

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

CITY OF COLUMBIANA, ALABAMA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-12
BASIC FINANCIAL STATEMENTS	
GOVERNMENT -WIDE FINANCIAL STATEMENT:	
STATEMENT OF NET POSITION	13-14
STATEMENT OF ACTIVITIES	15-16
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	17-18
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	19
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	20-21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	22
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	23
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS	24-25
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	26-27
NOTES TO FINANCIAL STATEMENTS	28-79

CITY OF COLUMBIANA, ALABAMA

TABLE OF CONTENTS

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:	
GENERAL FUND	81
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES	82
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY	83-84
SCHEDULE OF EMPLOYER CONTRIBUTIONS	85
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES	86
SUPPLEMENTARY INFORMATION	
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS	88
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS	89

DeLOACH, BARBER & CASPERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2020 Hwy 33
Pelham, Alabama 35124
(205) 605-0223

John H. DeLoach, CPA
S. Wayne Barber II, CPA, CGFM, CFE
John E. Caspers, MBA, CPA

Mailing Address
2020 Hwy 33
Pelham, Alabama 35124
Fax: (205) 605-0230
Website: www.dbccpas.com

INDEPENDENT AUDITOR'S REPORT

David Mitchell, 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, 2021, 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 from 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, 2021, 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 management's discussion and analysis (pages 4-12), budgetary comparison information (page 81-82), and select pension plan disclosures (pages 83-86) 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.

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 88-89) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

DeLoach, Barber & Caspers, P. C.

May 31, 2022

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

OVERVIEW

The following discussion represents the analysis and representations of the administration and management of the City of Columbiana, Alabama, relative to its financial performance and condition as of September 30, 2021 (Fiscal Year [FY] 2021). The opinions and analysis of the City's independent financial auditors are expressed separately in the Auditor's report (pages 1-3).

This narrative overview and analysis of the financial activities of the City of Columbiana attempts to provide easily understood explanation(s) of governmental accounting methodologies, offer context to the financial data, provide year over year comparison of data/performance and, contains forward-looking statements based on currently known (at the time of release of this document) facts and conditions that may have a significant future effect on the City's financial position (net position) or results of operations (revenues, expenses and/or other changes in net position).

The audit, and this discussion and analysis, review and consider all financial data, reports and transactions for the entire fiscal year (Oct 1, 2020 – Sep 30, 2021). The financial reports, however, are a "snapshot in time" as of September 30, 2021 that may be impacted by timing issues associated with the receipt of revenue and/or recognition of expense.

Section 11-43-85 of the Code of Alabama, 1975, requires that at least once a year, the mayor shall appoint an accountant to make a detailed examination, in accordance with generally accepted accounting standards, of all books and accounts of the city or town to cover the period since the preceding examination and make a full report thereof, in writing, under oath to be submitted to the council at its first meeting after the completion of the report.

This audit has been conducted and financial statements prepared in accordance with the Governmental Accounting Standards Board (GASB). Likewise, the following Management Discussion and Analysis (MD&A) is presented in accordance with GASB guidance.

DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

The audited financial statements contained in this audit report are prepared in accordance with the requirements established by the Government Accounting Standards Board (GASB). These statements are prepared, predominantly, using a *modified accrual accounting method*. An explanation of each statement follows.

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

Statement of Net Position. This statement is, essentially, the City's net worth as of September 30, 2021. It presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position *may* serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Statement of Activities. This statement is similar to an income statement showing the various sources of revenue and expenses of the City as of September 30, 2021. It presents information showing how the City's net position changed during the most recent fiscal year. Revenue and expenses reported in this statement, for some items, will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused annual leave).

Both government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the City include general government, public protection, street and road, park and other intergovernmental activities.

The business-type activities of the City include the operation of a sanitary sewer system. This activity is listed separately in the government-wide statements as business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps the reader determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The General Fund, the Capital Projects Fund, the Court Fund and the Debt Service Fund are considered *major* funds, and information is presented separately in the *governmental funds balance sheet* and in the *governmental funds statement of revenues, expenditures, and changes in fund balances* for these funds.

Other governmental funds are considered *non-major* governmental funds and they are combined into a single, aggregated presentation in the basic financial statements. Individual fund data for each of these funds is provided in the form of combining statements found on pages 88 and 89 of this report.

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

The basic governmental fund financial statements can be found on pages 17 through 21 of this report.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, but in more detail. The City maintains one type of proprietary fund called an *Enterprise Fund*. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and sanitation activities.

The Sewer Fund is considered a major proprietary fund of the City, and information is presented separately in the *proprietary funds statement of net position* and in the *proprietary funds statement of revenues, expenses, and changes in net position* for these funds.

The basic proprietary fund financial statements can be found on pages 23 through 27 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 28 through 79 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The City of Columbiana adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 81 through 86 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 88 through 89 of this report.

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

CONDENSED GOVERNMENT-WIDE FINANCIAL STATEMENTS

Table 1: City of Columbiana Condensed Statement of Net Position

	Primary Government					
	Governmental Activities		Business-type Activities		Total	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
Assets						
Current Assets	\$ 4,130,483	\$ 2,721,604	\$ 1,660,415	\$ 1,252,067	\$ 5,790,898	\$ 3,973,671
Restricted Assets	\$ 5,027,311	\$ 4,959,649	\$ 58,771	\$ 49,585	\$ 5,086,082	\$ 5,009,234
Non-current Assets	\$ 19,163,218	\$ 19,382,731	\$ 4,062,628	\$ 4,218,462	\$ 23,225,846	\$ 23,601,193
Total Assets	\$ 28,321,012	\$ 27,063,984	\$ 5,781,814	\$ 5,520,114	\$ 34,102,826	\$ 32,584,098
Deferred Outflows of Resources						
Debt refunding + Pension	\$ 798,754	\$ 122,640	\$ 19,750	\$ 14,641	\$ 818,504	\$ 137,281
Total Assets and Deferred Outflows of Resources	\$ 29,119,766	\$ 27,186,624	\$ 5,801,564	\$ 5,534,755	\$ 34,921,330	\$ 32,721,379
	Governmental Activities		Business-type Activities		Total	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
Liabilities						
Current Liabilities (payable from current assets)	\$ 1,294,056	\$ 362,389	\$ 59,692	\$ 42,796	\$ 1,353,748	\$ 405,185
Current Liabilities (payable from restricted assets)	\$ 61,048	\$ 67,219	\$ 59,900	\$ 50,900	\$ 120,948	\$ 118,119
Long-term liabilities	\$ 14,916,977	\$ 13,739,204	\$ 4,049	\$ 4,858	\$ 14,921,026	\$ 13,744,062
Total Liabilities	\$ 16,272,081	\$ 14,168,812	\$ 123,641	\$ 98,554	\$ 16,395,722	\$ 14,267,366
Deferred Inflows of Resources						
Pension	\$ 303,556	\$ 338,426	\$ 34,807	\$ 40,982	\$ 338,363	\$ 379,408
Total Liabilities and Deferred Inflows of Resources	\$ 16,575,637	\$ 14,507,238	\$ 158,448	\$ 139,536	\$ 16,734,085	\$ 14,646,774
Total Net Position	\$ 18,187,245	\$ 18,074,605				

Table 2: City of Columbiana Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY 2021	FY 2020	FY 2021	FY 2020	FY 2021	FY 2020
Expense	\$5,746,765	\$4,349,886	\$680,973	\$589,869	\$6,427,738	\$4,939,755
Revenue	\$5,611,508	\$5,065,921	\$928,870	\$912,130	\$6,540,378	\$5,978,051
Change in Net Position	\$ (135,257)	\$ 716,035	\$247,897	\$322,261	\$ 112,640	\$1,038,296

ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

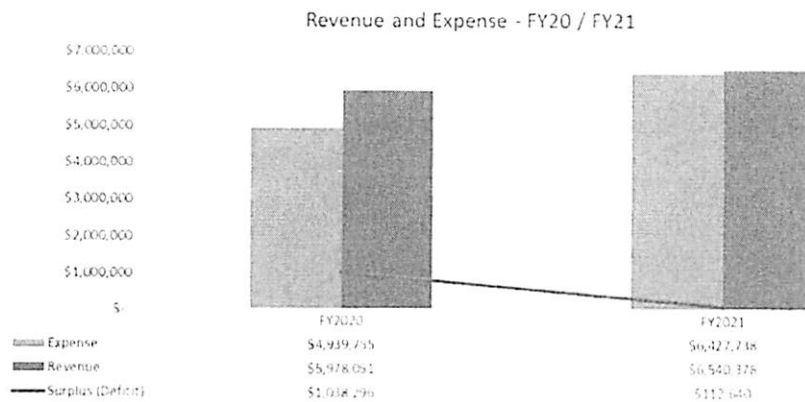
Financial Highlights and Significant Transactions

- Table 1 depicts assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year (FY) 2021 resulting in a Total Net Position of approximately \$18.2 million. This is an increase of \$112.6k over 2020.

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

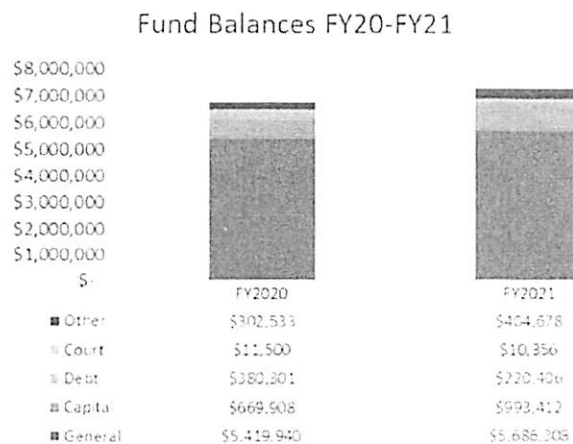
- Total assets and deferred outflows increased approximately \$2.2M driven primarily by a net increase in tax revenue and proceeds from the refunding of debt.
- Total liabilities and deferred inflows increased approximately \$2.1M driven primarily by an increase in long-term debt and deferred revenue associated with an ARPA grant.
- As depicted on in Table 2 and Chart 1, Primary Government activities received taxes and other revenue of approximately \$6.5 million and had expenses of approximately \$6.4 million resulting in a surplus of \$112.6k.
 - Total revenues increased 9.4% over FY2020 while expenses increased 30.2%. The increase in expenses was driven primarily by street paving projects and an increase in debt service.

Chart 1



- Chart 2 shows the City's governmental funds reported a combined ending fund balance of \$7.3 million; an increase of ~\$531k, or 5.5%, over FY2020. The increase resulted primarily from proceeds associated with debt refunding.

Chart 2



City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

GENERAL FUND BUDGETARY VARIATIONS

Table 3: General Fund Budget Comparison

<u>CITY OF COLUMBIANA, ALABAMA</u>				
<u>BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS</u>				
<u>GENERAL FUND</u>				
<u>FOR THE YEAR ENDED SEPTEMBER 30, 2021</u>				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Donations	\$ 52,200	\$ 52,200	\$ 65,879	\$ 13,679
Fines and charges	2,150	2,150	2,117	(33)
Fire department income	2,000	2,000	2,980	980
Grant income	435,950	435,950	370,057	(65,893)
Investment income	102,000	102,000	75,068	(26,932)
Licenses, permits and franchise fees	689,220	689,220	635,928	(53,292)
Library revenues	8,555	8,555	8,133	(422)
Miscellaneous	2,700	2,700	14,185	11,485
OMS rental and fees	100,000	100,000	127,850	27,850
Park and recreation fees	8,600	8,600	8,550	(50)
Reimbursement from Shelby County Arts Council	67,000	67,000	58,116	(8,884)
Sanitation services	332,500	332,500	322,500	(9,940)
Tax revenue	3,019,120	3,019,120	3,380,720	361,600
Total Revenues	4,821,995	4,821,995	5,072,143	250,148
Expenditures				
Capital expenditures	199,500	199,500	486,738	(157,238)
Donations and appropriations	112,300	112,300	107,220	5,080
Fire department	245,250	245,250	241,695	3,555
General government	631,200	631,200	538,326	92,874
Janette Nixens House	4,000	4,000	1,950	2,050
Library	246,430	246,430	217,351	29,079
Main street			18,476	(18,476)
Mildred Street area	13,200	13,200	9,692	3,508
Old Mill Square	178,300	178,300	183,965	(5,665)
Park and recreation	187,300	187,300	137,729	49,571
Police	967,950	967,950	1,030,405	(62,455)
Sanitation	276,550	276,550	326,430	(29,880)
Senior center	135,100	135,100	121,441	13,659
Shelby County Arts Council	67,000	67,000	63,730	3,270
Special events	39,000	39,000	79,560	(40,560)
Storm shelter	1,700	1,700	1,433	267
Street	575,100	705,100	713,458	(8,358)
Transit	57,050	57,050	53,048	4,002
Total Expenditures	4,917,530	4,987,530	4,302,047	(114,517)
Excess of Revenues Over (Under) Expenditures	884,465	634,465	770,096	135,631
Other Financing Sources (Uses)				
Proceeds from sale of assets	1,400	1,400	11,856	10,456
Operating transfers in			176,876	176,876
Operating transfers out			(668,491)	(668,491)
Total Other Financing Sources (Uses)	1,400	1,400	(479,669)	(481,069)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ 885,865	\$ 635,865	290,427	\$ (345,438)
Adjustments to Generally Accepted Accounting Principles				
Unrealized gain/loss on investments			(194,529)	(194,529)
Revenue and transfer accruals			198,210	198,210
Expenditure and transfer accruals			(27,740)	(27,740)
Fund balance, beginning (GAAP basis)			5,419,940	
Fund balance, ending (GAAP basis)			\$ 5,686,308	
NOTE: The City is not legally required to adopt a budget for the Debt Service, Capital Projects, Court or Sewer Funds.				

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

The City budgeted a surplus of \$634k excluding adjustments for GAAP requirements and financing transactions. The actual unadjusted surplus was \$770k, \$136k higher than planned. After GAAP adjustments and adjustments associated with increased debt service, the final budget surplus was \$290k causing an increase in the General Fund balance from approximately \$5.4M to nearly 5.7M.

SIGNIFICANT CAPITAL ASSET AND DEBT ACTIVITY

There were no significant changes to net capital assets in FY2021. A slight year over year reduction occurred due to the disposal of excess or surplus assets and the elimination of fully depreciated assets.

Table 4: Change in Capital Assets

	2021	2020
Land & construction in progress	\$ 1,665,064	\$ 1,623,313
Other cap assets, net	\$ 21,408,719	\$21,788,908

In July 2021, the City refunded it's 2018 Revenue Bonds associated with financing of the Old Mill Square project and its 2018 General Obligation Warrants. These two items are depicted in the highlighted rows in Table 5, below.

The objective of the refunding was to take advantage of historically low interest rates that allowed the City to increase the principal balance of these bonds without increasing the total of its debt service payments or extending the maturity date of the bonds. The refunding resulted in \$653,000 of cash proceeds to be used for the benefit of the City in FY2022 and beyond.

Table 5: Summary of Outstanding GO Warrants and Revenue Bonds

	Interest Rate *	Opening Balance	Balance As of: 30, Sep 21	Annual Debt Service As of: 30, Sept 21	Maturity Date
General Obligation Warrants 2020 (OMS)	1.45%-3.0%	\$ 2,595,000	\$2,525,000	\$132,385	5/1/2048
General Obligation Warrants 2021	0.42%-2.9%	\$ 3,650,000	\$3,650,000	\$144,878	5/1/2048
Coop Dist Revenue Bonds 2021 (OMS)	0.27%-2.9%	\$ 8,765,000	\$8,765,000	\$340,052	5/1/2048
Totals		\$15,010,000	\$14,940,000	\$617,315	5/1/2048

*Note: Interest rates increase each subsequent year in which bonds/warrants mature.

In addition to the refunded debt totaling \$12.4M, as of September 30, 2021, the City held \$2.525M in 2020 General Obligation Warrants associated with the Old Mill Square project.

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

The City's total annual debt service obligation for its outstanding warrants and bonds as of September 30, 2021, was approximately \$617k. This amount will increase as future year bonds carry higher interest rates as depicted in the Table 5.

In conjunction with the debt refunding activity, Columbiana's municipal credit rating was updated by S&P Global (Standard and Poor's credit rating service) in June 2021. The S&P rating for the City's municipal debt is "AA - very strong capacity to meet financial commitments".

In addition to the warrants and bonds cited above, the City has tax abatement contingent commitments of approximately \$513k as of 30 September 2021. The City has no lines of credit and no debt beyond the aforementioned warrant, bond and tax abatement obligations.

The City's debt is limited by the Alabama Constitution as explained below.

Constitutional Debt Limit—General. The City's constitutional debt limit is based on two provisions of the Alabama Constitution of 1901, namely, Section 225 of the Alabama Constitution of 1901 and Amendment No. 772 to the Alabama Constitution of 1901. Obligations chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 1901 are not chargeable against debt limit for purposes of Amendment No. 772 to the Alabama Constitution of 1901, and obligations chargeable against debt limit for purposes of Amendment No. 772 to the Alabama Constitution of 1901 are not chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 1901.

Constitutional Debt Limit—Section 225. Under Section 225 of the Alabama Constitution of 1901, the City's present constitutional debt limit is an amount equal to ***20% of the assessed value of the taxable property located within its corporate limits*** (additional indebtedness not exceeding three percent (3%) may be created for the following: obligations issued for the purpose of constructing or acquiring waterworks, gas or electric lighting plants, or sewerage, or for improvements of streets; subject to certain conditions, tax anticipation notes; certain lease obligations; certain obligations to make contributions towards the debt service of other public entities; and revenue securities issued for the purpose of extending, enlarging or improving water, electric, gas or sewer systems and payable solely from the revenues of one or more of such systems); however, under existing law, ***the following are not chargeable against the City's constitutional debt limit: (1) obligations chargeable against debt limit for purposes of Amendment No. 772 to the Alabama Constitution of 1901; (2) tax anticipation notes payable within one year and not exceeding one-fourth of general revenues; (3) revenue securities payable solely from the revenues of water, sewer, gas or electric systems; and (4) capitalized lease obligations that are funded on a "year-to-year basis".***

Constitutional Debt Limit—Amendment No. 772. Under Amendment No. 772 to the Alabama Constitution of 1901, the City may become indebted and issue bonds, warrants which may be payable from funds to be realized in future years, notes, or other obligations, or evidences of indebtedness to a principal amount ***not exceeding 50% of the assessed value of the taxable property located within its corporate limits in order to secure funds for any of the economic and industrial development*** powers or authorities granted in such amendment; however, under existing law, obligations chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 1901 are not chargeable against the City's constitutional debt limit.

City of Columbiana, Alabama
Management's Discussion and Analysis (Unaudited)
September 30, 2021

FACTS AND CONDITIONS EXPECTED TO IMPACT THE CITY'S FINANCIAL CONDITION

Toward the end of FY2021 we began to see a relaxation of COVID 19 related restrictions and a movement toward normalcy in daily lives and business activity. At the same time, we saw the completion of the Old Mill Square development project that culminated a significant capital investment on the part of the City. Various events hosted at Old Mill Square brought approximately 50,000 visitors to the Columbiana business district in 2021. These significant events, among other things, contributed to a 10% year over year increase in tax revenue.

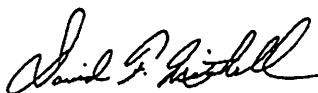
In FY 2021 various developers submitted plans to the Planning Commission for the expansion of existing, or creation of new, residential developments totaling approximately 625 new homes. In some cases, this resulted in the City's annexation of property to accommodate these developments. We do not speculate on the rate at which these new homes will be built and occupied but do anticipate a resulting increase in associated ad valorem tax revenue. During development and construction there will be an associated increase in revenue from license fees and sales taxes on materials. Additionally, when the new rooftops are complete, they represent a potential 25% or more population increase. In addition to the ad valorem tax revenue this growth will result in additional revenue from garbage and sewer fees and should also result in additional sales tax revenue.

The corollary to the return to normalcy and expected growth from planned developments is a demand for additional City services and associated cost. From the beginning of FY2021 in October 2020 until the end of the FY in September 2021, the annual inflation rate increased from 1.2% to 5.4%. As of this writing in June 2022, the annual inflation rate has risen to 8.6%. The associated increase in material and labor cost is negatively impacting budgeted activity.

During the COVID 19 pandemic, the labor participation rate dropped to an all-time low. Coming out of the pandemic unemployment rates dropped from 6.9% to 4.8% during FY 21. Unemployment continues to drop, nearing pre-pandemic levels.

The net result of a low labor participation rate and low unemployment has been significant labor shortages. City staffing, particularly in the Public Works Department, has been negatively impacted by the labor shortage and remains significantly understaffed. This creates significant cost and execution challenges for the City to provide required services.

To help estimate the effects of these developments, and to plan/prepare for the necessary support infrastructure, the Planning Commission is updating the City's long range Comprehensive Plan.



David F. Mitchell
Mayor



Charlene Tucker
City Clerk

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 2,997,775	\$ 1,377,433	\$ 4,375,208
Accounts receivable - taxes	693,421		693,421
Accounts receivable - customers, net of allowance	45,671	109,514	155,185
Accounts receivable - fines, net of allowance	122,938		122,938
Accounts receivable - grants	157,728		157,728
Accounts receivable - other	9,850		9,850
Interest receivable	6,592		6,592
Interfund receivables		146,441	146,441
Inventory		22,672	22,672
Prepaid expenses	96,508	4,355	100,863
<u>Restricted Assets</u>			
Cash	1,790,349	58,771	1,849,120
Investments	3,236,962		3,236,962
<u>Non-current Assets</u>			
Land and construction in progress	1,617,913	47,151	1,665,064
Other capital assets, net of accumulated depreciation	17,407,822	4,000,897	21,408,719
Prepaid bond insurance costs	10,331		10,331
Net pension asset	127,152	14,580	141,732
Total Assets	28,321,012	5,781,814	34,102,826
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - unamortized charges on debt refunding	627,610		627,610
Deferred outflows of resources - pension	171,144	19,750	190,894
Total Deferred Outflows of Resources	798,754	19,750	818,504
Total Assets and Deferred Outflows of Resources	29,119,766	5,801,564	34,921,330

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION (Continued)

SEPTEMBER 30, 2021

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
LIABILITIES			
<u>Current Liabilities (payable from current assets)</u>			
Accounts payable	473,465	52,031	525,496
Appearance bonds payable	6,839		6,839
Payroll taxes payable	13,773		13,773
Accrued wages	95,024	7,661	102,685
Interfund payables	167,883		167,883
Deferred revenues - ARPA grant	537,072		537,072
<u>Current Liabilities (payable from restricted assets)</u>			
Construction bond payable	61,048		61,048
Customer deposits		59,900	59,900
<u>Long-term Liabilities</u>			
Warrants and bonds payable - portion due in one year	320,000		320,000
Warrants and bonds payable - portion due in more than one year	14,519,030		14,519,030
Accounts payable - state/county portion of court fines	43,028		43,028
Accrued compensated absences	34,919	4,049	38,968
 Total Liabilities	 <u>16,272,081</u>	 <u>123,641</u>	 <u>16,395,722</u>
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	303,556	34,807	338,363
 Total Liabilities and Deferred Inflows of Resources	 <u>16,575,637</u>	 <u>158,448</u>	 <u>16,734,085</u>
 NET POSITION			
Investment in capital assets, net of related debt	4,824,645	4,048,048	8,872,693
Restricted for:			
Capital Projects	1,159,972		1,159,972
Debt service	220,407		220,407
Public Services	3,546,614		3,546,614
Unrestricted	2,792,491	1,595,068	4,387,559
 Total Net Position	 \$ <u>12,544,129</u>	 \$ <u>5,643,116</u>	 \$ <u>18,187,245</u>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Expenses	Fees, Fines, and Charges for Services	Program Revenues		Net (Expenses) Revenues
			Operating Grants and Contributions	Capital Grants and Contributions	Total
<u>Governmental Activities</u>					
Cemetery	\$ 23,476	\$ 19,000	\$ 100	\$	\$ (4,376)
Court	255,842	251,886	3,512		(444)
Debt Service					
Bond issuance costs	309,425				(309,425)
Interest on long-term debt	460,112				(460,112)
Donations and appropriations	107,219				(107,219)
Fire department	330,868	2,980	258,680		(69,208)
General government	593,372	635,928	21,090		63,646
Janette Niven House	1,950				(1,950)
Library	222,434	8,133	10,877	9,000	(194,424)
Main street	20,148				(20,148)
Mildred Street Annex	9,692				(9,692)
Old Mill Square	552,930	127,850	300	136,457	(288,323)
Park and recreation	169,976	8,550	23,336		(138,090)
Police	1,048,794	2,117	184,017		(862,660)
Sanitation	367,586	325,648	1,362		(40,576)
Senior Center	141,972		12,997		(128,975)
Shelby County Arts Council	62,830		62,848		18
Special events	79,561	14,374	38,595		(26,592)
Storm shelter	1,433				(1,433)
Street	935,299		1,187		(934,112)
Transportation	51,846		22,121		(29,725)
Total Governmental Activities	5,746,765	1,396,466	641,022	145,457	(3,563,820)
<u>Business -type Activities</u>					
Sewer	680,973	902,680	24,826		246,533
Total Business-type Activities	680,973	902,680	24,826	0	246,533
Total Primary Government	\$ 6,427,738	\$ 2,299,146	\$ 665,848	\$ 145,457	\$ (3,317,287)

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, 2021

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Net Revenues (Expenses)</u>	\$ (3,563,820)	\$ 246,533	\$ (3,317,287)
<u>General revenues:</u>			
Taxes:			
Sales and use tax	2,723,847		2,723,847
Property taxes	446,563		446,563
Gasoline taxes	39,878		39,878
Beer and alcoholic beverage taxes	33,435		33,435
Tobacco tax	28,051		28,051
State capital improvement	44,992		44,992
Motor vehicle taxes	13,191		13,191
Financial excise tax	109,019		109,019
Rental and lodging tax	40,669		40,669
Shares/Privilege tax	13,087		13,087
State shared gasoline taxes	56,541		56,541
Other taxes	1,054		1,054
Investment income	72,561	1,364	73,925
Gain (Loss) on sale of assets	204		204
Unrealized holding gain (loss) on investments	(194,529)		(194,529)
Total general revenues and transfers	3,428,563	1,364	3,429,927
Change in net position	(135,257)	247,897	112,640
Net position at beginning of year	12,679,386	5,395,219	18,074,605
Net position at end of year	\$ 12,544,129	\$ 5,643,116	\$ 18,187,245

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<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>
ASSETS						
<u>Assets</u>						
Cash	\$ 2,997,775	\$	\$	\$	\$	\$ 2,997,775
Accounts receivable - taxes	688,214				5,207	693,421
Accounts receivable - customers	45,671					45,671
Accounts receivable - fines				122,938		122,938
Accounts receivable - grants	157,728					157,728
Accounts receivable - other	9,850					9,850
Interest receivable	6,592					6,592
Interfund receivable	75,272					75,272
Prepaid expenses	95,472			692	344	96,508
<u>Restricted Assets</u>						
Cash	87,181	997,432	220,406	85,811	399,519	1,790,349
Investments	3,236,962					3,236,962
 Total Assets	 \$ 7,400,717	 \$ 997,432	 \$ 220,406	 \$ 209,441	 \$ 405,070	 \$ 9,233,066
 LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES						
<u>Liabilities</u>						
Accounts payable	\$ 437,753	\$ 4,020	\$	\$ 31,692	\$	\$ 473,465
Appearance bonds payable				6,839		6,839
Construction bond payable	61,048					61,048
Accrued wages and salaries	91,129			3,895		95,024
Interfund payable	167,883			74,880	392	243,155
Deferred revenue - ARPA grant	537,072					537,072
Payroll taxes payable	13,773					13,773
 Total Liabilities	 \$ 1,308,658	 \$ 4,020	 \$ 0	 \$ 117,306	 \$ 392	 \$ 1,430,376

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

SEPTEMBER 30, 2021

	<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>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Continued)						
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	\$ 405,751	\$	\$	\$	\$	\$ 405,751
Unavailable revenue - court fines				81,779		81,779
Total deferred inflows of resources	\$ 405,751	\$ 0	\$ 0	\$ 81,779	\$ 0	\$ 487,530
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 26,133	\$	\$	\$	\$	\$ 26,133
Investments	3,236,962					3,236,962
Prepays	95,472			692	344	96,508
Restricted for:						
Capital Projects		993,412				993,412
Debt Service			220,406			220,406
Public Service	61,048			9,664	404,334	475,046
Unassigned	2,266,693					2,266,693
Total Fund Balances	\$ 5,686,308	\$ 993,412	\$ 220,406	\$ 10,356	\$ 404,678	\$ 7,315,160
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,400,717	\$ 997,432	\$ 220,406	\$ 209,441	\$ 405,070	\$ 9,233,066

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, 2021

Total fund balances for governmental funds	\$	7,315,160
--	----	-----------

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.		19,025,735
--	--	------------

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.		10,331
---	--	--------

Certain deferred inflows and outflows are not recognized in the fund balance sheet, but they are recognized in the statement of net position.		1,109,880
---	--	-----------

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>(14,916,977)</u>
---	--	---------------------

Net position of governmental activities	\$	<u><u>12,544,129</u></u>
---	----	--------------------------

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, 2021

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Revenues</u>						
Donations	\$ 65,879	\$	\$	\$	\$ 100	\$ 65,979
Fines and charges	2,117			253,489		255,606
Fire department income	2,980					2,980
Grant income	517,682			3,512		521,194
Investment income	71,239	936	74	32	280	72,561
Licenses, permits, & franchise fees	635,928					635,928
Library revenues	8,133					8,133
Lot sales and openings/closings					19,000	19,000
Miscellaneous	14,374					14,374
OMS rental and fees	127,850					127,850
Park and recreation	8,550					8,550
Reimbursement from Shelby County Arts Council	62,848					62,848
Sanitation services	325,648					325,648
Tax revenue	3,427,125				101,533	3,528,658
Total Revenues	5,270,353	936	74	257,033	120,913	5,649,309
<u>Expenditures</u>						
Capital expenditures	456,738	130,633		2,498	12,294	602,163
Cemetery					6,474	6,474
Court				255,679		255,679
Debt service:						
Principal retirement			285,000			285,000
Interest			445,848			445,848
Donations and appropriations	107,220					107,220
Fire department	246,653					246,653
General government	543,058	23,800				566,858
Janette Niven House	1,950					1,950
Library	220,020					220,020
Main Street	20,199					20,199
Mildred Street Annex	9,692					9,692

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, 2021

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
Old Mill Square	183,965					183,965
Park and recreation	137,729					137,729
Police	1,041,460					1,041,460
Sanitation	324,970					324,970
Senior Center	122,502					122,502
Shelby County Arts Council	63,912					63,912
Special events	79,560					79,560
Storm Shelter	1,433					1,433
Street	715,295					715,295
Transportation	53,431					53,431
Total Expenditures	4,329,787	154,433	730,848	258,177	18,768	5,492,013
Excess of revenues over (under) expenditures	940,566	(153,497)	(730,774)	(1,144)	102,145	157,296
<u>Other Financing Sources (Uses)</u>						
Proceeds from sale of assets	11,856					11,856
Proceeds from refunding bonds			12,415,000			12,415,000
Discount on issuance of debt			(69,916)			(69,916)
Bond issuance fees			(309,425)			(309,425)
Payments to refunded bond escrow agent			(11,479,304)			(11,479,304)
Unrealized/realized gain on investments	(194,529)					(194,529)
Operating transfers in	176,876	653,877	668,401			1,499,154
Operating transfers out	(668,401)	(176,876)	(653,877)			(1,499,154)
Total Other Financing Sources (Uses)	(674,198)	477,001	570,879	0	0	373,682
Net change in fund balances	266,368	323,504	(159,895)	(1,144)	102,145	530,978
Fund Balance, Beginning of Year	5,419,940	669,908	380,301	11,500	302,533	6,784,182
Fund Balance, End of Year	\$ 5,686,308	\$ 993,412	\$ 220,406	\$ 10,356	\$ 404,678	\$ 7,315,160

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, 2021

Net change in fund balances - total governmental funds	\$	530,978
--	----	---------

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 \$602,163 is exceeded by depreciation of \$908,755		(306,592)
--	--	-----------

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.		20,067
---	--	--------

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		(5,981)
--	--	---------

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.		(11,652)
---	--	----------

Donations of capital assets are not recognized in the fund financial statements because capital assets are not recognized. The donations of capital assets are recognized as revenues in the statement of activities and the asset is depreciated over its useful life in the Statement of Net Position.		136,457
--	--	---------

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.		96,871
--	--	--------

Bond proceeds are reported as other financing sources in the statement of revenues, expenditures, and changes in fund balance but are reported as liabilities in the government wide financial statements.		(12,415,000)
--	--	--------------

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.		429,595
--	--	---------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		11,390,000
--	--	------------

Change in net position of governmental activities	\$	<u>(135,257)</u>
---	----	------------------

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	<u>Enterprise Funds</u> <u>Sewer</u> <u>Department</u>
ASSETS	
<u>Current Assets</u>	
Cash and cash equivalents	\$ 1,377,433
Accounts receivable - customers, net of allowance	109,514
Interfund receivable	146,441
Inventory	22,672
Prepaid expenses	4,355
<u>Restricted Assets</u>	
Cash and cash equivalents - customer deposits	58,771
<u>Non-current Assets</u>	
Construction in progress	47,151
Other capital assets, net of accumulated depreciation	4,000,897
Net pension asset	14,580
 Total Assets	 <u>5,781,814</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	<u>19,750</u>
 Total Assets and Deferred Outflows of Resources	 <u>5,801,564</u>
 LIABILITIES	
<u>Current Liabilities (payable from current assets)</u>	
Accounts payable	52,031
Accrued wages	7,661
<u>Current Liabilities (payable from restricted assets)</u>	
Customer deposits	59,900
<u>Long-term Liabilities</u>	
Accrued compensated absences	4,049
 Total Liabilities	 <u>123,641</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	<u>34,807</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>158,448</u>
 <u>Net Position</u>	
Investment in capital assets, net of related debt	4,048,048
Unrestricted	1,595,068
 Total Net Position	 \$ <u><u>5,643,116</u></u>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 902,680
Total Revenues	<u>902,680</u>
<u>Administrative Expenses</u>	
Advertising	1,955
Computer expense	3,065
Dues and subscriptions	2,108
Internet	943
Legal and accounting	4,100
Office expense	1,813
Payroll processing fee	14
Postage	2,866
Rental - copier	1,413
Telephone	1,564
Training & travel	<u>592</u>
Total Administrative Expenses	<u>20,433</u>
<u>Supply and Distribution Expenses</u>	
Collection fees	10,000
Covid supplies	3,042
Depreciation	206,045
Engineering and professional fees	12,549
Gas and oil	4,323
Hurricane expenses	5,495
Insurance - employee health	26,876
Insurance - general	6,560
Insurance - workman's comp.	2,649
Meals and lodging	2,232
Miscellaneous	70
Payroll taxes	9,856

(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, 2021

Supply and Distribution Expenses (Continued)

Permits	9,145
Pipes, parts, and supplies	5,982
Repairs and maintenance - building	744
Repairs and maintenance - equipment	1,630
Repairs and maintenance - system	95,221
Repairs and maintenance - vehicles	7,155
Salaries and wages	136,108
State retirement	(8,328)
Uniforms	3,390
Utilities	96,631
Testing and analysis	23,165

Total Supply and Distribution Expenses	660,540
--	---------

Total Expenditures	680,973
--------------------	---------

Operating income	221,707
------------------	---------

Nonoperating Revenues (Expenses)

Grant income	24,826
Investment earnings	1,364

Net Nonoperating Revenues(Expenses)	26,190
-------------------------------------	--------

Net change in net position	247,897
----------------------------	---------

Net position - beginning of year	5,395,219
----------------------------------	-----------

Net position - end of year	\$ 5,643,116
----------------------------	--------------

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, 2021

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 904,746
Payments to employees and related expenses	(178,646)
Payments to suppliers	<u>(292,676)</u>
Net cash provided by operating activities	<u>433,424</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Receipts from capital grants	24,826
Payments for capital acquisitions	<u>(49,393)</u>
Net cash used by capital and related financing activities	<u>(24,567)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>1,364</u>
Net cash provided by investing activities	<u>1,364</u>
Net increase in cash and cash equivalents	410,221
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,025,983</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,436,204</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, 2021

	<u>Sewer Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>221,707</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	206,045
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(6,934)
Inventory	2,008
Prepaid expenses	(1,247)
Deferred outflows of resources	(5,109)
Net pension asset	(817)
Increase (decrease):	
Accounts payable	15,472
Accrued wages	1,424
Accrued compensated absences	(809)
Customer deposits	9,000
Interfund payable	(1,141)
Deferred inflows of resources	<u>(6,175)</u>
Total adjustments	<u>211,717</u>
Net cash provided by operating activities	\$ <u><u>433,424</u></u>

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

Current Assets	\$ 1,377,433
Restricted Assets	
Cash-customer deposits	<u>58,771</u>
Total Cash and Equivalents	\$ <u><u>1,436,204</u></u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

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

<u>Blended Component Units</u>	<u>Brief Description of Activities and Relationship to the City</u>
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.

Related organizations and entities excluded from the reporting entity are as follows:

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.
--------------------------------	--

The City of Columbiana Water Board, Alabama is a separate legal entity that has authority to own, manage and operate the City water utilities. Separate financial statements for the Columbiana Water Board can be obtained at the Water Board's office at 50 Water Works Street, Columbiana, Alabama.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021

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, 2021

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, 2021 had no internal service funds or agency funds.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$6,224,328 and the bank balance was \$6,220,675. Of the bank balance \$714,804 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 \$4,620,361 of Category 1 deposits covered by the SAFE Program at September 30, 2021 and \$885,510 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 Stone Wealth Management as agent for the City.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021 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	\$ 220,406
Cash - capital projects	997,432
General fund - Money market - sale of gas department	26,133
General fund - Investments - sale of gas department	3,236,962
General fund - construction bond	61,048
Sewer fund - customer deposits	58,771
Special revenue - Cash - various	<u>485,330</u>
 Total Restricted Assets	 \$ <u>5,086,082</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 \$5,000 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, 2021

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, 2021

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, 2021 the City has recorded a liability of \$38,968 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, 2021

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, 2021:

Deferred outflow - pension plan	\$ 190,894
Unamortized charges on debt refunding	<u>627,610</u>
Total Deferred outflows or resources	<u>\$ 818,504</u>

In addition to liabilities, the City will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources until that time. The City had the following items that qualified for reporting in this category for the year ended September 30, 2021:

Unavailable revenue - property taxes (fund basis)	\$ 405,751
Unavailable revenue - court fines (fund basis)	<u>81,779</u>
Total Deferred inflow of resources - Fund Basis Balance Sheet	<u>\$ 487,530</u>
Deferred inflows of resources - pension plan (Govt-wide Statement of Net Position)	<u>\$ 338,363</u>

Net Position

In accordance with GASB Standards, the City classified net position into three components - invested in capital assets, net of related debt; restricted; and unrestricted. The classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021

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, 2021

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".

Use of Estimates

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

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 1, of the year. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

In accordance with current professional standards as promulgated by *Governmental Accounting Standards Board* (GASB-33), the City reports property taxes when an enforceable claim has arisen or when resources are received, whichever is first. Consequently, property taxes in the amount of \$405,751 received after September 30, 2021 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 \$7,315,160 differs from "net position" of governmental activities of \$12,544,129 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The following illustrates the differences:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Related Items - When capital assets (property, plant, equipment, etc.) that are used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets as assets of the City as a whole.

Governmental capital assets	\$ 26,827,374
Less: Depreciation expense to date	<u>(7,801,639)</u>
Total	<u>\$ 19,025,735</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	\$ 14,839,030
Long-term portion of fines payable to other agencies	43,028
Accrued compensated absences	<u>34,919</u>
Total	<u>\$ 14,916,977</u>

Other Items -

Certain receivable are not available for current period resources and therefore are deferred on the Balance Sheet and are recognized in the statement of net position:

Property tax receivable	\$ 405,751
Court fines	81,779

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	127,152
Deferred outflows of resources - unamortized charge on debt refunding	627,610
Deferred inflows of resources - pension	(303,556)
Deferred outflows of resources - pension	<u>171,144</u>
Total Other Items	<u>\$ 1,109,880</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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

The "net change in fund balances" for governmental funds of \$530,978 differs from the "change in net position" for governmental activities of \$(135,257) 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.

Capital outlay	\$ 602,163
Depreciation expense	<u>(908,755)</u>
Total	\$ <u><u>(306,592)</u></u>

Donations of capital assets to the City are not recognized as revenues in the fund financial statement because they do not represent current period resources, however the donations are recognized as revenues in the statement of activities and the donated assets are depreciated over the useful life of the asset in the Statement of Net Position. The City received donations of capital assets which are recorded at fair market value and included in the Statement of Activities in the capital grants and contributions column. During fiscal year ended September 30, 2021 the City received the following capital donations:

Matching donation for value of sculpture artwork - paid by County and Arts Council	\$ <u><u>136,457</u></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	\$ 285,000
Refunding of debt	<u>11,105,000</u>
Total payments on debt	\$ <u><u>11,390,000</u></u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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 - 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	\$ 21,669
Court fines not meeting available criteria	<u>(1,602)</u>
Total	\$ <u>20,067</u>

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

Change in accrued compensated absences	\$ (4,238)
Change in payable to state for court fines	<u>(1,743)</u>
Subtotal	\$ <u>(5,981)</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 discounts and prepaid bond insurance	\$ (2,783)
Amortization of reacquisition costs	(11,842)
Reacquisition costs versus carrying value	
- current year bond issuance	374,304
Bond discount and prepaid insurance on current year bond issuance	<u>69,916</u>
Total	\$ <u>429,595</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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)

Proceeds from the issuance of debt is recognized as other financing sources in the fund financial statement because they can be used for current financial resources, but the proceeds are recognized as long-term debt on the government-wide financial statements.

Proceeds from issuance of refunding warrants	\$ <u>12,415,000</u>
--	----------------------

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

Difference in actuarial computed and actual	\$ <u>96,871</u>
---	------------------

Pension

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

Accounting Changes and Accounting Standards

In fiscal year ending September 30, 2021 the City adopted new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

The Governmental Accounting Standards Board (GASB) issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The Statement is intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic. The guidance postpones by one year to eighteen months the effective dates of certain provisions in the following pronouncements:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

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 is currently evaluating the effect of implementation of these standards. (Effective dates are shown as reflected in GASB Statement No. 95 Postponement of the Effective Dates of Certain Authoritative Guidance.)

<u>GASB Statement No.</u>	<u>GASB Accounting Standard</u>	<u>Effective Fiscal Year</u>
84	Fiduciary Activities	Fiscal years beginning after June 15, 2021
87	Leases	Fiscal years beginning after June 15, 2021
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	Fiscal years beginning after Dec. 15, 2020
91	Conduit Debt Obligations	Fiscal years beginning after Dec. 15, 2021
92	Omnibus 2020	Fiscal years beginning after June 15, 2021
93	Replacement of Interbank Offered Rates	Fiscal years beginning after June 15, 2021

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 June 15, 2021. 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 June 15, 2021. The City is currently evaluating the impact GASB 87 may have on its financial statements.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

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, 2020. The City is currently evaluating the impact GASB 89 may have on its financial statements.

The GASB Issued Statement No. 91, Conduit Debt Obligations for the primary objectives to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for fiscal years beginning after December 15, 2021. The City is currently evaluating the impact GASB 91 may have on its financial statements.

The GASB Issued Statement No. 92, Omnibus for the primary objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports.

Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.

The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.

The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Changes and Accounting Standards (Continued)

Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.

Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.

Terminology used to refer to derivative instruments.

The requirements of GASB 92 are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact GASB 92 may have on its financial statements.

The GASB Issued Statement No. 93, Replacement of Interbank Offered Rates for the primary objectives to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.

Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.

Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.

Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.

Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
Clarifying the definition of reference rate, as it is used in Statement 53, as amended.

Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The requirements of GASB 93 are effective for fiscal years beginning after June 15, 2021. The City is currently evaluating the impact GASB 93 may have on its financial statements.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2021 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 5,673,597
Certificates of deposit	<u>550,731</u>
 Total Cash and Cash Equivalents	 <u>\$ 6,224,328</u>

		<u>Standard & Poor's</u>	<u>Fair Market</u>
		<u>Bond Rating</u>	<u>Value</u>
<u>Investments</u>			
U.S. Government Agencies:			
Federal National Mortgage Association	Matures 12/01/2025	AA+	\$ 3,999
JPMorgan Chase Bank Certificate of Deposit	Matures 05/12/2030	AA+	247,250
Federal Home Loan Mortgage Company	Matures 11/15/2033	AA+	1,050
Government National Mortgage Association	Matures 03/16/2042	AA+	910,413
Government National Mortgage Association	Matures 10/20/2042	AA+	39,195
Government National Mortgage Association	Matures 11/20/2042	AA+	50,671
Government National Mortgage Association	Matures 08/20/2046	AA+	13,216
Government National Mortgage Association	Matures 03/16/2047	AA+	41,540
Government National Mortgage Association	Matures 11/20/2049	AA+	286,608
Government National Mortgage Association	Matures 12/20/2050	AA+	80,163
Government National Mortgage Association	Matures 04/20/2050	AA+	192,849
Government National Mortgage Association	Matures 11/20/2050	AA+	116,046
Government National Mortgage Association	Matures 08/20/2051	AA+	659,446
Government National Mortgage Association	Matures 08/20/2051	AA+	497,099
Government National Mortgage Association	Matures 06/20/2051	AA+	<u>97,417</u>
 Total Investments			 <u>\$ 3,236,962</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021, the City had \$885,510 in cash and cash equivalents, which were held in money market accounts or money market funds accounts and \$3,236,962 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, 2021

NOTE 3: ACCOUNTS RECEIVABLE

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

Governmental Activities:

	Amount	Less Allowance for Doubtful Accounts	Total
Accounts receivable - taxes	\$ 769,503	\$ (76,082)	\$ 693,421
Accounts receivable - sanitation services	50,022	(4,351)	45,671
Accounts receivable - court fines	182,938	(60,000)	122,938
Accounts receivable - grants	157,728		157,728
Accounts receivable - other	<u>9,850</u>		<u>9,850</u>
Total Accounts Receivable	\$ <u>1,170,041</u>	\$ <u>(140,433)</u>	\$ <u>1,029,608</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 113,804
Allowance for doubtful accounts	<u>(4,290)</u>
Accounts receivable - customers net of allowance	\$ <u>109,514</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/21</u>
Capital assets, not being depreciated:				
Land	\$ <u>1,617,913</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>1,617,913</u>
Total capital assets, not being depreciated	<u>1,617,913</u>	<u>0</u>	<u>0</u>	<u>1,617,913</u>
Capital assets, being depreciated				
Autos and trucks and equipment	2,083,263	204,493	(443,578)	1,844,178
Buildings and building improvements	14,662,390	80,806	(14,193)	14,729,003
Computer equipment	287,695	74,259	(106,100)	255,854
Infrastructure	4,557,628			4,557,628
Land improvements	479,070	186,294		665,364
Machinery and equipment	1,234,343	151,781	(260,211)	1,125,913
Office furniture and equipment	173,477	7,087	(14,734)	165,830
Park improvements	1,719,432	33,900		1,753,332
Park and recreation equipment	<u>112,359</u>	<u> </u>	<u> </u>	<u>112,359</u>
Total capital assets being depreciated	<u>25,309,657</u>	<u>738,620</u>	<u>(838,816)</u>	<u>25,209,461</u>
Less accumulated depreciation for:				
Autos and trucks and equipment	1,838,257	123,715	(437,136)	1,524,836
Buildings and building improvements	1,314,750	385,775	(13,394)	1,687,131
Computer equipment	203,843	35,559	(105,843)	133,559
Infrastructure	1,541,207	209,957		1,751,164
Land improvements	17,482	40,100		57,582
Machinery and equipment	967,477	79,818	(256,162)	791,133
Office furniture and equipment	121,995	11,322	(14,630)	118,687
Park improvements	1,603,214	22,164		1,625,378
Park and recreation equipment	<u>111,824</u>	<u>345</u>	<u> </u>	<u>112,169</u>
Total accumulated depreciation	<u>7,720,049</u>	<u>908,755</u>	<u>(827,165)</u>	<u>7,801,639</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/21</u>
Total capital assets, being depreciated net	<u>17,589,608</u>	<u>(170,135)</u>	<u>(11,651)</u>	<u>17,407,822</u>
Governmental activities capital assets, net	<u>\$ 19,207,521</u>	<u>\$ (170,135)</u>	<u>\$ (11,651)</u>	<u>\$ 19,025,735</u>

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

Beautification	\$ 767
Cemetery	17,490
Court	709
Fire	85,933
General government	32,235
Library	10,573
Old Mill Square	368,965
Park and recreation	32,247
Police department	65,276
Sanitation	48,316
Senior center	23,209
Street	<u>223,035</u>
	<u>\$ 908,755</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance 10/01/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/21</u>
Sewer Department				
Capital assets, not being depreciated:				
Construction in progress	\$ <u>5,400</u>	\$ <u>41,751</u>	\$ <u>0</u>	\$ <u>47,151</u>
Capital assets, being depreciated				
Autos and trucks	96,787			96,787
Buildings and building improvements	35,063			35,063
Machinery and equipment	198,302	7,642		205,944
Office furniture and equipment	4,858			4,858
Sewer system and lines	<u>7,904,855</u>			<u>7,904,855</u>
Total capital assets being depreciated	<u>8,239,865</u>	<u>7,642</u>	<u>0</u>	<u>8,247,507</u>
Less accumulated depreciation for:				
Autos and trucks	86,864	4,893		91,757
Building and building improvements	10,831	1,416		12,247
Machinery and equipment	143,384	17,547		160,931
Office furniture and equipment	3,678	277		3,955
Sewer system and lines	<u>3,795,809</u>	<u>181,911</u>		<u>3,977,720</u>
Total accumulated depreciation	<u>4,040,566</u>	<u>206,044</u>	<u>0</u>	<u>4,246,610</u>
Total capital assets, being depreciated net	<u>4,199,299</u>	<u>(198,402)</u>	<u>0</u>	<u>4,000,897</u>
Business-Type activities capital assets, net	\$ <u>4,204,699</u>	\$ <u>(156,651)</u>	\$ <u>0</u>	\$ <u>4,048,048</u>

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT

<u>Primary Government</u>	<u>Balance 10/01/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/21</u>	<u>Due Within One Year</u>
Series 2018-A General Obligation Warrants, with a variable interest rate. Final maturity in, May 2048.	\$ 2,870,000	\$	\$ (2,870,000)	\$ 0	\$
Series 2020 General Obligation Warrants, with a variable interest rate. Final maturity in, May 2048.	2,595,000		(70,000)	2,525,000	70,000
Series 2021 General Obligation Warrants, with a variable interest rate. Final maturity in, May 2048.	<u> </u>	<u>3,650,000</u>	<u> </u>	<u>3,650,000</u>	<u>75,000</u>
Subtotal - Primary Government	\$ <u>5,465,000</u>	\$ <u>3,650,000</u>	\$ <u>(2,940,000)</u>	\$ <u>6,175,000</u>	\$ <u>145,000</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT

	<u>Balance</u> <u>10/01/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/21</u>	<u>Due Within</u> <u>One Year</u>
<u>Blended Component Unit - Cultural Facilities Cooperative District of the City of Columbiana</u>					
Series 2018-A Revenue Bonds, with interest at a variable interest rate, final maturity in, May 2048. The Series 2018-A Revenue Bonds are special, limited obligations of the Cultural Facilities Cooperative District of the City of Columbiana.	\$ 8,450,000	\$	\$ (8,450,000)	\$ 0	\$
Series 2021 Revenue Bonds, with interest at a variable interest rate, final maturity in, May 2048. The Series 2021 Revenue Bonds are special, limited obligations of the Cultural Facilities Cooperative District of the City of Columbiana.		<u>8,765,000</u>		<u>8,765,000</u>	<u>175,000</u>
Subtotal - Blended Component Unit	\$ <u>8,450,000</u>	\$ <u>8,765,000</u>	\$ <u>(8,450,000)</u>	\$ <u>8,765,000</u>	\$ <u>175,000</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT

	<u>Balance 10/01/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/21</u>	<u>Due Within One Year</u>
Total Primary Government and Blended Component Unit	\$ 13,915,000	\$ 12,415,000	\$ (11,390,000)	\$ 14,940,000	\$ 320,000
Unamortized bond discount on Series 2021 General Obligation Warrants		(16,065)	298	(15,767)	
Unamortized bond discount on Series 2021-A General Obligation Warrants		(53,851)	997	(52,854)	
Unamortized bond discount on Series 2020 General Obligation Warrants	(33,477)		1,128	(32,349)	
Unamortized bond discount on Series 2018-A General Obligation Warrants	(53,471)		53,471	0	
Unamortized bond discounts on Series 2018-A Revenue Bonds	<u>(160,814)</u>	<u> </u>	<u>160,814</u>	<u>0</u>	<u> </u>
Total	\$ <u>13,667,238</u>	\$ <u>12,345,084</u>	\$ <u>(11,173,292)</u>	14,839,030	\$ <u>320,000</u>
		Less: current maturities		<u>(320,000)</u>	
				<u>\$ 14,519,030</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

Defeasement of Debt

The General Obligation Warrants, Series 2018-A were advanced refunded by the issuance of the Series 2021 General Obligation Warrants, Series 2021 by the City. See note disclosure on the 2021 General Obligation Warrants for further details.

General Obligation Warrants - Series 2020

In May 2020 the City of Columbiana issued \$2,595,000 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (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>
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	1.45%-3.00%	75,000	59,268	134,268
2026	1.45%-3.00%	75,000	58,180	133,180
2027-2031	1.45%-3.00%	395,000	270,688	665,688
2032-2036	1.75%-3.00%	440,000	227,056	667,056
2037-2041	2.35%-3.00%	495,000	167,338	662,338
2042-2046	2.75%-3.00%	575,000	90,900	665,900
2047-2048	3.00%	<u>255,000</u>	<u>11,550</u>	<u>266,550</u>
		<u>\$ 2,525,000</u>	<u>\$ 1,069,090</u>	<u>\$ 3,594,090</u>

Taxable General Obligation Warrants - Series 2021

In July 2021 the City of Columbiana issued \$3,650,000 General Obligation Warrants, Series 2021 for the purpose of (i) refunding certain outstanding indebtedness of the City, (ii) financing certain capital improvements to the municipal facilities of the City, and (iii) paying the costs of issuing the Series 2021 Warrants. The City reserved the rights under the Warrant Ordinance to use the proceeds of the Series 2021 Warrants for other legally permissible purposes. The Series 2021 Warrants constitute general obligations of the City, for the payment of which the full faith and credit of the City will be irrevocably pledged.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Taxable General Obligation Warrants - Series 2021 (Continued)

The City used \$2,898,389 of the proceeds from the General Obligation Warrants, Series 2021 to advance refund the City's General Obligation Warrants, Series 2018-A (Refunded Warrants), which were at time of refund sitting at the aggregate principal amount of \$2,805,000. In order to effect the refunding of the Refunded Warrants the City entered into an escrow trust agreement simultaneously with the issuance of the Series 2021 Warrants. Pursuant to the Escrow Agreement, an irrevocable trust fund was established for the benefit of the holders of the Refunded Warrants and the City deposited the applicable portion of the Series 2021 Warrants into the escrow fund. The amount deposited into the escrow fund will be used to purchase certain United States government securities. The cash flow from the Escrow Securities, without reinvestment, when added to any uninvested cash in the escrow fund, will be sufficient to pay (a) the regularly scheduled principal and interest requirements for the Refunded Warrants until their final retirement and (b) their redemption price on May 1, 2022, the date of their final retirement. After establishment and funding of the escrow fund the refunded warrants will no longer be considered outstanding.

The City completed the advanced refunding of the General Obligation Warrants, Series 2018-A to increase its total debt service over the next 26 years by \$782,344 and to obtain an economic loss (difference between the present values of the old and new debt service payments) of \$535,245.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$159,883. The difference, reported in the accompanying financial statements as a deferred outflow of resources is being amortized over the life of the new loan and is being charged to operations through the year 2048 using the straight-line method. Amortization of \$2,961 is recognized in 2021 and is reported in interest expense for the period.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Taxable General Obligation Warrants - Series 2021 (Continued)

Maturities of the General Obligation Warrants Series, 2021 are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	.420-3.00%	\$ 75,000	\$ 69,878	\$ 144,878
2023	.420-3.00%	105,000	85,543	190,543
2024	.420-3.00%	105,000	85,102	190,102
2025	.920-3.00%	110,000	84,136	194,136
2026	.920-3.00%	110,000	83,124	193,124
2027-2031	1.38-3.00%	570,000	389,262	959,262
2032-2036	2.10-3.00%	655,000	325,595	980,595
2037-2041	2.65-3.00%	730,000	236,928	966,928
2042-2046	2.94-3.00%	825,000	126,340	951,340
2047-2048	2.94-3.00%	<u>365,000</u>	<u>15,943</u>	<u>380,943</u>
		<u>\$ 3,650,000</u>	<u>\$ 1,501,851</u>	<u>\$ 5,151,851</u>

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

Revenue Bonds, Series 2018-A

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

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

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

Revenue Bonds, Series 2018-A (Continued)

Old Mills Square Project:

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

Defeasement of Debt

The General Obligation Warrants, Series 2018-A were advanced refunded by the issuance of the Series 2021 General Obligation Warrants, Series 2021 by the Cultural Facilities Cooperative District of the City of Columbiana. See note disclosure on the 2021 General Obligation Warrants for further details.

Taxable Revenue Bonds, Series 2021

In July 2021 the Cultural Facilities Cooperative District of the City of Columbiana issued \$8,765,000 Revenue Bonds, Series 2021 for the purpose of (i) refunding on a taxable, advance basis, all of the outstanding Series 2018-A Bonds (the "Refunded Bonds"), which are outstanding in the principle amount of \$8,300,000, and (ii) paying the costs of issuing the Series 2021 Bonds. The Series 2021 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. The Series 2021 Bonds will not constitute an indebtedness of the State of Alabama or the City (except as expressly undertaken by the City pursuant to the Lease Agreement and Guaranty). The Bond-Financed 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. The City's obligations to make lease payments 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 2021 Bonds.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

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

Taxable Revenue Bonds, Series 2021 (Continued)

The Cultural Facilities Cooperative District of the City of Columbiana used \$8,580,915 of the proceeds from the Taxable Revenue Bonds, Series 2021 to advance refund the District's Revenue Bonds, Series 2018-A (Refunded Bonds), which were at time of refund sitting at the aggregate principal amount of \$8,300,000. In order to effect the refunding of the District and the City entered into an escrow trust agreement simultaneously with the issuance of the Series 2021 Bonds. Pursuant to the Escrow Agreement, an irrevocable trust fund was established for the benefit of the holders of the Refunded Bonds and the District and City deposited the applicable portion of the Series 2021 Bonds into the escrow fund. The amount deposited into the escrow fund will be used to purchase certain United States government securities. The cash flow from the Escrow Securities, without reinvestment, when added to any uninvested cash in the escrow fund, will be sufficient to pay (a) the regularly scheduled principal and interest requirements for the Refunded Bonds until their final retirement and (b) their redemption price on May 1, 2022, the date of their final retirement. After establishment and funding of the escrow fund the refunded bonds will no longer be considered outstanding.

The Cultural Facilities Cooperative District of the City of Columbiana completed the advanced refunding of the General Obligation Warrants, Series 2018-A to decrease its total debt service over the next 26 years by \$734,439 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$816,760.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$479,568. The difference, reported in the accompanying financial statements as a deferred outflow of resources is being amortized over the life of the new loan and is being charged to operations through the year 2048 using the straight-line method. Amortization of \$8,881 is recognized in 2021 and is reported in interest expense for the period.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 5: LONG-TERM DEBT (Continued)

Revenue Bonds, Series 2021 (Continued)

Maturities of the Revenue Bonds Series, 2021 are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	.270-2.90%	\$ 175,000	\$ 165,052	\$ 340,052
2023	.420-2.90%	210,000	202,322	412,322
2024	.650-2.90%	220,000	201,440	421,440
2025	.920-2.90%	265,000	200,010	465,010
2026	1.16-2.90%	265,000	197,572	462,572
2027-2031	1.38-2.90%	1,405,000	928,495	2,333,495
2032-2036	2.20-2.90%	1,550,000	778,348	2,328,348
2037-2041	2.65-2.90%	1,760,000	569,833	2,329,833
2042-2046	2.84-2.90%	2,020,000	306,278	2,326,278
2047-2048	2.90%	<u>895,000</u>	<u>39,149</u>	<u>934,149</u>
		<u>\$ 8,765,000</u>	<u>\$ 3,588,499</u>	<u>\$ 12,353,499</u>

NOTE 6: PENSION PLAN

Plan Description

The Employees' Retirement System of Alabama (the Plan or ERS), an agent multiple-employer public employee retirement plan, was established October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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). The Code of Alabama 1975, Title 36, Chapter 27 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, 2021

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, 2021

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.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 853 local participating employers. The ERS membership includes approximately 101,245 participants. As of September 30, 2020 membership consisted of:

Retirees and beneficiaries currently receiving benefits	28,672
Terminated employees entitled to but not yet receiving benefits	1,974
Terminated employees not entitled to a benefit	14,133
Active Members	56,369
Post-DROP participants who are still in active service	<u>97</u>
Total Members	<u><u>101,245</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.

Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statute to increase covered members contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676 Tier 1 regular members contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 firefighters and law enforcement officers increased from 6% to 8.5% of earnable compensation.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: PENSION PLAN (Continued)

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

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2021, the City's active employee contribution rate was 5.73% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 2.30% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2020 was 3.43% of pensionable pay for Tier 1 employees, and 0.37% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2018, 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 \$35,211 for the year ended September 30, 2021.

(Continued)

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 6: PENSION PLAN (Continued)

Net Pension Liability

The City's net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 rolled forward to September 30, 2020 using standard roll-forward techniques as shown in the following:

	<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of September 30, 2019:	\$ 3,651,392	\$ 3,584,105
Discount Rate	7.70%	7.70%
Entry Age Normal Cost for October 1, 2019 thru September 30, 2020	113,800	113,800
Transfers Among Employers	0	1,231
Actual Benefit Payments and Refunds for October 1, 2019 thru September 30, 2020	<u>(171,160)</u>	<u>(171,160)</u>
Total Pension Liability as of September 30, 2020	\$ <u>3,868,600</u>	\$ <u>3,797,362</u>
Difference between Expected and Actual	\$ (71,238)	
Less: Liability Transferred for Immediate Recognition		<u>1,231</u>
Experience (Gain)/Loss	\$ <u>(72,469)</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 6: PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the September 30, 2020 actuarial valuation was determined based on the annual actuarial funding valuation report prepared as of September 30, 2019. 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, 2018 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, 2021

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, 2021

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, 2019	\$ 3,651,392	\$ 3,779,380	\$ (127,988)
Changes for the year:			
Service Cost	113,800	0	113,800
Interest	274,568	0	274,568
Changes of assumptions:	0		0
Difference between expected and actual experience	(72,469)		(72,469)
Contributions - employer		36,311	(36,311)
Contributions - employee		78,930	(78,930)
Net Investment income		214,402	(214,402)
Benefit payments, including refunds of employee contributions	(171,160)	(171,160)	0
Administrative expense		0	0
Transfers Among Employers	<u>1,231</u>	<u>1,231</u>	<u>0</u>
Net Changes	<u>145,970</u>	<u>159,714</u>	<u>(13,744)</u>
Balances at September 30, 2020	\$ <u>3,797,362</u>	\$ <u>3,939,094</u>	\$ <u>(141,732)</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
City's Net Pension Liability (Asset)	\$ <u>310,811</u>	\$ <u>(141,732)</u>	\$ <u>(524,674)</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, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2020. The auditor's report dated April 30, 2021 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes detail by employer and in aggregate additional information needed to comply with GASB 68. 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, 2021

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, 2021, the City recognized pension expense of \$(73,864). At September 30, 2021, 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	\$ 338,363
Changes of assumptions	33,876	0
Net difference between projected and actual earnings on plan investments	121,444	0
Employer contributions subsequent to the Measurement Date	<u>35,574</u>	<u>0</u>
Total	\$ <u>190,894</u>	\$ <u>338,363</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:

2022	\$ (83,819)
2023	(44,979)
2024	(1,392)
2025	(25,229)
2026	(24,173)
Thereafter	<u>(3,451)</u>
Total	\$ <u>(183,043)</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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.

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.

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest Paid

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021:

<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.	\$ 146,441
Water Board - Component Unit	General Fund	The utility account was previously used for all collections. The balance due to Water Board is from previous years under allocation.	21,441
General Fund	Cemetery	The Cemetery Fund owes General Fund for expenses paid on its behalf.	393
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund in prior years.	<u>74,880</u>
Total Interfund Receivables/Payables			\$ <u>243,155</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 10: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2021:

<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.	\$ <u>668,401</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 11: COMMITMENTS

Highway 25 Sewer Extension

The City contracted with Utility Engineering Consultants, LLC for engineering services related to a sewer extension project for Highway 25. Total contracted price was \$72,000. As of September 30, 2021 the City had incurred costs of \$12,000, leaving a remaining commitment of \$60,000.

The City also contracted with Community Consultant's for grant administrative services related to the sewer extension project. Total contracted price was \$50,000. As of September 30, 2021 the City had incurred costs of \$10,000, leaving a remaining commitment of \$40,000.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 31, 2022, 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, 2021. The following items requiring recording or disclosure were noted:

Highway 25 Sewer Extension Project

In November 2021 the City awarded the bid to Apel Machine and Supply Co, Inc. in the amount of \$878,950 to complete the sewer line extension on Highway 25. The City has received a Community Development Block Grant to implement sewer system improvements that will benefit predominately low and moderate income persons. The grant is administered through the Alabama Department of Economic and Community Affairs (ADECA). The City was awarded \$450,000 of federal flow thru assistance from the U.S. Dept of Housing and Urban Development (HUD). The CDBG funds will be used to replace the main sewer trunk line and several manholes.

Highway 70 Sewer Replacement Project

In November 2021, the City awarded the bid to Willoughby Contracting Co., Inc. for the improvements and replacement of sewer lines on Highway 70 in the amount of \$879,285.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 13: ASSET RETIREMENT OBLIGATIONS

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 City has determined that the financial statements are subject to recognition of an Asset Retirement Obligation in accordance with GASB Statement No. 83. The City operates a sewer system treatment facility that would be subject to recognition as an asset retirement obligation. However, at this time the City has determined that the amount of the related asset retirement obligation was undeterminable.

NOTE 14: ECONOMIC DEPENDENCY

The City is economically dependent on a small number of principal taxpayers. For year ended September 30, 2021 sales and use tax revenues received from a few major retailers accounted for approximately 38% of the total sales and use tax collected City-wide.

NOTE 15: TAX ABATEMENTS/CONTINGENT LIABILITIES/COMMITMENT

Taco Bell Project Site

In August 2019 the City Council approved Resolution 08-19-04 authorizing a project development agreement between the City of Columbiana and CGP Columbiana TB, LLC. Pursuant to, and for the purposes of Amendment No. 772 of the Constitution of Alabama the City Council determined it was necessary, desirable and in the public interest for the City to grant public funds for the economic development of the City. In February 2020, the City issued Limited Obligation Economic Development

Revenue Warrant Bonds, Series 2019-A, in conjunction with the Project Development Agreement being signed with CGP Columbiana TB, LLC. Whereas the development of the Project Site and the Retail Center and the operation of the Retail Center is expected to generate annual taxable sales in approximately the amount of One Million Four Hundred Thousand Dollars (\$1,400,000) and the creation of a significant number of full and part time jobs, whereas the Public Body had determined that entry into the agreement and the development of the Project Site and the Retail Center and the operation of the Retail Center will: promote the economic development, create jobs, increase the tax revenues in and around the City, promote the location, relocation, expansion and retention of commercial enterprises in the City, the Public Body found it is necessary, proper and in the public interest, in accordance with Amendment No 722, that the Public Body provide certain incentives to the Developer in connection with the development of the site.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 15: TAX ABATEMENTS/CONTINGENT LIABILITIES/COMMITMENT

Taco Bell Project Site (Continued)

The Project Development Agreement established the City's Assistance equates to an amount equal to one-half (1/2) of the City Tax Revenue derived from the Net Taxable Sales generated by the Retail Center located on the Project Site until the Termination date in the agreement. The City Assistance payments shall terminate upon any of the following events: a) at such time as the Developer has received a total of Two Hundred Sixty Seven Thousand (\$267,000) or b) 10 years from the Commencement Date; at such time the obligations of the City to pay the City Assistance shall cease.

As of September 30, 2021 the City had made tax abatement payments of \$41,027, leaving a maximum remaining commitment of \$225,973.

Columbiana Square LLC Tax Abatement

In December 2019 the City Council approved Resolution 12-19-02 authorizing a project development agreement between the City of Columbiana and Columbiana Square, LLC. Pursuant to, and for the purposes of Amendment No. 772 of the Constitution of Alabama the City Council determined it was necessary, desirable and in the public's interest for the City to grant public funds for the economic development of the City. In March 2020, the City issued Limited Obligation Economic Development Revenue Warrant Bonds, Series 2020-A, in conjunction with a Special Economic Development Agreement being signed with Columbiana Square, LLC.

The Special Economic Development agreement established the City's Annual Economic Development Payment equates to an amount equal to 37.5% of the City Net Sales Tax Proceeds actually received by the City from the Project during each Project Year for which such Annual Economic Development Payment is determined during the period beginning on the Occupancy Date and continuing for seven (7) project years (Project Year ending December 31, 2026). Total maximum City commitment under this agreement shall mean an amount equal to \$300,000 multiplied by the Actual Cost Reduction Fraction; however in no event shall the total City commitment exceed \$300,000.

As of September 30, 2021 the City had made tax abatement payments of \$12,841, leaving a maximum remaining commitment of \$287,159.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Donations	\$ 52,200	\$ 52,200	\$ 65,879	\$ 13,679
Fines and charges	2,150	2,150	2,117	(33)
Fire department income	2,000	2,000	2,980	980
Grant income	435,950	435,950	370,057	(65,893)
Investment income	102,000	102,000	75,068	(26,932)
Licenses, permits and franchise fees	689,220	689,220	635,928	(53,292)
Library revenues	8,555	8,555	8,133	(422)
Miscellaneous	2,700	2,700	14,185	11,485
OMS rental and fees	100,000	100,000	127,850	27,850
Park and recreation fees	8,600	8,600	8,550	(50)
Reimbursement from Shelby County Arts Council	67,000	67,000	58,116	(8,884)
Sanitation services	332,500	332,500	322,560	(9,940)
Tax revenue	3,019,120	3,019,120	3,380,720	361,600
Total Revenues	4,821,995	4,821,995	5,072,143	250,148
Expenditures				
Capital expenditures	199,500	299,500	456,738	(157,238)
Donations and appropriations	112,300	112,300	107,220	5,080
Fire department	245,250	245,250	241,095	4,155
General government	631,200	631,200	538,326	92,874
Janette Nivens House	4,600	4,600	1,950	2,650
Library	246,430	246,430	217,351	29,079
Main street			18,476	(18,476)
Mildred Street annex	13,200	13,200	9,692	3,508
Old Mill Square	178,300	178,300	183,965	(5,665)
Park and recreation	187,300	187,300	137,729	49,571
Police	967,950	967,950	1,030,405	(62,455)
Sanitation	276,550	296,550	326,430	(29,880)
Senior center	135,100	135,100	121,441	13,659
Shelby County Arts Council	67,000	67,000	63,730	3,270
Special events	39,000	39,000	79,560	(40,560)
Storm shelter	1,700	1,700	1,433	267
Street	575,100	705,100	713,458	(8,358)
Transit	57,050	57,050	53,048	4,002
Total Expenditures	3,937,530	4,187,530	4,302,047	(114,517)
Excess of Revenues Over (Under) Expenditures	884,465	634,465	770,096	135,631
Other Financing Sources (Uses)				
Proceeds from sale of assets	1,400	1,400	11,856	10,456
Operating transfers in			176,876	176,876
Operating transfers out			(668,401)	(668,401)
Total Other Financing Sources (Uses)	1,400	1,400	(479,669)	(481,069)
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ 885,865	\$ 635,865	290,427	\$ (345,438)
Adjustments to Generally Accepted Accounting Principles				
Unrealized gain/loss on investments			(194,529)	
Revenue and transfer accruals			198,210	
Expenditure and transfer accruals			(27,740)	
Fund balance, beginning (GAAP basis)			5,419,940	
Fund balance, ending (GAAP basis)			\$ 5,686,308	

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT BUDGETARY PRACTICES

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 modified-cash basis of accounting.
- e. Excess appropriations at the end of the fiscal year lapse.

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 113,800	\$ 103,996	\$ 106,735	\$ 105,407	\$ 91,211	\$ 88,554	\$ 84,853
Interest	274,568	263,469	254,426	245,065	260,658	250,176	239,998
Changes of benefit terms	0	0	0	0	0	0	0
Differences between expected and actual experience	(72,469)	(164,680)	(39,719)	(97,700)	(374,256)	(21,323)	0
Changes of assumptions	0	0	18,636	0	89,582	0	0
Benefit payments, including refunds of employee contributions	(171,160)	(157,127)	(156,540)	(186,693)	(141,390)	(231,362)	(163,905)
Transfers among employers	<u>1,231</u>	<u>105,494</u>	<u>(44,483)</u>	<u>39,628</u>	<u>749</u>		
Net change in total pension liability	145,970	151,152	139,055	105,707	(73,446)	86,045	160,946
Total pension liability - beginning	<u>3,651,392</u>	<u>3,500,240</u>	<u>3,361,185</u>	<u>3,255,478</u>	<u>3,328,924</u>	<u>3,242,879</u>	<u>3,081,933</u>
Total pension liability ending (a)	<u>\$ 3,797,362</u>	<u>\$ 3,651,392</u>	<u>\$ 3,500,240</u>	<u>\$ 3,361,185</u>	<u>\$ 3,255,478</u>	<u>\$ 3,328,924</u>	<u>\$ 3,242,879</u>

(Continued)

See notes to required supplementary information.

CITY OF COLUMBIANA, ALABAMA

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

	2020	2019	2018	2017	2016	2015	2014
Plan Fiduciary Net Position							
Contributions - employer	\$ 36,312	\$ 40,446	\$ 43,154	\$ 76,225	\$ 79,193	\$ 78,376	\$ 73,348
Contributions - member	78,930	75,161	68,950	70,351	64,150	56,530	54,030
Net investment income	214,402	93,817	310,543	385,948	278,501	32,615	301,671
Benefit payments, including refunds of employee contributions	(171,160)	(157,127)	(156,540)	(186,693)	(141,390)	(231,362)	(163,905)
Transfers among employers	<u>1,231</u>	<u>105,494</u>	<u>(44,483)</u>	<u>39,628</u>	<u>749</u>	<u>(480)</u>	
Net change in plan fiduciary net position	159,715	157,791	221,624	385,459	281,203	(64,321)	265,144
Plan net position - beginning	<u>3,779,380</u>	<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>	<u>2,532,480</u>
Plan net position - ending (b)	<u>\$ 3,939,095</u>	<u>\$ 3,779,380</u>	<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) - (b)	<u>\$ (141,733)</u>	<u>\$ (127,988)</u>	<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>103.73%</u>	<u>103.51%</u>	<u>103.47%</u>	<u>101.15%</u>	<u>92.60%</u>	<u>82.11%</u>	<u>86.27%</u>
Covered-employee payroll	<u>\$ 1,380,224</u>	<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>	<u>\$ 978,375</u>
Net pension liability (asset) as a percentage of covered-employee payroll	<u>-10.27%</u>	<u>-10.15%</u>	<u>-9.97%</u>	<u>-3.12%</u>	<u>21.26%</u>	<u>59.46%</u>	<u>45.51%</u>

See notes to required supplementary information.

CITY OF COLUMBIANA, ALABAMA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30,

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$ 35,211	\$ 41,576	\$ 43,452	\$ 47,656	\$ 80,819	\$ 83,381	\$ 75,892
Contributions in relation to the actuarially determined contribution	<u>35,211</u>	<u>41,576</u>	<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>	\$ <u>0</u>	\$ <u>0</u>
Covered - employee payroll	\$ <u>1,531,004</u>	\$ <u>1,380,224</u>	\$ <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>2.30%</u>	<u>3.01%</u>	<u>3.45%</u>	<u>3.92%</u>	<u>6.51%</u>	<u>7.37%</u>	<u>7.58%</u>

See notes to required supplementary information.

CITY OF COLUMBIANA, ALABAMA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT PENSION PLAN PRACTICES

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 2021 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age
Amortization method:	Level percent closed
Remaining amortization period:	N/A years
Asset valuation method:	Five year smoothed market
Inflation:	2.75%
Salary increases:	3.25 - 5.00% including inflation
Investment rate of return:	7.70%, 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, 2021

	4 & 5 Cents Gas Tax	2 & 7 Cents Gas Tax	Rebuild AL Gas Tax	State Capital Improvements	Cemetery	Total Nonmajor Governmental Funds
ASSETS						
<u>Assets</u>						
Accounts receivable - taxes	\$ 760	\$ 956	\$ 3,491	\$	\$	\$ 5,207
Prepaid expense					344	344
<u>Restricted Assets</u>						
Cash	30,594	38,031	61,559	166,560	102,775	399,519
Total Assets	\$ 31,354	\$ 38,987	\$ 65,050	\$ 166,560	\$ 103,119	\$ 405,070
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts payable	\$	\$	\$	\$	\$	\$ 0
Interfund payable					392	392
Total Liabilities	0	0	0	0	392	392
<u>Fund Balances</u>						
Nonspendable:						
Prepays					344	344
Restricted for public services	31,354	38,987	65,050	166,560	102,383	404,334
Total Fund Balances	31,354	38,987	65,050	166,560	102,727	404,678
Total Liabilities and Fund Equity	\$ 31,354	\$ 38,987	\$ 65,050	\$ 166,560	\$ 103,119	\$ 405,070

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	4 & 5 Cents Gas Tax	2 & 7 Cents Gas Tax	Rebuild AL Gas Tax	State Capital Improvements	Cemetery	Total Nonmajor Governmental Funds
<u>Revenues</u>						
Donations	\$	\$	\$	\$	\$ 100	\$ 100
Investment income	64	79	43	53	41	280
Lot sales and openings/closings					19,000	19,000
Shared taxes	8,277	10,481	37,783	44,992		101,533
	<u>8,341</u>	<u>10,560</u>	<u>37,826</u>	<u>45,045</u>	<u>19,141</u>	<u>120,913</u>
Total Revenue						
	<u>8,341</u>	<u>10,560</u>	<u>37,826</u>	<u>45,045</u>	<u>19,141</u>	<u>120,913</u>
<u>Expenditures</u>						
Capital expenditures					12,294	12,294
Cemetery					6,474	6,474
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,768</u>	<u>18,768</u>
Total Expenditures						
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,768</u>	<u>18,768</u>
Net change in fund balances	8,341	10,560	37,826	45,045	373	102,145
Fund Balance, Beginning of Year	23,013	28,427	27,224	121,515	102,354	302,533
Fund Balance, End of Year	\$ <u>31,354</u>	\$ <u>38,987</u>	\$ <u>65,050</u>	\$ <u>166,560</u>	\$ <u>102,727</u>	\$ <u>404,678</u>

See independent auditor's report.