

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
City of Columbiana Water Board
City of Columbiana, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Columbiana Water Board of the City of Columbiana, Alabama, a component unit of the City of Columbiana, Alabama, as of and for the year ended September 30, 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Columbiana Water Board of the City of Columbiana, Alabama, as of September 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information (pages 29-31) and additional information (pages 33-35) are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary and additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

DeLoach, Barber & Caspers, P. C.

December 11, 2013

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

ASSETS

Current Assets

Nonrestricted Assets:

Cash and cash equivalents	\$ 3,021,049
Accounts receivable, net of allowance for doubtful accounts of \$10,000	249,005
Interest receivable	252
Receivable from City of Columbiana	21,743
Inventory	53,919
Prepaid expenses	17,236

Restricted Assets:

Cash - meter deposits	283,303
Cash - 2008 bond proceeds	<u>42,034</u>

Total Current Assets 3,688,541

Noncurrent Assets

Capital Assets, at cost:

Automotive	229,182
Buildings	429,858
Construction in progress	182,742
Land	759,827
Machinery and equipment	355,774
Office furniture and equipment	94,412
Water system and lines	<u>9,053,914</u>

11,105,709

Allowance for depreciation (3,761,744)

Capital Assets - Net 7,343,965

Total Assets \$ 11,032,506

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

LIABILITIES

Current Liabilities

Current portion of revenue bonds payable	\$ 244,022
Accounts payable	118,125
Utility tax payable	4,938
Payroll taxes payable	823
Interest payable	465
Salaries and wages payable	59,569
<u>Current Liabilities (Payable from Restricted Assets)</u>	
Meter deposits	<u>242,824</u>
 Total Current Liabilities	 <u>670,766</u>

Long-Term Debt

Revenue bonds payable	<u>2,664,923</u>
 Total Long-Term Debt	 <u>2,664,923</u>

Total Liabilities \$ 3,335,689

NET POSITION

Net Position

Invested in capital assets, net of related debt	4,477,053
Restricted for:	
Meter Deposits	40,479
Unrestricted	<u>3,179,285</u>
 Total Net Position	 <u>\$ 7,696,817</u>

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Operating Revenues</u>	
Commercial and industrial water sales	\$ 761,644
Residential	950,414
Service charges and other revenue	<u>86,366</u>
	<u>1,798,424</u>
<u>Operating Expenses</u>	
Supply and distribution	1,081,135
Administrative expenses	<u>340,997</u>
	<u>1,422,132</u>
Operating Income	<u>376,292</u>
<u>Non-Operating Revenues (Expenses)</u>	
Interest income	14,998
Interest expense	<u>(116,331)</u>
Total Non-Operating Revenues (Expenses)	<u>(101,333)</u>
Change in Net Position	274,959
Total Net Position - Beginning of Year	<u>7,421,858</u>
Total Net Position, End of Year	\$ <u>7,696,817</u>

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 1,799,903
Payments to suppliers	(969,329)
Payments to employees and related payroll expenses	<u>(264,320)</u>
Net cash provided by operating activities	<u>566,254</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	(252,874)
Principal payments on revenue bonds payable	(234,984)
Interest payments on revenue bonds payable	<u>(116,380)</u>
Net cash used by capital and related financing activities	<u>(604,238)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>15,090</u>
Net cash provided by investing activities	<u>15,090</u>
Net increase in cash and equivalents	(22,894)
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>3,369,280</u>
Cash and equivalents, end of year (restricted and nonrestricted)	\$ <u>3,346,386</u>

(Continued)

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Reconciliation of Operating Income to Net Cash

Provided by Operating Activities:

Operating Income	\$ <u>376,292</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	232,244
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(3,960)
Inventories	15,917
Prepaid expenses	(2,499)
Interfund receivable from City	195
Increase (decrease):	
Accounts payable	(58,869)
Utility tax payable	310
Payroll taxes payable	131
Accrued wages payable	1,364
Meter deposit liability	<u>5,129</u>
Total adjustments	<u>189,962</u>
Net cash provided by operating activities	\$ <u>566,254</u>

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

Current Assets	\$ 3,021,049
Restricted Assets	
Cash-meter deposits	283,303
Cash - 2008 bond proceeds	<u>42,034</u>
Total Cash and Equivalents	\$ <u>3,346,386</u>

The accompanying notes are an integral part of these statements.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

The City of Columbiana Water Board of the City of Columbiana, Alabama (the "Board") is providing water services for the City of Columbiana, Alabama and the surrounding areas.

The Board is publicly 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 therefrom for any of its corporate purposes.

The Board is composed of three (3) board members appointed by the Council of the City of Columbiana, Alabama. The appointed members of the Board serve staggered six (6) year terms.

Reporting Entity

These financial statements contain only the accounts of The City of Columbiana Water Board of the City of Columbiana, Alabama which is an enterprise fund and a part of the basic financial statements of the City of Columbiana, Alabama, shown as a discretely presented component unit.

In conformity with the Government Accounting Standard's Board's (GASB) definition of a reporting entity, the Board is considered a discretely presented component unit to be included in the basic financial statements of the City of Columbiana based on the following criteria:

- a. Responsibility for Surpluses/Deficits - The Board is solely responsible for its surplus/deficits. The Board's operations are self-sustaining; revenues are generated through charges to customers.
- b. Budget Approval - The Board is solely responsible for reviewing, approving and revising its budget.
- c. Responsibility for Debt - The Act under which the Board was created authorizes the Board to issue debt. The Board is solely responsible for payments on its debt. No other governmental units are required by statute to make any debt payments on behalf of the Board, nor have any payments on the debt been made by any other governmental unit.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

- d. Designation of Management - The Board controls the hiring of management and employees.
- e. Special Financial Relationship - The Board is composed of three (3) board members appointed by the Council of the City of Columbiana, Alabama. The appointed members of the Board serve staggered six (6) year terms.
- f. Statutory Board - The Board's statutory authority was created by ordinance granting an exclusive franchise for the operation of a water works system and appurtenant facilities within the City of Columbiana, Alabama by the City Council.

Basic Financial Statements

Basic financial statements include both government-wide, based on the Board as a whole, and fund financial statements. While the previous model emphasized fund types, the total of all funds of a particular type, in the new reporting model the focus is either on the Board as a whole or major individual funds within the fund financial statements. Both the governmental-wide and fund financial statements categorize activities as either governmental or business-type. The Board is engaged in only providing business-type activities, which are reported as an enterprise fund. These activities are financed by charges to external parties for sale of goods and services. The Board does not engage in governmental activities; the Business-Type Activity (BTA) model is used. This model presents only the financial statements required for enterprise funds.

Fund financial statements report detailed information about the Board. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. The Board's one enterprise fund is considered major. The Board has no nonmajor funds. The Board's enterprise fund reports all activities of the Board.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Board's fund is categorized as a proprietary fund type for financial statement presentation purposes. Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The accrual basis of accounting recognizes revenues when earned and expenses when incurred.

The financial statements of The City of Columbiana Water Board of the City of Columbiana, Alabama have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which constitutes GAAP for governmental units. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Cash and Equivalents

For purposes of the statement of cash flows, the Board considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Restricted assets are considered to be cash equivalents.

At September 30, 2013 the carrying amount of the Board's deposits (cash and certificates of deposits) was \$3,346,386 and the bank balances was \$3,350,463. Of the bank balances, \$663,891 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 Treasurer. The Board had \$2,686,572 of Category 1 deposits covered by the SAFE Program at September 30, 2013.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Board's cash and investments are reported at cost which approximates the fair value in accordance with GASB Standards. The Board invests in government bonds, certificates of deposit, and short-term money market investments that are in accordance with the Board's investment policy.

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.

Receivables

Trade receivables are accounted for at their outstanding principal less accounts written off as uncollectible. No current receivables are being held for resale. No interest is charged on delinquent receivables but late fees are charged. Allowances are provided for estimated uncollectible accounts. Accounts are considered past due when they are more than 30 days beyond the date payment was due and payments are not being received on a monthly basis. Management determines which delinquent accounts should be reserved as uncollectible based on prior experience with the given customer, historical losses, and knowledge of the industry and its current market conditions. The Board collects customer deposits to be held as collateral to secure its receivables.

Prepaid Items

Payments made to vendors for goods or services that will benefit beyond September 30, 2013 are reported as prepaid items. These prepayments are recognized as expenses ratably over the related underlying period.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets

Certain assets of the Board have been restricted for debt service, capital improvements, and customer deposits. These assets consist of the following.

Cash-meter deposits	\$ 283,303
Cash - 2008 bond proceeds	<u>42,034</u>
Restricted Assets	\$ <u>325,337</u>

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

In connection with meter deposits received from customers, the Board is required to maintain separate "Meter Deposit Accounts", which are restricted to customer reimbursement and payment of outstanding customer balances.

Capital Assets, Depreciation, and Amortization

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. There was no capitalized interest included in construction costs for years ended September 30, 2013.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets, Depreciation, and Amortization (Continued)

Capital assets are depreciated over their estimated useful lives using the straight-line method. 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:

<u>Description</u>	<u>Life</u>
Water system	50
Automotive equipment	5-7
Office equipment	5-7
Machinery and equipment	7-10

Net Position

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

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

Restricted net position - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consist of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Use of Estimates

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

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses result from providing water services, which is the Board's principal ongoing operation. The Board also recognizes late charges, disconnect fees, bad check charges and tap-on charges to connect to the system as operating revenues. Operating expenses include the costs to provide these services, administrative costs, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Advertising

The Board expenses the cost of advertising the first time the advertising takes place.

Compensated Absences

For vacation and other compensated absences with similar characteristics, Governmental Accounting Standards require 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.

A Board employee may earn up to three weeks of annual vacation leave after seven years of satisfactory employment. Annual leave can not be accumulated in excess of two weeks and an employee cannot be paid for annual leave in lieu of time off. Sick leave may accumulate up to a maximum of 90 working days, but upon separation from service, except for retirement, all sick leave is canceled and is not transferable to annual leave. At retirement, one half of the accrued sick leave is eligible for a lump sum payment to the retiree. The Board had recorded a liability of \$51,884 for accrued vacation leave and sick leave as of September 30, 2013.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Recent Accounting Pronouncements

GASB Statement No. 63:

In June 2011, the GASB issued GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement, effective for periods beginning after December 15, 2011, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No.4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Board has implemented GASB Statement No. 63 in fiscal year 2013, and as a result, the financial statements have been renamed accordingly.

GASB Statement No. 65:

In March 2012, the GASB issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement, effective for periods beginning after December 15, 2012, reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources, as well as recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This Statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentation. The implementation of GASB Statement No. 65 will require the Board to retroactively recognize bond issuance costs as outflows of resources and restate the financial statements by eliminating any carrying amounts of bond issuance costs and related amortization items.

The Board early implemented GASB Statement No. 65 during fiscal year ended September 30, 2013. As a result, prior period net position were restated by \$11,800 for previously unamortized bond issuance costs.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

GASB Statement No. 68:

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement, effective for periods beginning after June 15, 2014 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The Board is currently evaluating the financial statement impact of adopting this Statement.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 2: CASH AND INVESTMENTS

The Board had the following cash and investments at September 30, 2013:

Cash and cash equivalents	\$ 1,738,868
Certificates of deposit	<u>1,607,518</u>
	<u>\$ 3,346,386</u>

Credit Risk

The Board's investment policy permits investments in direct obligations of agencies of the United States of America, obligations in which the principal and interest are unconditionally guaranteed by the United States of America, certificates of deposits, with FDIC insurance, or money market funds of financial and brokerage institutions which the Board has the power to invest directly in governmental securities or bonds which are qualified by the Board. 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

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board held less than two percent of the Board's total investments outstanding at year end in investments with maturities longer than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board 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 Board does not have a deposit policy for custodial credit risk. As of September 30, 2013, the Board had \$-0- in cash and cash equivalents exposed to custodial credit risk as Category 3 unsecured and uncollateralized deposits.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 3: CAPITAL ASSET ACTIVITY

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/13</u>
Capital assets, not being depreciated:				
Land	\$ 759,827			\$ 759,827
Construction in process		<u>182,742</u>		<u>182,742</u>
Total capital assets, not being depreciated	<u>759,827</u>	<u>182,742</u>	<u>0</u>	<u>942,569</u>
Capital assets, being depreciated				
Automotive equipment	173,210	55,972		229,182
Buildings	429,858			429,858
Machinery and equipment	354,077	1,697		355,774
Office furniture and equipment	90,055	4,357		94,412
Water system and lines	<u>8,959,405</u>	<u>94,509</u>		<u>9,053,914</u>
Total capital assets being depreciated	<u>10,006,605</u>	<u>156,535</u>	<u>0</u>	<u>10,163,140</u>
Less accumulated depreciation for:				
Automotive equipment	100,479	12,849		113,328
Buildings	102,782	11,022		113,804
Machinery and equipment	242,602	21,441		264,043
Office furniture and equipment	84,305	1,182		85,487
Water system and lines	<u>2,999,332</u>	<u>185,750</u>		<u>3,185,082</u>
Total accumulated depreciation	<u>3,529,500</u>	<u>232,244</u>	<u>0</u>	<u>3,761,744</u>
Total capital assets, being depreciated net	<u>6,477,105</u>	<u>(75,709)</u>	<u>0</u>	<u>6,401,396</u>
Total capital assets, net	<u>\$ 7,236,932</u>	<u>\$ 107,033</u>	<u>\$ 0</u>	<u>\$ 7,343,965</u>

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4: REVENUE BONDS PAYABLE

Water revenue bonds, secured by the fixed assets in service and all revenues and income derived from the system including all subsequent improvements, extensions, and additions, are summarized as follows:

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/13</u>	<u>Due Within</u> <u>One Year</u>
Water Revenue Bonds, Series 2008, payable in 180 monthly payments of \$29,148.47, with interest at 3.78%, maturing on September 15, 2023. The bond is secured by Water System revenues.	\$ <u>3,143,929</u>	\$ _____	\$ <u>234,984</u>	\$ <u>2,908,945</u>	\$ <u>244,022</u>
Less: current maturities	\$ <u>3,143,929</u>	\$ <u>0</u>	\$ <u>234,984</u>	2,908,945 <u>(244,022)</u>	\$ <u>244,022</u>
				\$ <u>2,664,923</u>	

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4: REVENUE BONDS PAYABLE (Continued)

Maturities of bonds payable are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u> <u>Swap, Net</u>	<u>Totals</u>
2014	\$ 244,022	\$ 71,343	\$ 63,514	\$ 378,879
2015	253,408	65,012	57,877	376,297
2016	263,154	58,437	52,024	373,615
2017	273,276	51,609	45,946	370,831
2018	283,786	44,519	39,634	367,939
2019-2023	<u>1,591,299</u>	<u>106,320</u>	<u>94,653</u>	<u>1,792,272</u>
	<u>\$ 2,908,945</u>	<u>\$ 397,240</u>	<u>\$ 353,648</u>	<u>\$ 3,659,833</u>

2008 Water Revenue Bonds

On September 1, 2008, the Board issued \$4,000,000 in Water Revenue Bonds in order to (i) currently refund the Board's Water Revenue Bonds, Series 1999, issued in the original aggregate principle amount of \$1,970,000, and at time of refunding were outstanding in the amount of \$1,370,000 (the Series 1999 Bonds) including a payment of a 1% redemption premium; (ii) advance refunding the Board's Water Revenue Bonds, Series 2000, issued in the original aggregate principal amount of \$615,000, and at time of refunding were outstanding in the aggregate principal amount of \$380,000 (the Series 2000 Bonds), including the payment of 2% redemption premium; (iii) currently refunding of a temporary taxable construction loan with Regions Bank in the amount of \$247,000 (the Regions Bank Loan); (iv) financing the cost of new capital improvements, namely water line distribution upgrades to extend the Board's distribution lines to the Wilsonville water system (collectively, the Series 2008 Improvements); and (v) to pay the costs of issuance. The 1999 Series bonds were called and net proceeds of \$1,295,00 were used to pay in full the 1999 Series bonds. As a result, the 1999 Series bonds are considered to be paid off and the liability for those bonds has been removed from the liabilities of the Board. As of September 30, 2009 the trustee had put into the Bond escrow fund sufficient funds to refund the 2000 Series Bonds. However, as of September 30, 2009 the funds had not been transferred to payoff the 2000 Series Bonds and as such the liability of \$400,000 remains outstanding.

Interest Rate Swap

Swap Payments and Associated Debt - Using rates in effect as of September 30, 2013, debt service requirements for the variable rate debt and net swap payments, assuming current rates remain the same for their term, are included above. As rates vary, variable rate bond interest payments and net swap payments will vary.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4: REVENUE BONDS PAYABLE (Continued)

Interest Rate Swap (Continued)

Objective of the interest rate swap - As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in September, 2008, the Board entered into an interest rate swap in connection with its \$4 million Series 2008 variable-rate revenue bonds. The intention of the swap was to effectively change the Board's variable interest rate on the bonds to a fixed rate 3.78 percent.

Terms - The bonds and the related swap agreement mature on September 25, 2023, and the swap's notional amount of \$4 million matches the \$4 million variable-rate bonds. The swap was entered at the same time the bonds were issued (September 2008). The notional value of the swap and the principal amount of the associated debt decline, started in the fiscal year 2009. Under the swap, the Board pays Regions Bank a fixed payment of 3.78 percent and receives a variable payment computed as 60.7 percent of the London Interbank Offered Rate (LIBOR). Conversely, the bond's variable-rate interest is based on 60.7 percent of the LIBOR, plus 104 basis points.

Fair value - Because interest rates have declined since execution of the swap, the swap had a negative fair value of (\$238,037) as of September 30, 2013. The swap's negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the Board's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the closing midmarket rate/price environment of September 30, 2013. These values do not take into account liquidity, hedging cost, bid/offer, credit or other considerations that are specific to each counterparty and transaction, and that vary over time. The values are produced using proprietary models that rely on certain assumptions and available market data that is believed to be reasonable and accurate, although no guaranty or warranty is made as to the reasonableness of the assumptions or the accuracy of the market data.

Credit risk - As of September 30, 2013, the Board was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Board would be exposed to credit risk in the amount of the derivative's fair value. Regions Financial Corporation was rated BBB- by Fitch Ratings, BBB by Standard & Poor's and Baa3 by Moody's Investors Service as of September 30, 2013.

Basis risk - As noted above, the swap exposes the board to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4: REVENUE BONDS PAYABLE (Continued)

Interest Rate Swap (Continued)

Termination risk - The Board or Regions Bank may terminate the swap if either party fails to perform under the terms of the contract. If the swap is terminated, the fixed payments would change to the variable-rate of the bond. Also, if at the time of termination by the Board, the swap has a negative fair value, the Board would be liable to Regions Bank for a payment equal to the swap's fair value.

Bond Covenants

The following is a recap of certain key requirements of the Bond Covenants:

1. Prior to the beginning of each fiscal year, the Board shall prepare and approve an annual budget for the System for the next ensuing fiscal year.
2. The Board will pay or cause to be paid, from net system revenues, the principal of, premium (if any) and the interest on the Bonds when and as the same become due and payable.
3. The Board will maintain complete books and records pertaining to the System and all receipts and disbursements with respect thereto.
4. The Board shall furnish to the trustee within 90 days after the end of its fiscal year audited financial statements.
5. The Board will continuously operate the System or cause the same to be operated so long as any of the Bonds remain outstanding, and will keep the system in good repair and in efficient operating condition, making from time to time all needed repairs and replacements thereto.
6. The Board will not furnish or permit to be furnished by or from the system any free services of any kind to any person whatsoever. No customer shall be connected to or served by the system without a proper meter or other measuring device first being installed.
7. The Board shall maintain such rates and charges for the services furnished by the system as shall produce revenues sufficient to pay operating expenses for the system and to make all payments of principal of, premium (if any) and interest on the Bonds when and as the same become due and payable. The Board shall promptly take all such action and make such lawful increases in the rates and charges for services as shall be sufficient to maintain a Debt Service Coverage Ratio of not less than 1.10 to 1.00.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4: REVENUE BONDS PAYABLE (Continued)

Bond Covenants (Continued)

8. The Board will keep the buildings, plants, structures, and other facilities at any time forming a part of the system, as well as all other system properties of the character usually insured by persons operating properties similar in size and character to the system, insured, in responsible insurance companies rated by Best as "A" or better, against loss by fire, tornado, windstorm, earthquake, and other perils covered by uniform standard extended coverage endorsements, to the extent of the full insurable value thereof.
9. The Board will maintain adequate coverage of other types of insurance, including workman's compensation and fidelity bonds, as are customarily carried by organizations operating properties similar in size and character to those comprising the system.

NOTE 5: PENSION PLAN

The Water Board 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 Water Board. 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, towns, and quasi-public organizations.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5: PENSION PLAN (Continued)

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. Board to amend the plan rests with the Legislature of Alabama. However, the Legislature has granted the Commission Board 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, 201 South Union Street, Montgomery, Alabama 36130-2150.

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

Salaries	
Covered salaries	\$ <u>363,428</u>
Total salaries	\$ <u>389,630</u>
Contributions	
Water Board	\$ <u>60,610</u>
Employees	\$ <u>17,837</u>
Actuarially Determined Contribution Rates	
Water Board	<u>16.99</u> %%
Employees	<u>5.00</u> %%
Contribution as a Percentage of Covered salaries	
Water Board	<u>16.68</u> %%
Employees	<u>5.00</u> %%

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5: 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, 2012, the pension benefit obligation and net assets available for benefit are as follows:

Pension benefit obligation	\$ 1,419,990
Net assets available for benefits	<u>535,429</u>
 Net Pension Benefit Obligation in Excess of Assets	 \$ <u>884,561</u>

Market value of assets as of September 30, 2012 was \$535,429.

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>
9/30/10	\$ 708,250	\$ 1,534,157	\$ (825,907)	\$ 367,913	224.5 %
9/30/11	\$ 621,096	\$ 1,519,367	\$ (898,271)	\$ 383,268	234.4 %
9/30/12	\$ 535,429	\$ 1,419,990	\$ (884,561)	\$ 331,716	266.7 %

Actuarial Information

Valuation date	9/30/2012
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	3.75 - 7.25%
Includes inflation at	3.00%
Cost-of-living adjustments	None

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5: 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>
9/30/10	\$ 55,077	100 %	\$ 0
9/30/11	\$ 57,090	100 %	\$ 0
9/30/12	\$ 52,643	100 %	\$ 0

NOTE 6: CONTINGENCIES

Risk Financing

The Board 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 are covered by commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage in the prior year.

Grants

In the normal course of its operations the Board receives funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 7: SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest

Total interest paid on debt	\$ <u>116,380</u>
Total interest expensed	\$ <u>116,331</u>
Total interest capitalized	\$ <u>0</u>

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 8: SIGNIFICANT COMMITMENTS

Water Sales Contract

On September 11, 2007 the Board (Seller) entered into an agreement with The Town of Wilsonville, Alabama (Purchaser) for the Town to purchase water and reimburse seller for actual cost incurred in extending their lines to connect to purchaser lines of approximately \$580,000. The Town agreed to pay the Board no later than the 25th of each month for water delivered in accordance with the agreed upon rate of \$1.86 per 1,000 gallons. The contract extended for a term of 15 years. The Board notified the Town that the rates were to be raised to \$2.09 per 1,000 gallons used.

Per the terms of the water purchase contract, the Town transferred to the Board the 12 inch water transmission line that was constructed starting from the Board's existing line on the West side of Alabama Highway 145 and Shelby County to the intersection of the West right of way line of Alabama Highway 28.

Highway 47 Watermain Extension Project

The Board entered into an agreement with Singleton Excavating, Inc. in the amount of \$184,270 for the installation of a watermain extension on County Highway 47. As of September 30, 2013 the Board had incurred expenses of \$68,384, which leaves a remaining commitment of \$115,886.

NOTE 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2013, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended September 30, 2013. No items requiring recording or disclosure were noted.

SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA WATER BOARD

SCHEDULE OF EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Supply and Distribution</u>	<u>Administrative</u>	<u>Total</u>
Accounting and auditing	\$	\$ 18,902	\$ 18,902
Analysis expense	24,165		24,165
Bad debt expense		124	124
Board member expense		1,133	1,133
Chemicals	4,050		4,050
Community donations		1,500	1,500
Computer		3,173	3,173
Contract labor	5,765		5,765
Conventions and training		3,376	3,376
Depreciation	232,244		232,244
Dues and publications		2,478	2,478
Employee health insurance		83,971	83,971
Engineer fees	2,671		2,671
Franchise fee	50,000		50,000
Gas and oil	44,550		44,550
Insurance - system	18,804		18,804
Insurance - workman's comp.		13,176	13,176
Janitorial supplies		846	846
Legal services		431	431
Miscellaneous	8,526	2,293	10,819
Office supplies		4,077	4,077
Payroll processing fees		2,340	2,340
Payroll taxes		28,600	28,600
Permits and application fees	249		249
Pipes, parts and supplies	121,417		121,417
Postage		11,057	11,057
Repairs and maintenance - equipment	2,156		2,156
Repairs and maintenance - system	33,121		33,121
Repairs and maintenance - other	4,572		4,572
Repairs and maintenance - vehicles	9,848		9,848
Salaries and wages - operations	300,077	90,918	390,995
State retirement		59,987	59,987
Telephone		4,547	4,547
Telephone - cell phones		6,472	6,472
Trustee fees		500	500
Uniforms	8,973		8,973
Utility expense	<u>209,947</u>	<u>1,096</u>	<u>211,043</u>
	<u>\$ 1,081,135</u>	<u>\$ 340,997</u>	<u>\$ 1,422,132</u>

See independent auditor's report.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER, 30, 2013

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over (Under)</u>
<u>Operating Revenues</u>				
Commercial and industrial water sales	\$ 845,794	\$ 845,794	\$ 761,644	\$ (84,150)
Residential water sales	944,979	944,979	946,454	1,475
Service charges and other revenue	77,440	77,440	91,805	14,365
	<u>1,868,213</u>	<u>1,868,213</u>	<u>1,799,903</u>	<u>(68,310)</u>
<u>Operating Expenses</u>				
Accounting and auditing	24,000	24,000	18,227	(5,773)
Analysis expense	15,000	15,000	24,060	9,060
Board member expense	1,200	1,200	1,133	(67)
Capital outlay	252,000	252,000	252,874	874
Chemicals	7,500	7,500	4,050	(3,450)
Community donations	1,250	1,250	1,500	250
Computer	8,000	8,000	3,548	(4,452)
Contract labor	6,000	6,000	6,479	479
Conventions and training	7,000	7,000	3,376	(3,624)
Dues and publications	4,000	4,000	2,478	(1,522)
Employee health insurance	95,696	95,696	83,971	(11,725)
Engineer fees	12,500	12,500	3,794	(8,706)
Franchise fees	50,000	50,000	50,000	0
Gas and oil	48,000	48,000	44,644	(3,356)
Insurance - system	25,000	25,000	21,303	(3,697)
Insurance - workman's compensation	18,000	18,000	13,176	(4,824)
Janitorial supplies	1,000	1,000	846	(154)
Legal services	1,000	1,000	431	(569)
Miscellaneous	1,600	1,600	10,752	9,152
Office supplies	5,000	5,000	4,130	(870)
Payroll processing fees	2,500	2,500	2,354	(146)
Payroll taxes	31,354	31,354	28,469	(2,885)
Permits and application fees	500	500	249	(251)
Pipes, parts, and supplies	110,000	110,000	108,332	(1,668)
Postage	12,000	12,000	11,057	(943)
Principal payment on notes and bonds	240,000	240,000	234,984	(5,016)
Repairs and maintenance - equipment	10,000	10,000	2,269	(7,731)
Repairs and maintenance - system	85,000	85,000	92,569	7,569
Repairs and maintenance - other	6,000	6,000	4,572	(1,428)
Repairs and maintenance - vehicles	12,000	12,000	6,041	(5,959)
Salaries and wages	391,926	391,926	389,631	(2,295)

See independent auditor's report.

(Continued)

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET
POSITION - BUDGET TO ACTUAL (Continued)
FOR THE YEAR ENDED SEPTEMBER, 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
State retirement	51,681	51,681	59,330	7,649
Telephone	5,000	5,000	4,215	(785)
Telephone - cell phones	6,500	6,500	6,785	285
Trustee fees	500	500	500	0
Uniforms	9,000	9,000	8,940	(60)
Utility expense	<u>209,360</u>	<u>209,360</u>	<u>210,438</u>	<u>1,078</u>
Total Operating Expenses	<u>1,767,067</u>	<u>1,767,067</u>	<u>1,721,507</u>	<u>(45,560)</u>
Operating Income	<u>101,146</u>	<u>101,146</u>	<u>78,396</u>	<u>(22,750)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest income	18,900	18,900	15,090	(3,810)
Interest expense	<u>(120,000)</u>	<u>(120,000)</u>	<u>(116,380)</u>	<u>3,620</u>
	<u>(101,100)</u>	<u>(101,100)</u>	<u>(101,290)</u>	<u>(190)</u>
Changes in Net Position	<u>\$ 46</u>	<u>\$ 46</u>	<u>\$ (22,894)</u>	<u>\$ (22,940)</u>
Total Net Position, beginning (Non-GAAP budgetary basis)			<u>7,421,858</u>	
Total Net Position, ending (Non-GAAP budgetary basis)			7,398,964	
<u>Adjustments to Generally Accepted Accounting Principles</u>				
Revenue and transfer accruals			(1,571)	
Expenditure and transfer accruals			(42,400)	
Other cash to full accrual adjustments			<u>341,824</u>	
Total Net Position, ending (GAAP basis)			<u>\$ 7,696,817</u>	

See independent auditor's report.

ADDITIONAL INFORMATION

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2013

The following insurance was in force at September 30, 2013:

Trident Insurance Services, Period May 1, through April 30, of the following year.

Commercial Property Coverage

a. Buildings, water system and tanks and personal property	\$ 6,551,370
--	--------------

Commercial Liability Coverage

a. Bodily injury and property damage	\$ 1,000,000
b. Personal and adv injury	\$ 1,000,000
c. Employment practices liability	\$ 1,000,000
d. Public officials' liability	\$ 1,000,000
e. Damage to premises rented	\$ 100,000
f. Medical expense limit	\$ 1,000

Commercial Crime Coverage

a. Employee dishonesty	\$ 100,000
b. Forgery or alteration	\$ 100,000
c. Theft, disappearance and destruction	\$ 100,000
d. Computer fraud coverage	\$ 100,000

Trident Insurance Services, Period May 1, through April 30, of the following year.

Vehicle Coverage

a. Liability	\$ 1,000,000
b. Uninsured motorist	\$ 50,000
c. Collision deductible	\$ 1,000
d. Comprehensive: Cash value	\$ 1,000

Municipal Workman's Compensation Fund, Inc., State of Alabama Department of Industrial Relations, Certificate #1341, dated April 8, 1981.

See independent auditor's report.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA
SCHEDULE OF PRINCIPAL OFFICERS
SEPTEMBER 30, 2013

<u>NAME</u>	<u>TITLE</u>	<u>TERM</u>
Johnny Farr	Chairman	July 17, 2018
Tyrus Sockwell	Co-chairman	July 17, 2016
Tom Seale	Secretary/Treasurer	July 17, 2014

See independent auditor's report.

CITY OF COLUMBIANA WATER BOARD
CITY OF COLUMBIANA, ALABAMA

SCHEDULE OF RATE CHARGES
SEPTEMBER 30, 2013

The following were rates charged for each class of service as of September 30, 2013:

1. Minimum monthly charges based on 3,000 gallons or less of water used range from \$14.88 to \$185.54 determined by meter diameter.
2. Charges from 3,001 up to 20,000 gallons is \$4.96 per 1,000 gallons of water used. Charges from 20,001 to 100,000 is \$3.71 per 1,000 gallons of water used. Charges from 100,001 to 500,000 is \$2.20 per 1,000 gallons of water used. Usage in excess of 500,000 gallons is \$1.72 per 1,000 gallons used.
3. Special municipal services are as follows
 - a. Tap-on fees varies from \$1,500 up to \$3,750 based on meter size.
 - b. Fire hydrant rental is \$50 per unit for standard hydrants and \$25 per year for non-standard units.
4. Water System rates are \$1.72 per 1,000 gallons used for Bethel Water and Little Waxie Water. Wilsonville Water System will be charged \$2.09 per 1,000 gallons of water used.

See independent auditor's report.

OTHER REPORTS

DeLOACH, BARBER & CASPERS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH BOND REQUIREMENTS –
2008 WATER REVENUE BONDS**

Members of the Board
City of Columbiana Water Board
City of Columbiana, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the City of Columbiana Water Board of the City of Columbiana, Alabama, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon, dated December 11, 2013.

In connection with our audits, nothing came to our attention that caused us to believe that the Board failed to comply with the terms, covenants, provisions, or conditions of Sections 8.01 to 8.13, inclusive of the trust indenture dated September 1, 2008 with Regions Bank, national association, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the audit committee, management, Mayor and City Council and Regions Bank, national association, and should not be used by anyone other than those specified parties.

DeLoach, Barber & Caspers, P.C.

December 11, 2013