

**CITY OF COLUMBIANA, ALABAMA**

**BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2012**

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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# **DeLOACH, BARBER & CASPERS, P.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT**

**Honorable Mayor Stancil Handley  
Members of the City Council  
City of Columbiana, Alabama**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Columbiana, Alabama's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City of Columbiana, Alabama has not presented the Management Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 50 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbiana, Alabama's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

*DeLoach, Barber & Caspers, P. C.*

July 26, 2013

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Unit</u>
<b>ASSETS</b>				
<u>Current Assets</u>				
Cash and certificate of deposits	\$ 1,874,363	\$ 1,184,307	\$ 3,058,670	\$ 2,957,521
Accounts receivable - taxes	448,512		448,512	
Accounts receivable - customers, net of allowance	58,280	102,002	160,282	245,045
Accounts receivable - fines, net of allowance	179,466		179,466	
Accounts receivable - grants	201,795		201,795	
Interest receivable	5,533		5,533	344
Interfund receivables		152,959	152,959	21,938
Inventory	248		248	69,836
Prepaid expenses	52,516	2,626	55,142	14,737
<u>Restricted Assets</u>				
Cash	1,014,452		1,014,452	411,759
Investments	3,293,786		3,293,786	
<u>Non-current Assets</u>				
Land and construction in progress	1,586,587		1,586,587	834,419
Other capital assets, net of accumulated depreciation	4,286,044	2,485,948	6,771,992	6,402,512
<u>Other Assets</u>				
Bond amortization costs, net of amortization	197,818		197,818	11,800
<b>Total Assets</b>	<b>13,199,400</b>	<b>3,927,842</b>	<b>17,127,242</b>	<b>10,969,911</b>
<b>LIABILITIES</b>				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	93,231	104,579	197,810	90,587
Payroll taxes payable	1,472		1,472	692
Utility tax payable			0	4,628
Accrued wages	24,115	1,068	25,183	7,410
Interest payable	423		423	
Interfund payables	174,897		174,897	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits			0	237,695
Interest payable			0	516
<u>Long-term Liabilities</u>				
Notes payable - portion due in one year	109,101		109,101	
Notes payable - portion due in more than one year	307,343		307,343	
Warrants and bonds payable - portion due in one year	120,000		120,000	234,984
Warrants and bonds payable - portion due in more than one year	3,485,000		3,485,000	2,908,946
Accrued compensated absences	21,774	3,216	24,990	50,795
<b>Total Liabilities</b>	<b>4,337,356</b>	<b>108,863</b>	<b>4,446,219</b>	<b>3,536,253</b>
<u>Net Assets</u>				
Investment in capital assets, net of related debt	1,851,186	2,485,948	4,337,134	4,093,001
Restricted for:				
Public Services	4,243,077		4,243,077	
Debt service	380,149		380,149	
Meter deposits			0	173,547
Unrestricted	2,387,632	1,333,031	3,720,663	3,167,110
<b>Total Net Assets</b>	<b>\$ 8,862,044</b>	<b>\$ 3,818,979</b>	<b>\$ 12,681,023</b>	<b>\$ 7,433,658</b>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Expenses	Fees, Fines, and Charges for Services	Program Revenues		Net (Expenses) Revenues
			Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					
Beautification	\$ 5,050	\$	30	\$	(5,020)
Cemetery	5,008	12,250	100		7,342
Court	202,713	144,237			(58,476)
Donations	9,191				(9,191)
Fire and rescue	267,560	8,863	477	3,500	(254,720)
General government	388,346	528,160	600	200,169	340,583
Interest on long-term debt	177,100				(177,100)
Library	202,537	14,848	6,289		(181,400)
Liberty day celebration	30,340	5,269	24,600		(471)
Park and recreation	236,437	4,297	10,400		(221,740)
Police	751,521		3,094	4,000	(744,427)
Sanitation	219,820	261,976			42,156
Senior Center	39,113		16,749		(22,364)
Street	459,933				(459,933)
Total Governmental Activities	2,994,669	979,900	62,339	207,669	(1,744,761)
<u>Business-type Activities</u>					
Sewer	487,641	599,793			112,152
Total Business-type Activities	487,641	599,793	0	0	112,152
Total Primary Government	\$ 3,482,310	\$ 1,579,693	\$ 62,339	\$ 207,669	\$ (1,632,609)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,560,971	\$ 1,866,638	\$	\$	305,667
Total Component Units	\$ 1,560,971	\$ 1,866,638	\$ 0	\$ 0	\$ 305,667

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<b>Net Revenues (Expenses)</b>	<b>\$ (1,744,761)</b>	<b>\$ 112,152</b>	<b>\$ (1,632,609)</b>	<b>\$ 305,667</b>
General revenues:				
Taxes:				
Sales and use tax	1,388,227		1,388,227	
Property taxes	334,548		334,548	
Gasoline taxes	34,844		34,844	
Beer and alcoholic beverage taxes	29,275		29,275	
Tobacco tax	35,264		35,264	
State capital improvement	37,647		37,647	
Motor vehicle taxes	11,499		11,499	
Financial excise tax	7,142			
Rental and lodging tax	34,941		34,941	
Payment in lieu of taxes	1,499		1,499	
Shares/Privilege tax	12,236		12,236	
State shared taxes	17,735		17,735	
Other taxes	1,613		1,613	
Miscellaneous	13,379		13,379	
Investment income	151,265	3,315	154,580	21,483
Gain(loss) on sale of capital assets	6,662		6,662	
Unrealized holding loss on investments	62,528		62,528	
Total general revenues and transfers	2,180,304	3,315	2,176,477	21,483
Change in net assets	435,543	115,467	551,010	327,150
Net assets at beginning of year	8,426,501	3,703,512	12,130,013	7,106,508
Net assets at end of year	\$ 8,862,044	\$ 3,818,979	\$ 12,681,023	\$ 7,433,658

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



CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>ASSETS</b>				
<u>Assets</u>				
Cash	\$ 1,874,363	\$	\$	\$ 1,874,363
Accounts receivable - taxes	446,913		1,599	448,512
Accounts receivable - customers	58,106		174	58,280
Accounts receivable - fines		179,466		179,466
Accounts receivable - grants	201,795			201,795
Interest receivable	5,533			5,533
Interfund receivable	10,263			10,263
Inventory	248			248
Prepaid expenses	51,058	643	815	52,516
<u>Restricted Assets</u>				
Cash	283,432	255,712	475,308	1,014,452
Investments	3,293,786			3,293,786
<u>Other Assets</u>				
Bond costs, net of amortization	<u>197,818</u>			<u>197,818</u>
 Total Assets	 \$ <u>6,423,315</u>	 \$ <u>435,821</u>	 \$ <u>477,896</u>	 \$ <u>7,337,032</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<u>Liabilities</u>				
Accounts payable	\$ 37,372	\$ 26,302	\$ 2,637	\$ 66,311
Payroll taxes payable	1,472			1,472
Accrued wages	21,976	607	1,532	24,115
Interest payable	423			423
Interfund payable	175,836	9,218	105	185,159
Deferred revenue	<u>306,335</u>	<u>152,011</u>		<u>458,346</u>
 Total Liabilities	 <u>543,414</u>	 <u>188,138</u>	 <u>4,274</u>	 <u>735,826</u>
<u>Fund Balances</u>				
Nonspendable:				
Money Market	99,737			99,737
Investments	3,293,786			3,293,786
Prepays	51,058	643	815	52,516
Inventory	248			248
Restricted for:				
Debt Service	380,150			380,150
Public Service	4,929	247,040	472,807	724,776
Unassigned	<u>2,049,993</u>			<u>2,049,993</u>
 Total Fund Balances	 <u>5,879,901</u>	 <u>247,683</u>	 <u>473,622</u>	 <u>6,601,206</u>
 Total Liabilities and Fund Balances	 \$ <u>6,423,315</u>	 \$ <u>435,821</u>	 \$ <u>477,896</u>	 \$ <u>7,337,032</u>

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

CITY OF COLUMBIANA, ALABAMA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012

Total fund balances for governmental funds	\$	6,601,206
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.		5,872,631
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Certain assets are deferred in the fund financial statement because they are not available to pay current- period expenditures, but they are reported as assets in the statement of net assets.		458,346
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Certain liabilities (such as warrants payable, notes payable, and compensated absences) are not reported in this fund financial statement because they are not due and payable, but they are presented as liabilities in the statement of net assets.		<u>(4,070,139)</u>
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Net assets of governmental activities	\$	<u><u>8,862,044</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>Revenues</u>				
Donations	\$ 45,467	\$	\$ 1,108	\$ 46,575
Fines and charges	540	164,490	10,198	175,228
Fire department income	8,863			8,863
Grant income	13,984		5,280	19,264
Investment income	149,251	863	1,152	151,266
Licenses, permits, & franchise fees	527,620			527,620
Lot sales and openings/closings			12,250	12,250
Miscellaneous	18,648		4,650	23,298
Park and recreation	4,297			4,297
Sanitation services	261,976			261,976
Tax revenue	1,884,973		55,383	1,940,356
Total Revenues	<u>2,915,619</u>	<u>165,353</u>	<u>90,021</u>	<u>3,170,993</u>
<u>Expenditures</u>				
Beautification	4,566			4,566
Capital expenditures	289,216			289,216
Cemetery			799	799
Court		173,401		173,401
Debt retirement	220,303			220,303
Donations and liberty day	39,531			39,531
Fire and rescue	196,130			196,130
General government	378,865			378,865
Interest on long-term debt	177,100			177,100
Library			200,252	200,252
Park and recreation	116,596			116,596
Police	704,439			704,439
Sanitation	200,995			200,995
Senior Center	39,113			39,113
Street	374,677			374,677
Total Expenditures	<u>2,741,531</u>	<u>173,401</u>	<u>201,051</u>	<u>3,115,983</u>
Excess of revenues over (under) expenditures	174,088	(8,048)	(111,030)	55,010
<u>Other Financing Sources (Uses)</u>				
Unrealized/realized gain on investments	62,528			62,528
Capital grants	204,169			204,169
Proceeds from sale of assets	6,662			6,662
Operating transfers in	758,076		187,749	945,825
Operating transfers out	(903,553)	(19,172)	(23,100)	(945,825)
Total Other Financing Sources (Uses)	<u>127,882</u>	<u>(19,172)</u>	<u>164,649</u>	<u>273,359</u>
Net change in fund balances	301,970	(27,220)	53,619	328,369
Fund Balance, Beginning of Year	<u>5,577,931</u>	<u>274,903</u>	<u>420,003</u>	<u>6,272,837</u>
Fund Balance, End of Year	\$ <u>5,879,901</u>	\$ <u>247,683</u>	\$ <u>473,622</u>	\$ <u>6,601,206</u>

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

CITY OF COLUMBIANA, ALABAMA

RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$	328,369
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The amount by which depreciation of \$361,640 exceeds capital outlays of \$289,216.		(72,424)
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Revenues that are not available to pay current obligations are not reported in this fund financial statement but they are presented as revenues in the statement of activities.		(14,139)
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Generally expenditures recognized in this fund's financial statements are limited to only those that use current financial resources but expenses are recognized in statement of activities when they are incurred.		(26,566)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		220,303
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Change in net assets of governmental activities	\$	<u>435,543</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2012

		<u>Enterprise Funds</u> <u>Sewer</u> <u>Department</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$	1,184,307
Accounts receivable - customers, net of allowance		102,002
Interfund receivable		152,959
Prepaid expenses		2,626
<u>Non-current Assets</u>		
Other capital assets, net of accumulated depreciation		<u>2,485,948</u>
Total Assets	\$	<u><u>3,927,842</u></u>
LIABILITIES		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable	\$	104,579
Accrued wages		1,068
<u>Long-term Liabilities</u>		
Accrued compensated absences		<u>3,216</u>
Total Liabilities		<u>108,863</u>
<u>Net Assets</u>		
Investment in capital assets, net of related debt		2,485,948
Unrestricted		<u>1,333,031</u>
Total Net Assets	\$	<u><u>3,818,979</u></u>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 599,793
Total Revenues	<u>599,793</u>
<u>Administrative Expenses</u>	
Computer expense	2,387
Dues and subscriptions	480
Legal and accounting	3,276
Office expense	812
Payroll processing fee	1,588
Postage	2,152
Rental - copier	1,648
Telephone	2,977
Training & travel	<u>1,029</u>
Total Administrative Expenses	<u>16,349</u>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	429
Depreciation	166,109
Fees and services	8,193
Gas and oil	6,740
Insurance - employee health	9,353
Insurance - general	2,703
Insurance - workmans comp.	1,693
Miscellaneous	1,334
Payroll taxes	5,979

(Continued)

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	11,262
Repairs and maintenance - building	116
Repairs and maintenance - equipment	6,272
Repairs and maintenance - vehicles	6,042
Repairs and maintenance - system	56,086
Salaries and wages	80,114
State retirement	4,713
Uniforms	1,089
Utilities	80,379
Water testing and analysis	22,686

Total Supply and Distribution Expenses	<u>471,292</u>
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Total Expenditures	<u>487,641</u>
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Operating income	<u>112,152</u>
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Nonoperating Revenues (Expenses)

Investment earnings	3,315
Operating transfers in	81,216
Operating transfers out	<u>(81,216)</u>

Total Nonoperating Revenues (Expenses)	<u>3,315</u>
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Net change in net assets	115,467
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Net assets - beginning of year	<u>3,703,512</u>
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Net assets - end of year	\$ <u><u>3,818,979</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 597,235
Payments to employees and related expenses	(100,159)
Payments to suppliers	(205,234)
Payments to (from) City	<u>60,007</u>
Net cash provided by operating activities	<u>351,849</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	<u>(127,061)</u>
Net cash used by capital and related financing activities	<u>(127,061)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>3,315</u>
Net cash provided by investing activities	<u>3,315</u>
Net increase in cash and cash equivalents	228,103
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>956,204</u>
Cash and equivalents, end of year (restricted and nonrestricted)	\$ <u>1,184,307</u>

(Continued)

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



CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>112,152</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	429
Depreciation	166,109
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(2,558)
Interfund receivable	(15,107)
Prepaid expenses	(2,030)
Increase (decrease):	
Accounts payable	93,596
Accrued wages	(579)
Accrued compensated absences	<u>(163)</u>
Total adjustments	<u>239,697</u>
Net cash provided by operating activities	\$ <u>351,849</u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

History and Organization

The City of Columbiana, Alabama (the City) was incorporated on August 10, 1853. The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, park and recreation, public improvements, planning and zoning, general and administrative, water and sewer services.

Financial Reporting Entity

Generally accepted accounting standards (GAAP) require that the entity include the 1) primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards (Codification) has been considered and any component units are listed below. The City is not a component unit of any other entity. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is considered fiscally dependent if it does not have authority to do all three of the following: 1) determine its own budget without another government having the authority to approve and modify the budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government.

Component units are reported in the City's basic financial statements are shown as follows:

Discretely Presented Component Units  
City of Columbiana Water Board

Brief Description of Activities and Relationship to the City  
The Water Board is a public board incorporated under the laws of Alabama and now existing under the provisions of the Enabling Law 11-50-230 et. seq. of the Code of Alabama 1975, as amended. The Board was incorporated pursuant to the authority granted by the governing body of the City of Columbiana, Alabama. Under its certificate of incorporation, the Board has corporate power to acquire and operate the water system and to issue bonds payable from the revenues derived there from for any of its corporate purposes.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Reporting Entity (Continued)

Separate financial statements for the Columbiana Water Board can be obtained at the Water Board's office at 50 Water Works Street, Columbiana, Alabama.

Government-wide and Fund Financial Statements

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-wide Statements:** The statement of net assets and the statement of activities display information about the primary government (the City) and its component units if applicable. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City'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 (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units (if applicable). Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented if applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or eliminations of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments, if applicable. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use tax, property taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

The City does not currently employ an indirect cost allocation system.

(Continued)

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Types and Major Funds

**Governmental Funds**

The City reports the following major governmental funds:

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

Court Fund - to account for financial resources of the activities associated with collecting revenues from traffic fines in accordance with the laws of the State of Alabama.

**Proprietary Funds**

The City reports the following major proprietary funds:

Sewer Department - accounts for the activities of the City's sewer utilities services.

**Other Fund Types**

The City reports the following additional fund types:

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

The City at September 30, 2012 had no internal service funds or agency funds.

Cash and Equivalents

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Equivalents (Continued)

In its 2000 Regular Session, the Alabama State Legislature enacted the Security for Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that changes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed in deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit, but excluding bonds, notes, money market mutual funds, repurchase agreements, and similar investment instruments. Covered public entities include the state and its political subdivisions. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which required mandatory participation, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely even a public entity should suffer a deposit loss due to QPD insolvency or default, a claim form would be filed with the State Treasurer, who would use the SAFE pool collateral or other means to reimburse the loss.

At September 30, 2012 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$4,073,122 and the bank balance was \$4,212,462. Of the bank balance \$1,104,514 was covered by either federal depository insurance or federal savings and loan insurance. Deposits with Alabama financial institutions that are in excess of FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Alabama public funds are protected through a collateral pool administered by the Alabama State Treasury. The City had \$3,008,211 of Category 1 deposits covered by the SAFE Program at September 30, 2012 and \$99,737 of Category 3 unsecured and uncollateralized cash, which was deposited into money market accounts.

Investments

The City's investments are reported at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The City is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Alabama or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Alabama or the United States; (4) certificates of deposits issued by state and national banks domiciled in Alabama that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above. The City's investments consist of certificates of deposits, Federal National Mortgage Association Certificates, Governmental National Mortgage Association Debentures, and Federal Home Loan Mortgage Corporation debentures. These securities are held by Sterne, Agee, and Leach, Inc. as agent for the City.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventory

Inventory consists of primarily supplies valued at the lower of cost (first-in, first-out) or market value. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures on acquisition and significant inventories on hand at year-end are reflected as assets.

Prepaid Items

Payments made to vendors for goods or services that will benefit beyond September 30, 2012 are reported as prepaid items. These prepayments are recognized as expenses ratably over the related underlying period.

Restricted Assets

Certain assets of the City have been restricted due to state regulations, debt service obligations, and warrant agreements. These assets consist of cash, investments, and accounts receivable as follows:

General fund - Cash - debt service	\$ 183,695
General fund - Money market - sale of gas department	99,737
General fund - Investments - sale of gas department	3,293,786
Special revenue - Cash - various	<u>731,020</u>
Total Restricted Assets	<u>\$ 4,308,238</u>

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Assets, Depreciation, and Amortization

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and have an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 an asset's life are not capitalized.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets, Depreciation, and Amortization (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets.

Capital assets are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net assets. The range of estimated useful lives used for depreciation purposes for each capital asset class are as follows:

Automotive and automotive equipment	5-7 years
Building and building improvements	29-50 years
Infrastructure	40-60 years
Land improvements	15-20 years
Machinery and equipment	7-10 years
Office furniture and equipment	5-7 years
Park and recreation equipment	5-10 years

Compensated Absences

For vacation and other compensated absences with similar characteristics, Governmental Accounting Standards Board Statement No. 16 requires the accrual of a liability as the benefits are earned by the employees if both of the following conditions are met:

- a. The employees' right to receive compensation is attributable to services already rendered.
- b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

Full-time employees are provided vacation (annual) leave as follows:

After one year employment	40 hours
After three years employment	80 hours
After seven years employment	120 hours

(Continued)



CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences (Continued)

Annual leave must be taken by the anniversary date of employment or forfeited. It cannot be accumulated and an employee cannot be paid for annual leave in lieu of time off. Unused leave is paid upon termination of employment. At September 30, 2012 the City has recorded a liability of \$24,990 for accrued vacation leave.

Sick leave is earned by full time employees beginning on the first day of the month after their employment date at a rate of 8 hours per month. Sick leave can be accumulated up to 720 hours. Upon termination, sick leave is canceled and no compensation is paid. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded on these financial statements.

Compensatory time may be earned by eligible employees at the applicable rate and accumulated up to 40 hours.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Warrants payable are reported net of the applicable premium or discount. Warrant issue costs are reported as deferred charges and amortized over the term of the related debt.

Net Assets

In accordance with GASB Statement No. 34, the City classified net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. The classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance (Continued)

Restricted net assets - This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes any long-term amount of interfund loans.

**Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by laws through constitutional provisions or enabling legislation.

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance (Continued)

**Committed** - The committed fund balance classification includes the amounts that can be used only for the specific purposes imposed by formal action (ordinances or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** - Amounts in the assigned fund balance classifications are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or not committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amount had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification could be used.

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Transactions**

During the normal operations the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements reflect these transactions as transfers.

**Interfund Balances**

During the course of operation, transactions occur which result in amounts owed to a particular fund by another fund, other than for goods provided or services rendered. These receivables and payables are due within a year and are classified as "Interfund receivable/Interfund payable".

**Budgets and Budgetary Accounting**

An operating budget is adopted each year for the general fund.

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

- a. The Finance Committee submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The budget is legally enacted through passage of an ordinance.
- c. Formal budgetary integration is employed as a management control device during the year for the General Fund.
- d. Budgets are adopted on the cash basis of accounting.
- e. Excess appropriations at the end of the fiscal year lapse.

Budgeted amounts reported in the financial statements are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were approved. Budgets are not prepared or adopted in conformance with generally accepted accounting principles. Budgeted expenditures/expenses include encumbrances.

(Continued)

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectable taxes is provided.

In accordance with current professional standards as promulgated by *Governmental Accounting Standards Board* (GASB-33), the City reports property taxes when an enforceable claim has arisen or when resources are received, whichever is first. Consequently, property taxes in the amount of \$306,335 received after September 30, 2012 has been recorded as deferred revenue in the fund financial statements.

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

"Total fund balances" of the City's governmental funds of \$6,601,206 differs from "net assets" of governmental activities of \$8,862,044 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The following illustrates the differences:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (Continued)

Capital Related Items - When capital assets (property, plant, equipment, etc.) that are used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets as assets of the City as a whole.

Governmental capital assets	\$ 11,096,048
Less: Depreciation expense to date	<u>(5,223,417)</u>
	\$ <u>5,872,631</u>

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

Notes payable	\$ 416,444
Warrants payable	3,605,000
Long-term portion of fines payable to other agencies	26,921
Accrued compensated absences	<u>21,774</u>
Total	\$ <u>4,070,139</u>

Other long-term receivables - Certain receivables are not available to pay current period expenditures and, therefore, are not reported in the governmental funds.

Property tax receivable	\$ 306,335
Court fines	<u>152,011</u>
Total	\$ <u>458,346</u>

Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances the Government-wide Statement of Activities

The "net change in fund balances" for governmental funds of \$328,369 differs from the "change in net assets" for governmental activities of \$435,543 reported in the statement of activities. The differences primarily arise from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The following illustrates the difference:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances the Government-wide Statement of Activities (Continued)

Capital Related Items - When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 289,216
Depreciation expense	<u>(361,640)</u>
	\$ <u>(72,424)</u>

Long-term Debt Transactions - Repayment of long-term debt, including notes payable and warrants payable, consumes the current financial resources of governmental funds. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payments on notes payable	\$ 105,303
Principal payments on warrants payable	<u>115,000</u>
Total	\$ <u>220,303</u>

Other Items - Certain income that is not available to pay current period expenditures and, therefore is not reported as revenue in the governmental funds.

Property tax not meeting available criteria	\$ 6,114
Court fines not meeting available criteria	<u>(20,253)</u>
Total	\$ <u>(14,139)</u>

Other Items - Expenditures that are not considered current period expenditures and, therefore are not reported as expenditures in the governmental funds:

Accounts payable - court fines	\$ (26,920)
Change in accrued compensated absences	<u>354</u>
Total	\$ <u>(26,566)</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements

**GASB Statement No. 61:**

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61, The Financial Reporting Entity. This Statement, effective for periods beginning after June 15, 2012, modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as a component unit by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need be present between the primary government and the organization for it to be included in the reporting entity as a component unit. The City is currently evaluating the financial impact of adopting this Statement.

**GASB Statement No. 63:**

In June 2011, the GASB issued GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No.4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is currently evaluating the financial impact of adopting this Statement.

(Continued)



CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Recent Accounting Pronouncements (Continued)

**GASB Statement No. 65:**

In March 2012, the GASB issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement, effective for periods beginning after December 15, 2012, reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources, as well as recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This Statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentation. The City is currently evaluating the financial statement impact of adopting this Statement.

**GASB Statement No. 68:**

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement, effective for periods beginning after June 15, 2014 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The City is currently evaluating the financial statement impact of adopting this Statement.

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 2: CASH AND INVESTMENTS**

As of September 30, 2012 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 3,523,113
Certificates of deposit	<u>550,009</u>
Total Cash and Cash Equivalents	<u>\$ 4,073,122</u>

	<u>Standard &amp; Poor's Bond Rating</u>	<u>Fair Market Value</u>
<u>Investments</u>		

U.S. Government Agencies:

Federal National Mortgage Association	Matures 12/01/2025	AA+	\$ 70,763
Government National Mortgage Association	Matures 10/20/2039	AA+	153,218
Government National Mortgage Association	Matures 06/20/2041	AA+	122,214
Government National Mortgage Association	Matures 09/20/2042	AA+	908,973
Government National Mortgage Association	Matures 09/20/2040	AA+	164,127
Government National Mortgage Association	Matures 08/20/2039	AA+	60,341
Government National Mortgage Association	Matures 12/20/2040	AA+	153,303
Government National Mortgage Association	Matures 10/20/2032	AA+	573,805
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	143,818
Federal National Mortgage Association	Matures 03/25/2033	AA+	738,440

Long-Term Certificate of Deposits:

GE Capital Retail Bank	Matures 05/18/2022	FDIC	102,390
GE Capital Retail Bank	Matures 05/25/2022	FDIC	<u>102,394</u>
Total Investments			<u>\$ 3,293,786</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 2: CASH AND INVESTMENTS (Continued)**

Credit Risk

The City's investment policy allows investment in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Alabama or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Alabama or the United States; (4) certificates of deposits issued by state and national banks domiciled in Alabama that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above. The City's investments consist of certificates of deposits and Federal National Mortgage Association Certificates and Federal Home Loan Mortgage Corporation debentures. Investments in U.S. government securities must be rated by Standard and Poor's or Moody's Investment Services as one of their four highest rated categories.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration Credit Risk

The City does not have a formal investment policy that limits the amount invested into certain types of investments as a means of managing its exposure to losses arising from over concentration in certain types of investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In regards to investments, the City does not have a deposit policy for custodial credit risk. As of September 30, 2012, the City had \$99,737 in cash and cash equivalents, which was held in money market accounts and \$3,293,786 held in investments exposed to custodial credit risk as Category 3 unsecured and uncollateralized deposits.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 3: ACCOUNTS RECEIVABLE**

The following details the descriptions and amounts of various accounts receivable for the City on the statement of net assets:

Governmental Activities:

	Amount	Less Allowance for Doubtful Accounts	Total
Accounts receivable - taxes	\$ 448,512	\$	\$ 448,512
Accounts receivable - sanitation services	68,513	(10,233)	58,280
Accounts receivable - court fines	264,466	(85,000)	179,466
Accounts receivable - grants	<u>201,795</u>	<u></u>	<u>201,795</u>
Total Accounts Receivable	<u>\$ 983,286</u>	<u>\$ (95,233)</u>	<u>\$ 888,053</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 115,798
Allowance for doubtful accounts	<u>(13,796)</u>
Accounts receivable - customers net of allowance	<u>\$ 102,002</u>

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 4: CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 10/01/11	Additions	Deletions	Balance 9/30/12
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,148,374	\$	\$	\$ 1,148,374
Construction in progress	<u>175,510</u>	<u>262,703</u>		<u>438,213</u>
Total capital assets, not being depreciated	<u>1,323,884</u>	<u>262,703</u>	<u>0</u>	<u>1,586,587</u>
Capital assets, being depreciated				
Autos and trucks	1,567,315			1,567,315
Automotive equipment	141,147	3,500		144,647
Buildings and building improvements	1,490,370			1,490,370
Computer equipment	166,077	2,678	(4,488)	164,267
Infrastructure	3,197,102			3,197,102
Land improvements	7,440			7,440
Machinery and equipment	1,024,088	17,861	(38,542)	1,003,407
Office furniture and equipment	151,508	2,474		153,982
Park improvements	1,649,499			1,649,499
Park and recreation equipment	<u>131,432</u>			<u>131,432</u>
Total capital assets being depreciated	<u>9,525,978</u>	<u>26,513</u>	<u>(43,030)</u>	<u>9,509,461</u>
Less accumulated depreciation for:				
Autos and trucks	1,327,052	58,042		1,385,094
Automotive equipment	96,400	15,899		112,299
Buildings and building improvements	777,864	36,813		814,677
Computer equipment	125,517	10,490	(4,488)	131,519
Infrastructure	505,242	79,928		585,170
Land improvements	6,200	496		6,696
Machinery and equipment	893,721	48,697	(38,543)	903,875
Office furniture and equipment	146,411	2,135		148,546
Park improvements	928,599	99,995		1,028,594
Park and recreation equipment	<u>97,802</u>	<u>9,145</u>		<u>106,947</u>
Total accumulated depreciation	<u>4,904,808</u>	<u>361,640</u>	<u>(43,031)</u>	<u>5,223,417</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 4: CAPITAL ASSETS (Continued)**

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/12</u>
Total capital assets, being depreciated net	<u>4,621,170</u>	<u>(335,127)</u>	<u>1</u>	<u>4,286,044</u>
Governmental activities capital assets, net	\$ <u>5,945,054</u>	\$ <u>(72,424)</u>	\$ <u>1</u>	\$ <u>5,872,631</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Beautification	\$ 484
Cemetery	4,209
Court	3,106
Fire and rescue	71,430
General government	10,955
Library	2,599
Park and recreation	119,841
Police department	44,712
Sanitation	19,036
Street	<u>85,268</u>
	\$ <u>361,640</u>

(Continued)



CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 4: CAPITAL ASSETS (Continued)**

<u>Business-Type Activities</u>	<u>Balance 10/01/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/12</u>
<b>Sewer Department</b>				
Capital assets, being depreciated				
Autos and trucks	46,909	2,477		49,386
Machinery and equipment	165,776	4,193		169,969
Office furniture and equipment	11,561	1,397	(9,486)	3,472
Sewer system and lines	<u>4,942,178</u>	<u>118,994</u>		<u>5,061,172</u>
Total capital assets being depreciated	<u>5,166,424</u>	<u>127,061</u>	<u>(9,486)</u>	<u>5,283,999</u>
Less accumulated depreciation for:				
Autos and trucks	23,152	4,692		27,844
Machinery and equipment	140,859	5,523		146,382
Office furniture and equipment	11,389	210	(9,486)	2,113
Sewer system and lines	<u>2,466,028</u>	<u>155,684</u>		<u>2,621,712</u>
Total accumulated depreciation	<u>2,641,428</u>	<u>166,109</u>	<u>(9,486)</u>	<u>2,798,051</u>
Total capital assets, being depreciated net	<u>2,524,996</u>	<u>(39,048)</u>	<u>0</u>	<u>2,485,948</u>
Business-Type activities capital assets, net	\$ <u>2,524,996</u>	\$ <u>(39,048)</u>	\$ <u>0</u>	\$ <u>2,485,948</u>

**NOTE 5: BOND ISSUANCE COSTS**

During the year ended September 30, 2002, bond issuance costs in the amount of \$185,825 were incurred by the City. The bond issuance cost is amortized using the straight line method over a 30 year period. Amortization expense for the year ended September 30, 2012 was \$6,195.

During the year ended September 30, 2007, bond issuance costs in the amount of \$99,183 were incurred by the City. The bond issuance cost is amortized using the straight line method over a 25 year period. Amortization expense for the year ended September 30, 2012 was \$3,967.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 6: LONG-TERM NOTES PAYABLE**

	Balance 10/01/11	Additions	Reductions	Balance 9/30/12	Due Within One Year
	\$ <u>521,747</u>	\$ _____	\$ <u>(105,303)</u>	\$ 416,444	\$ <u>109,101</u>
				(109,101)	
				\$ <u>307,343</u>	

Note payable to M & F Bank principal sum of \$697,274 with a 3.25% interest rate. The note is payable in 77 installments of \$10,045.00, with the final installment due May 2016. The note is secured by full faith and credit of the City.

Maturities of notes payable are as follows:

Year Ended September 30,	Principal	Interest	Totals
2013	\$ 109,101	\$ 11,919	\$ 121,020
2014	112,700	8,320	121,020
2015	116,418	4,602	121,020
2016	<u>78,225</u>	<u>942</u>	<u>79,167</u>
	\$ <u>416,444</u>	\$ <u>25,783</u>	\$ <u>442,227</u>



CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 7: GENERAL OBLIGATION WARRANTS**

	Balance 10/01/11	Additions	Reductions	Balance 9/30/12	Due Within One Year
General Obligation Warrants, Series 2007, payable annually on February 1, with interest payments on February 1, and August 1, maturing on February 1, 2032. The bond is secured by the full faith and credit of the City.	\$ 3,175,000	\$	\$ (15,000)	\$ 3,160,000	\$ 15,000
General Obligation Warrants, Series 2002, payable annually on February 1, with interest payments on February 1, and August 1, maturing on February 1, 2016. The bond is secured by the full faith and credit of the City.	<u>545,000</u>	<u>                    </u>	<u>(100,000)</u>	<u>445,000</u>	<u>105,000</u>
	<u>\$ 3,720,000</u>	<u>\$ 0</u>	<u>\$ (115,000)</u>	<u>3,605,000</u>	<u>\$ 120,000</u>
Less: current maturities				<u>(120,000)</u>	
				<u>\$ 3,485,000</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

**NOTE 7: GENERAL OBLIGATION WARRANTS (Continued)**

Maturities of general obligation warrants payable are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	120,000	144,464	264,464
2014	125,000	139,126	264,126
2015	130,000	133,473	263,473
2016	140,000	127,395	267,395
2017	145,000	121,335	266,335
2018-2022	795,000	514,625	1,309,625
2023-2027	970,000	339,125	1,309,125
2028-2032	<u>1,180,000</u>	<u>124,106</u>	<u>1,304,106</u>
	\$ <u>3,605,000</u>	\$ <u>1,643,649</u>	\$ <u>5,248,649</u>

2007 General Obligation Bonds

On March 1, 2007, the City issued \$4,185,000 in General Obligation Bonds with interest rates ranging from 3.700% to 4.125% to advance refund \$2,980,000 of outstanding 2002 Series bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$149,156. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2012 using the straight-line method. Amortization of \$12,430 was recognized in 2012 and is reported in interest expense for the period. As a result of the current refunding, the Board decreased its total debt service requirements in relation to the Series 2002 Bonds in the amount of \$666,068 which results in an economic gain of \$356,120 (difference between the present value of the debt service payments on the old and new debt).

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 8: PENSION PLAN**

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their annual salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama, 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, City's, and quasi-public organizations. The responsibility for general administrative and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

Information concerning covered salaries, actuarially determined contribution requirements and amounts contributed are as follows:

Salaries

Covered salaries - 5% Employees	\$ 572,720
Covered salaries - 6% Employees	<u>348,101</u>
 Total Covered Salaries	 \$ <u>920,821</u>
 Total Salaries	 \$ <u>1,257,041</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 8: PENSION PLAN (Continued)**

Contributions

City - 5% Employees	\$ 34,249
City - 6% Employees	<u>20,816</u>
Total City Contributions	<u>\$ 55,065</u>
Employees - 5% Employees	\$ 28,636
Employees - 6% Employees	<u>20,886</u>
Total Employee Contributions	<u>\$ 49,522</u>

Actuarially Determined Contribution Rates

City - 5% Employees	<u>5.98 %</u>
City - 6% Employees	<u>5.98 %</u>
Employees - 5% Employees	<u>5.00 %</u>
Employees - 6% Employees	<u>6.00 %</u>

Contribution as a Percentage of Covered Salaries

City - 5% Employees	<u>5.98 %</u>
City - 6% Employees	<u>5.98 %</u>
Employees - 5% Employees	<u>5.00 %</u>
Employees - 6% Employees	<u>6.00 %</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 8: PENSION PLAN (Continued)**

The pension benefit obligation is the actuarial present value of credited projected benefits, a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. At September 30, 2011, the pension benefit obligation and net assets available for benefit are as follows:

Pension benefit obligation	\$ 2,905,309
Net assets available for benefits	<u>2,267,772</u>
Net Pension Benefit Obligation	<u>\$ 637,537</u>

Market Value of Assets as of September 30, 2011 was \$1,936,397.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9/30/09	\$ 2,372,660	\$ 2,677,533	\$ (304,873)	\$ 964,104	31.6%
9/30/10	\$ 2,341,529	\$ 2,833,770	\$ (492,241)	\$ 922,911	53.3%
9/30/11	\$ 2,267,772	\$ 2,905,309	\$ (637,537)	\$ 916,365	69.6%

Actuarial Information

Valuation date	9/30/2011
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75 - 7.25%
Includes inflation at	3.00%
Cost-of-living adjustments	None

(Continued)

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 8: PENSION PLAN (Continued)**

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/09	\$ 67,217	100%	\$ 0
9/30/10	\$ 47,451	100%	\$ 0
9/30/11	\$ 48,256	100%	\$ 0

**NOTE 9: CONTINGENT LIABILITIES**

Risk Financing

The City of Columbiana, Alabama is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks have been covered by commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage in the prior fiscal year.

Federal Grants

In the normal course of operations, the City receives funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 10: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash and Equivalents

Current Assets - cash - Sewer Department	\$ <u>1,184,307</u>
Total Cash and Equivalents Per Combined Statement of Cash Flows	\$ <u>1,184,307</u>

Interest Paid

Total interest paid on debt	\$ <u>0</u>
Total interest expensed	\$ <u>0</u>
Total interest capitalized	\$ <u>0</u>

**NOTE 11: LIBRARY STATE AID**

During the fiscal year ended September 30, 2012, the City received grants from the State Public Library System which are reported as follows:

Receipts:

Reported in grant program revenues	\$ 3,580
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Expenditures:

Reported in Library expenditures books, magazines, audio tapes	<u>3,580</u>
Net activity	\$ <u>0</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 12: SCHEDULE OF INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of receivables/payables between the various individual funds during the year ended September 30, 2012:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Debt Service Fund	The General Fund paid expenses on behalf of Debt Service fund.	\$ 940
Sewer Department	General Fund	The amount due from General Fund to the Sewer Department is for the 1% sales tax collections.	152,959
Water Board - Component Unit	General Fund	The utility account was previously used for all collections. The balance due to Water Board is from previous years under allocation.	21,938
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	105
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund.	<u>9,218</u>
Total Interfund Receivables/Payables			\$ <u>185,160</u>



CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 13: SCHEDULE OF TRANSFERS**

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2012:

<u>Transfer From Fund</u>	<u>Transfer to Fund</u>	<u>Purpose of Transfers</u>	<u>Amount</u>
General Fund	Debt Service - General Fund	The General Fund makes monthly transfers to the Debt Service Fund to make the monthly required debt payments.	\$ 389,965
General	Capital Projects - General Fund	The General Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	244,624
Court Fund	Capital Projects - General Fund	The Court Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	19,172
Cemetery	Capital Projects - General Fund	The Cemetery Fund made various transfer to the Capital Project Fund for its portion of capital expenditures.	23,100
Sewer Fund	Capital Projects - General Fund	The Sewer Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	81,216
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	<u>187,748</u>
Total Transfers			\$ <u>945,825</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 14: SIGNIFICANT COMMITMENTS**

Main Street Sidewalk and Lighting Project

The City contracted with Triple J. Construction, LLC for construction of the main street sidewalk and lighting project. The contract amount was for \$193,932. As of September 30, 2012 the City had incurred costs of \$178,136, leaving a remaining commitment of \$15,796.

The City contracted with Gresham Smith and Partners to provide engineering services in relation to the main street sidewalk and lighting project. The amended contract amount was for \$71,812. As of September 30, 2012 the City had incurred costs of \$67,009, leaving a remaining commitment of \$4,803.

The City contracted with Gresham Smith and Partners to provide engineering services in relation to the Pitts Drive and Washington Street Sidewalk Project. The contract amount was for \$13,775. As of September 30, 2012 the City had incurred costs of \$9,816, leaving a remaining commitment of \$3,959.

The City contracted with Lathan & Associates Architect, P.C. to provide architectural services in relation to renovations to the Senior Center Activities Center. The contract amount was for \$27,000. As of September 30, 2012 the City had incurred costs of \$-0- leaving a remaining commitment of \$27,000.

The City applied for and accepted an Alabama Department of Economic and Community Affairs (ADECA) grant in the amount of \$250,000. In addition, the City had local grants and contributions to meet matching requirements of \$433,000.

**NOTE 15: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 26, 2013, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in financial statements for the year ended September 30, 2012. No items requiring recording or disclosure were noted.

CITY OF COLUMBIANA, ALABAMA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2012

**NOTE 16: SENIOR CENTER OPERATIONS:**

The City entered into a cooperative working relationship with the Alabama Middle Area Agency on Aging (M4A) to enhance the provision of nutrition and other services to eligible seniors in the City of Columbiana. Services are provided at no cost to the participants; however, donations are accepted. The following schedule summarizes the sources of funds and expenses of the Senior Center operations for the year ended September 30, 2012.

Sources of Funds

Salary reimbursements from M4A	\$ 9,397
Donations from participants	<u>5,382</u>
Total funds available	<u>\$ 14,779</u>

Expenditures

Wages and salaries	\$ 18,821
Payroll taxes and employee benefits	2,563
Operational grant expenditures	863
Janitorial, supplies, and repairs	2,465
Office expenses	227
Utilities	4,827
Miscellaneous	4,275
Insurance	186
Donations transmitted to M4A	<u>4,886</u>
Total expenditures	<u>\$ 39,113</u>

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COLUMBIANA, ALABAMA**

**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:**

**GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Donations	\$ 30,800	\$ 30,605	\$ 45,467	\$ 14,862
Fines and charges	950	950	540	(410)
Fire department income	1,920	9,635	8,863	(772)
Grant income	15,397	30,419	30,440	21
Investment income	147,700	124,700	147,446	22,746
Licenses and permits	554,400	527,400	527,620	220
Miscellaneous	10,300	8,362	18,648	10,286
Park and recreation fees	23,500	23,500	4,297	(19,203)
Sanitation services	255,000	255,000	260,974	5,974
Tax revenue	<u>1,798,250</u>	<u>1,818,952</u>	<u>1,879,121</u>	<u>60,169</u>
Total Revenues	<u>2,838,217</u>	<u>2,829,523</u>	<u>2,923,416</u>	<u>93,893</u>
<b><u>Expenditures</u></b>				
Beautification	2,500	2,500	4,566	(2,066)
Capital expenditures	355,000	358,498	285,846	72,652
Debt retirement	235,540	235,540	220,303	15,237
Donations and liberty day	31,500	31,500	39,531	(8,031)
Fire and rescue	217,396	225,039	194,717	30,322
General government	441,634	404,481	376,452	28,029
Interest on long-term debt	149,480	149,480	164,717	(15,237)
Park and recreation and senior center	140,006	151,488	155,402	(3,914)
Police	725,940	743,112	706,378	36,734
Sanitation	226,245	228,606	201,615	26,991
Street	<u>431,891</u>	<u>438,647</u>	<u>375,852</u>	<u>62,795</u>
Total Expenditures	<u>2,957,132</u>	<u>2,968,891</u>	<u>2,725,379</u>	<u>243,512</u>
Excess of Revenues Over (Under) Expenditures	(118,915)	(139,368)	198,037	337,405
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from sale of assets	1,000	6,662	6,662	0
Capital grants			4,000	4,000
Operating transfers in	267,272	267,272	758,076	490,804
Operating transfers out			<u>(827,357)</u>	<u>(827,357)</u>
Total Other Financing Sources (Uses)	<u>268,272</u>	<u>273,934</u>	<u>(58,619)</u>	<u>(332,553)</u>
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ <u>149,357</u>	\$ <u>134,566</u>	139,418	\$ <u>4,852</u>
Fund balance, beginning (Non-GAAP budgetary basis)			<u>5,577,931</u>	
Fund balance, ending (Non-GAAP budgetary basis)			5,717,349	
<b><u>Adjustments to Generally Accepted Accounting Principles</u></b>				
Unrealized gain on investments			62,528	
Revenue and transfer accruals			192,372	
Expenditure and transfer accruals			<u>(92,348)</u>	
Fund balance, ending (GAAP basis)			\$ <u>5,879,901</u>	

NOTE: The City is not legally required to adopt a budget for the Court or Sewer Funds.

The accompanying notes are an integral part of these financial statements.  
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## **SUPPLEMENTARY INFORMATION**

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

	<u>Four Cent Gas Tax</u>	<u>Motor Fuel Tax</u>	<u>7 Cents Gas Tax</u>
<b>ASSETS</b>			
<u>Assets</u>			
Accounts receivable - taxes	\$ 701	\$ 125	\$ 773
Accounts receivable - customers			
Prepaid expense			
<u>Restricted Assets</u>			
Cash	<u>7,104</u>	<u>1,321</u>	<u>41,522</u>
Total Assets	\$ <u><u>7,805</u></u>	\$ <u><u>1,446</u></u>	\$ <u><u>42,295</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
<u>Liabilities</u>			
Accounts payable	\$	\$	\$
Accrued wages			
Interfund payable			
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Fund Balances</u>			
Nonspendable:			
Prepays	<u>7,805</u>	<u>1,446</u>	<u>42,295</u>
Restricted for public services			
Total Liabilities and Fund Equity	\$ <u><u>7,805</u></u>	\$ <u><u>1,446</u></u>	\$ <u><u>42,295</u></u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2012

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	174		1,599
	815		174
			815
<u>177,912</u>	<u>59,805</u>	<u>187,644</u>	<u>475,308</u>
\$ <u><u>177,912</u></u>	\$ <u><u>60,794</u></u>	\$ <u><u>187,644</u></u>	\$ <u><u>477,896</u></u>
\$	\$	\$	\$
	2,637		2,637
	1,532		1,532
		105	105
<u>0</u>	<u>4,169</u>	<u>105</u>	<u>4,274</u>
<u>177,912</u>	<u>55,810</u>	<u>187,539</u>	<u>472,807</u>
\$ <u><u>177,912</u></u>	\$ <u><u>60,794</u></u>	\$ <u><u>187,644</u></u>	\$ <u><u>477,896</u></u>

See independent auditor's report.



CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Four Cent</u> <u>Gas Tax</u>	<u>Motor</u> <u>Fuel Tax</u>	<u>7 Cents</u> <u>Gas Tax</u>
<u>Revenues</u>			
Donations	\$	\$	\$
Fines and charges			
Grant income			
Investment income			
Lot sales and openings/closings			
Miscellaneous			
Shared taxes	<u>7,773</u>	<u>1,417</u>	<u>8,546</u>
Total Revenue	<u>7,773</u>	<u>1,417</u>	<u>8,546</u>
<u>Expenditures</u>			
Cemetery			
Library			
Street			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in			
Operating transfers out			
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	7,773	1,417	8,546
Fund Balance, Beginning of Year	<u>32</u>	<u>29</u>	<u>33,749</u>
Fund Balance, End of Year	\$ <u><u>7,805</u></u>	\$ <u><u>1,446</u></u>	\$ <u><u>42,295</u></u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	1,008	100	1,108
	10,198		10,198
	5,280		5,280
473	78	601	1,152
		12,250	12,250
	4,650		4,650
<u>37,647</u>			<u>55,383</u>
<u>38,120</u>	<u>21,214</u>	<u>12,951</u>	<u>90,021</u>
		799	799
	200,252		200,252
			0
<u>0</u>	<u>200,252</u>	<u>799</u>	<u>201,051</u>
	187,749		187,749
		(23,100)	(23,100)
<u>0</u>	<u>187,749</u>	<u>(23,100)</u>	<u>164,649</u>
38,120	8,711	(10,948)	53,619
<u>139,792</u>	<u>47,914</u>	<u>198,487</u>	<u>420,003</u>
\$ <u><u>177,912</u></u>	\$ <u><u>56,625</u></u>	\$ <u><u>187,539</u></u>	\$ <u><u>473,622</u></u>

See independent auditor's report.