

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of and for the year ended September 30, 2018, 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, 2018, 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 59-61 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 63-66) 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.

July 25, 2019

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,432,882	\$ 397,231	\$ 1,830,113	\$ 3,709,488
Accounts receivable - taxes	585,469		585,469	
Accounts receivable - customers, net of allowance	65,024	106,456	171,480	239,513
Accounts receivable - fines, net of allowance	122,019		122,019	
Accounts receivable - grants	14,823		14,823	
Accounts receivable - other	4,478		4,478	
Interest receivable	10,721		10,721	906
Interfund receivables		132,574	132,574	21,854
Inventory		21,543	21,543	71,194
Prepaid expenses	76,015	4,175	80,190	17,441
<u>Restricted Assets</u>				
Cash	8,589,490	27,752	8,617,242	322,480
Investments	3,111,340		3,111,340	
<u>Non-current Assets</u>				
Land and construction in progress	3,931,206		3,931,206	759,827
Other capital assets, net of accumulated depreciation	5,132,984	4,284,351	9,417,335	6,199,122
Prepaid bond insurance costs	54,533		54,533	
Net pension asset	35,367	3,413	38,780	
Total Assets	23,166,351	4,977,495	28,143,846	11,341,825
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	100,716	10,174	110,890	316,318
Total Assets and Deferred Outflows of Resources	23,267,067	4,987,669	28,254,736	11,658,143
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	268,952	48,658	317,610	37,787
Payroll taxes payable	536		536	454
Utility tax payable			0	6,272
Accrued wages	57,297	3,772	61,069	18,098
Interest payable			0	360
Interfund payables	154,521		154,521	
<u>Current Liabilities (payable from restricted assets)</u>				
Customer deposits		29,450	29,450	279,278
<u>Long-term Liabilities</u>				
Net pension obligation			0	1,303,165
Warrants and bonds payable - portion due in one year	75,000		75,000	294,702
Warrants and bonds payable - portion due in more than one year	11,155,213		11,155,213	1,296,597
Accounts payable - state/county portion of court fines	42,707		42,707	
Accrued compensated absences	20,993	3,907	24,900	47,130
Total Liabilities	11,775,219	85,787	11,861,006	3,283,843
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	421,038	40,630	461,668	79,828
Total Liabilities and Deferred Inflows of Resources	12,196,257	126,417	12,322,674	3,363,671
NET POSITION				
<u>Net Position</u>				
Investment in capital assets, net of related debt	5,482,766	4,284,351	9,767,117	5,367,650
Restricted for:				
Capital Projects	25,530		25,530	
Debt service	230,625		230,625	
Meter deposits			0	43,202
Public Services	3,534,661		3,534,661	
Unrestricted	1,797,228	576,901	2,374,129	2,883,620
Total Net Position	\$ 11,070,810	\$ 4,861,252	\$ 15,932,062	\$ 8,294,472

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Expenses	Program Revenues			Net (Expenses) Revenues
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					Total
Beautification	\$ 11,131	\$	\$	\$	(11,131)
Bond issuance costs and fees	317,094				(317,094)
Cemetery	24,624	20,500	100		(4,024)
Court	222,411	192,668			(29,743)
Donations and events	81,424				(81,424)
Fire and rescue	277,445	5,141	13,650		(258,654)
General government	573,878	624,631	4,698		55,451
Interest on long-term debt	49,982				(49,982)
Library	213,544	9,206	10,629		(193,709)
Liberty day celebration	35,308	6,599	20,650		(8,059)
Park and recreation	183,058	19,794	10,120		(153,144)
Police	895,526	297,166	34,606		(860,920)
Sanitation	280,946				16,220
Senior Center	128,070		21,460		(106,610)
Shelby County Arts Council	58,471		63,478		5,007
Street	454,456				(454,456)
Trolley	46,754		19,264		(27,490)
Total Governmental Activities	3,854,122	1,175,705	198,655	0	(2,479,762)
<u>Business-type Activities</u>					
Sewer	572,799	753,592		372,743	553,536
Total Business-type Activities	572,799	753,592	0	372,743	553,536
Total Primary Government	\$ 4,426,921	\$ 1,929,297	\$ 198,655	\$ 372,743	\$ (1,926,226)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,767,048	\$ 2,089,500	\$	\$	322,452
Total Component Units	\$ 1,767,048	\$ 2,089,500	\$ 0	\$ 0	\$ 322,452

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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	
			Total
Net Revenues (Expenses)	\$ (2,479,762)	\$ 553,536	\$ (1,926,226)
General revenues:			
Taxes:			
Sales and use tax	2,193,039		2,193,039
Property taxes	364,970		364,970
Gasoline taxes	38,443		38,443
Beer and alcoholic beverage taxes	33,049		33,049
Tobacco tax	29,412		29,412
State capital improvement	38,049		38,049
Motor vehicle taxes	11,517		11,517
Financial excise tax	20,320		20,320
Rental and lodging tax	39,768		39,768
Shares/Privilege tax	12,797		12,797
State shared gasoline taxes	19,021		19,021
Other taxes	1,989		1,989
Miscellaneous	18,666		18,666
Investment income	383,085	564	383,649
Unrealized holding gain (loss) on investments	(385,611)		(385,611)
			19,330
Total general revenues and transfers	2,818,514	564	2,819,078
Change in net position	338,752	554,100	892,852
Net position at beginning of year	10,732,058	4,307,152	15,039,210
Net position at end of year	\$ 11,070,810	\$ 4,861,252	\$ 15,932,062
			\$ 8,294,472

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

ASSETS	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Assets</u>						
Cash	\$ 1,432,882	\$	\$			\$ 1,432,882
Accounts receivable - taxes	583,716				1,753	585,469
Accounts receivable - customers	65,024					65,024
Accounts receivable - fines				197,019		197,019
Accounts receivable - grants	10,823	4,000				14,823
Accounts receivable - other	4,478					4,478
Interest receivable	10,721					10,721
Interfund receivable	124,848					124,848
Prepaid expenses	73,934		212		1,869	76,015
<u>Restricted Assets</u>						
Cash	25,480	7,830,854	230,625	171,113	331,418	8,589,490
Investments	3,111,340					3,111,340
Total Assets	\$ 5,443,246	\$ 7,834,854	\$ 230,625	\$ 368,344	\$ 335,040	\$ 14,212,109

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES

<u>Liabilities</u>						
Accounts payable	\$ 33,643	\$ 215,076	\$	\$ 19,331	\$ 902	\$ 268,952
Payroll taxes payable	536					536
Accrued wages	51,851			1,728	3,718	57,297
Interfund payable	154,521			124,248	601	279,370
Total Liabilities	\$ 240,551	\$ 215,076	\$ 0	\$ 145,307	\$ 5,221	\$ 606,155

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2018

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Continued)						
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	\$ 338,069	\$	\$	\$	\$	\$ 338,069
Unavailable revenue - court fines				172,692		172,692
Total deferred inflows of resources	\$ 338,069	\$ 0	\$ 0	\$ 172,692	\$ 0	\$ 510,761
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 25,480	\$	\$	\$	\$	\$ 25,480
Investments	3,111,340					3,111,340
Prepaids	73,934			212	1,869	76,015
Restricted for:						
Capital Projects		7,619,778				7,619,778
Debt Service			230,625			230,625
Public Service				50,133	327,950	378,083
Unassigned	1,653,872					1,653,872
Total Fund Balances	\$ 4,864,626	\$ 7,619,778	\$ 230,625	\$ 50,345	\$ 329,819	\$ 13,095,193
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,443,246	\$ 7,834,854	\$ 230,625	\$ 368,344	\$ 335,040	\$ 14,212,109

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, 2018

Total fund balances for governmental funds	\$	13,095,193
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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.		9,064,190
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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.		435,762
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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.		(230,422)
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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>(11,293,913)</u>
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Net position of governmental activities	\$	<u><u>11,070,810</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, 2018

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Revenues</u>						
Donations	\$ 37,802	\$	\$		7,236	\$ 45,038
Fines and charges	710			186,826	8,426	195,962
Fire department income	5,141					5,141
Grant income	78,996				3,493	82,489
Investment income	337,641	44,527	513	66	338	383,085
Licenses, permits, & franchise fees	621,001					621,001
Lot sales and openings/closings						
Miscellaneous	28,185				20,500	20,500
Park and recreation	19,794				781	28,966
Reimbursement from Shelby County Arts Council	63,478					19,794
Sanitation services	297,166					63,478
Tax revenue	2,736,272				57,071	297,166
Total Revenues	4,226,186	44,527	513	186,892	97,845	4,555,963
<u>Expenditures</u>						
Capital expenditures	1,235,527	411,632		237	125,108	1,772,504
Cemetery					4,447	4,447
Court				228,503		228,503
Debt service:						
Principal retirement			2,874,946			2,874,946
Interest			47,237			47,237
Bond issuance costs			166,461			371,635
Donations and liberty day	127,097					127,097
Fire and rescue	222,040					222,040
General government	559,597					559,597
Library		205,174				210,287
Park and recreation	127,389					127,389
Police	864,778					864,778
Sanitation	254,691					254,691
Senior Center	107,485					107,485

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, 2018

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Shelby County Arts Council	58,772					58,772
Street	317,825					317,825
Trolley	47,735					47,735
Total Expenditures	3,922,936	616,806	3,088,644	228,740	339,842	8,196,968
Excess of revenues over (under) expenditures	303,250	(572,279)	(3,088,131)	(41,848)	(241,997)	(3,641,005)
<u>Other Financing Sources (Uses)</u>						
Proceeds from issuance of general obligation bonds		8,450,000	3,010,000			11,460,000
Bond discount		(174,378)	(58,155)			(232,533)
Unrealized/realized loss on investments	(385,611)					(385,611)
Operating transfers in	231,538	189,980	236,990		203,344	861,852
Operating transfers out	(440,434)	(299,038)	67,500		(189,880)	(861,852)
Total Other Financing Sources (Uses)	(594,507)	8,166,564	3,256,335	0	13,464	10,841,856
Net change in fund balances	(291,257)	7,594,285	168,204	(41,848)	(228,533)	7,200,851
Fund Balance, Beginning of Year	5,155,883	25,493	62,421	92,193	558,352	5,894,342
Fund Balance, End of Year	\$ 4,864,626	\$ 7,619,778	\$ 230,625	\$ 50,345	\$ 329,819	\$ 13,095,193

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, 2018

Net change in fund balances - total governmental funds	\$	7,200,851
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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 \$1,772,504 exceeds depreciation of \$430,036.		1,342,468
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Revenues that are not available to pay current obligations are not reported in this fund financial statement but they are presented as revenues in the statement of activities.		14,863
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Generally expenditures recognized in this fund's financial statements are limited to only those that use current financial resources but expenses are recognized in statement of activities when they are incurred		3,587
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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.		7,650
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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.		70,059
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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.		(11,460,000)
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Prepaid bond insurance costs and bond premium/discounts are recognized as current period expenditures on the fund basis but are amortized on the government-wide method.		284,328
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,874,946
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Change in net position of governmental activities	\$	<u>338,752</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Enterprise Funds
	Sewer
	Department
<hr/>	
ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 397,231
Accounts receivable - customers, net of allowance	106,456
Interfund receivable	132,574
Inventory	21,543
Prepaid expenses	4,175
<u>Restricted Assets</u>	
Cash and cash equivalents - customer deposits	27,752
<u>Non-current Assets</u>	
Other capital assets, net of accumulated depreciation	4,284,351
Net pension asset	3,413
	<hr/>
Total Assets	4,977,495
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	10,174
	<hr/>
Total Assets and Deferred Outflows of Resources	4,987,669
	<hr/>
LIABILITIES	
<u>Current Liabilities (payable from current assets)</u>	
Accounts payable	48,658
Accrued wages	3,772
<u>Current Liabilities (payable from restricted assets)</u>	
Customer deposits	29,450
<u>Long-term Liabilities</u>	
Accrued compensated absences	3,907
	<hr/>
Total Liabilities	85,787
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	40,630
	<hr/>
Total Liabilities and Deferred Inflows of Resources	126,417
	<hr/>
<u>Net Position</u>	
Investment in capital assets, net of related debt	4,284,351
Unrestricted	576,901
	<hr/>
Total Net Position	\$ 4,861,252
	<hr/>

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, 2018

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 752,739
Miscellaneous income	853
	<hr/>
Total Revenues	753,592
	<hr/>
<u>Administrative Expenses</u>	
Computer expense	3,380
Dues and subscriptions	558
Legal and accounting	5,383
Office expense	805
Payroll processing fee	554
Postage	2,299
Rental - copier	914
Telephone	861
Training & travel	1,082
	<hr/>
Total Administrative Expenses	15,836
	<hr/>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	1,742
Depreciation	142,363
Engineering and professional fees	11,858
Fees and services	13,288
Gas and oil	5,671
Insurance - employee health	12,661
Insurance - general	7,391
Insurance - workman's comp.	3,838
Payroll taxes	8,156

(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, 2018

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	23,629
Repairs and maintenance - building	580
Repairs and maintenance - equipment	5,861
Repairs and maintenance - system	94,209
Repairs and maintenance - vehicles	5,405
Salaries and wages	112,418
State retirement	(5,394)
Uniforms	3,096
Utilities	87,026
Testing and analysis	23,165

Total Supply and Distribution Expenses	556,963
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Total Expenditures	572,799
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Operating income	180,793
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Nonoperating Revenues (Expenses)

Capital grants	372,743
Investment earnings	564

Net Nonoperating Revenues(Expenses)	373,307
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Net change in net position	554,100
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Net position - beginning of year	4,307,152
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Net position - end of year	\$ 4,861,252
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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, 2018

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 760,400
Payments to employees and related expenses	(138,217)
Payments to suppliers	<u>(313,240)</u>
Net cash provided by operating activities	<u>308,943</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Capital grants	372,743
Payments for capital acquisitions	<u>(1,868,987)</u>
Net cash used by capital and related financing activities	<u>(1,496,244)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>564</u>
Net cash provided by investing activities	<u>564</u>
Net decrease in cash and cash equivalents	(1,186,737)
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,611,720</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 424,983</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, 2018

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>180,793</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	1,742
Depreciation	142,363
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(7,434)
Inventory	(9,559)
Prepaid expenses	(80)
Deferred outflows of resources	6,415
Increase (decrease):	
Accounts payable	(18,856)
Accrued wages	(478)
Accrued compensated absences	105
Customer deposits	12,500
Interfund payable	17,850
Deferred inflows of resources	9,496
Net pension obligation	<u>(25,914)</u>
Total adjustments	<u>128,150</u>
Net cash provided by operating activities	\$ <u><u>308,943</u></u>
<u>Reconciliation of Cash Per Statements of Cash Flows to the Balance Sheet</u>	
Current Assets	\$ 397,231
Restricted Assets	
Cash-customer deposits	<u>27,752</u>
Total Cash and Equivalents	\$ <u><u>424,983</u></u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Financial Reporting Entity

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

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Columbiana, Alabama. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Columbiana, Alabama.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and data from these units would be combined with the data of the City. Any discretely presented component unit are presented in a separate column in the combined financial statements to emphasize it is legally separate from the City.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

Discretely Presented Component Units

Brief Description of Activities and Relationship to the City

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.

Blended Component Units

Brief Description of Activities and Relationship to the City

Cultural Facilities Cooperative District
of the City of Columbiana

The Cooperative District is a public board incorporated under the laws of Alabama under the provisions of Title 11, Chapter 99B, of the Code of Alabama 1975, as amended. The District was incorporated pursuant to the authority granted by the governing body of the City of Columbiana, Alabama. The Board was created for the purposes of having authority to facilitate the financing, acquisition, and construction of certain capital improvements located within the City of Columbiana, Alabama.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Fund Types and Major Funds

An emphasis is placed on major funds within the governmental categories. At a minimum, governmental and proprietary funds other than the general fund must be reported as major funds if they meet both of the following criteria:

- A. Ten percent criterion. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least ten percent (10%) of the corresponding total for all funds of that type.
- B. Five percent criterion. An individual governmental fund reports at least five percent (5%) of the aggregated total for both governmental funds and proprietary funds of any one of the items for which it met the ten percent (10%) criterion.

The City may also elect to present a fund as major if it does not meet the above criteria to emphasize the importance of a certain fund's activity.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Types and Major Funds (Continued)

Major 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.

Major Proprietary Funds:

The City reports the following major proprietary funds:

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

Other Fund Types:

The City reports the following additional fund types:

Non-Major 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, 2018 had no internal service funds or agency funds.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$10,447,355 and the bank balance was \$10,659,501. Of the bank balance \$824,312 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 \$9,639,705 of Category 1 deposits covered by the SAFE Program at September 30, 2018 and \$195,484 of Category 3 unsecured and uncollateralized cash, which was deposited into money market accounts.

Investments

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

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

Prepaid Items

Payments made to vendors for goods or services that will benefit beyond September 30, 2018 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	\$ 62,490
Cash - capital projects	7,998,989
General fund - Money market - sale of gas department	25,480
General fund - Investments - sale of gas department	3,111,340
Sewer fund - customer deposits	27,752
Special revenue - Cash - various	<u>502,531</u>
 Total Restricted Assets	 \$ <u>11,728,582</u>

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

Capital Assets, Depreciation, and Amortization

Capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and have an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation, and Amortization (Continued)

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.

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

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

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

Annual leave must be taken by the anniversary date of employment or forfeited. It cannot be accumulated and an employee cannot be paid for annual leave in lieu of time off. Unused leave is paid upon termination of employment. At September 30, 2018 the City has recorded a liability of \$24,900 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, 2018

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, 2018:

Deferred outflow - pension plan	\$ <u>110,890</u>
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In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources until that time. The City had the following items that qualified for reporting in this category for the year ended September 30, 2017:

Unavailable revenue - property taxes (fund basis)	\$ 338,069
Unavailable revenue - court fines (fund basis)	<u>172,692</u>

Total Deferred inflow of resources - Fund Basis Balance Sheet	\$ <u>510,761</u>
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Deferred inflows of resources - pension plan (Govt-wide Statement of Net Position)	\$ <u>461,668</u>
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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, 2018

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, 2018

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, 2018

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.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 \$338,069 received after September 30, 2018 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 \$13,095,193 differs from "net position" of governmental activities of \$11,070,810 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	\$ 16,549,304
Less: Depreciation expense to date	<u>(7,485,114)</u>
	\$ <u>9,064,190</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	\$ 11,230,213
Long-term portion of fines payable to other agencies	42,707
Accrued compensated absences	<u>20,993</u>
Total	\$ <u>11,293,913</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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	\$ 338,069
Court fines	172,692
Allowance for court fines	<u>(74,999)</u>
Total	\$ <u>435,762</u>

Other Items -

Net Pension Asset, Prepaid Bond Insurance Costs, Deferred Inflows, and Deferred Outflows are recognized in the statement of net position but are not recognized in the fund financial statements.

Net Pension Asset	\$ 35,367
Prepaid Bond Insurance	54,533
Deferred inflows of resources - pension	(421,038)
Deferred outflows of resources - pension	<u>100,716</u>
Total Other Items	\$ <u>(230,422)</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 \$7,200,851 differs from the "change in net position" for governmental activities of \$338,752 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, 2018

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	\$ 1,772,504
Depreciation expense	<u>(430,036)</u>
	<u>\$ 1,342,468</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>7,650</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>2,874,946</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 and revenue bonds	\$ <u>(11,460,000)</u>
---	------------------------

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

Property tax not meeting available criteria	\$ 9,030
Court fines not meeting available criteria	<u>5,833</u>
Total	<u>\$ 14,863</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 - 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>3,587</u>
--	-----------------

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>70,059</u>
---	------------------

Pension

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2018 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 9,939,254
Certificates of deposit	<u>508,101</u>

Total Cash and Cash Equivalents	\$ <u>10,447,355</u>
---------------------------------	----------------------

		Standard & Poor's	Fair Market
<u>Investments</u>		<u>Bond Rating</u>	<u>Value</u>
U.S. Government Agencies:			
Federal National Mortgage Association	Matures 12/01/2025	AA+	\$ 9,594
Federal National Mortgage Association	Matures 03/25/2033	AA+	680,162
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	972
Government National Mortgage Association	Matures 10/20/2041	AA+	44,076
Government National Mortgage Association	Matures 10/20/2032	AA+	210,585
Government National Mortgage Association	Matures 01/20/2042	AA+	3,445
Government National Mortgage Association	Matures 03/16/2042	AA+	822,420
Government National Mortgage Association	Matures 07/20/2042	AA+	40,126
Government National Mortgage Association	Matures 10/20/2042	AA+	60,112
Government National Mortgage Association	Matures 11/20/2042	AA+	11,675
Government National Mortgage Association	Matures 12/20/2042	AA+	110,799
Government National Mortgage Association	Matures 04/16/2043	AA+	13,451
Government National Mortgage Association	Matures 03/20/2046	AA+	32,053
Government National Mortgage Association	Matures 06/20/2046	AA+	17,275
Government National Mortgage Association	Matures 08/20/2046	AA+	66,820
Government National Mortgage Association	Matures 10/20/2046	AA+	75,492
Government National Mortgage Association	Matures 11/20/2046	AA+	95,015
Government National Mortgage Association	Matures 03/16/2047	AA+	86,447
Government National Mortgage Association	Matures 05/20/2047	AA+	67,999
Government National Mortgage Association	Matures 05/20/2047	AA+	12,518
Government National Mortgage Association	Matures 07/20/2047	AA+	357
Government National Mortgage Association	Matures 08/20/2047	AA+	88,220
Government National Mortgage Association	Matures 08/20/2047	AA+	45,498
Government National Mortgage Association	Matures 11/20/2047	AA+	133,921
Government National Mortgage Association	Matures 03/20/2048	AA+	137,100
Government National Mortgage Association	Matures 05/20/2048	AA+	145,383
Government National Mortgage Association	Matures 09/20/2048	AA+	<u>99,825</u>
Total Investments			\$ <u>3,111,340</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018, the City had \$195,484 in cash and cash equivalents, which were held in money market accounts or money market funds accounts and \$3,111,340 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, 2018

NOTE 3: ACCOUNTS RECEIVABLE

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

Governmental Activities:

	Amount	Less Allowance for Doubtful Accounts	Total
Accounts receivable - taxes	\$ 585,469	\$	\$ 585,469
Accounts receivable - sanitation services	83,319	(18,295)	65,024
Accounts receivable - court fines	197,019	(75,000)	122,019
Accounts receivable - grants	14,823		14,823
Accounts receivable - other	<u>4,478</u>	<u></u>	<u>4,478</u>
Total Accounts Receivable	<u>\$ 885,108</u>	<u>\$ (93,295)</u>	<u>\$ 791,813</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 132,554
Allowance for doubtful accounts	<u>(26,098)</u>
Accounts receivable - customers net of allowance	<u>\$ 106,456</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/18</u>
Capital assets, not being depreciated:				
Land	\$ 1,631,401	\$	\$	\$ 1,631,401
Construction in progress	<u>900,231</u>	<u>1,399,574</u>		<u>2,299,805</u>
Total capital assets, not being depreciated	<u>2,531,632</u>	<u>1,399,574</u>	<u>0</u>	<u>3,931,206</u>
Capital assets, being depreciated				
Autos and trucks and equipment	2,185,052	207,247		2,392,299
Buildings and building improvements	2,434,644	9,267		2,443,911
Computer equipment	219,655	19,270		238,925
Infrastructure	4,124,024			4,124,024
Land improvements	28,332			28,332
Machinery and equipment	1,278,374	115,475		1,393,849
Office furniture and equipment	175,588	29,322		204,910
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>12,237,517</u>	<u>380,581</u>	<u>0</u>	<u>12,618,098</u>
Less accumulated depreciation for:				
Autos and trucks and equipment	1,872,346	126,991		1,999,337
Buildings and building improvements	1,043,455	62,050		1,105,505
Computer equipment	187,432	12,790		200,222
Infrastructure	1,101,703	128,190		1,229,893
Land improvements	8,935	345		9,280
Machinery and equipment	1,071,663	50,601		1,122,264
Office furniture and equipment	156,285	5,587		161,872
Park improvements	1,481,198	43,049		1,524,247
Park and recreation equipment	<u>132,061</u>	<u>433</u>		<u>132,494</u>
Total accumulated depreciation	<u>7,055,078</u>	<u>430,036</u>	<u>0</u>	<u>7,485,114</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/18</u>
Total capital assets, being depreciated net	<u>5,182,439</u>	<u>(49,455)</u>	<u>0</u>	<u>5,132,984</u>
Governmental activities capital assets, net	<u>\$ 7,714,071</u>	<u>\$ 1,350,119</u>	<u>\$ 0</u>	<u>\$ 9,064,190</u>

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

Beautification	\$ 766
Cemetery	20,177
Court	882
Fire and rescue	55,405
General government	21,690
Library	7,216
Park and recreation	55,669
Police department	69,180
Sanitation	32,404
Senior center	23,416
Street	<u>143,231</u>
	<u>\$ 430,036</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/18</u>
Sewer Department				
Capital assets, not being depreciated:				
Construction in progress	<u>563,535</u>	<u> </u>	<u>(563,535)</u>	<u>0</u>
Capital assets, being depreciated				
Autos and trucks	89,049			89,049
Buildings and building improvements	46,897			46,897
Machinery and equipment	256,913	11,350		268,263
Office furniture and equipment	3,473			3,473
Sewer system and lines	<u>5,200,475</u>	<u>2,461,960</u>	<u> </u>	<u>7,662,435</u>
Total capital assets being depreciated	<u>5,596,807</u>	<u>2,473,310</u>	<u>0</u>	<u>8,070,117</u>
Less accumulated depreciation for:				
Autos and trucks	59,654	11,021		70,675
Building and building improvements	18,684	1,327		20,011
Machinery and equipment	172,265	18,513		190,778
Office furniture and equipment	3,473			3,473
Sewer system and lines	<u>3,389,327</u>	<u>111,502</u>	<u> </u>	<u>3,500,829</u>
Total accumulated depreciation	<u>3,643,403</u>	<u>142,363</u>	<u>0</u>	<u>3,785,766</u>
Total capital assets, being depreciated net	<u>1,953,404</u>	<u>2,330,947</u>	<u>0</u>	<u>4,284,351</u>
Business-Type activities capital assets, net	<u>\$ 2,516,939</u>	<u>\$ 2,330,947</u>	<u>\$ (563,535)</u>	<u>\$ 4,284,351</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5: LONG-TERM DEBT

Primary Government

General Obligation Warrants, Series 2016, payable monthly on the first day of the month, maturing in November 2023, with interest at 2.50%. The Series 2016 Warrants were currently refunded by a portion of the proceeds from the issuance of Series 2018-A General Obligation Warrants issued by the City in 2018. See Section on 2018-A Warrants for additional details.

Series 2018-A General Obligation Warrants, with a variable interest rate. Final maturity in, May 2048.

	Balance 10/01/17	Additions	Reductions	Balance 9/30/18	Due Within One Year
\$ 2,874,945	\$		\$ (2,874,945)	\$ 0	\$
		3,010,000		3,010,000	75,000
\$ 2,874,945	\$	3,010,000	\$ (2,874,945)	\$ 3,010,000	\$ 75,000
Subtotal - Primary Government					

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5: LONG-TERM DEBT (Continued)

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/18</u>	<u>Due Within</u> <u>One Year</u>
<u>Blended Component Unit - Cultural Facilities Cooperative District of the City of Columbiana</u>					
Series 2018-A Revenue Bonds, with interest at a variable interest rate, final maturity in, May 2018. The Series 2018-A Revenue Bonds are special, limited obligations of the Cultural Facilities Cooperative District of the City of Columbiana.	<u> </u>	<u>8,450,000</u>	<u> </u>	<u>8,450,000</u>	<u> </u>
Total Primary Government and Blended Component Unit	\$ 2,874,945	\$ 11,460,000	\$ (2,874,945)	\$ 11,460,000	\$ 75,000
Unamortized bond discount on Series 2018-A General Obligation Warrants		(58,155)	808	<u>(57,347)</u>	
Unamortized bond discounts on Series 2018-A Revenue Bonds		<u>(174,378)</u>	<u>1,938</u>	<u>(172,440)</u>	
Total	\$ <u>2,874,945</u>	\$ <u>11,227,467</u>	\$ <u>(2,874,137)</u>	\$ <u>11,230,213</u>	\$ <u>75,000</u>
		Less: current maturities		<u>(75,000)</u>	
				\$ <u>11,155,213</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 5: LONG-TERM DEBT (Continued)

Primary Government:

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 Series 2016 Warrants were currently refunded by a portion of the proceeds from the issuance of Series 2018-A General Obligation Warrants issued by the City in 2018. See below for additional details.

General Obligation Warrants, Series 2018-A

In May 2018 the City of Columbiana issued \$3,010,000 General Obligation Warrants, Series 2018-A for the purpose of (i) refunding certain outstanding indebtedness of the City and (ii) paying the costs of issuing the Series 2018-A Warrants. The Series 2018-A Warrants are a general obligations of the City, for the payment of which the full faith and credit of the City will be irrevocably pledged.

The City used \$2,783,666 of the proceeds from the General Obligation Warrants, Series 2018-A to currently refund the City's General Obligation Warrants, Series 2016. The City completed the current refunding of the General Obligation Warrants, Series 2016 to increase its total debt service over the next 30 years by \$1,179,315 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$144,891.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5: LONG-TERM DEBT (Continued)

General Obligation Warrants, Series 2018-A (Continued)

Maturities of the General Obligation Warrants Series, 2018-A are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	1.50%-3.75%	\$ 75,000	\$ 89,996	\$ 164,996
2020	1.50%-3.75%	65,000	96,756	161,756
2021	2.25%-3.75%	65,000	95,781	160,781
2022	2.25%-3.75%	70,000	94,319	164,319
2023	2.50%-3.75%	70,000	92,744	162,744
2024-2028	2.50%-3.75%	380,000	435,831	815,831
2029-2033	3.00%-3.75%	435,000	378,969	813,969
2034-2038	3.375%-3.75%	515,000	302,244	817,244
2039-2043	3.625%-3.75%	610,000	204,356	814,356
2044-2048	3.750%	<u>725,000</u>	<u>83,438</u>	<u>808,438</u>
		<u>\$ 3,010,000</u>	<u>\$ 1,874,434</u>	<u>\$ 4,884,434</u>

Blended Component Unit - Cultural Facilities Cooperative District of the City of Columbiana:

Revenue Bonds, Series 2018-A

In May 2018 the Cultural Facilities Cooperative District of the City of Columbiana issued \$8,450,000 Revenue Bonds, Series 2018-A for the purpose of (i) financing the costs of acquiring, constructing, and equipping certain facilities of the District and (ii) paying the costs of issuing the Series 2018-A Bonds. The Series 2018-A Revenue Bonds are a special limited obligations of the District, payable solely from, and secured by a pledge of, the revenues and receipts derived by the District from leasing certain facilities. Such facilities will be leased to the City of Columbiana, a municipal corporation organized under the laws of the State of Alabama (the City) pursuant to a Lease Agreement dated May 1, 2018 for a term not less than the final maturity of the Series 2018-A Bonds. The obligations of the City under the Lease Agreement will constitute general obligations of the City for the payment of which its full faith and credit are irrevocably pledged. In addition, the City guarantees the payment of the principal of, premium (if any), and interest on the Series 2018-A Bonds pursuant to a Guaranty Agreement dated May 1, 2018 by the District in favor of the Trustee.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5: LONG-TERM DEBT (Continued)

Revenue Bonds, Series 2018-A (Continued)

Old Mills Square Project:

The Bond financed facilities will consist of a multipurpose cultural and entertainment event and community center and park. The Bond financed facilities will generally consist of an approximately 30,000 square foot building, containing an approximately 500 seat exhibition hall, an approximately 250 seat black box theater, art gallery space, teaching space, and an outdoor amphitheater and park space. Pursuant to the Lease Agreement the District will cause the Bond financed facilities to be constructed in accordance with plans and specifications to be furnished by the City. A portion of the Bond financed facilities will be sub-leased by the City to the Shelby County Arts Council. The Arts Council has agreed to assist the City in the operation and management of the Bond financed facilities and in return the City has agreed to charge and collect nominal rent from the Arts Council for its use of a portion of the facilities.

Maturities of the Revenue Bonds Series, 2018-A are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	2.00% -3.75%	\$	\$ 263,574	\$ 263,574
2020	2.00% -3.75%		286,666	286,666
2021	2.00% -3.75%	150,000	286,666	436,666
2022	2.20%-3.75%	155,000	283,666	438,666
2023	2.25%-3.75%	160,000	280,256	440,256
2024-2028	2.375%-3.75%	1,090,000	1,330,969	2,420,969
2029-2033	3.00%-3.75%	1,310,000	1,156,975	2,466,975
2034-2038	3.50%-3.75%	1,535,000	926,638	2,461,638
2039-2043	3.625%-3.75%	1,835,000	626,813	2,461,813
2044-2048	3.75%	<u>2,215,000</u>	<u>255,750</u>	<u>2,470,750</u>
		<u>\$ 8,450,000</u>	<u>\$ 5,697,973</u>	<u>\$ 14,147,973</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018

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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

The ERS serves approximately 909 local participating employers. The ERS membership includes approximately 88,517 participants. As of September 30, 2017 membership consisted of:

Retirees and beneficiaries currently receiving benefits	23,853
Terminated employees entitled to but not yet receiving benefits	1,401
Terminated employees not entitled to a benefit	7,154
Active Members	55,941
Post-DROP participants who are still in active service	<u>168</u>
Total Members	<u><u>88,517</u></u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018, 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 3.92% of covered employee payroll.

City's contractually required contribution rate for the year ended September 30, 2018 was 5.04% of pensionable pay for Tier 1 employees, and 1.81% of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, 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 \$47,656 for the year ended September 30, 2018.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 6: PENSION PLAN (Continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2016 rolled forward to September 30, 2017 using standard roll-forward techniques as shown in the following:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of September 30, 2016:	\$ 3,255,478	\$ 3,164,805
Discount Rate	7.75%	7.75%
Entry Age Normal Cost for October 1, 2016 thru September 30, 2017	105,407	105,407
Transfers Among Employers	0	39,628
Actual Benefit Payments and Refunds for October 1, 2016 thru September 30, 2017	<u>(186,693)</u>	<u>(186,693)</u>
Total Pension Liability as of September 30, 2017	<u>\$ 3,419,257</u>	<u>\$ 3,361,185</u>
Difference between Expected and Actual		(58,072)
Less: Liability Transferred for Immediate Recognition		<u>39,628</u>
Experience (Gain)/Loss		<u>\$ (97,700)</u>

Actuarial Assumptions

The total pension liability in the September 30, 2017 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 6: PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

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, 2018

NOTE 6: PENSION PLAN (Continued)

Schedule of Changes in the Net Pension Liability (Asset)

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at September 30, 2016	\$ 3,255,478	\$ 3,014,506	\$ 240,972
Changes for the year:			
Service Cost	105,407	0	105,407
Interest	245,065	0	245,065
Changes of assumptions:			
Difference between expected and actual experience	(97,700)		(97,700)
Contributions - employer		76,225	(76,225)
Contributions - employee		70,351	(70,351)
Net Investment income		385,948	(385,948)
Benefit payments, including refunds of employee contributions	(186,693)	(186,693)	0
Administrative expense		0	0
Transfers Among Employers	<u>39,628</u>	<u>39,628</u>	<u>0</u>
Net Changes	<u>105,707</u>	<u>385,459</u>	<u>(279,752)</u>
Balances at September 30, 2017	\$ <u><u>3,361,185</u></u>	\$ <u><u>3,399,965</u></u>	\$ <u><u>(38,780)</u></u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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 (<u>6.75%</u>)	Current Rate (<u>7.75%</u>)	1% Increase (<u>8.75%</u>)
City's Net Pension Liability (Asset)	\$ <u>352,153</u>	\$ <u>(38,780)</u>	\$ <u>(369,957)</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, 2017. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2017. The auditor's report dated August 31, 2018 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.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018, the City recognized pension expense of \$(46,935). At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 358,780
Changes of assumptions	63,234	0
Net difference between projected and actual earnings on plan investments	0	102,888
Employer contributions subsequent to the Measurement Date	<u>47,656</u>	<u>0</u>
Total	\$ <u>110,890</u>	\$ <u>461,668</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:

2019	\$ (84,237)
2020	(64,129)
2021	(101,592)
2022	(86,092)
2023	(47,251)
Thereafter	<u>(15,134)</u>
Total	\$ <u>(398,435)</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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.

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>49,982</u>
Total interest expensed	\$ <u>49,982</u>
Total interest capitalized	\$ <u>0</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018:

<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.	\$ 132,574
Water Board - Component Unit	General Fund	The utility account was previously used for all collections. The balance due to Water Board is from previous years under allocation.	21,947
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	601
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund.	<u>124,248</u>
Total Interfund Receivables/Payables			\$ <u>279,370</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2018:

<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.	\$ 237,090
State Capital Improv Fund	Capital Projects	The State Capital Improvement Fund made various transfers to the Capital Project Fund for its portion of expenses.	189,880
Capital Projects	General Fund	The Capital Project Fund made reimbursement transfer to the General Fund.	231,538
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	<u>203,344</u>
Total Transfers			<u>\$ 861,852</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 11: COMMITMENTS

Old Mill Square Park and Arts Center Project

Total anticipated costs related to the construction of a multipurpose cultural and entertainment event and community center and park (Old Mill Square Park and Arts Center Project) is expected to be approximately \$9,084,548. The facilities will generally consist of an approximately 30,000 square foot building, containing an approximately 500 seat exhibition hall, an approximately 250 seat black box theater, art gallery space, teaching space, and an outdoor amphitheater and park space. The Project is expected to be funded by the proceeds from the Revenue Bonds issued by the Cultural Facilities Cooperative District of the City of Columbiana (See Note 5 for additional details). In addition, the City is expected to receive a \$1,000,000 contribution from the Shelby County Arts Council, which is expecting to receive funding from the Shelby County Commission. The following are in process contracts related to the 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 after amendments for the services was \$383,302. As of September 30, 2018 the City had incurred costs of \$331,085, leaving a remaining commitment of \$52,217.

The City contracted with Building and Earth Sciences to provide monitoring, testing of concrete, environmental concerns, and inspection of shallow foundations during the construction process for the Old Mill Square Park and Arts Center Project.. Total contracted price for the service was \$126,000. As of September 30, 2018 the City had incurred costs of \$30,064, leaving a remaining commitment of \$95,936.

The City contracted with Clements Dean Building Company to provide construction services for the Old Mill Square Park and Arts Center Project. Total contracted price was \$9,285,159. As of September 30, 2018 the City had incurred costs of \$585,196, leaving a remaining commitment of \$8,699,963.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2019, 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, 2018. No items requiring recording or disclosure were noted.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Donations	\$ 34,475	34,475	\$ 37,802	\$ 3,327
Fines and charges	1,300	1,300	710	(590)
Fire department income	7,500	7,500	5,141	(2,359)
Grant income	60,050	60,050	74,191	14,141
Investment income	101,700	101,700	337,264	235,564
Licenses and permits	617,955	617,955	621,001	3,046
Miscellaneous	24,630	24,630	28,185	3,555
Park and recreation fees	18,400	18,400	19,794	1,394
Reimbursement from Shelby County Arts Council		0	59,150	59,150
Sanitation services	279,500	279,500	294,322	14,822
Tax revenue	2,504,500	2,504,500	2,675,382	170,882
Total Revenues	3,650,010	3,650,010	4,152,942	502,932
<u>Expenditures</u>				
Capital expenditures	2,957,160	2,957,160	1,235,527	1,721,633
Donations and liberty day	124,050	124,050	127,097	(3,047)
Fire and rescue	235,900	235,900	222,040	13,860
General government	588,470	588,470	567,571	20,899
Park and recreation	138,300	138,300	127,389	10,911
Police	845,700	845,700	864,778	(19,078)
Sanitation	223,350	223,350	254,691	(31,341)
Senior center	105,150	105,150	107,485	(2,335)
Shelby County Arts Council			58,772	(58,772)
Street	352,000	352,000	317,825	34,175
Transit	59,150	59,150	47,735	11,415
Total Expenditures	5,629,230	5,629,230	3,930,910	1,698,320
Excess of Revenues Over (Under) Expenditures	(1,979,220)	(1,979,220)	222,032	2,201,252
<u>Other Financing Sources (Uses)</u>				
Operating transfers in			231,538	(231,538)
Operating transfers out			(440,434)	(440,434)
Total Other Financing Sources (Uses)	0	0	(208,896)	(671,972)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ (1,979,220)	\$ (1,979,220)	13,136	\$ 1,529,280
Fund balance, beginning (Non-GAAP budgetary basis)			5,155,883	
Fund balance, ending (Non-GAAP budgetary basis)			5,169,019	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Unrealized gain/loss on investments			(385,611)	
Revenue and transfer accruals			73,244	
Expenditure and transfer accruals			7,974	
Fund balance, ending (GAAP basis)			\$ 4,864,626	

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,

	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 105,407	\$ 91,211	\$ 88,554	\$ 84,853
Interest	245,065	260,658	250,176	239,998
Changes of benefit terms	0	0	0	0
Differences between expected and actual experience	(97,700)	(374,256)	(21,323)	0
Changes of assumptions	0	89,582	0	0
Benefit payments, including refunds of employee contributions	(186,693)	(141,390)	(231,362)	(163,905)
Transfers among employers	<u>39,628</u>	<u>749</u>		
Net change in total pension liability	105,707	(73,446)	86,045	160,946
Total pension liability - beginning	<u>3,255,478</u>	<u>3,328,924</u>	<u>3,242,879</u>	<u>3,081,933</u>
Total pension liability ending (a)	<u>\$ 3,361,185</u>	<u>\$ 3,255,478</u>	<u>\$ 3,328,924</u>	<u>\$ 3,242,879</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 76,225	\$ 79,193	\$ 78,376	\$ 73,348
Contributions - member	70,351	64,150	56,530	54,030
Net investment income	385,948	278,501	32,615	301,671
Benefit payments, including refunds of employee contributions	(186,693)	(141,390)	(231,362)	(163,905)
Transfers among employers	<u>39,628</u>	<u>749</u>	<u>(480)</u>	
Net change in plan fiduciary net position	385,459	281,203	(64,321)	265,144
Plan net position - beginning	<u>3,014,506</u>	<u>2,733,303</u>	<u>2,797,624</u>	<u>2,532,480</u>
Plan net position - ending (b)	<u>\$ 3,399,965</u>	<u>\$ 3,014,506</u>	<u>\$ 2,733,303</u>	<u>\$ 2,797,624</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (38,780)</u>	<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>101.15%</u>	<u>92.60%</u>	<u>82.11%</u>	<u>86.27%</u>
Covered-employee payroll	<u>\$ 1,241,643</u>	<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>-3.12%</u>	<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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	47,656	80,819	83,381	75,892
Contributions in relation to the actuarially determined contribution	<u>47,656</u>	<u>80,819</u>	<u>83,381</u>	<u>75,892</u>
Contribution deficiency (excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered - employee payroll	\$ <u>1,216,745</u>	\$ <u>1,241,643</u>	\$ <u>1,131,580</u>	\$ <u>1,001,771</u>
Contributions as a percentage of covered-employee payroll	<u>3.92%</u>	<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 2018 were based on the September 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Remaining amortization period:	23.7 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, 2018

	4 & 5 Cents Gas Tax	2 & 7 Cents Gas Tax
ASSETS		
<u>Assets</u>		
Accounts receivable - taxes	\$ 775	\$ 978
Prepaid expense		
<u>Restricted Assets</u>		
Cash	34,607	42,711
Total Assets	\$ 35,382	\$ 43,689
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	35,382	43,689
Total Fund Balances	35,382	43,689
Total Liabilities and Fund Equity	\$ 35,382	\$ 43,689

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	1,440	429	1,753
			1,869
<u>61,202</u>	<u>55,812</u>	<u>137,086</u>	<u>331,418</u>
\$ <u><u>61,202</u></u>	\$ <u><u>57,252</u></u>	\$ <u><u>137,515</u></u>	\$ <u><u>335,040</u></u>
\$	\$	\$	\$
	902		902
	3,718		3,718
		601	601
<u>0</u>	<u>4,620</u>	<u>601</u>	<u>5,221</u>
	1,440	429	1,869
<u>61,202</u>	<u>51,192</u>	<u>136,485</u>	<u>327,950</u>
<u>61,202</u>	<u>52,632</u>	<u>136,914</u>	<u>329,819</u>
\$ <u><u>61,202</u></u>	\$ <u><u>57,252</u></u>	\$ <u><u>137,515</u></u>	\$ <u><u>335,040</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, 2018

	<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	35	43
Lot sales and openings/closings		
Miscellaneous		
Shared taxes	<u>8,364</u>	<u>10,658</u>
Total Revenue	<u>8,399</u>	<u>10,701</u>
<u>Expenditures</u>		
Capital expenditures		
Cemetery		
Library		
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	8,399	10,701
Fund Balance, Beginning of Year	<u>26,983</u>	<u>32,988</u>
Fund Balance, End of Year	\$ <u><u>35,382</u></u>	\$ <u><u>43,689</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, 2018

State Capital Improvements	Library	Cemetery	Total Nonmajor Governmental Funds
\$	\$	\$	\$
	7,136	100	7,236
	8,426		8,426
	3,493		3,493
150	43	67	338
		20,500	20,500
	781		781
<u>38,049</u>			<u>57,071</u>
<u>38,199</u>	<u>19,879</u>	<u>20,667</u>	<u>97,845</u>
96,537	27,664	907	125,108
		4,447	4,447
	<u>210,287</u>		<u>210,287</u>
<u>96,537</u>	<u>237,951</u>	<u>5,354</u>	<u>339,842</u>
	203,344		203,344
<u>(189,880)</u>			<u>(189,880)</u>
<u>(189,880)</u>	<u>203,344</u>	<u>0</u>	<u>13,464</u>
(248,218)	(14,728)	15,313	(228,533)
<u>309,420</u>	<u>67,360</u>	<u>121,601</u>	<u>558,352</u>
\$ <u>61,202</u>	\$ <u>52,632</u>	\$ <u>136,914</u>	\$ <u>329,819</u>

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