

**CITY OF COLUMBIANA, ALABAMA**

**BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008**

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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# DeLOACH, BARBER & CASPERS, P.C.

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Allan Lowe  
Members of the City Council  
City of Columbiana, Alabama

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Columbiana, Alabama's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City of Columbiana, Alabama has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule for the major funds on page 46 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Columbiana, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them

*DeLoach, Barber & Caspers, P.C.*

May 17, 2009

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
<u>Current Assets</u>				
Cash and certificate of deposits	\$ 1,648,108	\$ 1,047,292	\$ 2,695,400	\$ 2,163,743
Accounts receivable - taxes	442,019		442,019	
Accounts receivable - customers, net of allowance	56,946	68,519	125,465	263,160
Accounts receivable - fines, net of allowance	220,126		220,126	
Accounts receivable - grants	29,521	19,714	49,235	
Accounts receivable - other	38,940		38,940	
Interest receivable	20,797		20,797	1,453
Interfund receivables		159,337	159,337	19,517
Inventory	248		248	33,436
Prepaid expenses	30,571	721	31,292	17,372
<u>Restricted Assets</u>				
Cash	920,254	3,053	923,307	3,540,242
Investments	2,859,148		2,859,148	
<u>Non-current Assets</u>				
Land and construction in progress	1,013,478	113,835	1,127,313	2,354,125
Other capital assets, net of accumulated depreciation	5,305,082	1,804,793	7,109,875	4,133,813
<u>Other Assets</u>				
Bond amortization costs, net of amortization	340,387		340,387	50,868
<b>Total Assets</b>	<b>12,925,625</b>	<b>3,217,264</b>	<b>16,142,889</b>	<b>12,577,729</b>
<b>LIABILITIES</b>				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	118,258	64,481	182,739	318,626
Payroll taxes payable	994		994	
Utility tax payable			0	4,799
Accrued wages	57,054	3,985	61,039	16,492
Interfund payables	178,854		178,854	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits			0	194,797
Interest payable			0	45,148
<u>Long-term Liabilities</u>				
Notes payable - portion due in one year	95,626		95,626	50,020
Notes payable - portion due in more than one year	552,498		552,498	
Warrants and bonds payable - portion due in one year	105,000		105,000	322,058
Warrants and bonds payable - portion due in more than one year	3,935,000		3,935,000	5,402,942
Accrued compensated absences	25,388	1,588	26,976	42,464
<b>Total Liabilities</b>	<b>5,068,672</b>	<b>70,054</b>	<b>5,138,726</b>	<b>6,397,346</b>
<u>Net Assets</u>				
Investment in capital assets, net of related debt	1,630,435	1,918,628	3,549,063	712,918
Restricted for:				
Public Services	846,050		846,050	
Debt service	514,652		514,652	1,802,483
Capital projects			0	3,202
Meter deposits			0	34,196
Unrestricted	4,865,816	1,228,582	6,094,398	3,627,584
<b>Total Net Assets</b>	<b>\$ 7,856,953</b>	<b>\$ 3,147,210</b>	<b>\$ 11,004,163</b>	<b>\$ 6,180,383</b>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Expenses	Fees, Fines, and Charges for Services	Program Revenues		Net (Expenses)
			Operating Grants and Contributions	Capital Grants and Contributions	Revenues
					Total
<u>Governmental Activities</u>					
Beautification	\$ 10,222	\$	\$ 90	\$	\$ (10,132)
Cemetery	1,600	14,500	300		13,200
Court	196,846	207,333			10,487
Donations	26,083				(26,083)
Fire and rescue	288,254		5,613	41,035	(241,606)
General government	483,858	629,110	39,025		184,277
Interest on long-term debt	226,472				(226,472)
Library	200,692	11,448	7,239		(182,005)
Liberty day celebration	36,312				(36,312)
Park and recreation	289,982	15,205	9,397	32,110	(233,270)
Police	772,210		179	26,643	(745,388)
Sanitation	275,662	270,818			(4,844)
Street	750,341			42,971	(707,370)
<b>Total Governmental Activities</b>	<b>3,558,534</b>	<b>1,148,414</b>	<b>61,843</b>	<b>142,759</b>	<b>(2,205,518)</b>
<u>Business -type Activities</u>					
Sewer	432,856	400,572		66,614	34,330
<b>Total Business-type Activities</b>	<b>432,856</b>	<b>400,572</b>	<b>0</b>	<b>66,614</b>	<b>34,330</b>
<b>Total Primary Government</b>	<b>\$ 3,991,390</b>	<b>\$ 1,548,986</b>	<b>\$ 61,843</b>	<b>\$ 209,373</b>	<b>\$ (2,171,188)</b>
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,468,845	\$ 1,643,778	\$	\$	\$ 174,933
<b>Total Component Units</b>	<b>\$ 1,468,845</b>	<b>\$ 1,643,778</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 174,933</b>

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, 2008

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
Net Revenues (Expenses)	\$ (2,205,518)	\$ 34,330	\$ (2,171,188)	\$ 174,933
General revenues:				
Taxes:				
Sales and use tax	1,475,197		1,475,197	
Property taxes	348,751		348,751	
Gasoline taxes	25,503		25,503	
Beer and alcoholic beverage taxes	31,441		31,441	
Financial excise tax	31,204		31,204	
Tobacco tax	40,703		40,703	
State capital improvement	25,939		25,939	
Motor vehicle taxes	13,469		13,469	
Rental tax	38,602		38,602	
Payment in lieu of taxes	4,234		4,234	
Shares/Privilege tax	7,893		7,893	
State shared taxes	18,046		18,046	
Other taxes	403		403	
Miscellaneous	27,199		27,199	
Investment income	251,988	27,487	279,475	80,795
Gain on sale of assets	4,181		4,181	1,100
Donation income for construction			0	547,339
Unrealized holding gains on investments	37,890		37,890	
Transfers				
Net transfers	0		0	
Total general revenues and transfers	2,382,643	27,487	2,410,130	629,234
Change in net assets	177,125	61,817	238,942	804,167
Net assets at beginning of year	7,679,825	3,085,393	10,765,218	5,376,216
Net assets at end of year	\$ 7,856,950	\$ 3,147,210	\$ 11,004,160	\$ 6,180,383

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>ASSETS</b>				
<u>Assets</u>				
Cash	\$ 1,648,108	\$	\$	\$ 1,648,108
Accounts receivable - taxes	440,531		1,488	442,019
Accounts receivable - customers	56,946			56,946
Accounts receivable - fines		294,179	186	294,365
Accounts receivable - grants	29,521			29,521
Accounts receivable - other	38,940			38,940
Interest receivable	20,797			20,797
Interfund receivable	5,178		112	5,290
Inventory	248			248
Prepaid expenses	30,092	119	360	30,571
<u>Restricted Assets</u>				
Cash	251,081	326,059	343,114	920,254
Investments	2,859,148			2,859,148
<u>Other Assets</u>				
Bond costs, net of amortization	340,387			340,387
 Total Assets	 \$ <u>5,720,977</u>	 \$ <u>620,357</u>	 \$ <u>345,260</u>	 \$ <u>6,686,594</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<u>Liabilities</u>				
Accounts payable	\$ 87,386	\$ 28,856	\$ 2,016	\$ 118,258
Payroll taxes payable	994			994
Accrued wages	50,305	2,375	4,374	57,054
Interfund payable	179,794	4,238	112	184,144
Deferred revenue	318,754	269,384		588,138
 Total Liabilities	 <u>637,233</u>	 <u>304,853</u>	 <u>6,502</u>	 <u>948,588</u>
 <u>Fund Balances</u>				
Unreserved, reported in				
General fund	5,083,744			5,083,744
Special revenue funds		315,504	338,758	654,262
 Total Fund Balances	 <u>5,083,744</u>	 <u>315,504</u>	 <u>338,758</u>	 <u>5,738,006</u>
 Total Liabilities and Fund Balances	 \$ <u>5,720,977</u>	 \$ <u>620,357</u>	 \$ <u>345,260</u>	 \$ <u>6,686,594</u>

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 ASSETS  
SEPTEMBER 30, 2008

Total fund balances for governmental funds \$ 5,738,006

Amounts reported for governmental activities in the statement of net assets 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 assets. 6,318,560

Certain assets are deferred in the fund financial statement because they are not available to pay current-period expenditures, but they are reported as assets in the statement of net assets. 513,899

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 assets. (4,713,512)

Net assets of governmental activities \$ 7,856,953

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, 2008

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>Revenues</u>				
Donations	\$ 39,722	\$	\$ 2,265	\$ 41,987
Fines	620	192,901	7,633	201,154
Fire department income	5,184			5,184
Grant income	110,648		5,274	115,922
Investment income	234,181	8,688	9,119	251,988
Licenses, permits, & franchise fees	628,490			628,490
Lot sales and openings/closings			14,500	14,500
Miscellaneous	27,199		3,815	31,014
Park and recreation	56,712			56,712
Sale of capital assets	105,500			105,500
Sanitation services	270,818			270,818
Tax revenue	2,001,832		43,988	2,045,820
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	3,480,906	201,589	86,594	3,769,089
<u>Expenditures</u>				
Beautification	8,950			8,950
Capital expenditures	187,997	5,024	6,959	199,980
Cemetery			600	600
Court		193,040		193,040
Debt retirement	199,536			199,536
Donations and liberty day	62,395			62,395
Fire and rescue	197,451			197,451
General government	460,506			460,506
Interest on long-term debt	226,472			226,472
Library			195,520	195,520
Park and recreation	159,302			159,302
Police	729,210			729,210
Sanitation	250,617			250,617
Street	480,548		179,560	660,108
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,962,984	198,064	382,639	3,543,687
Excess of revenues over (under) expenditures	517,922	3,525	(296,045)	225,402
<u>Other Financing Sources (Uses)</u>				
Unrealized gain on investments	37,890			37,890
Proceeds from issuance of long-term debt	79,324			79,324
Operating transfers in	351,122		231,525	582,647
Operating transfers out	(582,647)			(582,647)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(114,311)	0	231,525	117,214
Net change in fund balances	403,611	3,525	(64,520)	342,616
Fund Balance, Beginning of Year	4,680,133	311,979	403,278	5,395,390
Fund Balance, End of Year	\$ 5,083,744	\$ 315,504	\$ 338,758	\$ 5,738,006

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, 2008

Net change in fund balances - total governmental funds \$ 342,616

Amounts reported for governmental activities in the statement of net assets 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 activities and depreciated over their estimated economic lives. The amount by which depreciation of \$414,219 exceeds capital outlays of \$199,980. (214,239)

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. 29,999

Proceeds from the sale of assets is recognized as income in the fund financial statements because they can be used for current financial resources, but the proceeds are netted against the remaining book value of the assets to determine gain/loss on sale in the statement of activities. (101,319)

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. (144)

Loan proceeds are reported as other financing sources in the fund financial statement because they are available to be used as current financial resources, but they are included as long-term debt in the statement of net assets. (79,324)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 199,536

Change in net assets of governmental activities \$ 177,125

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2008

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<b>ASSETS</b>	
<u>Current Assets</u>	
Cash	\$ 1,047,292
Accounts receivable - customers, net of allowance	68,519
Accounts receivable - grant	19,714
Interfund receivable	159,337
Prepaid expenses	721
<u>Restricted Assets</u>	
Cash	3,053
<u>Non-current Assets</u>	
Construction in progress	113,835
Other capital assets, net of accumulated depreciation	1,804,793
Total Assets	\$ <u><u>3,217,264</u></u>
<b>LIABILITIES</b>	
<u>Current Liabilities (payable from current assets)</u>	
Accounts payable	\$ 64,481
Accrued wages	3,985
<u>Long-term Liabilities</u>	
Accrued compensated absences	1,588
Total Liabilities	<u>70,054</u>
<u>Net Assets</u>	
Investment in capital assets, net of related debt	1,918,628
Unrestricted	1,228,582
Total Net Assets	\$ <u><u>3,147,210</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 ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 400,572
Total Revenues	<u>400,572</u>
<u>Administrative Expenses</u>	
Computer expense	2,302
Dues and subscriptions	500
Legal and accounting	3,449
Office expense	860
Payroll processing fee	855
Postage	2,511
Rental - copier	778
Telephone	3,514
Training and travel	773
Total Administrative Expenses	<u>15,542</u>
<u>Supply and Distribution Expenses</u>	
Bad debts	1,566
Depreciation	136,733
Engineering services	6,270
Fees and services	3,600
Gas and oil	5,854
Insurance - employee health	13,289
Insurance - general	3,940
Insurance - workmans comp.	2,879
Miscellaneous	975
Payroll taxes	6,367

(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 ASSETS - PROPRIETARY FUNDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Supply and Distribution Expenses (Continued)

Permits	
Pipes, parts, and supplies	12,794
Repairs and maintenance - building	276
Repairs and maintenance - equipment	6,061
Repairs and maintenance - vehicles	4,351
Repairs and maintenance - system	30,998
Salaries and wages	86,264
State retirement	7,188
Uniforms	1,593
Utilities	63,641
Water testing and analysis	22,675

Total Supply and Distribution Expenses 417,314

Total Expenditures 432,856

Operating loss (32,284)

Nonoperating Revenues (Expenses)

Grant revenue	66,614
Investment earnings	27,487

Total Nonoperating Revenues (Expenses) 94,101

Net change in net assets 61,817

Net assets - beginning of year 3,085,393

Net assets - end of year \$ 3,147,210

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, 2008

	<u>Sewer</u> <u>Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 353,234
Payments to employees and related expenses	(113,463)
Payments to suppliers	<u>(144,846)</u>
Net cash provided by operating activities	<u>94,925</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Grant revenue	46,900
Payments for capital acquisitions	<u>(114,941)</u>
Net cash provided (used) in capital and related financing activities	<u>(68,041)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>27,487</u>
Net cash provided by investing activities	<u>27,487</u>
Net increase in cash equivalents	54,371
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>996,424</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,050,795</u>

(Continued)

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Sewer</u> <u>Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income (loss)	\$ <u>(32,284)</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	1,566
Depreciation	136,733
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(10,438)
Interfund receivable	(33,152)
Prepaid expenses	487
Increase (decrease):	
Accounts payable	32,368
Accrued wages	(306)
Accrued compensated absences	<u>(49)</u>
Total adjustments	<u>127,209</u>
Net cash provided by operating activities	\$ <u><u>94,925</u></u>

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**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.

Financial Reporting Entity

Generally accepted accounting standards (GAAP) require that the financial reporting entity consist of the primary government and its component units. 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.

Component units are reported in the City's basic financial statements are shown in the following table:

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the City</u>
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City of Columbiana Water Board
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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.
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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, 2008

**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 assets 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 financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or eliminations of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments, if applicable. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

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

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

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

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

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

Fund Types and Major Funds

**Governmental Funds**

The City reports the following major governmental funds:

General Fund - to account for all financial resources of the general government, except those required to be accounted for in another fund. This is the City's primary operating fund.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds (Continued)**

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.

**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:

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, 2008 had no internal service funds or agency funds.

Cash and Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted assets are considered to be cash equivalents.

In its 2000 Regular Session, the Alabama State Legislature enacted the Security for Alabama Funds Enhancement (SAFE) Program (Title 41, Chapter 14A, Code of Alabama 1975, as amended) that changes the way all Alabama public deposits are collateralized. Public deposits include the funds of any covered public entity or covered public official placed in deposit in a qualified depository, including time and demand deposit accounts and certificates of deposit, but excluding bonds, notes, money market mutual funds, repurchase agreements, and similar investment instruments. Covered public entities include the state and its political subdivisions. In the past, the bank pledged collateral directly to each public entity. Under SAFE, which required mandatory participation, each qualified public depository (QPD) is required to hold collateral for all of its public deposits on a pooled basis in a custody account (SAFE Custody Account) established for the State Treasurer as SAFE administrator. In the unlikely even 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash and Equivalents (Continued)

At September 30, 2008 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$3,618,707 and the bank balance was \$3,761,254. Of the bank balance \$417,168 was covered by either federal depository insurance or federal savings and loan insurance. Deposits with Alabama financial institutions that are in excess of FDIC insurance are secured under the Security for Alabama Funds Enhancement Act (SAFE Program). Alabama public funds are protected through a collateral pool administered by the Alabama State Treasury. The City had \$3,268,210 of Category 1 deposits covered by the SAFE Program at September 30, 2008 and \$75,876 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 Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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 and Federal National Mortgage Association Certificates and Federal Home Loan Mortgage Corporation debentures. These securities are held by Sterne, Agee, and Leach, Inc. as agent for the City.

Inventory

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

Prepaid Items

Payments made to vendors for goods or services that will benefit beyond September 30, 2008 are reported as prepaid items. These prepayments are recognized as expenses ratably over the related underlying period.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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:

General fund - Cash - debt service	\$ 175,205
General fund - Money market - sale of gas department	75,876
General fund - Investments - sale of gas department	2,859,148
Sewer fund - customer deposits	3,053
Special revenue - Cash - various	<u>669,173</u>
 Total Restricted Assets	 <u>\$ 3,782,455</u>

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

Capital Assets, Depreciation, and Amortization

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

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 assets. The range of estimated useful lives used for depreciation purposes for each capital asset class are as follows:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets, Depreciation, and Amortization (Continued)

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 Board Statement No. 16 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

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, 2008 the City has recorded a liability of \$26,976 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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Warrant premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Warrants payable are reported net of the applicable premium or discount. Warrant issue costs are reported as deferred charges and amortized over the term of the related debt.

Net Assets

In accordance with GASB Statement No. 34, the City classified net assets 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 assets 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 assets component as the unspent proceeds.

Restricted net assets - This component of net assets consists of constraints placed on net assets 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 assets - This component of net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Equity

The governmental fund financial statements report reserved fund balances for amounts not available for appropriation or legally restricted for specified purposes. Designations of fund balance represent tentative management plans that are subject to change.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Interfund Balances

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

Budgets and Budgetary Accounting

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

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

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

Budgeted amounts reported in the financial statements are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations that were approved. Budgets are not prepared or adopted in conformance with generally accepted accounting principles. Budgeted expenditures/expenses include encumbrances.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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 uncollectable 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 \$318,754 received after September 30, 2008 has been recorded as deferred revenue in the fund financial statements.

Excess of Expenditures Over Appropriations

There were no excess of expenditures over appropriations in any individual budgeted funds for the year ended September 30, 2008.

Deficit Fund Equity

There was no deficit fund net assets in any individual fund at September 30, 2008.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

"Total fund balances" of the City's governmental funds of \$5,738,006 differs from "net assets" of governmental activities of \$7,856,953 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The following illustrates the differences:

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

Governmental capital assets	\$ 10,110,233
Less: Depreciation expense to date	<u>(3,791,673)</u>
	<u>\$ 6,318,560</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.

Notes payable	\$ 648,124
Warrants payable	4,040,000
Accrued compensated absences	<u>25,388</u>
Total	<u>\$ 4,713,512</u>

Other long-term receivables - Certain receivables are not available to pay current period expenditures and, therefore, are not reported in the governmental funds.

Property tax receivable	\$ 318,754
Court fines	269,384
Allowance for doubtful accounts - court fines	<u>(74,240)</u>
Total	<u>\$ 513,898</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**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 \$342,616 differs from the "change in net assets" for governmental activities of \$177,125 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 assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 199,980
Depreciation expense	<u>(414,219)</u>
	<u>\$ (214,239)</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 assets and do not result in an expense in the statement of activities.

Principal payments on notes payable	\$ 99,536
Principal payments on warrants payable	<u>100,000</u>
Total	<u>\$ 199,536</u>

Proceeds for the issuance of long-term debt, including notes payable and warrants payable, create financial resources for the governmental funds. For the City as a whole, however, the proceeds increase the liabilities in the statement of net assets and do not result as revenue in the statement of activities.

Notes payable	<u>\$ (79,324)</u>
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(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**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	\$ 15,570
Court fines not meeting available criteria	<u>14,429</u>
Total	<u>\$ 29,999</u>

Gain on the disposal of assets is not recognized in the fund financial statement because it does not represent a current financial use, but the remaining book value of the assets is recognized as a gain/loss in the statement of activities.

Net of sale proceeds vs gain on disposal of assets	<u>\$ (101,319)</u>
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Other Items - Compensated absences are not payable with current period resources and, therefore not reported as expenses in the governmental funds.

Change in accrued compensated absences	<u>\$ (144)</u>
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**NOTE 2: CASH AND INVESTMENTS**

As of September 30, 2008 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 3,068,707
Certificates of deposit	<u>550,000</u>
Total Cash and Cash Equivalents	<u>\$ 3,618,707</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 2: CASH AND INVESTMENTS (Continued)**

<u>Investments</u>		<u>Standard &amp; Poor's Bond Rating</u>	<u>Fair Market Value</u>
U.S. Government Agencies:			
Federal National Mortgage Association	Matures 12/01/2025	AAA	\$ 225,174
Federal Home Loan Mortgage Corporation	Matures 10/15/2033	AAA	129,150
Government National Mortgage Association	Matures 10/20/2037	AAA	96,920
Government National Mortgage Association	Matures 10/20/2032	AAA	465,647
Federal Home Loan Bank Bonds	Matures 07/03/2018	AAA	750,000
Federal Home Loan Mortgage Corporation	Matures 11/15/2033	AAA	236,236
Federal Home Loan Mortgage Corporation	Matures 01/15/2034	AAA	243,365
Federal National Mortgage Association	Matures 03/25/2033	AAA	563,493
Federal National Mortgage Association	Matures 10/27/2025	AAA	<u>149,163</u>
Total Investments			<u>\$ 2,859,148</u>

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.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 2: CASH AND INVESTMENTS (Continued)**

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, 2008, the City had \$75,876 in cash and cash equivalents, which was held in money market accounts and \$2,859,148 held in investments exposed to custodial credit risk as Category 3 unsecured and uncollateralized deposits.

**NOTE 3: ACCOUNTS RECEIVABLE**

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

Governmental Activities:

	<u>Amount</u>	<u>Less Allowance for Doubtful Accounts</u>	<u>Total</u>
Accounts receivable - taxes	\$ 442,019	\$	\$ 442,019
Accounts receivable - sanitation services	64,890	(7,944)	56,946
Accounts receivable - court fines	294,180	(74,240)	219,940
Accounts receivable - library fines	186		186
Accounts receivable - grants	29,521		29,521
Accounts receivable - other	<u>38,940</u>		<u>38,940</u>
 Total Accounts Receivable	 \$ <u>869,736</u>	 \$ <u>(82,184)</u>	 \$ <u>787,552</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 70,173
Allowance for doubtful accounts	<u>(10,526)</u>
 Accounts receivable - customers net of allowance	 \$ <u>59,647</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 4: CAPITAL ASSETS**

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/08</u>
Capital assets, not being depreciated:				
Land	\$ 1,094,895	\$ 7,062	\$ (100,000)	\$ 1,001,957
Construction in progress - sidewalk project	<u>                    </u>	<u>11,521</u>	<u>                    </u>	<u>11,521</u>
Total capital assets, not being depreciated	<u>1,094,895</u>	<u>18,583</u>	<u>(100,000)</u>	<u>1,013,478</u>
Capital assets, being depreciated				
Autos and trucks	1,286,069			1,286,069
Automotive equipment	141,147			141,147
Buildings and building improvements	1,482,081	5,039		1,487,120
Computer equipment	115,986	3,225		119,211
Infrastructure	3,197,102			3,197,102
Land improvements	7,440			7,440
Machinery and equipment	903,003	111,050	(18,463)	995,590
Office furniture and equipment	146,115	4,083		150,198
Park improvements	1,527,011	58,000		1,585,011
Park and recreation equipment	<u>127,867</u>	<u>                    </u>	<u>                    </u>	<u>127,867</u>
Total capital assets being depreciated	<u>8,933,821</u>	<u>181,397</u>	<u>(18,463)</u>	<u>9,096,755</u>
Less accumulated depreciation for:				
Autos and trucks	1,118,671	72,999		1,191,670
Automotive equipment	31,387	17,267		48,654
Buildings and building improvements	624,706	39,265		663,971
Computer equipment	76,327	11,742		88,069
Infrastructure	185,532	79,928		265,460
Land improvements	4,216	496		4,712
Machinery and equipment	661,043	70,364	(17,144)	714,263
Office furniture and equipment	114,293	11,830		126,123
Park improvements	516,783	101,289		618,072
Park and recreation equipment	<u>61,640</u>	<u>9,039</u>	<u>                    </u>	<u>70,679</u>
Total accumulated depreciation	<u>3,394,598</u>	<u>414,219</u>	<u>(17,144)</u>	<u>3,791,673</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 4: CAPITAL ASSETS (Continued)**

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/08</u>
Total capital assets, being depreciated net	<u>5,539,223</u>	<u>(232,822)</u>	<u>(1,319)</u>	<u>5,305,082</u>
Governmental activities capital assets, net	<u>\$ 6,634,118</u>	<u>\$ (214,239)</u>	<u>\$ (101,319)</u>	<u>\$ 6,318,560</u>

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

Beautification	\$ 1,272
Cemetery	1,000
Court	5,472
Fire and rescue	90,803
General government	23,103
Library	4,236
Park and recreation	130,731
Police department	41,138
Sanitation	24,749
Street	<u>91,715</u>
	<u>\$ 414,219</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 4: CAPITAL ASSETS (Continued)**

<u>Business-Type Activities</u>	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/08</u>
<b>Sewer Department</b>				
Capital assets, not being depreciated:				
Construction in progress -				
Sewer System Improvements	\$ _____	\$ 113,835	\$ _____	\$ 113,835
Total capital assets, not being depreciated	_____	113,835	_____	113,835
Capital assets, being depreciated				
Autos and trucks	22,790	0	0	22,790
Machinery and equipment	162,899	1,557		164,456
Office furniture and equipment	11,561			11,561
Sewer system and lines	<u>3,813,510</u>	_____	_____	<u>3,813,510</u>
Total capital assets being depreciated	<u>4,010,760</u>	<u>1,557</u>	<u>0</u>	<u>4,012,317</u>
Less accumulated depreciation for:				
Autos and trucks	22,789			22,789
Machinery and equipment	110,053	8,850		118,903
Office furniture and equipment	9,885	415		10,300
Sewer system and lines	<u>1,928,064</u>	<u>127,468</u>	_____	<u>2,055,532</u>
Total accumulated depreciation	<u>2,070,791</u>	<u>136,733</u>	<u>0</u>	<u>2,207,524</u>
Total capital assets, being depreciated net	<u>1,939,969</u>	<u>(135,176)</u>	<u>0</u>	<u>1,804,793</u>
Business-Type activities capital assets, net	\$ <u>1,939,969</u>	\$ <u>(21,341)</u>	\$ <u>0</u>	\$ <u>1,918,628</u>

**NOTE 5: BOND ISSUANCE COSTS**

During the year ended September 30, 2002, bond issuance costs in the amount of \$185,825 were incurred by the City. The bond issuance cost is amortized using the straight line method over a 30 year period. Amortization expense for the year ended September 30, 2008 was \$6,194.

During the year ended September 30, 2007, bond issuance costs in the amount of \$99,183 were incurred by the City. The bond issuance cost is amortized using the straight line method over a 30 year period. Amortization expense for the year ended September 30, 2008 was \$3,967.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 6: LONG-TERM NOTES PAYABLE**

	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/08</u>	<u>Due Within</u> <u>One Year</u>
Note payable to M & F Bank principal sum of \$730,000 with a 4.20% interest rate. The note is payable in 72 installments of \$10,085.00, with the final installment due November 2014. The note is secured by full faith and credit of the City.	\$ <u>668,336</u>	\$ <u>79,324</u>	\$ <u>(99,536)</u>	\$ 648,124	\$ <u>95,626</u>
				<u>(95,626)</u>	
				\$ <u>552,498</u>	

Maturities of notes payable are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	95,626	25,394	121,020
2010	99,720	21,300	121,020
2011	103,990	17,030	121,020
2012	108,443	12,577	121,020
2013	113,086	7,934	121,020
2014	<u>127,259</u>	<u>3,125</u>	<u>130,384</u>
	\$ <u>648,124</u>	\$ <u>87,360</u>	\$ <u>735,484</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 7: GENERAL OBLIGATION WARRANTS**

	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/08</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Warrants, Series 2007, payable annually on February 1, with interest payments on February 1, and August 1, maturing on February 1, 2032. The bond is secured by the full faith and credit of the City.	\$ 3,235,000	\$	\$ (15,000)	\$ 3,220,000	\$ 15,000
General Obligation Warrants, Series 2002, payable annually on February 1, with interest payments on February 1, and August 1, maturing on February 1, 2016. The bond is secured by the full faith and credit of the City.	<u>905,000</u>	<u>          </u>	<u>(85,000)</u>	820,000	<u>90,000</u>
	<u>\$ 4,140,000</u>	<u>\$ 0</u>	<u>\$ (100,000)</u>	4,040,000	<u>\$ 105,000</u>
				<u>(105,000)</u>	
				<u>\$ 3,935,000</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 7: GENERAL OBLIGATION WARRANTS (Continued)**

Maturities of general obligation warrants payable are as follows:

<u>Year Ended September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2009	\$ 105,000	\$ 162,843	\$ 267,843
2010	105,000	158,598	263,598
2011	110,000	154,179	264,179
2012	115,000	149,481	264,481
2013	160,000	136,669	296,669
2014-2018	650,000	644,529	1,294,529
2019-2023	825,000	482,225	1,307,225
2024-2028	1,010,000	299,525	1,309,525
2029-2033	<u>960,000</u>	<u>80,681</u>	<u>1,040,681</u>
	<u>\$ 4,040,000</u>	<u>\$ 2,268,730</u>	<u>\$ 6,308,730</u>

2007 General Obligation Bonds

On March 1, 2007, the City issued \$4,185,000 in General Obligation Bonds with interest rates ranging from 3.700% to 4.125% to advance refund \$2,980,000 of outstanding 2002 Series bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$149,156. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2012 using the straight-line method. Amortization of \$29,831 was recognized in 2008 and is reported in interest expense for the period. As a result of the current refunding, the Board decreased its total debt service requirements in relation to the Series 2002 Bonds in the amount of \$666,068 which results in an economic gain of \$356,120 (difference between the present value of the debt service payments on the old and new debt).

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 8: PENSION PLAN**

The City contributes to the Employees' Retirement System of Alabama, an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agent for the various state agencies and departments.

Substantially all employees are members of the Employees' Retirement System of Alabama. Membership is mandatory for covered or eligible employees of the City. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service. Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method retirees are allowed 2.0125% of their annual salary (best three of the last ten years) for each year of service. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Employees' Retirement System was established as of October 1, 1945, under the provisions of Act 515, Acts of Alabama, 1945, for the purpose of providing retirement allowances and other specified benefits for State employees, State police, and on an elective basis to all cities, counties, City's, and quasi-public organizations. The responsibility for general administrative and operation of the Employees' Retirement System is vested in the Board of Control. Benefit provisions are established by the Code of Alabama 1975, Sections 36-27-1 through 36-27-103, as amended, Sections 36-27-120 through 36-27-139, as amended, and Sections 36-27B-1 through 36-27B-6. Authority to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission authority to accept or reject various Cost-of-Living-Adjustments (COLAs) granted to retirees.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 135 South Union Street, Montgomery, Alabama 36130-2150.

Information concerning covered salaries, actuarially determined contribution requirements and amounts contributed are as follows:

Salaries

Covered salaries - Non Police Officers	\$ 687,992
Covered salaries - Police Officers	<u>307,305</u>
 Total Covered Salaries	 <u>\$ 995,297</u>
 Total Salaries	 <u>\$ 1,239,529</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 8: PENSION PLAN (Continued)**

Contributions

City - Non Police Officers	\$ 57,310
City - Police Officers	<u>25,592</u>
Total City Contributions	\$ <u>82,902</u>
Employees - Non Police Officers	\$ 34,400
Employees - Police Officers -	<u>18,438</u>
Total Employee Contributions	\$ <u>52,838</u>

Actuarially Determined Contribution Rates

City - Non Police Officers	<u>8.33 %</u>
City - Police Officers	<u>8.33 %</u>
Employees - Non Police Officers	<u>5.00 %</u>
Employees - Police Officers	<u>6.00 %</u>

Contribution as a Percentage of Covered Salaries

City - Non Police Officers	<u>8.33 %</u>
City - Police Officers	<u>8.33 %</u>
Employees - Non Police Officers	<u>5.00 %</u>
Employees - Police Officers	<u>6.00 %</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 8: PENSION PLAN (Continued)**

The pension benefit obligation is the actuarial present value of credited projected benefits, a standardized disclosure measure of the present value of pension benefits, adjusted for the effect of projected salary increases, estimated to be payable in the future as a result of employee service to date. At September 30, 2007, the pension benefit obligation and net assets available for benefit are as follows:

Pension benefit obligation	\$ 2,236,890
Net assets available for benefits	<u>2,158,193</u>
 Net Pension Benefit Obligation	 <u>\$ (78,697)</u>

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
9/30/07	\$ 2,158,193	\$ 2,236,890	\$ (78,697)	\$ 940,310	8.4%
9/30/06	\$ 2,000,625	\$ 2,257,584	\$ (256,959)	\$ 1,053,107	24.4%
9/30/05	\$ 1,844,850	\$ 2,349,652	\$ (504,802)	\$ 1,139,500	44.3%

Actuarial Information

Valuation date	9/30/2007
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	10 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	4.61 - 7.75%
Includes inflation at	4.50%
Cost-of-living adjustments	None

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 8: PENSION PLAN (Continued)**

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/07	\$ 78,462	100%	\$ 0
9/30/06	\$ 85,475	100%	\$ 0
9/30/05	\$ 84,481	100%	\$ 0

**NOTE 9: 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.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 10: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash and Equivalents

Current Assets - cash - Sewer Department \$ 1,047,292

Total Cash and Equivalents Per Combined Statement of Cash Flows \$ 1,047,292

Interest Paid

Total interest paid on debt \$ 0

Total interest expensed \$ 0

Total interest capitalized \$ 0

**NOTE 11: LIBRARY STATE AID**

During the fiscal year ended September 30, 2008, the City received grants from the State Public Library System which are reported as follows:

Receipts:

Reported in grant program revenues \$ 3,774

Expenditures:

Reported in Library expenditures  
books, magazines, audio tapes 4,566

Net activity \$ (792)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 12: SCHEDULE OF INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of receivables/payables between the various individual funds during the year ended September 30, 2008:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Debt Service Fund	The General Fund paid expenses on behalf of Debt Service fund.	\$ 940
Sewer Department	General Fund	The amount due from General Fund to the Sewer Department is for the 1% sales tax collections.	159,337
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.	19,517
General Fund	Court	The Court transfers the City's portion of fines to the General Fund.	4,238
4 Cents Gas Tax	Motor Fuel Tax	Motor Fuel Tax Fund owes the 4 Cents Gas for revenues deposited into the wrong fund.	40
Library	7 Cents Gas Tax	7 Cents Gas Tax Fund owes the Library Fund for revenues deposited into the wrong fund.	<u>72</u>
Total Interfund Receivables/Payables			\$ <u>184,144</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 13: SCHEDULE OF TRANSFERS**

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2008:

<u>Transfer From Fund</u>	<u>Transfer to Fund</u>	<u>Purpose of Transfers</u>	<u>Amount</u>
General Fund	4 Cents Gas Tax Fund	The General Fund made a one time transfer to the 4 Cents Gas Tax Fund to assist in the cost of road improvements.	\$ 52,076
General Fund	Debt Service - General Fund	The General Fund makes monthly transfer to the Debt Service Fund to make the monthly required debt payments.	351,122
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	<u>179,449</u>
Total Transfers			<u>\$ 582,647</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 14: SIGNIFICANT COMMITMENTS**

Shelby County Fire & Emergency Medical Training Complex - Fire Tower Project

The City committed to providing support to the Shelby County Fire & Emergency Medical Training Complex - Fire Tower project in the amount of \$24,000 payable in annual installments of \$8,000 over three years.

Nelson Walker Road Sewer Extension Project

On May 3, 2007 the City was awarded a grant from the Alabama Department of Economic and Community Affairs (ADECA) in the amount of \$500,000 for assistance with construction of sewer system extension and improvements. The City had a match requirement of \$261,780. See the following items for contracts related to this grant project:

The City contracted with Community Consultants, Inc. for grant administrative duties in relation to the sewer extension project. The contract amount was for \$49,900. As of September 30, 2008 the City had incurred costs of \$10,000, leaving a remaining commitment of \$39,900.

The City contracted with Gresham Smith and Partners for engineering services in relation to the construction of sewer lines and system extension. The contract amounts for all phases was for \$81,100. As of September 30, 2008 the City had incurred costs of \$53,800, leaving a remaining commitment of \$27,300.

The City contracted with R.P. Bradley Construction, Inc. for construction of sewer lines and system extension. The contract amount was for \$876,378. As of September 30, 2008 the City had incurred costs of \$47,221, leaving a remaining commitment of \$829,157.

Pedestrian Improvements Project

The City entered into an agreement with the Alabama Department of Transportation, in cooperation with the United States Department of Transportation, Federal Highway Administration, entitled the Pedestrian Improvements Project in Columbiana, Alabama. The State awarded to the City \$106,667 to provide support to this project. This portion of the project was to cover the aspects of the preliminary engineering for the proposed project. The Project is financed with Federal and City Funds, on the basis of 80% federal funds and 20% City Funds. The City portion of matching funds is \$26,667.

The City contracted with Gresham Smith and Partners for engineering services in relation to the construction of sidewalk improvements and infrastructure. The contract amount was for \$69,664. As of September 30, 2008 the City had incurred costs of \$12,128, leaving a remaining commitment of \$57,536.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

**NOTE 14: SIGNIFICANT COMMITMENTS (Continued)**

Downtown Streetscape Project

The City entered into an agreement with the Alabama Department of Transportation, in cooperation with the United States Department of Transportation, Federal Highway Administration, entitled the Downtown Streetscape Project in Columbiana, Alabama. The State awarded to the City \$354,463 to provide support to this project. The Project is financed with Federal and City Funds, on the basis of 80% federal funds and 20% City Funds of \$88,616. The City is to undertake the construction of Downtown Street Improvements.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF COLUMBIANA, ALABAMA**

**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:**

**GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Donations	\$ 31,000	\$ 36,000	\$ 39,722	\$ 3,722
Fines	650	650	620	(30)
Fire department income	3,564	3,564	5,184	1,620
Grant income	4,000	45,035	51,032	5,997
Investment income	180,000	185,000	233,935	48,935
Licenses and permits	573,000	627,000	628,490	1,490
Miscellaneous	2,800	2,800	27,199	24,399
Park and recreation fees	8,000	8,000	56,712	48,712
Sale of capital assets	2,500	8,000	105,500	97,500
Sanitation services	271,100	271,100	275,847	4,747
Tax revenue	<u>1,877,300</u>	<u>1,926,300</u>	<u>2,001,173</u>	<u>74,873</u>
<b>Total Revenues</b>	<u>2,953,914</u>	<u>3,113,449</u>	<u>3,425,414</u>	<u>311,965</u>
<b>Expenditures</b>				
Beautification	10,000	10,000	8,950	1,050
Capital expenditures	25,500	66,535	257,824	(191,289)
Debt retirement	203,000	203,000	199,536	3,464
Donations and liberty day	77,000	77,000	62,395	14,605
Fire and rescue	202,245	202,245	197,089	5,156
General government	519,700	519,700	452,612	67,088
Interest on long-term debt	224,000	224,000	226,472	(2,472)
Park and recreation	227,560	227,560	158,653	68,907
Police	733,308	733,308	725,622	7,686
Sanitation	244,350	244,350	246,536	(2,186)
Street	<u>341,505</u>	<u>486,505</u>	<u>458,158</u>	<u>28,347</u>
<b>Total Expenditures</b>	<u>2,808,168</u>	<u>2,994,203</u>	<u>2,993,847</u>	<u>356</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	145,746	119,246	431,567	312,321
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of long-term debt	0	79,000	79,324	324
Operating transfers in	247,405	247,405	351,122	103,717
Operating transfers out	<u>(247,405)</u>	<u>(247,405)</u>	<u>(582,647)</u>	<u>(335,242)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>79,000</u>	<u>(152,201)</u>	<u>(231,201)</u>
<b>Excess of Revenue and Other Sources over (under) Expenditures and Other Uses</b>	<u>\$ 145,746</u>	<u>\$ 198,246</u>	279,366	<u>\$ 81,120</u>
<b>Fund balance, beginning (Non-GAAP budgetary basis)</b>			<u>4,680,133</u>	
<b>Fund balance, ending (Non-GAAP budgetary basis)</b>			4,959,499	
<b>Adjustments to Generally Accepted Accounting Principles</b>				
Unrealized gain on investments			37,890	
Revenue and transfer accruals			55,492	
Expenditure and transfer accruals			<u>30,863</u>	
<b>Fund balance, ending (GAAP basis)</b>			<u>\$ 5,083,744</u>	

NOTE: The City is not legally required to adopt a budget for the Court or Sewer Funds.

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

SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

	<u>Four Cent</u> <u>Gas Tax</u>	<u>Motor</u> <u>Fuel Tax</u>	<u>7 Cents</u> <u>Gas Tax</u>
<b>ASSETS</b>			
<u>Assets</u>			
Accounts receivable - taxes	\$ 595	\$ 123	\$ 770
Accounts receivable - fines			
Interfund receivable	40		
Prepaid expense			
<u>Restricted Assets</u>			
Cash	<u>30,363</u>	<u>41,602</u>	<u>25,461</u>
 Total Assets	 <u>\$ 30,998</u>	 <u>\$ 41,725</u>	 <u>\$ 26,231</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<u>Liabilities</u>			
Accounts payable	\$	\$	\$
Accrued wages			
Interfund payable		<u>40</u>	<u>72</u>
 Total Liabilities	 <u>0</u>	 <u>40</u>	 <u>72</u>
 <u>Fund Balances</u>			
Unreserved	<u>30,998</u>	<u>41,685</u>	<u>26,159</u>
 Total Liabilities and Fund Equity	 <u>\$ 30,998</u>	 <u>\$ 41,725</u>	 <u>\$ 26,231</u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	186		1,488
	72		186
	360		112
			360
<u>46,364</u>	<u>30,378</u>	<u>168,946</u>	<u>343,114</u>
\$ <u>46,364</u>	\$ <u>30,996</u>	\$ <u>168,946</u>	\$ <u>345,260</u>
\$	\$	\$	\$
	2,016		2,016
	4,374		4,374
			112
<u>0</u>	<u>6,390</u>	<u>0</u>	<u>6,502</u>
<u>46,364</u>	<u>24,606</u>	<u>168,946</u>	<u>338,758</u>
\$ <u>46,364</u>	\$ <u>30,996</u>	\$ <u>168,946</u>	\$ <u>345,260</u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Four Cent Gas Tax</u>	<u>Motor Fuel Tax</u>	<u>7 Cents Gas Tax</u>
<u>Revenues</u>			
Donations	\$	\$	\$
Fines			
Grant income			
Investment income	447	755	377
Lot sales and openings/closings			
Miscellaneous			
Shared taxes	<u>7,861</u>	<u>1,465</u>	<u>8,722</u>
 Total Revenue	 <u>8,308</u>	 <u>2,220</u>	 <u>9,099</u>
<u>Expenditures</u>			
Capital expenditures			
Cemetery			
Library			
Street expenditures	<u>29,560</u>		
 Total Expenditures	 <u>29,560</u>	 <u>0</u>	 <u>0</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	<u>52,076</u>		
 Total Other Financing Sources (Uses)	 <u>52,076</u>	 <u>0</u>	 <u>0</u>
 Net change in fund balances	 30,824	 2,220	 9,099
 Fund Balance, Beginning of Year	 <u>174</u>	 <u>39,465</u>	 <u>17,060</u>
 Fund Balance, End of Year	 <u>\$ 30,998</u>	 <u>\$ 41,685</u>	 <u>\$ 26,159</u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	1,965	300	2,265
	7,633		7,633
	5,274		5,274
3,019	84	4,437	9,119
		14,500	14,500
	3,815		3,815
<u>25,940</u>			<u>43,988</u>
<u>28,959</u>	<u>18,771</u>	<u>19,237</u>	<u>86,594</u>
		6,959	6,959
		600	600
150,000	195,520		195,520
<u>150,000</u>	<u>195,520</u>	<u>7,559</u>	<u>382,639</u>
	179,449		231,525
<u>0</u>	<u>179,449</u>	<u>0</u>	<u>231,525</u>
(121,041)	2,700	11,678	(64,520)
<u>167,405</u>	<u>21,906</u>	<u>157,268</u>	<u>403,278</u>
<u>\$ 46,364</u>	<u>\$ 24,606</u>	<u>\$ 168,946</u>	<u>\$ 338,758</u>

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