

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of and for the year ended September 30, 2019, 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, 2019, 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 64-68 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 70-71) 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 21, 2020

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities			
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 2,164,092	\$ 728,841	\$ 2,892,933	\$ 4,082,906	
Accounts receivable - taxes	598,067		598,067	284,694	
Accounts receivable - customers, net of allowance	43,604	109,122	152,726		
Accounts receivable - fines, net of allowance	104,164		104,164		
Accounts receivable - grants	7,885		7,885		
Accounts receivable - other	10,709		10,709		1,225
Interest receivable	12,871		12,871		21,276
Interfund receivables		143,821	143,821		65,809
Inventory		24,061	24,061		17,859
Prepaid expenses	84,943	4,619	89,562		
Restricted Assets					
Cash	1,031,330	37,648	1,068,978		330,262
Investments	3,306,249		3,306,249		
Non-current Assets					
Land and construction in progress	12,066,949		12,066,949		766,827
Other capital assets, net of accumulated depreciation	5,245,044	4,135,321	9,380,365		6,097,656
Prepaid bond insurance costs	52,702		52,702		
Net pension asset	109,613	11,736	121,349		
Total Assets	24,838,222	5,195,169	30,033,391		11,668,514
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pension	98,804	11,130	109,934		327,667
Total Assets and Deferred Outflows of Resources	24,937,026	5,206,299	30,143,325		11,996,181

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION (Continued)
SEPTEMBER 30, 2019

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	163,344	41,572	204,916	50,035
Accounts payable - construction in progress	881,628		881,628	
Payroll taxes payable			0	465
Utility tax payable			0	7,125
Accrued wages	64,789	6,458	71,247	20,699
Interest payable			0	490
Interfund payables	166,109		166,109	
<u>Current Liabilities (payable from restricted assets)</u>				
Construction bond payable	70,096		70,096	
Customer deposits		37,755	37,755	286,873
<u>Long-term Liabilities</u>				
Net pension obligation			0	1,357,599
Warrants and bonds payable - portion due in one year	65,000		65,000	306,036
Warrants and bonds payable - portion due in more than one year	11,097,964		11,097,964	990,561
Accounts payable - state/county portion of court fines	36,458		36,458	
Accrued compensated absences	32,329	5,162	37,491	49,027
Total Liabilities	12,577,717	90,947	12,668,664	3,068,910
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension	395,958	42,394	438,352	65,344
Total Liabilities and Deferred Inflows of Resources	12,973,675	133,341	13,107,016	3,134,254
NET POSITION				
<u>Net Position</u>				
Investment in capital assets, net of related debt	6,149,029	4,135,321	10,284,350	5,567,886
Restricted for:				
Capital Projects	114,342		114,342	
Debt service	340,844		340,844	
Meter deposits			0	43,389
Public Services	3,724,983		3,724,983	
Unrestricted	1,634,153	937,637	2,571,790	3,250,652
Total Net Position	\$ 11,963,351	\$ 5,072,958	\$ 17,036,309	\$ 8,861,927

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Expenses	Fees, Fines, and Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues
					Total
<u>Governmental Activities</u>					
Beautification	\$ 766	\$	\$		\$ (766)
Cemetery	34,806	10,000	750		(24,056)
Court	217,948	177,832			(40,116)
Donations and events	102,555				(102,555)
Fire and rescue	288,932	1,111	6,493		(281,328)
General government	599,523	691,009			91,486
Interest on long-term debt	361,321				(361,321)
Library	226,174	8,335	11,891		(205,948)
Liberty day celebration	36,060	4,895	10,055		(21,110)
Park and recreation	190,465	8,667	7,500		(174,298)
Police	852,733	910	37,978		(813,845)
Sanitation	322,920	290,400			(32,520)
Senior Center	125,138	1,953	18,451		(104,734)
Shelby County Arts Council	60,073		61,571		1,498
Street	534,743			53,802	(480,941)
Trolley	56,601		24,608		(31,993)
Total Governmental Activities	4,010,758	1,195,112	179,297	53,802	(2,582,547)
<u>Business -type Activities</u>					
Sewer	601,646	811,698			210,052
Total Business-type Activities	601,646	811,698	0	0	210,052
Total Primary Government	\$ 4,612,404	\$ 2,006,810	\$ 179,297	\$ 53,802	\$ (2,372,495)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,841,272	\$ 2,372,566	\$	\$	531,294
Total Component Units	\$ 1,841,272	\$ 2,372,566	\$ 0	\$ 0	531,294

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, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<u>Net Revenues (Expenses)</u>	\$ (2,582,547)	\$ 210,052	\$ (2,372,495)	\$ 531,294
General revenues:				
Taxes:				
Sales and use tax	2,328,986		2,328,986	
Property taxes	387,532		387,532	
Gasoline taxes	38,425		38,425	
Beer and alcoholic beverage taxes	30,928		30,928	
Tobacco tax	27,823		27,823	
State capital improvement	40,068		40,068	
Motor vehicle taxes	11,733		11,733	
Financial excise tax	48,031		48,031	
Rental and lodging tax	44,651		44,651	
Shares/Privilege tax	12,893		12,893	
State shared gasoline taxes	19,346		19,346	
Other taxes	452		452	
Miscellaneous	20,439		20,439	
Investment income	221,081	1,654	222,735	31,410
Gain (Loss) on sale of assets	(4,018)		(4,018)	4,751
Unrealized holding gain (loss) on investments	246,718		246,718	
Total general revenues and transfers	3,475,088	1,654	3,476,742	36,161
Change in net position	892,541	211,706	1,104,247	567,455
Net position at beginning of year	11,070,810	4,861,252	15,932,062	8,294,472
Net position at end of year	\$ 11,963,351	\$ 5,072,958	\$ 17,036,309	\$ 8,861,927

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

ASSETS	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Court Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>Assets</u>						
Cash	\$ 2,164,092	\$	\$			\$ 2,164,092
Accounts receivable - taxes	596,302					598,067
Accounts receivable - customers	43,604				1,765	43,604
Accounts receivable - fines				164,164		164,164
Accounts receivable - grants	7,885					7,885
Accounts receivable - other	10,709					10,709
Interest receivable	12,871					12,871
Interfund receivable	129,557					129,557
Prepaid expenses	84,112			212	619	84,943
<u>Restricted Assets</u>						
Cash	196,588	115,808	288,142	182,444	248,348	1,031,330
Investments	3,306,249					3,306,249
Total Assets	\$ 6,551,969	\$ 115,808	\$ 288,142	\$ 346,820	\$ 250,732	\$ 7,553,471

LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES

<u>Liabilities</u>						
Accounts payable	\$ 102,362	\$ 1,465	\$	\$ 56,235	\$ 3,282	\$ 163,344
Construction in progress payable	881,628					881,628
Construction bond payable	70,096					70,096
Accrued wages	61,592			3,197		64,789
Interfund payable	166,109			127,545	2,012	295,666
Total Liabilities	\$ 1,281,787	\$ 1,465	\$ 0	\$ 186,977	\$ 5,294	\$ 1,475,523

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)
SEPTEMBER 30, 2019

	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	\$ 362,077	\$	\$			\$ 362,077
Unavailable revenue - court fines				143,076		143,076
Total deferred inflows of resources	\$ 362,077	\$ 0	\$ 0	143,076	0	\$ 505,153
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 93,752	\$	\$			\$ 93,752
Investments	3,306,249					3,306,249
Prepays	84,112			212	619	84,943
Restricted for:						
Capital Projects		114,343				114,343
Debt Service			288,142			288,142
Public Service	102,836			16,555	244,819	364,210
Unassigned	1,321,156					1,321,156
Total Fund Balances	\$ 4,908,105	\$ 114,343	\$ 288,142	\$ 16,767	\$ 245,438	\$ 5,572,795
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,551,969	\$ 115,808	\$ 288,142	\$ 346,820	\$ 250,732	\$ 7,553,471

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, 2019

Total fund balances for governmental funds	\$ 5,572,795
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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.	17,311,993
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Other long-term assets are not available to pay current-period expenditures and, therefore are deferred in the fund financial statements. These include unearned property taxes and unearned court fines.	445,153
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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.	(134,839)
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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>(11,231,751)</u>
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Net position of governmental activities	\$ <u><u>11,963,351</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, 2019

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Revenues</u>						
Donations	\$ 24,299	\$	\$			\$ 25,049
Fines and charges	910			192,449	750	193,359
Fire department income	1,111					1,111
Grant income	81,635	53,802				135,437
Investment income	125,601	91,753	3,252	96	380	221,082
Licenses, permits, & franchise fees	691,009					691,009
Library revenues	20,227					20,227
Lot sales and openings/closings					10,000	10,000
Miscellaneous	26,439					26,439
Park and recreation	8,667					8,667
Reimbursement from Shelby County Arts Council	61,571					61,571
Sanitation services	290,400					290,400
Tax revenue	2,907,446				59,414	2,966,860
Total Revenues	4,239,315	145,555	3,252	192,545	70,544	4,651,211
<u>Expenditures</u>						
Capital expenditures	1,055,877	7,651,140		160	20,665	8,727,842
Cemetery					18,113	18,113
Court				225,963		225,963
Debt service:						
Principal retirement			75,000			75,000
Interest			353,570			353,570
Donations and liberty day	138,615					138,615
Fire and rescue	210,081					210,081
General government	576,056					576,056
Library	224,453	4,688				224,453
Park and recreation	135,428		5,789			135,428
Police	844,569					844,569
Sanitation	299,217					299,217
Senior Center	106,781					106,781

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, 2019

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Shelby County Arts Council	60,960					60,960
Street	306,304				65,515	371,819
Trolley	57,990					57,990
Total Expenditures	4,016,331	7,655,828	434,359	226,123	104,293	12,436,934
Excess of revenues over (under) expenditures	222,984	(7,510,273)	(431,107)	(33,578)	(33,749)	(7,785,723)
Other Financing Sources (Uses)						
Proceeds from sale of assets	16,607					16,607
Unrealized/realized loss on investments	246,718					246,718
Operating transfers in		4,838	488,624		2,000	495,462
Operating transfers out	(495,462)					(495,462)
Total Other Financing Sources (Uses)	(232,137)	4,838	488,624	0	2,000	263,325
Net change in fund balances	(9,153)	(7,505,435)	57,517	(33,578)	(31,749)	(7,522,398)
Fund Balance, Beginning of Year	4,917,258	7,619,778	230,625	50,345	277,187	13,095,193
Fund Balance, End of Year	\$ 4,908,105	\$ 114,343	\$ 288,142	\$ 16,767	\$ 245,438	\$ 5,572,795

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, 2019

Net change in fund balances - total governmental funds	\$	(7,522,398)
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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 \$8,727,842 exceeds depreciation of \$459,414.		8,268,428
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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.		9,392
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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		(5,080)
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In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.		(20,625)
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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.		97,416
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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.		(9,592)
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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.		75,000
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Change in net position of governmental activities	\$	<u>892,541</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, 2019

	<u>Enterprise Funds</u>	
	<u>Sewer</u>	
	<u>Department</u>	
ASSETS		
<u>Current Assets</u>		
Cash and cash equivalents	\$	728,841
Accounts receivable - customers, net of allowance		109,122
Interfund receivable		143,821
Inventory		24,061
Prepaid expenses		4,619
<u>Restricted Assets</u>		
Cash and cash equivalents - customer deposits		37,648
<u>Non-current Assets</u>		
Construction in progress		22,069
Other capital assets, net of accumulated depreciation		4,113,252
Net pension asset		11,736
		<hr/>
Total Assets		5,195,169
		<hr/>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension		11,130
		<hr/>
Total Assets and Deferred Outflows of Resources		5,206,299
		<hr/>
LIABILITIES		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable		41,572
Accrued wages		6,458
<u>Current Liabilities (payable from restricted assets)</u>		
Customer deposits		37,755
<u>Long-term Liabilities</u>		
Accrued compensated absences		5,162
		<hr/>
Total Liabilities		90,947
		<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension		42,394
		<hr/>
Total Liabilities and Deferred Inflows of Resources		133,341
		<hr/>
<u>Net Position</u>		
Investment in capital assets, net of related debt		4,135,321
Unrestricted		937,637
		<hr/>
Total Net Position	\$	5,072,958
		<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, 2019

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 811,646
Miscellaneous income	52
	<hr/>
Total Revenues	811,698
	<hr/>
<u>Administrative Expenses</u>	
Computer expense	1,882
Dues and subscriptions	420
Internet	2,805
Legal and accounting	4,036
Medical services	1,070
Office expense	624
Payroll processing fee	411
Postage	2,036
Rental - copier	1,146
Telephone	1,089
Training & travel	852
	<hr/>
Total Administrative Expenses	16,371
	<hr/>
<u>Supply and Distribution Expenses</u>	
Collection fees	10,572
Depreciation	175,729
Engineering and professional fees	5,640
Gas and oil	7,680
Insurance - employee health	13,425
Insurance - general	5,401
Insurance - workman's comp.	3,129
Miscellaneous	462
Payroll taxes	8,190

(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, 2019

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	9,374
Repairs and maintenance - building	4,417
Repairs and maintenance - equipment	11,801
Repairs and maintenance - system	94,519
Repairs and maintenance - vehicles	5,759
Salaries and wages	115,965
State retirement	(2,756)
Uniforms	2,025
Utilities	89,828
Testing and analysis	24,115

Total Supply and Distribution Expenses	585,275
--	---------

Total Expenditures	601,646
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Operating income	210,052
------------------	---------

Nonoperating Revenues (Expenses)

Investment earnings	1,654
---------------------	-------

Net Nonoperating Revenues(Expenses)	1,654
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Net change in net position	211,706
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Net position - beginning of year	4,861,252
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Net position - end of year	\$ 5,072,958
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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, 2019

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 806,090
Payments to employees and related expenses	(141,527)
Payments to suppliers	<u>(298,012)</u>
Net cash provided by operating activities	<u>366,551</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	<u>(26,699)</u>
Net cash used by capital and related financing activities	<u>(26,699)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>1,654</u>
Net cash provided by investing activities	<u>1,654</u>
Net increase in cash and cash equivalents	341,506
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>424,983</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 766,489</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, 2019

	<u>Sewer</u> <u>Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>210,052</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	175,729
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(2,666)
Inventory	(2,518)
Prepaid expenses	(444)
Deferred outflows of resources	(956)
Net pension asset	(8,323)
Increase (decrease):	
Accounts payable	(7,086)
Accrued wages	2,686
Accrued compensated absences	1,255
Customer deposits	8,305
Interfund payable	(11,247)
Deferred inflows of resources	<u>1,764</u>
Total adjustments	<u>156,499</u>
Net cash provided by operating activities	\$ <u><u>366,551</u></u>

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

Current Assets	\$ 728,841
Restricted Assets	
Cash-customer deposits	<u>37,648</u>
Total Cash and Equivalents	\$ <u><u>766,489</u></u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019 had no internal service funds or agency funds.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$3,961,911 and the bank balance was \$4,979,414. Of the bank balance \$809,113 was covered by either federal depository insurance or federal savings and loan insurance. Deposits with Alabama financial institutions that are in excess of FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Alabama public funds are protected through a collateral pool administered by the Alabama State Treasury. The City had \$3,851,210 of Category 1 deposits covered by the SAFE Program at September 30, 2019 and \$319,091 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, 2019

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, 2019 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	\$ 62,805
Cash - capital projects	341,144
General fund - Money market - sale of gas department	196,588
General fund - Investments - sale of gas department	3,306,249
Sewer fund - customer deposits	37,648
Special revenue - Cash - various	<u>430,793</u>
 Total Restricted Assets	 \$ <u>4,375,227</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, 2019

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, 2019

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, 2019 the City has recorded a liability of \$37,491 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, 2019

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, 2019:

Deferred outflow - pension plan	\$ <u>109,934</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, 2019:

Unavailable revenue - property taxes (fund basis)	\$ 362,077
Unavailable revenue - court fines (fund basis)	<u>143,076</u>

Total Deferred inflow of resources - Fund Basis Balance Sheet	\$ <u>505,153</u>
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Deferred inflows of resources - pension plan (Govt-wide Statement of Net Position)	\$ <u>438,352</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, 2019

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, 2019

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, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

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

Budgets and Budgetary Accounting

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

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

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

Use of Estimates

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 \$362,077 received after September 30, 2019 has been recorded as deferred revenue in the fund financial statements.

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

"Total fund balances" of the City's governmental funds of \$5,572,795 differs from "net position" of governmental activities of \$11,963,351 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	\$ 24,467,141
Less: Depreciation expense to date	<u>(7,155,148)</u>
	<u>\$ 17,311,993</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	\$ 11,162,964
Long-term portion of fines payable to other agencies	36,458
Accrued compensated absences	<u>32,329</u>
Total	<u>\$ 11,231,751</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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	\$ 362,077
Court fines	143,076
Allowance for court fines	<u>(60,000)</u>
Total	<u>\$ 445,153</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	\$ 109,613
Prepaid Bond Insurance	52,702
Deferred inflows of resources - pension	(395,958)
Deferred outflows of resources - pension	<u>98,804</u>
Total Other Items	<u>\$ (134,839)</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 \$(7,522,398) differs from the "change in net position" for governmental activities of \$892,541 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, 2019

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	\$ 8,727,842
Depreciation expense	<u>(459,414)</u>
	<u>\$ 8,268,428</u>

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

Principal payments on warrants payable	\$ <u>75,000</u>
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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	\$ 24,008
Court fines not meeting available criteria	<u>(14,616)</u>
Total	<u>\$ 9,392</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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	\$ (11,329)
Change in payable to state for court fines	<u>6,249</u>
Subtotal	\$ <u>(5,080)</u>

Bond premiums and bond discounts are amortized over the life of the loan in the government-wide financial statements, but are netted against interest expense, as a current period use of resources in the fund financial statements.

Amortization of warrant premiums and discounts	\$ <u>(9,592)</u>
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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>97,416</u>
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Pension

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards

In fiscal year ending September 30, 2019 the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

The GASB issued Statement No. 83, Certain Asset Retirement Obligations to establish criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of GASB 83 are effective for fiscal years beginning after June 15, 2018. There was no financial statement impact as a result of the implementation of the Statement.

The GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB 88 are effective for fiscal years beginning after June 15, 2018. There was no financial statement impact as a result of the implementation of the Statement.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
84	Fiduciary Activities	2020
87	Leases	2021
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2021
90	Majority Equity Interest and amendment Of GASB Statements No. 14 and No. 61	2020

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

The GASB issued Statement No. 84, Fiduciary Activities to establish criteria for identifying fiduciary activities of all state and local governments. The requirements of GASB 84 are effective for fiscal years beginning after December 15, 2018. The City is currently evaluating the impact GASB 84 may have on its financial statements.

The GASB issued Statement No. 87, Leases to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of GASB 87 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the impact GASB 87 may have on its financial statements.

The GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB 89 are effective for fiscal years beginning after December 15, 2019. The City is currently evaluating the impact GASB 89 may have on its financial statements.

The GASB issued Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61 to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of GASB 90 are effective for fiscal years beginning after December 15, 2018. The City is currently evaluating the impact GASB 90 may have on its financial statements.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2019 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 3,378,167
Certificates of deposit	<u>583,744</u>

Total Cash and Cash Equivalents	\$ <u>3,961,911</u>
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Investments

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

U.S. Government Agencies:

Federal National Mortgage Association	Matures 12/01/2025	AA+	\$ 7,600
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	1,074
Government National Mortgage Association	Matures 09/20/2041	AA+	46,855
Government National Mortgage Association	Matures 10/20/2032	AA+	186,133
Government National Mortgage Association	Matures 03/16/2042	AA+	973,543
Government National Mortgage Association	Matures 07/20/2042	AA+	40,877
Government National Mortgage Association	Matures 10/20/2042	AA+	62,093
Government National Mortgage Association	Matures 11/20/2042	AA+	7,263
Government National Mortgage Association	Matures 12/20/2042	AA+	116,530
Government National Mortgage Association	Matures 03/20/2046	AA+	19,766
Government National Mortgage Association	Matures 06/20/2046	AA+	12,395
Government National Mortgage Association	Matures 08/20/2046	AA+	66,398
Government National Mortgage Association	Matures 10/20/2046	AA+	76,540
Government National Mortgage Association	Matures 11/20/2046	AA+	90,109
Government National Mortgage Association	Matures 03/16/2047	AA+	97,798
Government National Mortgage Association	Matures 08/20/2047	AA+	68,015
Government National Mortgage Association	Matures 08/20/2047	AA+	37,633
Government National Mortgage Association	Matures 11/20/2047	AA+	112,548
Government National Mortgage Association	Matures 03/20/2048	AA+	125,763
Government National Mortgage Association	Matures 05/20/2048	AA+	125,645
Government National Mortgage Association	Matures 09/20/2048	AA+	16,429
Government National Mortgage Association	Matures 04/20/2049	AA+	73,580
Government National Mortgage Association	Matures 06/20/2049	AA+	141,662
Government National Mortgage Association	Matures 09/20/2049	AA+	<u>800,000</u>

Total Investments	\$ <u>3,306,249</u>
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(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019, the City had \$319,091 in cash and cash equivalents, which were held in money market accounts or money market funds accounts and \$3,306,249 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, 2019

NOTE 3: ACCOUNTS RECEIVABLE

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

Governmental Activities:

	<u>Amount</u>	Less Allowance for Doubtful Accounts	<u>Total</u>
Accounts receivable - taxes	\$ 598,067	\$	\$ 598,067
Accounts receivable - sanitation services	49,084	(5,480)	43,604
Accounts receivable - court fines	164,164	(60,000)	104,164
Accounts receivable - grants	7,885		7,885
Accounts receivable - other	<u>10,709</u>		<u>10,709</u>
Total Accounts Receivable	<u>\$ 829,909</u>	<u>\$ (65,480)</u>	<u>\$ 764,429</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 113,412
Allowance for doubtful accounts	<u>(4,290)</u>
Accounts receivable - customers net of allowance	<u>\$ 109,122</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/19</u>
Capital assets, not being depreciated:				
Land	\$ 1,631,401	\$	\$ (13,488)	\$ 1,617,913
Construction in progress	<u>1,903,905</u>	<u>8,551,931</u>	<u>(6,800)</u>	<u>10,449,036</u>
Total capital assets, not being depreciated	<u>3,535,306</u>	<u>8,551,931</u>	<u>(20,288)</u>	<u>12,066,949</u>
Capital assets, being depreciated				
Autos and trucks and equipment	2,392,299	42,245	(395,883)	2,038,661
Buildings and building improvements	2,443,911		(10,958)	2,432,953
Computer equipment	238,925	38,118	(31,486)	245,557
Infrastructure	4,519,924			4,519,924
Land improvements	28,332			28,332
Machinery and equipment	1,393,845	54,669	(280,522)	1,167,992
Office furniture and equipment	204,910	3,178	(55,673)	152,415
Park improvements	1,657,999	44,000		1,701,999
Park and recreation equipment	<u>133,849</u>	<u></u>	<u>(21,490)</u>	<u>112,359</u>
Total capital assets being depreciated	<u>13,013,994</u>	<u>182,210</u>	<u>(796,012)</u>	<u>12,400,192</u>
Less accumulated depreciation for:				
Autos and trucks and equipment	1,999,337	120,351	(395,687)	1,724,001
Buildings and building improvements	1,105,505	61,840	(5,742)	1,161,603
Computer equipment	200,222	12,043	(31,319)	180,946
Infrastructure	1,229,893	154,584		1,384,477
Land improvements	9,280	345		9,625
Machinery and equipment	1,122,259	59,507	(279,464)	902,302
Office furniture and equipment	161,872	7,580	(55,673)	113,779
Park improvements	1,524,247	42,732		1,566,979
Park and recreation equipment	<u>132,494</u>	<u>432</u>	<u>(21,490)</u>	<u>111,436</u>
Total accumulated depreciation	<u>7,485,109</u>	<u>459,414</u>	<u>(789,375)</u>	<u>7,155,148</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/19</u>
Total capital assets, being depreciated net	<u>5,528,885</u>	<u>(277,204)</u>	<u>(6,637)</u>	<u>5,245,044</u>
Governmental activities capital assets, net	<u>\$ 9,064,191</u>	<u>\$ 8,274,727</u>	<u>\$ (26,925)</u>	<u>\$ 17,311,993</u>

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

Beautification	\$ 766
Cemetery	16,692
Court	427
Fire and rescue	79,408
General government	18,472
Library	7,334
Park and recreation	55,037
Police department	57,619
Sanitation	30,982
Senior center	23,323
Street	<u>169,354</u>
	<u>\$ 459,414</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>10/01/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/19</u>
Sewer Department				
Capital assets, not being depreciated:				
Construction in progress	\$ _____	\$ 22,069	\$ _____	\$ 22,069
Capital assets, being depreciated				
Autos and trucks	89,049			89,049
Buildings and building improvements	46,897			46,897
Machinery and equipment	268,263	4,631		272,894
Office furniture and equipment	3,473			3,473
Sewer system and lines	<u>7,662,435</u>	<u> </u>	<u> </u>	<u>7,662,435</u>
Total capital assets being depreciated	<u>8,070,117</u>	<u>4,631</u>	<u>0</u>	<u>8,074,748</u>
Less accumulated depreciation for:				
Autos and trucks	70,675	9,293		79,968
Building and building improvements	20,011	1,327		21,338
Machinery and equipment	190,778	18,562		209,340
Office furniture and equipment	3,473			3,473
Sewer system and lines	<u>3,500,829</u>	<u>146,548</u>	<u> </u>	<u>3,647,377</u>
Total accumulated depreciation	<u>3,785,766</u>	<u>175,730</u>	<u>0</u>	<u>3,961,496</u>
Total capital assets, being depreciated net	<u>4,284,351</u>	<u>(171,099)</u>	<u>0</u>	<u>4,113,252</u>
Business-Type activities capital assets, net	\$ <u>4,284,351</u>	\$ <u>(149,030)</u>	\$ <u>0</u>	\$ <u>4,135,321</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5: LONG-TERM DEBT

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

	<u>Balance</u> <u>10/01/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/19</u>	<u>Due Within</u> <u>One Year</u>
	\$ 3,010,000	\$	\$ (75,000)	\$ 2,935,000	\$ 65,000
Subtotal - Primary Government	\$ 3,010,000	\$ 0	\$ (75,000)	\$ 2,935,000	\$ 65,000

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

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>8,450,000</u>			<u>8,450,000</u>	
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Total Primary Government and Blended
Component Unit

	\$ 11,460,000	\$ 0	\$ (75,000)	\$ 11,385,000	\$ 65,000
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Unamortized bond discount on Series 2018-A
General Obligation Warrants

	(57,347)		1,938	(55,409)	
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Unamortized bond discounts on Series 2018-A
Revenue Bonds

	<u>(172,440)</u>		<u>5,813</u>	<u>(166,627)</u>	
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Total

	\$ 11,230,213	\$ 0	\$ (73,062)	\$ 11,162,964	\$ 65,000
	Less: current maturities			<u>(65,000)</u>	

\$ 11,097,964

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Primary Government:

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.

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

<u>Year Ended September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	2.50%-3.75%	70,000	90,994	160,994
2025-2029	2.50%-3.75%	390,000	425,706	815,706
2030-2034	3.00%-3.75%	450,000	365,344	815,344
2035-2039	3.375%-3.75%	535,000	284,463	819,463
2040-2044	3.625%-3.75%	630,000	182,081	812,081
2045-2048	3.750%	<u>590,000</u>	<u>56,250</u>	<u>646,250</u>
		<u>\$ 2,935,000</u>	<u>\$ 1,784,438</u>	<u>\$ 4,719,438</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 5: LONG-TERM DEBT (Continued)

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5: LONG-TERM DEBT (Continued)

Revenue Bonds, Series 2018-A (Continued)

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

<u>Year Ended September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	2.00% -3.75%	170,000	276,656	446,656
2025-2029	2.375%-3.75%	1,165,000	1,301,306	2,466,306
2030-2034	3.00%-3.75%	1,350,000	1,115,994	2,465,994
2035-2039	3.50%-3.75%	1,590,000	872,500	2,462,500
2040-2044	3.625%-3.75%	1,905,000	558,000	2,463,000
2045-2048	3.75%	<u>1,805,000</u>	<u>172,687</u>	<u>1,977,687</u>
		<u>\$ 8,450,000</u>	<u>\$ 5,434,397</u>	<u>\$ 13,884,397</u>

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6: PENSION PLAN (Continued)

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.

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6: PENSION PLAN (Continued)

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 90,999 participants. As of September 30, 2018 membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active Members	56,760
Post-DROP participants who are still in active service	<u>141</u>
Total Members	<u><u>90,999</u></u>

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6: PENSION PLAN (Continued)

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, 2019, the City's active employee contribution rate was 5.70% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 3.45% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2019 was 4.64% of pensionable pay for Tier 1 employees, and 1.48% of pensionable pay for Tier 2 employees,. These required contribution rates are based upon the actuarial valuation dated September 30, 2016, 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 \$44,259 for the year ended September 30, 2019.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2017 rolled forward to September 30, 2018 using standard roll-forward techniques as shown in the following:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of September 30, 2017:	\$ 3,361,185	\$ 3,324,322
Discount Rate	7.75%	7.75%
Entry Age Normal Cost for October 1, 2017 thru September 30, 2018	106,735	106,735
Transfers Among Employers	0	(44,483)
Actual Benefit Payments and Refunds for October 1, 2017 thru September 30, 2018	<u>(156,540)</u>	<u>(156,540)</u>
Total Pension Liability as of September 30, 2018	\$ <u>3,565,806</u>	\$ <u>3,481,604</u>
Difference between Expected and Actual		(84,202)
Less: Liability Transferred for Immediate Recognition		<u>(44,483)</u>
Experience (Gain)/Loss		\$ <u>(39,719)</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 6: PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the September 30, 2018 actuarial valuation was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation:	2.75%
Salary increases:	3.25% - 5.00%
Investment rate of return*:	7.70%

* Net of pension plan investment expense.

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

The actuarial assumptions used in the September 30, 2017 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6: PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.0%	4.4%
U.S. Large Stocks	32.0%	8.0%
U.S. Mid Stocks	9.0%	10.0%
U.S. Small Stocks	4.0%	11.0%
International Developed Market Stocks	12.0%	9.5%
International Emerging Market Stocks	3.0%	11.0%
Alternatives	10.0%	10.1%
Real Estate	10.0%	7.5%
Cash Equivalents	<u>3.0%</u>	1.5%
Total	<u><u>100.00%</u></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, 7.70%. 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, 2019

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, 2017	\$ 3,361,185	\$ 3,399,965	\$ (38,780)
Changes for the year:			
Service Cost	106,735	0	106,735
Interest	254,426	0	254,426
Changes of assumptions:	18,636		18,636
Difference between expected and actual experience	(39,719)		(39,719)
Contributions - employer		43,154	(43,154)
Contributions - employee		68,950	(68,950)
Net Investment income		310,543	(310,543)
Benefit payments, including refunds of employee contributions	(156,540)	(156,540)	0
Administrative expense		0	0
Transfers Among Employers	<u>(44,483)</u>	<u>(44,483)</u>	<u>0</u>
Net Changes	<u>139,055</u>	<u>221,624</u>	<u>(82,569)</u>
Balances at September 30, 2018	\$ <u><u>3,500,240</u></u>	\$ <u><u>3,621,589</u></u>	\$ <u><u>(121,349)</u></u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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 7.70%, 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 (6.70%) or 1-percentage-point higher (8.70%) than the current rate:

	1% Decrease <u>(6.70%)</u>	Current Rate <u>(7.70%)</u>	1% Increase <u>(8.70%)</u>
City's Net Pension Liability (Asset)	\$ <u>291,124</u>	\$ <u>(121,349)</u>	\$ <u>(471,231)</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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019 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 <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports>.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

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, 2019, the City recognized pension expense of \$(60,868). At September 30, 2019, 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	\$ 320,128
Changes of assumptions	65,872	0
Net difference between projected and actual earnings on plan investments	0	118,224
Employer contributions subsequent to the Measurement Date	<u>44,259</u>	<u>0</u>
Total	\$ <u>110,131</u>	\$ <u>438,352</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:

2020	\$ (77,421)
2021	(114,884)
2022	(99,384)
2023	(60,544)
2024	(16,955)
Thereafter	<u>(3,292)</u>
Total	\$ <u>(372,480)</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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>353,570</u>
Total interest expensed	\$ <u>361,321</u>
Total interest capitalized	\$ <u>0</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019:

<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 collected and owed from prior years.	\$ 143,821
Water Board - Component Unit	General Fund	The utility account was previously used for all collections. The balance due to Water Board is from previous years under allocation.	22,288
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	2,012
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund in prior years.	<u>127,545</u>
Total Interfund Receivables/Payables			\$ <u>295,666</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 10: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2019:

<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.	\$ 493,462
General Fund	Cemetery Fund	The General Fund made a one time transfer to the Cemetery Fund to cover operational costs.	<u>2,000</u>
Total Transfers			\$ <u><u>495,462</u></u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 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, 2019 the City had incurred costs of \$103,200, leaving a remaining commitment of \$22,800.

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 after change orders was \$9,747,244. As of September 30, 2019 the City had incurred costs of \$8,499,232, leaving a remaining commitment of \$1,248,012.

The City contracted with Metz Studio to design, fabricate, and install two major sculptures into the Old Mill Square Park. Total contracted price for the services was \$201,000. As of September 30, 2019 the City had incurred costs of \$49,837, leaving a remaining commitment of \$151,163. Of this balance \$49,837 is expected to be paid by Shelby County Commission and \$102,000 balance to be paid by the Shelby County Arts Council.

The City contracted with Reliant Media, LLC to install Cat 6 cabling into the Arts Center building. Total contracted price for the services was \$31,100. As of September 30, 2019 the City had incurred costs of \$23,325, leaving a remaining commitment of \$7,775.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 11: COMMITMENTS (Continued)

The City contracted with Reliant Media, LLC to install audio, microphones, and accessories, video projector, etc. into the Arts Center building. Total contracted price for the services was \$203,635. As of September 30, 2019 the City had incurred costs of \$101,818, leaving a remaining commitment of \$101,817.

The City contracted with Reliant Media, LLC to install all in one access controls and security system into the Arts Center building. Total contracted price for the services was \$214,064. As of September 30, 2019 the City had incurred costs of \$107,032, leaving a remaining commitment of \$107,032.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 21, 2020, 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, 2019. No items requiring recording or disclosure were noted, except as noted below:

County Shop Lift Station Replacement

In October 2019, the City Council approved a bid for the County Shop Lift Station Replacement project. The contract was awarded to lowest qualified bidder - Civil Contractors in the amount of \$203,000.

General Obligation Warrants - Series 2020

In May 2020 the City of Columbiana issued \$2,295,000 General Obligation Warrants, Series 2020 for the purpose of (i) completing the "facilities" described below and (ii) paying the costs of issuing the Series 2020 Warrants.

The facilities consist of a multipurpose cultural and entertainment event and community center and park. The facilities generally consist of an approximately 30,000 square foot building, containing an approximately 500 seat exhibit hall, an approximately 250 seat black box theater, art gallery space, teaching space, and an outdoor amphitheater and park space. In 2018 the District issued the District Bonds to fund a portion of the costs of construction of the Facilities. In connection with the District Bonds, the District leased the facilities to the City and the City agreed to pay rent at times and in amounts equal to debt service on the District Bonds. A portion of the facilities will be subleased by the City to the Arts Council. The Arts Council has agreed to assist the City in the operation and management of the facilities and in return the City has agreed to charge and collect nominal rent from the Arts Council for its use of the facilities. The City is responsible for any costs of construction of the facilities in excess of the proceeds available therefore from the District Bonds. The proceeds of the Series 2020 Warrants will be used to complete construction of the facilities. (See Note 5 for information regarding the 2018 Bonds issued by the District).

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12: SUBSEQUENT EVENTS (Continued)

General Obligation Warrants - Series 2020 (Continued)

The Series 2020 Warrants will be general obligations of the City, for the payment of which the full faith and credit of the City will be irrevocably pledged.

Maturities of the General Obligation Warrants Series, 2020 are as follows:

<u>Year Ended September 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	1.45%-3.00%	\$	\$ 528	\$ 528
2021	1.45%-3.00%	70,000	63,400	133,400
2022	1.45%-3.00%	70,000	62,385	132,385
2023	1.45%-3.00%	70,000	61,370	131,370
2024	1.45%-3.00%	75,000	60,355	135,355
2025-2029	1.45%-3.00%	385,000	284,026	669,026
2030-2034	1.75%-3.00%	420,000	246,541	666,541
2035-2039	2.35%-3.00%	470,000	193,103	663,103
2040-2044	2.75%-3.00%	540,000	123,650	663,650
2045-2048	3.00%	<u>495,000</u>	<u>37,650</u>	<u>532,650</u>
		<u>\$ 2,595,000</u>	<u>\$ 1,133,008</u>	<u>\$ 3,728,008</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 12: SUBSEQUENT EVENTS (Continued)

COVID-19 and Other Public Health Epidemics or Outbreaks

Public health epidemics or outbreaks could adversely impact the world economy and the economies of the United States, the State of Alabama and the City. In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China and caused significant disruptions to its economy, it has now spread to many other countries and infections have been reported globally, including in the United States, where the virus has caused infections in each state, including the State of Alabama. The continued spread of the coronavirus in the United States and the State of Alabama could have a material adverse effect on the City's operations and its financial condition, including a negative impact on the City's collections of sales and uses taxes, lodging taxes and other taxes and fees necessary for the operation of the City. Like other cities in the State of Alabama, a large portion of the annual revenues of the City comes from the collection of sales and uses taxes, and a reduction in the collection of these taxes could have a material adverse effect on the financial condition of the City and could impact the City's ability to pay the principal of and interest on the City's debt obligations. The extent to which the coronavirus impacts the City's operations and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. Therefore, it is currently impossible to accurately predict what the long term effects of the coronavirus will be on our operations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Donations	\$ 38,705	38,705	\$ 24,299	\$ (14,406)
Fines and charges	1,755	1,755	910	(845)
Fire department income	7,100	7,100	1,111	(5,989)
Grant income	61,550	61,550	84,573	23,023
Investment income	101,700	101,700	123,451	21,751
Licenses, permits and franchise fees	622,050	622,050	691,009	68,959
Library revenues	15,165	15,165	19,158	3,993
Miscellaneous	8,950	8,950	26,439	17,489
Park and recreation fees	16,700	16,700	8,667	(8,033)
Reimbursement from Shelby County Arts Council	65,000	65,000	56,442	(8,558)
Sanitation services	279,500	279,500	311,820	32,320
Tax revenue	2,534,300	2,534,300	2,894,860	360,560
Total Revenues	3,752,475	3,752,475	4,242,739	490,264
<u>Expenditures</u>				
Capital expenditures	187,106	192,606	174,409	18,197
Donations and liberty day	139,850	139,850	138,615	1,235
Fire and rescue	239,350	239,350	217,234	22,116
General government	617,570	619,570	604,248	15,322
Library	225,450	225,450	219,717	5,733
Park and recreation	138,600	138,600	136,239	2,361
Police	848,600	848,600	845,518	3,082
Sanitation	231,050	231,050	282,138	(51,088)
Senior center	112,850	112,850	106,973	5,877
Shelby County Arts Council	65,000	65,000	60,777	4,223
Street	359,300	359,300	306,646	52,654
Transit	61,000	61,000	57,943	3,057
Total Expenditures	3,225,726	3,233,226	3,150,457	82,769
Excess of Revenues Over (Under) Expenditures	526,749	519,249	1,092,282	573,033
<u>Other Financing Sources (Uses)</u>				
Proceeds from sale of assets	2,500	2,500	16,607	(14,107)
Operating transfers out			(495,462)	(495,462)
Total Other Financing Sources (Uses)	2,500	2,500	(478,855)	(509,569)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ <u>529,249</u>	\$ <u>521,749</u>	613,427	\$ <u>63,464</u>
Fund balance, beginning (Non-GAAP budgetary basis)			4,917,258	
Fund balance, ending (Non-GAAP budgetary basis)			5,530,685	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Unrealized gain/loss on investments			246,718	
Revenue and transfer accruals			(21,623)	
Expenditure and transfer accruals			(847,675)	
Fund balance, ending (GAAP basis)			\$ <u>4,908,105</u>	

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,

	2018	2017	2016	2015	2014
Total Pension Liability					
Service Cost	\$ 106,735	\$ 105,407	\$ 91,211	\$ 88,554	\$ 84,853
Interest	254,426	245,065	260,658	250,176	239,998
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	(39,719)	(97,700)	(374,256)	(21,323)	0
Changes of assumptions	18,636	0	89,582	0	0
Benefit payments, including refunds of employee contributions	(156,540)	(186,693)	(141,390)	(231,362)	(163,905)
Transfers among employers	(44,483)	39,628	749		
Net change in total pension liability	139,055	105,707	(73,446)	86,045	160,946
Total pension liability - beginning	3,361,185	3,255,478	3,328,924	3,242,879	3,081,933
Total pension liability ending (a)	\$ 3,500,240	\$ 3,361,185	\$ 3,255,478	\$ 3,328,924	\$ 3,242,879

See independent auditor's report.

(Continued)

CITY OF COLUMBIANA, ALABAMA

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

	2018	2017	2016	2015	2014
Plan Fiduciary Net Position					
Contributions - employer	\$ 43,154	\$ 76,225	\$ 79,193	\$ 78,376	\$ 73,348
Contributions - member	68,950	70,351	64,150	56,530	54,030
Net investment income	310,543	385,948	278,501	32,615	301,671
Benefit payments, including refunds of employee contributions	(156,540)	(186,693)	(141,390)	(231,362)	(163,905)
Transfers among employers	(44,483)	39,628	749	(480)	
Net change in plan fiduciary net position	221,624	385,459	281,203	(64,321)	265,144
Plan net position - beginning	3,399,965	3,014,506	2,733,303	2,797,624	2,532,480
Plan net position - ending (b)	<u>\$ 3,621,589</u>	<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) - (nv)	<u>\$ (121,349)</u>	<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>103.47%</u>	<u>101.15%</u>	<u>92.60%</u>	<u>82.11%</u>	<u>86.27%</u>
Covered-employee payroll	<u>\$ 1,216,745</u>	<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>-9.97%</u>	<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,

	2019	2018	2017	2016	2015
Actuarially determined contributions	43,452	47,656	80,819	83,381	75,892
Contributions in relation to the actuarially determined contribution	<u>43,452</u>	<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>	<u>\$ 0</u>
Covered - employee payroll	<u>\$ 1,260,468</u>	<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>3.45%</u>	<u>3.92%</u>	<u>6.51%</u>	<u>7.37%</u>	<u>7.58%</u>

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CITY OF COLUMBIANA, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

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 2019 were based on the September 30, 2016 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Remaining amortization period:	22.4 years
Asset valuation method:	Five year smoothed market
Inflation:	2.875%
Salary increases:	3.375 - 5.125% including inflation
Investment rate of return:	7.875%, 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, 2019

ASSETS		4 & 5 Cents Gas Tax	2 & 7 Cents Gas Tax	State Capital Improvements	Cemetery	Total Nonmajor Governmental Funds
<u>Assets</u>						
Accounts receivable - taxes	\$	776	\$ 989	\$	\$	1,765
Prepaid expense					619	619
<u>Restricted Assets</u>						
Cash		14,194	17,225	101,308	115,621	248,348
Total Assets	\$	14,970	18,214	101,308	116,240	250,732
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts payable	\$		\$	\$	3,282	3,282
Interfund payable					2,012	2,012
Total Liabilities		0	0	0	5,294	5,294
Fund Balances						
Nonspendable:						
Prepays					619	619
Restricted for public services		14,970	18,214	101,308	110,327	244,819
Total Fund Balances		14,970	18,214	101,308	110,946	245,438
Total Liabilities and Fund Equity	\$	14,970	18,214	101,308	116,240	250,732

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CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	4 & 5 Cents Gas Tax	2 & 7 Cents Gas Tax	State Capital Improvements	Cemetery	Total Nonmajor Governmental Funds
<u>Revenues</u>					
Donations	\$ 121	\$ 161	\$ 38	\$ 750	750
Investment income				60	380
Lot sales and openings/closings				10,000	10,000
Shared taxes	8,514	10,832	40,068		59,414
Total Revenue	8,635	10,993	40,106	10,810	70,544
<u>Expenditures</u>					
Capital expenditures				20,665	20,665
Cemetery		36,468		18,113	18,113
Street	29,047				65,515
Total Expenditures	29,047	36,468	0	38,778	104,293
<u>Other Financing Sources (Uses)</u>					
Operating transfers in				2,000	2,000
Total Other Financing Sources (Uses)	0	0	0	2,000	2,000
Net change in fund balances	(20,412)	(25,475)	40,106	(25,968)	(31,749)
Fund Balance, Beginning of Year	35,382	43,689	61,202	136,914	277,187
Fund Balance, End of Year	\$ 14,970	\$ 18,214	\$ 101,308	\$ 110,946	\$ 245,438

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