

**CITY OF COLUMBUS, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the fiscal year ended September 30, 2006**

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**CITY OF COLUMBUS, TEXAS**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended September 30, 2006**

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## INTRODUCTORY SECTION

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March 28, 2007

To the Honorable Mayor, Members of City Council, and  
Citizens of the City of Columbus, Texas:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Wm. Pierce Arthur, Certified Public Accountant, has issued an unqualified (“clean”) opinion on the City of Columbus’ financial statements for the year ended September 30, 2006. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### ***Profile of the Government***

The City of Columbus was established in 1835, first incorporated on June 5, 1837. Current incorporation occurred on January 10, 1927. It is located in Colorado County on Interstate Highway 10 and State Highway 71, is located in central Texas, approximately 73 miles west of Houston and approximately 120 miles east of San Antonio. The City currently has a land area of 2 square miles and a population of 3,916. The City of Columbus is a Type A, General Law City and utilized the Council-Manager form of government organized under Chapter 25 of the Local Government Code. Policy-making and legislative authority are vested in a governing council consisting of a mayor and five council members elected by position. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and

ordinances of the governing council, for overseeing the day to day operations of the City and for appointing the heads of the various departments. Council members serve two year terms. with the mayor and 2 council members elected in odd numbered years and three council members elected in even numbered years. The mayor appoints the Municipal Court Judge, and members of various city committees with the approval of the City Council.

The City of Columbus provides a full range of services, including police and fire protection, the construction and maintenance of streets and other infrastructure, a public library and recreational activities, including parks and a swimming pool. In addition to general governmental activities, the City of Columbus operates water, sewer, garbage service, and gas utilities. In addition, the City is financially accountable for the activities of the Columbus Convention and Visitor's Bureau and the Columbus Community Industrial Development Corporation legally separate entities, which are reported separately within the City of Columbus' financial statements.

The City Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Columbus' financial planning and control. The budget is prepared by fund, function, department, and object. The City Manager may transfer resources within a fund during the fiscal year. To amend the total expenditures, a budget amendment must be approved by City Council.

### ***Local economy***

As measured by the City's sales tax, Columbus has experienced unprecedented economic growth over the past three years. For Fiscal Years 2001, 2002 and 2003, the sales tax reported was \$538,719, \$535,736 and \$545,516 respectively; these years were essentially flat, with little growth reflected in monthly reports. However, Fiscal Year 2004 experienced growth of sales tax to \$596,037, a 10.3% growth over the average of the past three years. In Fiscal Year 2005, sales tax grew to \$634,052. This was a six percent increase over the previous year. Sales tax continued to grow with Fiscal Year 2006 revenue increasing to \$653,999, a three percent increase over the previous year.

The City's economy is experiencing broad sector growth. No single large new business arrived to drive up the City's sales tax result. Steady, sound growth is being experienced throughout the business sector.

The future of the City's economy is also bright. As the City of Columbus is located almost midway between Houston, Austin and San Antonio, the City is buoyed by the growth of these large metropolitan areas. New providers are considering Columbus as a new potential site for distribution activities. The City's advantage lies in the fact that markets will grow to the City from at least three different directions. As this Sun Belt region grows, as the energy sector expands and as the City's fundamentals improve, Columbus has the potential to be a leading small town in this area for years to come.

During the past ten years, the City's expenses related to law enforcement have increased by 59%. Much of this increase reflects a regional trend that has seen the salaries and benefits of police grow at a faster rate than other categories of public-sector employees.

### ***Long-term financial planning***

The City of Columbus maintains sufficient cash reserves and unreserved fund balances/unrestricted net assets in the general and enterprise (utility) funds to avoid borrowing for general operating purposes and to handle emergency situations, while providing quality service levels to the public.

During Fiscal Year 2005, the City was successful in obtaining certificates of obligation for \$4.75 million to fund a major Water and Sewer Improvement Project. These funds are allowing the City to drill a new water well, install new water and sewer lines throughout the City, and enhance the air piping system at the sewer plant. Currently there are two pressure heads in the water distribution system, each with two water wells. One main goal of this project will enable the city to convert the water distribution system to one pressure head. This will allow the City to take a well offline for maintenance without affecting the water supply to the citizens. This project will also enhance the water and sewer lines in the south part of the city where projected growth is expected.

### ***Relevant financial policies***

The City awards its depository contract through official bidding procedures for a two year period with an option to extend for a year. The current depository contract with The First State Bank expires September 30, 2008.

The City's bank depository agreement requires that all demand deposits and time deposits are secured by pledged collateral with a market value equal to 102 percent of the deposits, less \$100,000 which is insured by the Federal Deposit Insurance Corporation. Evidence of the pledged collateral is maintained by a third party financial institution.

During 2006, the City Council renewed the existing Investment Policy as required by state law and no changes were made to the policy.

### ***Major initiatives***

Technology improvements will continue to be a big area of change for the City. Next year, technology enhancements will continue with a new utility billing software system.

The Water and Sewer Improvement Project as mentioned earlier is continuing. It is anticipated that this project will insure the life of the water and sewer systems which will in turn benefit all the citizens of Columbus. The City anticipates this project to be completed in 2008.

The City's Master Planning Study which will encompass areas such as base mapping and studies, park, recreation and open space, economic development, thoroughfare study, central business district, capital improvements plan, and subdivision ordinance, is nearing completion. Because of the potential growth in the area, the Study will enable the City to accommodate changes.

***Acknowledgements***

The preparation of this report would not have been possible without the efficient and dedicated service of the finance department staff. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council members for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Columbus' finances.

Respectfully submitted,



**David Meisell**  
**City Manager**



**Patti Glasser**  
**City Secretary**

**City of Columbus, Texas  
Organizational Chart**

**City of Columbus, Texas  
List of Principal Officials  
September 30, 2006**

<u><b>Title</b></u>	<u><b>Name</b></u>
Mayor	Richard Heffley
Councilman (Mayor Pro-Tem)	Chuck Rankin
Councilman	Brian Berger
Councilwoman	Lori Cloat Sprague
Councilman	Curtiss Schonenberg
Councilman	Milton Wavra
City Manager	David Meisell
City Secretary/Finance Director	Patti Glaeser
Police Chief	Danny Jackson
Fire Chief	Robert C. Walla
Utility Supervisor	Eddie Hernandez
Street and Sanitation Supervisor	Michael Poncik
Fire Marshal/Building Inspector	Jerry Krenek
Municipal Judge	Leonard Peters

## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

**Honorable Mayor and Members of the City Council**

City of Columbus, Texas

I 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 Columbus, Texas, as of and for the year ended September 30, 2006, 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 Columbus's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbus, Texas, as of September 30, 2006, 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 management's discussion and analysis and required supplementary information on pages 13 through 21 and 50 through 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in cursive script, reading "Wm. Pierce Arthur".

Columbus, Texas  
January 31, 2007

## **City of Columbus, Texas**

### **Management's Discussion and Analysis**

As management of the City of Columbus, we offer readers of the City of Columbus's financial statements this narrative overview and analysis of the financial activities of the City of Columbus for the fiscal year ended September 30, 2006. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City of Columbus's financial statements, which follow this section.

#### **Financial Highlights**

The assets of the City of Columbus for its governmental and business-type activities exceeded its liabilities at the close of the fiscal year by \$7,634,256. Of this amount, \$4,848,447 are capital assets, net of related debt, \$1,089 was reserved for debt service, and \$2,784,719 is for unrestricted uses in accordance with finance related legal requirements reflected in the City's fund structure.

The City's total net assets increased by \$377,112, mostly to an increase in utility rates.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,619,194 a decrease of \$282,881 in comparison with the prior year. Approximately 99 percent of this total amount, or \$1,601,115, is available for spending at the City's discretion (unreserved fund balance).

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,390,565, or 62 percent of total general fund expenditures for the fiscal year.

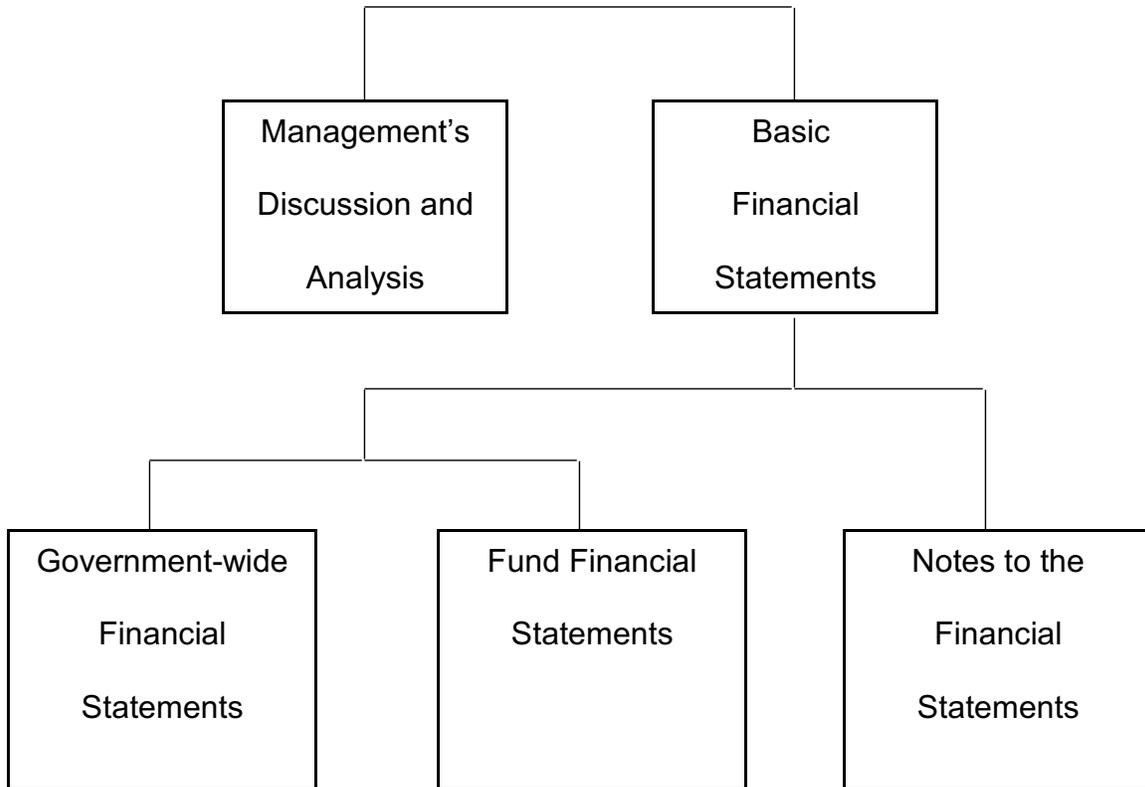
The City's total debt decreased by \$ 52,129 (1 %) during the current fiscal year. The City made its first payment on its outstanding certificates of obligation which were issued to fund a major Water and Sewer Improvement Project during the year; and added a capital lease for the purchase of accounting, utility and public safety software.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Columbus' basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Columbus.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the city government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information also can be found in this part of the statements.

## **Government-wide Financial Statements**

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

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, public health, parks and recreation, and general administration and include non-major funds such as Equipment Fund, Fire Equipment Fund, Hotel Occupancy Fund, Debt Service Fund and Capital Projects Fund as well as the major General Fund. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those in which the City charges customers to provide services. These include the water, sewer, garbage service, and gas offered by the City of Columbus. The final category is the component units. The City of Columbus has two component units. Although legally separate from the City, the Columbus Community Industrial Development Corporation and the Columbus Convention and Visitors Bureau are important to the City because each component unit is fiscally dependent upon the City and the City exercises control over the Boards by appointing their members.

## **Fund Financial Statements**

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Columbus, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Columbus can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Columbus maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

**Proprietary Funds.** The City of Columbus has one kind of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Columbus uses its enterprise fund to account for its water, sewer, garbage and gas operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Unrestricted net assets of the water, sewer, garbage and gas departments at the end of the fiscal year amounted to \$ 1,175,124. The total increase in net assets was \$515,008. Other factors concerning the finances of this fund are addressed later in the discussion of the city's business-type activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain *required supplementary information (RSI)* concerning the City of Columbus's progress in funding its obligation to provide pension benefits to its employees. Schedules comparing actual results with the original budget and the final amended budget for the City's General Fund are also presented in the RSI section . RSI can be found after the notes on pages 50-54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 56-61 of this report.

## Government-Wide Financial Analysis

### The City of Columbus Net Assets

**Figure 2**

	Governmental Activities		Business-type Activities		Total	
	2008	2006	2008	2006	2008	2006
Current and other assets	\$ 1,891,814	\$ 2,095,716	\$ 5,184,949	\$ 6,147,345	\$ 6,876,763	\$ 8,243,109
Capital assets	1,431,609	1,145,267	4,678,753	3,228,844	6,110,362	4,374,111
<b>Total assets</b>	<b>3,123,423</b>	<b>3,240,983</b>	<b>9,863,702</b>	<b>9,376,189</b>	<b>12,987,125</b>	<b>12,617,220</b>
Current and other liabilities	81,128	126,408	445,882	500,763	527,110	627,171
Long-term liabilities	112,426	46,289	4,713,333	4,686,046	4,825,759	4,732,905
<b>Total liabilities</b>	<b>193,554</b>	<b>172,697</b>	<b>5,159,215</b>	<b>5,186,809</b>	<b>5,352,869</b>	<b>5,360,076</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,319,184	1,145,267	3,529,263	3,134,054	4,848,447	4,279,321
Restricted	1,089	36,871			1,089	36,871
Unrestricted	1,803,150	1,858,626	1,175,124	1,056,325	2,784,719	2,940,961
	<b>\$ 2,923,423</b>	<b>\$ 3,037,764</b>	<b>\$ 4,704,387</b>	<b>\$ 4,190,379</b>	<b>\$ 7,634,256</b>	<b>\$ 7,257,143</b>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Columbus exceeded liabilities by \$7,634,255 as of September 30, 2006. The City's net assets increased by \$377,112 for the fiscal year ended September 30, 2006. Investments in Capital Assets, net of related debt of \$4,848,447 account for the greatest portion (64%) of net assets. A small portion (\$1,089) of the City of Columbus's net assets represents resources that are restricted to debt service. The remaining balance of \$ 2,784,719 is unrestricted.

Several particular aspects of the City's financial operations positively influenced the total unrestricted governmental net assets:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.5%,
- Increased sales tax revenues of approximately \$19,947 due to economic growth in the City.

## City of Columbus Changes in Net Assets

**Figure 3**

	Governmental Activities	Governmental Activities	Business Type Activities	Business Type Activities	Total	Total
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 99,284	\$ 91,041	\$ 2,582,251	\$ 1,982,963	\$ 2,681,535	\$ 2,074,004
Operating grants and contributions	21,742	140,685	1,547		23,289	140,685
Capital grants and contributions	124,318	39,208	101,110		225,428	39,208
<b>General revenues:</b>						
Property taxes	424,250	322,787			424,250	322,787
Other taxes	1,046,489	1,107,722			1,046,489	1,107,722
Other	72,369	49,060	240,450	79,663	312,819	128,723
	1,788,452	1,760,503	2,825,368	2,062,626	4,713,880	3,813,129
<b>Expenses:</b>						
General government	259,796	176,743			259,796	176,743
Public safety	768,000	639,122			768,000	639,122
Public Health	30,820	28,548			30,820	28,548
Public Works	417,563	409,441			417,563	409,441
Culture and recreation	412,540	332,046			412,540	332,046
Tourism	128,374	123,031			128,374	123,031
Interest on long-term debt	4,730	1,349			4,730	1,349
Water			535,677	444,565	535,677	444,565
Sewer			365,593	394,546	365,593	394,546
Garbage			582,200	566,113	582,200	566,113
Gas			791,453	785,908	791,453	785,908
	2,061,813	1,710,279	2,274,923	2,181,532	4,336,736	3,891,811
Increase in net assets before transfers	(273,361)	40,224	550,445	(118,906)	377,114	(78,682)
Transfers	135,467	102,644	(135,467)	(102,644)	0	0
Increase (decrease) in net assets	(137,894)	142,868	414,978	(221,550)	377,114	(78,682)
Net assets, October 1	3,067,764	2,924,896	4,189,379	4,410,929	7,257,143	7,335,825
Net assets, September 30	\$ 2,929,870	\$ 3,067,764	\$ 4,704,357	\$ 4,189,379	\$ 7,634,257	\$ 7,257,143

**Governmental activities.** Governmental activities decreased the City's net assets by \$137,894. Key elements of this decrease are as follows:

Sales tax revenue of \$19,947 and property tax revenue increase of \$101,463 were offset by an increase in general governmental wages of \$123,053, due to a change in the City's wage allocation method.

Operating grants and contributions decreased by \$118,943.

\$16,000 in necessary drainage repairs at the City swimming pool also contributed to the decrease.

**Business-type activities.** Business-type activities increased the City of Columbus's net assets by \$515,008, accounting for 136% of the total growth in the City's net assets.

Charges for services for business-type activities increased by \$599,288 (30%). The City increased rates in each of its departments effective October 1, 2005.

Interest revenue increased \$181,855. \$4,620,000 in proceeds from certificates of obligation issued for water and sewer system improvements were invested at rates of 4% to 5.4% during the year. Rising interest rates also contributed to the increase in interest revenue.

The City received a \$90,000 capital grant from the Columbus Community Industrial Development Corporation. The funds will help the City meet its debt service requirements of its certificates of obligation, which were issued to provide funds for water and sewer improvements.

While the above factors contributed to the increase in net assets, interest expense increased \$155,760 from the prior year. Total interest paid was \$179,919 on certificates of obligation and \$1,347 on capital leases.

### **Financial Analysis of the City's Funds**

As noted earlier, the City of Columbus uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City of Columbus's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Columbus's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the City of Columbus. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,390,565, while total fund balance reached \$1,408,644. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 62 percent of total General Fund expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Budgeted Revenues increased due to funding from grants. Budgeted expenditures increased because \$85,000 supplemental appropriations were needed to replace a front end wheel loader. An additional \$14,585 supplemental appropriation was necessary due to electrical repairs needed at the golf course.

## Capital Asset and Debt Administration

**Capital assets.** The City of Columbus’s investment in capital assets for its governmental and business-type activities as of September 30, 2006, totals \$4,848,447 (net of accumulated depreciation). These assets include land, buildings, improvements, machinery and equipment, and construction in progress.

### City of Columbus Capital Assets

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 253,152	\$ 253,152	\$ 24,183	\$ 24,183	\$ 277,335	\$ 277,335
Pipeline			266,897	250,000	266,897	250,000
Buildings and Improvements	400,990	445,316	73,746	87,548	474,736	533,864
Distribution and collection systems			2,618,475	2,729,613	2,618,475	2,729,613
Machinery and equipment	777,468	445,799	61,892	42,710	839,060	488,509
Construction in progress			1,650,757	94,790	1,650,757	94,790
<b>Total</b>	<b>\$ 1,431,610</b>	<b>\$ 1,145,267</b>	<b>\$ 4,695,650</b>	<b>\$ 3,228,844</b>	<b>\$ 6,127,260</b>	<b>\$ 4,374,111</b>

Major capital asset transactions during the year include the following additions:

In April 2005, the City outsourced its garbage services. As a result, during fiscal year 2006, the City sold three garbage trucks for a total of \$29,000. The trucks had an original cost of \$206,068 and were fully depreciated.

Front end wheel loader was purchased for \$85,000.

A new fire truck was acquired for \$275,900.

\$60,000 was spent on software for law enforcement and general ledger administration.

A new police car was purchased for \$21,000.

Additional information on the City’s capital assets can be found in Note I.I. and Note II.C. of the Basic Financial Statements.

**Long-term Debt.** As of September 30, 2006, the City of Columbus had total long-term certificates of obligation outstanding of \$4,620,000. This debt is backed by the full faith and credit of the City.

## City of Columbus Outstanding Debt

**Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Capital Leases	\$ 112,425	\$ 65,199	\$ 30,644		\$ 143,070	\$ 65,199
Certificates of obligation			4,620,000	4,750,000	4,620,000	4,750,000
Premium on certificates			62,689	65,046	62,689	65,046
<b>Total</b>	<b>\$ 112,425</b>	<b>\$ 65,199</b>	<b>\$ 4,713,333</b>	<b>\$ 4,815,046</b>	<b>\$ 4,825,759</b>	<b>\$ 4,881,245</b>

Additional information regarding the City of Columbus’s long-term debt can be found in Note II.F.

### **Economic Factors and Next Year’s Budgets and Rates**

- The unemployment rate for Colorado County is currently 4.1 percent (Columbus is the largest of the three incorporated cities in the county), which is a decrease from a rate of 4.3 percent a year ago. This compares favorably to the state’s average unemployment rate of 4.7 percent and the national average rate of 4.6 percent.
- Inflationary trends in the region compare favorably to national indices.
- The State Comptroller reported an increase of 4% in taxable sales for the City. Sales tax revenue has increased 49.6% since 1997.
- Property tax values continue to climb in Colorado County and the region in general. Real property values increased \$11,212,028 from 2005. Values have increased 77 percent from 1997.

All of these factors were considered in preparing the City’s budget for the 2007 fiscal year.

Property tax rates were not raised for the 2007 budget. Utility rates for the 2007 budget year were unaffected. The rate increase instituted October 1, 2005 is expected to meet the City’s current financial needs for 2007.

### **Requests for Information**

This report is designed to provide an overview of the City’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Patti Glaeser, P.O. Box 87, Columbus, Texas 78934, 979-732-2366, [www.columbustexas.net](http://www.columbustexas.net).

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## **BASIC FINANCIAL STATEMENTS**

City of Columbus, Texas  
Statement of Net Assets  
September 30, 2006

	Primary Government			Component Units	
	Governmental	Business-type	Total	Columbus Industrial Development Corporation	Columbus Convention and Visitors Bureau
	Activities	Activities			
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,323,960	\$ 769,588	\$ 2,093,547	\$ 291,219	\$ 68,727
Invested cash		260,717	260,717	526,869	
Investments	227,279	296,659	523,939		
Receivable (net of allowances for estimated uncollectibles)					
Taxes - property	14,169		14,169		
Sales	114,368	292,175	406,542	57,184	
Other receivables	14,003		14,003		3,000
Internal balances	(1,966)	1,966	0		
Note receivable for land				400,000	
Restricted assets:					
Cash and cash equivalents		3,440,561	3,440,561		
Unamortized debt issue costs		123,283	123,283		
Capital assets (not being depreciated)					
Land	253,152	24,183	277,335	462,051	
Capital assets (net of accumulated depreciation):					
Buildings	189,529	73,747	263,276		
Improvements other than buildings	211,459	2,868,474	3,079,934		
Machinery and equipment	777,469	61,592	839,061		14,620
Construction in progress		1,680,757	1,680,757	31,943	
Total assets	3,123,423	9,863,702	12,987,125	1,769,266	86,347
<b>LIABILITIES</b>					
Accounts payable	26,803	306,800	362,603	3,000	1,317
Accrued payroll	54,325	18,765	73,090		
Accrued interest		22,462	22,462	44,829	
Customer deposits		68,965	68,965		
Noncurrent liabilities					
Due within one year	33,639	181,867	215,505	50,000	
Due in more than one year	78,787	4,531,466	4,610,253	1,825,000	
Total liabilities	193,554	5,159,315	5,352,869	1,922,829	1,317
<b>NET ASSETS</b>					
Invested in capital assets (net of related debt)	1,319,184	3,629,253	4,948,447	(1,425,835)	14,620
Restricted for:					
Debt service	1,089		1,089	333,046	
Construction				82,579	
Unrestricted	1,609,595	1,175,124	2,784,719	856,545	70,410
Total net assets	\$ 2,929,869	\$ 4,704,387	\$ 7,534,256	\$ (153,565)	\$ 85,030

The notes to the financial statements are an integral part of this statement.

City of Columbus, Texas  
Statement of Activities  
For the Year Ended September 30, 2006

Function/Program	Net (Expense) Revenue and Changes in Net Assets								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Columbus Industrial Development Corporation	Columbus Convention and Visitors Bureau
<b>Primary government:</b>									
<b>Governmental activities:</b>									
General government	\$ 299,796	\$ 19,203	\$ 342		\$ (280,252)		\$ (280,252)		
Public safety	768,000	49,691	10,443	\$ 108,000	(599,866)		(599,866)		
Public health	30,820		136		(30,684)		(30,684)		
Public works	417,553	11,676	321		(405,556)		(405,556)		
Culture and recreation	412,540	18,715	10,500	16,318	(367,007)		(367,007)		
Tourism	128,374				(128,374)		(128,374)		
Interest on long-term debt	4,730				(4,730)		(4,730)		
<b>Total governmental activities</b>	<b>2,051,813</b>	<b>99,284</b>	<b>21,742</b>	<b>124,318</b>	<b>(1,816,469)</b>		<b>(1,816,469)</b>		
<b>Business-type activities:</b>									
Water	535,677	587,505	237	90,000		\$ 142,057	142,057		
Sewer	365,593	453,335	125			97,868	97,868		
Garbage	582,200	599,853	742	11,110		29,505	29,505		
Gas	791,453	931,557	441			140,545	140,545		
<b>Total business-type activities</b>	<b>2,274,923</b>	<b>2,582,251</b>	<b>1,547</b>	<b>101,110</b>		<b>409,985</b>	<b>409,985</b>		
<b>Total primary government</b>	<b>\$ 4,326,736</b>	<b>\$ 2,681,535</b>	<b>\$ 23,289</b>	<b>\$ 225,428</b>	<b>(1,816,469)</b>	<b>409,985</b>	<b>(1,406,483)</b>		
<b>Component units:</b>									
Columbus Community Industrial Development Corporation	\$ 280,951						\$ (280,951)		
Columbus Convention and Visitors Bureau	137,354	\$ 3,917	\$ 148,768					\$ 15,331	
<b>Total component units</b>	<b>\$ 418,305</b>	<b>\$ 3,917</b>	<b>\$ 148,768</b>				<b>(280,951)</b>	<b>\$ 15,331</b>	
<b>General revenues:</b>									
Property taxes					424,250		424,250		
Sales taxes					653,999		653,999	327,000	
Hotel/motel tax					128,374		128,374		
Gross receipts taxes					259,168		259,168		
Alcoholic beverage taxes					4,948		4,948		
Interest revenue					72,355	239,342	311,697	26,014	647
Gain (Loss) on disposition of assets					13	1,148	1,160		
Transfers					135,457	(135,457)	0		
<b>Total general revenues and transfers</b>					<b>1,678,574</b>	<b>105,022</b>	<b>1,783,596</b>	<b>353,014</b>	<b>647</b>
Change in net assets					(137,895)	515,008	377,112	92,053	15,978
Net assets - beginning					3,057,764	4,189,379	7,257,143	(245,625)	69,052
<b>Net assets - ending</b>					<b>\$ 2,929,869</b>	<b>\$ 4,704,387</b>	<b>\$ 7,634,255</b>	<b>\$ (153,572)</b>	<b>\$ 85,030</b>

The notes to the financial statements are an integral part of this statement.

City of Columbus, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2006

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 184,402		\$ 184,402
Invested cash	956,769	\$ 182,789	1,139,558
Investments	209,518	17,761	227,279
Receivable (net of allowances for estimated uncollectibles)	141,451	1,089	142,540
Due from other funds	2,888	10,000	12,888
Total assets	\$ 1,495,028	\$ 211,639	\$ 1,706,667
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 26,803		\$ 26,803
Accrued payroll	32,893		32,893
Due to other funds	14,855		14,855
Deferred revenue	11,834	\$ 1,089	12,923
Total liabilities	86,384	1,089	87,473
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Municipal court	18,079		18,079
<b>Unreserved, reported in:</b>			
General fund	1,390,565		1,390,565
Special revenue funds		210,550	210,550
Total fund balances	1,408,644	210,550	1,619,194
Total liabilities and fund balances	\$ 1,495,028	\$ 211,639	
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			1,431,611
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds			12,923
Deferred property tax revenue			12,923
Long-term liabilities such as leases payable and compensated absences are not due and payable in the current period and therefore are not reported in the fund			
Capital lease			(112,426)
Compensated absences			(21,433)
Net assets of governmental activities			\$ 2,929,869

The notes to the financial statements are an integral part of this statement.

**City of Columbus, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2006**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 356,151	\$ 70,550	\$ 426,701
Non-property taxes	918,115	128,374	1,046,489
Licenses and permits	12,551		12,551
Fines and forfeitures	48,253		48,253
Miscellaneous revenue	82,059	16,342	98,402
Charges for services	13,915		13,915
Intergovernmental revenue	146,293		146,293
Total revenues	<u>1,577,336</u>	<u>215,267</u>	<u>1,792,603</u>
<b>EXPENDITURES</b>			
Current:			
Administrative and general	320,752		320,752
Economic development	4,500	128,374	132,874
Police department	643,969		643,969
Fire department	368,694		368,694
Streets and drainage	465,536		465,536
Parks and recreation	369,913		369,913
Public Health	30,724		30,724
Debt service:			
Lease principal	34,964		34,964
Interest on long term debt (leases)	4,730		4,730
Total expenditures	<u>2,243,780</u>	<u>128,374</u>	<u>2,372,155</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(666,444)</u>	<u>86,892</u>	<u>(579,552)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	451,650	38,000	489,650
Transfers out	(11,500)	(342,683)	(354,183)
Sale of capital assets	13		13
Proceeds from capital lease	82,191		82,191
Total other financing sources (uses)	<u>522,354</u>	<u>(304,683)</u>	<u>217,671</u>
<b>SPECIAL ITEMS</b>			
Sale of capital assets	79,000		79,000
Total special items	<u>79,000</u>		<u>79,000</u>
Net change in fund balances	(65,090)	(217,791)	(282,881)
Fund balances - beginning	1,473,734	428,341	1,902,075
Fund balances - ending	<u>\$ 1,408,644</u>	<u>\$ 210,550</u>	<u>\$ 1,619,194</u>

The notes to the financial statements are an integral part of this statement.

**City of Columbus, Texas**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances – total governmental funds (page 27)	\$	(282,881)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
<b>Capital Outlay</b>		468,357
<b>Depreciation</b>		(182,014)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
<b>Deferred grant revenue</b>		(1,282)
<b>Deferred Tax Revenue</b>		(2,451)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase (decrease) assets</p>		
<b>Sale of Land - Collection of CISD Note Receivable Payment</b>		(79,000)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
<b>Capital Lease Financing</b>		(82,191)
<b>Capital Lease Payments</b>		34,964
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>		
<b>Compensated Absences</b>		(11,396)
		(11,396)
Change in net assets of governmental activities (page 25)	\$	(137,894)

The notes to the financial statements are an integral part of this statement.

City of Columbus, Texas  
Statement of Net Assets  
Proprietary Fund  
September 30, 2006

	Utility Fund Current Year	Utility Fund Prior Year
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 769,588	\$ 808,500
Invested cash	260,717	
Investments	296,659	283,250
Accounts receivable (net of allowance for uncollectibles)	292,175	260,522
Due from other funds	4,855	4,464
Total current assets	1,623,994	1,356,737
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	185,777	329,251
Invested cash	3,254,784	4,331,470
Total noncurrent assets	3,440,561	4,660,721
Deferred charges	123,283	129,887
Capital assets, net of accumulated depreciation		
Land	24,183	24,183
Distribution and collection systems	6,437,659	6,424,939
Machinery and equipment	1,117,585	1,289,909
Construction in progress	1,650,757	94,790
Less accumulated depreciation	(4,551,432)	(4,604,977)
Total capital assets (net of accumulated depreciation)	4,678,752	3,228,844
Total noncurrent assets	8,242,596	8,019,452
Total assets	\$ 9,866,590	\$ 9,376,189
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 335,800	\$ 113,075
Accrued payroll	18,765	26,390
Due to other funds	2,888	111,162
Customer deposits payable	68,955	59,620
Accrued interest payable	22,462	60,516
Capital lease payable - current	6,867	
Certificates of obligation - current	175,000	130,000
Total current liabilities	630,737	500,763
Noncurrent liabilities:		
Capital lease payable	23,777	
Certificates of obligation (net of unamortized premium)	4,507,689	4,686,046
Total noncurrent liabilities	4,531,466	4,686,046
Total liabilities	5,162,204	5,186,810
<b>NET ASSETS</b>		
Invested in capital assets net of related debt	3,529,263	3,134,054
Unrestricted	1,175,124	1,055,325
Total net assets	\$ 4,704,387	\$ 4,189,379

The notes to the financial statements are an integral part of this statement.

**City of Columbus, Texas**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Fund**  
**For the year Ended September 30, 2006**

	<u>Utility Fund Current Year</u>	<u>Utility Fund Prior Year</u>
Operating revenues:		
Charges for sales and services:		
Water sales	\$ 589,892	\$ 456,607
Sewer charges	463,335	302,882
Garbage fees	599,853	500,181
Gas sales	929,171	723,293
Total operating revenues	<u>2,582,251</u>	<u>1,982,963</u>
Operating expenses:		
Personnel	399,700	635,575
Maintenance and operations	1,482,952	1,204,763
Depreciation	211,004	227,087
Total operating expenses	<u>2,093,656</u>	<u>2,067,424</u>
Operating income (loss)	<u>488,595</u>	<u>(84,462)</u>
Nonoperating revenues (expenses)		
Intergovernmental revenue	102,657	
Interest income	239,342	57,487
Interest expense	(181,266)	(25,506)
Gain on sale of capital assets	1,148	22,177
Total nonoperating revenues (expenses)	<u>161,880</u>	<u>54,157</u>
Income (loss) before transfers	<u>650,475</u>	<u>(30,304)</u>
Transfers		
Transfers in	71,080	
Transfers (out)	(206,547)	(191,246)
Net transfers (out)	<u>(135,467)</u>	<u>(191,246)</u>
Change in net assets	<u>515,008</u>	<u>(221,551)</u>
Total net assets - beginning	<u>4,189,379</u>	4,410,929
Total net assets - ending	<u>\$ 4,704,387</u>	<u>\$ 4,189,379</u>

The notes to the financial statements are an integral part of this statement.

**City of Columbus, Texas  
Proprietary Fund  
Statement of Cash Flows  
For the Year Ended September 30, 2006**

	Utility Fund Current Year	Utility Fund Prior Year
Cash flows from operating activities:		
Cash received from customers	\$ 2,559,933	\$ 1,945,437
Cash paid to suppliers	(1,260,226)	(1,163,603)
Cash paid to employees	(407,325)	(631,803)
Net cash provided by operations	892,382	150,031
Cash flows from noncapital financing activities:		
Federal grant	1,547	
Transfer from other funds	71,080	
Transfer to other funds	(206,547)	(191,246)
Advances from other funds		56,841
Advances to other funds	(108,664)	(19,516)
Net cash (used) by noncapital financing activities	(242,584)	(153,921)
Cash flows from capital and related financing activities:		
Proceeds from capital debt		4,816,046
Capital lease proceeds	38,414	
Capital grants	101,110	
Purchase of capital assets	(1,681,837)	(67,499)
Debt issuance costs		(132,076)
Proceeds from sale of capital assets	28,675	28,733
Principal paid on capital debt	(137,770)	(30,686)
Interest paid on capital debt	(222,678)	
Net cash provided (used) by capital and related financing activities	(1,874,086)	4,614,518
Cash flows from investing activities:		
Proceeds from maturities of invested cash	1,076,686	
Purchase of invested cash	(260,717)	(4,331,470)
Purchase of investments	(13,409)	(7,396)
Interest received	239,342	57,489
Net cash provided (used) by investing activities	1,041,902	(4,281,377)
Net (decrease) in cash and equivalents	(182,386)	329,251
Cash and equivalents, October 1 (including \$329,251 and \$-0- respectively, reported in restricted accounts)	1,137,751	808,500
Cash and equivalents, September 30 (including \$185,777 and \$329,521 respectively, reported in restricted accounts)	\$ 955,365	\$ 1,137,751
Reconciliation of net income to net cash provided by operating activities:		
Net operating income (loss)	\$ 488,595	\$ (84,462)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	211,004	227,087
(Increase) in accounts receivable	(31,652)	(43,391)
Increase in accounts payable	222,725	41,284
(Decrease) increase in accrued payroll	(7,625)	3,772
Increase in customer deposits	9,335	5,865
Depreciation adjustment		(124)
Total adjustments	403,787	234,493
Net cash provided (used) by operations	\$ 892,382	\$ 150,031

The notes to the financial statements are an integral part of this statement.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. General Statement

The City of Columbus was incorporated under the laws of the State of Texas in 1927 and operates under a Manager-Council form of government. The following services are provided by the City: public safety (police and fire), public works (streets and drainage), parks and recreation, and utilities (water, sewer, garbage, and natural gas).

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statement (see note below for description) to emphasize that it is legally separate from the City.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the City are described below.

### B. Financial Reporting Entity

The following component units are discretely presented:

The Columbus Community Industrial Development Corporation (corporation) is a nonprofit corporation organized pursuant to the provisions of the Development Corporation Act of 1979, and is responsible for promoting, assisting and enhancing economic development activities within the City's jurisdiction. The members of the Corporation's governing board are appointed by the Mayor and approved by the City Council. The Corporation is fiscally dependent upon the City as the City levied a ½ cent sales and use tax for the benefit of the Corporation.

The Convention and Visitors' Bureau (bureau) is responsible for the development of the local tourism industry. It is managed by a board appointed by the City Council. The Bureau is fiscally dependent upon the City as the Council approves the Bureau's budget and the City provides the majority of the Bureau's funds via the hotel/motel occupancy tax.

Financial statements for each of the individual component units may be obtained at the entity's administrative offices.

Columbus Convention and Visitors' Bureau  
425 Spring Street  
Columbus, Texas 78934

Columbus Community Industrial  
Development Corporation  
605 Spring St.  
Columbus, Texas 78934

### **C. Basis of Presentation**

#### Government-wide Financial Statements:

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City reports the following major governmental fund:

#### **General Fund**

The *General Fund* is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. In accounting for proprietary funds, the City has chosen, as allowed by GASB Statement No. 20, to follow all GASB pronouncements as well as all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 which do not contradict or conflict with GASB pronouncements. All assets and liabilities are included on the Statement of Net Assets.

The City has presented the following major proprietary fund:

#### **Utility Fund**

The *Utility Fund* is used to account for the provision of water, sewer, natural gas services, and garbage collection to the residents of the City. Activities of the fund include administration, operations and maintenance of the water, sewer, and natural gas systems and billing and collection activities for garbage collection. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary's principal ongoing operations. Operating expenses for the proprietary fund include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are considered to be measurable and available only when cash is received by the City.

#### **E. Deposits and investments**

The City pools cash resources of its General and Utility funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing deposits and disclosed as part of the City's deposits and investments.

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.

Investments for the City, as well as for its component unit, the corporation, are reported at fair value. The Texas Cooperative Liquid Assets Securities System (Texas CLASS) and the Texas Local Government Investment Cooperative (LOGIC) pools operate in accordance with state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

#### **F. Interfund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

#### **G. Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Government and Proprietary Funds.

#### **H. Restricted Assets**

Certain proceeds of the City's certificates of obligation are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by debt covenants.

#### **I. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the 2006 construction period on capital assets. General infrastructure assets acquired prior to October 1, 2003 are not reported in the basic financial statements.

Assets capitalized, not including infrastructure assets, have an original cost of \$1,000 or more and a useful life of over one year.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	10-50
Machinery and equipment	5-20

#### **J. Compensated Absences**

Full-time permanent employees are granted vacation benefits in increasing amounts depending on their years of service with the City. Generally, vacation leave may not be accumulated or carried over. Earned vacation leave not used by the employee's anniversary hire date will be lost as vacation leave and converted to sick leave. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. And then, only if material.

Accumulated sick leave is for the sole purpose of permitting an employee to be relieved of his duties during actual illness and may not be used under any other circumstances. There is no liability for unpaid accumulated sick leave since the City does not pay any amounts when employees separate from service.

#### **K. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. The City's long-term obligations in its governmental activities consist of two capital leases. The City's long-term obligations in its business-type activities consist of a capital lease and 2005 certificates of obligation. Debt premium and issuance costs are deferred and amortized over the life of the certificates of obligation. Certificates of obligation payable are reported net of the applicable bond premium.

#### **L. Nature and Purpose of Reserves of Fund Equity**

In the City's governmental funds reservations of fund balance represent amounts that are not appropriable or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent

proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## **II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

### **A. Deposits and Investments**

At year end, the carrying amount of the City's deposits with financial institutions was \$5,738,387 and the bank balance was \$6,069,603. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining balance was covered by collateral held in the pledging financial institutions' trust department in the City's name.

The City's deposits and investments consist of the following as permitted by The Public Funds Investment Act and the City of Columbus's adopted Investment Policy:

Fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity; and constant dollar Texas Local Government Investment Pools.

The City's investment policy, in an effort to control credit risk, requires depositories to provide 102% of the market value of the City's time or demand deposits as collateral. The City also only invests in governmental investment pools which maintain a constant dollar value.

At year end the City's investments were in the Texas Cooperative Liquid Assets Securities System (Texas CLASS). The carrying amount and market value of the investments was \$523,939. Texas CLASS is a local government investment pool supervised by a Board of Trustees who is elected by its participants. Texas CLASS invests solely in securities permitted under the Public Funds Investment Act. Texas CLASS is not registered with the SEC; as an intergovernmental trust comprised solely of governmental entities, it is statutorily exempt from registration. The Program Administrator/Investment Advisor to Texas CLASS, MBIA Municipal Investors Service Corp., is registered with the SEC as a Registered Investment Advisor. The Texas CLASS program is rated AAA/V1+ by Fitch Ratings.

Texas CLASS operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. These investments are not subject to categorization.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by allowing no more than 20% of its investments to have maturities greater than one year.

The City's funds in Texas CLASS have a dollar weighted average maturity of 35 days.

At year-end the Columbus Industrial Development Corporation's investments were with the Texas Local Government Investment Cooperative (LOGIC). The carrying amount and market value of the investments was \$526,869. LOGIC fund investments are not categorized in accordance with GASB 3 because they are not evidenced by securities that exist in physical or book entry form.

The Cooperative's governing body is a three-member Board of Directors comprised of three government officials or employees. An advisory board member with expertise in public finance represents the General Manager of the Cooperative. Day to day administration of the Cooperative is performed by Southwest Securities Group, Inc. (General Manager). The portfolio is managed by Citigroup Asset Management (subadvisor) and SWS Capital Corporation (Administrator) a subsidiary of Southwest Securities Group, Inc. The LOGIC fund is rated Aaa/MR1 by Moody's. The State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool.

LOGIC invests in those instruments that are allowed under the Texas Public Funds Investment Act. LOGIC further limits its investments to obligations of the U. S. Or its agencies and instrumentalities, other obligations unconditionally guaranteed by the U. S. with repurchase agreements collateralized by such obligations.

**B. Receivables**

Receivables at September 30, 2006 were as follows:

	Accounts	Taxes	Other	Allowance for Uncollectibles	Total Receivables
Governmental activities:					
Ad valorem	--	\$ 21,728	--	\$ (7,559)	\$ 14,169
Sales taxes	--	114,368	--		114,368
Other:					
Insurance claim	--	--	\$ 10,930	--	10,930
Intergovernmental	--	--	2,583	--	2,583
Miscellaneous	--	--	491	--	491
	<u>--</u>	<u>\$ 136,096</u>	<u>\$ 14,004</u>	<u>\$ (7,559)</u>	<u>\$ 142,541</u>
Business-type activities:					
Utilities	\$ 303,232	--	--	\$ (11,057)	\$ 292,175

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable by February 1, at which time they become delinquent. The Colorado County Central Appraisal District assesses, bills and collects property taxes for the City.

City of Columbus, Texas  
Notes to the Financial Statements  
September 30, 2006

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2006 was as follows:

	Beginning			Ending
	Balance	Increases	Decreases	Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 253,152	--	--	\$ 253,152
Total capital assets not being depreciated	253,152	--	--	253,152
Other capital assets:				
Buildings and improvements	1,269,623	\$ 3,000	--	1,272,623
Machinery and equipment	1,704,256	465,357	--	2,169,613
Total other capital assets at historical cost	2,973,879	468,357	-0-	3,442,236
Less accumulated depreciation for:				
Buildings and improvements	823,307	48,326	--	871,633
Machinery and equipment	1,258,457	133,688	--	1,392,145
Total accumulated depreciation	2,081,764	182,014	-0-	2,263,778
Total other capital assets, net	892,115	286,343	-0-	1,178,458
Governmental activities, capital assets, net	\$ 1,145,267	\$ 286,343	\$ -0-	\$ 1,431,610
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 24,183	--	--	\$ 24,183
Construction in progress	94,790	\$ 1,597,679	\$ 41,712	1,650,757
Pipeline	250,000	16,897	--	266,897
Total capital assets not being depreciated	368,973	1,614,576	41,712	1,941,837
Other capital assets:				
Buildings and improvements	581,700	--	--	581,700
Distribution and collection systems	6,174,939	86,127	73,406	6,187,660
Machinery and equipment	708,209	39,743	212,068	535,884
Total other capital assets at historical cost	7,464,848	125,870	285,474	7,305,244
Less accumulated depreciation for:				
Buildings and improvements	494,152	13,802	--	507,954
Distribution and collection systems	3,445,326	169,738	45,879	3,569,185
Machinery and equipment	665,499	20,861	212,068	474,292
Total accumulated depreciation	4,604,977	204,401	257,947	4,551,431
Total other capital assets, net	2,859,871	(78,531)	27,527	2,753,813
Business-type activities capital assets, net	\$ 3,228,844	\$ 1,536,045	\$ 69,239	\$ 4,695,650

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

Governmental activities :	
General government	\$ 14,032
Police	29,098
Fire	56,798
Public health	197
Streets	31,117
Parks and recreation	<u>50,772</u>
Total governmental activities	<u>\$ 182,014</u>
Business-type activities:	
Water	\$ 77,961
Sewer	87,277
Garbage	13,938
Gas	<u>25,225</u>
Total business-type activities	<u>\$ 204,401</u>

**D. Payables**

Payables at September 30, 2006 were as follows:

	State				Total Payables
	Vendors	Fines	Retainage	Other	
Governmental activities:					
General	<u>\$ 17,813</u>	<u>\$ 8,624</u>	<u>-</u>	<u>\$ 366</u>	<u>\$ 26,803</u>
Business-type activities:					
Utilities	<u>\$ 285,154</u>	<u>-</u>	<u>\$ 45,644</u>	<u>\$ 5,002</u>	<u>\$ 335,800</u>

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances, which result from the time lag between the dates that reimbursable expenditures occur, as of September 30, 2006 is as follows:

Due to/Due From:

Fund	Interfund	Interfund
	Receivable	Payable
General	\$ 2,888	\$ 14,855
Equipment	10,000	-
Utility	4,855	2,888
Totals	<u>\$ 17,743</u>	<u>\$ 17,743</u>

City of Columbus, Texas  
Notes to the Financial Statements  
September 30, 2006

Transfers In/Transfers Out:

Fund	Transfers In	Transfers Out
General	\$ 451,650	\$ 11,500
Equipment	10,000	134,427
Fire Equipment	28,000	100,000
Debt Service	--	71,080
Capital Project	--	37,176
Utility	71,080	206,547
Totals	\$ 560,730	\$ 560,730

The General Fund transferred \$11,500 to the Fire Equipment Fund to cover future capital purchases.

The Equipment Fund transferred \$49,438 to the General Fund for a portion of the cost of a new fire truck and \$84,989 to the General Fund for the cost of a new front end loader.

The Fire Equipment Fund transferred \$100,000 to the General Fund for a portion of the cost of a new fire truck.

The Debt Service Fund transferred \$71,080 to the Utility Fund to aid in paying down the 2005 certificates of obligation debt.

The Capital Project Fund transferred \$37,176 to the General Fund after the MidTown Park Project was completed and unused funds remained.

The Utility Fund transferred \$60,075 to the General Fund to cover budgeted indirect costs and \$23,599 to cover firemen pension costs. The Utility Fund transferred payments in lieu of taxes of \$96,373 to the General Fund. The Utility Fund transferred \$16,500 to the Fire Equipment Fund and \$10,000 to the Equipment Fund to cover future capital purchases.

**F. Long-term Debt**

The following is a summary of changes in long-term liabilities reported in the governmental-wide financial statements for the year ended September 30, 2006:

**Primary government**

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Capital leases	\$ 65,199	\$ 82,191	\$ 34,964	\$ 112,426	\$ 33,639
Total governmental activities	\$ 65,199	\$ 82,191	\$ 34,964	\$ 112,426	\$ 33,639
<b>Business-type activities:</b>					
Certificates of obligation	\$ 4,750,000	--	\$ 130,000	\$ 4,620,000	\$ 175,000
Premium on certificates	66,046	--	3,357	62,689	--
Capital leases	--	\$ 38,414	7,770	30,644	6,867
Total Business -type activities	\$ 4,750,000	\$ 38,414	\$ 137,770	\$ 4,650,644	\$ 181,867

City of Columbus, Texas  
Notes to the Financial Statements  
September 30, 2006

**Component unit**

	<u>Total Payable</u>	<u>Current Portion</u>
<b><u>Columbus Community Industrial Development Corporation:</u></b>		
1998 Sales tax revenue bonds 4.20 to 5.75% maturing annually through 2023, interest payable semi-annually	<u>\$ 1,875,000</u>	<u>\$ 55,000</u>

**Long-term Debt Activity**

Long-term debt activity for the year ended September 30, 2006 was as follows:

	Beginning			Ending	Amounts
	Balance	Additions	Reductions	Balance	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Component Unit:</b>					
Columbus Community Industrial					
Development Corporation					
Sales Tax Revenue Bonds	<u>\$1,925,000</u>	<u>-</u>	<u>\$ 50,000</u>	<u>\$ 1,875,000</u>	<u>\$ 55,000</u>

**Certificates of Obligation**

The City has issued certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for the City's business-type activities. The original amount of certificates of obligation issued in prior years was \$4,750,000 for water and sewer improvements at annual interest rates from 3.00% to 4.85% with a maturity date of August 2025.

**Sales Tax Revenue Bonds**

The Columbus Community Industrial Development Corporation component unit has issued sales tax revenue bonds for the acquisition and construction of major capital facilities. The original amount of the bonds issued in prior years was \$2,170,000 for water and sewer lines and street and drainage improvements at the Texas Crossroads Industrial Park at annual interest rates from 4.20% to 5.75% with a maturity date of 2023.

City of Columbus, Texas  
Notes to the Financial Statements  
September 30, 2006

The annual requirements to pay principal and interest on long-term obligations outstanding at September 30, 2006, are as follows for the City and its component unit:

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>Certificates of Obligation</u>		<u>Sales Tax Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 175,000	\$ 179,693	\$ 55,000	\$ 105,527
2008	180,000	174,442	60,000	101,253
2009	185,000	169,043	65,000	97,415
2010	190,000	163,493	70,000	93,900
2011	200,000	157,793	75,000	89,985
2012-2016	1,095,000	679,715	450,000	381,172
2017-2021	1,325,000	459,415	620,000	231,168
2022-2025	1,270,000	155,487	480,000	42,549
Totals	<u>\$ 4,620,000</u>	<u>\$ 2,139,081</u>	<u>\$ 1,875,000</u>	<u>\$ 1,142,969</u>

Capital Leases

The City has a long-term capital lease with Tymco to finance the acquisition of a street sweeper. On December 26, 2006, the City Council voted to pay the outstanding balance early.

The City has entered into a lease agreement as lessee for financing the acquisition of software. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments at the date of inception of the lease. The lease has an annual interest rate of 7.34% and will mature in October 2010.

The assets acquired through the capital lease are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Asset:		
Software	\$ 60,359	\$ 38,414
<b>Less: Accumulated depreciation</b>	(11,882)	N/A
Total	<u>\$ 48,477</u>	<u>\$ 38,414</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2006 were as follows:

Year ending September 30	Governmental Activities			Business-Type
	Street Sweeper	Software	Total	Activities
2007	\$ 20,187	\$ 19,506	\$ 39,693	\$ 9,117
2008	20,187	19,506	39,693	9,117
2009	8,412	19,506	27,918	9,117
2010	-	19,505	19,505	9,116
Total minimum lease payments	48,786	78,023	126,809	36,467
Less: amount representing interest	(1,928)	(12,456)	(14,384)	(5,822)
Present value of minimum lease payments	\$ 46,858	\$ 65,567	\$ 112,425	\$ 30,645

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

Budgets for the General, Special Revenue (Equipment Fund, Fire Equipment Fund and Hotel Occupancy Tax Fund), Debt Service and Utility Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Annual appropriated budgets are adopted for all funds. A budget was not adopted for the MidTown Capital Project Fund. All annual appropriations lapse at fiscal year end.

The City's fiscal year is the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by September 1.

Upon receipt of the budget estimates, the Council holds public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

At least ten days prior to October 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are as originally adopted or as amended by the City Council. The Council made several supplemental budgetary appropriations throughout the year, including in the General Fund: 1) a \$56,580 increase in professional services for infrastructure planning and analysis and 2) an \$85,000 increase in capital outlay for the purchase of a new front end loader tractor. Other supplementary budgetary appropriations made in the General Fund were not material. The City Council amended the budgeted transfers out in the Equipment Special Revenue Fund; transfers out to the

General Fund were increased by \$85,000 to provide funds for the purchase of the aforementioned front end loader tractor.

**B. Excess of Expenditures Over Appropriations**

For the year ended September 30, 2006, expenditures exceeded appropriations in the Hotel Occupancy Tax Fund (Special Revenue Fund) by \$3,374. These overexpenditures were funded by greater than anticipated occupancy tax revenues.

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For its liability, property and worker’s compensation insurance, the City is a participant in the Texas Municipal League Intergovernmental Risk Pool (TML), a public entity risk pool operated by The Texas Municipal League for the benefit of political subdivisions of the State of Texas. The City pays an annual premium to TML for this coverage.

TML is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1 million per occurrence for property damage, \$1 million per occurrence for general liability and \$1 million per occurrence for worker’s compensation. TML obtains independent coverage for insured events in excess of the amounts listed above. There has been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

**C. Construction Commitments**

The City has active construction projects as of September 30, 2006. The projects include utility construction work as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Telemetry (Data Acquisition System) for Water and Wastewater Systems	–	\$ 151,000
Sewer drying beds	--	184,900
Water Distribution System	\$ 725,052	454,621
Total	<u>\$ 725,052</u>	<u>\$ 790,521</u>

**D. Subsequent event**

On November 27, 2006, the City authorized the sale of its gas pipeline to San Felipe Pipeline Company for \$250,000.

**E. Employee Retirement Systems and Plans**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 811 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2005 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153. The City of Columbus Volunteer Firemen are covered by a separate pension plan, therefore they are not included in the Texas Municipal Retirement System plan.

*Benefits*

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200% ) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/19/06):

Deposit rate	6%
Matching Ratio (City to Employee)	1.5 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city (expressed as years of service/age) are:

5yrs/age 60, 25 yrs/any age

*Contributions*

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2005 valuation is effective for rates beginning January 2007). A summary of actuarial assumptions is as follows:

Actuarial Cost Method	Unit Credit
Amortization method	Level percent of payroll
Remaining amortization period	25 years - open period
Asset Valuation Method	Amortized cost
Investment Rate of Return	7%
Actuarial Valuation Date	December 31, 2005
Projected salary increases	None
Inflation rate	3.5%
Cost-of-living adjustments	None

Annual City TMR pension cost and related information for the last three years is as follows:

Fiscal Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/04	\$ 67,545	100%	\$ -0-
09/30/05	\$ 78,541	100%	\$ -0-
09/30/06	\$ 93,658	100%	\$ -0-

**Texas Statewide Emergency Services Personnel Retirement Fund**

The City acts as agent for the Texas Statewide Emergency Services Personnel Retirement Fund (the "Fund") which is a component unit of the State of Texas. The City reimbursed the Fund \$12,361 for benefits paid on a pay-as-you-go basis during the year in recognition of services provided to the City by volunteer firemen. The Fund has a Board of Directors not designated by City officials and is administered by the State Fire Fighters' Pension Commissioner. There are 36 active participants currently covered by the Fund and payments are being made to 27 retirees or their survivors. The Fund does not prepare separate financial statements for participating departments; however, financial statements for the fund as a whole may be obtained from the administrator at Fire Fighters' Pension Commissioner, P. O. Box 12577, Austin, Texas 78711.

## **Required Supplementary Information**

**City of Columbus, Texas**  
**Required Supplementary Information**  
**Schedule of Funding Progress for Participation in Texas Municipal Retirement System**  
**September 30, 2006**

The City's Texas Municipal Retirement System's trend information on funding progress for the last three actuarial valuations is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ©	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$ 1,408,545	\$ 1,902,170	\$ 493,625	74.0%	\$ 922,056	53.5%
12/31/04	\$ 1,606,935	\$ 2,151,190	\$ 544,255	74.7%	\$ 1,026,478	53.0%
12/31/05	\$ 1,780,903	\$ 2,309,034	\$ 528,131	77.1%	\$ 1,101,077	48.0%

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City of Columbus, Texas  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$ 345,110	\$ 345,110	\$ 356,151	\$ 11,041
Nonproperty	911,000	911,000	918,115	7,115
Licenses and permits	14,675	14,675	12,551	(2,124)
Fines	26,450	29,723	48,253	18,530
Miscellaneous sales and revenues	39,850	39,850	82,059	42,209
Charges for Services	12,775	12,775	13,915	1,140
Intergovernmental revenue	118,000	182,250	146,293	(35,957)
Total revenues	<u>1,467,860</u>	<u>1,535,383</u>	<u>1,577,336</u>	<u>41,953</u>
<b>EXPENDITURES</b>				
Current:				
Administrative and general				
Personnel	176,468	176,468	172,173	4,295
Supplies	28,333	28,333	20,169	8,164
Other services	92,235	148,815	85,465	63,350
Capital outlay	60,840	63,357	42,945	20,412
	<u>357,876</u>	<u>416,973</u>	<u>320,752</u>	<u>96,221</u>
Economic Development				
Other services	4,500	4,500	4,500	0
Police department:				
Personnel	493,165	493,165	498,200	(5,035)
Supplies	43,350	46,623	43,371	3,252
Other services	61,092	61,092	55,653	5,439
Capital outlay	52,060	52,060	46,746	5,314
	<u>649,667</u>	<u>652,940</u>	<u>643,969</u>	<u>8,971</u>
Fire department:				
Personnel	25,400	25,400	27,804	(2,404)
Supplies	20,091	20,091	32,901	(12,810)
Other services	23,515	23,515	20,190	3,325
Capital outlay	273,000	273,000	287,799	(14,799)
	<u>342,006</u>	<u>342,006</u>	<u>368,694</u>	<u>(26,688)</u>
Public health				
Personnel	23,111	23,111	23,138	(27)
Supplies	2,295	2,295	3,053	(758)
Other services	11,538	11,538	4,532	7,006
	<u>36,944</u>	<u>36,944</u>	<u>30,724</u>	<u>6,220</u>
Parks and recreation				
Personnel	263,221	263,221	255,560	7,661
Supplies	41,741	73,625	74,681	(1,056)
Other services	40,612	40,612	35,406	5,206
Capital outlay	1,000	1,000	4,266	(3,266)
	<u>346,574</u>	<u>378,458</u>	<u>369,913</u>	<u>8,545</u>

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**City of Columbus, Texas**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Streets and drainage				
Personnel	169,757	169,757	167,253	2,504
Supplies	150,663	150,663	144,719	5,944
Other services	81,369	81,369	66,963	14,406
Capital outlay	51,500	136,500	86,601	49,899
	<u>453,289</u>	<u>538,289</u>	<u>465,536</u>	<u>72,753</u>
Debt service				
Lease principal	39,343	39,343	34,964	4,379
Interest on capital lease	2,834	2,834	4,730	(1,896)
	<u>42,177</u>	<u>42,177</u>	<u>39,693</u>	<u>2,484</u>
Total expenditures	<u>2,233,033</u>	<u>2,412,287</u>	<u>2,243,780</u>	<u>168,507</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	415,491	500,491	451,650	(48,841)
Transfers out	(26,500)	(26,500)	(11,500)	15,000
Proceeds from sales of assets	0	0	13	13
Proceeds from capital lease	81,400	81,400	82,191	791
Total other financing sources (uses)	<u>470,391</u>	<u>555,391</u>	<u>522,354</u>	<u>(33,037)</u>
<b>SPECIAL ITEMS</b>				
Proceeds from sales of assets	39,500	39,500	79,000	39,500
Total special items	<u>39,500</u>	<u>39,500</u>	<u>79,000</u>	<u>39,500</u>
Net change in fund balances	(255,282)	(282,013)	(65,090)	216,923
Fund balances, beginning	1,473,734	1,473,734	1,473,734	0
Fund balances, ending	<u>\$ 1,218,452</u>	<u>\$ 1,191,721</u>	<u>\$ 1,408,644</u>	<u>\$ 216,923</u>

**City of Columbus, Texas**  
**Notes to Required Supplementary Information**  
**September 30, 2006**

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**Budgetary Information**

The annual budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). All annual appropriations lapse at fiscal year end.

Budgeted amounts are as originally adopted or as amended by the City Council. The Council made several supplemental budgetary appropriations throughout the year which increased total budgeted expenditures by \$179,254. These amendments were as follows:

Date Budget Amended	Purpose	Amount
February 13, 2006	Electrical repairs at the golf course	\$ 14,585
March 13, 2006	New computers for the library (to be purchased with grant funds)	10,735
April 10, 2006	Police supplies (to be purchased with forfeiture funds)	3,273
April 17, 2006	Microphone system for Council Chambers	2,517
May 8, 2006	Library books (to be purchased with grant funds)	2,249
July 10, 2006	Professional fees for infrastructure and planning analysis (to be paid with \$49,200 of grant funds)	56,580
July 24, 2006	Purchase books, audio visual equipment and supplies (to be paid with memorials)	4,315
August 31, 2006	Purchase a front end loader tractor	85,000
Total Additional Appropriations		\$ 179,254

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

*Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.*

*Equipment Fund* - This fund is used to maintain funds set aside for the purposes of financing purchases of long-lived equipment.

*Fire Equipment Fund* - This fund is used to account for funds set aside for the future purchase of fire department equipment.

*Hotel Occupancy Tax Fund* - This fund is used to account for the City's hotel occupancy tax revenues and related tourism and economic development expenditures.

### **Debt Service Fund**

*The City's Debt service fund is used to account for resources accumulated and transferred to the Proprietary Fund. These resources supplement Utility Fund resources used to make payments on the principal and interest of the City's 2005 Combination Tax and Revenue Certificates of Obligation.*

### **Capital Projects Funds**

*Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.*

*MidTown Park Fund* - This fund is used to account for the construction of recreation park facilities. The City is financing this project with a state grant from the Texas Parks & Wildlife. This project has been completed.

City of Columbus, Texas  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2006

	Special Revenue			Debt Service	Total Nonmajor Governmental Funds
	Equipment	Fire Equipment	Total		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 136,802	\$ 45,987	\$ 182,789		\$ 182,789
Investments	17,761		17,761		17,761
Receivable (net of allowance for estimated uncollectibles)				\$ 1,089	1,089
Due from general fund	10,000		10,000		10,000
<b>Total assets</b>	<u>164,562</u>	<u>45,987</u>	<u>210,550</u>	<u>1,089</u>	<u>211,639</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Unearned revenue				\$ 1,089	\$ 1,089
<b>Total liabilities</b>				<u>1,089</u>	<u>1,089</u>
<b>Fund balances:</b>					
Unreserved, undesignated	164,562	45,987	210,550	0	210,550
<b>Total fund balances</b>	<u>164,562</u>	<u>45,987</u>	<u>210,550</u>	<u>0</u>	<u>210,550</u>
<b>Total liabilities and fund balances</b>	<u>\$ 164,562</u>	<u>\$ 45,987</u>	<u>\$ 210,550</u>	<u>\$ 1,089</u>	<u>\$ 211,639</u>

City of Columbus, Texas  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 For the Year Ended September 30, 2006

	Special Revenue			Debt Service	Capital Projects	Total Nonmajor
	Equipment	Fire Equipment	Hotel-Motel Tax Fund		Midtown Park	Governmental Funds
<b>REVENUES</b>						
Ad valorem taxes				\$ 70,880		\$ 70,880
Non-property taxes			\$ 128,374			128,374
Miscellaneous revenue	\$ 12,114	\$ 3,393		530	\$ 306	16,342
<b>Total revenues</b>	<u>12,114</u>	<u>3,393</u>	<u>128,374</u>	<u>71,940</u>	<u>306</u>	<u>215,267</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Economic development			128,374			128,374
<b>Total expenditures</b>	<u>0</u>	<u>0</u>	<u>128,374</u>	<u>0</u>	<u>0</u>	<u>128,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,114</u>	<u>3,393</u>	<u>0</u>	<u>71,940</u>	<u>306</u>	<u>86,892</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	10,000	28,000				38,000
Transfers out	(134,427)	(100,000)		(71,940)	(37,177)	(344,544)
<b>Total other financing sources (uses)</b>	<u>(124,427)</u>	<u>(72,000)</u>	<u></u>	<u>(71,940)</u>	<u>(37,177)</u>	<u>(304,544)</u>
Net change in fund balances	<u>(112,313)</u>	<u>(68,607)</u>	<u>0</u>	<u>0</u>	<u>(36,871)</u>	<u>(217,791)</u>
Fund balances - beginning	<u>276,875</u>	<u>114,895</u>	<u>0</u>	<u>0</u>	<u>36,871</u>	<u>428,641</u>
<b>Fund balances - ending</b>	<u>\$ 164,562</u>	<u>\$ 46,288</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 210,850</u>

**City of Columbus, Texas**  
**Equipment Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment earnings	\$ 3,500	\$ 3,500	\$ 12,114	\$ 8,614
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>12,114</u>	<u>8,614</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	10,000	10,000	0
Transfers out	(120,000)	(205,000)	(134,427)	70,573
Total other financing sources (uses)	<u>(110,000)</u>	<u>(195,000)</u>	<u>(124,427)</u>	<u>70,573</u>
Net change in fund balances	(106,500)	(191,500)	(112,313)	79,187
Fund balances, beginning	<u>276,875</u>	<u>276,875</u>	<u>276,875</u>	<u>0</u>
Fund balances, ending	<u>\$ 170,375</u>	<u>\$ 85,375</u>	<u>\$ 164,562</u>	<u>\$ 79,187</u>

**City of Columbus, Texas**  
**Fire Equipment Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Investment earnings	\$ 250	\$ 250	\$ 3,393	\$ 3,143
Total revenues	<u>250</u>	<u>250</u>	<u>3,393</u>	<u>3,143</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	43,500	43,500	28,000	(15,500)
Transfers out	(100,000)	(100,000)	(100,000)	0
Total other financing sources (uses)	<u>(56,500)</u>	<u>(56,500)</u>	<u>(72,000)</u>	<u>(15,500)</u>
Net change in fund balances	(56,250)	(56,250)	(68,607)	(12,357)
Fund balances, beginning	<u>114,595</u>	<u>114,595</u>	<u>114,595</u>	<u>0</u>
Fund balances, ending	<u>\$ 58,345</u>	<u>\$ 58,345</u>	<u>\$ 45,987</u>	<u>\$ (12,357)</u>

**City of Columbus, Texas**  
**Hotel Occupancy Tax Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Hotel occupancy tax	\$ 125,000	\$ 125,000	\$ 128,374	\$ 3,374
Total revenues	<u>125,000</u>	<u>125,000</u>	<u>128,374</u>	<u>3,374</u>
<b>Expenditures</b>				
Current:				
Economic development	125,000	125,000	128,374	(3,374)
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>128,374</u>	<u>(3,374)</u>
Net change in fund balances	0	0	0	0
Fund balances, beginning	0	0	0	0
Fund balances, ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**City of Columbus, Texas**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Ad valorem taxes	\$ 70,031	\$ 70,031	\$ 70,550	\$ 519
Investment earnings	0	0	530	530
Total revenues	<u>70,031</u>	<u>70,031</u>	<u>71,080</u>	<u>1,049</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to utility fund	(70,031)	(70,031)	(71,080)	(1,049)
Total other financing sources (uses)	<u>(70,031)</u>	<u>(70,031)</u>	<u>(71,080)</u>	<u>(1,049)</u>
Net change in fund balances	0	0	0	0
Fund balances, beginning	0	0	0	0
Fund balances, ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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