

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of and for the year ended September 30, 2017, 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, 2017, 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 58-60 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 62-65) 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 11, 2018

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,789,421	\$ 1,594,768	\$ 3,384,189	\$ 3,870,160
Accounts receivable - taxes	524,566		524,566	
Accounts receivable - customers, net of allowance	62,180	100,764	162,944	208,425
Accounts receivable - fines, net of allowance	122,872		122,872	
Accounts receivable - grants	44,804		44,804	
Accounts receivable - other	150		150	77,274
Interest receivable	10,344		10,344	543
Interfund receivables		156,424	156,424	22,191
Inventory		11,984	11,984	69,337
Prepaid expenses	74,198	4,095	78,293	19,374
<u>Restricted Assets</u>				
Cash	772,222	16,952	789,174	316,993
Investments	3,257,300		3,257,300	
<u>Non-current Assets</u>				
Land and construction in progress	2,531,632		2,531,632	782,178
Other capital assets, net of accumulated depreciation	5,182,440	2,516,940	7,699,380	5,923,786
Total Assets	14,372,129	4,401,927	18,774,056	11,290,261
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	165,757	16,589	182,346	376,329
Total Assets and Deferred Outflows of Resources	14,537,886	4,418,516	18,956,402	11,666,590
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	109,994	26,727	136,721	76,093
Payroll taxes payable	2,705		2,705	523
Utility tax payable			0	5,670
Accrued wages	57,513	4,250	61,763	18,755
Interest payable			0	424
Interfund payables	172,615	6,000	178,615	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits		16,950	16,950	274,248
<u>Long-term Liabilities</u>				
Net pension obligation	218,472	22,501	240,973	1,414,406
Warrants and bonds payable - portion due in one year	166,921		166,921	283,787
Warrants and bonds payable - portion due in more than one year	2,708,024		2,708,024	1,591,299
Accounts payable - state/county portion of court fines	43,005		43,005	
Accrued compensated absences	24,280	3,802	28,082	48,696
Total Liabilities	3,503,529	80,230	3,583,759	3,713,901
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	302,299	31,134	333,433	
Total Liabilities and Deferred Inflows of Resources	3,805,828	111,364	3,917,192	3,713,901
NET POSITION				
<u>Net Position</u>				
Investment in capital assets, net of related debt	4,839,127	2,516,940	7,356,067	4,830,878
Restricted for:				
Capital Projects	334,913		334,913	
Debt service	62,421		62,421	
Meter deposits			0	42,745
Public Services	3,536,800		3,536,800	
Unrestricted	1,958,797	1,790,212	3,749,009	3,079,066
Total Net Position	\$ 10,732,058	\$ 4,307,152	\$ 15,039,210	\$ 7,952,689

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	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>					
Beautification	\$ 7,878	\$	\$		\$ (7,878)
Bond issuance costs and fees	30,000				(30,000)
Cemetery	25,966	11,000	100		(14,866)
Court	212,563	159,033			(53,530)
Donations and events	64,936				(64,936)
Fire and rescue	243,754	9,671			(234,083)
General government	573,916	618,183	28,504	72,000	144,771
Interest on long-term debt	119,935				(119,935)
Library	235,263	9,265	5,954		(220,044)
Liberty day celebration	34,833	9,787	24,750		(296)
Park and recreation	207,081	6,460	8,518		(192,103)
Police	910,079				(910,079)
Sanitation	257,687	273,941			16,254
Senior Center	125,382		21,349		(104,033)
Shelby County Arts Council	58,380		60,333		1,953
Special events	4,624				(4,624)
Street	468,686			277,079	(191,607)
Trolley	42,706	961	17,163		(24,582)
Total Governmental Activities	3,623,669	1,098,301	166,671	349,079	(2,009,618)
<u>Business -type Activities</u>					
Sewer	593,196	705,371			112,175
Total Business-type Activities	593,196	705,371	0	0	112,175
Total Primary Government	\$ 4,216,865	\$ 1,803,672	\$ 166,671	\$ 349,079	\$ (1,897,443)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,807,781	\$ 2,034,003	\$	\$	226,222
Total Component Units	\$ 1,807,781	\$ 2,034,003	\$ 0	\$ 0	226,222

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, 2017

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<u>Net Revenues (Expenses)</u>	\$	\$	\$	\$
	(2,009,618)	112,175	(1,897,443)	226,222
General revenues:				
Taxes:				
Sales and use tax	2,067,628		2,067,628	
Property taxes	358,077		358,077	
Gasoline taxes	33,697		33,697	
Beer and alcoholic beverage taxes	30,788		30,788	
Tobacco tax	29,625		29,625	
State capital improvement	37,990		37,990	
Motor vehicle taxes	11,400		11,400	
Financial excise tax	61,800		61,800	
Rental and lodging tax	45,318		45,318	
Shares/Privilege tax	12,702		12,702	
State shared gasoline taxes	19,033		19,033	
Other taxes	473		473	
Miscellaneous	15,504	3,283	18,787	
Investment income	118,177	895	119,072	13,640
Net transfers in (out)	(77,258)	77,258	0	
Unrealized holding gain (loss) on investments	(176,929)		(176,929)	
Total general revenues and transfers	2,588,025	81,436	2,669,461	13,640
Change in net position	578,407	193,611	772,018	239,862
Net position at beginning of year	10,153,651	4,113,541	14,267,192	7,712,827
Net position at end of year	\$ 10,732,058	\$ 4,307,152	\$ 15,039,210	\$ 7,952,689

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

ASSETS	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Assets</u>						
Cash	\$ 1,789,421	\$	\$			\$ 1,789,421
Accounts receivable - taxes	522,826					524,566
Accounts receivable - customers	62,180				1,740	62,180
Accounts receivable - fines				184,704		184,704
Accounts receivable - grants	6,018	38,786				44,804
Accounts receivable - other	150					150
Interest receivable	10,344					10,344
Interfund receivable	4,935	6,000				10,935
Prepaid expenses	72,742			247	1,209	74,198
<u>Restricted Assets</u>						
Cash	30,431	25,493	62,421	94,847	559,030	772,222
Investments	3,257,300					3,257,300
Total Assets	\$ 5,756,347	\$ 70,279	\$ 62,421	\$ 279,798	\$ 561,979	\$ 6,730,824

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES

<u>Liabilities</u>						
Accounts payable	\$ 38,588	\$ 44,786	\$	\$ 26,448	\$ 172	\$ 109,994
Payroll taxes payable	2,705					2,705
Accrued wages	51,517			2,770	3,226	57,513
Interfund payable	178,616			4,705	229	183,550
Total Liabilities	\$ 271,426	\$ 44,786	\$ 0	\$ 33,923	\$ 3,627	\$ 353,762

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Continued)						
Deferred Inflows of Resources						
Unavailable revenue - property taxes	\$ 329,038	\$	\$	\$	\$	\$ 329,038
Unavailable revenue - court fines				153,682		153,682
Total deferred inflows of resources	\$ 329,038	\$ 0	\$ 0	\$ 153,682	\$ 0	\$ 482,720
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 30,431	\$	\$	\$	\$	\$ 30,431
Investments	3,257,300					3,257,300
Prepays	72,742			247	1,209	74,198
Restricted for:						
Capital Projects		25,493				25,493
Debt Service			62,421			62,421
Public Service				91,946	557,143	649,089
Unassigned	1,795,410					1,795,410
Total Fund Balances	\$ 5,155,883	\$ 25,493	\$ 62,421	\$ 92,193	\$ 558,352	\$ 5,894,342
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,756,347	\$ 70,279	\$ 62,421	\$ 279,798	\$ 561,979	\$ 6,730,824

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, 2017

Total fund balances for governmental funds	\$	5,894,342
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.		7,714,072
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Certain assets are deferred in the fund financial statement because they are not available to pay current-period expenditures, but they are reported as assets in the statement of net position.		420,888
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Certain deferred inflows and outflows are not recognized in the fund balance sheet, but they are recognized in the statement of net position.		(136,542)
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Certain liabilities (such as warrants payable, notes payable, and compensated absences) are not reported in this fund financial statement because they are not due and payable, but they are presented as liabilities in the statement of net position.		<u>(3,160,702)</u>
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Net position of governmental activities	\$	<u><u>10,732,058</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Revenues</u>						
Donations	\$ 41,570	\$	\$		2,935	\$ 44,505
Fines and charges	840			184,903	9,265	195,008
Fire department income	9,671					9,671
Grant income	58,713	77,258			3,119	139,090
Investment income	117,530	30	323	27	266	118,176
Licenses, permits, & franchise fees	617,343					617,343
Lot sales and openings/closings					11,000	11,000
Miscellaneous	25,121				1,131	26,252
Park and recreation	6,460					6,460
Reimbursement from Shelby County Arts Council	60,333					60,333
Sanitation services	273,941					273,941
Tax revenue	2,635,086				57,023	2,692,109
Total Revenues	3,846,608	77,288	323	184,930	84,739	4,193,888
<u>Expenditures</u>						
Beautification	7,112					7,112
Capital expenditures	30,400	752,946			1,563	784,909
Cemetery					4,317	4,317
Court				220,149		220,149
Debt service:						
Principal retirement			3,212,483			3,212,483
Interest			119,935			119,935
Bond issuance costs			30,000			30,000
Donations and liberty day						
Fire and rescue	104,392					104,392
General government	201,663					201,663
Library	557,642	3,200				560,842
Park and recreation	127,809				234,278	234,278
Police	862,135	373				127,809
Sanitation	229,257					862,508
Senior Center	102,834					229,257
						102,834

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, 2017

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Shelby County Arts Council	60,462					60,462
Street	325,983					325,983
Trolley	43,212					43,212
Total Expenditures	2,652,901	756,519	3,362,418	220,149	240,158	7,232,145
Excess of revenues over (under) expenditures	1,193,707	(679,231)	(3,362,095)	(35,219)	(155,419)	(3,038,257)
Other Financing Sources (Uses)						
Proceeds from issuance of bonds			2,997,429			2,997,429
Capital reimbursement		199,821				199,821
Unrealized/realized loss on investments	(176,929)					(176,929)
Operating transfers in		1,104,096	248,263	107,965	223,152	1,683,476
Operating transfers out	(1,078,996)	(614,719)			(67,019)	(1,760,734)
Total Other Financing Sources (Uses)	(1,255,925)	689,198	3,245,692	107,965	156,133	2,943,063
Net change in fund balances	(62,218)	9,967	(116,403)	72,746	714	(95,194)
Fund Balance, Beginning of Year	5,218,101	15,526	178,824	19,447	557,638	5,989,536
Fund Balance, End of Year	\$ 5,155,883	\$ 25,493	\$ 62,421	\$ 92,193	\$ 558,352	\$ 5,894,342

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, 2017

Net change in fund balances - total governmental funds	\$	(95,194)
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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 \$784,909 exceeds depreciation of \$435,901.		349,008
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.		(9,451)
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.		3,452
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.		72,000
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.		43,538
Bond proceeds are reported as other financing sources in the statement of revenues, expenditures, and changes in fund balance but are reported as liabilities in the government wide financial statements.		(2,997,429)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		<u>3,212,483</u>
Change in net position of governmental activities	\$	<u><u>578,407</u></u>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

		<u>Enterprise Funds</u>
		<u>Sewer</u>
		<u>Department</u>
ASSETS		
<u>Current Assets</u>		
Cash and cash equivalents	\$	1,594,768
Accounts receivable - customers, net of allowance		100,764
Interfund receivable		156,424
Inventory		11,984
Prepaid expenses		4,095
<u>Restricted Assets</u>		
Cash and cash equivalents - customer deposits		16,952
<u>Non-current Assets</u>		
Other capital assets, net of accumulated depreciation		2,516,940
Total Assets		4,401,927
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension		16,589
Total Assets and Deferred Outflows of Resources		4,418,516
LIABILITIES		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable		26,727
Accrued wages		4,250
Interfund payables		6,000
<u>Current Liabilities (payable from restricted assets)</u>		
Customer deposits		16,950
<u>Long-term Liabilities</u>		
Accrued compensated absences		3,802
Net pension obligation		22,501
Total Liabilities		80,230
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension		31,134
Total Liabilities and Deferred Inflows of Resources		111,364
<u>Net Position</u>		
Investment in capital assets, net of related debt		2,516,940
Unrestricted		1,790,212
Total Net Position	\$	4,307,152

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, 2017

	<u>Enterprise Funds</u> <u>Sewer</u> <u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 705,371
Miscellaneous income	3,283
Total Revenues	<u>708,654</u>
<u>Administrative Expenses</u>	
Computer expense	4,212
Dues and subscriptions	646
Legal and accounting	5,218
Office expense	1,083
Payroll processing fee	446
Postage	2,876
Rental - copier	927
Telephone	1,109
Training & travel	1,516
Total Administrative Expenses	<u>18,033</u>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	3,201
Depreciation	176,859
Engineering and professional fees	11,208
Fees and services	12,468
Gas and oil	5,184
Insurance - employee health	13,943
Insurance - general	6,789
Insurance - workman's comp.	1,984
Miscellaneous	490
Payroll taxes	7,696

(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, 2017

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	10,968
Repairs and maintenance - building	19,692
Repairs and maintenance - equipment	1,795
Repairs and maintenance - system	78,992
Repairs and maintenance - vehicles	3,424
Salaries and wages	108,395
Small tools and equipment	213
State retirement	3,093
Uniforms	2,348
Utilities	83,151
Testing and analysis	23,270

Total Supply and Distribution Expenses	575,163
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Total Expenditures	593,196
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Operating income	115,458
------------------	---------

Nonoperating Revenues (Expenses)

Investment earnings	895
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Net Income after Nonoperating Revenues (Expenses)	116,353
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Nonoperating Transfers In (Out)

Transfers from capital projects fund	614,719
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Transfers to capital projects fund	(537,461)
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Net Transfers	77,258
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Net change in net position	193,611
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Net position - beginning of year	4,113,541
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Net position - end of year	\$ 4,307,152
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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, 2017

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 703,760
Payments to employees and related expenses	(136,629)
Payments to suppliers	<u>(290,072)</u>
Net cash provided by operating activities	<u>277,059</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Transfers to capital project fund for capital acquisitions	<u>(537,461)</u>
Net cash used by capital and related financing activities	<u>(537,461)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>895</u>
Net cash provided by investing activities	<u>895</u>
Net decrease in cash and cash equivalents	(259,507)
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,871,227</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,611,720</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, 2017

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>115,458</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	3,201
Depreciation	176,859
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(21,844)
Inventory	796
Prepaid expenses	(1,629)
Deferred outflows of resources	(308)
Increase (decrease):	
Accounts payable	(9,827)
Accrued wages	(170)
Accrued compensated absences	700
Customer deposits	16,950
Interfund payable	1,442
Deferred inflows of resources	29,448
Net pension obligation	<u>(34,017)</u>
Total adjustments	<u>161,601</u>
Net cash provided by operating activities	\$ <u>277,059</u>

Reconciliation of Cash Per Statements of Cash Flows
to the Balance Sheet

Current Assets	\$ 1,594,768
Restricted Assets	
Cash-customer deposits	<u>16,952</u>
Total Cash and Equivalents	\$ <u>1,611,720</u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

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, 2017

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:

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

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

Government-wide and Fund Financial Statements

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

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

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

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017

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, 2017

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, 2017 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, 2017 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$4,173,363 and the bank balance was \$4,688,809. Of the bank balance \$801,085 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 \$3,857,293 of Category 1 deposits covered by the SAFE Program at September 30, 2017 and \$30,431 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, 2017

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, 2017 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	\$ 62,421
Cash - capital projects	25,493
General fund - Money market - sale of gas department	30,431
General fund - Investments - sale of gas department	3,257,300
Special revenue - Cash - various	<u>653,877</u>
 Total Restricted Assets	 \$ <u>4,029,522</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, 2017

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, 2017

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, 2017 the City has recorded a liability of \$28,082 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 sources while discounts 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, 2017

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, 2017:

Deferred outflow - pension plan	\$ <u>182,346</u>
---------------------------------	-------------------

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, 2017:

Unavailable revenue - property taxes (fund basis)	\$ 329,038
Unavailable revenue - court fines (fund basis)	<u>153,682</u>

Total Deferred inflow of resources - Fund Basis	
Balance Sheet	\$ <u>482,720</u>

Deferred inflows of resources - pension plan (Govt-wide	
Statement of Net Position	\$ <u>333,433</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, 2017

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, 2017

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, 2017

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, 2017

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 \$329,038 received after September 30, 2017 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 \$5,894,342 differs from "net position" of governmental activities of \$10,732,058 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	\$ 14,769,145
Less: Depreciation expense to date	<u>(7,055,073)</u>
	\$ <u>7,714,072</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	\$ 2,874,945
Net pension obligation	218,472
Long-term portion of fines payable to other agencies	43,005
Accrued compensated absences	<u>24,280</u>
Total	\$ <u>3,160,702</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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	\$ 329,038
Court fines	153,681
Allowance for court fines	<u>(61,831)</u>
Total	\$ <u>420,888</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	\$ (302,299)
Deferred outflows of resources - pension	<u>165,757</u>
Total Other Items	\$ <u>(136,542)</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 \$(95,194) differs from the "change in net position" for governmental activities of \$578,407 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, 2017

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	\$ 784,909
Depreciation expense	<u>(435,901)</u>
	\$ <u>349,008</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>72,000</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 warrants payable	\$ <u>3,212,483</u>
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Proceeds from the issuance of debt is recognized as other financing sources in the fund financial statement because they can be used for current financial resources, but the proceeds are recognized as long-term debt on the government-wide financial statements.

Proceeds from issuance of warrants payable	\$ <u>(2,997,429)</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	\$ 16,419
Court fines not meeting available criteria	<u>(25,870)</u>
Total	\$ <u>(9,451)</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>3,452</u>
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(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.

Difference in actuarial computed and actual	\$ <u>43,538</u>
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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, 2017

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2017 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 3,667,317
Certificates of deposit	<u>506,046</u>
Total Cash and Cash Equivalents	<u>\$ 4,173,363</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+	\$ 13,154
Federal National Mortgage Association	Matures 03/25/2033	AA+	716,529
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	993
Government National Mortgage Association	Matures 10/20/2042	AA+	64,537
Government National Mortgage Association	Matures 10/20/2032	AA+	275,769
Government National Mortgage Association	Matures 01/20/2042	AA+	29,430
Government National Mortgage Association	Matures 03/16/2047	AA+	96,748
Government National Mortgage Association	Matures 10/20/2046	AA+	90,353
Government National Mortgage Association	Matures 05/20/2047	AA+	87,183
Government National Mortgage Association	Matures 11/20/2042	AA+	23,023
Government National Mortgage Association	Matures 3/16/2042	AA+	869,684
Government National Mortgage Association	Matures 09/20/2041	AA+	66,107
Government National Mortgage Association	Matures 07/20/2042	AA+	91,638
Government National Mortgage Association	Matures 12/20/2042	AA+	141,984
Government National Mortgage Association	Matures 04/16/2043	AA+	84,491
Government National Mortgage Association	Matures 12/20/2044	AA+	14,378
Government National Mortgage Association	Matures 04/20/2045	AA+	15,236
Government National Mortgage Association	Matures 04/20/2046	AA+	42,934
Government National Mortgage Association	Matures 06/20/2046	AA+	42,069
Government National Mortgage Association	Matures 08/20/2046	AA+	87,813
Government National Mortgage Association	Matures 11/20/2046	AA+	153,987
Government National Mortgage Association	Matures 08/20/2047	AA+	100,000
Government National Mortgage Association	Matures 07/20/2047	AA+	<u>149,260</u>
Total Investments			<u>\$ 3,257,300</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017, the City had \$30,431 in cash and cash equivalents, which was held in money market accounts and \$3,257,300 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, 2017

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:

	<u>Amount</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Total</u>
Accounts receivable - taxes	\$ 524,566	\$	\$ 524,566
Accounts receivable - sanitation services	79,763	(17,583)	62,180
Accounts receivable - court fines	184,703	(61,831)	122,872
Accounts receivable - grants	44,804		44,804
Accounts receivable - other	<u>150</u>	<u></u>	<u>150</u>
Total Accounts Receivable	\$ <u>833,986</u>	\$ <u>(79,414)</u>	\$ <u>754,572</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 125,120
Allowance for doubtful accounts	<u>(24,356)</u>
Accounts receivable - customers net of allowance	\$ <u>100,764</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/17</u>
Capital assets, not being depreciated:				
Land	\$ 1,557,159	\$ 74,242	\$	\$ 1,631,401
Construction in progress	<u>316,271</u>	<u>583,960</u>		<u>900,231</u>
Total capital assets, not being depreciated	<u>1,873,430</u>	<u>658,202</u>	<u>0</u>	<u>2,531,632</u>
Capital assets, being depreciated				
Autos and trucks and equipment	2,109,973	75,079		2,185,052
Buildings and building improvements	2,428,929	5,715		2,434,644
Computer equipment	198,070	21,585		219,655
Infrastructure	4,124,024			4,124,024
Land improvements	28,332			28,332
Machinery and equipment	1,188,141	90,233		1,278,374
Office furniture and equipment	169,493	6,095		175,588
Park improvements	1,657,999			1,657,999
Park and recreation equipment	<u>133,849</u>			<u>133,849</u>
Total capital assets being depreciated	<u>12,038,810</u>	<u>198,707</u>	<u>0</u>	<u>12,237,517</u>
Less accumulated depreciation for:				
Autos and trucks and equipment	1,750,410	121,936		1,872,346
Buildings and building improvements	981,851	61,604		1,043,455
Computer equipment	175,678	11,754		187,432
Infrastructure	973,513	128,190		1,101,703
Land improvements	8,590	345		8,935
Machinery and equipment	1,029,356	42,307		1,071,663
Office furniture and equipment	153,414	2,871		156,285
Park improvements	1,415,158	66,039		1,481,197
Park and recreation equipment	<u>131,206</u>	<u>855</u>		<u>132,061</u>
Total accumulated depreciation	<u>6,619,176</u>	<u>435,901</u>	<u>0</u>	<u>7,055,077</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/17</u>
Total capital assets, being depreciated net	<u>5,419,634</u>	<u>(237,194)</u>	<u>0</u>	<u>5,182,440</u>
Governmental activities capital assets, net	<u>\$ 7,293,064</u>	<u>\$ 421,008</u>	<u>\$ 0</u>	<u>\$ 7,714,072</u>

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

Beautification	\$ 766
Cemetery	21,649
Court	992
Fire and rescue	42,091
General government	17,981
Library	4,797
Park and recreation	79,272
Police department	65,420
Sanitation	31,506
Senior center	24,322
Street	<u>147,105</u>
	<u>\$ 435,901</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance 10/01/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/17</u>
Sewer Department				
Capital assets, not being depreciated:				
Construction in progress		<u>563,535</u>		<u>563,535</u>
Capital assets, being depreciated				
Autos and trucks	89,049			89,049
Buildings and building improvements	46,897			46,897
Machinery and equipment	182,209	74,704		256,913
Office furniture and equipment	3,473			3,473
Sewer system and lines	<u>5,200,475</u>			<u>5,200,475</u>
Total capital assets being depreciated	<u>5,522,103</u>	<u>74,704</u>	<u>0</u>	<u>5,596,807</u>
Less accumulated depreciation for:				
Autos and trucks	46,438	13,216		59,654
Building and building improvements	17,357	1,327		18,684
Machinery and equipment	156,225	16,040		172,265
Office furniture and equipment	3,231	242		3,473
Sewer system and lines	<u>3,243,293</u>	<u>146,033</u>		<u>3,389,326</u>
Total accumulated depreciation	<u>3,466,544</u>	<u>176,858</u>	<u>0</u>	<u>3,643,402</u>
Total capital assets, being depreciated net	<u>2,055,559</u>	<u>(102,154)</u>	<u>0</u>	<u>1,953,405</u>
Business-Type activities capital assets, net	\$ <u>2,055,559</u>	\$ <u>461,381</u>	\$ <u>0</u>	\$ <u>2,516,940</u>

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.	<table> <tr> <th>Balance 10/01/16</th> <th>Additions</th> <th>Reductions</th> <th>Balance 9/30/17</th> <th>Due Within One Year</th> </tr> <tr> <td>\$ 3,090,000</td> <td>\$</td> <td>\$ (3,090,000)</td> <td>\$ 0</td> <td>\$</td> </tr> </table>	Balance 10/01/16	Additions	Reductions	Balance 9/30/17	Due Within One Year	\$ 3,090,000	\$	\$ (3,090,000)	\$ 0	\$
Balance 10/01/16	Additions	Reductions	Balance 9/30/17	Due Within One Year							
\$ 3,090,000	\$	\$ (3,090,000)	\$ 0	\$							

\$ 3,090,000	\$ (3,090,000)	\$ 0
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excise taxes (commonly called sales and use tax).

	<u>2,997,429</u>	<u>(122,484)</u>	<u>2,874,945</u>	<u>166,921</u>
\$ <u>3,090,000</u>	\$ <u>2,997,429</u>	\$ <u>(3,212,484)</u>	2,874,945	\$ <u>166,921</u>
	Less: current maturities		<u>(166,921)</u>	
			\$ <u>2,708,024</u>	

(166,921)

\$ 2,708.024

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 5: GENERAL OBLIGATION WARRANTS (Continued)

General Obligation Warrants Series 2016

In December 2016 the City issued \$2,997,428.53 in General Obligation Warrants Series 2016 with an interest rate of 2.50%, for the purposes of (a) providing funds for the current refunding of the outstanding balance of the General Obligation Warrants Series 2007, which were currently outstanding in the aggregate principal amount of \$3,090,000 and, (b) paying the costs of the issuance of the warrants. The Series 2016 Warrants constitute general obligations of the City for the payment of which the full faith, credit and taxing power of the City are irrevocably pledged. The Series 2016 Warrants are additionally secured by a pledge of so much as may be necessary thereof the City's privilege license and excise tax (commonly called a sales and use tax and herein referred to as the "Special Tax").

The proceeds of the Series 2016 Warrants were used to call and pay-off the General Obligation Warrants - Series 2007 in the amount of \$3,090,000. The City completed the current refunding of the 2007 warrants to reduce its total debt service over the next 7 years by \$559,726 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$32,022.

Maturities of general obligation warrants payable are as follows:

Year Ended	Principal	Interest	Totals
<u>September 30,</u>			
2018	\$ 166,921	\$ 70,941	\$ 237,862
2019	171,142	66,661	237,803
2020	175,470	62,445	237,915
2021	179,907	57,774	237,681
2022	184,457	53,161	237,618
2032 - 2033	<u>1,997,048</u>	<u>56,057</u>	<u>2,053,105</u>
	<u>\$ 2,874,945</u>	<u>\$ 367,039</u>	<u>\$ 3,241,984</u>

See Note 12 concerning details of issuance of General Obligations Warrants, Series 2018-A for details concerning refunding of the Refunded Warrants Series 2016.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6: 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, 2017

NOTE 6: 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 875 local participating employers. These participating employers include 294 cities, 65 counties, and 516 other public entities. The ERS membership includes approximately 85,874 participants. As of September 30, 2016, membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,007
Terminated employees entitled to but not yet receiving benefits	1,155
Terminated employees not entitled to a benefit	6,654
Active Members	<u>55,058</u>
 Total Members	 <u>85,874</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6: 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, 2017, 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 6.51% of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2017 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, 2014, 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 \$81,542 for the year ended September 30, 2017.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (Continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2015 rolled forward to September 30, 2016 using standard roll-forward techniques as shown in the following:

Total Pension Liability as of September 30, 2015:	\$ 3,073,375
Discount Rate	7.75%
Entry Age Normal Cost for October 1, 2015 thru September 30, 2016	90,036
Transfers Among Employers	749
Actual Benefit Payments and Refunds for October 1, 2015 thru September 30, 2016	<u>(141,390)</u>
Total Pension Liability as of September 30, 2016	\$ <u>3,255,478</u>

Actuarial Assumptions

The total pension liability in the September 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.25% - 5.00%
Investment rate of return*:	7.75%

* Net of pension plan investment expense.

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

The actuarial assumptions used in the September 30, 2015 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (Continued)

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash	<u>3.0%</u>	1.5%
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, 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 6: PENSION PLAN (Continued)

Schedule of Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2015	\$ 3,328,924	\$ 2,733,303	\$ 595,621
Changes for the year:			
Service Cost	91,211	0	91,211
Interest	260,658	0	260,658
Changes of assumptions:	89,582	0	89,582
Difference between expected and actual experience	(374,256)		(374,256)
Contributions - employer		79,193	(79,193)
Contributions - employee		64,150	(64,150)
Net Investment income		278,501	(278,501)
Benefit payments, including refunds of employee contributions	(141,390)	(141,390)	0
Administrative expense		0	0
Transfers Among Employers	<u>749</u>	<u>749</u>	<u>0</u>
Net Changes	<u>(73,446)</u>	<u>281,203</u>	<u>(354,649)</u>
Balances at September 30, 2016	<u>\$ 3,255,478</u>	<u>\$ 3,014,506</u>	<u>\$ 240,972</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 6: 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
City's Net Pension Liability (Asset)	\$ <u>577,706</u>	\$ <u>240,972</u>	\$ <u>(43,849)</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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2016. The auditor's report dated September 18, 2017 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, 2017

NOTE 6: PENSION PLAN (Continued)

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

For the year ended September 30, 2017, the City recognized pension expense of \$33,126. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 333,433
Changes of assumptions	76,408	0
Net difference between projected and actual earnings on plan investments	24,395	0
Employer contributions subsequent to the Measurement Date	<u>81,542</u>	<u>0</u>
Total	\$ <u>182,345</u>	\$ <u>333,433</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:

2018	\$ (40,008)
2019	(40,007)
2020	(19,899)
2021	(57,362)
2022	(41,864)
Thereafter	<u>(33,490)</u>
Total	\$ <u>(232,630)</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 7: 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: Three individual plaintiff's originally sued the City, two have been dismissed and another plaintiff has been named to serve as a replacement representative of the putative class. The two class representatives herein have sued the City of Columbiana and its probation company, Judicial Correction Services and CHC Companies for a variety of federal causes of action arising out of the operation of the City's municipal court. The individual plaintiff's 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 yet. Discovery has been completed and summary judgment is due in April 2018. Insurance coverages appear adequate in the event of an adverse judgment.

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 judgment, 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, 2017

NOTE 7: 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 8: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid

Total interest paid on debt	\$ <u>119,935</u>
Total interest expensed	\$ <u>119,935</u>
Total interest capitalized	\$ <u>0</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 9: SCHEDULE OF INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of receivables/payables between the various individual funds during the year ended September 30, 2017:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Purpose</u>	<u>Amount</u>
Sewer Department	General Fund	The amount due from General Fund to the Sewer Department is for the 1% sales tax collections.	\$ 156,424
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.	22,192
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	229
Capital Projects	Sewer Fund	The Sewer Fund owes to the Capital Projects Fund for capital expenditures paid on its behalf.	6,000
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund.	<u>4,705</u>
Total Interfund Receivables/Payables			<u>\$ 189,550</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE 10: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2017:

<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.	\$ 248,263
General Fund	Capital Projects	The General Fund made various transfers to the Capital Project Fund for its portion of expenses.	499,616
Cemetery	Capital Projects	The Cemetery made various transfers to the Capital Project Fund for its portion of capital expenses.	67,019
General Fund	Court	The General Fund made transfers to the Court Fund for operational purposes.	107,965
Sewer	Capital Projects	The Sewer Fund made various transfers to the Capital Project Fund for its portion of capital expenditures.	537,461
Capital Projects	Sewer	The Capital Project Fund transferred capital assets back to the Sewer Board upon project completion.	614,719
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	223,152
Total Transfers			<u>\$ 2,298,195</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 11: COMMITMENTS

Old Mill Square Park and Arts Center Project

The City contracted with Enoch & Associates for engineering services relating to the Old Mill Square Park and Arts Center Project, during the planning and preparation phase. The contract was signed on a fee plus costs basis with no fixed bid amount.

The City contracted with Black Design Architecture, LLC to provide architectural services relating to the Old Mill Square Park and Arts Center Project.. Total contracted price for the services was \$337,702. As of September 30, 2017 the City had incurred costs of \$20,005, leaving a remaining commitment of \$317,697.

The City contracted with Stidco Construction to provide construction management and supervision services during the construction process for the Old Mill Square Park and Arts Center Project.. Total contracted price for the services was \$586,760. As of September 30, 2017 the City had incurred costs of \$58,658, leaving a remaining commitment of \$528,102.

Main Street Sewer Project

The City contracted with BLD Services to provide construction services relating to the Main Street Sewer Project. Total contracted price for the services was \$448,210. As of September 30, 2017 the City had incurred costs of \$352,769, leaving a remaining commitment of \$95,441

Sewer Rehabilitation Project - CDBG Grant for Depot St, Butler St, and Collins St

The City contracted with Suncoast Infrastructure, Inc. to provide construction services in relation to the Sewer Rehabilitation Project. Total contracted price for these services was \$412,875. As of September 30, 2017 the City had incurred costs of \$38,782, leaving a remaining commitment of \$374,093.

The City contracted with Community Consultants Incorporated to provide grant administrative services in relation to the CDBG Block Grant for the Sewer Rehabilitation Project. Total contracted price for these services was \$39,000. As of September 30, 2017 the City had incurred costs of \$11,200, leaving a remaining commitment of \$27,800.

The City contracted with Rev Construction, Inc. for construction of a main sewer trunk line between Hwy 25 By-pass and the Sewer Plant. Total contracted price for these services was \$1,279,350. As of September 30, 2017 the City had incurred costs of \$-0-, leaving a remaining commitment of \$1,279,350.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 11, 2018, 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, 2017. No items requiring recording or disclosure were noted except as follows:

Resolution 11-17-03

In November 2017, the City Council approved Resolution 11-17-03 - The City of Columbiana, Alabama has determined to acquire, construct, and install certain capital improvements, in order to proceed with acquisition and construction of the Series 2018 Improvements, pending the issuance of the tax-exempt obligations in a approximate maximum principal amount of \$10,000,000 to pay the costs thereof, it may be necessary for the City to use its own funds to pay certain expenses in connection with the Series 2018 Improvements and the financial thereof. The City declared its official intent to reimburse the expenditures made by the City with respect to the Series 2018 Improvements and all related improvements thereto in whole or in part from the proceeds of tax-exempt obligations which may be issued hereafter by the City. The amount the City expects to reimburse the City's General Fund from the proceeds of such obligations will not exceed \$3,000,000.

Ordinance 03-18-02

In March 2018, the City Council approved ordinance 03-18-02 authorizing the Cultural Facilities Cooperative District of the City of Columbiana, a public corporation organized under the laws of the State of Alabama (the "District") to issue Revenue Bonds Series 2018-A in the amount not to exceed \$12,000,000 for the purpose of (a) financing the acquisition, construction, and equipping of a multipurpose cultural and entertainment event and community center and park at Old Mill Square, located in the City of Columbiana and, (b) paying the costs of issuing the Series 2018-A Bonds. The City Council also approved a lease agreement between the City and the District for real property upon which the Bond-Financed facilities will be constructed. The Bond-Financed Facilities will be leased by the District to the City and the City agrees to pay rentals at times and in amounts sufficient to pay the principal of, premium (if any) and interest on the Series 2018-A Bonds when due.

Fire Department Ladder Truck

The City Council approved the purchase of a ladder truck authorizing a bid up to \$100,000.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

NOTE 12: SUBSEQUENT EVENTS (Continued)

Ordinance 04-18-04

In April 2018, the City Council approved Ordinance 04-18-04, authorizing the issuance of General Obligation Warrants, Series 2018-A. The City has previously issued the General Obligation Warrants, Series 2016 and the governing body of the City has determined that it is in the public interest to refund and retire all of the Series 2016 Warrants in order to restructure and extend the final maturity date of these warrants, which are scheduled to mature in December 2023, and for which the City will owe a sizable balloon payment of \$1,791,952.85 at that time. The indebtedness evidenced by the Series 2018-A Warrant is a general obligation of the City for the payment of which the full faith and credit of the City have been irrevocably pledged, pro rata and without preference or priority of one Series 2018-A Warrant over another.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Donations	\$ 27,200	\$ 27,200	\$ 41,570	\$ 14,370
Fines and charges	1,300	1,300	840	(460)
Fire department income	10,000	10,000	9,671	(329)
Grant income	57,050	57,050	57,386	336
Investment income	101,500	101,500	111,858	10,358
Licenses and permits	608,540	608,540	617,343	8,803
Miscellaneous	22,405	22,405	25,121	2,716
Park and recreation fees	17,500	17,500	6,460	(11,040)
Reimbursement from Shelby County Arts Council			60,333	60,333
Sanitation services	279,000	279,000	269,031	(9,969)
Tax revenue	2,513,600	2,513,600	2,609,026	95,426
Total Revenues	3,638,095	3,638,095	3,808,639	170,544
<u>Expenditures</u>				
Beautification	9,000	9,000	7,112	1,888
Capital expenditures		7,500	30,400	(22,900)
Donations and liberty day	107,550	107,550	104,242	3,308
Fire and rescue	224,150	224,150	201,814	22,336
General government	571,620	571,620	545,061	26,559
Park and recreation	145,950	145,950	130,588	15,362
Police	850,650	850,650	858,578	(7,928)
Sanitation	219,600	219,600	226,809	(7,209)
Senior center	94,550	94,550	102,824	(8,274)
Shelby County Arts Council			60,405	(60,405)
Street	360,950	360,950	327,480	33,470
Transit	62,950	62,950	43,846	19,104
Total Expenditures	2,646,970	2,654,470	2,639,159	15,311
Excess of Revenues Over (Under) Expenditures	991,125	983,625	1,169,480	185,855
<u>Other Financing Sources (Uses)</u>				
Operating transfers out		(14,500)	(1,078,996)	(1,064,496)
Total Other Financing Sources (Uses)	0	(14,500)	(1,078,996)	(1,064,496)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ 991,125	\$ 969,125	90,484	\$ (878,641)
Fund balance, beginning (Non-GAAP budgetary basis)			5,218,101	
Fund balance, ending (Non-GAAP budgetary basis)			5,308,585	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Unrealized gain on investments			(176,929)	
Revenue and transfer accruals			37,969	
Expenditure and transfer accruals			(13,742)	
Fund balance, ending (GAAP basis)			\$ 5,155,883	

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,

	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 91,211	\$ 88,554	\$ 84,853
Interest	260,658	250,176	239,998
Changes of benefit terms	0	0	0
Differences between expected and actual experience	(374,256)	(21,323)	0
Changes of assumptions	89,582	0	0
Benefit payments, including refunds of employee contributions	(141,390)	(231,362)	(163,905)
Transfers among employers	<u>749</u>	<u></u>	<u></u>
Net change in total pension liability	(73,446)	86,045	160,946
Total pension liability - beginning	<u>3,328,924</u>	<u>3,242,879</u>	<u>3,081,933</u>
Total pension liability ending (a)	<u>\$ 3,255,478</u>	<u>\$ 3,328,924</u>	<u>\$ 3,242,879</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 79,193	\$ 78,376	\$ 73,348
Contributions - member	64,150	56,530	54,030
Net investment income	278,501	32,615	301,671
Benefit payments, including refunds of employee contributions	(141,390)	(231,362)	(163,905)
Transfers among employers	<u>749</u>	<u>(480)</u>	<u></u>
Net change in plan fiduciary net position	281,203	(64,321)	265,144
Plan net position - beginning	<u>2,733,303</u>	<u>2,797,624</u>	<u>2,532,480</u>
Plan net position - ending (b)	<u>\$ 3,014,506</u>	<u>\$ 2,733,303</u>	<u>\$ 2,797,624</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ 240,972</u>	<u>\$ 595,621</u>	<u>\$ 445,255</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>92.60%</u>	<u>82.11%</u>	<u>86.27%</u>
Covered-employee payroll	<u>\$ 1,131,580</u>	<u>\$ 1,001,771</u>	<u>\$ 978,375</u>
Net pension liability (asset) as a percentage of covered-employee payroll	<u>21.26%</u>	<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>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	80,819	83,381	75,892
Contributions in relation to the actuarially determined contribution	<u>80,819</u>	<u>83,381</u>	<u>75,892</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered - employee payroll	\$ <u>1,241,643</u>	\$ <u>1,131,580</u>	\$ <u>1,001,771</u>
Contributions as a percentage of covered-employee payroll	<u>6.51%</u>	<u>7.37%</u>	<u>7.58%</u>

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2017 were based on the September 30, 2014 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, 2017

	4 & 5 Cents Gas Tax	2 & 7 Cents Gas Tax
ASSETS		
<u>Assets</u>		
Accounts receivable - taxes	\$ 766	\$ 974
Prepaid expense		
<u>Restricted Assets</u>		
Cash	26,217	32,014
Total Assets	\$ 26,983	\$ 32,988
LIABILITIES AND FUND BALANCES		
<u>Liabilities</u>		
Accounts payable	\$	\$
Accrued wages		
Interfund payable		
Total Liabilities	0	0
<u>Fund Balances</u>		
Nonspendable:		
Prepays		
Restricted for public services	26,983	32,988
Total Fund Balances	26,983	32,988
Total Liabilities and Fund Equity	\$ 26,983	\$ 32,988

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	866	343	1,740
			1,209
<u>309,420</u>	<u>69,892</u>	<u>121,487</u>	<u>559,030</u>
\$ <u><u>309,420</u></u>	\$ <u><u>70,758</u></u>	\$ <u><u>121,830</u></u>	\$ <u><u>561,979</u></u>
\$	\$	\$	\$
	172		172
	3,226		3,226
		229	229
<u>0</u>	<u>3,398</u>	<u>229</u>	<u>3,627</u>
	866	343	1,209
<u>309,420</u>	<u>66,494</u>	<u>121,258</u>	<u>557,143</u>
<u>309,420</u>	<u>67,360</u>	<u>121,601</u>	<u>558,352</u>
\$ <u><u>309,420</u></u>	\$ <u><u>70,758</u></u>	\$ <u><u>121,830</u></u>	\$ <u><u>561,979</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, 2017

	<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	11	13
Lot sales and openings/closings		
Miscellaneous		
Shared taxes	<u>8,354</u>	<u>10,679</u>
Total Revenue	<u>8,365</u>	<u>10,692</u>
<u>Expenditures</u>		
Capital expenditures		
Cemetery		
Library		
Street		
Total Expenditures	<u>0</u>	<u>0</u>
<u>Other Financing Sources (Uses)</u>		
Operating transfers in		
Operating transfers out		
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>
Net change in fund balances	8,365	10,692
Fund Balance, Beginning of Year	<u>18,618</u>	<u>22,296</u>
Fund Balance, End of Year	\$ <u><u>26,983</u></u>	\$ <u><u>32,988</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, 2017

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	2,835	100	2,935
	9,265		9,265
	3,119		3,119
144	36	62	266
		11,000	11,000
	1,131		1,131
<u>37,990</u>			<u>57,023</u>
<u>38,134</u>	<u>16,386</u>	<u>11,162</u>	<u>84,739</u>
	1,563		1,563
		4,317	4,317
	234,278		234,278
			0
<u>0</u>	<u>235,841</u>	<u>4,317</u>	<u>240,158</u>
	223,152		223,152
		(67,019)	(67,019)
<u>0</u>	<u>223,152</u>	<u>(67,019)</u>	<u>156,133</u>
38,134	3,697	(60,174)	714
<u>271,286</u>	<u>63,663</u>	<u>181,775</u>	<u>557,638</u>
\$ <u>309,420</u>	\$ <u>67,360</u>	\$ <u>121,601</u>	\$ <u>558,352</u>

See independent auditor's report.