

**CITY OF COLUMBIANA, ALABAMA**

**BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

CITY OF COLUMBIANA, ALABAMA

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CITY OF COLUMBIANA, ALABAMA

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# **DeLOACH, BARBER & CASPERS, P.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

2020 Hwy 33  
Pelham, Alabama 35124  
(205) 822-6350

John H. DeLoach, CPA  
S. Wayne Barber II, CPA, CGFM, CFE  
John E. Caspers, MBA, CPA

Mailing Address  
2020 Hwy 33  
Pelham, Alabama 35124  
Fax: (205) 822-1408  
Website: [www.dbccpas.com](http://www.dbccpas.com)

## **INDEPENDENT AUDITOR'S REPORT**

Stancil Handley, Mayor  
Members of the City Council  
City of Columbiana, Alabama

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Columbiana, Alabama, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary information on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Columbiana, Alabama's basic financial statements. The combining nonmajor fund financial statements (pages 56-59) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the basic audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

February 11, 2015

## CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
<u>Current Assets</u>				
Cash and certificate of deposits	\$ 1,768,583	\$ 1,521,423	\$ 3,290,006	\$ 3,239,360
Accounts receivable - taxes	441,448		441,448	
Accounts receivable - customers, net of allowance	58,091	92,388	150,479	247,299
Accounts receivable - fines, net of allowance	176,531		176,531	
Accounts receivable - grants	172,973		172,973	
Interest receivable	4,935		4,935	273
Interfund receivables		124,685	124,685	21,976
Inventory	248	11,074	11,322	57,006
Prepaid expenses	63,838	3,086	66,924	19,584
<u>Restricted Assets</u>				
Cash	997,707		997,707	293,884
Investments	3,035,995		3,035,995	
<u>Non-current Assets</u>				
Land and construction in progress	1,686,173		1,686,173	766,043
Other capital assets, net of accumulated depreciation	4,373,948	2,296,284	6,670,232	6,450,822
Total Assets	12,780,470	4,048,940	16,829,410	11,096,247
<b>LIABILITIES</b>				
<u>Current Liabilities (payable from current assets)</u>				
Accounts payable	139,708	7,334	147,042	54,541
Payroll taxes payable	1,398		1,398	502
Utility tax payable			0	4,857
Accrued wages	36,182	2,712	38,894	10,580
Interest payable	124		124	420
Interfund payables	146,661		146,661	
<u>Current Liabilities (payable from restricted assets)</u>				
Meter deposits			0	252,389
<u>Long-term Liabilities</u>				
Notes payable - portion due in one year	115,888		115,888	
Notes payable - portion due in more than one year	80,065		80,065	
Warrants and bonds payable - portion due in one year	130,000		130,000	253,408
Warrants and bonds payable - portion due in more than one year	3,230,000		3,230,000	2,411,515
Accounts payable - state/county portion of court fines	44,133		44,133	
Accrued compensated absences	18,768	4,234	23,002	32,314
Total Liabilities	3,942,927	14,280	3,957,207	3,020,526
<u>Net Position</u>				
Investment in capital assets, net of related debt	2,504,168	2,296,284	4,800,452	4,551,942
Restricted for:				
Capital Projects	12,664		12,664	
Debt service	171,928		171,928	
Meter deposits			0	40,476
Public Services	3,865,229		3,865,229	
Unrestricted	2,283,554	1,738,376	4,021,930	3,483,303
Total Net Position	\$ 8,837,543	\$ 4,034,660	\$ 12,872,203	\$ 8,075,721

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Expenses	Program Revenues			Net (Expenses) Revenues
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Governmental Activities</u>					
Beautification	\$ 4,753	\$	130	\$	(4,623)
Cemetery	15,849	13,500	100		(2,249)
Court	190,964	157,977			(32,987)
Donations	69,852				(69,852)
Fire and rescue	236,307	557,404	7,411		(228,896)
General government	440,692		33,052	11,281	161,045
Interest on long-term debt	147,483				(147,483)
Library	221,800	7,801	19,723		(194,276)
Liberty day celebration	30,836	4,400	29,790		(1,046)
Park and recreation	223,113		12,150		(206,563)
Police	886,195	263,139			(886,195)
Sanitation	247,993		15,704	17,500	15,146
Senior Center	42,684				(9,480)
Street	424,310			167,111	(257,199)
Total Governmental Activities	3,182,831	1,004,221	118,060	195,892	(1,864,658)
<u>Business-type Activities</u>					
Sewer	501,235	619,993			118,758
Total Business-type Activities	501,235	619,993	0	0	118,758
Total Primary Government	\$ 3,684,066	\$ 1,624,214	\$ 118,060	\$ 195,892	\$ (1,745,900)
<u>Component Units</u>					
City of Columbiana Water Board	\$ 1,565,809	\$ 1,926,659	\$	\$	\$ 360,850
Total Component Units	\$ 1,565,809	\$ 1,926,659	\$ 0	\$ 0	\$ 360,850

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

(Continued)



CITY OF COLUMBIANA, ALABAMA

STATEMENT OF ACTIVITIES (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		
<u>Net Revenues (Expenses)</u>	\$ (1,864,658)	\$ 118,758	\$ (1,745,900)	\$ 360,850
General revenues:				
Taxes:				
Sales and use tax	1,329,116		1,329,116	
Property taxes	328,836		328,836	
Gasoline taxes	31,385		31,385	
Beer and alcoholic beverage taxes	29,975		29,975	
Tobacco tax	33,057		33,057	
State capital improvement	38,038		38,038	
Motor vehicle taxes	10,597		10,597	
Financial excise tax	12,090		12,090	
Rental and lodging tax	134,545		134,545	
Payment in lieu of taxes	2,195		2,195	
Shares/Privilege tax	12,420		12,420	
State shared taxes	17,608		17,608	
Other taxes	579		579	
Miscellaneous	19,831		19,831	12,203
Investment income	117,982	696	118,678	5,850
Gain(loss) on sale of capital assets			0	
Unrealized holding loss on investments	134,602		134,602	
Total general revenues and transfers	2,252,856	696	2,253,552	18,053
Change in net position	388,198	119,454	507,652	378,903
Net position at beginning of year	8,449,345	3,915,206	12,364,551	7,696,818
Net position at end of year	\$ 8,837,543	\$ 4,034,660	\$ 12,872,203	\$ 8,075,721

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

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<b>ASSETS</b>						
<u>Assets</u>						
Cash	\$ 1,768,583	\$	\$		\$ 1,555	\$ 1,768,583
Accounts receivable - taxes	439,893					441,448
Accounts receivable - customers	58,091					58,091
Accounts receivable - fines				261,531		261,531
Accounts receivable - grants	161,692	11,281				172,973
Interest receivable	4,935					4,935
Interfund receivable	14,586					14,586
Inventory	248					248
Prepaid expenses	61,552			924	1,362	63,838
<u>Restricted Assets</u>						
Cash	87,861	75,512	172,992	174,824	486,518	997,707
Investments	3,035,995					3,035,995
Total Assets	\$ 5,633,436	\$ 86,793	\$ 172,992	\$ 437,279	\$ 489,435	\$ 6,819,935

**LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES**

<u>Liabilities</u>						
Accounts payable	\$ 29,347	\$ 74,129	\$	\$ 33,414	\$ 2,818	\$ 139,708
Payroll taxes payable	1,398					1,398
Accrued wages	32,439			1,331	2,412	36,182
Interest payable			124			124
Interfund payable	146,661		940	13,161	485	161,247
Total Liabilities	\$ 209,845	\$ 74,129	\$ 1,064	\$ 47,906	\$ 5,715	\$ 338,659

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)  
SEPTEMBER 30, 2014

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Continued)</b>						
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	\$ 304,583	\$	\$	\$ 232,700		\$ 304,583
Unavailable revenue - court fines						232,700
Total deferred inflows of resources	\$ 304,583	\$ 0	\$ 0	\$ 232,700	\$ 0	\$ 537,283
<u>Fund Balances</u>						
Nonspendable:						
Money Market	\$ 87,861	\$	\$			\$ 87,861
Investments	3,035,995					3,035,995
Prepays	61,552			924	1,362	63,838
Inventory	248					248
Restricted for:						
Capital Projects		12,664				12,664
Debt Service			171,928			171,928
Public Service				155,749	482,358	638,107
Unassigned	1,933,352					1,933,352
Total Fund Balances	\$ 5,119,008	\$ 12,664	\$ 171,928	\$ 156,673	\$ 483,720	\$ 5,943,993
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,633,436	\$ 86,793	\$ 172,992	\$ 437,279	\$ 489,435	\$ 6,819,935

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

CITY OF COLUMBIANA, ALABAMA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

Total fund balances for governmental funds \$ 5,943,993

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position. 6,060,121

Certain assets are deferred in the fund financial statement because they are not available to pay current-period expenditures, but they are reported as assets in the statement of net position. 452,283

Certain liabilities (such as warrants payable, notes payable, and compensated absences) are not reported in this fund financial statement because they are not due and payable, but they are presented as liabilities in the statement of net position. (3,618,854)

Net position of governmental activities \$ 8,837,543

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Capital Projects	Debt Service	Court Fund	Other Governmental Funds	Totals Governmental Funds
<u>Revenues</u>						
Donations	\$ 40,186					\$ 42,249
Fines and charges	760			171,719	2,063	179,481
Fire department income	7,411					7,411
Grant income	181,412	28,781			17,760	227,953
Investment income	117,637	13	22	100	208	117,980
Licenses, permits, & franchise fees	556,644					556,644
Lot sales and openings/closings					13,500	13,500
Miscellaneous	56,171				799	56,970
Park and recreation	4,400					4,400
Sanitation services	263,138					263,138
Tax revenue	1,921,098				55,646	1,976,744
Total Revenues	<u>3,148,857</u>	<u>28,794</u>	<u>22</u>	<u>171,819</u>	<u>96,978</u>	<u>3,446,470</u>
<u>Expenditures</u>						
Beautification	4,176					4,176
Capital expenditures	38,885	512,692		759	17,512	569,848
Cemetery					2,366	2,366
Court				190,870		190,870
Debt retirement			237,139			237,139
Donations and liberty day	100,688					100,688
Fire and rescue	187,514					187,514
General government	425,966					428,157
Interest on long-term debt						147,483
Library					219,202	219,202
Park and recreation	104,179					104,179
Police	826,399					826,399
Sanitation	226,586					226,586
Senior Center	40,671					40,671
Street	318,256					318,256
Total Expenditures	<u>2,273,320</u>	<u>512,692</u>	<u>386,813</u>	<u>191,629</u>	<u>239,080</u>	<u>3,603,534</u>

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

(Continued)

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Court Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Excess of revenues over (under) expenditures	875,537	(483,898)	(386,791)	(19,810)	(142,102)	(157,064)
<u>Other Financing Sources (Uses)</u>						
Unrealized/realized loss on investments	134,602					134,602
Operating transfers in	62,000	437,499	387,895		210,802	1,098,196
Operating transfers out	(1,012,776)			(63,112)	(22,308)	(1,098,196)
Total Other Financing Sources (Uses)	<u>(816,174)</u>	<u>437,499</u>	<u>387,895</u>	<u>(63,112)</u>	<u>188,494</u>	<u>134,602</u>
Net change in fund balances	59,363	(46,399)	1,104	(82,922)	46,392	(22,462)
Fund Balance, Beginning of Year	<u>5,059,645</u>	<u>59,063</u>	<u>170,824</u>	<u>239,595</u>	<u>437,328</u>	<u>5,966,455</u>
Fund Balance, End of Year	<u>\$ 5,119,008</u>	<u>\$ 12,664</u>	<u>\$ 171,928</u>	<u>\$ 156,673</u>	<u>\$ 483,720</u>	<u>\$ 5,943,993</u>

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

CITY OF COLUMBIANA, ALABAMA

RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2014

Net change in fund balances - total governmental funds \$ (22,462)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of position and depreciated over their estimated economic lives. The amount by which capital outlays of \$569,848 exceeds depreciation of \$387,770. 182,078

Revenues that are not available to pay current obligations are not reported in this fund financial statement but they are presented as revenues in the statement of activities. (10,043)

Generally expenditures recognized in this fund's financial statements are limited to only those that use current financial resources but expenses are recognized in statement of activities when they are incurred. 1,486

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 237,139

Change in net position of governmental activities \$ 388,198

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

		<u>Enterprise Funds</u>
		<u>Sewer</u>
		<u>Department</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash	\$	1,521,423
Accounts receivable - customers, net of allowance		92,388
Interfund receivable		124,685
Inventory		11,074
Prepaid expenses		3,086
<u>Non-current Assets</u>		
Other capital assets, net of accumulated depreciation		2,296,284
Total Assets	\$	<u>4,048,940</u>
<b>LIABILITIES</b>		
<u>Current Liabilities (payable from current assets)</u>		
Accounts payable	\$	7,334
Accrued wages		2,712
<u>Long-term Liabilities</u>		
Accrued compensated absences		4,234
Total Liabilities		<u>14,280</u>
<u>Net Position</u>		
Investment in capital assets, net of related debt		2,296,284
Unrestricted		1,738,376
Total Net Position	\$	<u>4,034,660</u>

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



CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Enterprise Funds</u>
	<u>Sewer</u>
	<u>Department</u>
<u>Operating Revenues</u>	
Service charges and other revenue	\$ 619,993
	<hr/>
Total Revenues	619,993
	<hr/>
<u>Administrative Expenses</u>	
Computer expense	4,185
Dues and subscriptions	701
Legal and accounting	5,014
Office expense	532
Payroll processing fee	921
Postage	2,283
Rental - copier	1,619
Telephone	1,310
Training & travel	1,812
	<hr/>
Total Administrative Expenses	18,377
	<hr/>
<u>Supply and Distribution Expenses</u>	
Bad debt expense	5,719
Depreciation	173,247
Fees and services	12,234
Gas and oil	6,746
Insurance - employee health	11,286
Insurance - general	4,995
Insurance - workmans comp.	1,519
Payroll taxes	7,223
Professional services	2,904

(Continued)

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Supply and Distribution Expenses (Continued)

Pipes, parts, and supplies	9,136
Repairs and maintenance - equipment	4,959
Repairs and maintenance - vehicles	5,975
Repairs and maintenance - system	24,899
Salaries and wages	100,843
Small tools and equipment	1,440
State retirement	7,905
Uniforms	1,655
Utilities	77,808
Water testing and analysis	22,365
	<hr/>
Total Supply and Distribution Expenses	482,858
	<hr/>
Total Expenditures	501,235
	<hr/>
Operating income	118,758
	<hr/>
<u>Nonoperating Revenues (Expenses)</u>	
Investment earnings	696
	<hr/>
Total Nonoperating Revenues (Expenses)	696
	<hr/>
Net change in net position	119,454
	<hr/>
Net position - beginning of year	3,915,206
	<hr/>
Net position - end of year	\$ 4,034,660
	<hr/> <hr/>

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Sewer</u> <u>Department</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers and users	\$ 615,394
Payments to employees and related expenses	(124,694)
Payments to suppliers	(205,174)
Net payments to (from) City	<u>30,740</u>
Net cash provided by operating activities	<u>316,266</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Payments for capital acquisitions	<u>(78,966)</u>
Net cash used by capital and related financing activities	<u>(78,966)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received	<u>696</u>
Net cash provided by investing activities	<u>696</u>
Net increase in cash and cash equivalents	237,996
Cash and equivalents, beginning of year (restricted and nonrestricted)	<u>1,283,427</u>
Cash and equivalents, end of year (restricted and nonrestricted)	<u>\$ 1,521,423</u>

(Continued)

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

CITY OF COLUMBIANA, ALABAMA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS (Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Sewer</u> <u>Department</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating income	\$ <u>118,758</u>
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in allowance for bad debts	5,719
Depreciation	173,247
Changes in assets and liabilities:	
(Increase) decrease:	
Accounts receivable	(4,599)
Inventory	(10,162)
Interfund receivable	30,740
Increase (decrease):	
Accounts payable	(116)
Accrued wages	1,364
Accrued compensated absences	<u>1,315</u>
Total adjustments	<u>197,508</u>
Net cash provided by operating activities	\$ <u>316,266</u>

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

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

History and Organization

The City of Columbiana, Alabama (the City) was incorporated on August 10, 1853. The City operates under a Mayor-Council form of government and provides the following services: public safety (police and fire), highway and streets, sanitation, park and recreation, public improvements, planning and zoning, general and administrative, water and sewer services.

Financial Reporting Entity

Generally accepted accounting standards (GAAP) require that the entity include the 1) primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards (Codification) has been considered and any component units are listed below. The City is not a component unit of any other entity. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting the following criteria: 1) the primary government appoints a voting majority of the organization's governing body and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government or 2) the potential component unit is fiscally dependent on the primary government. A potential component unit is considered fiscally dependent if it does not have authority to do all three of the following: 1) determine its own budget without another government having the authority to approve and modify the budget, 2) levy taxes or set rates or charges without approval by another government, and 3) issue bonded debt without approval by another government.

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City of Columbiana, Alabama. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Columbiana, Alabama. There are no separately administered organizations that are controlled by or dependent on the City.

(Continued)

CITY OF COLUMBIANA, ALABAMA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

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

Financial Reporting Entity (Continued)

Component units are reported in the City's basic financial statements are shown as follows:

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities and Relationship to the City</u>
City of Columbiana Water Board	The Water Board is a public board incorporated under the laws of Alabama and now existing under the provisions of the Enabling Law 11-50-230 et. seq. of the Code of Alabama 1975, as amended. The Board was incorporated pursuant to the authority granted by the governing body of the City of Columbiana, Alabama. Under its certificate of incorporation, the Board has corporate power to acquire and operate the water system and to issue bonds payable from the revenues derived there from for any of its corporate purposes.

Separate financial statements for the Columbiana Water Board can be obtained at the Water Board's office at 50 Water Works Street, Columbiana, Alabama.

Government-wide and Fund Financial Statements

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Government-wide Statements:** The statement of net position and the statement of activities display information about the primary government (the City) and its component units if applicable. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

(Continued)