

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

CITY OF COLUMBIANA, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

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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, 2016, 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, 2016, 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 and select pension plan disclosures on pages 57-59 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 61-64) 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.

May 18, 2017

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,701,944	\$ 1,871,227	\$ 3,573,171	\$ 3,754,172
Accounts receivable - taxes	498,449		498,449	
Accounts receivable - customers, net of allowance	57,270	82,122	139,392	198,896
Accounts receivable - fines, net of allowance	141,479		141,479	
Accounts receivable - grants	4,691		4,691	
Accounts receivable - other	167		167	
Interest receivable	4,672		4,672	458
Interfund receivables		157,866	157,866	22,177
Inventory		12,780	12,780	51,323
Prepaid expenses	72,416	2,468	74,884	18,877
<u>Restricted Assets</u>				
Cash	947,945		947,945	305,820
Investments	3,302,719		3,302,719	
<u>Non-current Assets</u>				
Land and construction in progress	1,873,430		1,873,430	759,827
Other capital assets, net of accumulated depreciation	5,419,632	2,055,560	7,475,192	6,113,751
Total Assets	14,024,814	4,182,023	18,206,837	11,225,301
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	156,634	16,281	172,915	165,851
Total Assets and Deferred Outflows of Resources	14,181,448	4,198,304	18,379,752	11,391,152
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	71,274	19,037	90,311	42,540
Payroll taxes payable	1,928		1,928	417
Utility tax payable			0	5,249
Accrued wages	58,632	4,420	63,052	16,140
Interest payable			0	405
Interfund payables	180,043		180,043	
<u>Current Liabilities (payable from restricted assets)</u>			0	262,808
Meter deposits				
<u>Long-term Liabilities</u>				
Net pension obligation	539,103	56,518	595,621	1,164,688
Notes payable - portion due in one year			0	
Warrants and bonds payable - portion due in one year	145,000		145,000	273,276
Warrants and bonds payable - portion due in more than one year	2,945,000		2,945,000	1,875,085
Accounts payable - state/county portion of court fines	49,518		49,518	
Accrued compensated absences	21,216	3,102	24,318	37,718
Total Liabilities	4,011,714	83,077	4,094,791	3,678,326
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	16,083	1,686	17,769	
Total Liabilities and Deferred Inflows of Resources	4,027,797	84,763	4,112,560	3,678,326
NET POSITION				
<u>Net Position</u>				
Investment in capital assets, net of related debt	4,203,062	2,055,560	6,258,622	4,725,217
Restricted for:				
Capital Projects	15,526		15,526	
Debt service	178,824		178,824	
Meter deposits			0	43,012
Public Services	4,047,164		4,047,164	
Unrestricted	1,709,075	2,057,981	3,767,056	2,944,597
Total Net Position	\$ 10,153,651	\$ 4,113,541	\$ 14,267,192	\$ 7,712,826

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Expenses	Fees, Fines, and Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues
					Total
<u>Governmental Activities</u>					
<u>Beautification</u>	\$ 6,895	\$	\$		\$ (6,895)
Cemetery	16,024	12,000	100		(3,924)
Court	223,486	169,807			(53,679)
Donations	72,722				(72,722)
Fire and rescue	249,410	7,175			(242,235)
General government	506,800	652,803			146,003
Interest on long-term debt	128,356				(128,356)
Library	218,460	10,308	4,586		(203,566)
Liberty day celebration	35,360	8,708	10,100		(16,552)
Park and recreation	222,761	5,180	13,700		(203,881)
Police	886,060		23,550		(862,510)
Sanitation	241,686	251,607			9,921
Senior Center	112,049		21,855	457,073	366,879
Shelby County Arts Council	22,642		16,971		(5,671)
Special events	2,536	2,714			178
Street	588,461			24,697	(563,764)
Trolley	54,871	835	20,569		(33,467)
Total Governmental Activities	3,588,579	1,121,137	111,431	481,770	(1,874,241)
<u>Business-type Activities</u>					
<u>Sewer</u>	608,062	641,961			33,899
Total Business-type Activities	608,062	641,961	0	0	33,899
Total Primary Government	\$ 4,196,641	\$ 1,763,098	\$ 111,431	\$ 481,770	\$ (1,840,342)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,681,964	\$ 2,029,441	\$	\$	347,477
Total Component Units	\$ 1,681,964	\$ 2,029,441	\$ 0	\$ 0	347,477

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, 2016

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<u>Net Revenues (Expenses)</u>	<u>\$ (1,874,241)</u>	<u>\$ 33,899</u>	<u>\$ (1,840,342)</u>	<u>\$ 347,477</u>
General revenues:				
Taxes:				
Sales and use tax	1,973,470		1,973,470	
Property taxes	335,011		335,011	
Gasoline taxes	36,130		36,130	
Beer and alcoholic beverage taxes	30,330		30,330	
Tobacco tax	29,813		29,813	
State capital improvement	38,997		38,997	
Motor vehicle taxes	11,663		11,663	
Financial excise tax	18,678		18,678	
Rental and lodging tax	40,776		40,776	
Payment in lieu of taxes	2,294		2,294	
Shares/Privilege tax	12,607		12,607	
State shared taxes	18,836		18,836	
Other taxes	303		303	
Miscellaneous	13,782		13,782	
Investment income	114,960	925	115,885	11,610
Unrealized holding gain (loss) on investments	181,205		181,205	
Total general revenues and transfers	2,858,855	925	2,859,780	11,610
Change in net position	984,614	34,824	1,019,438	359,087
Net position at beginning of year	9,169,037	4,078,717	13,247,754	7,353,739
Net position at end of year	\$ 10,153,651	\$ 4,113,541	\$ 14,267,192	\$ 7,712,826

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS						
<u>Assets</u>						
Cash	\$ 1,701,944	\$	\$		\$	\$ 1,701,944
Accounts receivable - taxes	496,766				1,683	498,449
Accounts receivable - customers	57,270					57,270
Accounts receivable - fines				245,579		245,579
Accounts receivable - grants	4,691					4,691
Accounts receivable - other	167					167
Interest receivable	4,672					4,672
Interfund receivable	6,388					6,388
Prepaid expenses	70,692			774	951	72,417
<u>Restricted Assets</u>						
Cash	142,808	23,592	179,764	39,838	561,943	947,945
Investments	3,302,719					3,302,719
Total Assets	\$ 5,788,117	\$ 23,592	\$ 179,764	\$ 286,191	\$ 564,577	\$ 6,842,241

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES

<u>Liabilities</u>						
Accounts payable	\$ 23,905	\$ 8,066	\$	\$ 36,914	\$ 2,389	\$ 71,274
Payroll taxes payable	1,928					1,928
Accrued wages	51,521			2,661	4,450	58,632
Interfund payable	180,043		940	5,349	100	186,432
Total Liabilities	\$ 257,397	\$ 8,066	\$ 940	\$ 44,924	\$ 6,939	\$ 318,266

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2016

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Continued)						
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	\$ 312,619	\$	\$		\$	\$ 312,619
Unavailable revenue - court fines				221,820		221,820
Total deferred inflows of resources	\$ 312,619	\$ 0	\$ 0	\$ 221,820	\$ 0	\$ 534,439
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 142,808	\$	\$		\$	\$ 142,808
Investments	3,302,719					3,302,719
Prepays	70,692			774	951	72,417
Restricted for:						
Capital Projects		15,526				15,526
Debt Service			178,824			178,824
Public Service				18,673	556,687	575,360
Unassigned	1,701,882					1,701,882
Total Fund Balances	\$ 5,218,101	\$ 15,526	\$ 178,824	\$ 19,447	\$ 557,638	\$ 5,989,536
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,788,117	\$ 23,592	\$ 179,764	\$ 286,191	\$ 564,577	\$ 6,842,241

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, 2016

Total fund balances for governmental funds \$ 5,989,536

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. 7,293,062

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. 430,339

Certain deferred inflows and outflows are not recognized
in the fund balance sheet, but they are recognized in the
statement of net position. 140,551

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. (3,699,837)

Net position of governmental activities \$ 10,153,651

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, 2016

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Revenues						
Donations	\$ 32,221	\$	\$		\$ 1,896	\$ 34,117
Fines and charges	630			171,579	10,308	182,517
Fire department income	7,175					7,175
Grant income	107,553	28,324			2,790	138,667
Investment income	114,598	20	47	32	264	114,961
Licenses, permits, & franchise fees	652,173				12,000	652,173
Lot sales and openings/closings					133	12,000
Miscellaneous	25,907					26,040
Park and recreation	5,180					5,180
Reimbursement from Shelby County Arts Council	16,971					16,971
Sanitation services	251,607					251,607
Tax revenue	2,481,939				57,833	2,539,772
Total Revenues	3,695,954	28,344	47	171,611	85,224	3,981,180
Expenditures						
Beautification	6,130					6,130
Capital expenditures	15,783	470,042			1,036	486,861
Cemetery					2,809	2,809
Court				218,885		218,885
Debt retirement			220,065			220,065
Donations and liberty day	108,082					108,082
Fire and rescue	198,154					198,154
General government	477,502	6,400				485,515
Interest on long-term debt			1,613			1,613
Library			128,356			128,356
Park and recreation	116,915				229,380	229,380
Police	822,530	1,983				118,898
Sanitation	210,897	43				822,573
Senior Center	99,223					210,897
						99,223

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Shelby County Arts Council	23,378					23,378
Special events	2,536					2,536
Street	336,077	94,673			1,618	432,368
Trolley	54,714					54,714
Total Expenditures	2,471,921	573,141	350,034	218,885	234,843	3,848,824
Excess of revenues over (under) expenditures	1,224,033	(544,797)	(349,987)	(47,274)	(149,619)	132,356
Other Financing Sources (Uses)						
Unrealized/realized loss on investments	181,205					181,205
Operating transfers in	373,184	608,993	351,031		216,724	1,549,932
Operating transfers out	(1,104,297)	(438,184)			(7,451)	(1,549,932)
Total Other Financing Sources (Uses)	(549,908)	170,809	351,031	0	209,273	181,205
Net change in fund balances	674,125	(373,988)	1,044	(47,274)	59,654	313,561
Fund Balance, Beginning of Year	4,543,976	389,514	177,780	66,721	497,984	5,675,975
Fund Balance, End of Year	\$ 5,218,101	\$ 15,526	\$ 178,824	\$ 19,447	\$ 557,638	\$ 5,989,536

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, 2016

Net change in fund balances - total governmental funds \$ 313,561

Amounts reported for governmental activities in the statement of activities 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 position and depreciated over their estimated economic lives. The amount by which capital outlays of \$486,861 exceeds depreciation of \$436,732. 50,129

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. 7,364

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. (4,892)

In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. (8,266)

Donations of capital assets are not recognized in the fund financial statements because capital assets are not recognized. The donations of capital assets are recognized as revenues in the statement of activities and the asset is depreciated over its useful life in the Statement of Net Position. 403,446

In the statement of activities, pension costs are measured by the amounts earned during the year as actuarially computed. In governmental funds, however, expenditures are measured by the amount of financial resources used. 3,207

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 220,065

Change in net position of governmental activities \$ 984,614

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

		<u>Enterprise Funds</u> <u>Sewer</u> <u>Department</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$	1,871,227
Accounts receivable - customers, net of allowance		82,122
Interfund receivable		157,866
Inventory		12,780
Prepaid expenses		2,468
<u>Non-current Assets</u>		
Other capital assets, net of accumulated depreciation		<u>2,055,560</u>
Total Assets		<u>4,182,023</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension		<u>16,281</u>
Total Assets and Deferred Outflows of Resources		<u>4,198,304</u>
LIABILITIES		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable		19,037
Accrued wages		4,420
<u>Long-term Liabilities</u>		
Accrued compensated absences		3,102
Net pension obligation		<u>56,518</u>
Total Liabilities		<u>83,077</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension		<u>1,686</u>
Total Liabilities and Deferred Intflows of Resources		<u>84,763</u>
<u>Net Position</u>		
Investment in capital assets, net of related debt		2,055,560
Unrestricted		<u>2,057,981</u>
Total Net Position	\$	<u>4,113,541</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, 2016

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 635,073
Miscellaneous income	6,888
	<hr/>
Total Revenues	641,961
	<hr/>
<u>Administrative Expenses</u>	
Computer expense	3,080
Dues and subscriptions	540
Legal and accounting	5,918
Office expense	135
Payroll processing fee	455
Postage	2,364
Rental - copier	1,004
Telephone	962
Training & travel	325
	<hr/>
Total Administrative Expenses	14,783
	<hr/>
<u>Supply and Distribution Expenses</u>	
Depreciation	183,065
Fees and services	21,398
Gas and oil	4,676
Insurance - employee health	13,547
Insurance - general	5,561
Insurance - workmans comp.	2,155
Payroll taxes	7,850
Professional services	22,685

(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, 2016

Supply and Distribution Expenses (Continued)

Permits	5,885
Pipes, parts, and supplies	16,868
Repairs and maintenance - equipment	1,659
Repairs and maintenance - vehicles	3,966
Repairs and maintenance - system	76,713
Salaries and wages	110,189
State retirement	7,900
Uniforms	2,091
Utilities	81,715
Testing and analysis	25,356

Total Supply and Distribution Expenses	<u>593,279</u>
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Total Expenditures	<u>608,062</u>
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Operating income	<u>33,899</u>
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Nonoperating Revenues (Expenses)

Investment earnings	<u>925</u>
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Total Nonoperating Revenues (Expenses)	<u>925</u>
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Net change in net position	34,824
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Net position - beginning of year	<u>4,078,717</u>
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Net position - end of year	<u>\$ 4,113,541</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, 2016

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 647,292
Payments to employees and related expenses	(138,381)
Payments to suppliers	<u>(284,136)</u>
Net cash provided by operating activities	<u>224,775</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	<u>(102,990)</u>
Net cash used by capital and related financing activities	<u>(102,990)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>925</u>
Net cash provided by investing activities	<u>925</u>
Net increase in cash and cash equivalents	122,710
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,748,517</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,871,227</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, 2016

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>33,899</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	183,065
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	5,331
Inventory	345
Prepaid expenses	1,258
Deferred outflows of resources	(8,402)
Increase (decrease):	
Accounts payable	(230)
Accrued wages	1,344
Accrued compensated absences	(352)
Deferred inflows of resources	(6,598)
Net pension obligation	<u>15,115</u>
Total adjustments	<u>190,876</u>
Net cash provided by operating activities	\$ <u>224,775</u>

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

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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.

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, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2016

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.

Debt Service Fund - to account for the payment of principal, interest and commission to fiscal agents on the City's general obligation bonds and warrants.

Capital Projects Fund - to account for the construction and acquisition of various capital asset projects.

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, 2016

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, 2016 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, 2016 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$4,521,116 and the bank balance was \$4,602,452. Of the bank balance \$766,923 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 \$3,692,721 of Category 1 deposits covered by the SAFE Program at September 30, 2016 and \$142,808 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, 2016

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 Ameriprise Financial 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, 2016 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:

Cash - debt service	\$ 179,764
Cash - capital projects	23,592
General fund - Money market - sale of gas department	142,808
General fund - Investments - sale of gas department	3,302,719
Special revenue - Cash - various	<u>601,781</u>
Total Restricted Assets	\$ <u>4,250,664</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, 2016

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, 2016

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, 2016 the City has recorded a liability of \$24,318 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 Statement of Net Position. Bond premiums and discounts and gains/losses on refunding are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in the period incurred.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the City will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources until then. The City had the following deferred outflows that qualified for reporting in this category for the year ended September 30, 2016:

Deferred outflow - pension plan	\$ <u>172,915</u>
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In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources until that time. The City had the following items that qualified for reporting in this category for the year ended September 30, 2016:

Unavailable revenue - property taxes (fund basis)	\$ 312,619
Unavailable revenue - court fines (fund basis)	<u>221,820</u>

Total Deferred inflow of resources - Fund Basis	
Balance Sheet	\$ <u>534,439</u>

Deferred inflows of resources - pension plan (Govt-wide	
Statement of Net Position	\$ <u>17,769</u>

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.

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, 2016

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 enacted through passage of a resolution.
- 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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$312,619 received after September 30, 2016 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 \$5,989,536 differs from "net position" of governmental activities of \$10,153,651 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:

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	\$ 13,912,234
Less: Depreciation expense to date	<u>(6,619,172)</u>
	\$ <u>7,293,062</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.

Warrants payable	\$ 3,090,000
Net pension obligation	539,103
Long-term portion of fines payable to other agencies	49,518
Accrued compensated absences	<u>21,216</u>
Total	\$ <u>3,699,837</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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)

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	\$ 312,619
Court fines	221,820
Allowance for court fines	<u>(104,100)</u>
Total	\$ <u>430,339</u>

Other Items -

Long-term receivables that are not considered available to pay current period expenditures and, therefore, are not reported in the governmental funds. Deferred outflows of current period expenditures for recognized in the statement of net position but are expensed in the current period as a current period use of resources in the fund financial statements.

Deferred inflows of resources - pension	\$ 156,634
Deferred outflows of resources - pension	<u>(16,083)</u>
Total Other Items	\$ <u>140,551</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 \$313,561 differs from the "change in net position" for governmental activities of \$984,614 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:

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 outlay	\$ 486,861
Depreciation expense	<u>(436,732)</u>
	\$ <u>50,129</u>

Donations of capital assets to the City are not recognized as revenues in the fund financial statement because they do not represent current period resources, however the donations are recognized as revenues in the statement of activities and the donated assets are depreciation over the useful life of the asset in the Statement of Net Position.

Donation of capital assets	\$ <u>403,446</u>
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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	\$ 80,065
Principal payments on warrants payable	<u>140,000</u>
Total	\$ <u>220,065</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	\$ 9,136
Court fines not meeting available criteria	<u>(1,772)</u>
Total	\$ <u>7,364</u>

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

Change in accrued compensated absences	\$ <u>(4,892)</u>
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(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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)

Other Items - Pension benefit costs are measured by the amounts earned during the year as actuarially computed in the statement of activities. In the statement of revenues, expenses and changes in fund balances pension expenditures are measured and reported by the amount of financial resources used.

Actuarial computed pension costs	\$ (74,240)
Difference in actuarial computed and actual	1,852
Actual use of resources for pension costs	<u>75,595</u>
	<u>\$ 3,207</u>

Pension

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2016 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 4,016,586
Certificates of deposit	<u>504,530</u>
Total Cash and Cash Equivalents	<u>\$ 4,521,116</u>

		<u>Standard & 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+	\$ 17,655
Federal National Mortgage Association	Matures 03/25/2033	AA+	765,382
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	1,088
Government National Mortgage Association	Matures 10/20/2042	AA+	92,492
Government National Mortgage Association	Matures 10/20/2032	AA+	336,639
Government National Mortgage Association	Matures 01/20/2042	AA+	69,276
Government National Mortgage Association	Matures 11/20/2042	AA+	38,686
Government National Mortgage Association	Matures 03/16/2042	AA+	952,201
Government National Mortgage Association	Matures 09/20/2041	AA+	93,997
Government National Mortgage Association	Matures 07/20/2042	AA+	137,870
Government National Mortgage Association	Matures 12/20/2042	AA+	184,078
Government National Mortgage Association	Matures 04/16/2043	AA+	103,749
Government National Mortgage Association	Matures 12/20/2045	AA+	27,043
Government National Mortgage Association	Matures 12/20/2044	AA+	78,987
Government National Mortgage Association	Matures 04/20/2045	AA+	121,088
Government National Mortgage Association	Matures 03/20/2046	AA+	96,195
Government National Mortgage Association	Matures 06/20/2046	AA+	87,610
Government National Mortgage Association	Matures 08/20/2046	AA+	<u>98,683</u>
Total Investments			<u>\$ 3,302,719</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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, 2016, the City had \$142,808 in cash and cash equivalents, which was held in money market accounts and \$3,202,719 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, 2016

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	\$ 498,449	\$	\$ 498,449
Accounts receivable - sanitation services	73,692	(16,422)	57,270
Accounts receivable - court fines	245,579	(104,100)	141,479
Accounts receivable - grants	4,691		4,691
Accounts receivable - other	<u>167</u>	<u></u>	<u>167</u>
Total Accounts Receivable	<u>\$ 822,578</u>	<u>\$ (120,522)</u>	<u>\$ 702,056</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 103,277
Allowance for doubtful accounts	<u>(21,155)</u>
Accounts receivable - customers net of allowance	<u>\$ 82,122</u>

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/01/15	Additions	Deletions	Balance 9/30/16
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,148,474	\$ 408,685	\$	\$ 1,557,159
Construction in progress	<u>963,114</u>	<u>108,291</u>	<u>(755,134)</u>	<u>316,271</u>
Total capital assets, not being depreciated	<u>2,111,588</u>	<u>516,976</u>	<u>(755,134)</u>	<u>1,873,430</u>
Capital assets, being depreciated				
Autos and trucks and equipment	1,888,104	221,869		2,109,973
Buildings and building improvements	1,605,948	822,981		2,428,929
Computer equipment	194,893	3,177		198,070
Infrastructure	4,124,024			4,124,024
Land improvements	28,332			28,332
Machinery and equipment	1,137,096	51,043		1,188,139
Office furniture and equipment	156,862	12,631		169,493
Park improvements	1,649,499	8,500		1,657,999
Park and recreation equipment	<u>133,849</u>			<u>133,849</u>
Total capital assets being depreciated	<u>10,918,607</u>	<u>1,120,201</u>	<u>0</u>	<u>12,038,808</u>
Less accumulated depreciation for:				
Autos and trucks and equipment	1,629,202	121,208		1,750,410
Buildings and building improvements	930,531	51,320		981,851
Computer equipment	163,542	12,136		175,678
Infrastructure	845,324	128,189		973,513
Land improvements	8,245	345		8,590
Machinery and equipment	999,413	29,943		1,029,356
Office furniture and equipment	151,466	1,948		153,414
Park improvements	1,324,457	90,701		1,415,158
Park and recreation equipment	<u>130,264</u>	<u>942</u>		<u>131,206</u>
Total accumulated depreciation	<u>6,182,444</u>	<u>436,732</u>	<u>0</u>	<u>6,619,176</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/16</u>
Total capital assets, being depreciated net	<u>4,736,163</u>	<u>683,469</u>	<u>0</u>	<u>5,419,632</u>
Governmental activities capital assets, net	<u>\$ 6,847,751</u>	<u>\$ 1,200,445</u>	<u>\$ (755,134)</u>	<u>\$ 7,293,062</u>

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

Beautification	\$ 765
Cemetery	13,215
Court	2,071
Fire and rescue	51,256
General government	13,285
Library	4,407
Park and recreation	103,863
Police department	57,897
Sanitation	28,874
Senior center	13,654
Street	<u>147,445</u>
	<u>\$ 436,732</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/16</u>
Sewer Department				
Capital assets, being depreciated				
Autos and trucks	89,049			89,049
Buildings and building improvements	31,356	15,541		46,897
Machinery and equipment	179,863	2,346		182,209
Office furniture and equipment	3,473			3,473
Sewer system and lines	<u>5,115,372</u>	<u>85,103</u>		<u>5,200,475</u>
Total capital assets being depreciated	<u>5,419,113</u>	<u>102,990</u>	<u>0</u>	<u>5,522,103</u>
Less accumulated depreciation for:				
Autos and trucks	33,222	13,216		46,438
Building and building improvements	16,344	1,013		17,357
Machinery and equipment	148,730	7,495		156,225
Office furniture and equipment	2,950	280		3,230
Sewer system and lines	<u>3,082,232</u>	<u>161,061</u>		<u>3,243,293</u>
Total accumulated depreciation	<u>3,283,478</u>	<u>183,065</u>	<u>0</u>	<u>3,466,543</u>
Total capital assets, being depreciated net	<u>2,135,635</u>	<u>(80,075)</u>	<u>0</u>	<u>2,055,560</u>
Business-Type activities capital assets, net	\$ <u>2,135,635</u>	\$ <u>(80,075)</u>	\$ <u>0</u>	\$ <u>2,055,560</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5: NOTES PAYABLE

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.

Balance 10/01/15	Additions	Reductions	Balance 9/30/16	Due Within One Year
\$ 80,065	\$	\$ (80,065)	\$ 0	\$

NOTE 6: GENERAL OBLIGATION WARRANTS

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.

Balance 10/01/15	Additions	Reductions	Balance 9/30/16	Due Within One Year
\$ 3,110,000	\$	\$ (20,000)	\$ 3,090,000	\$ 145,000

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.

120,000		(120,000)	0	
\$ 3,230,000	\$ 0	\$ (140,000)	3,090,000	\$ 145,000
Less: current maturities			(145,000)	
			\$ 2,945,000	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6: GENERAL OBLIGATION WARRANTS (Continued)

Maturities of general obligation warrants payable are as follows:

<u>Year Ended</u> <u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 145,000	\$ 121,335	\$ 266,335
2018	150,000	115,425	265,425
2019	155,000	109,326	264,326
2020	155,000	103,126	258,126
2021	165,000	96,726	261,726
2022-2026	930,000	377,130	1,307,130
2027-2031	1,135,000	170,876	1,305,876
2032	<u>255,000</u>	<u>5,259</u>	<u>260,259</u>
	<u>\$ 3,090,000</u>	<u>\$ 1,099,203</u>	<u>\$ 4,189,203</u>

The General Obligation Bonds - Series 2007 were currently refinanced in December 2016. See Note 12 for additional details.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN

Plan Description

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

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

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

Benefits Provided

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

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

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

The ERS serves approximately 876 local participating employers. These participating employers include 294 cities, 65 counties, and 517 other public entities. The ERS membership includes approximately 83,874 participants. As of September 30, 2015, membership consisted of::

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active Members	<u>55,378</u>
Total Members	<u>84,393</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

Contributions

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

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2016, the City's active employee contribution rate was 5.67% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 7.37% of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2016 was 8.07% of pensionable pay for Tier 1 employees, and 6.00% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2013, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the System were \$83,381 for the year ended September 30, 2016.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of September 30, 2014:	\$ <u>3,242,879</u> (a)	\$ <u>3,223,136</u>
Entry Age Normal Cost for October 1, 2014 thru September 30, 2015	\$ <u>88,554</u> (b)	\$ <u>88,554</u>
Actual Benefit Payments and Refunds for October 1, 2014 thru September 30, 2015	\$ <u>(231,362)</u> (c)	\$ <u>(231,362)</u>
Total Pension Liability as of September 30, 2015 = (a) x 1.08 + b - (c) x 1.04	\$ <u>3,350,247</u> (d)	\$ <u>3,328,924</u>
Difference between Expected Actual Experience (Gain)/Loss		\$ <u>(21,323)</u>

Actuarial Assumptions

The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

* Net of pension plan investment expense.

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

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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

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

* Includes assumed rate of inflation of 2.50%.

Discount Rate

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

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

Schedule of Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at September 30, 2014	\$ 3,242,879	\$ 2,797,624	\$ 445,255
Changes for the year:			
Service Cost	88,554	0	88,554
Interest	250,176	0	250,176
Changes of assumptions:			
Difference between expected and actual experience	(21,323)		(21,323)
Contributions - employer		78,376	(78,376)
Contributions - employee		56,530	(56,530)
Net Investment income		32,615	(32,615)
Benefit payments, including refunds of employee contributions	(231,362)	(231,362)	0
Administrative expense		0	0
Transfers Among Employers	<u>0</u>	<u>(480)</u>	<u>480</u>
Net Changes	<u>86,045</u>	<u>(64,321)</u>	<u>150,366</u>
Balances at September 30, 2015	\$ <u>3,328,924</u>	\$ <u>2,733,303</u>	\$ <u>595,621</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate.

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

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
City's Net Pension Liability (Asset)	\$ <u>952,152</u>	\$ <u>595,621</u>	\$ <u>294,107</u>

(Dollar amounts in thousands)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

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

For the year ended September 30, 2016, the City recognized pension expense of \$87,132. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 17,769
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	89,534	0
Employer contributions subsequent to the Measurement Date	<u>83,381</u>	<u>0</u>
Total	\$ <u>172,915</u>	\$ <u>17,769</u>

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

Year Ended September 30:

2017	\$ 13,802
2018	13,802
2019	13,803
2020	33,911
2021	(3,553)
Thereafter	<u>0</u>
Total	\$ <u>71,765</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 7: PENSION PLAN (Continued)

SCHEDULE OF COLLECTIVE DEFERRED OUTFLOWS AND INFLOWS FOR DIFFERENCES IN INVESTMENT EXPERIENCE

Year	Beginning Balances				Ending Balances								
	Initial Balance of Losses/ Deferred	Initial Balance of Gains/ Deferred	Amortization Period		Deferred Outflows (a)	Deferred Inflows (b)	Losses/ Deferred Outflows (c)	Gains/ Deferred Inflows (d)	Amounts Recognized in Pension Expense/ Deferred Outflow (e)	Amounts Recognized in Pension Expense/ Deferred Inflow (f)	Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)	
2015	\$187,317	\$0	5 Years		\$0	\$0	\$187,317	\$0	\$37,463	\$0	\$149,854	\$0	
2014	\$0	\$100,534	5 Years		\$0	\$80,427	\$0	\$0	\$0	\$20,107	\$0	\$60,320	
					<u>\$0</u>	<u>\$80,427</u>	<u>\$187,317</u>	<u>\$0</u>			<u>\$149,854</u>	<u>\$60,320</u>	
Net difference between projected and actual earnings on investments													\$89,534
													0

Net difference between projected and actual earnings on investments

SCHEDULE OF AMORTIZATION OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Amortization Year	Actual and Expected Experience 2014	Assumption Changes 2015	Investment Gains/Losses 2014	Investment Gains/Losses 2015	Total
2017	\$0	\$0	(\$20,107)	\$37,463	\$13,802
2018	\$0	\$0	(\$20,107)	\$37,463	\$13,802
2019	\$0	\$0	(\$20,106)	\$37,463	\$13,803
2020	\$0	\$0	\$0	\$37,465	\$33,911
2021	\$0	\$0	\$0	\$0	(\$3,553)
Thereafter	\$0	\$0	\$0	\$0	\$0
Total	\$0	\$0	(\$60,320)	\$149,854	\$71,765

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8: 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.

Litigation

Nature: The Town is a defendant in a case filed by three individual plaintiffs who sued the City and its probation company for a variety of federal causes of action arising out of the operation of the City's municipal court. The individual plaintiffs have requested class certification for all persons similarly situated who are indigent and have been arrested and jailed for their inability to pay a misdemeanor fine imposed by city ordinance. The class action is one of several filed against Alabama municipalities and have gained considerable media publicity.

Progress of the case: The case is not set for trial in 2017. At a recent status conference the United States District Court revised the scheduling order, which allows discovery through June 2017. Dispositive motions are due in the Fall 2017. Class certification motions, if necessary are due thereafter. Rulings on dispositive motions are not expected before September 2017.

How management of the City of Columbiana, Alabama is responding or intends to respond: To date the City's insurance carrier, One Beacon Government Risks, has vigorously contested the allegations against the City and is expected to continue to do so, subject to a material change in the class plaintiff's demand, which is several million dollars. In the event of an adverse judgement, insurance limits appear adequate.

Evaluation of the likelihood of an unfavorable outcome: Given the plaintiff's initial demand, which is several million dollars, it is self-evident that the plaintiff's estimation of the range of potential loss may exceed the City's policy limits. While the lack of significant discovery presently prevents an evaluation of the likelihood of an unfavorable outcome (and hence an estimate of the range of potential loss) these class action cases have the potential for class certification. If a punitive class is certified, the range of loss will expand considerably. If, on the other hand, a class is not certified, then the claims made are substantially more financially manageable. Typically, prior to trial, the plaintiff's will attempt to settle all class claims within the City's policy limits and we have every reason to believe that eventually, plaintiff's will tender a policy limit demand to One Beacon Government Risks. As a result, we do not expect an adverse judgment that will materially impact the City's financial condition. The chance of these future events occurring is at least reasonably possible but an estimated range for this loss contingency is currently undeterminable.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8: CONTINGENT LIABILITIES (Continued)

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 9: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and Equivalents

Current Assets - cash - Sewer Department	\$ <u>1,871,227</u>
Total Cash and Equivalents Per Combined Statement of Cash Flows	\$ <u>1,871,227</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, 2016

NOTE 10: SCHEDULE OF INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of receivables/payables between the various individual funds during the year ended September 30, 2016:

<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.	157,866
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.	22,177
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	100
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund.	<u>5,349</u>
Total Interfund Receivables/Payables			\$ <u>186,432</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 11: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2016:

<u>Transfer From Fund</u>	<u>Transfer to Fund</u>	<u>Purpose of Transfers</u>	<u>Amount</u>
General Fund	Debt Service	The General Fund makes monthly transfers to the Debt Service Fund to make the monthly required debt payments.	\$ 351,031
General Fund	Capital Projects	The General Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	536,543
Capital Projects	General Fund	The Capital Project Fund made various transfer to the General Fund for reimbursement of capital expenditures paid.	373,183
Cemetery	Capital Projects	The Cemetery Fund made various transfer to the Capital Project Fund for its portion of capital expenditures.	7,451
Sewer	Capital Projects	The Sewer Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	65,000
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	216,724
Total Transfers			<u>\$ 1,549,932</u>

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2017, 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, 2016. No items requiring recording or disclosure were noted except as follows:

Bond Issue -2016

In December 2016, the City Council approved Ordinance 12-16-10 authorizing the issuance, execution, sale, and delivery of the City of Columbiana General Obligation Warrants Series 2016 in the amount of \$2,997,428.53 for the purpose of (1) current refunding the outstanding Refunded Warrants, which were currently outstanding in the aggregate principal amount of \$3,090,000 and (2) to pay the costs of the issuance of the warrant.

CDBG Grant - Sewer Project

The City was awarded a Community Development Block Grant to implement Sewer System Improvements in December 2016 for the amount of \$450,000. The City will be required to provide matching funds of \$65,000. In March 2017, the City Council authorized the Mayor to sign a contract for Main Street Sewer Improvements with BLD Services, Inc. for the awarded low bid amount of \$448,210.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Donations	\$ 22,300	\$ 22,300	\$ 32,221	\$ 9,921
Fines and charges	1,750	1,750	630	(1,120)
Fire department income	10,000	10,000	7,175	(2,825)
Grant income	69,170	69,170	105,546	36,376
Investment income	101,500	101,500	114,126	12,626
Licenses and permits	590,500	590,500	652,173	61,673
Miscellaneous	22,445	22,445	25,740	3,295
Park and recreation fees	16,000	16,000	5,180	(10,820)
Reimbursement from Shelby County Arts Council			16,971	16,971
Sanitation services	275,000	275,000	251,763	(23,237)
Tax revenue	2,046,800	2,046,800	2,440,398	393,598
Total Revenues	3,155,465	3,155,465	3,651,923	496,458
<u>Expenditures</u>				
Beautification			6,130	(6,130)
Capital expenditures	1,000	1,000	15,783	(14,783)
Donations and liberty day	111,950	111,950	108,082	3,868
Fire and rescue	219,600	219,600	197,248	22,352
General government	521,570	526,472	481,954	44,518
Park and recreation	127,050	130,538	116,915	13,623
Police	793,850	793,850	815,874	(22,024)
Sanitation	221,650	221,650	210,707	10,943
Senior center	75,930	75,930	98,771	(22,841)
Shelby County Arts Council			21,609	(21,609)
Special events			2,536	(2,536)
Street	346,400	359,400	333,803	25,597
Transit	64,050	64,050	53,919	10,131
Total Expenditures	2,483,050	2,504,440	2,463,331	41,109
Excess of Revenues Over (Under) Expenditures	672,415	651,025	1,188,592	537,567
<u>Other Financing Sources (Uses)</u>				
Operating transfers in			373,184	373,184
Operating transfers out	(350,000)	(350,000)	(1,104,297)	(754,297)
Total Other Financing Sources (Uses)	(350,000)	(350,000)	(731,113)	(381,113)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ 322,415	\$ 301,025	457,479	\$ 156,454
Fund balance, beginning (Non-GAAP budgetary basis)			4,543,976	
Fund balance, ending (Non-GAAP budgetary basis)			5,001,455	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Unrealized gain on investments			181,205	
Revenue and transfer accruals			44,031	
Expenditure and transfer accruals			(8,590)	
Fund balance, ending (GAAP basis)			\$ 5,218,101	

NOTE: The City is not legally required to adopt a budget for the Debt Service, Capital Projects, Court or Sewer Funds.

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

CITY OF COLUMBIANA, ALABAMA

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 88,554	\$ 84,853
Interest	250,176	239,998
Changes of benefit terms	0	0
Differences between expected and actual experience	(21,323)	0
Changes of assumptions	0	0
Benefit payments, including refunds of employee contributions	<u>(231,362)</u>	<u>(163,905)</u>
Net change in total pension liability	86,045	160,946
Total pension liability - beginning	<u>3,242,879</u>	<u>3,081,933</u>
Total pension liability ending (a)	<u>\$ 3,328,924</u>	<u>\$ 3,242,879</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 78,376	\$ 73,348
Contributions - member	56,530	54,030
Net investment income	32,615	301,671
Benefit payments, including refunds of employee contributions	(231,362)	(163,905)
Transfers among employers	<u>(480)</u>	<u></u>
Net change in plan fiduciary net position	(64,321)	265,144
Plan net position - beginning	<u>2,797,624</u>	<u>2,532,480</u>
Plan net position - ending (b)	<u>\$ 2,733,303</u>	<u>\$ 2,797,624</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 595,621</u>	<u>\$ 445,255</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>82.11%</u>	<u>86.27%</u>
Covered-employee payroll	<u>\$ 1,001,771</u>	<u>\$ 978,375</u>
Net pension liability (asset) as a percentage of covered-employee payroll	<u>59.46%</u>	<u>45.51%</u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30,

	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	83,381	75,892
Contributions in relation to the actuarially determined contribution	<u>83,381</u>	<u>75,892</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>
Covered - employee payroll	\$ <u>1,131,580</u>	\$ <u>1,001,771</u>
Contributions as a percentage of covered-employee payroll	<u>7.37%</u>	<u>7.58%</u>

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2016 were based on the September 30, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Remaining amortization period:	28 years
Asset valuation method:	Five year smoothed market
Inflation:	3.00%
Salary increases:	3.75 - 7.25% including inflation
Investment rate of return:	8.00%, net of pension plan investment expense, including inflation

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

		<u>4 & 5 Cents</u> <u>Gas Tax</u>	<u>2 & 7 Cents</u> <u>Gas Tax</u>
ASSETS			
<u>Assets</u>			
Accounts receivable - taxes	\$	753	\$ 930
Prepaid expense			
<u>Restricted Assets</u>			
Cash		<u>17,865</u>	<u>21,366</u>
Total Assets	\$	<u><u>18,618</u></u>	\$ <u><u>22,296</u></u>
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u>			
Accounts payable	\$		\$
Accrued wages			
Interfund payable			
Total Liabilities		<u>0</u>	<u>0</u>
<u>Fund Balances</u>			
Nonspendable:			
Prepays			
Restricted for public services		<u>18,618</u>	<u>22,296</u>
Total Fund Balances		<u>18,618</u>	<u>22,296</u>
Total Liabilities and Fund Equity	\$	<u><u>18,618</u></u>	\$ <u><u>22,296</u></u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	660	291	1,683
			951
<u>271,286</u>	<u>69,628</u>	<u>181,798</u>	<u>561,943</u>
\$ <u>271,286</u>	\$ <u>70,288</u>	\$ <u>182,089</u>	\$ <u>564,577</u>
\$	\$	\$	\$
	2,175	214	2,389
	4,450		4,450
		100	100
<u>0</u>	<u>6,625</u>	<u>314</u>	<u>6,939</u>
	660	291	951
<u>271,286</u>	<u>63,003</u>	<u>181,484</u>	<u>556,687</u>
<u>271,286</u>	<u>63,663</u>	<u>181,775</u>	<u>557,638</u>
\$ <u>271,286</u>	\$ <u>70,288</u>	\$ <u>182,089</u>	\$ <u>564,577</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, 2016

	<u>4 & 5 Cents</u> <u>Gas Tax</u>	<u>2 & 7 Cents</u> <u>Gas Tax</u>
<u>Revenues</u>		
Donations	\$	\$
Fines and charges		
Grant income and state aid		
Investment income	7	8
Lot sales and openings/closings		
Miscellaneous		
Shared taxes	<u>8,278</u>	<u>10,558</u>
Total Revenue	<u>8,285</u>	<u>10,566</u>
<u>Expenditures</u>		
Capital expenditures		
Cemetery		
Library		
Street	<u>1,618</u>	
Total Expenditures	<u>1,618</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>
Net change in fund balances	6,667	10,566
Fund Balance, Beginning of Year	<u>11,951</u>	<u>11,730</u>
Fund Balance, End of Year	\$ <u><u>18,618</u></u>	\$ <u><u>22,296</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, 2016

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	1,796	100	1,896
	10,308		10,308
	2,790		2,790
123	35	91	264
		12,000	12,000
	133		133
<u>38,997</u>			<u>57,833</u>
<u>39,120</u>	<u>15,062</u>	<u>12,191</u>	<u>85,224</u>
	1,036		1,036
		2,809	2,809
	229,380		229,380
			1,618
<u>0</u>	<u>230,416</u>	<u>2,809</u>	<u>234,843</u>
	216,724		216,724
		(7,451)	(7,451)
<u>0</u>	<u>216,724</u>	<u>(7,451)</u>	<u>209,273</u>
39,120	1,370	1,931	59,654
<u>232,166</u>	<u>62,293</u>	<u>179,844</u>	<u>497,984</u>
\$ <u><u>271,286</u></u>	\$ <u><u>63,663</u></u>	\$ <u><u>181,775</u></u>	\$ <u><u>557,638</u></u>

See independent auditor's report.