

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary 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.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America required 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Columbiana, Alabama's basic financial statements. The combining nonmajor fund financial statements (pages 52-55) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

DeLoach, Barber & Caspers, P. C.

April 24, 2014

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government			
	Governmental	Business-type		Component
	Activities	Activities	Total	Unit
ASSETS				
<u>Current Assets</u>				
Cash and certificate of deposits	\$ 1,937,558	\$ 1,283,427	\$ 3,220,985	\$ 3,021,049
Accounts receivable - taxes	434,364		434,364	
Accounts receivable - customers, net of allowance	59,187	93,509	152,696	249,005
Accounts receivable - fines, net of allowance	184,744		184,744	
Accounts receivable - grants	114,622		114,622	
Interest receivable	5,960		5,960	252
Interfund receivables		155,425	155,425	21,743
Inventory	248	911	1,159	53,919
Prepaid expenses	58,498	3,086	61,584	17,236
<u>Restricted Assets</u>				
Cash	1,003,584		1,003,584	325,337
Investments	2,895,852		2,895,852	
<u>Non-current Assets</u>				
Land and construction in progress	1,433,573		1,433,573	759,827
Other capital assets, net of accumulated depreciation	4,444,469	2,390,565	6,835,034	6,584,138
<u>Other Assets</u>				
Bond amortization costs, net of amortization	187,656		187,656	
Total Assets	12,760,315	3,926,923	16,687,238	11,032,506
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	64,193	7,450	71,643	118,125
Payroll taxes payable	411		411	823
Utility tax payable			0	4,938
Accrued wages	23,897	1,348	25,245	59,569
Interest payable	167		167	465
Interfund payables	177,168		177,168	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits			0	242,824
<u>Long-term Liabilities</u>				
Notes payable - portion due in one year	112,188		112,188	
Notes payable - portion due in more than one year	195,904		195,904	
Warrants and bonds payable - portion due in one year	125,000		125,000	244,022
Warrants and bonds payable - portion due in more than one year	3,360,000		3,360,000	2,664,923
Accounts payable - state/county portion of court fines	46,186		46,186	
Accrued compensated absences	18,199	2,919	21,118	
Total Liabilities	4,123,313	11,717	4,135,030	3,335,689
<u>Net Position</u>				
Investment in capital assets, net of related debt	2,084,950	2,390,565	4,475,515	4,477,053
Restricted for:				
Public Services	3,825,381		3,825,381	
Debt service	358,481		358,481	
Meter deposits			0	40,479
Unrestricted	2,368,190	1,524,641	3,892,831	3,179,285
Total Net Position	\$ 8,637,002	\$ 3,915,206	\$ 12,552,208	\$ 7,696,817

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Expenses	Program Revenues			Net (Expenses) Revenues
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					Total
Beautification	\$ 5,569	\$	30	\$	(5,539)
Cemetery	10,287	11,500	100		1,313
Court	229,183	207,786			(21,397)
Donations	5,115				(5,115)
Fire and rescue	283,880		7,440		(276,440)
General government	450,165	575,042	1,358		126,235
Interest on long-term debt	156,395				(156,395)
Library	214,829	8,509	13,763		(192,557)
Liberty day celebration	32,421		32,375		(46)
Park and recreation	220,285	3,400	10,105		(206,780)
Police	784,363	261,690	817		(783,546)
Sanitation	227,639	9	28,917		34,051
Senior Center	45,283				(16,357)
Street	494,147				(494,147)
Total Governmental Activities	3,159,561	1,067,936	94,905	0	(1,996,720)
<u>Business -type Activities</u>					
Sewer	503,600	598,825			95,225
Total Business-type Activities	503,600	598,825	0		95,225
Total Primary Government	\$ 3,663,161	\$ 1,666,761	\$ 94,905	\$ 0	<u>(1,901,495)</u>
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,538,463	\$ 1,798,424		\$	259,961
Total Component Units	\$ 1,538,463	\$ 1,798,424	\$ 0	\$ 0	<u>259,961</u>

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, 2013

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<u>Net Revenues (Expenses)</u>	<u>\$ (1,996,720)</u>	<u>\$ 95,225</u>	<u>\$ (1,901,495)</u>	<u>\$ 259,961</u>
General revenues:				
Taxes:				
Sales and use tax	1,322,848		1,322,848	
Property taxes	320,876		320,876	
Gasoline taxes	35,254		35,254	
Beer and alcoholic beverage taxes	31,297		31,297	
Tobacco tax	36,749		36,749	
State capital improvement	96,794		96,794	
Motor vehicle taxes	9,502		9,502	
Financial excise tax	19,147		19,147	
Rental and lodging tax	119,027		119,027	
Payment in lieu of taxes	2,294		2,294	
Shares/Privilege tax	12,328		12,328	
State shared taxes	17,510		17,510	
Other taxes	2,043		2,043	
Miscellaneous	22,563		22,563	
Investment income	124,440	1,002	125,442	14,998
Gain(loss) on sale of capital assets	25,851		25,851	
Unrealized holding loss on investments	(426,845)		(426,845)	
Total general revenues and transfers	1,771,678	1,002	1,772,680	14,998
Change in net position	(225,042)	96,227	(128,815)	274,959
Net position at beginning of year	8,862,044	3,818,979	12,681,023	7,421,858
Net position at end of year	\$ 8,637,002	\$ 3,915,206	\$ 12,552,208	\$ 7,696,817

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General	Court	Other Governmental Funds	Totals Governmental Funds
ASSETS				
<u>Assets</u>				
Cash	\$ 1,937,558	\$	\$	\$ 1,937,558
Accounts receivable - taxes	432,765		1,599	434,364
Accounts receivable - customers	59,187			59,187
Accounts receivable - fines		269,744		269,744
Accounts receivable - grants	114,622			114,622
Interest receivable	5,960			5,960
Interfund receivable	6,442			6,442
Inventory	248			248
Prepaid expenses	56,543	772	1,183	58,498
<u>Restricted Assets</u>				
Cash	313,854	252,645	437,085	1,003,584
Investments	2,895,852			2,895,852
<u>Other Assets</u>				
Bond costs, net of amortization	187,656			187,656
Total Assets	\$ 6,010,687	\$ 523,161	\$ 439,867	\$ 6,973,715
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts payable	\$ 32,204	\$ 31,119	\$ 870	\$ 64,193
Payroll taxes payable	411			411
Accrued wages	21,725	614	1,558	23,897
Interest payable	167			167
Interfund payable	178,108	5,392	110	183,610
Deferred revenue	300,883	246,441		547,324
Total Liabilities	533,498	283,566	2,538	819,602
<u>Fund Balances</u>				
Nonspendable:				
Money Market	81,704			81,704
Investments	2,895,852			2,895,852
Prepays	56,543	772	1,183	58,498
Inventory	248			248
Restricted for:				
Debt Service	358,481			358,481
Public Service	59,063	238,823	436,146	734,032
Unassigned	2,025,298			2,025,298
Total Fund Balances	5,477,189	239,595	437,329	6,154,113
Total Liabilities and Fund Balances	\$ 6,010,687	\$ 523,161	\$ 439,867	\$ 6,973,715

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 POSITION
SEPTEMBER 30, 2013

Total fund balances for governmental funds	\$	6,154,113
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Amounts reported for governmental activities in the statement of net position 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 position.		5,878,042
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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 position.		462,324
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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 position.		<u>(3,857,477)</u>
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Net position of governmental activities	\$	<u><u>8,637,002</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, 2013

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>Revenues</u>				
Donations	\$ 41,627	\$	\$ 3,090	\$ 44,717
Fines and charges	709	198,356	8,489	207,554
Fire department income	579			579
Grant income	31,411		10,773	42,184
Investment income	123,885	216	339	124,440
Licenses, permits, & franchise fees	574,342			574,342
Lot sales and openings/closings			11,500	11,500
Miscellaneous	29,988		20	30,008
Park and recreation	3,400			3,400
Sanitation services	261,690			261,690
Tax revenue	1,916,814		114,304	2,031,118
Total Revenues	<u>2,984,445</u>	<u>198,572</u>	<u>148,515</u>	<u>3,331,532</u>
<u>Expenditures</u>				
Beautification	5,086			5,086
Capital expenditures	279,844		86,433	366,277
Cemetery			2,596	2,596
Court		206,660		206,660
Debt retirement	228,351			228,351
Donations and liberty day	37,536			37,536
Fire and rescue	225,041			225,041
General government	439,667			439,667
Interest on long-term debt	156,395			156,395
Library			212,718	212,718
Park and recreation	100,973			100,973
Police	739,193			739,193
Sanitation	210,985			210,985
Senior Center	43,941			43,941
Street	344,049		58,163	402,212
Total Expenditures	<u>2,811,061</u>	<u>206,660</u>	<u>359,910</u>	<u>3,377,631</u>
Excess of revenues over (under) expenditures	173,384	(8,088)	(211,395)	(46,099)
<u>Other Financing Sources (Uses)</u>				
Unrealized/realized loss on investments	(426,845)			(426,845)
Proceeds from sale of assets	25,851			25,851
Operating transfers in	819,000		190,102	1,009,102
Operating transfers out	(994,102)		(15,000)	(1,009,102)
Total Other Financing Sources (Uses)	<u>(576,096)</u>	<u>0</u>	<u>175,102</u>	<u>(400,994)</u>
Net change in fund balances	(402,712)	(8,088)	(36,293)	(447,093)
Fund Balance, Beginning of Year	<u>5,879,901</u>	<u>247,683</u>	<u>473,622</u>	<u>6,601,206</u>
Fund Balance, End of Year	\$ <u>5,477,189</u>	\$ <u>239,595</u>	\$ <u>437,329</u>	\$ <u>6,154,113</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, 2013

Net change in fund balances - total governmental funds \$ (447,093)

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 capital
outlays of \$366,277 exceeds depreciation of \$360,866. 5,411

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. 3,978

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. (15,689)

Repayment of debt principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities in the
statement of net position. 228,351

Change in net position of governmental activities \$ (225,042)

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

		<u>Enterprise Funds</u> <u>Sewer</u> <u>Department</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$	1,283,427
Accounts receivable - customers, net of allowance		93,509
Interfund receivable		155,425
Inventory		911
Prepaid expenses		3,086
<u>Non-current Assets</u>		
Other capital assets, net of accumulated depreciation		<u>2,390,565</u>
Total Assets	\$	<u><u>3,926,923</u></u>
LIABILITIES		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable	\$	7,450
Accrued wages		1,348
<u>Long-term Liabilities</u>		
Accrued compensated absences		<u>2,919</u>
Total Liabilities		<u>11,717</u>
<u>Net Position</u>		
Investment in capital assets, net of related debt		2,390,565
Unrestricted		<u>1,524,641</u>
Total Net Position	\$	<u><u>3,915,206</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 POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 598,825
Total Revenues	<u>598,825</u>
<u>Administrative Expenses</u>	
Bank charges	40
Computer expense	3,618
Dues and subscriptions	559
Legal and accounting	5,292
Office expense	874
Payroll processing fee	2,234
Postage	2,257
Rental - copier	1,534
Telephone	1,888
Training & travel	<u>607</u>
Total Administrative Expenses	<u>18,903</u>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	1,640
Depreciation	169,621
Fees and services	12,055
Gas and oil	6,158
Insurance - employee health	10,243
Insurance - general	5,572
Insurance - workmans comp.	1,729
Payroll taxes	6,268
Professional services	5,666

(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 POSITION - PROPRIETARY FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	12,110
Repairs and maintenance - equipment	2,738
Repairs and maintenance - vehicles	4,593
Repairs and maintenance - system	48,747
Salaries and wages	84,859
State retirement	5,800
Uniforms	1,695
Utilities	82,786
Water testing and analysis	22,417

Total Supply and Distribution Expenses	484,697
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Total Expenditures	503,600
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Operating income	95,225
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Nonoperating Revenues (Expenses)

Investment earnings	1,002
Operating transfers in	122,675
Operating transfers out	(122,675)

Total Nonoperating Revenues (Expenses)	1,002
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Net change in net position	96,227
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Net position - beginning of year	3,818,979
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Net position - end of year	\$ 3,915,206
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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, 2013

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 605,677
Payments to employees and related expenses	(204,316)
Payments to suppliers	(226,540)
Net payments to (from) City	<u>(2,466)</u>
Net cash provided by operating activities	<u>172,355</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	<u>(74,237)</u>
Net cash used by capital and related financing activities	<u>(74,237)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>1,002</u>
Net cash provided by investing activities	<u>1,002</u>
Net increase in cash and cash equivalents	99,120
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,184,307</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,283,427</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, 2013

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>95,225</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	1,640
Depreciation	169,621
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	6,852
Inventory	(911)
Interfund receivable	(2,466)
Prepaid expenses	(460)
Increase (decrease):	
Accounts payable	(97,129)
Accrued wages	280
Accrued compensated absences	<u>(297)</u>
Total adjustments	<u>77,130</u>
Net cash provided by operating activities	\$ <u>172,355</u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Columbiana, Alabama. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Columbiana, Alabama. There are no separately administered organizations that are controlled by or dependent on the City.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

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

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the City</u>
City of Columbiana Water Board	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.

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 position 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013 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.

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 event 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, 2013 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$4,224,569 and the bank balance was \$4,295,948. Of the bank balance \$956,977 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 \$3,257,267 of Category 1 deposits covered by the SAFE Program at September 30, 2013 and \$81,704 of Category 3 unsecured and uncollateralized cash, which was deposited into money market accounts.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The City's investments are reported at fair value in accordance with GASB Standards. 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.

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, 2013 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	\$ 171,932
General fund - Cash - capital projects	60,218
General fund - Money market - sale of gas department	81,704
General fund - Investments - sale of gas department	2,895,852
Special revenue - Cash - various	<u>689,730</u>
Total Restricted Assets	\$ <u>3,899,436</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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 position. 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 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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

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, 2013 the City has recorded a liability of \$21,118 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

In accordance with GASB Standards, the City classified net position 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 position 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 position component as the unspent proceeds.

Restricted net position - This component of net position consists of constraints placed on net position 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 position - This component of net position consist of net position 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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, 2013

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 uncollectible 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 \$300,883 received after September 30, 2013 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 Position

"Total fund balances" of the City's governmental funds of \$6,154,113 differs from "net position" of governmental activities of \$8,637,002 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position 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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position (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 position includes those capital assets as assets of the City as a whole.

Governmental capital assets	\$ 11,418,746
Less: Depreciation expense to date	<u>(5,540,704)</u>
	\$ <u>5,878,042</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	\$ 308,092
Warrants payable	3,485,000
Long-term portion of fines payable to other agencies	46,186
Accrued compensated absences	<u>18,199</u>
Total	\$ <u>3,857,477</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	\$ 300,883
Court fines	246,441
Allowance for court fines	<u>(85,000)</u>
Total	\$ <u>462,324</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 \$(447,093) differs from the "change in net position" for governmental activities of \$(225,042) 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, 2013

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 position decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 366,277
Depreciation expense	<u>(360,866)</u>
	<u>\$ 5,411</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 position and do not result in an expense in the statement of activities.

Principal payments on notes payable	\$ 108,351
Principal payments on warrants payable	<u>120,000</u>
Total	<u>\$ 228,351</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	\$ (5,452)
Court fines not meeting available criteria	<u>9,430</u>
Total	<u>\$ 3,978</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	\$ (19,263)
Change in accrued compensated absences	<u>3,574</u>
Total	<u>\$ (15,689)</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

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 position by the government that is applicable to a future reporting period, and an acquisition of net position 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. 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 position. The City has implemented GASB Statement No. 63 in fiscal year 2013, and as a result, the financial statements have been renamed accordingly.

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, 2013

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2013 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 3,723,582
Certificates of deposit	<u>500,987</u>
Total Cash and Cash Equivalents	<u>\$ 4,224,569</u>

<u>Investments</u>	<u>Standard & Poor's Bond Rating</u>	<u>Fair Market Value</u>
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U.S. Government Agencies:

Federal National Mortgage Association	Matures 12/01/2025	AA+	\$ 40,590
Government National Mortgage Association	Matures 03/16/2042	AA+	719,235
Government National Mortgage Association	Matures 06/20/2041	AA+	43,967
Government National Mortgage Association	Matures 11/20/2042	AA+	75,866
Government National Mortgage Association	Matures 09/20/2040	AA+	141,539
Government National Mortgage Association	Matures 07/20/2042	AA+	182,715
Government National Mortgage Association	Matures 12/20/2042	AA+	185,700
Government National Mortgage Association	Matures 10/20/2032	AA+	546,371
Government National Mortgage Association	Matures 04/16/2043	AA+	92,284
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	1,084
Federal National Mortgage Association	Matures 03/25/2033	AA+	669,452

Long-Term Certificate of Deposits:

GE Capital Retail Bank	Matures 05/18/2022	FDIC	98,541
GE Capital Retail Bank	Matures 05/25/2022	FDIC	<u>98,508</u>
Total Investments			<u>\$ 2,895,852</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013, the City had \$81,704 in cash and cash equivalents, which was held in money market accounts and \$2,895,852 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, 2013

NOTE 3: ACCOUNTS RECEIVABLE

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

Governmental Activities:

	Amount	Less Allowance for Doubtful Accounts	Total
Accounts receivable - taxes	\$ 434,364	\$	\$ 434,364
Accounts receivable - sanitation services	71,230	(12,043)	59,187
Accounts receivable - court fines	269,744	(85,000)	184,744
Accounts receivable - grants	<u>114,622</u>		<u>114,622</u>
Total Accounts Receivable	<u>\$ 889,960</u>	<u>\$ (97,043)</u>	<u>\$ 792,917</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 108,945
Allowance for doubtful accounts	<u>(15,436)</u>
Accounts receivable - customers net of allowance	<u>\$ 93,509</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>
Capital assets, not being depreciated:				
Land	\$ 1,148,374	\$ 100	\$	\$ 1,148,474
Construction in progress	<u>438,213</u>	<u>170,438</u>	<u>(323,552)</u>	<u>285,099</u>
Total capital assets, not being depreciated	<u>1,586,587</u>	<u>170,538</u>	<u>(323,552)</u>	<u>1,433,573</u>
Capital assets, being depreciated				
Autos and trucks and equipment	1,711,962	135,317	(43,579)	1,803,700
Buildings and building improvements	1,490,370	2,350		1,492,720
Computer equipment	164,267	6,667		170,934
Infrastructure	3,197,102	323,552		3,520,654
Land improvements	7,440	13,800		21,240
Machinery and equipment	1,003,407	36,505		1,039,912
Office furniture and equipment	153,982	1,100		155,082
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>9,509,461</u>	<u>519,291</u>	<u>(43,579)</u>	<u>9,985,173</u>
Less accumulated depreciation for:				
Autos and trucks and equipment	1,497,393	81,705	(43,579)	1,535,519
Buildings and building improvements	814,677	36,766		851,443
Computer equipment	131,519	9,639		141,158
Infrastructure	585,170	82,623		667,793
Land improvements	6,696	611		7,307
Machinery and equipment	903,875	39,001		942,876
Office furniture and equipment	148,546	1,722		150,268
Park improvements	1,028,594	99,653		1,128,247
Park and recreation equipment	<u>106,947</u>	<u>9,146</u>		<u>116,093</u>
Total accumulated depreciation	<u>5,223,417</u>	<u>360,866</u>	<u>(43,579)</u>	<u>5,540,704</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>
Total capital assets, being depreciated net	<u>4,286,044</u>	<u>158,425</u>	<u>0</u>	<u>4,444,469</u>
Governmental activities capital assets, net	<u>\$ 5,872,631</u>	<u>\$ 328,963</u>	<u>\$ (323,552)</u>	<u>\$ 5,878,042</u>

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

Beautification	\$ 483
Cemetery	7,691
Court	2,534
Fire and rescue	58,839
General government	11,884
Library	1,187
Park and recreation	119,313
Police department	46,818
Sanitation	17,031
Senior center	1,342
Street	<u>93,744</u>
	<u>\$ 360,866</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>
Sewer Department				
Capital assets, being depreciated				
Autos and trucks	49,386			49,386
Machinery and equipment	169,969			169,969
Office furniture and equipment	3,472			3,472
Sewer system and lines	<u>5,061,172</u>	<u>74,238</u>		<u>5,135,410</u>
Total capital assets being depreciated	<u>5,283,999</u>	<u>74,238</u>	<u>0</u>	<u>5,358,237</u>
Less accumulated depreciation for:				
Autos and trucks	27,844	4,775		32,619
Machinery and equipment	146,382	5,178		151,560
Office furniture and equipment	2,113	279		2,392
Sewer system and lines	<u>2,621,712</u>	<u>159,389</u>		<u>2,781,101</u>
Total accumulated depreciation	<u>2,798,051</u>	<u>169,621</u>	<u>0</u>	<u>2,967,672</u>
Total capital assets, being depreciated net	<u>2,485,948</u>	<u>(95,383)</u>	<u>0</u>	<u>2,390,565</u>
Business-Type activities capital assets, net	<u>\$ 2,485,948</u>	<u>\$ (95,383)</u>	<u>\$ 0</u>	<u>\$ 2,390,565</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, 2013 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, 2013 was \$3,967.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6: LONG-TERM NOTES PAYABLE

	Balance 10/01/12	Additions	Reductions	Balance 9/30/13	Due Within One Year
	\$ <u>416,444</u>	\$ _____	\$ <u>(108,352)</u>	\$ 308,092	\$ <u>112,188</u>
Less: current maturities				(112,188)	
				\$ <u>195,904</u>	

Note payable to Renasant 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
2014	\$ 112,188	\$ 8,352	\$ 120,540
2015	115,889	4,651	120,540
2016	<u>80,015</u>	<u>984</u>	<u>80,999</u>
	\$ <u>308,092</u>	\$ <u>13,987</u>	\$ <u>322,079</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 7: GENERAL OBLIGATION WARRANTS

	Balance 10/01/12	Additions	Reductions	Balance 9/30/13	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.	\$ 3,160,000	\$	\$ (15,000)	\$ 3,145,000	\$ 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>445,000</u>	<u> </u>	<u>(105,000)</u>	<u>340,000</u>	<u>110,000</u>
	<u>\$ 3,605,000</u>	<u>\$ 0</u>	<u>\$ (120,000)</u>	<u>3,485,000</u>	<u>\$ 125,000</u>
Less: current maturities				<u>(125,000)</u>	
				<u>\$ 3,360,000</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 7: GENERAL OBLIGATION WARRANTS (Continued)

Maturities of general obligation warrants payable are as follows:

Year Ended September 30,	Principal	Interest	Totals
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	150,000	115,425	265,425
2019-2023	825,000	482,225	1,307,225
2024-2028	1,010,000	299,525	1,309,525
2029-2032	<u>960,000</u>	<u>80,681</u>	<u>1,040,681</u>
	<u>\$ 3,485,000</u>	<u>\$ 1,499,185</u>	<u>\$ 4,984,185</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, was charged to operations through the year 2012 using the straight-line method. 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, 2013

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:

Covered salaries - 5% Employees	\$ 516,970
Covered salaries - 6% Employees	339,114
Covered salaries - Tier II 6% Employees	38,883
Covered salaries - Tier II 7% Employees	<u>29,578</u>
 Total Covered Salaries	 \$ <u>924,545</u>
 Total Salaries	 \$ <u>1,288,836</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8: PENSION PLAN (Continued)

Contributions

City - 5% Employees	\$ 35,516
City - 6 % Employees	23,297
City - Tier II 6% Employees	2,272
City - Tier II 7% Employees	<u>1,730</u>
 Total City Contributions	 \$ <u>62,815</u>

Employees - 5% Employees	\$ 25,849
Employees - 6% Employees	20,347
Employees - Tier II 6% Employees	2,330
Employees - Tier II 7% Employees	<u>2,070</u>
 Total Employee Contributions	 \$ <u>50,596</u>

Actuarially Determined Contribution Rates

City - 5% Employees	<u>6.87</u> %
City - 6% Employees	<u>6.87</u> %
City - Tier II 6% Employees	<u>5.85</u> %
City - Tier II 7% Employees	<u>5.85</u> %
Employees - 5% Employees	<u>5.00</u> %
Employees - 6% Employees	<u>6.00</u> %
Employees - Tier II - 6% Employees	<u>6.00</u> %
Employees - Tier II - 7% Employees	<u>7.00</u> %

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 8: PENSION PLAN (Continued)

Contribution as a Percentage of Covered Salaries

City - 5% Employees	\$ <u>6.87</u> %
City - 6% Employees	<u>6.87</u> %
City - Tier II 6% Employees	<u>5.85</u> %
City - Tier II 7% Employees	<u>5.85</u> %
Employees - 5% Employees	<u>5.00</u> %
Employees - 6% Employees	<u>6.00</u> %
Employees - Tier II 6% Employees	<u>6.00</u> %
Employees - Tier II 7% Employees	<u>7.00</u> %

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, 2012, the pension benefit obligation and net assets available for benefit are as follows:

Pension benefit obligation	\$ 2,854,648
Net assets available for benefits	<u>2,284,489</u>
Net Pension Benefit Obligation	\$ <u>570,159</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 8: PENSION PLAN (Continued)

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>
9/30/10	\$ 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%
9/30/12	\$ 2,284,489	\$ 2,854,648	\$ (570,159)	\$ 826,865	69.0%

Actuarial Information

Valuation date	9/30/2012
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	28 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

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>
9/30/10	\$ 47,451	100%	\$ 0
9/30/11	\$ 48,256	100%	\$ 0
9/30/12	\$ 52,393	100%	\$ 0

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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.

NOTE 10: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and Equivalents

Current Assets - cash - Sewer Department	\$ <u>1,283,427</u>
Total Cash and Equivalents Per Combined Statement of Cash Flows	\$ <u><u>1,283,427</u></u>

Interest Paid

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

NOTE 11: LIBRARY STATE AID

During the fiscal year ended September 30, 2013, the City received grants from the State Public Library System which are reported as follows:

Receipts:

Reported in grant program revenues	\$ 3,723
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Expenditures:

Reported in Library expenditures books, magazines, audio tapes	<u>3,723</u>
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Net activity	<u>\$ 0</u>
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NOTE 12: SIGNIFICANT COMMITMENTS

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, 2013 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 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 23, 2014, 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, 2013. No items requiring recording or disclosure were noted.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 14: SCHEDULE OF INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of receivables/payables between the various individual funds during the year ended September 30, 2013:

<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.	155,425
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.	21,743
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	110
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund.	<u>5,392</u>
Total Interfund Receivables/Payables			<u>\$ 183,610</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 15: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2013:

<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.	\$ 389,091
General	Capital Projects - General Fund	The General Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	292,234
Cemetery	Capital Projects - General Fund	The Cemetery Fund made various transfer to the Capital Project Fund for its portion of capital expenditures.	15,000
Sewer Fund	Capital Projects - General Fund	The Sewer Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	122,675
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	<u>190,102</u>
Total Transfers			<u>\$ 1,009,102</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

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, 2013.

Sources of Funds

Salary reimbursements from M4A	\$ 9,397
Grant income	2,000
Donations from participants	<u>5,323</u>
Total funds available	<u>\$ 16,720</u>

Expenditures

Wages and salaries	\$ 17,844
Payroll taxes and employee benefits	2,509
Operational grant expenditures	2,170
Janitorial, supplies, and repairs	4,394
Office expenses	151
Utilities	6,826
Miscellaneous	5,323
Insurance	237
Donations transmitted to M4A	<u>4,488</u>
Total expenditures	<u>\$ 43,942</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Donations	\$ 30,605	\$ 35,900	\$ 41,627	\$ 5,727
Fines and charges	950	950	709	(241)
Fire department income	9,635	5,000	579	(4,421)
Grant income	30,419	22,646	118,584	95,938
Investment income	124,700	144,500	123,458	(21,042)
Licenses and permits	527,400	523,200	574,342	51,142
Miscellaneous	8,362	4,600	29,988	25,388
Park and recreation fees	23,500	13,500	3,400	(10,100)
Sanitation services	255,000	260,000	260,609	609
Tax revenue	1,818,952	1,841,150	1,930,962	89,812
Total Revenues	2,829,523	2,851,446	3,084,258	232,812
<u>Expenditures</u>				
Beautification	2,500	0	5,086	(5,086)
Capital expenditures	358,498	327,717	282,059	45,658
Debt retirement	235,540	0	228,351	(228,351)
Donations and liberty day	31,500	37,250	37,536	(286)
Fire and rescue	225,039	234,150	225,880	8,270
General government	404,481	486,280	437,378	48,902
Interest on long-term debt	149,480	0	156,652	(156,652)
Park and recreation	109,208	119,650	100,973	18,677
Police	743,112	750,525	738,661	11,864
Sanitation	228,606	225,600	210,667	14,933
Senior center	42,280	42,280	43,969	(1,689)
Street	438,647	384,485	345,100	39,385
Total Expenditures	2,968,891	2,607,937	2,812,312	(204,375)
Excess of Revenues Over (Under) Expenditures	(139,368)	243,509	271,946	28,437
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of assets	6,662	7,500	25,851	18,351
Operating transfers in	267,272	0	819,000	819,000
Operating transfers out	0	0	(994,102)	(994,102)
Total Other Financing Sources (Uses)	273,934	7,500	(149,251)	(156,751)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ 134,566	\$ 251,009	122,695	\$ (128,314)
Fund balance, beginning (Non-GAAP budgetary basis)			5,879,901	
Fund balance, ending (Non-GAAP budgetary basis)			6,002,596	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Unrealized gain on investments			(426,845)	
Revenue and transfer accruals			(98,752)	
Expenditure and transfer accruals			190	
Fund balance, ending (GAAP basis)			\$ 5,477,189	

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.

SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>Four Cent</u> <u>Gas Tax</u>	<u>Motor</u> <u>Fuel Tax</u>	<u>7 Cents</u> <u>Gas Tax</u>
ASSETS			
<u>Assets</u>			
Accounts receivable - taxes	\$ 704	\$ 122	\$ 773
Prepaid expense			
<u>Restricted Assets</u>			
Cash	<u>14,791</u>	<u>2,696</u>	<u>14,970</u>
Total Assets	\$ <u>15,495</u>	\$ <u>2,818</u>	\$ <u>15,743</u>
LIABILITIES AND FUND BALANCES			
<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			
Restricted for public services	<u>15,495</u>	<u>2,818</u>	<u>15,743</u>
Total Fund Balances	<u>15,495</u>	<u>2,818</u>	<u>15,743</u>
Total Liabilities and Fund Equity	\$ <u>15,495</u>	\$ <u>2,818</u>	\$ <u>15,743</u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	1,183		1,599 1,183
<u>168,206</u>	<u>54,613</u>	<u>181,809</u>	<u>437,085</u>
\$ <u><u>168,206</u></u>	\$ <u><u>55,796</u></u>	\$ <u><u>181,809</u></u>	\$ <u><u>439,867</u></u>
\$	\$	\$	\$
	870 1,558		870 1,558
		110	110
<u>0</u>	<u>2,428</u>	<u>110</u>	<u>2,538</u>
<u>168,206</u>	<u>52,185</u>	<u>181,699</u>	<u>436,146</u>
<u>168,206</u>	<u>53,368</u>	<u>181,699</u>	<u>437,329</u>
\$ <u><u>168,206</u></u>	\$ <u><u>55,796</u></u>	\$ <u><u>181,809</u></u>	\$ <u><u>439,867</u></u>

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CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<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>7,690</u>	<u>1,372</u>	<u>8,448</u>
Total Revenue	<u>7,690</u>	<u>1,372</u>	<u>8,448</u>
<u>Expenditures</u>			
Capital expenditures			
Cemetery			
Library			
Street			<u>35,000</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>35,000</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	7,690	1,372	(26,552)
Fund Balance, Beginning of Year	<u>7,805</u>	<u>1,446</u>	<u>42,295</u>
Fund Balance, End of Year	\$ <u><u>15,495</u></u>	\$ <u><u>2,818</u></u>	\$ <u><u>15,743</u></u>

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CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

State Capital Improvements	Library	Cemetery	Total Nonmajor Governmental Funds
\$	\$	\$	\$
	2,990	100	3,090
	8,489		8,489
	10,773		10,773
150	33	156	339
		11,500	11,500
	20		20
96,794			114,304
96,944	22,305	11,756	148,515
83,487	2,946		86,433
		2,596	2,596
	212,718		212,718
23,163			58,163
106,650	215,664	2,596	359,910
	190,102		190,102
		(15,000)	(15,000)
0	190,102	(15,000)	175,102
(9,706)	(3,257)	(5,840)	(36,293)
177,912	56,625	187,539	473,622
\$ 168,206	\$ 53,368	\$ 181,699	\$ 437,329

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