m., Central Standard Time.

## **Basic Financial Statements**



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**Town of Pike Road, Alabama**  
**Statement of Net Position**  
**September 30, 2019**

	<b>Governmental</b>	<b>Business-Type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Assets</b>			
Cash and cash equivalents	\$ 9,274,491	\$ 38,336	\$ 9,312,827
Taxes receivable	463,215		463,215
Prepaid expenses	18,632	4,939	23,571
Restricted cash - tenant deposits		10,651	10,651
Cash held by fiscal agent - debt service	30,036		30,036
Cash held by fiscal agent - capital improvements	9,412,634		9,412,634
Funding agreements receivable	9,738,083		9,738,083
Capital assets not being depreciated	14,871,498	446,500	15,317,998
Capital assets, net of accumulated depreciation	65,369,415	2,638,711	68,008,126
Total assets	<u>109,178,004</u>	<u>3,139,137</u>	<u>112,317,141</u>
<b>Deferred Outflows of Resources</b>			
Pension related items	<u>125,815</u>		<u>125,815</u>
<b>Liabilities</b>			
Accounts payable and accrued expenses	361,193	3,513	364,706
Accrued interest payable	257,625	5,982	263,607
Portion due or payable in one year			
Warrants payable	755,000	185,000	940,000
Warrant from direct placement	74,833		74,833
Portion due or payable after one year			
Warrants payable	48,418,826	2,346,812	50,765,638
Compensated absences	41,700		41,700
Net pension liability	120,949		120,949
Tenant deposits		10,651	10,651
Total liabilities	<u>50,030,126</u>	<u>2,551,958</u>	<u>52,582,084</u>
<b>Deferred Inflows of Resources</b>			
Pension related items	<u>12,450</u>		<u>12,450</u>
<b>Net Position</b>			
Investment in capital assets, net	41,781,417	553,399	42,334,816
Restricted			
Education	2,180,379		2,180,379
Capital improvements	480,039		480,039
Highways and streets	324,986		324,986
Fire protection and emergency medical services	241,477		241,477
Unrestricted	14,252,945	33,780	14,286,725
Total net position	<u>\$ 59,261,243</u>	<u>\$ 587,179</u>	<u>\$ 59,848,422</u>

The accompanying notes are an integral part of these financial statements.

Town of Pike Road, Alabama  
Statement of Activities  
For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 1,503,945	\$ 387,683			\$ (1,116,262)		\$ (1,116,262)
Public works	1,717,811			\$ 133,677	(1,584,134)		(1,584,134)
Public safety	874,986				(874,986)		(874,986)
Economic development	247,668				(247,668)		(247,668)
Community related	385,140				(385,140)		(385,140)
Education	1,537,997				(1,537,997)		(1,537,997)
Interest and fiscal charges	1,925,456				(1,925,456)		(1,925,456)
Total governmental activities	<u>8,193,003</u>	<u>387,683</u>		<u>133,677</u>	<u>(7,671,643)</u>		<u>(7,671,643)</u>
<b>Business-Type Activities</b>							
Pike Road Station	277,716	386,625				\$ 108,909	108,909
Total business-type activities	<u>\$8,470,719</u>	<u>\$ 774,308</u>	<u>\$ -</u>	<u>\$ 133,677</u>	<u>(7,671,643)</u>	<u>108,909</u>	<u>(7,562,734)</u>
<b>General Revenues</b>							
Sales and use taxes					1,191,951		1,191,951
Real and personal property taxes					4,127,607		4,127,607
Franchise taxes					608,311		608,311
Motor vehicle taxes					281,377		281,377
Business licenses					166,628		166,628
Alcoholic beverage taxes					31,043		31,043
Tobacco taxes					28,715		28,715
Lodging taxes					23,748		23,748
Rental taxes					69,857		69,857
Unrestricted shared revenue - sales taxes					1,399,701		1,399,701
Interest income					265,974	21	265,995
Miscellaneous revenue					57,328		57,328
Total general revenues					<u>8,252,240</u>	<u>21</u>	<u>8,252,261</u>
<b>Change in Net Position</b>					580,597	108,930	689,527
<b>Net Position - Beginning</b>					58,680,646	478,249	59,158,895
<b>Net Position - Ending</b>					<u>\$ 59,261,243</u>	<u>\$ 587,179</u>	<u>\$ 59,848,422</u>

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Education Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,769,580	\$ 1,274,669	\$ 2,146,619	\$ 1,083,623	\$ 9,274,491
Taxes receivable	411,886		33,760	17,569	463,215
Prepaid expenses	18,632				18,632
Cash held by fiscal agent - debt service	29,167		869		30,036
Cash held by fiscal agent - capital improvements		9,412,634			9,412,634
Funding agreements receivable	9,738,083				9,738,083
Total assets	<u>\$ 14,967,348</u>	<u>\$ 10,687,303</u>	<u>\$ 2,181,248</u>	<u>\$ 1,101,192</u>	<u>\$ 28,937,091</u>
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 196,250	\$ 110,253		\$ 54,690	\$ 361,193
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	9,738,083				9,738,083
<b>Fund Balances</b>					
Nonspendable					
Prepaid expenses	18,632				18,632
Restricted					
Education		9,302,381	\$ 2,180,379		11,482,760
Capital improvements				480,039	480,039
Highways and streets				324,986	324,986
Fire protection and emergency medical services				241,477	241,477
Debt service	29,167		869		30,036
Assigned					
Road maintenance	506,386				506,386
Other capital projects		1,274,669			1,274,669
Unassigned	4,478,830				4,478,830
Total fund balances	<u>5,033,015</u>	<u>10,577,050</u>	<u>2,181,248</u>	<u>1,046,502</u>	<u>18,837,815</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,967,348</u>	<u>\$ 10,687,303</u>	<u>\$ 2,181,248</u>	<u>\$ 1,101,192</u>	<u>\$ 28,937,091</u>

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position**  
**September 30, 2019**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds	\$ 18,837,815
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	80,240,913
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Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	9,738,083
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Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the governmental funds.

Pension related deferred outflows of resources	\$ 125,815	
Pension related deferred inflows of resources	(12,450)	
Total deferred outflows and inflows of resources		113,365

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	(257,625)	
General obligation warrants	(27,930,000)	
School revenue warrants	(20,155,000)	
Debt issuance discounts	21,603	
Debt issuance premiums	(1,110,429)	
Warrant from direct placement	(74,833)	
Compensated absences	(41,700)	
Net pension liability	(120,949)	
Total long-term liabilities		(49,668,933)
Net position of governmental activities		\$ 59,261,243

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Education Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 3,008,072		\$ 2,559,455	\$ 795,081	\$ 6,362,608
Licenses and permits	554,311				554,311
Intergovernmental revenues	1,737,732			133,677	1,871,409
Interest income	12,835	\$ 232,717	15,432	4,989	265,973
Miscellaneous income	57,328				57,328
Total revenues	<u>5,370,278</u>	<u>232,717</u>	<u>2,574,887</u>	<u>933,747</u>	<u>9,111,629</u>
<b>Expenditures</b>					
Current					
General government	1,227,652		188,034	43,193	1,458,879
Public works	382,634			50,000	432,634
Public safety	89,779			785,207	874,986
Economic development	244,489				244,489
Community related	378,811				378,811
Education	52,426		300,000		352,426
Capital outlay	11,298	3,419,003		41,072	3,471,373
Debt service					
Principal payments	89,167		710,000		799,167
Interest and fiscal charges	75,477	762,239	1,258,000		2,095,716
Total expenditures	<u>2,551,733</u>	<u>4,181,242</u>	<u>2,456,034</u>	<u>919,472</u>	<u>10,108,481</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>2,818,545</u>	<u>(3,948,525)</u>	<u>118,853</u>	<u>14,275</u>	<u>(996,852)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in		596,693	300,000		896,693
Transfers out	(896,693)				(896,693)
Total other financing sources (uses)	<u>(896,693)</u>	<u>596,693</u>	<u>300,000</u>		
<b>Net Change in Fund Balances</b>	1,921,852	(3,351,832)	418,853	14,275	(996,852)
<b>Fund Balances - Beginning</b>	3,111,163	13,928,882	1,762,395	1,032,227	19,834,667
<b>Fund Balances - Ending</b>	<u>\$ 5,033,015</u>	<u>\$ 10,577,050</u>	<u>\$ 2,181,248</u>	<u>\$ 1,046,502</u>	<u>\$ 18,837,815</u>

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statements of Activities**  
**For the Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds	\$ (996,852)
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the statement of net position.	3,471,373
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities.	(2,526,932)
Revenues are reported in the funds when there is an established claim to the resources and the resources are available to finance current expenditures. Revenues are reported in the statement of activities when there is an established claim with no availability criterion.	(338,030)
Repayment of long-term debt is reported as an expenditure in governmental funds, but as a reduction of long-term liabilities in the statement of net position. Also, governmental funds report the effects of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	841,149
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	\$ 170,260
Compensated absences	(15,000)
Change in net pension liability and related deferred amounts	<u>(25,371)</u>
	129,889
Change in net position of governmental activities	<u><u>\$ 580,597</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Statement of Net Position**  
**Proprietary Fund - Pike Road Station**  
**September 30, 2019**

**Assets**

Current assets	
Cash and cash equivalents	\$ 38,336
Prepaid items	4,939
Total current assets	<u>43,275</u>
Noncurrent assets	
Restricted cash - tenant deposits	10,651
Capital assets not being depreciated	446,500
Capital assets, net of accumulated depreciation	<u>2,638,711</u>
Total noncurrent assets	<u>3,095,862</u>
Total assets	<u>3,139,137</u>

**Liabilities**

Current liabilities	
Accounts payable	3,513
Accrued interest expense	5,982
Warrants payable	<u>185,000</u>
Total current liabilities	<u>194,495</u>
Noncurrent liabilities	
Warrants payable	2,346,812
Tenant deposits	<u>10,651</u>
Total noncurrent liabilities	<u>2,357,463</u>
Total liabilities	<u>2,551,958</u>

**Net Position**

Investment in capital assets, net	553,399
Unrestricted	<u>33,780</u>
Total net position	<u>\$ 587,179</u>

The accompanying notes are an integral part of these financial statements.



**Town of Pike Road, Alabama**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Fund - Pike Road Station**  
**For the Year Ended September 30, 2019**

**Operating Revenues**

Rent - commercial tenants	\$ 215,294
Common area maintenance fees - commercial tenants	57,331
Rent and common area maintenance fees - Town of Pike Road	<u>114,000</u>
Total operating revenues	<u>386,625</u>

**Operating Expenses**

Management fees	3,962
Contract labor	3,930
Insurance	5,712
Leasing fees	12,342
Professional fees	5,763
Repairs and maintenance	33,042
Utilities	12,961
Depreciation	<u>124,460</u>
Total operating expenses	<u>202,172</u>

<b>Operating Income</b>	<u>184,453</u>
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**Nonoperating Revenues (Expenses)**

Interest income	21
Interest expense	<u>(75,544)</u>
Total nonoperating revenues (expenses)	<u>(75,523)</u>

<b>Change in Net Position</b>	108,930
<b>Net Position - Beginning</b>	<u>478,249</u>
<b>Net Position - Ending</b>	<u><u>\$ 587,179</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Statement of Cash Flows**  
**Proprietary Fund - Pike Road Station**  
**For the Year Ended September 30, 2019**

**Cash Flows From (Used For) Operating Activities**

Receipts from tenants	\$ 386,625
Payments to suppliers	<u>(76,722)</u>
Net cash from operating activities	<u>309,903</u>

**Cash Flows From (Used For) Capital and Related Financing Activities**

Purchases of capital assets	(27,155)
Principal and interest payments on long-term debt	<u>(255,844)</u>
Net cash used for capital and related financing activities	<u>(282,999)</u>

**Cash Flows From (Used For) Investing Activities**

Interest received	<u>21</u>
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<b>Net Increase in Cash and Cash Equivalents</b>	26,925
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<b>Cash and Cash Equivalents - Beginning</b>	<u>22,062</u>
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<b>Cash and Cash Equivalents - Ending</b>	<u><u>\$ 48,987</u></u>
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**Reconciliation of Cash and Cash Equivalents**

Cash and cash equivalents	\$ 38,336
Restricted cash	<u>10,651</u>
Total cash and cash equivalents	<u><u>\$ 48,987</u></u>

**Reconciliation of Operating Income to Net Cash From Operating Activities**

Operating income	\$ 184,453
Adjustments to reconcile operating income to net cash from (used for) operating activities	
Depreciation expense	124,460
Amortization of debt issuance discount	1,961
Increase in prepaid expenses	(2,819)
Increase in accounts payable	<u>1,848</u>
Net cash from (used for) operating activities	<u><u>\$ 309,903</u></u>

The accompanying notes are an integral part of these financial statements.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 1 - Summary of Significant Accounting Policies**

Reporting entity - The Town of Pike Road, Alabama (the Town) is incorporated in Montgomery County. The Town operates under a Mayor-Council form of government.

Related organization - The Town is also responsible for appointing the Board of Education of Pike Road Schools (the Board). However, the Town has no control or influence in the presentation or adoption of the Board's annual operating budget; the Town is not responsible for any budget deficits incurred by the Board; and the Board has the authority to issue debt which are neither secured by the Town's revenues or obligations of the Town. Accordingly, the financial statements of the Board are not presented in the accompanying financial statements because the Town is not considered to be financially accountable for the Board.

Government-wide and fund financial statements - The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

Measurement focus, basis of accounting, and financial statement presentation

*Government-wide financial statements* - The government-wide financial 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 when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

*Governmental fund financial statements* - 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 60 days after year end. Sales taxes, gasoline taxes, grants, donations, and interest revenue are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

*Proprietary fund financial statements* - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sale and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major governmental funds:

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

*Capital Projects Fund* - This fund accounts for the construction of various capital projects, including the Town's new school facilities.

*Education Fund* - This fund accounts for certain ad valorem tax funds which have been restricted by voter referendum and Town ordinance for education purposes including the servicing of the School Revenue Warrants, Series 2013; School Revenue Warrants, Series 2015; General Obligation Warrants, Series 2017-A; and General Obligation Warrants (Federally Taxable), Series 2017-B.

The Town reports the following major proprietary fund:

*Pike Road Station* - This fund accounts for the operation and maintenance of the Pike Road Station, a commercial real estate rental facility.

Cash and cash equivalents - Cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due to/from other funds (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Town property taxes are levied by the 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 delinquent after December 31. In accordance with the nonexchange transactions provision of GASB Statement No. 33, a receivable for taxes is recorded when an enforceable legal claim has arisen or when resources are received, whichever is first. That date for the Town is October 1, 2018.

Restricted assets - Unspent warrant proceeds are restricted for costs related to the equipment for, and construction of, public school facilities. These proceeds are classified as cash held by fiscal agent for capital improvements in the financial statements. In addition, amounts reported as cash held by fiscal agent for debt service consist of required deposits to be used for future debt service on warrants. Tenant deposits are classified as restricted cash in the financial statements.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

Capital assets - Capital assets, which include property, land, construction in progress, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20 - 40 years
Infrastructure	20 - 30 years
Land improvements	20 years
Leasehold improvements	20 years
Equipment	5 - 10 years
Office equipment	5 - 10 years
Furniture	5 - 10 years

Deferred outflows of resources - Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section of the government-wide statement of net position and/or governmental funds balance sheet. The Town has one item that qualifies for reporting in this category and it is related to the Town's pension plan. See Note 8.

Deferred inflows of resources - Increases in net position that relate to future periods are reported as deferred inflows of resources in a separate section of the government-wide statement of net position and/or governmental funds balance sheet. The Town has one item that qualifies for reporting in this category and it is related to the Town's pension plan. See Note 8.

Fund balance - In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies government fund balances as follows:

*Nonspendable* - includes fund balance amounts that cannot be spent either because it is not in spendable form, or for legal or contractual requirements. This would include inventories, deposits, and prepaid items.

*Restricted* - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* - includes fund balance amounts that can be used only for the specific purposes that are internally established by formal action of the government's highest level of decision-making authority. Commitments may be modified or rescinded by the government taking the same formal action that imposed the constraint initially. Committed balances are only created by formal action of the Town Council by passage of an ordinance, which is the action that constitutes the most binding constraint.

*Assigned* - includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. The Town Council, Mayor, or the Town Clerk is authorized to assign amounts to a specific purpose. The authorization, which is established by the Town Council, is pursuant to the policy of Town Council to delegate such authority.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

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

*Unassigned* - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Town considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Town considers committed, then assigned amounts to have been spent when an expenditure is incurred for purposes for which amounts of unrestricted fund balance is available.

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 Financial Report.

Use of estimates - The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary information - Each year formal budgets are legally adopted and amended as required by the Town Council for the General Fund and Education Fund. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the Town Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

The budget for the General Fund is adopted on a modified accrual basis which differs from accounting principles generally accepted in the United States of America (GAAP) insofar as the adopted budget for the General Fund included certain Fire Protection Fund activity. Reconciliation of revenues and expenditures reported in accordance with GAAP and those presented in accordance with non GAAP budgeted basis is shown in the budgetary comparison schedule.

Excess of expenditures over appropriations - For the year ended September 30, 2019, four General Fund functional expenditure categories (the legal level of budgetary control) exceeded appropriations. The Town exceeded budgeted appropriations for public safety expenditures by 8.8% (\$61,068) due to an additional, unbudgeted volunteer fire department contribution. The Town exceeded budgeted appropriations for principal payment expenditures by 21.3% (\$15,667) due to underbudgeted payments made on the Series 2018-B General Obligation Warrants. The Town did not budget for appropriations of \$11,298 of capital outlay used to purchase a maintenance shed or \$75,477 of interest and fiscal charges related to the Town's required debt service payments.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

For the year ended September 30, 2019, three Education Fund functional expenditure categories (the legal level of budgetary control) exceeded appropriations. The Town exceeded budgetary appropriations for general government expenditures by 20.5% (\$32,034) due to underbudgeted tax collection fees and insurance premiums. The Town did not budget appropriations for principal payments and interest and fiscal charges. The Town spent \$710,000 and \$1,258,000 on scheduled principal and interest payments, respectively, for the Series 2013 and 2015 General Obligation School Revenue Warrants and the Series 2017-A and 2018-B General Obligation Warrants.

**Note 2 - Credit Risk**

Deposits - *Custodial credit risk* - The Town's investment policy requires that bank deposits be fully insured by the Federal Deposit Insurance Corporation or be covered under the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 3 - Capital Assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 10,772,391			\$ 10,772,391
Construction in progress	686,887	\$ 3,412,220		4,099,107
Total capital assets, not being depreciated	11,459,278	3,412,220		14,871,498
Capital assets, being depreciated				
Buildings	36,483,302	18,081		36,501,383
Infrastructure	34,715,106			34,715,106
Land improvements	2,007,106			2,007,106
Leasehold improvements	647,053			647,053
Equipment	735,103	41,072		776,175
Office equipment	87,812			87,812
Furniture	242,379			242,379
Total capital assets, being depreciated	74,917,861	59,153		74,977,014
Less accumulated depreciation				
Buildings	2,230,581	1,145,851		3,376,432
Infrastructure	3,836,277	1,158,706		4,994,983
Land improvements	435,630	100,355		535,985
Leasehold improvements	246,638	32,353		278,991
Equipment	162,162	58,477		220,639
Office equipment	52,849	8,197		61,046
Furniture	116,530	22,993		139,523
Total accumulated depreciation	7,080,667	2,526,932		9,607,599
Total capital assets, being depreciated, net	67,837,194	(2,467,779)		65,369,415
Governmental activities capital assets, net	<u>\$ 79,296,472</u>	<u>\$ 944,441</u>	<u>\$ -</u>	<u>\$ 80,240,913</u>



**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-Type Activities</b>				
Capital assets, not being depreciated				
Land	\$ 446,500			\$ 446,500
Capital assets, being depreciated				
Buildings and improvements	3,717,032			3,717,032
Equipment	190,850	\$ 27,155		218,005
Total capital assets, being depreciated	3,907,882	27,155		3,935,037
Less accumulated depreciation				
Buildings and improvements	1,004,688	113,572		1,118,260
Equipment	167,178	10,888		178,066
Total accumulated depreciation	1,171,866	124,460		1,296,326
Total capital assets, being depreciated, net	2,736,016	(97,305)		2,638,711
Business-type activities capital assets, net	<u>\$ 3,182,516</u>	<u>\$ (97,305)</u>	<u>\$ -</u>	<u>\$ 3,085,211</u>

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

**Governmental Activities**

General government	\$ 54,599
Public works	1,284,765
Community related	1,997
Education	1,185,571
Total depreciation expense - governmental activities	<u>\$ 2,526,932</u>

**Business-Type Activities**

Pike Road Station	<u>\$ 124,460</u>
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**Note 4 - Interfund Balances**

The following is a schedule of interfund transfers for the year ended September 30, 2019:

	<u>Transfer In</u>		
<u>Transfer Out</u>	<u>Capital Projects Fund</u>	<u>Education Fund</u>	<u>Total</u>
General Fund	<u>\$ 596,693</u>	<u>\$ 300,000</u>	<u>\$ 896,693</u>

Transfers are generally used to move unrestricted revenues to fund construction activities and to help finance education related projects.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 5 - Long-Term Debt**

Long-term liabilities activity for the year ended September 30, 2019 was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balances</b>	<b>Due Within One Year</b>
<b>Governmental Activities</b>					
General obligation warrants	\$ 28,175,000		\$ 245,000	\$ 27,930,000	\$ 265,000
School revenue warrants	20,635,000		480,000	20,155,000	490,000
Deferred amounts					
Debt issuance discounts	(22,707)		(1,104)	(21,603)	
Debt issuance premiums	1,153,515		43,086	1,110,429	
Total warrants payable	<u>49,940,808</u>		<u>766,982</u>	<u>49,173,826</u>	<u>755,000</u>
Warrant from direct placement	149,000		74,167	74,833	74,833
Compensated absences	26,700	\$ 15,000		41,700	
Net pension liability	<u>122,455</u>	<u>80,881</u>	<u>82,387</u>	<u>120,949</u>	
Governmental activities long-term liabilities	<u>50,238,963</u>	<u>95,881</u>	<u>923,536</u>	<u>49,411,308</u>	<u>829,833</u>
<b>Business-Type Activities</b>					
General obligation warrants	2,725,000		180,000	2,545,000	185,000
Deferred amounts					
Debt issuance discounts	<u>(15,149)</u>		<u>(1,961)</u>	<u>(13,188)</u>	
Total warrants payable	<u>2,709,851</u>		<u>178,039</u>	<u>2,531,812</u>	<u>185,000</u>
Tenant deposits	<u>10,651</u>			<u>10,651</u>	
Business-type activities long-term liabilities	<u>2,720,502</u>		<u>178,039</u>	<u>2,529,275</u>	<u>185,000</u>
Total long-term liabilities	<u>\$ 52,959,465</u>	<u>\$ 95,881</u>	<u>\$ 1,101,575</u>	<u>\$ 51,940,583</u>	<u>\$ 1,014,833</u>

Warrants payable - Warrants payable at September 30, 2019 consisted of the following:

**Governmental Activities**

School Revenue Warrants, Series 2013; principal amount \$16,700,000; interest rates range from 2.0% to 5.0%; graduated principal payments are due annually on September 1; interest is due semiannually on March 1 and September 1; final maturity date is September 1, 2043. Proceeds were used to fund costs related to the equipment for, and construction of, public school facilities. The warrants are secured by a pledge of the 16 mill ad valorem tax.

\$ 14,745,000

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 5 - Long-Term Debt (continued)**

School Revenue Warrants, Series 2015; principal amount \$5,925,000; interest varies by maturity; graduated principal payments are due annually on September 1; interest is due semiannually on March 1 and September 1; final maturity date is September 1, 2045. Proceeds were used to fund costs related to the equipment for, and construction of, public school facilities. The warrants are secured by a pledge of the 16 mill ad valorem tax.

\$ 5,410,000

General Obligation Warrants, Series 2017-A; principal amount \$9,570,000; interest rates range from 3.375% to 4.0%; graduated principal payments are due annually on June 1 beginning in 2025; interest is due semiannually on December 1 and June 1; final maturity date is June 1, 2047. Proceeds were used to fund costs related to the equipment for, and construction of, public school facilities.

9,570,000

General Obligation Warrants (Federally Taxable), Series 2017-B; principal amount \$1,455,000; interest rates range from 2.0% to 2.65%; graduated principal payments are due annually on June 1; interest is due semiannually on December 1 and June 1; final maturity date is June 1, 2024. Proceeds were used to fund costs related to the equipment for, and construction of, public school facilities.

1,225,000

General Obligation Warrants, Series 2018-A; principal amount \$15,700,000; interest rates range from 3.25% to 5.0%; graduated principal payments are due annually on September 1 beginning in 2029; interest is due semiannually on March 1 and September 1; final maturity date is September 1, 2048. Proceeds were used to fund costs related to the equipment for, and construction of, public school facilities.

15,700,000

General Obligation Warrants (Federally Taxable), Series 2018-B; principal amount \$1,450,000; interest rates range from 3.0% to 4.25%; graduated principal payments are due annually on September 1; interest is due semiannually on March 1 and September 1; final maturity date is September 1, 2048. Proceeds were used to finance an amount due to the State Board of Education on behalf of the Board of Education of Pike Road Schools.

1,435,000

Total governmental activities

48,085,000

**Business-Type Activities**

General Obligation Refunding Warrants, Series 2015; principal amount \$3,240,000; interest rates range from 2.0% to 3.35%; graduated principal payments are due annually on March 1; interest is due semiannually on September 1 and March 1; final maturity date is March 1, 2031. Proceeds were used for the refunding of a note payable.

2,545,000

Total warrants payable

\$ 50,630,000

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 5 - Long-Term Debt (continued)**

General obligation warrants constitute general obligations of the Town for the payments of which the full faith and credit of the Town are irrevocably pledged. School revenue warrants are irrevocably pledged by the 16 mill ad valorem education tax and, to the extent that the 16 mills is not sufficient to make annual debt service payments, by the Funding Agreement with the Pike Road Board of Education, who pledged their 3.5 mill County ad valorem tax and 6.5 mill special ad valorem school property tax. Debt service requirements to maturity for warrants outstanding at September 30, 2019 were as follows:

<b>Year Ending September 30</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 755,000	\$ 1,906,634	\$ 2,661,634	\$ 185,000	\$ 69,932	\$ 254,932
2021	785,000	1,880,939	2,665,939	185,000	66,047	251,047
2022	805,000	1,855,129	2,660,129	190,000	61,780	251,780
2023	825,000	1,830,044	2,655,044	200,000	57,047	257,047
2024	855,000	1,803,944	2,658,944	200,000	51,948	251,948
2025 - 2029	5,335,000	8,481,156	13,816,156	1,095,000	169,104	1,264,104
2030 - 2034	8,945,000	6,962,481	15,907,481	490,000	16,523	506,523
2035 - 2039	10,915,000	4,986,767	15,901,767			
2040 - 2044	12,345,000	2,550,676	14,895,676			
2045 - 2048	6,520,000	546,113	7,066,113			
Totals	<u>\$ 48,085,000</u>	<u>\$ 32,803,883</u>	<u>\$ 80,888,883</u>	<u>\$ 2,545,000</u>	<u>\$ 492,381</u>	<u>\$ 3,037,381</u>

Each of the Town's outstanding warrants contain a provision that in the event of default, the Town is subject to suit.

Warrants from direct placements - Warrants from direct placements at September 30, 2019 consisted of the following:

**Governmental Activities**

General Obligation Warrant, Series 2010-A with Alabama Municipal Funding Corporation; principal amount \$660,000; interest rate of 2.0%; graduated principal and interest payments are due monthly; final maturity date is April 20, 2020. Proceeds were used for the acquisition and improvement of capital facilities.

\$ 74,833

Warrants from direct placements constitute general obligations of the Town for the payments of which the full faith and credit of the Town are irrevocably pledged. Debt service requirements to maturity for warrants from direct placements outstanding at September 30, 2019 were as follows:

<b>Year Ending September 30</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	<u>\$ 74,833</u>	<u>\$ 809</u>	<u>\$ 75,642</u>

Covenants and limitations - State statute limits the amount of long-term debt the Town can incur. The amount of debt applicable to this limit during a year can be no greater than 20% of the assessed value of taxable property as of the beginning of the fiscal year. As of September 30, 2019, the amount of outstanding debt applicable to this limit was equal to 7.90% of property assessments as of October 1, 2018.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

Other liabilities - governmental activities - For the governmental activities, compensated absences and net pension liability are generally liquidated by the General Fund.

**Note 6 - Funding Agreements**

The Town and the Pike Road Board of Education entered into two funding agreements simultaneously with the Town's issuance of the 2018-A and 2018-B General Obligation warrants. The Series 2018-A Funding Agreement provides that the Board shall pay to the Town on each May 1, beginning in 2019, an annual payment of \$250,000 as long as the warrant and any related refunding warrants are outstanding. Based on 30-year repayment schedule, a long-term receivable of \$7,500,000 was recognized in 2018. The balance at September 30, 2019 was \$7,250,000.

The Series 2018-B Funding Agreement provides that the Board shall pay to the Town on each October 1, beginning in 2018, an annual payment in the amount of the principal and interest due on the Series 2018-B warrants for as long as the warrant and any related refunding warrants are outstanding. The total amount to be received from the Board to service the 2018-B General Obligation warrant of \$2,576,113 was recognized as a long-term receivable in 2018. The balance at September 30, 2019 was \$2,488,083.

**Note 7 - Operating Leases**

Pike Road Station is the lessor of real estate under operating leases expiring in various years through 2026. Following is a summary of property held for lease as of September 30, 2019:

Pike Road Station	\$ 4,381,537
Less accumulated depreciation	<u>1,296,326</u>
Total	<u><u>\$ 3,085,211</u></u>

The future minimum rentals on noncancelable operating leases as of September 30, 2019 are:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 261,356
2021	211,725
2022	120,921
2023	90,526
2024	77,696
Thereafter	<u>69,781</u>
Total	<u><u>\$ 832,005</u></u>

The Town rents space from Pike Road Station at a cost of \$114,000 annually, which includes common area maintenance fees, and is paid from the General Fund. In addition, the Town is funding space provided to the Montgomery County Sheriff's department in Pike Road Station at a cost of \$9,600 annually and paid from the General Fund.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 8 - Pension Plan**

Plan description - 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 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

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

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 8 - Pension Plan (continued)**

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.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 90,999 participants and the Town's membership includes 13 participants. As of September 30, 2018, membership consisted of:

	<u>ERS</u>	<u>Town</u>
Retirees and beneficiaries currently receiving benefits	24,818	1
Terminated employees entitled to but not yet receiving benefits	1,426	
Terminated employees not entitled to a benefit	7,854	3
Active members	56,760	9
Post-DROP retired members still in active service	141	
Totals	<u>90,999</u>	<u>13</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 7.5% 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 8.5% 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 preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2019, the Town's active employee contribution rate was 6.73% of covered employee payroll, and the Town's average contribution rate to fund the normal and accrued liability costs was 2.68% of pensionable payroll.

The Town's contractually required contribution rate for the year ended September 30, 2019 was 2.97% of pensionable pay for Tier 1 employees, and 2.40% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2016, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Town were \$12,654 for the year ended September 30, 2019.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 8 - Pension Plan (continued)**

Net pension liability - The Town's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following table:

	<u>Expected</u>	<u>Actual 2017 Valuation Assumptions</u>	<u>Actual 2018 Valuation Assumptions</u>
Total pension liability as of September 30, 2017 (a)	\$ 451,381	\$ 443,224	\$ 446,477
Discount rate (b)	7.75%	7.75%	7.70%
Entry age normal cost for the period October 1, 2017 - September 30, 2018 (c)	42,658	42,658	43,046
Transfers among employers (d)			
Actual benefit payments and refunds for the period October 1, 2017 - September 30, 2018 (e)	(11,122)	(11,122)	(11,122)
Total pension liability as of September 30, 2018 [(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$ 517,468	\$ 508,679	\$ 512,351
Difference between expected and actual (f)		(8,789)	
Less liability transferred for immediate recognition (g)		(8,789)	
Experience (gain)/loss = (f) - (g)			
Difference between actual 2017 assumptions and actual 2018 assumptions			3,672

Actuarial assumptions - The total pension liability as of September 30, 2018 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Projected salary increases	3.25% - 5.00%
Investment rate of return *	7.70%

\* Net of pension plan investment expense, including inflation

Mortality rates were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females ages 78 and older. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2016 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, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.



**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 8 - Pension Plan (continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return *</b>
Fixed income	17.0%	4.4%
U.S. large stocks	32.0%	8.0%
U.S. mid stocks	9.0%	10.0%
U.S. small stocks	4.0%	11.0%
International developed market stocks	12.0%	9.5%
International emerging market stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real estate	10.0%	7.5%
Cash equivalents	3.0%	1.5%
Totals	<u>100.0%</u>	

\* Includes assumed rate of inflation at 2.75%

Discount rate - The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 8 - Pension Plan (continued)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance at September 30, 2017	\$ 451,381	\$ 328,926	\$ 122,455
Changes for the year			
Service cost	42,658		42,658
Interest	34,551		34,551
Changes of assumptions	3,672		3,672
Difference between expected and actual experience	(8,789)		(8,789)
Contributions - employer		11,585	(11,585)
Contributions - employee		30,155	(30,155)
Net investment income		31,858	(31,858)
Benefit payments, including refunds of employee contributions	(11,122)	(11,122)	
Net changes	60,970	62,476	(1,506)
Balance at September 30, 2018	<u>\$ 512,351</u>	<u>\$ 391,402</u>	<u>\$ 120,949</u>

Sensitivity of the net pension liability to changes in the discount rate - The following table presents the Town's net pension liability calculated using the discount rate of 7.70%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	<b>1.00% Decrease (6.70%)</b>	<b>Current Discount Rate (7.70%)</b>	<b>1.00% Increase (8.70%)</b>
Town's net pension liability	\$ 206,860	\$ 120,949	\$ 50,944

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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated September 17, 2019 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

Pension expense and deferred outflows and inflow of resources related to pensions - For the year ended September 30, 2019, the Town recognized pension expense of \$38,025. At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 66,663	
Changes of assumptions	46,498	
Net difference between projected and actual earnings on pension plan investments		\$ 12,450
Employer contributions subsequent to the measurement date	12,654	
Totals	<u>\$ 125,815</u>	<u>\$ 12,450</u>

The \$12,654 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending September 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2020	\$ 17,225
2021	14,652
2022	15,716
2023	18,633
2024	19,673
Thereafter	14,812

**Note 9 - Risk Management**

The Town is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries to employees, and natural disasters. The Town has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Settlements have not exceeded coverage for each of the past three fiscal years.

**Note 10 - Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. It is the opinion of the Town that such disallowances, if any, would be immaterial.

Incentive payable - The Town has committed to pay certain incentive payments of \$75,000 per year through fiscal year 2020, \$50,000 in fiscal year 2021, and \$25,000 in fiscal year 2022. The remaining balance of \$150,000 in incentive payments is contingent on the underlying businesses generating a certain minimum amount of annual sales tax receipts and is not included in payables at September 30, 2019.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

**Note 11 - Commitments**

As of September 30, 2019, commitments to contractors on capital projects were as follows:

Commitments	\$ 9,515,860
Spent to date	<u>2,668,476</u>
Remaining commitments	<u><u>\$ 6,847,384</u></u>

**Note 12 - Economic Development Incentive Obligations - Tax Abatements**

The Town enters into economic development incentive agreements with entities that propose to locate businesses within the Town, or expand businesses within the Town, which are expected to provide stimulus to the Town's economy. These agreements provide for full or partial abatement of sales, use, and/or property taxes, as well as other financial commitments. Property taxes are abated through reductions of assessed values. Sales and use taxes are abated either through exemptions granted on purchases for specific construction or equipment purchase purposes or through tax rebate arrangements. The agreements have limited terms of duration and/or maximum abatement thresholds.

As a result of these agreements, the Town expects to receive economic benefits including, but not limited to, increase revenue, job creation, and job retention. These incentive agreements require approval by the Mayor and Town Council and are pursuant to Chapter 54A of Title 11 of the Code of Alabama 1975, as amended and Chapter 9B of Title 40 of the Code of Alabama 1975, as amended.

The Town does not collect property taxes. The Revenue Commissioner of Montgomery County is responsible for such collections for the Town. Property tax abated during the year ended September 30, 2019 totaled \$19,632.

In the case of sales and use tax abatements on construction materials, the taxes abated are not received by the Town, nor is there currently a reporting mechanism for the Town to receive such information. The State Department of Revenue provides a Purchasing Agent appointment letter to subject entities so that they can purchase material tax exempt. The Town will take action to require this reporting in all future abatement agreements.

**Note 13 - Effect of New Pronouncements**

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

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all states and local governments and clarifies whether and how business-type activities should report their fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lease is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after December 15, 2019 and all reporting periods thereafter.

**Town of Pike Road, Alabama**  
**Notes to Financial Statements**  
**September 30, 2019**

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, seeks to enhance the relevance and comparability of information while also simplifying the accounting for interest cost incurred. It establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**Note 14 - Subsequent Events**

The Town has evaluated subsequent events through March 6, 2020 which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of September 30, 2019 have been incorporated into these financial statements.

#### **Required Supplementary Information**

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**Town of Pike Road, Alabama**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended September 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Budget - Positive (Negative)</b>
<b>Revenues</b>				
Sales and use taxes	\$ 2,417,400	\$ 2,417,400	\$ 1,191,951	\$ (1,225,449)
Real and personal property taxes	1,369,864	1,369,864	1,568,151	198,287
Franchise taxes	614,300	614,300	608,311	(5,989)
Motor vehicle taxes	183,600	183,600	281,377	97,777
Alcoholic beverage taxes	34,200	34,200	31,043	(3,157)
Tobacco taxes	28,000	28,000	28,715	715
Lodging taxes	18,600	18,600	23,748	5,148
Rental taxes	68,900	68,900	69,857	957
Business licenses and permits	276,600	276,600	272,249	(4,351)
Building permits	227,800	227,800	282,062	54,262
Unrestricted shared revenue - sales taxes			1,399,701	1,399,701
Intergovernmental revenues			338,031	338,031
Grants	147,000	147,000		(147,000)
Interest income	10,000	10,000	12,835	2,835
Miscellaneous income	45,900	45,900	57,328	11,428
Total revenues	<u>5,442,164</u>	<u>5,442,164</u>	<u>6,165,359</u>	<u>723,195</u>
<b>Expenditures</b>				
Current				
General government	1,369,060	1,369,060	1,270,845	98,215
Public works	383,872	383,872	382,634	1,238
Public safety	697,824	697,824	758,892	(61,068)
Economic development	287,907	287,907	244,489	43,418
Community related	388,809	388,809	378,811	9,998
Education	81,900	81,900	52,426	29,474
Capital outlay			11,298	(11,298)
Debt service				
Principal payments	73,500	73,500	89,167	(15,667)
Interest and fiscal charges			75,477	(75,477)
Total expenditures	<u>3,282,872</u>	<u>3,282,872</u>	<u>3,264,039</u>	<u>18,833</u>
Excess of revenues over expenditures	2,159,292	2,159,292	2,901,320	742,028
<b>Other Financing Uses</b>				
Transfers out	(1,409,639)	(1,409,639)	(896,693)	512,946
Net change in fund balance, budgetary basis	<u>\$ 749,653</u>	<u>\$ 749,653</u>	2,004,627	<u>\$ 1,254,974</u>
<b>Reconciling Items to Adjust from Budgetary Basis to Modified Accrual Basis</b>				
Actual amounts presented in the Fire Protection				
Fund but budgeted in the General Fund				
Real and personal property taxes			(795,081)	
Tax collection fees			43,193	
Volunteer fire department contributions			669,113	
Total reconciling items			(82,775)	
Net Change in Fund Balance, Modified Accrual Basis			1,921,852	
Fund Balance - Beginning			3,111,163	
Fund Balance - Ending			<u>\$ 5,033,015</u>	



**Town of Pike Road, Alabama**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Education Fund**  
**For the Year Ended September 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Budget - Positive (Negative)</b>
<b>Revenues</b>				
Real and personal property taxes	\$ 2,228,469	\$ 2,228,469	\$ 2,559,455	\$ 330,986
Interest income			15,432	15,432
Total revenues	<u>2,228,469</u>	<u>2,228,469</u>	<u>2,574,887</u>	<u>346,418</u>
<b>Expenditures</b>				
Current				
General government	156,000	156,000	188,034	(32,034)
Education	808,000	808,000	300,000	508,000
Debt service				
Principal payments			710,000	(710,000)
Interest and fiscal charges			1,258,000	(1,258,000)
Total expenditures	<u>964,000</u>	<u>964,000</u>	<u>2,456,034</u>	<u>(1,492,034)</u>
Excess of revenues over expenditures	1,264,469	1,264,469	118,853	(1,145,616)
<b>Other Financing Sources (Uses)</b>				
Transfers in			300,000	300,000
Transfers out	<u>(1,264,100)</u>	<u>(1,264,100)</u>		<u>1,264,100</u>
Total other financing sources (uses)	<u>(1,264,100)</u>	<u>(1,264,100)</u>	<u>300,000</u>	<u>1,564,100</u>
<b>Net Change in Fund Balance, Modified Accrual Basis</b>	<u>\$ 369</u>	<u>\$ 369</u>	418,853	<u>\$ 418,484</u>
<b>Fund Balance - Beginning</b>			<u>1,762,395</u>	
<b>Fund Balance - Ending</b>			<u>\$ 2,181,248</u>	

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>					
Service cost	\$ 42,658	\$ 37,217	\$ 26,870	\$ 23,662	\$ 21,704
Interest	34,551	31,542	15,281	12,409	9,943
Changes of assumptions	3,672		65,108		
Difference between expected and actual experience	(8,789)	(3,883)	115,926	1,633	
Benefit payments, including refunds of employee contributions	(11,122)	(10,822)	(3,607)		(1,622)
Transfers among employers		(15,073)			
Net change in total pension liability	60,970	38,981	219,578	37,704	30,025
Total pension liability - beginning	451,381	412,400	192,822	155,118	125,093
Total pension liability - ending (a)	<u>\$ 512,351</u>	<u>\$ 451,381</u>	<u>\$ 412,400</u>	<u>\$ 192,822</u>	<u>\$ 155,118</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 11,585	\$ 8,464	\$ 11,478	\$ 11,138	\$ 32,411
Contributions - employee	30,155	24,616	23,186	19,207	17,955
Net investment income	31,858	36,928	24,890	2,240	13,571
Benefit payments, including refunds of employee contributions	(11,122)	(10,822)	(3,607)		(1,622)
Transfers among employers		(15,073)		45,235	
Net change in plan fiduciary net position	62,476	44,113	55,947	77,820	62,315
Plan net position - beginning	328,926	284,813	228,866	151,046	88,731
Plan net position - ending (b)	<u>\$ 391,402</u>	<u>\$ 328,926</u>	<u>\$ 284,813</u>	<u>\$ 228,866</u>	<u>\$ 151,046</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 120,949</u>	<u>\$ 122,455</u>	<u>\$ 127,587</u>	<u>\$ (36,044)</u>	<u>\$ 4,072</u>
Plan fiduciary net position as a percentage of the total pension liability	76.39%	72.87%	69.06%	118.69%	97.37%
Covered employee payroll	\$ 434,659	\$ 352,494	\$ 328,360	\$ 267,044	\$ 215,007
Net pension liability (asset) as a percentage of covered employee payroll	27.83%	34.74%	38.86%	-13.50%	1.89%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

**Town of Pike Road, Alabama**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Last 10 Fiscal Years**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 12,654	\$ 12,914	\$ 10,015	\$ 12,361	\$ 12,434
Contributions in relation to the actuarially determined contribution	12,654	12,914	10,015	12,361	12,434
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 472,891	\$ 434,659	\$ 352,494	\$ 328,360	\$ 267,044
Contributions as a percentage of covered employee payroll	2.68%	2.97%	2.84%	3.76%	4.66%

**Notes to Schedule**

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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine the contribution rates for the period October 1, 2018 to September 30, 2019:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization method	12.8 years
Asset valuation method	Five year smoothed market
Inflation	2.875%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, net of pension plan investment expense, including inflation

This schedule is prepared to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Town will present information for those years for which information is available.

## **Supplementary Information**

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**Town of Pike Road, Alabama**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**

Special revenue funds include operating funds that are restricted as to use by the Federal or State governments and special purpose funds established by authority of the Town Council.

Gasoline Tax Fund accounts for the petroleum inspection fees, four cent, five cent, and seven cent state gas taxes. The use of this funding is restricted to expenditures related to construction, improvement, and maintenance of the highways, bridges, and streets.

Government Improvement Fund accounts for funds received from the Alabama Trust Fund to be used solely for capital improvements and the renovation of capital improvements determined by the municipal governing body.

Fire Protection Fund accounts for certain ad valorem tax funds which have been restricted by state law to be used for fire protection and emergency medical services.

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

	<b>Special Revenue Funds</b>			
	<b>Gasoline</b>	<b>Government</b>	<b>Fire</b>	
	<b>Tax Fund</b>	<b>Improvement</b>	<b>Protection</b>	
		<b>Fund</b>	<b>Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 317,404	\$ 480,039	\$ 286,180	\$ 1,083,623
Taxes receivable	7,582		9,987	17,569
Total assets	<u>\$ 324,986</u>	<u>\$ 480,039</u>	<u>\$ 296,167</u>	<u>\$ 1,101,192</u>
<b>Liabilities</b>				
Accounts payable and accrued expenses			\$ 54,690	\$ 54,690
<b>Fund Balances</b>				
Restricted				
Capital improvements		\$ 480,039		480,039
Highways and streets	\$ 324,986			324,986
Fire protection and emergency medical services			241,477	241,477
Total fund balances	<u>324,986</u>	<u>480,039</u>	<u>241,477</u>	<u>1,046,502</u>
Total liabilities and fund balances	<u>\$ 324,986</u>	<u>\$ 480,039</u>	<u>\$ 296,167</u>	<u>\$ 1,101,192</u>

**Town of Pike Road, Alabama**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended September 30, 2019**

	<b>Special Revenue Funds</b>			
	<b>Gasoline</b>	<b>Government</b>	<b>Fire</b>	
	<b>Tax Fund</b>	<b>Improvement</b>	<b>Protection</b>	<b>Total</b>
		<b>Fund</b>	<b>Fund</b>	
<b>Revenues</b>				
Taxes			\$ 795,081	\$ 795,081
Intergovernmental revenues	\$ 82,785	\$ 50,892		133,677
Interest income	486	4,503		4,989
Total revenues	<u>83,271</u>	<u>55,395</u>	<u>795,081</u>	<u>933,747</u>
<b>Expenditures</b>				
Current				
General government			43,193	43,193
Public works	50,000			50,000
Public safety			785,207	785,207
Capital outlay			41,072	41,072
Total expenditures	<u>50,000</u>	<u></u>	<u>869,472</u>	<u>919,472</u>
<b>Net Change in Fund Balances</b>	33,271	55,395	(74,391)	14,275
<b>Fund Balances - Beginning</b>	<u>291,715</u>	<u>424,644</u>	<u>315,868</u>	<u>1,032,227</u>
<b>Fund Balances - Ending</b>	<u>\$ 324,986</u>	<u>\$ 480,039</u>	<u>\$ 241,477</u>	<u>\$ 1,046,502</u>