

CITY OF COLUMBIANA, ALABAMA

BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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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, 2010, 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, 2010, 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 18, 2011

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

ASSETS	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<u>Current Assets</u>				
Cash and certificate of deposits	\$ 1,701,205	\$ 427,781	\$ 2,128,986	\$ 2,223,306
Accounts receivable - taxes	435,596		435,596	
Accounts receivable - customers, net of allowance	55,999	95,857	151,856	237,944
Accounts receivable - fines, net of allowance	211,222		211,222	
Accounts receivable - grants	783		783	
Accounts receivable - other	68		68	
Interest receivable	5,854		5,854	4,557
Interfund receivables		156,339	156,339	19,533
Inventory	248		248	52,759
Prepaid expenses	31,101	483	31,584	11,023
<u>Restricted Assets</u>				
Cash	1,132,422	117,990	1,250,412	405,879
Investments	3,147,595		3,147,595	
<u>Non-current Assets</u>				
Land and construction in progress	1,319,894		1,319,894	764,694
Other capital assets, net of accumulated depreciation	4,891,049	2,646,471	7,537,520	6,812,861
<u>Other Assets</u>				
Bond amortization costs, net of amortization	260,402		260,402	15,385
Total Assets	13,193,438	3,444,921	16,638,359	10,547,941
LIABILITIES				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	61,333	6,247	67,580	27,755
Payroll taxes payable	518		518	343
Utility tax payable			0	4,588
Accrued wages	66,704	4,942	71,646	70,332
Interest payable	169		169	
Interfund payables	175,872		175,872	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits			0	214,371
Interest payable			0	5,698
<u>Long-term Liabilities</u>				
Notes payable - portion due in one year	101,516		101,516	19,381
Notes payable - portion due in more than one year	522,143		522,143	11,624
Warrants and bonds payable - portion due in one year	110,000		110,000	217,900
Warrants and bonds payable - portion due in more than one year	3,720,000		3,720,000	3,370,211
Accrued compensated absences	22,443	2,473	24,916	
Total Liabilities	4,780,698	13,662	4,794,360	3,942,203
<u>Net Assets</u>				
Investment in capital assets, net of related debt	1,757,284	2,646,471	4,403,755	3,958,438
Restricted for:				
Public Services	4,272,125		4,272,125	
Debt service	438,179		438,179	
Capital projects		117,990	117,990	
Meter deposits			0	185,810
Unrestricted	1,945,152	666,798	2,611,950	2,461,490
Total Net Assets	\$ 8,412,740	\$ 3,431,259	\$ 11,843,999	\$ 6,605,738

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Expenses	Fees, Fines, and Charges for Services	Program Revenues		Capital Grants and Contributions	Total	Net (Expenses) Revenues
			Operating Grants and Contributions				
<u>Governmental Activities</u>							
Beautification	\$ 2,548	\$	930	\$		(1,618)	
Cemetery	3,907	12,000	300			8,393	
Court	209,781	171,768				(38,013)	
Donations	14,000					(14,000)	
Fire and rescue	252,808		2,784		75,000	(175,024)	
General government	450,486	533,239	700			83,453	
Interest on long-term debt	210,638					(210,638)	
Library	178,478	11,329	3,721			(163,428)	
Liberty day celebration	28,875	6,376	25,630			3,131	
Park and recreation	234,435	5,330	13,810			(215,295)	
Police	710,579		4,054			(706,525)	
Sanitation	242,361	261,615			4,376	19,254	
Senior Center	38,216		10,720			(27,496)	
Street	393,239					(388,863)	
Total Governmental Activities	2,970,351	1,001,657	62,649		79,376	(1,826,669)	
<u>Business-type Activities</u>							
Sewer	440,825	430,881				(9,944)	
Total Business-type Activities	440,825	430,881	0		0	(9,944)	
Total Primary Government	\$ 3,411,176	\$ 1,432,538	\$ 62,649	\$	\$ 79,376	\$ (1,836,613)	
<u>Component Units</u>							
City of Columbiana Water Board	\$ 1,600,640	\$ 1,784,878	\$	\$	\$	\$ 184,238	
Total Component Units	\$ 1,600,640	\$ 1,784,878	\$ 0	\$	\$ 0	\$ 184,238	

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, 2010

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<u>Net Revenues (Expenses)</u>	\$ (1,826,669)	\$ (9,944)	\$ (1,836,613)	\$ 184,238
General revenues:				
Taxes:				
Sales and use tax	1,302,634		1,302,634	
Property taxes	334,778		334,778	
Gasoline taxes	29,142		29,142	
Beer and alcoholic beverage taxes	27,586		27,586	
Financial excise tax	7,404		7,404	
Tobacco tax	35,139		35,139	
State capital improvement			0	
Motor vehicle taxes	12,607		12,607	
Rental tax	34,007		34,007	
Payment in lieu of taxes	2,507		2,507	
Shares/Privilege tax	12,054		12,054	
State shared taxes	42,551		42,551	
Other taxes	3,560		3,560	
Miscellaneous	6,651		6,651	
Investment income	179,834	7,425	187,259	43,439
Gain(loss) on sale of capital assets	4,333		4,333	876
Unrealized holding gains on investments	136,271		136,271	
<u>Total general revenues and transfers</u>	<u>2,171,058</u>	<u>7,425</u>	<u>2,178,483</u>	<u>44,315</u>
Change in net assets	344,389	(2,519)	341,870	228,553
Net assets at beginning of year	8,068,351	3,433,778	11,502,129	6,377,185
Net assets at end of year	\$ 8,412,740	\$ 3,431,259	\$ 11,843,999	\$ 6,605,738

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
ASSETS				
<u>Assets</u>				
Cash	\$ 1,701,205	\$	\$	\$ 1,701,205
Accounts receivable - taxes	433,937		1,659	435,596
Accounts receivable - customers	55,999			55,999
Accounts receivable - fines		295,398	95	295,493
Accounts receivable - grants	783			783
Accounts receivable - other	68			68
Interest receivable	5,854			5,854
Interfund receivable	1,873		40	1,913
Inventory	248			248
Prepaid expenses	30,402	103	596	31,101
<u>Restricted Assets</u>				
Cash	335,662	319,186	477,574	1,132,422
Investments	3,147,595			3,147,595
<u>Other Assets</u>				
Bond costs, net of amortization	260,402			260,402
Total Assets	\$ 5,974,028	\$ 614,687	\$ 479,964	\$ 7,068,679
LIABILITIES AND FUND BALANCES				
<u>Liabilities</u>				
Accounts payable	\$ 32,634	\$ 27,688	\$ 1,011	\$ 61,333
Payroll taxes payable	518			518
Accrued wages	58,407	2,700	5,597	66,704
Interest payable	169			169
Interfund payable	175,872	1,873	40	177,785
Deferred revenue	314,533	262,064		576,597
Total Liabilities	582,133	294,325	6,648	883,106
<u>Fund Balances</u>				
Unreserved, reported in General fund	5,391,895			5,391,895
Reserved, reported in Special revenue funds		320,362	473,316	793,678
Total Fund Balances	5,391,895	320,362	473,316	6,185,573
Total Liabilities and Fund Balances	\$ 5,974,028	\$ 614,687	\$ 479,964	\$ 7,068,679

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, 2010

Total fund balances for governmental funds \$ 6,185,573

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. 6,210,943

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. 492,326

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. (4,476,102)

Net assets of governmental activities \$ 8,412,740

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, 2010

	<u>General</u>	<u>Court</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<u>Revenues</u>				
Donations	\$ 42,652	\$	\$ 1,126	\$ 43,778
Fines and charges	570	208,820	10,029	219,419
Fire department income	77,475			77,475
Grant income	17,878		2,895	20,773
Investment income	170,874	4,767	4,191	179,832
Licenses, permits, & franchise fees	532,669			532,669
Lot sales and openings/closings			12,000	12,000
Miscellaneous	13,027		1,300	14,327
Park and recreation	5,330			5,330
Sale of capital assets	4,333			4,333
Sanitation services	261,615			261,615
Tax revenue	<u>1,803,189</u>		<u>42,551</u>	<u>1,845,740</u>
Total Revenues	<u>2,929,612</u>	<u>213,587</u>	<u>74,092</u>	<u>3,217,291</u>
<u>Expenditures</u>				
Beautification	1,171			1,171
Capital expenditures	314,307			314,307
Cemetery			748	748
Court		205,594		205,594
Debt retirement	202,265			202,265
Donations and liberty day	42,875			42,875
Fire and rescue	188,126			188,126
General government	428,200			428,200
Interest on long-term debt	210,638			210,638
Library			174,740	174,740
Park and recreation	109,682			109,682
Police	697,235			697,235
Sanitation	218,780			218,780
Senior Center	35,086			35,086
Street	<u>309,766</u>			<u>309,766</u>
Total Expenditures	<u>2,758,131</u>	<u>205,594</u>	<u>175,488</u>	<u>3,139,213</u>
Excess of revenues over (under) expenditures	171,481	7,993	(101,396)	78,078
<u>Other Financing Sources (Uses)</u>				
Unrealized/realized gain on investments	136,271			136,271
Loan proceeds	160,500			160,500
Operating transfers in	393,920		167,966	561,886
Operating transfers out	<u>(555,886)</u>	<u>(6,000)</u>		<u>(561,886)</u>
Total Other Financing Sources (Uses)	<u>134,805</u>	<u>(6,000)</u>	<u>167,966</u>	<u>296,771</u>
Net change in fund balances	306,286	1,993	66,570	374,849
Fund Balance, Beginning of Year	<u>5,085,609</u>	<u>318,369</u>	<u>406,746</u>	<u>5,810,724</u>
Fund Balance, End of Year	\$ <u>5,391,895</u>	\$ <u>320,362</u>	\$ <u>473,316</u>	\$ <u>6,185,573</u>

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, 2010

Net change in fund balances - total governmental funds \$ 374,849

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 \$371,972 exceeds capital outlays of \$314,307. (57,665)

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. (38,821)

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. 24,261

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. (160,500)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 202,265

Change in net assets of governmental activities \$ 344,389

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
ASSETS	
<u>Current Assets</u>	
Cash	\$ 427,781
Accounts receivable - customers, net of allowance	95,857
Interfund receivable	156,339
Prepaid expenses	483
<u>Restricted Assets</u>	
Cash	117,990
<u>Non-current Assets</u>	
Other capital assets, net of accumulated depreciation	2,646,471
Total Assets	\$ <u><u>3,444,921</u></u>
LIABILITIES	
<u>Current Liabilities (payable from current assets)</u>	
Accounts payable	\$ 6,247
Accrued wages	4,942
<u>Long-term Liabilities</u>	
Accrued compensated absences	2,473
Total Liabilities	<u>13,662</u>
<u>Net Assets</u>	
Investment in capital assets, net of related debt	2,646,471
Restricted - capital projects	117,990
Unrestricted	666,798
Total Net Assets	\$ <u><u>3,431,259</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, 2010

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 430,881
	<hr/>
Total Revenues	430,881
	<hr/>
<u>Administrative Expenses</u>	
Computer expense	2,199
Dues and subscriptions	538
Legal and accounting	8,031
Office expense	1,142
Payroll processing fee	1,040
Postage	2,813
Rental - copier	825
Telephone	2,779
	<hr/>
Total Administrative Expenses	19,367
	<hr/>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	566
Depreciation	136,618
Fees and services	7,320
Gas and oil	4,784
Insurance - employee health	10,814
Insurance - general	4,439
Insurance - workmans comp.	1,708
Miscellaneous	1,146
Payroll taxes	6,477

(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, 2010

Supply and Distribution Expenses (Continued)

Permits	5,880
Pipes, parts, and supplies	7,558
Repairs and maintenance - building	951
Repairs and maintenance - equipment	12,577
Repairs and maintenance - vehicles	1,499
Repairs and maintenance - system	22,080
Salaries and wages	86,123
State retirement	4,399
Uniforms	1,183
Utilities	79,334
Water testing and analysis	26,002
	<hr/>
Total Supply and Distribution Expenses	421,458
	<hr/>
Total Expenditures	440,825
	<hr/>
Operating loss	(9,944)
	<hr/>
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	7,425
	<hr/>
Total Nonoperating Revenues (Expenses)	7,425
	<hr/>
Net change in net assets	(2,519)
	<hr/>
Net assets - beginning of year	3,433,778
	<hr/>
Net assets - end of year	\$ 3,431,259
	<hr/> <hr/>

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, 2010

	<u>Sewer Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 399,363
Payments to employees and related expenses	(109,362)
Payments to suppliers	<u>(202,238)</u>
Net cash provided by operating activities	<u>87,763</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	<u>(257,807)</u>
Net cash used in capital and related financing activities	<u>(257,807)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>7,425</u>
Net cash provided by investing activities	<u>7,425</u>
Net decrease in cash equivalents	(162,619)
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>708,390</u>
Cash and equivalents, end of year (restricted and nonrestricted)	\$ <u>545,771</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, 2010

	<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>(9,944)</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	566
Depreciation	136,618
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(31,518)
Interfund receivable	(591)
Prepaid expenses	100
Increase (decrease):	
Accounts payable	(5,970)
Accrued wages	(1,409)
Accrued compensated absences	<u>(89)</u>
Total adjustments	<u>97,707</u>
Net cash provided by operating activities	\$ <u><u>87,763</u></u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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>
---	---

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.
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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, 2010

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, 2010

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, 2010

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, 2010 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, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Equivalents (Continued)

At September 30, 2010 the carrying amount of the City of Columbiana, Alabama's deposits (cash and certificates of deposits) was \$3,379,398 and the bank balance was \$3,422,660. Of the bank balance \$1,250,000 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 \$2,015,884 of Category 1 deposits covered by the SAFE Program at September 30, 2010 and \$156,776 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, Federal National Mortgage Association Certificates, Governmental National Mortgage Association Debentures, 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, 2010 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, 2010

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	\$ 178,886
General fund - Money market - sale of gas department	156,776
General fund - Investments - sale of gas department	3,147,595
Sewer fund - customer deposits	117,990
Special revenue - Cash - various	<u>796,760</u>
 Total Restricted Assets	 \$ <u>4,398,007</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, 2010

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, 2010 the City has recorded a liability of \$24,916 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, 2010

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, 2010

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, 2010

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 \$314,533 received after September 30, 2010 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 Assets

"Total fund balances" of the City's governmental funds of \$6,185,573 differs from "net assets" of governmental activities of \$8,412,740 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:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 (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 assets includes those capital assets as assets of the City as a whole.

Governmental capital assets	\$ 10,737,710
Less: Depreciation expense to date	<u>(4,526,767)</u>
	<u>\$ 6,210,943</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	\$ 623,659
Warrants payable	3,830,000
Accrued compensated absences	<u>22,443</u>
Total	<u>\$ 4,476,102</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	\$ 314,533
Court fines	262,063
Allowance for doubtful accounts - court fines	<u>(84,270)</u>
Total	<u>\$ 492,326</u>

Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances the Government-wide Statement of Activities

The "net change in fund balances" for governmental funds of \$374,849 differs from the "change in net assets" for governmental activities of \$344,389 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:

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances the Government-wide Statement of Activities (Continued)

Capital 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	\$ 314,307
Depreciation expense	<u>(371,972)</u>
	\$ <u>(57,665)</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	\$ 97,265
Principal payments on warrants payable	<u>105,000</u>
Total	\$ <u>202,265</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.

Note payable proceeds	\$ <u>(160,500)</u>
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Other Items - Certain income that is not available to pay current period expenditures and, therefore is not reported as revenue in the governmental funds.

Property tax not meeting available criteria	\$ (1,769)
Court fines not meeting available criteria	<u>(37,052)</u>
Total	\$ <u>(38,821)</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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 (Continued) - Compensated absences are not payable with current period resources and, therefore not reported as expenses in the governmental funds.

Change in accrued compensated absences \$ 24,261

NOTE 2: CASH AND INVESTMENTS

As of September 30, 2010 the City had the following cash and investments:

Cash and cash equivalents

Cash and cash equivalents	\$ 2,829,398
Certificates of deposit	<u>550,000</u>
Total Cash and Cash Equivalents	\$ <u>3,379,398</u>

<u>Investments</u>		<u>Standard & Poor's Bond Rating</u>	<u>Fair Market Value</u>
<u>U.S. Government Agencies:</u>			
Federal National Mortgage Association	Matures 12/01/2025	AAA	\$ 148,622
Federal Home Loan Mortgage Corporation	Matures 03/06/2037	AAA	807,251
Government National Mortgage Association	Matures 09/20/2039	AAA	103,463
Government National Mortgage Association	Matures 10/20/2039	AAA	151,769
Government National Mortgage Association	Matures 10/20/2032	AAA	547,864
Federal Home Loan Mortgage Corporation	Matures 11/15/2033	AAA	267,069
Federal Home Loan Mortgage Corporation	Matures 01/15/2034	AAA	148,773
Federal National Mortgage Association	Matures 03/25/2033	AAA	688,188
 <u>Long-Term Certificate of Deposits:</u>			
JPMorgan Chase Bank	Matures 02/18/2025	FDIC	101,439
MidFirst Bank	Matures 05/29/2029	FDIC	100,863
Sallie Mae Bank	Matures 10/27/2025	FDIC	<u>82,294</u>
Total Investments			\$ <u>3,147,595</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010, the City had \$156,776 in cash and cash equivalents, which was held in money market accounts and \$3,147,595 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, 2010

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	\$ 435,596	\$	\$ 435,596
Accounts receivable - sanitation services	65,841	(9,842)	55,999
Accounts receivable - court fines	295,397	(84,270)	211,127
Accounts receivable - library fines	95		95
Accounts receivable - grants	783		783
Accounts receivable - other	<u>68</u>		<u>68</u>
Total Accounts Receivable	<u>\$ 797,780</u>	<u>\$ (94,112)</u>	<u>\$ 703,668</u>

Business-Type Activities:

	<u>Sewer</u>
Accounts receivable - customer	\$ 108,515
Allowance for doubtful accounts	<u>(12,658)</u>
Accounts receivable - customers net of allowance	<u>\$ 95,857</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4: CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/10</u>
Capital assets, not being depreciated:				
Land	\$ 1,147,877	\$ 497		\$ 1,148,374
Construction in progress	<u>162,470</u>	<u>9,050</u>		<u>171,520</u>
Total capital assets, not being depreciated	<u>1,310,347</u>	<u>9,547</u>	<u>0</u>	<u>1,319,894</u>
Capital assets, being depreciated				
Autos and trucks	1,267,191	231,040		1,498,231
Automotive equipment	141,147			141,147
Buildings and building improvements	1,490,370			1,490,370
Computer equipment	123,785	30,562		154,347
Infrastructure	3,197,102			3,197,102
Land improvements	7,440			7,440
Machinery and equipment	1,011,858	10,550	(458)	1,021,950
Office furniture and equipment	151,508			151,508
Park improvements	1,595,246	29,043		1,624,289
Park and recreation equipment	<u>127,867</u>	<u>3,565</u>		<u>131,432</u>
Total capital assets being depreciated	<u>9,113,514</u>	<u>304,760</u>	<u>(458)</u>	<u>9,417,816</u>
Less accumulated depreciation for:				
Autos and trucks	1,217,174	45,758		1,262,932
Automotive equipment	64,569	15,916		80,485
Buildings and building improvements	703,138	37,888		741,026
Computer equipment	99,990	12,986		112,976
Infrastructure	345,388	79,926		425,314
Land improvements	5,208	496		5,704
Machinery and equipment	782,648	58,704	(458)	840,894
Office furniture and equipment	135,386	6,956		142,342
Park improvements	722,032	104,410		826,442
Park and recreation equipment	<u>79,720</u>	<u>8,932</u>		<u>88,652</u>
Total accumulated depreciation	<u>4,155,253</u>	<u>371,972</u>	<u>(458)</u>	<u>4,526,767</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4: CAPITAL ASSETS (Continued)

<u>Governmental Activities (Continued)</u>	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/10</u>
Total capital assets, being depreciated net	<u>4,958,261</u>	<u>(67,212)</u>	<u>0</u>	<u>4,891,049</u>
Governmental activities capital assets, net	<u>\$ 6,268,608</u>	<u>\$ (57,665)</u>	<u>\$ 0</u>	<u>\$ 6,210,943</u>

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

Beautification	\$ 1,377
Cemetery	3,159
Court	4,120
Fire and rescue	64,682
General government	21,921
Library	3,795
Park and recreation	125,233
Police department	37,712
Sanitation	24,120
Senior center	3,130
Street	<u>82,723</u>
	<u>\$ 371,972</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 4: CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/10</u>
Sewer Department				
Capital assets, not being depreciated:				
Construction in progress -				
Sewer System Improvements	\$ 969,896	\$ 138,872	\$ (1,108,768)	\$ 0
Total capital assets, not being depreciated	<u>969,896</u>	<u>138,872</u>	<u>(1,108,768)</u>	<u>0</u>
Capital assets, being depreciated				
Autos and trucks	27,690			27,690
Machinery and equipment	165,156	620		165,776
Office furniture and equipment	11,561			11,561
Sewer system and lines	<u>3,813,510</u>	<u>1,108,768</u>	<u> </u>	<u>4,922,278</u>
Total capital assets being depreciated	<u>4,017,917</u>	<u>1,109,388</u>	<u>0</u>	<u>5,127,305</u>
Less accumulated depreciation for:				
Autos and trucks	22,871	980		23,851
Machinery and equipment	127,630	7,755		135,385
Office furniture and equipment	10,715	415		11,130
Sewer system and lines	<u>2,183,000</u>	<u>127,468</u>	<u> </u>	<u>2,310,468</u>
Total accumulated depreciation	<u>2,344,216</u>	<u>136,618</u>	<u>0</u>	<u>2,480,834</u>
Total capital assets, being depreciated net	<u>1,673,701</u>	<u>972,770</u>	<u>0</u>	<u>2,646,471</u>
Business-Type activities capital assets, net	\$ <u>2,643,597</u>	\$ <u>1,111,642</u>	\$ <u>(1,108,768)</u>	\$ <u>2,646,471</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, 2010 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, 2010 was \$3,967.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 6: LONG-TERM NOTES PAYABLE

	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/10</u>	<u>Due Within</u> <u>One Year</u>
Note payable to M & F Bank principal sum of \$697,274 with a 3.25% interest rate. The note is payable in 77 installments of \$10,045.00, with the final installment due May 2016. The note is secured by full faith and credit of the City.	\$ <u>560,425</u>	\$ <u>160,500</u>	\$ <u>(97,266)</u>	\$ 623,659	\$ <u>101,516</u>
				<u>(101,516)</u>	
				\$ <u>522,143</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>
2011	101,516	19,024	120,540
2012	105,169	15,371	120,540
2013	108,822	11,718	120,540
2014	112,474	8,066	120,540
2015	116,127	4,413	120,540
2016	<u>79,551</u>	<u>913</u>	<u>80,464</u>
	\$ <u>623,659</u>	\$ <u>59,505</u>	\$ <u>683,164</u>

CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 7: GENERAL OBLIGATION WARRANTS

	<u>Balance</u> <u>10/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/10</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.	\$ 3,205,000	\$	\$ (15,000)	\$ 3,190,000	\$ 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>730,000</u>	<u> </u>	<u>(90,000)</u>	640,000	<u>95,000</u>
	<u>\$ 3,935,000</u>	<u>\$ 0</u>	<u>\$ (105,000)</u>	3,830,000	<u>\$ 110,000</u>
			Less: current maturities	<u>(110,000)</u>	
				<u>\$ 3,720,000</u>	

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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>
2011	\$ 110,000	\$ 154,179	\$ 264,179
2012	115,000	149,480	264,480
2013	120,000	144,464	264,464
2014	125,000	139,126	264,126
2015	130,000	133,474	263,474
2016-2020	745,000	576,590	1,321,590
2021-2025	895,000	413,630	1,308,630
2026-2030	1,090,000	215,530	1,305,530
2031-2032	<u>500,000</u>	<u>20,831</u>	<u>520,831</u>
	<u>\$ 3,830,000</u>	<u>\$ 1,947,304</u>	<u>\$ 5,777,304</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 2010 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, 2010

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 - 5% Employees	\$ 621,699
Covered salaries - 6% Employees	<u>319,335</u>
 Total Covered Salaries	 \$ <u>941,034</u>
 Total Salaries	 \$ <u>1,249,408</u>

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

NOTE 8: PENSION PLAN (Continued)

Contributions

City - 5% Employees	\$ 31,209
City - 6% Employees	<u>16,037</u>
Total City Contributions	\$ <u>47,246</u>
Employees - 5% Employees	\$ 31,085
Employees - 6% Employees	<u>19,160</u>
Total Employee Contributions	\$ <u>50,245</u>

Actuarially Determined Contribution Rates

City - 5% Employees	<u>5.02</u> %
City - 6% Employees	<u>5.02</u> %
Employees - 5% Employees	<u>5.00</u> %
Employees - 6% Employees	<u>6.00</u> %

Contribution as a Percentage of Covered Salaries

City - 5% Employees	<u>5.02</u> %
City - 6% Employees	<u>5.02</u> %
Employees - 5% Employees	<u>5.00</u> %
Employees - 6% Employees	<u>6.00</u> %

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2009, the pension benefit obligation and net assets available for benefit are as follows:

Pension benefit obligation	\$ 2,677,533
Net assets available for benefits	<u>2,372,660</u>
Net Pension Benefit Obligation	<u>\$ 304,873</u>

Market Value of Assets as of September 30, 2009 was \$1,821,371.

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>
9/30/09	\$ 2,372,660	\$ 2,677,533	\$ (304,873)	\$ 964,104	31.6%
9/30/08	\$ 2,357,682	\$ 2,512,846	\$ (155,164)	\$ 1,077,270	14.4%
9/30/07	\$ 2,158,193	\$ 2,236,890	\$ (78,697)	\$ 940,310	8.4%

Actuarial Information

Valuation date	9/30/2009
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	30 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, 2010

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>
9/30/09	\$ 67,217	100%	\$ 0
9/30/08	\$ 82,908	100%	\$ 0
9/30/07	\$ 78,462	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, 2010

NOTE 10: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and Equivalents

Current Assets - cash - Sewer Department	\$ <u>545,771</u>
Total Cash and Equivalents Per Combined Statement of Cash Flows	\$ <u>545,771</u>

Interest Paid

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

NOTE 11: LIBRARY STATE AID

During the fiscal year ended September 30, 2010, the City received grants from the State Public Library System which are reported as follows:

Receipts:

Reported in grant program revenues	\$ 2,895
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Expenditures:

Reported in Library expenditures books, magazines, audio tapes	<u>2,997</u>
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Net activity	\$ <u>(102)</u>
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CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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, 2010:

<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.	156,339
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.	19,533
General Fund	Court	The General Fund paid expenses on behalf of the Court Fund.	1,873
4 Cents Gas Tax	Motor Fuel Tax	Motor Fuel Tax Fund owes the 4 Cents Gas for revenues deposited into the wrong fund.	<u>40</u>
Total Interfund Receivables/Payables			<u>\$ 178,725</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 13: SCHEDULE OF TRANSFERS

The following is a schedule of transfers between the various individual funds during the year ended September 30, 2010:

<u>Transfer From Fund</u>	<u>Transfer to Fund</u>	<u>Purpose of Transfers</u>	<u>Amount</u>
General Fund	Debt Service - General Fund	The General Fund makes monthly transfers to the Debt Service Fund to make the monthly required debt payments.	\$ 387,920
General Fund	Court Fund	The General Fund made a one time transfer to the Court Fund.	6,000
General Fund	Library Board	The General Fund makes transfers as needed to the Library Board to cover operational costs.	<u>167,966</u>
	Total Transfers		<u>\$ 561,886</u>

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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. The City as of September 30, 2010 had paid two of the three installments.

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, 2010 the City had incurred costs of \$30,000, leaving a remaining commitment of \$19,900.

The City contracted with R.P. Bradley Construction, Inc. for construction of sewer lines and system extension. The amended contract amount was for \$1,032,569. As of September 30, 2010 the City had incurred costs of \$903,283, leaving a remaining commitment of \$129,286.

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.

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.

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2011, 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, 2010. No items requiring recording or disclosure were noted.

NOTE 16: THREATENED OR PENDING LITIGATION

The City of Columbiana has been sued by R. P. Bradley Construction, Inc. in connection with the Nelson Walker Road sewer extension project. The pending legal action against the City was filed on August 3, 2009 (Civil Action No. CV-2009-900555.00/Circuit Court of Shelby County, Alabama). The City has filed its answer and a counter claim against R. P. Bradley Construction, Inc. as well as a third party action against Gresham Smith and Partners, Birmingham, Alabama, the project engineer. All claims pending in this action involve alleged damages sustained by various parties because of alleged breach of contract. The City's position is being vigorously contested. There is no insurance coverage involved. An effort will be made to seek an out-of-court settlement between all parties. The City does not see the likelihood of an unfavorable outcome.

NOTE 17: SENIOR CENTER OPERATIONS:

The City entered into a cooperative working relationship with the Alabama Middle Area Agency on Aging (M4A) to enhance the provision of nutrition and other services to eligible seniors in the City of Columbiana. Services are provided at no cost to the participants; however, donations are accepted. The following schedule summarizes the sources of funds and expenses of the Senior Center operations for the year ended September 30, 2010.

Sources of Funds

Salary reimbursements from M4A	\$ 9,397
Donations from participants	<u>1,063</u>
Total funds available	<u>\$ 10,460</u>

Expenditures

Wages and salaries	\$ 19,253
Payroll taxes and employee benefits	2,173
Operational grant expenditures	250
Janitorial supplies and repairs	1,395
Office expenses	246
Utilities	6,481
Miscellaneous	4,105
Insurance	130
Donations transmitted to M4A	<u>1,053</u>
Total expenditures	<u>\$ 35,086</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, ALABAMA

**BUDGETARY COMPARISON SCHEDULE - MAJOR FUNDS:
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Donations	\$ 24,600	\$ 24,600	\$ 42,652	\$ 18,052
Fines	300	300	570	270
Fire department income	3,600	78,809	77,475	(1,334)
Grant income	34,500	34,500	18,265	(16,235)
Investment income	170,000	170,000	171,023	1,023
Licenses and permits	524,500	524,500	532,669	8,169
Miscellaneous	4,000	4,000	13,027	9,027
Park and recreation fees	23,800	23,800	5,330	(18,470)
Sale of capital assets			4,333	4,333
Sanitation services	275,100	255,100	260,510	5,410
Tax revenue	<u>1,758,950</u>	<u>1,720,918</u>	<u>1,793,673</u>	<u>72,755</u>
Total Revenues	<u>2,819,350</u>	<u>2,836,527</u>	<u>2,919,527</u>	<u>83,000</u>
<u>Expenditures</u>				
Beautification			1,171	(1,171)
Capital expenditures			314,307	(314,307)
Debt retirement	254,240	254,240	202,265	51,975
Donations and liberty day	45,500	44,000	42,875	1,125
Fire and rescue	203,075	387,198	188,603	198,595
General government	572,864	542,116	439,711	102,405
Interest on long-term debt	137,603	137,603	210,638	(73,035)
Park and recreation and senior center	208,030	204,168	144,381	59,787
Police	709,597	743,665	700,145	43,520
Sanitation	233,050	221,751	219,158	2,593
Street	<u>384,575</u>	<u>361,500</u>	<u>311,067</u>	<u>50,433</u>
Total Expenditures	<u>2,748,534</u>	<u>2,896,241</u>	<u>2,774,321</u>	<u>121,920</u>
Excess of Revenues Over (Under) Expenditures	70,816	(59,714)	145,206	204,920
<u>Other Financing Sources (Uses)</u>				
Unrealized/realized gain on investments			136,271	136,271
Loan proceeds			160,500	160,500
Operating transfers in			393,920	393,920
Operating transfers out			<u>(555,886)</u>	<u>(555,886)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>134,805</u>	<u>134,805</u>
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	\$ <u>70,816</u>	\$ <u>(59,714)</u>	280,011	\$ <u>339,725</u>
Fund balance, beginning (Non-GAAP budgetary basis)			<u>5,085,609</u>	
Fund balance, ending (Non-GAAP budgetary basis)			5,365,620	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Unrealized gain on investments			10,085	
Revenue and transfer accruals			<u>16,190</u>	
Expenditure and transfer accruals				
Fund balance, ending (GAAP basis)			\$ <u>5,391,895</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, 2010

	<u>Four Cent</u> <u>Gas Tax</u>	<u>Motor</u> <u>Fuel Tax</u>	<u>7 Cents</u> <u>Gas Tax</u>
ASSETS			
<u>Assets</u>			
Accounts receivable - taxes	\$ 728	\$ 128	\$ 803
Accounts receivable - fines			
Interfund receivable	40		
Prepaid expense			
<u>Restricted Assets</u>			
Cash	<u>46,370</u>	<u>44,610</u>	<u>40,340</u>
 Total Assets	 <u>\$ 47,138</u>	 <u>\$ 44,738</u>	 <u>\$ 41,143</u>
 LIABILITIES AND FUND BALANCES			
<u>Liabilities</u>			
Accounts payable	\$	\$	\$
Accrued wages			
Interfund payable		40	
 Total Liabilities	 <u>0</u>	 <u>40</u>	 <u>0</u>
 <u>Fund Balances</u>			
Reserved	<u>47,138</u>	<u>44,698</u>	<u>41,143</u>
 Total Liabilities and Fund Equity	 <u>\$ 47,138</u>	 <u>\$ 44,738</u>	 <u>\$ 41,143</u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	95		1,659
			95
	596		40
			596
<u>115,669</u>	<u>44,608</u>	<u>185,977</u>	<u>477,574</u>
\$ <u><u>115,669</u></u>	\$ <u><u>45,299</u></u>	\$ <u><u>185,977</u></u>	\$ <u><u>479,964</u></u>
\$	\$	\$	\$
	1,011		1,011
	5,597		5,597
			40
<u>0</u>	<u>6,608</u>	<u>0</u>	<u>6,648</u>
<u>115,669</u>	<u>38,691</u>	<u>185,977</u>	<u>473,316</u>
\$ <u><u>115,669</u></u>	\$ <u><u>45,299</u></u>	\$ <u><u>185,977</u></u>	\$ <u><u>479,964</u></u>

See independent auditor's report.

CITY OF COLUMBIANA, ALABAMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Four Cent Gas Tax</u>	<u>Motor Fuel Tax</u>	<u>7 Cents Gas Tax</u>
<u>Revenues</u>			
Donations	\$	\$	\$
Fines and charges			
Grant income			
Investment income	6	6	4
Lot sales and openings/closings			
Miscellaneous			
Shared taxes	<u>8,037</u>	<u>1,451</u>	<u>8,865</u>
 Total Revenue	 <u>8,043</u>	 <u>1,457</u>	 <u>8,869</u>
<u>Expenditures</u>			
Cemetery			
Library			
 Total Expenditures	 <u>0</u>	 <u>0</u>	 <u>0</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in			
 Total Other Financing Sources (Uses)	 <u>0</u>	 <u>0</u>	 <u>0</u>
 Net change in fund balances	 8,043	 1,457	 8,869
 Fund Balance, Beginning of Year	 <u>39,095</u>	 <u>43,241</u>	 <u>32,274</u>
 Fund Balance, End of Year	 <u>\$ 47,138</u>	 <u>\$ 44,698</u>	 <u>\$ 41,143</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, 2010

<u>State Capital Improvements</u>	<u>Library</u>	<u>Cemetery</u>	<u>Total Nonmajor Governmental Funds</u>
\$	\$	\$	\$
	826	300	1,126
	10,029		10,029
	2,895		2,895
1,490	77	2,608	4,191
		12,000	12,000
	1,300		1,300
<u>24,198</u>			<u>42,551</u>
<u>25,688</u>	<u>15,127</u>	<u>14,908</u>	<u>74,092</u>
		748	748
	<u>174,740</u>		<u>174,740</u>
<u>0</u>	<u>174,740</u>	<u>748</u>	<u>175,488</u>
	<u>167,966</u>		<u>167,966</u>
<u>0</u>	<u>167,966</u>	<u>0</u>	<u>167,966</u>
25,688	8,353	14,160	66,570
<u>89,981</u>	<u>30,338</u>	<u>171,817</u>	<u>406,746</u>
\$ <u><u>115,669</u></u>	\$ <u><u>38,691</u></u>	\$ <u><u>185,977</u></u>	\$ <u><u>473,316</u></u>

See independent auditor's report.

CITY OF COLUMBIANA – GENERAL FUND
COLUMBIANA, ALABAMA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2006, 2007,
2008, 2009, AND 2010

CITY OF COLUMBIANA - GENERAL FUND
COLUMBIANA, ALABAMA

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DeLOACH, BARBER & CASPERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

We have compiled the accompanying balance sheets of the General Fund of the City of Columbiana, Alabama as of September 30, 2006, 2007, 2008, 2009, and 2010, and the related statements of revenues, expenditures and changes in fund balances and selected financial data for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements-governmental funds information that is the representation of the Mayor and City Council. We have not audited or reviewed the accompanying financial statements-governmental funds and, accordingly, do not express an opinion or any other form of assurance on them.

The financial statements and additional information present only the City of Columbiana - General Fund of the City of Columbiana, Alabama and are not intended to present fairly the financial position of the City of Columbiana, Alabama, and the results of its operations.

The General Fund of 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 financial statements.

The Mayor and City Council have elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

DeLoach, Barber & Caspers, P.C.

May 11, 2011

**CITY OF COLUMBIANA - GENERAL FUND
BALANCE SHEETS**

ASSETS	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>CURRENT ASSETS:</u>					
CASH AND CASH EQUIVALENTS	\$ 925,491	\$ 1,446,269	\$ 1,648,108	\$ 1,543,942	\$ 1,701,205
ACCOUNTS RECEIVABLE - TAXES	426,489	439,872	440,531	424,421	433,937
ACCOUNTS RECEIVABLE - CUSTOMERS	55,098	61,975	56,946	54,894	55,999
ACCOUNTS RECEIVABLE - GRANT	3,174	745	29,521	387	783
ACCOUNTS RECEIVABLE - OTHER	10,546	7,994	38,940	70	68
INTEREST RECEIVABLE	16,138	20,551	20,797	6,003	5,854
INVENTORIES	248	248	248	248	248
INTERFUND RECEIVABLE	5,155	6,840	5,178	7,384	1,873
PREPAID INSURANCE	55,776	31,790	30,092	32,132	30,402
<u>RESTRICTED ASSETS:</u>					
INVESTMENTS	2,839,934	2,750,292	2,859,148	3,092,732	3,147,595
CASH	121,321	341,004	251,081	225,350	335,662
<u>OTHER ASSETS</u>					
BOND COST, NET OF AMORTIZATION	157,951	380,380	340,387	300,395	260,402
TOTAL ASSETS	\$ 4,617,321	\$ 5,487,960	\$ 5,720,977	\$ 5,687,958	\$ 5,974,028
<u>LIABILITIES AND EQUITY</u>					
<u>CURRENT LIABILITIES:</u>					
ACCOUNTS PAYABLE	\$ 53,471	\$ 279,885	\$ 87,386	\$ 42,707	\$ 32,634
PAYROLL LIABILITIES			994		518
ACCRUED EXPENSES	39,011	41,948	50,305	64,524	58,407
INTEREST PAYABLE				2,419	169
INTERFUND PAYABLE	186,776	182,810	179,794	176,396	175,872
DEFERRED REVENUE	291,217	303,184	318,754	316,303	314,533
TOTAL LIABILITIES	570,475	807,827	637,233	602,349	582,133
<u>FUND EQUITY:</u>					
UNRESERVED FUND BALANCE	4,046,846	4,680,133	5,083,744	5,085,609	5,391,895
TOTAL FUND EQUITY	4,046,846	4,680,133	5,083,744	5,085,609	5,391,895
TOTAL LIABILITIES AND EQUITY	\$ 4,617,321	\$ 5,487,960	\$ 5,720,977	\$ 5,687,958	\$ 5,974,028

See accountant's compilation report.

CITY OF COLUMBIA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

<u>GROSS REVENUE:</u>	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
CHARGES FOR SERVICES	\$ 224,333	\$ 267,447	\$ 270,818	\$ 263,723	\$ 261,615
DONATIONS	29,713	154,440	39,722	20,653	42,652
FEDERAL AND STATE GRANTS	133,376	280,045	110,648	76,161	17,878
FINES AND FORFEITURES	955	560	620	770	570
FIRE DEPARTMENT INCOME	2,774	13,933	5,184	5,963	77,475
FRANCHISE FEES	26,361	100,959	86,024	88,973	90,103
INVESTMENT INCOME	197,143	232,632	234,181	176,692	170,874
LICENSES AND PERMITS	437,556	440,976	542,466	437,693	442,566
MISCELLANEOUS REVENUE	17,717	42,692	27,199	11,691	13,027
PARK & RECREATION INCOME	18,469	20,836	56,712	27,235	5,330
SALE OF FIXED ASSETS		8,077	105,500		4,333
TAXES	1,881,401	2,043,485	2,001,832	1,807,528	1,803,189
TOTAL GROSS REVENUE	<u>2,969,798</u>	<u>3,606,082</u>	<u>3,480,906</u>	<u>2,917,082</u>	<u>2,929,612</u>

OPERATING EXPENSES:

GENERAL GOVERNMENT

ACCOUNTING AND AUDITING	14,384	4,104	4,688	4,556	3,392
BANK CHARGES	2,660	3,473	1,354	2,631	73
CASH OVER/SHORT	(15)	(40)	34		45
CITY PROMOTION	10,173	8,147	18,308	9,622	8,322
COLLECTION FEES - ALATAX	41,899	47,696	33,359	40,934	42,645
COMPUTER MAINTENANCE & EXPENSE	11,157	6,358	12,047	7,598	3,719
CONTRACT LABOR	1,249				
COUNCIL MEETING EXPENSE	149	50	468	1,680	69
DUES AND PUBLICATIONS	6,013	6,649	8,148	4,627	6,841
ELECTION EXPENSE			6,498	6,252	
EMPLOYEE FRINGE BENEFITS	835	207	127	113	67
FEES AND SERVICES	101	1,063	2,114	2,070	2,404
GAS AND OIL	843	743	988	584	606
GRANT - MATCHING FUNDS		5,901		6,000	

See accountant's compilation report.

(Continued)

CITY OF COLUMBIA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>GENERAL GOVERNMENT (Continued)</u>					
INSURANCE - BUSINESS	10,108	16,063	10,658	12,266	28,687
INSURANCE - EMPLOYEES HEALTH	50,762	47,897	44,750	45,371	44,272
INSURANCE - POLICY CLAIMS	1,166				
INSURANCE - WORKMANS COMP	612	951	325	471	509
JANITORIAL - SUPPLIES	2,341	1,950	1,596	936	1,051
JANITORIAL- LABOR	5,250	2,880	2,880	2,880	2,880
LEGAL SERVICES	10,669	16,478	13,174	4,224	1,287
MATERIALS AND SUPPLIES	1,347		3,419		416
MISCELLANEOUS	508	450		1,197	372
NEWSLETTER EXPENSE	8,721	9,791	9,865	10,095	8,740
OFFICE SUPPLIES	6,166	5,038	9,288	5,708	2,538
OTHER PROFESSIONAL SERVICES	14,993	14,122	3,904	5,400	2,370
PAYROLL PROCESSING FEES	526	3,268	4,939	5,993	4,615
PAYROLL TAXES	21,210	13,889	18,940	17,783	14,134
POSTAGE	4,742	4,755	4,184	5,092	3,845
RENTAL - COPIER	988	855	778	893	757
REPAIRS AND MAINTENANCE	4,747	2,239	3,915	2,240	6,524
SALARIES AND WAGES	161,501	172,357	183,577	193,228	189,853
SMALL TOOLS AND EQUIPMENT	1,008	510	787	233	355
STATE RETIREMENT	6,195	7,318	6,727	5,406	4,042
TELEPHONE	11,617	10,628	9,959	10,710	10,261
TRAINING & CONVENTIONS	12,097	10,440	9,584	11,744	2,586
TRAVEL	6,440	3,866	3,873	3,219	2,487
UNIFORMS			257	445	
UTILITIES	11,866	15,414	14,833	20,801	17,275
TOTAL GENERAL GOVERNMENT	<u>445,028</u>	<u>445,510</u>	<u>450,345</u>	<u>453,002</u>	<u>418,039</u>
<u>POLICE DEPARTMENT:</u>					
ACCOUNTING AND AUDITING	3,681	2,549	2,787	4,556	3,392
AMMUNITION	40	527		1,350	917
COMMUNITY PROGRAM	238				77

CITY OF COLUMBIA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>POLICE DEPARTMENT:(Continued)</u>					
COMPUTER LEASE	5,280	5,280	8,400	9,600	5,830
COMPUTER MAINTENANCE & EXPENSE	3,292	3,952	3,027	3,148	3,461
DRUG RELATED EXPENSES	260	185		55	
DUES AND SUBSCRIPTIONS	375	455	690	560	600
EMPLOYEE FRINGE BENEFITS	120	52	136	243	318
FEES AND SERVICES	285				33
GAS AND OIL	25,230	20,213	31,428	19,379	24,827
INSURANCE - CLAIMS	4,750	218			
INSURANCE - EMPLOYEE HEALTH	63,692	54,761	63,177	58,440	59,147
INSURANCE - GENERAL	35,421	33,095	27,268	30,283	21,608
INSURANCE - WORKMAN'S COMP	14,320	12,523	13,466	14,615	14,507
INVESTIGATION EXPENSE	414	1,428	2,080	2,444	1,266
JANITORIAL - LABOR	5,250	2,640	2,880	2,880	1,440
JANITORIAL - SUPPLIES	1,817	2,259	606	520	470
LEGAL SERVICES	700	1,000			
MATERIALS AND SUPPLIES	2,123	851	1,358	422	499
MISCELLANEOUS	746	66		500	
OFFICE SUPPLIES	1,984	1,936	3,420	1,362	2,225
PAYROLL PROCESSING FEES	1,683	1,191	2,240	1,989	1,995
PAYROLL TAXES	38,291	33,821	32,631	36,835	32,772
POSTAGE	54	67	84	11	150
PROMOTION	886	367	1,118	902	
RADIO EXPENSE	1,184	391	395	2,449	266
RENTAL - COPIER			625	1,500	1,500
REPAIRS AND MAINTENANCE	18,946	9,030	14,234	14,302	21,038
SALARIES AND WAGES	519,251	440,641	460,443	475,940	456,427
SMALL TOOLS AND EQUIPMENT	649	1,285	749	560	1,142
STATE RETIREMENT	39,968	32,359	34,810	28,602	21,026
TELEPHONE	7,442	6,032	5,045	5,044	4,847
TRAINING	2,274	9,124	695	389	948
TRAVEL	1,384	548	1,256	583	38
UNIFORMS	10,838	2,502	2,942	2,722	1,753
UTILITIES	9,246	10,596	11,220	12,420	12,716
TOTAL POLICE DEPARTMENT	822,114	691,944	729,210	734,605	697,235

See accountant's compilation report.

CITY OF COLUMBIA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>STREET DEPARTMENT</u>					
ACCOUNTING AND AUDITING	3,681	2,549	2,787	1,839	3,392
COMPUTER EXPENSE	419	390	670	2,436	899
ENGINEER SERVICES	6,956	4,666	33,268		
GAS AND OIL	18,998	23,108	24,856	12,838	10,749
INSURANCE - EMPLOYEE HEALTH	31,205	26,922	21,794	24,881	23,030
INSURANCE - GENERAL	5,856	7,421	5,894	5,659	5,239
INSURANCE - WORKMANS COMP	8,587	8,277	8,819	9,284	10,104
LEGAL SERVICES					1,228
MATERIALS AND SUPPLIES	16,054	14,909	12,893	9,965	3,176
MISCELLANEOUS		61	2,965	3,525	656
MOSQUITO CONTROL	3,519	2,691	3,105	930	
OFFICE SUPPLIES	68		218	184	435
PAYROLL PROCESSING FEES	663	482	961	1,084	896
PAYROLL TAXES	13,169	12,425	13,256	14,947	10,802
REPAIRS AND MAINTENANCE	49,551	31,584	23,261	21,435	23,662
SALARIES AND WAGES	182,398	161,876	182,971	184,943	148,043
SMALL TOOLS AND EQUIPMENT			253		
STATE RETIREMENT	15,075	13,396	12,391	10,615	6,091
TELEPHONE	1,598	2,451	2,543	2,919	2,884
TRAINING	356	711	800		90
UNIFORMS	6,721	5,604	3,088	1,423	210
UTILITIES	34,561	39,276	48,755	51,633	58,180
TOTAL STREET DEPARTMENT	<u>399,435</u>	<u>358,799</u>	<u>405,548</u>	<u>360,540</u>	<u>309,766</u>

See accountant's compilation report.

(Continued)

CITY OF COLUMBIA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>SANITATION DEPARTMENT</u>					
ACCOUNTING AND AUDITING	3,681	2,549	2,787	1,839	3,392
BAD DEBTS			7,944	1,641	257
COMPUTER MAINTENANCE & EXPENSE	1,827	1,923	1,923	1,974	1,645
GAS AND OIL	11,079	10,355	16,210	9,543	10,860
INSURANCE - GENERAL	3,576	4,037	3,564	3,214	2,355
INSURANCE - GROUP HEALTH	17,182	20,621	21,856	20,304	18,287
INSURANCE - WORKMANS COMP	7,539	8,925	6,399	6,919	10,225
LANDFILL FEES	42,071	43,522	42,816	42,702	37,508
MATERIALS AND SUPPLIES	1,845	1,059	1,568	1,051	1,405
MISCELLANEOUS	3	147	20	259	6,814
OFFICE SUPPLIES	539	540	652	702	959
PAYROLL PROCESSING FEES	364	348	795	667	738
PAYROLL TAXES	6,112	7,164	7,391	8,586	6,889
POSTAGE	1,891	2,455	2,400	2,632	2,249
REPAIRS AND MAINTENANCE	12,796	9,485	12,459	10,446	8,556
SALARIES AND WAGES	83,823	97,475	106,091	111,831	96,261
STATE RETIREMENT	3,888	6,632	8,593	6,873	4,864
TELEPHONE	1,317	2,107	2,048	2,208	2,457
UNIFORMS	5,076	5,527	3,921	2,780	1,901
UTILITIES	1,046	1,038	1,180	914	1,158
TOTAL SANITATION DEPARTMENT	<u>205,655</u>	<u>225,909</u>	<u>250,617</u>	<u>237,085</u>	<u>218,780</u>

See accountant's compilation report.

(Continued)

CITY OF COLUMBIANA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>FIRE DEPARTMENT</u>					
ATTENDANCE FEES	1,240				70
DUES AND PUBLICATIONS	709	933	654	574	126
EMS SUPPLIES	881	564	600	181	1,831
FEES AND SERVICES	2,090	810	1,220	271	170
FIRE PREVENTION	1,406	1,387	7,243	1,944	1,164
GAS AND OIL	4,349	4,972	5,188	3,138	4,122
INSURANCE - GENERAL	6,596	9,534	8,620	7,976	8,014
INSURANCE - GROUP HEALTH	1,328	1,717	1,588	1,458	1,426
INSURANCE - WORKMANS COMP	2,283	5,091	1,879	3,390	2,064
MATERIALS AND SUPPLIES	6,909	922	2,911	6,269	2,237
MISCELLANEOUS	772	25	176	174	6
PAGER EXPENSE	155	398			
PAYROLL PROCESSING EXPENSE		612	2,080	1,624	1,387
PAYROLL TAXES	5,597	6,078	6,213	6,853	6,692
RADIO EXPENSE	1,879	1,026	1,221	1,074	948
REPAIRS AND MAINTENANCE	21,403	12,335	16,076	18,734	13,590
SALARIES AND WAGES	74,817	76,290	81,089	82,270	84,338
TELEPHONE	2,374	1,271	1,353	1,003	1,013
TRAINING	1,985	3,265	484	617	1,357
UNIFORMS	24,230	2,449	4,472	7,274	
UTILITIES	11,115	10,737	9,684	11,713	12,871
TOTAL FIRE DEPARTMENT	<u>172,118</u>	<u>140,416</u>	<u>152,751</u>	<u>156,537</u>	<u>143,426</u>
<u>DEBT SERVICE</u>					
AMORTIZATION OF BOND COST		8,685	10,162	10,162	10,161
DEBT RETIREMENT	175,540	3,481,290	199,536	192,698	202,265
INTEREST ON LONG TERM DEBT	212,195	211,344	226,472	218,330	210,638
TOTAL DEBT SERVICE	<u>387,735</u>	<u>3,701,319</u>	<u>436,170</u>	<u>421,190</u>	<u>423,064</u>

See accountant's compilation report.

(Continued)

CITY OF COLUMBIANA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>PARK AND RECREATION</u>					
ACCOUNTING AND AUDIT	3,681	2,549	2,787	1,839	3,392
BOARD EXPENSES			9,311		
COMPUTER MAINTENANCE & EXPENSE	419	390	390	390	78
DONATIONS		1,700	1,000		
GRANT - SR CENTER		1,699	1,275	2,000	
FEES AND SERVICES	600	593	1,910	1,600	525
GAS AND OIL	1,709	2,112	4,067	2,332	1,206
INSURANCE - GENERAL	4,323	5,763	5,459	5,382	3,740
INSURANCE - GROUP HEALTH	10,571	5,580	3,731	3,698	962
INSURANCE - WORKMANS COMP	2,021	2,192	3,245	2,827	1,961
INMATE MEAL EXPENSE		408		452	209
JANITORIAL - SUPPLIES	1,915	2,182	1,702	2,133	1,205
MATERIALS AND SUPPLIES	4,170	8,497	5,686	1,826	658
OFFICE SUPPLIES	139	146	101	160	64
PAYROLL PROCESSING FEES	193	314	613	570	273
PAYROLL TAXES	6,059	4,246	3,808	3,904	1,338
PROMOTION OF PARK		108			15
REPAIRS AND MAINTENANCE	22,016	15,505	11,867	26,678	31,602
SALARIES AND WAGES	81,923	51,763	50,934	47,832	11,947
STATE RETIREMENT	4,705	2,952	2,676	2,055	398
SUMMER PROGRAM	12,532				
TELEPHONE	2,076	1,564	997	1,116	1,038
TRAVEL AND TRAINING				817	668
UNIFORMS	3,152	1,780	909	785	193
UTILITIES	42,892	53,665	46,833	53,414	48,210
TOTAL PARK AND RECREATION	<u>205,096</u>	<u>165,708</u>	<u>159,301</u>	<u>161,810</u>	<u>109,682</u>
<u>BEAUTIFICATION BOARD</u>					
MATERIALS AND SUPPLIES	1,809	403	2,882	27	30
PROMOTION OF THE CITY	32	2,884	4,796	1,305	
TOUR OF HOMES	121	948	1,272	1,427	1,141
TOTAL BEAUTIFICATION BOARD	<u>1,962</u>	<u>4,235</u>	<u>8,950</u>	<u>2,759</u>	<u>1,171</u>

See accountant's compilation report.

**CITY OF COLUMBIANA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>SENIOR CENTER</u>					
ACCOUNTING AND AUDIT					1,899
DONATIONS					1,053
GRANT - SR CENTER					250
GAS AND OIL					10
INSURANCE - GROUP HEALTH					130
JANITORIAL - SUPPLIES					1,176
MATERIALS AND SUPPLIES					218
OFFICE SUPPLIES					246
PAYROLL PROCESSING FEES					332
PAYROLL TAXES					1,263
REPAIRS AND MAINTENANCE					1,865
SALARIES AND WAGES					19,253
STATE RETIREMENT					910
UTILITIES					6,481
TOTAL SENIOR CENTER	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>35,086</u>
<u>DONATIONS AND SPECIAL EVENTS:</u>					
BD OF EDUCATION	12,000		20,000		
EMERGENCY RESCUE UNIT	40,975	44,700	44,700	44,700	44,700
LIBERTY DAY AND CITY MUSIC FESTIVAL	30,086	30,190	36,312	28,279	28,875
SOUTH SHELBY CHAMBER				5,000	5,500
FIRE TRAINING TOWER				8,000	8,000
MISCELLANEOUS	5,000		6,083	1,835	500
TOTAL DONATIONS AND SPECIAL EVENTS	<u>88,061</u>	<u>74,890</u>	<u>107,095</u>	<u>87,814</u>	<u>87,575</u>

See accountant's compilation report.

(Continued)

CITY OF COLUMBIA - GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>CAPITAL EXPENDITURES</u>					
GENERAL GOVERNMENT	17,059	751,182	54,702	150,030	8,585
POLICE DEPARTMENT	49,225	2,226	29,399	750	70,352
STREET DEPARTMENT	781		75,550	150,949	9,050
SANITATION DEPARTMENT	782	103,009			
FIRE DEPARTMENT	137,477	26,196	42,337	2,860	186,462
PARK AND RECREATION	184,202	5,000	61,009	10,240	32,608
BEAUTIFICATION		3,815			7,250
TOTAL CAPITAL EXPENDITURES	<u>389,526</u>	<u>891,428</u>	<u>262,997</u>	<u>314,829</u>	<u>314,307</u>
TOTAL EXPENDITURES	<u>3,116,730</u>	<u>6,700,158</u>	<u>2,962,984</u>	<u>2,930,171</u>	<u>2,758,131</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(146,932)</u>	<u>(3,094,076)</u>	<u>517,922</u>	<u>(13,089)</u>	<u>171,481</u>
<u>NON-OPERATING REVENUES & EXP:</u>					
NET INCREASE (DECREASE) IN FAIR VALUE OF INVESTMENTS	(116,820)	(21,901)	37,890	189,537	136,271
PROCEEDS FROM ISSUANCE OF DEBT		3,965,000	79,324		160,500
TRANSFERS:					
OPERATING TRANSFERS IN	413,213	64,364	351,122	379,131	393,920
OPERATING TRANSFERS OUT	<u>(683,227)</u>	<u>(280,100)</u>	<u>(582,647)</u>	<u>(553,714)</u>	<u>(555,886)</u>
TOTAL NON-OPERATING REVENUES (EXPENDITURES)	<u>(386,834)</u>	<u>3,727,363</u>	<u>(114,311)</u>	<u>14,954</u>	<u>134,805</u>
NET CHANGE IN FUND BALANCE	\$ (533,766)	\$ 633,287	\$ 403,611	\$ 1,865	\$ 306,286
PRIOR PERIOD ADJUSTMENT	21,601				
FUND BALANCE, BEGINNING OF YEAR	<u>4,559,011</u>	<u>4,046,846</u>	<u>4,680,133</u>	<u>5,083,744</u>	<u>5,085,609</u>
FUND BALANCE, END OF YEAR	<u><u>4,046,846</u></u>	<u><u>4,680,133</u></u>	<u><u>5,083,744</u></u>	<u><u>5,085,609</u></u>	<u><u>5,391,895</u></u>

See accountant's compilation report.

ADDITIONAL INFORMATION

**CITY OF COLUMBIANA - GENERAL FUND
FINANCIAL ANALYSIS WORKSHEET
SELECTED FINANCIAL DATA**

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
REVENUE	\$ <u>2,969,798</u>	\$ <u>3,606,082</u>	\$ <u>3,480,906</u>	\$ <u>2,917,082</u>	\$ <u>2,929,612</u>
TOTAL GENERAL GOVERNMENT	445,028	445,510	450,345	453,002	418,039
TOTAL POLICE	822,114	691,944	729,210	734,605	697,235
TOTAL STREET	399,435	358,799	405,548	360,540	309,766
TOTAL SANITATION	205,655	225,909	250,617	237,085	218,780
TOTAL FIRE PROTECTION	172,118	140,416	152,751	156,537	143,426
TOTAL DEBT SERVICE	387,735	3,701,319	436,170	421,190	423,064
TOTAL PARK AND RECREATION	205,096	165,708	159,301	161,810	109,682
TOTAL BEAUTIFICATION BOARD	1,962	4,235	8,950	2,759	1,171
TOTAL SENIOR CENTER	0	0	0	0	35,086
TOTAL DONATIONS & SPECIAL EVENTS	88,061	74,890	107,095	87,814	87,575
TOTAL CAPITAL EXPENDITURES	<u>389,526</u>	<u>891,428</u>	<u>262,997</u>	<u>314,829</u>	<u>314,307</u>
TOTAL EXPENDITURES	<u>3,116,730</u>	<u>6,700,158</u>	<u>2,962,984</u>	<u>2,930,171</u>	<u>2,758,131</u>
TOTAL NON-OPERATING REVENUE (EXP)	<u>(386,834)</u>	<u>3,727,363</u>	<u>(114,311)</u>	<u>14,954</u>	<u>134,805</u>
INCOME (LOSS) FROM OPERATIONS	<u>\$ (533,766)</u>	<u>\$ 633,287</u>	<u>\$ 403,611</u>	<u>\$ 1,865</u>	<u>\$ 306,286</u>

See accountant's compilation report.

(Continued)

**CITY OF COLUMBIANA - GENERAL FUND
FINANCIAL ANALYSIS WORKSHEET
SELECTED FINANCIAL DATA**

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
TOTAL REVENUE	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
TOTAL ADMIN & GENERAL	14.99%	12.35%	12.94%	15.53%	14.27%
TOTAL POLICE	27.68%	19.19%	20.94%	25.17%	23.79%
TOTAL STREET	13.45%	9.95%	11.65%	12.36%	10.57%
TOTAL SANITATION	6.92%	6.26%	7.20%	8.13%	7.47%
TOTAL FIRE PROTECTION	5.80%	3.89%	4.39%	5.37%	4.90%
TOTAL DEBT SERVICE	13.06%	102.64%	12.53%	14.44%	14.44%
TOTAL PARK AND RECREATION	6.91%	4.60%	4.58%	5.55%	3.74%
TOTAL BEAUTIFICATION BOARD	0.07%	0.12%	0.26%	0.09%	0.04%
TOTAL SENIOR CENTER	0.00%	0.00%	0.00%	0.00%	1.20%
TOTAL DONATIONS & SPECIAL EVENTS	2.97%	2.08%	3.08%	3.01%	2.99%
TOTAL CAPITAL EXPENDITURES	<u>13.12%</u>	<u>24.72%</u>	<u>7.56%</u>	<u>10.79%</u>	<u>10.73%</u>
TOTAL EXPENDITURES	<u>104.97%</u>	<u>185.80%</u>	<u>85.13%</u>	<u>100.44%</u>	<u>94.14%</u>
TOTAL NON-OPERATING REVENUE (EXP)	<u>-13.03%</u>	<u>103.36%</u>	<u>-3.28%</u>	<u>0.51%</u>	<u>4.60%</u>
INCOME (LOSS) FROM OPERATIONS	<u><u>-18.00%</u></u>	<u><u>17.56%</u></u>	<u><u>11.59%</u></u>	<u><u>0.07%</u></u>	<u><u>10.46%</u></u>

See accountant's compilation report.

CITY OF COLUMBIANA, ALABAMA
SCHEDULE OF TAX REVENUES - GENERAL FUND
FOR THE YEARS ENDED SEPTEMBER 30, 2006, 2007, 2008, 2009, AND 2010

	<u>9/30/2006</u>	<u>9/30/2007</u>	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>
01-01-4360.00 SALES TAXES	\$ 1,394,528	\$ 1,530,442	\$ 1,475,197	\$ 1,279,588	1,302,636
01-01-4330.05 ADVALOREM TAXES	315,333	320,736	333,182	345,223	336,547
01-01-4370.00 TOBACCO PRODUCTS	49,180	46,836	40,703	35,459	35,139
01-01-4350.00 RENTAL-TAX	31,643	31,272	38,602	32,455	34,224
01-01-4330.08 MOTOR FUEL TAXES	27,380	27,350	25,503	29,900	29,142
01-01-4300.02 BEER TAXES	21,859	20,172	20,928	20,026	19,574
01-01-4330.06 FINANCIAL EXCISE TAX	0	25,972	31,204	25,197	7,404
01-01-4330.03 SHARES/BUS PRIVILEGE TAX	11,699	11,787	7,893	15,947	12,054
01-01-4330.07 MOTOR VEHICLE TAX	13,390	14,401	13,469	12,280	12,607
01-01-4300.00 ALCOHOL BEVERAGE TAX	10,559	9,901	9,005	8,553	6,662
01-01-4180.00 IN LIEU OF TAXES COLUMBIANA HOUSING	3,200	2,781	4,234	1,062	2,507
01-01-4910.00 LAND REDEMPTIONS	256	161	257	246	3,182
01-01-4300.03 WINE TAXES	1,363	1,407	1,508	1,405	1,350
01-01-4710.00 BHAM RACING COMMISSION	791	0	0	0	0
01-01-4390.00 TRAILER REGISTRATION	220	267	147	187	161
TOTAL TAX REVENUES	\$ <u>1,881,401</u>	\$ <u>2,043,485</u>	\$ <u>2,001,832</u>	\$ <u>1,807,528</u>	<u>1,803,189</u>

See accountant's compilation report.

CITY OF COLUMBIANA - SEWER FUND
COLUMBIANA, ALABAMA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2006, 2007, 2008,
2009, AND 2010

CITY OF COLUMBIANA - SEWER FUND
COLUMBIANA, ALABAMA

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

We have compiled the accompanying statement of net assets of the Sewer Fund of the City of Columbiana, Alabama as of September 30, 2006, 2007, 2008, 2009, and 2010, and the related statement of revenues, expenditures and changes in fund net assets for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of the Mayor and City Council. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The financial statements and additional information present only the City of Columbiana - Sewer Fund of The City of Columbiana, Alabama and are not intended to present fairly the financial position of the City of Columbiana, Alabama, and the results of its operations.

The Sewer Fund of 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 financial statements.

The Mayor and City Council have elected to omit substantially all of the disclosures and the statements of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and statements cash flows were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

DeLoach, Barber & Caspers, P.C.

May 11, 2011

**CITY OF COLUMBIANA SEWER FUND
FINANCIAL ANALYSIS WORKSHEET
STATEMENT OF NET ASSETS**

	ASSETS				
	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>CURRENT ASSETS:</u>					
CASH AND CASH EQUIVALENTS	\$ 789,996	\$ 996,424	\$ 1,050,345	\$ 708,390	\$ 545,771
ACCOUNTS RECEIVABLE	54,333	59,647	88,233	64,905	95,857
INTERFUND RECEIVABLE	130,151	126,185	159,337	155,748	156,339
PREPAID INSURANCE	<u>2,181</u>	<u>1,208</u>	<u>721</u>	<u>583</u>	<u>483</u>
TOTAL CURRENT ASSETS	<u>976,661</u>	<u>1,183,464</u>	<u>1,298,636</u>	<u>929,626</u>	<u>798,450</u>
<u>PROPERTY, PLANT AND EQUIPMENT:</u>					
AUTOMOTIVE EQUIPMENT	22,790	22,790	22,790	27,690	27,690
MACHINERY AND EQUIPMENT	158,083	162,898	164,455	165,154	165,775
OFFICE FURNITURE AND EQUIPMENT	10,266	11,562	11,562	11,562	11,562
CONSTRUCTION IN PROCESS			113,835	969,896	
SYSTEM AND LINES	<u>3,813,510</u>	<u>3,813,510</u>	<u>3,813,510</u>	<u>3,813,510</u>	<u>4,922,277</u>
	4,004,649	4,010,760	4,126,152	4,987,812	5,127,304
	<u>(1,932,063)</u>	<u>(2,070,791)</u>	<u>(2,207,524)</u>	<u>(2,344,215)</u>	<u>(2,480,833)</u>
	<u>2,072,586</u>	<u>1,939,969</u>	<u>1,918,628</u>	<u>2,643,597</u>	<u>2,646,471</u>
	<u>\$ 3,049,247</u>	<u>\$ 3,123,433</u>	<u>\$ 3,217,264</u>	<u>\$ 3,573,223</u>	<u>\$ 3,444,921</u>

See accountant's compilation report.

**CITY OF COLUMBIANA SEWER FUND
FINANCIAL ANALYSIS WORKSHEET
STATEMENT OF NET ASSETS**

	LIABILITIES AND EQUITY				
	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>CURRENT LIABILITIES:</u>					
ACCOUNTS PAYABLE - TRADE	\$ 1,496	\$ 32,113	\$ 64,481	\$ 130,532	\$ 6,247
ACCRUED SALARIES	<u>3,761</u>	<u>4,291</u>	<u>3,985</u>	<u>6,351</u>	<u>4,942</u>
TOTAL CURRENT LIABILITIES	<u>5,257</u>	<u>36,404</u>	<u>68,466</u>	<u>136,883</u>	<u>11,189</u>
<u>LONG-TERM LIABILITIES:</u>					
ACCRUED COMPENSATED ABSENCES	<u>747</u>	<u>1,636</u>	<u>1,588</u>	<u>2,562</u>	<u>2,473</u>
TOTAL LONG-TERM LIABILITIES	<u>747</u>	<u>1,636</u>	<u>1,588</u>	<u>2,562</u>	<u>2,473</u>
<u>EQUITY:</u>					
RETAINED EARNINGS UNRESERVED	<u>3,043,243</u>	<u>3,085,393</u>	<u>3,147,210</u>	<u>3,433,778</u>	<u>3,431,259</u>
FUND EQUITY	<u>3,043,243</u>	<u>3,085,393</u>	<u>3,147,210</u>	<u>3,433,778</u>	<u>3,431,259</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 3,049,247</u>	<u>\$ 3,123,433</u>	<u>\$ 3,217,264</u>	<u>\$ 3,573,223</u>	<u>\$ 3,444,921</u>

See accountant's compilation report.

**CITY OF COLUMBIANA SEWER FUND
FINANCIAL ANALYSIS WORKSHEET
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS**

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>OPERATING REVENUES</u>					
SERVICE CHARGES					
AND OTHER REVENUES	\$ 331,641	\$ 410,233	\$ 400,572	\$ 397,379	\$ 430,881
<u>OPERATING EXPENSES</u>					
<u>SUPPLY AND DISTRIBUTION</u>					
BAD DEBT EXPENSE		4,243	1,566		566
DEPRECIATION	137,683	138,728	136,733	136,692	136,618
ENGINEERING SERVICES	26,309	3,159	6,270		
FEES AND SERVICES	749	3,529	3,600	5,450	7,320
GAS AND OIL	3,646	4,134	5,854	4,067	4,784
INSURANCE - EMPLOYEE HEALTH	12,333	9,039	13,289	10,805	10,814
INSURANCE - GENERAL	2,664	4,800	3,940	4,023	4,439
INSURANCE - WORKMANS COMP	3,347	3,454	2,879	1,885	1,708
MISCELLANEOUS	444	1,311	975	1,855	1,146
PAYROLL TAXES	8,070	7,623	6,367	6,564	6,477
PERMITS		2,790			5,880
PIPES, PARTS AND SUPPLIES	21,546	13,559	12,794	8,163	7,558
REPAIRS AND MAINTENANCE - BUILDING	3,139	3,419	276	255	951
REPAIRS AND MAINTENANCE - EQUIPMENT	2,658	6,193	6,061	2,433	12,577
REPAIRS AND MAINTENANCE - SYSTEM	31,200	36,274	30,998	55,814	22,080
REPAIRS AND MAINTENANCE - VEHICLES	3,659	3,770	4,351	4,239	1,499
SALARIES AND WAGES	104,928	98,504	86,264	91,203	86,123
SMALL TOOLS AND EQUIPMENT	360				
STATE RETIREMENT	7,538	6,639	7,188	5,909	4,399
UNIFORMS	2,361	2,033	1,593	1,501	1,183
UTILITIES	48,647	60,694	63,641	74,034	79,334
WATER TESTING AND ANALYSIS	38,449	27,108	22,675	25,309	26,002
	<u>459,730</u>	<u>441,003</u>	<u>417,314</u>	<u>440,201</u>	<u>421,458</u>

See accountant's compilation report.

**CITY OF COLUMBIANA SEWER FUND
FINANCIAL ANALYSIS WORKSHEET
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS**

	<u>09/30/06</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/09</u>	<u>09/30/10</u>
<u>ADMINISTRATIVE EXPENSES</u>					
ADVERTISING	25		662		
BANK CHARGES	28		47		
COMPUTER EXPENSE	3,649	2,260	2,302	2,312	2,199
DUES AND SUBSCRIPTIONS	593	480	500	624	538
LEGAL AND ACCOUNTING	3,681	2,549	2,788	5,161	8,031
OFFICE SUPPLIES	1,006	894	813	1,121	1,142
PAYROLL PROCESSING FEES	285	226	855	1,001	1,040
POSTAGE	2,615	2,572	2,511	2,644	2,813
RENTAL - COPIER	988	855	778	1,029	825
TELEPHONE	3,226	3,116	3,514	3,025	2,779
TRAINING AND TRAVEL		1,721	773	1,110	
	<u>16,096</u>	<u>14,673</u>	<u>15,543</u>	<u>18,027</u>	<u>19,367</u>
TOTAL OPERATING EXPENSES	<u>475,826</u>	<u>455,676</u>	<u>432,857</u>	<u>458,228</u>	<u>440,825</u>
OPERATING LOSS	<u>(144,185)</u>	<u>(45,443)</u>	<u>(32,285)</u>	<u>(60,849)</u>	<u>(9,944)</u>
<u>NON-OPERATING REVENUES AND EXPENSES:</u>					
INTEREST INCOME	6,452	32,593	27,487	12,418	7,425
GRANT REVENUE			66,614	335,000	
TRANSFERS FROM CITY	<u>159,346</u>	<u>55,000</u>			
TOTAL NON-OPERATING REVENUES AND EXPENSES	<u>165,798</u>	<u>87,593</u>	<u>94,101</u>	<u>347,418</u>	<u>7,425</u>
INCOME (LOSS) FROM OPERATIONS	21,613	42,150	61,816	286,569	(2,519)
NET ASSETS, BEGINNING OF YEAR	<u>3,021,630</u>	<u>3,043,243</u>	<u>3,085,393</u>	<u>3,147,209</u>	<u>3,433,778</u>
NET ASSETS, END OF YEAR	<u><u>3,043,243</u></u>	<u><u>3,085,393</u></u>	<u><u>3,147,209</u></u>	<u><u>3,433,778</u></u>	<u><u>3,431,259</u></u>

See accountant's compilation report.

DeLOACH, BARBER & CASPERS, P.C.

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May 18, 2011

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

Mayor and City Council:

In planning and performing our audit of the financial statements of the City of Columbiana, Alabama as of and for the year ended September 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Columbiana, Alabama's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However as noted in the attached memorandum, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. See the attached memorandum for the items we considered to be significant deficiencies.

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Mayor and City Council
City of Columbiana, Alabama
May 18, 2011

In addition, during our audits, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated May 18, 2011 on the financial statements of the City of Columbiana, Alabama. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are listed in the "Other Items" portion of the accompanying memorandum.

This communication is intended solely for the information and use of management and the Mayor and City Council of the City of Columbiana, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

DeLoach, Barber & Caspers, P.C.

CITY OF COLUMBIANA, ALABAMA
MEMORANDUM TO ACCOMPANY MANAGEMENT LETTER
SEPTEMBER 30, 2010

SIGNIFICANT DEFICIENCIES & NONCOMPLIANCE:

I. Lack of Segregation of Duties

There is a lack of segregation of duties due to limited personnel available. Internal control procedures should include a separation of opening of mail, depositing cash receipts, and recording them.

We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

II. Preparation of GAAP Basis Financial Statements

A key element of financial reporting is the ability of management to select and apply the appropriate principles to prepare financial statements in accordance with generally accepted accounting principles. For the year ended September 30, 2010, the City did not have personnel with sufficient knowledge to prepare GAAP-based financial statements. As a result, the City relies on the external auditor for certain material adjustments to be made that were required as part of the audit process and to prepare the financial statements.

We realize that management believes the cost of correcting the above significant deficiencies would exceed the benefits to be derived from doing so. Management does employ qualified staff to prepare monthly cash-basis financial statements each month for internal use, and monitors revenues and expenses as compared to the budget.

OTHER ITEMS/RECOMMENDATIONS:

I. Sewer - Sanitation

We noted that the accounts receivables in utility billing were not being monitored by City personnel.

The accounts receivable should be reviewed for potential collection action and procedures established to enforce collection. All write offs should be approved by Council.

CITY OF COLUMBIANA, ALABAMA
MEMORANDUM TO ACCOMPANY MANAGEMENT LETTER
SEPTEMBER 30, 2010

OTHER ITEMS/RECOMMENDATIONS: (Continued)

II. Disposition of Surplus Property

Auditor noted that records to show the disposition of surplus property were being maintained at City Hall. After Council action to declare the property as being surplus, there are no central records to show the method of disposition or who received the property.

Management should establish a procedure that accumulates the necessary documents or other specific information to insure that property is correctly disposed of and recorded, whether by donation, sale, or scrap/salvage.

III. City Vehicle Usage Policy

To be in compliance with Internal Revenue Service Publication 963, the city must have a written policy for Fringe benefits. This includes business expense reimbursement, employer provided vehicles, cafeteria plans, meals and lodging, deceased employee's wages, sick pay and vacation pay. Any personal benefit received by the employee must be added to their W-2.