

COLUMBIA

POPULAR ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING
JUNE 30, 2018

CITY OF COLUMBIA, TENNESSEE

TABLE OF CONTENTS

Letter from the CFO	1
City Profile	1
Demographic & Economics	2
Fiscal Process	2
Introduction to the Popular Annual Financial Report	2
Financial Highlights	2
General Financial Information	3
General Fund	4
Enterprise Funds	4
Long Term Debt	5
Capital Improvements	6
Economic Factors and FY 19 Budget and Rates	7
Requests for Information	7
Acknowledgments	7



Columbia Public Mural Project



Muletown Showdown Car Show



New City Historic Marker

Letter from the CFO



Honorable Mayor and City Council and Citizens of Columbia:

We are pleased to present the City’s first ever Popular Annual Financial Report (PAFR) of the City of Columbia for the fiscal year ended June 30, 2018. It is our intent that the report provide Columbia citizens with better access and greater insight into the City’s financial activities. Development of the 2018 PAFR follows from the City’s commitment to providing outstanding transparency and the highest quality financial reporting.

The report is an overview of the City’s financial position and long-standing financial practices. It identifies revenue sources and describes how they are spent in a fiscally responsible manner. The fiscal stability of the City is reflected in its ability to maintain a AA+ credit rating from S&P beginning in 2017 and Aa2 from Moody’s since 2011.

Although financial figures in the PAFR come from an audited source, they are presented in a condensed, unaudited, non-GAAP format. The 2018 PAFR will also be submitted to GFOA for consideration for the Popular Annual Financial Reporting Award Program. Citizens seeking more detailed financial information may view a copy of the audited GAAP-basis financial statements of the 2018 CAFR online at www.ColumbiaTN.com/Government/Finance.

Sincerely,

Thad H. Jablonski,

Chief Financial Officer / Assistant City Manager

City Profile

The City of Columbia is located in Maury County, serving as the county seat. Columbia was first settled in 1807 and incorporated on November 18, 1817. Located approximately 40 miles southwest of Nashville, Columbia is one of the fastest growing cities in the South Central and Middle Tennessee regions.

The City’s legislative body is made up of the City Council with the Mayor and Vice Mayor elected at-large (city-wide) and five City Council members elected by ward. The City provides a full range of municipal services including public safety (police, fire protection and emergency services), highway/street maintenance, public works, parks and recreation, development services (engineering, planning and code administration), solid waste collection and general administrative services. The City also operates a wastewater utility. Columbia Power & Water Systems (CPWS) provides electric, water and broadband services within the CPWS service area.

Columbia’s commitment to public safety stands apart statewide and nationally. Columbia Fire & Rescue maintained its ISO 1 rating in 2018, the highest rating attainable for fire suppression and one of only two cities in the state receiving an ISO 1. In 2018, the Columbia Police Department maintained its national certificate of accreditation by CALEA, the highest recognition of excellence in law enforcement, and state accreditation by TLEA.

Demographics and Economics

The City of Columbia's latest population estimate for 2018 stands at 39,261 per 10 year population estimates compiled by Maury Alliance using Census/American Community Survey data. 2016 special census data on housing and income, the most recent available, reports the largest percentage of people in Columbia between the ages of 25 and 34. The second largest percentage of population range between the ages of 35 and 44. The median age is 36.7 years old, the median population down from 10 years prior.

There are 15,732 households in Columbia with an average size of 2.4 people. Family households make up 64 percent of the total households in Columbia with an average size of 2.98 people. Housing units in Columbia have a 90.7 percent occupancy rate. Of the 14,265 occupied housing units, 55.1 percent are owner-occupied and 44.9 percent are renter occupied. The average value for owner occupied housing in Columbia is \$122,200.

Columbia has a relatively low crime rate compared to like-size cities in the State of Tennessee. The Police and Fire & Rescue Departments have an average emergency response time of less than five minutes.

More than 85.8 percent of the City's adult population holds a high school diploma, with approximately one quarter of those having earned a bachelor's degree or higher.

Columbia has a per capita income of \$38,782. The median family income is \$48,183.

Fiscal Process

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for budget appropriations to the Chief Financial Officer (CFO) in the first quarter of the calendar year. The City Manager, in concert with the CFO, uses these requests as a starting point for developing a proposed budget. After numerous meetings with department heads, the City Manager presents the budget to the City Council for approval. To assure effective fiscal management and accountability, strict budgetary compliance is maintained by an automated accounting system. All requests for purchases are checked to assure funds are available. Purchase orders and contracts are encumbered prior to release to vendors. Departments may make transfers of appropriations within their departments. Transfers of appropriations between departments or funds requires approval by the City Council via a budget amendment.

Introduction to the Popular Annual Financial Report

The purpose of the Popular Annual Financial Report (PAFR) is to serve as an easy-to-read synopsis of the City of Columbia's financial information. The City prepares a Comprehensive Annual Financial Report (CAFR), which contains detailed financial information about the finances of the City. The report contains detailed information required to be reported by generally accepted accounting principles and it conforms to the requirements for CAFR contents prescribed by the Government Finance Officers Association (GFOA).

We encourage you to read the CAFR, which contains detailed and audited financial statements, notes, schedules and other information. The CAFR may be found on the City's website [here](#). Information in the PAFR has been taken from the CAFR and is intended to supplement rather than replace the CAFR.

The Award for Outstanding Achievement in Popular Annual Financial Reporting is a national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a PAFR, whose contents conform to program standards for creativity, presentation, understandability and reader appeal. We believe our current report conforms to the Popular Annual Financial Report requirements, and we are submitting it to the GFOA for consideration.



Financial Highlights

During 2018, revenues for all governmental activities increased approximately 10.7%, or \$3.8 million, due primarily to increased capital grants and contributions. During the year, the City's population continued to increase. The influx of residents into Columbia continues to drive increased residential and commercial development city-wide, and in turn strong property tax and local sales tax revenues. Property tax remains the most stable source of revenue at approximately 37.3% of total General Fund revenue with collections remaining strong. Property tax revenue increased by more than half a million dollars compared to the prior year. Local sales tax is the second largest revenue source to the City, or 31.8% of General Fund revenue. The City has a strong retail climate. Local sales tax revenues have increased 30% over the last five years. Emphasis is being placed on bringing more retail into the City.

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$249 million (net position). Of this amount, \$56.3 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2018, the City's governmental funds reported total fund balances of \$39.9 million. Of this amount, \$27.9 million (unassigned fund balances) may be used to meet the general government's spending requirements, which unassigned fund balance included only General Fund resources.

During the fiscal year, the City's total debt decreased by \$4.4 million, all funds. The reduction in debt was a result of a decrease in new debt issued and payments towards principal and interest during the fiscal year.

Fund balance: the cumulative excess of revenues over expenditures in a fund at a point in time.

General Financial Information

Most City services and projects are accounted for in a general category referred to us as Funds. The City uses the following Funds:

General Fund – Accounts for revenues and expenditures for general operations of the City not required to be accounted for in separate funds.

Special Revenue Funds – Accounts for proceeds of specific revenue sources that are legally restricted or have been restricted for specific purposes (e.g. state street aid, streets and transportation, drug, sanitation)

Debt Service – Cash reserves are transferred to the fund for the City’s annual debt service, i.e., principle/interest payments.

Capital Project Fund – Accounts for financial resources used for the construction and/or acquisition of major capital facilities (e.g. major roads and intersection improvements, general government, public safety and parks improvement).

Enterprise Funds – Sewer, Power and Water Utility Funds are operated similar to a private business in that expenses are recovered through fees charged to users. The Sewer Fund is operated by the City. Power and Water Funds are operated by CPWS.

Fiduciary Funds – These funds convey information about financial relationships in which the City acts solely as a trustee for the benefit of others, namely the pension fund and retiree health insurance fund.

This report focuses on the City’s largest funds (General, Capital Projects, Sewer, Power and Water Funds).

Revenues

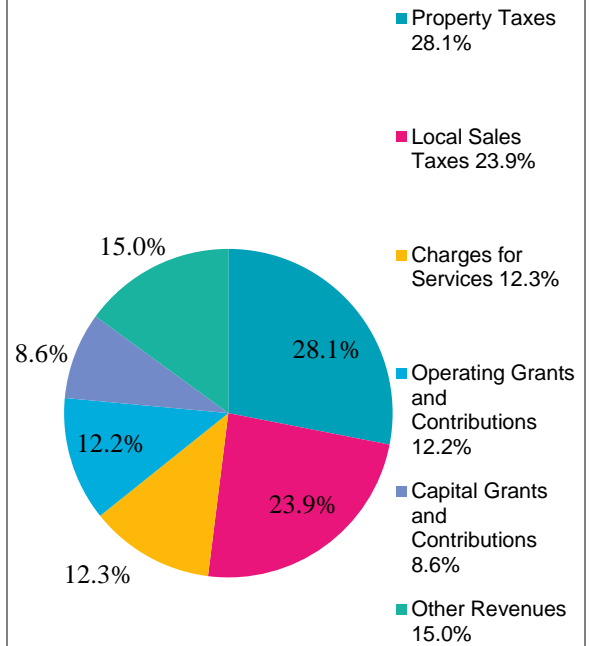
Revenues for all governmental funds total \$41.5 million. General revenues account for the largest share (66.9%) of governmental revenues. Property taxes are the largest and most stable source of the general revenue, at \$11.6 million. Local sales tax is the second largest source of revenue at \$9.91 million. Intergovernmental is third at \$7.3 million. Intergovernmental revenues include state sales taxes, income taxes on dividends, beer and liquor taxes, and petroleum special taxes. Other revenues come from fines and forfeitures, licenses and permits, charges for services, interest on investments, grants and other revenues.

Expenses

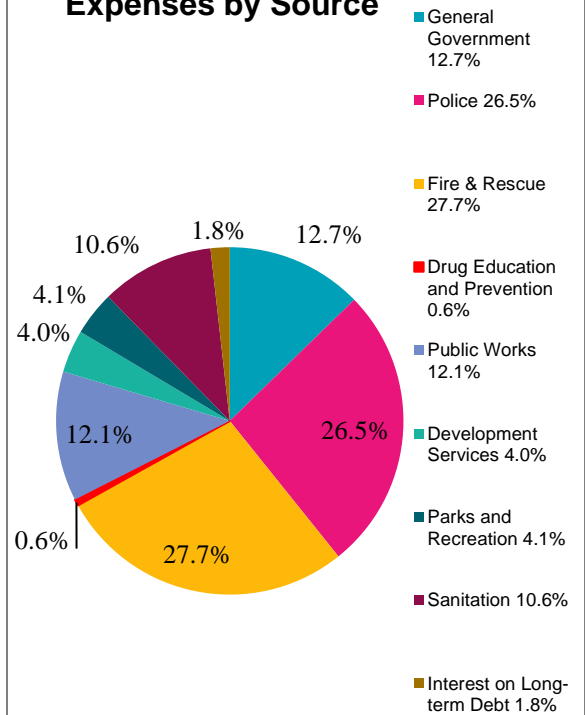
Expenses are divided among General Government, Police, Fire & Rescue, Drug Education and Prevention, Public Works, Development Service, Parks & Recreation, Sanitation and Interest on Long-term Debt. For fiscal year 2018, expenses were \$30.6 million, a decrease of \$1.7 million from 2017.

The largest expense is Public Safety at \$16.6 million (police, fire and drug prevention), up \$1 million. The increase was due to Police vehicles and equipment purchased including those purchased in the prior year though paid in 2018. The second largest expense was Public Works at \$3.7 million, up \$1.1 million also due to equipment purchased in the prior year. Sanitation was \$3.2 million, up \$0.1 million. Parks & Recreation expense was \$1.2 million, a decrease of \$1.1 million due to capital improvements in parks. Development Services’ expense was \$1.2 million, up slightly over 2017. Overall expenses for all departments were less than the amount budgeted for the fiscal year. All departments were able to control expenses and provide the same service levels to Columbia citizens.

Revenues by Source

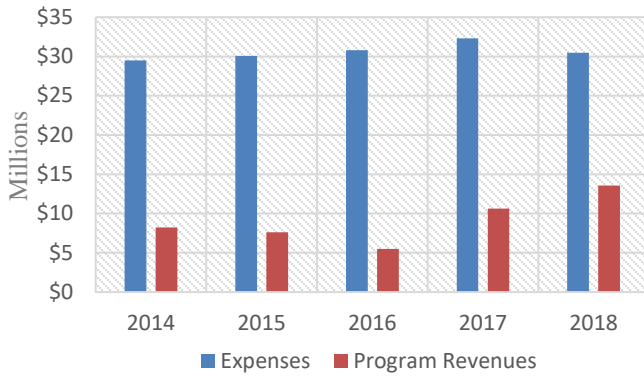


Expenses by Source



The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. All of the governmental funds reported together on an accrual basis are considered governmental activities. Their reporting is on an economic resources measure of revenues and expenditures, which is very similar to the private sector. The fund type data are reported on a modified accrual basis, which is a measure of revenue and expenditures on a current financial resource measurement.

Expenses and Program Revenues Governmental Activities



General Fund

Revenue by Source:

Property Tax:

- Real property taxes, personal property taxes, penalties and interest on property taxes, payment in lieu of taxes (TVA), payment in lieu of taxes (CPWS).

Local Sales and Business Taxes:

- Sales taxes, beer and liquor taxes, gross receipts tax, penalties and interest, room occupancy tax.

Intergovernmental:

- Sales taxes, income taxes, beer taxes, liquor taxes, petroleum special taxes.
- Fines, Forfeitures, and Penalties.
- Traffic and other violations, City court costs, other court costs.
- Licenses and Permits.
- Building permits, electrical and mechanical permits, animal licenses, fence and sign permits.

Charges for services:

- Building permits, engineering fees, fire inspection fees, zoning applications, cable television fees.

Interest on Investments – self-explanatory.

Federal and State Grants – self-explanatory.

Other Revenues

- Miscellaneous revenue, donations.

Expense by Source:

General Government

- City Council, Legal, Management Information Systems, City Manager's Office, Finance, City Recorder, and Personnel

Public Safety

- Police, Fire & Rescue, Animal Control, and Drug Enforcement

Development Services

- Planning, Engineering and Codes Administration

Public Works

- Streets and Infrastructure Maintenance, Traffic and Signs

Parks and Recreation

The General Fund is the chief operating fund of the City. At June 30, 2018, unassigned fund balance of the General Fund was \$27.9 million while the total fund balance reached \$28.1 million.

(Continued on next page)

Enterprise Funds

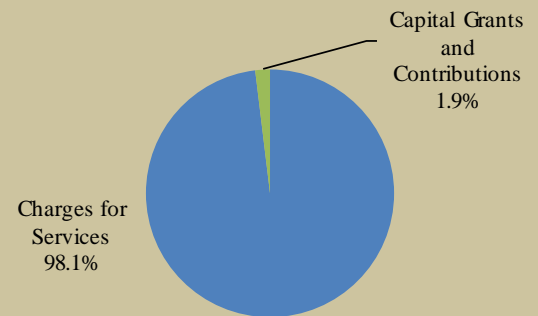
Business-type activities – Sewer, Power and Water Funds increased the City's net position by \$13.1 million.

The Sewer Fund increased by \$3.5 million due to increased operating revenues and lower expenses with several major capital projects in planning phases.

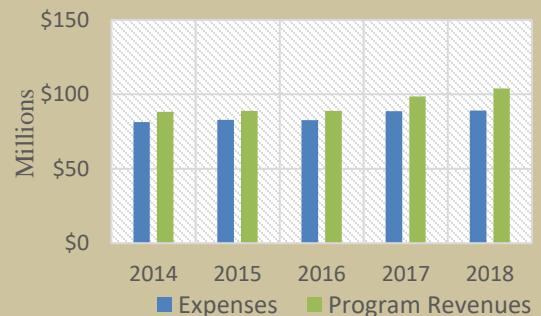
The net position of the Power Fund increased by \$6 million as a result of increased operating revenues and utility plant improvements.

The net position of the Water Fund increased by \$3.6 million due primarily to increased water sales combined with a water rate increase in the prior year, along with decreased expenditures during 2018.

Revenues by Source



Expenses and Revenues Business-Type Activities



Business-Type Activities: The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.



Dixie Pump Station Replacement

Protecting the City's Financial Health

The City of Columbia relies on several strategies to maintain a fiscally healthy city government. Each of the following help ensure the City's financial health.

1. Continue strategic plan monitoring execution, and demonstration of plan effectiveness in the most transparent manner in meeting the City's strategic objectives as outlined in the *Columbia 2017-2022-2032 Strategic Plan*.
2. Analysis of financial trends to guide the City's elected officials and management for financial planning.
3. Adherence to sound, long established financial policies.
4. Constant diligence and attentiveness to the City's stewardship of taxpayer dollars.
5. Review and evaluation of the City's finances by Finance Department staff and Management, in addition to ongoing initiatives to improve the quality and frequency of financial reporting for elected officials and Columbia citizens.



Jack-N-Jill Building Project-Exterior Construction Phase



Columbia Works - Depot St. Sidewalk Improvements/ADA Crosswalks

The City's Debt Service Policy requires a reserve balance equal to 25% of budgeted General Fund expenditures. Unassigned fund balance at the beginning of FY 2018 represented 76.2% of total 2018 budgeted General Fund expenditures, while total fund balance represented 82.6% of same.

The fund balance of the City's General Fund increased by \$2.3 million during the fiscal year ended June 30, 2018. Key factors are as follows:

- Total actual revenues increased more than \$600,000.
- Property tax increased \$590,518.
- Local sales tax increased \$133,143.
- Intergovernmental taxes increased \$14,500.
- Fines and Forfeitures decreased \$4,586.
- Licenses and Permits increased \$48,802.
- Charges for services decreased \$61,490.
- Miscellaneous revenues decreased \$5,302.
- Grants increased.
- Other revenue decreased.
- Total actual expenditures decreased.

Property tax increased over the past year by \$590,518. This was due to increased residential and commercial development with values of new and improved properties added to the tax rolls. Local sales tax increased by \$133,143 due to ongoing improvements in local economic conditions during the fiscal year. Intergovernmental taxes increased marginally by \$14,500 due to increased state shared revenues. Fines and forfeitures decreased slightly by \$4,586. Charges for services decreased by \$61,490 and miscellaneous revenues decreased slightly by \$5,302.

Total expenses decreased by \$3.1 million due primarily to cost containment by City departments aimed at ensuring expenditures stayed within current revenues. General government includes expenditures impacting the City as whole or no one department. The most noteworthy expenditures under the budgeted amount follow from unused personnel costs budgeted in the Police and Fire & Rescue departments, unused supplies budgeted in Management Information Systems, General Government and Public Works, and unused services in General Government and Development Services.

Long-term Debt

Condensed Statement of Outstanding Debt

Governmental:		2018
General obligation bonds	\$	15,899,207
Capital outlay notes		2,145,591
Premium on bonds		180,748
Compensated absences		1,094,784
Business-Type:		
Revenue/Revenue & tax bonds		34,660,000
Capital Leases		273,412
Loss on refunding		(9,498)
Discount		-
Premium		713,585
Compensated absences		2,671,935
Total	\$	57,629,764

During FY 2018, the City's total debt decreased by \$4.4 million. The major types of long-term debt include general obligation bonds, revenue bonds, revenue and tax bonds and capital outlay notes. Total debt for governmental activities decreased by 6.1%. Business-type activities' debt decreased by 7.2%. The City did not issue any new debt during the fiscal year.

(Continued on next page)

The City maintains “AA+/Aa2” credit ratings for general obligation debt. The Aa2 rating was first received by Moody’s in 2011 and last affirmed by Standard & Poor’s (S&P) in January 2017. The S&P “AA+” rating is considered a higher rating than the “Aa2” rating by Moody’s. S&P cited the City’s strong financial management, conservative budgeting, diversity of revenue sources and strong local economy as reasons for the improved rating in 2017. The City has maintained a good relationship with rating agencies and major investment institutions through comprehensive disclosure of financial data and direct meetings with rating agency analysts. Both Moody’s and S&P cite the City’s large, diverse tax base, active financial management, stable and liquid reserves and low debt and pension burdens as the rationale for the City’s maintaining excellent creditworthiness.

Capital Improvements Program

Ridley Sports Complex Expansion - Construction Phase

Construction of seven soccer fields were nearly 50% completed in 2018. Fields under construction are located adjacent to softball tournament facilities, including one tournament level “championship field” with anticipated completion in January 2019. Est. cost \$6,500,000 (funding from 2017 bond issue).

Jack-N-Jill Building - Design, Stabilization and Exterior/Interior Renovations

With stabilization of building front and design and construction of exterior complete, the final interior design and construction is anticipated to be completed in the spring of 2019. Est. cost \$400,000 (funding from proceeds from sale of buildings).

New Fire Station No. 3 - Design

Design was completed for the new Fire Station No. 3 located off of Bear Creek Pike adjacent to Cox Middle School. The site includes 30 acres of land donated to the City by Maury County Public Schools in exchange for the City developing a future Nature Park and maintaining sports facilities. Site prep for the two-acre fire station site began in September 2018 with construction anticipated to start by January 2019. Est. cost \$3,895,000 (2017 GO bond proceeds/General Fund reserves).

West 7th Street Streetscape

Design was completed for the project to construct streetscape on historic West 7th Street, including three laning the street, landscaping and multi-use paths on both sides of street. Est. cost \$4,000,000 (50% of funds from State, MPO and utilities).

West 6th Street Streetscape

Design was completed for the project to construct streetscape on historic West 6th Street, including landscaping and multi-use paths on both sides of street from N. Garden to N. Main Street. Est. cost \$602,758 (80% State and Federal funded).

Columbia Works Projects (Local, High-Impact Infrastructure Improvements)

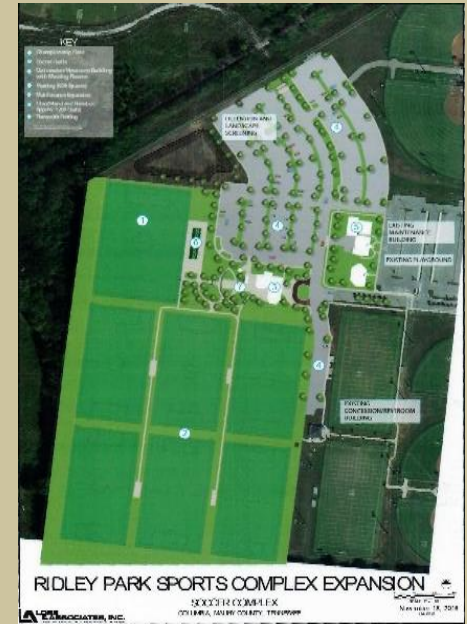
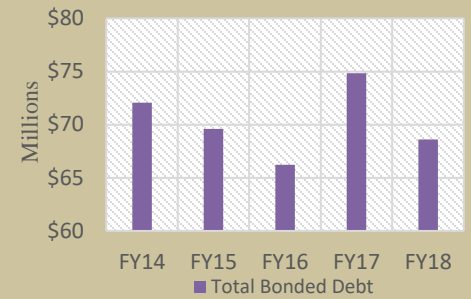
Columbia Works provides dedicated funds for high impact projects. Several 2018 projects are included below. Est. cost \$240,000 (General/State Street Aid Funds).

- Ridley Sports Complex (site prep, savings of ~\$1 million).
- Sidewalk improvements on Depot Street (brick-lined sidewalk/ADA crosswalks)
- Belle Meade Drainage Project (storm sewer drainage/detention area).
- Blythe Circle (flood control).
- Old Sunnyside Project (flood control and storm sewer).
- Oxford Village (storm sewer and drainage project, the project funded by \$25,000 from a letter of credit).

Reserve for FY 2019 Bi-Annual Street Paving Program

The City paves streets every two years using dedicated, state shared tax revenue in the State Street Aid Fund, supplementing the total with General Fund revenue. \$400,000 has been reserved for the FY 2019 program (State Street Aid Funds).

General Obligation & Revenue Bonds



Ridley Sports Complex-Soccer Expansion



West 7th Street Streetscape Rendering



New Fire Station No. 3 - Design



Requests for Information

The information contained in the PAFR is a general overview of the City's finances. Questions or requests for additional information may be addressed to Chief Financial Officer Thad H. Jablonski at (931) 560-1580, Tjablonski@ColumbiaTN.com or to:

City of Columbia
Department of Finance
700 North Garden Street
Columbia, TN 38401



2018 Muletown Music Fest on the Columbia Town Square



3rd Annual Muletown Classic with Vols Softball Team

Economic Factors and FY19 Budget and Rates

Factors considered in preparing the City's Budget for the 2019 fiscal year are further discussed in the Budget document and include:

- Residential population growth continued to increase in FY 2018 with growth anticipated to continue to increase in FY 2019. Local economic development agency Maury Alliance calculated the most recent population estimate for 2018 at 39,261 using US Census/American Community Survey data. The 2018 estimated population reflects a 13% increase compared to 2010. Strong residential growth continues to drive increased residential and commercial development. Increased development activity is evidenced by the number of building permits issued during calendar year 2017 (891), an increase of 24% over 2016 (719).
- The unemployment rate (not seasonally adjusted) for August 2018 for the City of Columbia was 3.9%, and Maury County unemployment at 3.3%, the 9th lowest unemployment rate among Tennessee counties.
- The property tax is the most stable source of revenue for the City. Following the county-wide reappraisal in FY 2019, the City Council adopted the certified tax rate. The certified property tax rate effective in FY 2019 is \$1.1597, which represents a decrease of \$0.28 compared to FY 2018, prior to reassessment. Property taxes generated in Columbia comprise more than 32% of overall General Fund operating revenues. The 2019 budget anticipates approximately \$10.8 million in property tax revenue. Other revenue sources are subject to some degree of fluctuation in economic cycles. Local sales tax represents nearly 28.6% of total revenue for General Fund operations. The FY 2019 budget anticipates \$9.65 million in local sales tax revenue.
- The City will continue to follow the Columbia 2017-2022-2032 plan focusing on fiscal responsibility, quality of life issues, strong public safety, community engagement and continued commitment to downtown Columbia.
- The City updates and adopts annually a five-year Capital Improvements Program, including the annual Capital Improvements Budget and a four-year projection of capital needs and expenditures.
- As a result of the Connect Columbia Comprehensive Plan update in 2018, the City worked closely with a range of community stakeholders in FY 2018 with updates to the land-use, transportation and recreation comp plan sections. As the City continues to see increased rates of growth for residential in-migration, the City's Capital Improvements Program (CIP) includes key investment to the City's transportation network. FY 2019 CIP includes the largest commitment ever to the City's street paving program (\$2.1 million).

Acknowledgments

This report and the information continued herein has been prepared with the help of the City Recorder's Office, Finance Department staff and the cooperation of each City department. The guidance provided by the City Manager, the support and leadership extended by the Mayor and City Council and the technical assistance and guidance of the staff of Henderson, Hutcherson & McCullough in the preparation of this report are all recognized and appreciated.