



Dave Yost • Auditor of State

CITY OF COLUMBIANA
COLUMBIANA COUNTY
DECEMBER 31, 2017

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CITY OF COLUMBIANA
COLUMBIANA COUNTY
DECEMBER 31, 2017

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Columbiana
Columbiana County
28 West Friend Street
Columbiana, Ohio 44408

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2017, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Capital Improvement Fund	Unmodified
Water Fund	Qualified
Wastewater Fund	Qualified
Aggregate Remaining Fund Information	Qualified

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water and Wastewater Major Enterprise Funds and Aggregate Remaining Fund Information

Management has not established an adequate method to ensure capital assets are recorded in accordance with City adopted policies. The capital assets, accumulated depreciation and depreciation expense within the City's basic financial statements were not recorded in accordance with the approved policy. The amount by which this would affect the assets, net position, and expenses of Governmental Activities, Business-Type Activities, Water and Wastewater Major Enterprise Funds and the Aggregate Remaining Fund Information cannot reasonably be determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water and Wastewater Major Enterprise Funds and Aggregate Remaining Fund Information* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water and Wastewater Major Enterprise Funds and the Aggregate Remaining Fund Information of the City of Columbiana as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General and Capital Improvement funds of the City of Columbiana, Columbiana County, Ohio as of December 31, 2017, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the 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 this presentation to include *management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

October 29, 2018

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CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

The discussion and analysis of the City of Columbiana's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- ❑ In total, net position increased \$2,075,776. Net position of governmental activities decreased \$200,462, which represents a 2% decrease from 2016. Net position of business-type activities increased \$2,276,238, or 11% from 2016.
- ❑ General revenues accounted for \$3,841,793 in revenue or 19% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,041,332, or 81% of total revenues of \$19,883,125.
- ❑ The City had \$4,380,044 in expenses related to governmental activities; only \$727,785 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,546,797 were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,426,802 in revenues and \$3,652,359 in expenditures and other financing uses. The general fund's fund balance decreased from a balance of \$1,302,582 to \$1,076,848.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF COLUMBIANA, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2017*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare, leisure time activities, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, wastewater, electric and public safety vehicle services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The proprietary fund financial statements provide separate information for the Water, Wastewater, Electric and Public Safety Vehicle Service funds. The Water, Wastewater, and Electric Funds are considered major funds, and the Public Safety Vehicle Service fund is considered a nonmajor fund.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2017 compared to 2016.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other Assets	\$4,996,840	\$5,130,289	\$13,777,309	\$12,690,666	\$18,774,149	\$17,820,955
Capital Assets, Net	8,605,247	8,002,043	35,256,097	23,034,384	43,861,344	31,036,427
Total Assets	<u>13,602,087</u>	<u>13,132,332</u>	<u>49,033,406</u>	<u>35,725,050</u>	<u>62,635,493</u>	<u>48,857,382</u>
Deferred Outflows of Resources	908,057	877,339	1,115,245	925,151	2,023,302	1,802,490
Net Pension Liability	3,263,946	3,013,619	2,508,073	1,966,097	5,772,019	4,979,716
Other Long-term Liabilities	466,062	491,499	22,066,350	11,051,241	22,532,412	11,542,740
Other Liabilities	607,834	200,297	2,157,072	2,475,334	2,764,906	2,675,631
Total Liabilities	<u>4,337,842</u>	<u>3,705,415</u>	<u>26,731,495</u>	<u>15,492,672</u>	<u>31,069,337</u>	<u>19,198,087</u>
Deferred Inflows of Resources	727,809	659,301	257,847	274,458	985,656	933,759
Net Position						
Net Investment in Capital Assets	8,304,283	7,670,982	13,547,223	11,547,057	21,851,506	19,218,039
Restricted	1,978,103	2,328,477	0	0	1,978,103	2,328,477
Unrestricted (Deficit)	(837,893)	(354,504)	9,612,086	9,336,014	8,774,193	8,981,510
Total Net Position	<u>\$9,444,493</u>	<u>\$9,644,955</u>	<u>\$23,159,309</u>	<u>\$20,883,071</u>	<u>\$32,603,802</u>	<u>\$30,528,026</u>

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

Changes in Net Position – The following table shows the change in net position for 2017 compared to 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services and Sales	\$469,589	\$490,569	\$12,235,147	\$12,636,055	\$12,704,736	\$13,126,624
Operating Grants and Contributions	257,936	321,964	0	0	257,936	321,964
Capital Grants and Contributions	260	8,820	3,078,400	116,153	3,078,660	124,973
Total Program Revenues	<u>727,785</u>	<u>821,353</u>	<u>15,313,547</u>	<u>12,752,208</u>	<u>16,041,332</u>	<u>13,573,561</u>
General Revenues:						
Property Taxes	658,527	624,720	258,620	248,695	917,147	873,415
Income Taxes	2,202,863	2,191,267	0	0	2,202,863	2,191,267
Other Local Taxes	47,393	47,731	0	0	47,393	47,731
Intergovernmental, Unrestricted	454,249	454,044	35,775	36,408	490,024	490,452
Investment Earnings	12,950	11,340	601	495	13,551	11,835
Miscellaneous	170,815	151,716	0	0	170,815	151,716
Total General Revenues	<u>3,546,797</u>	<u>3,480,818</u>	<u>294,996</u>	<u>285,598</u>	<u>3,841,793</u>	<u>3,766,416</u>
Total Revenues	<u>4,274,582</u>	<u>4,302,171</u>	<u>15,608,543</u>	<u>13,037,806</u>	<u>19,883,125</u>	<u>17,339,977</u>
Program Expenses						
Security of Persons and Property	1,875,148	1,857,813	0	0	1,875,148	1,857,813
Public Health and Welfare	315,342	295,790	0	0	315,342	295,790
Leisure Time Activities	587,216	538,507	0	0	587,216	538,507
Transportation	855,019	818,875	0	0	855,019	818,875
General Government	747,319	668,759	0	0	747,319	668,759
Water	0	0	1,653,652	1,271,309	1,653,652	1,271,309
Wastewater	0	0	1,731,472	1,633,924	1,731,472	1,633,924
Electric	0	0	9,409,529	9,142,394	9,409,529	9,142,394
Public Safety Vehicle Service	0	0	632,652	509,530	632,652	509,530
Total Expenses	<u>4,380,044</u>	<u>4,179,744</u>	<u>13,427,305</u>	<u>12,557,157</u>	<u>17,807,349</u>	<u>16,736,901</u>
Change in Net Position Before Transfers	(105,462)	122,427	2,181,238	480,649	2,075,776	603,076
Transfers	(95,000)	(180,343)	95,000	180,343	0	0
Change in Net Position	(200,462)	(57,916)	2,276,238	660,992	2,075,776	603,076
Beginning Net Position	9,644,955	9,702,871	20,883,071	20,222,079	30,528,026	29,924,950
Ending Net Position	<u>\$9,444,493</u>	<u>\$9,644,955</u>	<u>\$23,159,309</u>	<u>\$20,883,071</u>	<u>\$32,603,802</u>	<u>\$30,528,026</u>

Governmental Activities

Net position of the City's governmental activities decreased \$200,462. Revenues and expenses remained consistent with the prior year.

The City receives an income tax, which is based on 1% of all salaries, wages, commissions and other compensation and on net profits earned from residents living within the City.

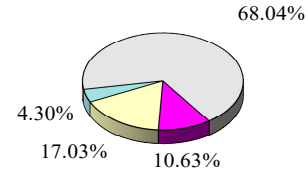
CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

Income taxes and property taxes made up 52% and 15% respectively of revenues for governmental activities in fiscal year 2017. The City's reliance upon tax revenues is demonstrated by the following graph indicating 68% of total revenues from general tax revenues:

Revenue Sources	2017	Percent of Total
General Tax Revenues	\$2,908,783	68.04%
Intergovernmental, Unrestricted	454,249	10.63%
Program Revenues	727,785	17.03%
General Other	183,765	4.30%
Total Revenue	\$4,274,582	100.00%



Business-Type Activities

Net position of the business-type activities increased \$2,276,238. The Water Fund reported capital contributions of \$3,013,803 from the USDA for water plant construction. An increase in business-type expenses can be attributed to electric current charges, changes in the net pension liability, and other contractual service costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$3,035,081, which is a decrease from last year's balance of \$3,576,913. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	\$1,076,848	\$1,302,582	(\$225,734)
Capital Improvement	281,556	754,307	(472,751)
Other Governmental	1,676,677	1,520,024	156,653
Total	\$3,035,081	\$3,576,913	(\$541,832)

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

General Fund – The tables that follow assist in illustrating the financial activities of the General Fund:

	2017 Revenues	2016 Revenues	Increase (Decrease)
Taxes	\$2,522,651	\$2,446,974	\$75,677
Intergovernmental Revenues	421,130	421,381	(251)
Charges for Services	219,278	233,445	(14,167)
Licenses and Permits	118,143	124,610	(6,467)
Investment Earnings	12,759	11,175	1,584
Fines and Forfeitures	31,289	22,303	8,986
All Other Revenue	101,552	89,220	12,332
Total	<u>\$3,426,802</u>	<u>\$3,349,108</u>	<u>\$77,694</u>

General Fund revenues remained stable in 2017, increasing 2% when compared to revenues in the prior year.

	2017 Expenditures	2016 Expenditures	Increase (Decrease)
Security of Persons and Property	\$1,318,611	\$1,266,920	\$51,691
Public Health and Welfare	18,749	16,608	2,141
Leisure Time Activities	427,515	405,704	21,811
General Government	422,484	393,955	28,529
Total	<u>\$2,187,359</u>	<u>\$2,083,187</u>	<u>\$104,172</u>

General Fund expenditures remained stable in 2017, increasing \$104,172, or 5% when compared to expenditures in the prior year.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

Capital Improvement Fund – The City's Capital Improvement Fund balance decreased approximately 63%, which can be attributed to outlays for the route 7 and 14 intersection widening project.

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2017 the City amended its General Fund budget several times.

For the General Fund, budget basis revenue of \$2.2 million was not significantly different from original or final budget estimates. Budget basis expenditures of \$2.1 million were not significantly different from original or final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017 the City had \$43,861,344 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$8,605,247 was related to governmental activities and \$35,256,097 to the business-type activities. The following tables show 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land	\$1,134,824	\$946,294	\$188,530
Construction In Progress	742,666	158,807	583,859
Buildings and Improvements	2,243,170	2,193,825	49,345
Improvements Other than Buildings	892,424	877,039	15,385
Infrastructure	6,189,110	6,064,025	125,085
Machinery and Equipment	4,691,426	4,504,043	187,383
Less: Accumulated Depreciation	(7,288,373)	(6,741,990)	(546,383)
Totals	<u>\$8,605,247</u>	<u>\$8,002,043</u>	<u>\$603,204</u>

Significant capital asset activity for Governmental Activities consisted of machinery, equipment, and vehicle purchases in the Street, Police, and Fire Departments. Additions to infrastructure consisted of routine street maintenance, while the increase in land and construction in progress was the result of an intersection widening project at routes 7 and 14.

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2017	2016	
Land	\$975,871	\$975,871	\$0
Construction in Progress	13,940,920	1,239,287	12,701,633
Buildings	10,971,503	10,968,951	2,552
Improvements other than Buildings	537,919	537,919	0
Machinery and Equipment	11,199,732	10,910,076	289,656
Infrastructure	12,614,478	12,366,654	247,824
Less: Accumulated Depreciation	(14,984,326)	(13,964,374)	(1,019,952)
Totals	\$35,256,097	\$23,034,384	\$12,221,713

Significant Business-Type Activities capital asset additions in 2017 consisted of a dump truck purchase in the Water department and various equipment purchases in the Electric department. Additions to construction in progress consisted of a new water plant project as well as water line replacement project on route 14. Additional information on the City's capital assets can be found in Note 8.

Debt

The following table summarizes the City's long term liabilities outstanding as of December 31, 2017 and 2016:

	2017	2016
Governmental Activities:		
Ohio Public Works Commission Loan	\$300,964	\$331,061
Net Pension Liability	3,263,946	3,013,619
Compensated Absences	165,098	160,438
Total Governmental Activities	3,730,008	3,505,118
Business-Type Activities:		
Special Assessment Bonds	3,065,000	3,405,000
General Obligation Bond	14,300	21,000
Mortgage Revenue Bond	17,149,500	6,230,300
Ohio Public Works Commission Loans	1,480,074	961,027
AMPGS Payable	241,787	318,415
Net Pension Liability	2,508,073	1,966,097
Compensated Absences	115,689	115,499
Total Business-Type Activities	24,574,423	13,017,338
Totals	\$28,304,431	\$16,522,456

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2017, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about this report or the need for additional financial information should be directed to Mr. Michael Harold, Director of Finance of the City of Columbiana.

CITY OF COLUMBIANA, OHIO

Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 2,589,756	\$ 7,654,741	\$ 10,244,497
Cash and Cash Equivalents with Fiscal Agent	548,510	196,804	745,314
Receivables:			
Taxes	1,521,562	264,092	1,785,654
Accounts	50,687	1,646,479	1,697,166
Intergovernmental	261,451	1,003,034	1,264,485
Special Assessments	0	2,862,895	2,862,895
Internal Balance	(58,236)	58,236	0
Inventory of Supplies at Cost	56,236	7,569	63,805
Prepaid Items	26,874	24,368	51,242
Investment in Joint Venture	0	59,091	59,091
Nondepreciable Capital Assets	1,877,490	14,916,791	16,794,281
Depreciable Capital Assets, Net	6,727,757	20,339,306	27,067,063
Total Assets	13,602,087	49,033,406	62,635,493
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	154,648	154,648
Pension:			
OPERS	614,644	960,597	1,575,241
OP&F	293,413	0	293,413
Total Deferred Outflows of Resources	908,057	1,115,245	2,023,302
Liabilities:			
Accounts Payable	29,153	1,736,975	1,766,128
Accrued Wages and Benefits	58,403	49,445	107,848
Intergovernmental Payable	20,278	23,353	43,631
Retainage Payable	500,000	196,804	696,804
Accrued Interest Payable	0	150,495	150,495
Noncurrent Liabilities:			
Due Within One Year	92,607	785,204	877,811
Due in More Than One Year:			
Net Pension Liability	3,263,946	2,508,073	5,772,019
Other Amounts Due in More Than One Year	373,455	21,281,146	21,654,601
Total Liabilities	4,337,842	26,731,495	31,069,337
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	584,698	242,920	827,618
Pension:			
OPERS	9,551	14,927	24,478
OP&F	133,560	0	133,560
Total Deferred Inflows of Resources	727,809	257,847	985,656
Net Position:			
Net Investment in Capital Assets	8,304,283	13,547,223	21,851,506
Restricted For:			
Capital Projects	1,241,321	0	1,241,321
Debt Service	56,842	0	56,842
Other Purposes	679,940	0	679,940
Unrestricted (Deficit)	(837,893)	9,612,086	8,774,193
Total Net Position	\$ 9,444,493	\$ 23,159,309	\$ 32,603,802

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Activities
For the Year Ended December 31, 2017**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 1,875,148	\$ 113,399	\$ 12,696	\$ 260
Public Health and Welfare	315,342	46,800	0	0
Leisure Time Activities	587,216	191,247	0	0
Transportation	855,019	0	245,240	0
General Government	747,319	118,143	0	0
Total Governmental Activities	4,380,044	469,589	257,936	260
Business-Type Activities:				
Water	1,653,652	1,569,053	0	3,013,803
Wastewater	1,731,472	1,098,420	0	63,097
Electric	9,409,529	9,271,963	0	0
Public Safety Vehicle Service	632,652	295,711	0	1,500
Total Business-Type Activities	13,427,305	12,235,147	0	3,078,400
Totals	\$ 17,807,349	\$ 12,704,736	\$ 257,936	\$ 3,078,660

General Revenues and Transfers

Property Taxes Levied for:

- General Purposes
- Special Purposes
- Capital Projects
- Public Safety Vehicle Service

Income Tax

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,748,793)	\$ 0	\$ (1,748,793)
(268,542)	0	(268,542)
(395,969)	0	(395,969)
(609,779)	0	(609,779)
(629,176)	0	(629,176)
<u>(3,652,259)</u>	<u>0</u>	<u>(3,652,259)</u>
0	2,929,204	2,929,204
0	(569,955)	(569,955)
0	(137,566)	(137,566)
0	(335,441)	(335,441)
<u>0</u>	<u>1,886,242</u>	<u>1,886,242</u>
<u>\$ (3,652,259)</u>	<u>\$ 1,886,242</u>	<u>\$ (1,766,017)</u>
333,465	0	333,465
40,063	0	40,063
284,999	0	284,999
0	258,620	258,620
2,202,863	0	2,202,863
47,393	0	47,393
454,249	35,775	490,024
12,950	601	13,551
170,815	0	170,815
(95,000)	95,000	0
<u>3,451,797</u>	<u>389,996</u>	<u>3,841,793</u>
(200,462)	2,276,238	2,075,776
<u>9,644,955</u>	<u>20,883,071</u>	<u>30,528,026</u>
<u>\$ 9,444,493</u>	<u>\$ 23,159,309</u>	<u>\$ 32,603,802</u>

CITY OF COLUMBIANA, OHIO

**Balance Sheet
Governmental Funds
December 31, 2017**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 770,925	\$ 255,229	\$ 1,563,602	\$ 2,589,756
Cash and Cash Equivalents with Fiscal Agent	0	548,510	0	548,510
Receivables:				
Taxes	1,192,488	0	329,074	1,521,562
Accounts	32,928	521	17,238	50,687
Intergovernmental	79,510	0	181,941	261,451
Inventory of Supplies, at Cost	491	0	55,745	56,236
Prepaid Items	16,784	544	9,546	26,874
Total Assets	\$ 2,093,126	\$ 804,804	\$ 2,157,146	\$ 5,055,076
Liabilities:				
Accounts Payable	\$ 14,216	\$ 14,188	\$ 749	\$ 29,153
Accrued Wages and Benefits Payable	29,263	5,683	23,457	58,403
Intergovernmental Payable	16,758	3,377	143	20,278
Retainage Payable	0	500,000	0	500,000
Total Liabilities	60,237	523,248	24,349	607,834
Deferred Inflows of Resources:				
Unavailable Amounts	676,031	0	151,432	827,463
Property Tax Levy for Next Fiscal Year	280,010	0	304,688	584,698
Total Deferred Inflows of Resources	956,041	0	456,120	1,412,161
Fund Balance:				
Nonspendable	22,937	544	165,291	188,772
Restricted	0	281,012	1,435,175	1,716,187
Committed	0	0	5,216	5,216
Assigned	261,586	0	70,995	332,581
Unassigned	792,325	0	0	792,325
Total Fund Balance	1,076,848	281,556	1,676,677	3,035,081
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,093,126	\$ 804,804	\$ 2,157,146	\$ 5,055,076

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2017***

Total Governmental Fund Balances		\$ 3,035,081
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		8,605,247
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		827,463
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	908,057	
Deferred Inflows - Pension	(143,111)	
Net Pension Liability	<u>(3,263,946)</u>	(2,499,000)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in business-type activities in the statement of net position, and an internal balance is reported for the governmental activities share of internal service funds activity.		(58,236)
Long-term liabilities, including compensated absences payable and loans payable are not due and payable in the current period and therefore are not reported in the funds.		
OPWC Loan Payable	(300,964)	
Compensated Absences Payable	<u>(165,098)</u>	(466,062)
<i>Net Position of Governmental Activities</i>		<u><u>\$ 9,444,493</u></u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,522,651	\$ 0	\$ 325,349	\$ 2,848,000
Other Local Taxes	0	0	47,393	47,393
Intergovernmental Revenues	421,130	0	325,497	746,627
Charges for Services	219,278	0	100,756	320,034
Licenses and Permits	118,143	0	0	118,143
Investment Earnings	12,759	0	191	12,950
Fines and Forfeitures	31,289	0	123	31,412
All Other Revenue	101,552	29,654	39,869	171,075
Total Revenues	3,426,802	29,654	839,178	4,295,634
Expenditures:				
Current:				
Security of Persons and Property	1,318,611	0	263,375	1,581,986
Public Health and Welfare	18,749	0	195,374	214,123
Leisure Time Activities	427,515	0	5,655	433,170
Transportation	0	0	372,210	372,210
General Government	422,484	0	16,974	439,458
Capital Outlay	0	1,607,308	65,227	1,672,535
Debt Service:				
Principal Retirement	0	30,097	0	30,097
Total Expenditures	2,187,359	1,637,405	918,815	4,743,579
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,239,443	(1,607,751)	(79,637)	(447,945)
Other Financing Sources (Uses):				
Transfers In	0	1,135,000	235,000	1,370,000
Transfers Out	(1,465,000)	0	0	(1,465,000)
Total Other Financing Sources (Uses)	(1,465,000)	1,135,000	235,000	(95,000)
Net Change in Fund Balances	(225,557)	(472,751)	155,363	(542,945)
Fund Balance at Beginning of Year	1,302,582	754,307	1,520,024	3,576,913
Increase (Decrease) in Inventory	(177)	0	1,290	1,113
Fund Balance End of Year	\$ 1,076,848	\$ 281,556	\$ 1,676,677	\$ 3,035,081

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2017***

Net Change in Fund Balances - Total Governmental Funds \$ (542,945)

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

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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,234,755	
Depreciation Expense	<u>(615,623)</u>	619,132

The net effect of various miscellaneous transactions involving capital assets (i.e. disposals and donations) is to increase net position.

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	(15,928)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(21,052)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	250,534
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(516,753)
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The issuance of long-term debt (e.g. notes, loans) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Ohio Public Works Commission Loan Principal Retirement	30,097
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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 the governmental funds.

Compensated Absences	(4,660)	
Change in Inventory	<u>1,113</u>	<u>(3,547)</u>

<i>Change in Net Position of Governmental Activities</i>	\$ (200,462)
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See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 311,400	\$ 271,400	\$ 333,368	\$ 61,968
Intergovernmental Revenue	413,859	417,420	420,082	2,662
Charges for Services	15,000	22,539	22,247	(292)
Licenses and Permits	125,500	125,700	118,613	(7,087)
Investment Earnings	13,000	15,000	12,759	(2,241)
Fines and Forfeitures	21,700	25,200	31,097	5,897
All Other Revenues	53,200	119,454	84,886	(34,568)
Total Revenues	<u>953,659</u>	<u>996,713</u>	<u>1,023,052</u>	<u>26,339</u>
Expenditures:				
Current:				
Security of Persons and Property	1,234,000	1,377,966	1,335,370	42,596
Public Health and Welfare	18,749	18,749	18,749	0
General Government	347,548	237,525	279,950	(42,425)
Total Expenditures	<u>1,600,297</u>	<u>1,634,240</u>	<u>1,634,069</u>	<u>171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(646,638)	(637,527)	(611,017)	26,510
Other Financing Sources (Uses):				
Transfers In	1,100,000	1,135,000	1,135,000	0
Transfers Out	(480,000)	(515,000)	(515,000)	0
Total Other Financing Sources (Uses):	<u>620,000</u>	<u>620,000</u>	<u>620,000</u>	<u>0</u>
Net Change in Fund Balance	(26,638)	(17,527)	8,983	26,510
Fund Balance at Beginning of Year	220,653	220,653	220,653	0
Prior Year Encumbrances	23,548	23,548	23,548	0
Fund Balance at End of Year	<u>\$ 217,563</u>	<u>\$ 226,674</u>	<u>\$ 253,184</u>	<u>\$ 26,510</u>

See accompanying notes to the basic financial statements

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CITY OF COLUMBIANA, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Assets:			
Current Assets:			
Pooled Cash and Investments	\$ 1,669,752	\$ 2,207,831	\$ 3,136,707
Cash and Cash Equivalents with Fiscal Agent	196,804	0	0
Taxes Receivable	0	0	0
Accounts Receivable	143,680	138,278	1,034,063
Intergovernmental Receivables	984,944	0	0
Special Assessments Receivable	95,000	2,767,895	0
Inventory of Supplies at Cost	5,730	1,839	0
Prepaid Items	6,122	6,122	9,149
Total Current Assets	<u>3,102,032</u>	<u>5,121,965</u>	<u>4,179,919</u>
Noncurrent Assets:			
Investment in Joint Venture	0	0	59,091
Capital Assets, Net	17,126,042	12,710,660	5,248,958
Total Noncurrent Assets	<u>17,126,042</u>	<u>12,710,660</u>	<u>5,308,049</u>
Total Assets	<u>20,228,074</u>	<u>17,832,625</u>	<u>9,487,968</u>
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	154,648	0
Pension:			
OPERS	285,893	194,945	287,305
Total Deferred Outflows of Resources	<u>285,893</u>	<u>349,593</u>	<u>287,305</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	1,004,300	13,612	718,751
Accrued Wages and Benefits	15,450	10,088	13,799
Intergovernmental Payable	13,175	7,074	3,104
Retainage Payable	196,804	0	0
AMPGS Payable - Current	0	0	27,660
Accrued Interest Payable	59,706	90,360	0
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	205,000	120,200	0
Special Assessment Bonds Payable - Current	10,000	340,000	0
OPWC Loans Payable - Current	0	43,489	0
Compensated Absences - Current	15,557	6,640	6,623
Total Current Liabilities	<u>1,519,992</u>	<u>631,463</u>	<u>769,937</u>

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$ 582,952	\$ 7,597,242	\$ 57,499
0	196,804	0
264,092	264,092	0
330,458	1,646,479	0
18,090	1,003,034	0
0	2,862,895	0
0	7,569	0
2,975	24,368	0
<u>1,198,567</u>	<u>13,602,483</u>	<u>57,499</u>
0	59,091	0
170,437	35,256,097	0
<u>170,437</u>	<u>35,315,188</u>	<u>0</u>
1,369,004	48,917,671	57,499
0	154,648	0
192,454	960,597	0
<u>192,454</u>	<u>1,115,245</u>	<u>0</u>
312	1,736,975	0
10,108	49,445	0
0	23,353	0
0	196,804	0
0	27,660	0
429	150,495	0
7,000	7,000	0
0	325,200	0
0	350,000	0
0	43,489	0
3,035	31,855	0
<u>20,884</u>	<u>2,942,276</u>	<u>0</u>

(Continued)

CITY OF COLUMBIANA, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Special Assessment Bonds Payable	85,000	2,630,000	0
Revenue Bonds Payable	10,829,600	5,994,700	0
OPWC Loans Payable	698,097	738,488	0
AMPGS Payable	0	0	214,127
Compensated Absences Payable	34,838	19,210	21,284
Net Pension Liability	746,456	508,992	750,138
Total Noncurrent Liabilities	12,393,991	9,891,390	985,549
Total Liabilities	13,913,983	10,522,853	1,755,486
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	0	0	0
Pension:			
OPERS	4,442	3,030	4,465
Total Deferred Inflows of Resources	4,442	3,030	4,465
Net Position:			
Net Investment in Capital Assets	5,298,345	2,843,783	5,248,958
Unrestricted	1,297,197	4,812,552	2,766,364
Total Net Position	\$ 6,595,542	\$ 7,656,335	\$ 8,015,322
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			
Net Position of Business-type Activities			

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
7,300	7,300	0
0	2,715,000	0
0	16,824,300	0
0	1,436,585	0
0	214,127	0
8,502	83,834	0
502,487	2,508,073	0
518,289	23,789,219	0
539,173	26,731,495	0
242,920	242,920	0
2,990	14,927	0
245,910	257,847	0
156,137	13,547,223	0
620,238	9,496,351	57,499
\$ 776,375	\$ 23,043,574	\$ 57,499
	115,735	
	\$ 23,159,309	

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Operating Revenues:			
Charges for Services	\$ 1,509,406	\$ 1,080,932	\$ 9,202,361
Other Operating Revenues	59,647	17,488	44,342
Total Operating Revenues	1,569,053	1,098,420	9,246,703
Operating Expenses:			
Personal Services	791,074	548,467	699,445
Contractual Services	499,770	240,631	8,159,879
Materials and Supplies	118,577	51,600	190,318
Depreciation	136,353	522,757	338,498
Other Operating Expenses	3,014	10,144	0
Total Operating Expenses	1,548,788	1,373,599	9,388,140
Operating Income (Loss)	20,265	(275,179)	(141,437)
Non-Operating Revenues (Expenses):			
Interest Income	0	0	601
Interest and Fiscal Charges	(103,856)	(357,770)	0
Taxes	0	0	0
Loss from Joint Venture	0	0	(898)
Loss on Disposal of Capital Assets	0	0	(2,867)
Intergovernmental Grants	0	0	0
Other Nonoperating Revenue	0	0	26,158
Other Nonoperating Expense	(1,008)	(103)	(18,522)
Total Non-Operating Revenues (Expenses)	(104,864)	(357,873)	4,472
Loss Before Transfers and Contributions	(84,599)	(633,052)	(136,965)
Transfers and Contributions:			
Capital Contributions	3,013,803	63,097	0
Transfers-In	0	95,000	0
Total Transfers and Contributions	3,013,803	158,097	0
Change in Net Position	2,929,204	(474,955)	(136,965)
Net Position Beginning of Year	3,666,338	8,131,290	8,152,287
Net Position End of Year	\$ 6,595,542	\$ 7,656,335	\$ 8,015,322

Change in Net Position - Total Enterprise Funds

Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$ 284,683	\$ 12,077,382	\$ 0
8,446	129,923	0
<u>293,129</u>	<u>12,207,305</u>	<u>0</u>
506,130	2,545,116	0
56,066	8,956,346	0
39,851	400,346	0
24,177	1,021,785	0
5,511	18,669	0
<u>631,735</u>	<u>12,942,262</u>	<u>0</u>
(338,606)	(734,957)	0
0	601	0
(744)	(462,370)	0
258,620	258,620	0
0	(898)	0
0	(2,867)	0
35,775	35,775	0
2,582	28,740	0
(173)	(19,806)	0
<u>296,060</u>	<u>(162,205)</u>	<u>0</u>
(42,546)	(897,162)	0
1,500	3,078,400	0
0	95,000	0
<u>1,500</u>	<u>3,173,400</u>	<u>0</u>
(41,046)	2,276,238	0
817,421	20,767,336	57,499
<u>\$ 776,375</u>	<u>\$ 23,043,574</u>	<u>\$ 57,499</u>
	\$ 2,276,238	
	<u>0</u>	
	<u>\$ 2,276,238</u>	

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,614,236	\$1,145,866	\$9,673,811
Cash Payments for Goods and Services	(604,017)	(294,166)	(8,426,634)
Cash Payments to Employees	(709,510)	(487,022)	(618,358)
Net Cash Provided (Used) by Operating Activities	<u>300,709</u>	<u>364,678</u>	<u>628,819</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	0	0	0
Intergovernmental Receipts	0	0	0
Transfers In from Other Funds	0	95,000	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>95,000</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Mortgage Revenue Bond Proceeds	11,224,000	0	0
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	(10,000)	(330,000)	0
Mortgage Revenue Bond Retirement	(189,400)	(115,400)	0
OPWC Loan Proceeds	562,536	0	0
OPWC Loan Retirement	0	(43,489)	0
Note Retirement	(870,000)	0	0
Capital Contributions	2,038,859	330,912	0
Interest and Fiscal Charges	(52,246)	(340,724)	0
Acquisition and Construction of Assets	(12,374,971)	(36,730)	(369,278)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>328,778</u>	<u>(535,431)</u>	<u>(369,278)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	0	0	601
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>601</u>
Net Increase (Decrease) in Cash and Cash Equivalents	629,487	(75,753)	260,142
Cash and Cash Equivalents at Beginning of Year	1,237,069	2,283,584	2,876,565
Cash and Cash Equivalents at End of Year	<u>\$1,866,556</u>	<u>\$2,207,831</u>	<u>\$3,136,707</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Pooled Cash and Investments	\$1,669,752	\$2,207,831	\$3,136,707
Cash and Cash Equivalents with Fiscal Agent	196,804	0	0
Cash and Cash Equivalents at End of Year	<u>\$1,866,556</u>	<u>\$2,207,831</u>	<u>\$3,136,707</u>

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$271,917	\$12,705,830	\$0
(103,207)	(9,428,024)	0
(422,478)	(2,237,368)	0
(253,768)	1,040,438	0
258,906	258,906	0
35,751	35,751	0
0	95,000	0
294,657	389,657	0
0	11,224,000	0
(6,700)	(6,700)	0
0	(340,000)	0
0	(304,800)	0
0	562,536	0
0	(43,489)	0
0	(870,000)	0
1,500	2,371,271	0
(945)	(393,915)	0
(4,559)	(12,785,538)	0
(10,704)	(586,635)	0
0	601	0
0	601	0
30,185	844,061	0
552,767	6,949,985	57,499
\$582,952	\$7,794,046	\$57,499
\$582,952	\$7,597,242	\$57,499
0	196,804	0
\$582,952	\$7,794,046	\$57,499

(Continued)

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$20,265	(\$275,179)	(\$141,437)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	136,353	522,757	338,498
Non-Operating Revenue	0	0	26,158
Non-Operating Expense	(1,008)	(103)	(18,522)
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	45,183	47,446	400,950
Increase in Inventory	(106)	(919)	0
(Increase) Decrease in Prepaids	(10)	(10)	494
Increase in Deferred Outflows of Resources	(53,698)	(43,753)	(56,318)
Increase (Decrease) in Accounts Payable	15,750	10,593	41,378
Increase (Decrease) in Accrued Wages and Benefits	(586)	(771)	(901)
Increase (Decrease) in Intergovernmental Payable	2,718	(1,597)	(23,197)
Decrease in AMPGS Payable	0	0	(76,628)
Increase (Decrease) in Compensated Absences	4,436	(2,437)	2
Increase in Net Pension Liability	138,713	113,268	145,559
Decrease in Deferred Inflows of Resources	(7,301)	(4,617)	(7,217)
Total Adjustments	<u>280,444</u>	<u>639,857</u>	<u>770,256</u>
Net Cash Provided (Used) by Operating Activities	<u>\$300,709</u>	<u>\$364,678</u>	<u>\$628,819</u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

<u>Nonmajor</u> Public Safety Vehicle Service	<u>Total</u>	Business-Type Activities - Internal Service Fund
(\$338,606)	(\$734,957)	\$0
24,177	1,021,785	0
2,582	28,740	0
(173)	(19,806)	0
(23,794)	469,785	0
0	(1,025)	0
605	1,079	0
(55,656)	(209,425)	0
(1,314)	66,407	0
611	(1,647)	0
(897)	(22,973)	0
0	(76,628)	0
(1,811)	190	0
144,436	541,976	0
(3,928)	(23,063)	0
<u>84,838</u>	<u>1,775,395</u>	<u>0</u>
<u>(\$253,768)</u>	<u>\$1,040,438</u>	<u>\$0</u>

CITY OF COLUMBIANA, OHIO

Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2017

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 2,152
Total Assets	<u>2,152</u>
Liabilities:	
Due to Others	<u>2,152</u>
Total Liabilities	<u>\$ 2,152</u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Columbiana (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution, the laws of the State of Ohio and its Charter. Columbiana became a city in 2001, and operates under a Council/Manager form of government.

The financial statements are presented as of December 31, 2017 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: public safety, highways and streets, sanitation, health and social services, culture/recreation, public improvements, planning and zoning, and general administrative services. In addition, the City operates a water treatment and distribution system, a wastewater treatment and collection system, an electric distribution system, and an emergency medical service system which are reported as enterprise funds.

Joint Ventures with Equity Interest:

Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV-1) - OMEGA JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Ohio, Inc Northeast Area Service Group. See Note 14 – "Joint Ventures".

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5) - OMEGA JV-5 was organized by 42 subdivisions of the State of Ohio (the participants) on April 20, 1993 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Belleville Hydroelectric Project. The participants are members of American Municipal Power-Ohio, Inc. See Note 14 – "Joint Ventures".

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Funds - Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except the resources accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is on determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Capital Improvement Fund - This fund is used to account for the financial resources used for the major capital projects undertaken by the City.

Proprietary Funds

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. The enterprise fund operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Wastewater Fund – This fund is used to account for the operation of the City's sanitary sewer service.

Electric Fund – This fund is used to account for the operation of the City's electric distribution services.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City's internal service fund accounts for the residual value of the City's self-insurance program for employee health care benefits which ended in 2015.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets the City holds in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The City's only fiduciary fund is an agency fund, which accounts for the activities of the City Mayors Court. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenue considered susceptible to accrual at year end includes income taxes, interest on investments, and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Property taxes measurable as of December 31, 2017 but which are not intended to finance 2017 operations and other revenue received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred inflows of resources.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year. All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is at the fund, function and object level. Budgetary modifications may only be made by ordinance or resolution of the City Council.

1. Tax Budget

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund:

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$225,557)
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(348,885)
Accrued Revenues at December 31, 2016 received during 2017	372,290
Accrued Expenditures at December 31, 2017 paid during 2018	60,237
Accrued Expenditures at December 31, 2016 paid during 2017	(45,007)
2016 Prepays for 2017	14,989
2017 Prepays for 2018	(16,784)
Outstanding Encumbrances	(21,678)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>219,378</u>
Budget Basis	<u><u>\$8,983</u></u>

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term certificates of deposit with original maturities of three months or less.

The City pools a majority of its cash for investment and resource management purposes, while maintaining some segregated funds. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintains its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. See Note 4, "Cash, Cash Equivalents and Investments."

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 4 "Cash, Cash Equivalents, and Investments".

Under existing Ohio statues all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. The City assigns investment earnings to the General Fund and various other governmental, proprietary and fiduciary funds. Interest revenue credited to the General Fund during 2017 amounted to \$12,759, which includes \$12,181 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

On the government-wide and proprietary fund financial statements, purchased inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories of governmental funds are stated at cost on a first-in, first-out basis and recorded as an expenditure in the governmental funds when purchased.

Inventory consists of expendable supplies held for consumption.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings and Improvements	30-40
Improvements other than Buildings	20
Infrastructure	40
Machinery and Equipment	5-20

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Special Assessment Bonds	Water Fund, Wastewater Fund
Mortgage Revenue Bonds	Water Fund, Wastewater Fund
General Obligation Bond	Public Safety Vehicle Service Fund
OPWC Loans	Capital Improvement Fund, Water Fund Wastewater Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund Cemetery Fund, Park Fund Capital Improvement Fund, Income Tax Fund Water Fund Wastewater Fund Electric Fund Public Safety Vehicle Service Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

Compensated absences are expensed in the Water, Wastewater, Electric and Public Safety Vehicle Service Funds when earned, and the related liability is reported within the fund.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on 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.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

Q. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, electric distribution and public safety vehicle service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2017.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. For the City, deferred outflows of resources are reported for deferred charges on debt refunding and pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For the City, deferred outflows of resources are reported for pension amounts on the government-wide and proprietary funds statement of net position. See Note 9.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide and proprietary funds statement of net position. See Note 9.

T. Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and long-term loans are recognized as a liability on the governmental fund financial statements when due.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,” Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” Statement No. 80, “Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,” Statement No. 81, “Irrevocable Split-Interest Agreements,” and Statement No. 82, “Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.

GASB Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments.

GASB Statement No. 81 addresses irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.

These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

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CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid Items	\$16,784	\$544	\$9,546	\$26,874
Supplies Inventory	491	0	55,745	56,236
Unclaimed Funds	5,662	0	0	5,662
Permanent Fund Corpus	0	0	100,000	100,000
Total Nonspendable	<u>22,937</u>	<u>544</u>	<u>165,291</u>	<u>188,772</u>
Restricted:				
Street Maintenance and Repair	0	0	300,628	300,628
Cemetery Maintenance	0	0	91,900	91,900
Law Enforcement	0	0	45,814	45,814
Debt Retirement	0	0	56,842	56,842
Capital Improvements	0	281,012	939,991	1,221,003
Total Restricted	<u>0</u>	<u>281,012</u>	<u>1,435,175</u>	<u>1,716,187</u>
Committed:				
Other Purposes	0	0	5,216	5,216
Total Committed	<u>0</u>	<u>0</u>	<u>5,216</u>	<u>5,216</u>
Assigned:				
Land Purchase	0	0	70,995	70,995
Services and Supplies	16,824	0	0	16,824
Budget Resource	244,762	0	0	244,762
Total Assigned	<u>261,586</u>	<u>0</u>	<u>70,995</u>	<u>332,581</u>
Unassigned (Deficits):				
	792,325	0	0	792,325
Total Fund Balances	<u><u>\$1,076,848</u></u>	<u><u>\$281,556</u></u>	<u><u>\$1,676,677</u></u>	<u><u>\$3,035,081</u></u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts or in money market deposit accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories or by savings or deposit accounts including, but not limited to, passbook accounts.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds must be evidenced by time CD's maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- Under limited circumstances, corporate note interest rated in either of the two highest classifications by at least two nationally recognized rating agencies.
- Bonds and other obligations of the State of Ohio;

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City’s deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City’s deposits was \$10,977,663 and the bank balance was \$11,193,437. Federal depository insurance covered \$2,132,346 of the bank balance and \$9,061,091 was uninsured and exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2017 are summarized below:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3 or more</u>
City of Columbiana Bond	\$14,300	N/A	\$7,000	\$7,300	\$0
Total Investments	<u>\$14,300</u>		<u>\$7,000</u>	<u>\$7,300</u>	<u>\$0</u>

The City held bond was issued in 2010 by the Public Safety Vehicle Fund and was purchased by the City’s General Fund. The bond was issued in the amount of \$60,000 at an interest rate of 4.50% and matures in 2019. The bond proceeds were used for the purchase of an ambulance. The debt to maturity schedule can be found in Note 12.

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer.

Custodial Credit Risk – The City’s balance of investments are held by the trust department of its banking institution in the City’s name.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2016 for Columbiana County and 2017 for Mahoning County. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Columbiana. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2017 was \$6.80 per \$1,000 of assessed value.

The assessed values upon which the 2017 property tax levy was based were as follows:

	County	
	Columbiana	Mahoning
Real Property:		
Residential/Agricultural	\$118,522,270	\$30,561,540
Personal Property:		
Public Utility Personal Property	4,614,000	80,180
Total Assessed Value	<u>\$123,136,270</u>	<u>\$30,641,720</u>

Ohio law prohibits taxation of property from all taxing authorities in excess of one percent of assessed value without a vote of the people. Under current procedures, the City's share is .68% (6.80 mills) of assessed value.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of one half of one percent of the tax paid to another municipality to a maximum of the total amount assessed. All income tax proceeds are received by the Income Tax Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, accounts, special assessments, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred inflows of resources or unearned revenue are considered collectible in full.

NOTE 7 – TRANSFERS

Following is a summary of transfers in and out for all funds for 2017:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$1,465,000
Capital Improvement Fund	1,135,000	0
Other Governmental Funds	235,000	0
Total Governmental Funds	<u>1,370,000</u>	<u>1,465,000</u>
Enterprise Fund:		
Wastewater Fund	95,000	0
Total Proprietary Funds	<u>95,000</u>	<u>0</u>
Totals	<u>\$1,465,000</u>	<u>\$1,465,000</u>

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CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$946,294	\$188,530	\$0	\$1,134,824
Construction in Progress	158,807	583,859	0	742,666
Subtotal	1,105,101	772,389	0	1,877,490
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	2,193,825	49,345	0	2,243,170
Improvements Other than Buildings	877,039	15,385	0	892,424
Infrastructure	6,064,025	125,085	0	6,189,110
Machinery and Equipment	4,504,043	272,551	(85,168)	4,691,426
Total Cost	<u>\$14,744,033</u>	<u>\$1,234,755</u>	<u>(\$85,168)</u>	<u>\$15,893,620</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings and Improvements	(\$1,354,873)	(\$51,294)	\$0	(\$1,406,167)
Improvements Other than Buildings	(578,584)	(27,600)	0	(606,184)
Infrastructure	(2,026,549)	(288,163)	0	(2,314,712)
Machinery and Equipment	(2,781,984)	(248,566)	69,240	(2,961,310)
Total Accumulated Depreciation	<u>(\$6,741,990)</u>	<u>(\$615,623) *</u>	<u>\$69,240</u>	<u>(\$7,288,373)</u>
<i>Net Value:</i>	<u>\$8,002,043</u>			<u>\$8,605,247</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$149,298
Public Health and Welfare	10,198
Leisure Time Activities	46,236
Transportation	379,311
General Government	30,580
Total Depreciation Expense	<u>\$615,623</u>

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$975,871	\$0	\$0	\$975,871
Construction in Progress	1,239,287	12,701,633	0	13,940,920
Subtotal	2,215,158	12,701,633	0	14,916,791
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	10,968,951	2,552	0	10,971,503
Improvements Other than Buildings	537,919	0	0	537,919
Machinery and Equipment	10,910,076	294,356	(4,700)	11,199,732
Infrastructure	12,366,654	247,824	0	12,614,478
Total Cost	<u>\$36,998,758</u>	<u>\$13,246,365</u>	<u>(\$4,700)</u>	<u>\$50,240,423</u>

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings and Improvements	(\$3,974,243)	(\$299,658)	\$0	(\$4,273,901)
Improvements Other than Buildings	(237,647)	(26,891)	0	(264,538)
Machinery and Equipment	(7,047,802)	(411,662)	1,833	(7,457,631)
Infrastructure	(2,704,682)	(283,574)	0	(2,988,256)
Total Accumulated Depreciation	<u>(\$13,964,374)</u>	<u>(\$1,021,785)</u>	<u>\$1,833</u>	<u>(\$14,984,326)</u>
<i>Net Value:</i>	<u>\$23,034,384</u>			<u>\$35,256,097</u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$304,809 for 2017. Of this amount, \$25,599 is reported as an intergovernmental payable.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police officers participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police
2017 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2017 through December 31, 2017	12.25 %
2017 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2017 through December 31, 2017	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$131,600 for 2017. Of this amount, \$10,439 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$4,112,879	\$1,659,140	\$5,772,019
Proportion of the Net Pension Liability-2017	0.018112%	0.026195%	
Proportion of the Net Pension Liability-2016	0.018404%	0.027854%	
Percentage Change	(0.000292%)	(0.001659%)	
Pension Expense	\$835,418	\$176,698	\$1,012,116

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$612,503	\$161,344	\$773,847
Differences between expected and actual experience	5,575	469	6,044
Change in assumptions	652,354	0	652,354
City contributions subsequent to the measurement date	<u>304,809</u>	<u>131,600</u>	<u>436,409</u>
Total Deferred Outflows of Resources	<u>\$1,575,241</u>	<u>\$293,413</u>	<u>\$1,868,654</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$24,478	\$3,821	\$28,299
Change in proportionate share	<u>0</u>	<u>129,739</u>	<u>129,739</u>
Total Deferred Inflows of Resources	<u>\$24,478</u>	<u>\$133,560</u>	<u>\$158,038</u>

\$436,409 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2018	\$513,933	\$33,455	\$547,388
2019	532,243	33,455	565,698
2020	217,732	18,834	236,566
2021	(17,954)	(38,768)	(56,722)
2022	0	(17,262)	(17,262)
2023	<u>0</u>	<u>(1,461)</u>	<u>(1,461)</u>
Total	<u>\$1,245,954</u>	<u>\$28,253</u>	<u>\$1,274,207</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for 2016. The discount rate for 2015 was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$6,283,346	\$4,112,879	\$2,304,183

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Changes Between Measurement Date and Report Date In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, the impact to the City’s net pension liability is expected to be significant.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$2,209,777	\$1,659,140	\$1,192,466

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS may be set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$23,706, \$48,751 and \$47,375, respectively, which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund (“OP&F”)

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% of covered payroll for police employers. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5% of covered payroll for police officers. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2017, 2016, and 2015 were \$3,417, \$3,150 and \$3,163 for police, which were equal to the required contributions for each year.

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CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 11 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to and payable no later than those principal maturities required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources.

The following notes are payable from the Water Enterprise Fund:

	Balance January 1, 2017	Issued	(Retired)	Balance December 31, 2017
Enterprise Fund Notes Payable:				
1.500% Water Treatment Improvement	\$870,000	\$0	(\$870,000)	\$0
Total Notes Payable	<u>\$870,000</u>	<u>\$0</u>	<u>(\$870,000)</u>	<u>\$0</u>

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CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2017 was as follows:

Interest Rate	Purpose		Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Amount Due Within One Year
Governmental Activities:							
Ohio Public Works Commission Loan:							
0.00%	Main Street Improvements	2027	\$331,061	\$0	(\$30,097)	\$300,964	\$30,097
Net Pension Liability:							
	Ohio Public Employees Retirement System		1,221,783	383,023	0	1,604,806	0
	Ohio Police and Fire Pension Fund		1,791,836	0	(132,696)	1,659,140	0
	Total Net Pension Liability		3,013,619	383,023	(132,696)	3,263,946	0
	Compensated Absences		160,438	70,340	(65,680)	165,098	62,510
	Total Governmental Activities		3,505,118	453,363	(228,473)	3,730,008	92,607
Business-Type Activities:							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	105,000	0	(10,000)	95,000	10,000
6.00%	Sanitary Sewer Improvements	2024	115,000	0	(10,000)	105,000	15,000
2.43%	Sanitary Sewer Improvements Refunding	2025	3,185,000	0	(320,000)	2,865,000	325,000
	Total Special Assessment Bonds		3,405,000	0	(340,000)	3,065,000	350,000
General Obligation Bond:							
4.50%	Public Safety Vehicle Purchase	2019	21,000	0	(6,700)	14,300	7,000
Mortgage Revenue Bonds:							
4.125%	Wastewater Treatment System	2045	6,230,300	0	(115,400)	6,114,900	120,200
1.625%	Water Plant	2056	0	11,224,000	(189,400)	11,034,600	205,000
	Total Mortgage Revenue Bonds		6,230,300	11,224,000	(304,800)	17,149,500	325,200
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2027	180,023	0	(17,145)	162,878	17,145
0.00%	Arrowhead Sewer Lift Station	2041	645,443	0	(26,344)	619,099	26,344
0.00%	Route 14 Water Line	2047	135,561	562,536	0	698,097	0
	Total Ohio Public Works Commission Loans		961,027	562,536	(43,489)	1,480,074	43,489
	AMPGS Payable		318,415	0	(76,628)	241,787	27,660
Net Pension Liability:							
	Ohio Public Employees Retirement System		1,966,097	541,976	0	2,508,073	0
	Compensated Absences		115,499	34,484	(34,294)	115,689	31,855
	Total Business-Type Activities		13,017,338	12,362,996	(805,911)	24,574,423	785,204
	Total Long-Term Obligations		\$16,522,456	\$12,816,359	(\$1,034,384)	\$28,304,431	\$877,811

Special Assessments - The principal amount of the City's special assessment debt outstanding at December 31, 2017, \$3,065,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

Pledged Revenues

The Wastewater Treatment System bonds were issued in 2005 for the purpose of constructing a new wastewater treatment facility. These bonds are payable from the net revenue derived from operations of the wastewater treatment system and are secured by a pledge of and lien on such net revenues until the bond maturity date of 2045. Total principal and interest payable on these bonds at December 31, 2017 was \$10,424,238. In 2017 the Wastewater Fund reported \$247,578 of net pledged revenues for coverage of a principal and interest debt service requirement of \$372,400.

The Water Plant bonds were issued in 2017 for the purpose of constructing a new water facility. These bonds are payable from the net revenue derived from operations of the water system and are secured by a pledge of and lien on such net revenues until the bond maturity date of 2056. Total principal and interest payable on these bonds at December 31, 2017 was \$14,987,362. In 2017 the Water Fund reported \$156,618 of net pledged revenues for coverage of a principal and interest debt service requirement of \$222,800.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bonds		General Obligation Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$350,000	\$80,546	\$325,200	\$431,553	\$7,000	\$644	\$73,586	\$0
2019	360,000	71,324	333,300	423,262	7,300	329	73,586	0
2020	375,000	61,832	340,900	415,192	0	0	73,586	0
2021	385,000	51,798	350,800	405,939	0	0	73,586	0
2022	395,000	41,524	359,900	396,850	0	0	73,586	0
2023-2027	1,200,000	60,844	1,944,800	1,837,986	0	0	359,351	0
2028-2032	0	0	2,219,200	1,563,362	0	0	131,720	0
2033-2037	0	0	2,543,400	1,239,858	0	0	131,720	0
2038-2042	0	0	2,924,200	858,943	0	0	92,220	0
2043-2047	0	0	2,614,600	423,876	0	0	0	0
2048-2052	0	0	1,716,500	204,785	0	0	0	0
2053-2056	0	0	1,476,700	60,494	0	0	0	0
Totals	<u>\$3,065,000</u>	<u>\$367,868</u>	<u>\$17,149,500</u>	<u>\$8,262,100</u>	<u>\$14,300</u>	<u>\$973</u>	<u>\$1,082,941</u>	<u>\$0</u>

Ohio Public Works Commission Loan - In 2015 the City obtained financing through the Ohio Public Works Commission for water line improvements on Route 14 at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2017, the City had received \$698,097 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2017 the loan has not been finalized and there is no amortization schedule for the loan.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

Defeased Debt - In September 2014 the City defeased \$3,175,000 of Special Assessment Bonds for Sewer Improvements through the issuance of \$3,455,000 of Special Assessment Bonds for Sewer Improvements. The net proceeds of the 2014 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,660,000 at December 31, 2017, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

NOTE 13 – INSURANCE AND 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.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

PEP's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the PEP may withdraw at the end of any coverage period upon 60 days prior written notice to the PEP. Under agreement, members who terminate participation in the PEP as well as current members are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year.

The City obtained insurance coverage from the PEP during 2017 for losses related to general liability, public official's liability, automobile, law enforcement liability, medical malpractice liability, and employee benefits liability, in addition to other coverages.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

The City previously maintained a self-funded health insurance program that provided insurance coverages for full time employees. A separate Self Insurance Fund (an internal service fund) was created to account for and finance the self insurance program. Beginning May 1, 2015, the City is no longer self insured. Employee health insurance is now provided by United Health Care.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 14 - JOINT VENTURES

Joint Ventures with an Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$9,492 at December 31, 2017. Complete financial statements for Omega JV-1 can be obtained from AMP at 2600 Airport Drive, Columbus, Ohio 43219, or from the City's Finance Director.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) - The City is a Financing Participant with an ownership percentage of 1.66%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017, the City has met its debt coverage obligation.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 14 - JOINT VENTURES (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$49,599 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 15 – PURCHASE COMMITMENT

American Municipal Power Generating Station Project (AMPGS)

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's project share was 8,501 kilowatts (kW) of a total 771,281 kW, giving the City a 1.10 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 15 – PURCHASE COMMITMENT (Continued)

As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share of the impaired costs at March 31, 2014 was \$1,470,883. The City received a credit of \$449,192 related to their participation in the AMP Fremont Energy Center (AFEC) Project and a credit of \$384,457 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). The City also made payments totaling \$222,280 leaving an estimated net impaired costs balance of \$414,954. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's net impaired cost balance either positively or negatively. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the City has made payments of \$206,085 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is \$17,495 and interest expense incurred on AMP's line-of-credit of \$15,423, resulting in a net impaired cost estimate at December 31, 2017 of \$241,787. The City does have a potential PHFU Liability of \$402,566 resulting in a net total potential liability of \$644,353, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

The impaired costs were included in the business-type activities and the electric enterprise fund as a 2013 expense (\$414,954). The City elected to finance this amount over 15 years.

NOTE 16 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect on the financial condition of the City.

CITY OF COLUMBIANA, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF COLUMBIANA, OHIO

***Schedule of the City's Proportionate Share of the Net Pension Liability
Last Four Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.018748%	0.018748%	0.018404%	0.018112%
City's proportionate share of the net pension liability (asset)	\$2,210,145	\$2,261,219	\$3,187,880	\$4,112,879
City's covered-employee payroll	\$2,311,231	\$2,298,467	\$2,289,892	\$2,341,092
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	95.63%	98.38%	139.22%	175.68%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.029486%	0.029486%	0.027854%	0.026195%
City's proportionate share of the net pension liability (asset)	\$1,436,070	\$1,527,508	\$1,791,836	\$1,659,140
City's covered-employee payroll	\$654,484	\$647,789	\$630,032	\$625,784
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	219.42%	235.80%	284.40%	265.13%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available. The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

CITY OF COLUMBIANA, OHIO

Schedule of City Contributions Last Five Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$300,460	\$275,816	\$274,787	\$280,931	\$304,809
Contributions in relation to the contractually required contribution	<u>300,460</u>	<u>275,816</u>	<u>274,787</u>	<u>280,931</u>	<u>304,809</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$2,311,231	\$2,298,467	\$2,289,892	\$2,341,092	\$2,344,685
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	13.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$103,932	\$123,080	\$119,706	\$118,899	\$131,600
Contributions in relation to the contractually required contribution	<u>103,932</u>	<u>123,080</u>	<u>119,706</u>	<u>118,899</u>	<u>131,600</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$654,484	\$647,789	\$630,032	\$625,784	\$692,632
Contributions as a percentage of covered-employee payroll	15.88%	19.00%	19.00%	19.00%	19.00%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.

CITY OF COLUMBIANA, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE - RURAL DEVELOPEMNT			
<i>Direct Program</i>			
Water and Waste Disposal Systems for Rural Communities - Loan	10.760	N/A	\$11,224,000
Water and Waste Disposal Systems for Rural Communities - Grant	10.760	N/A	<u>2,021,058</u>
Total U.S. Department of Agriculture			<u>13,245,058</u>
Total Expenditures of Federal Awards			<u>\$13,245,058</u>

The accompanying notes are an integral part of this schedule.

**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Columbiana (the City's) under programs of the federal government for the year ended December 31, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan program listed subsequently is administered directly by the City, and balances and transactions relating to this program is included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loan outstanding at December 31, 2017 consist of:

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31,-2017
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 11,034,600

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

City of Columbiana
Columbiana County
28 West Friend Street
Columbiana, Ohio 44408

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 29, 2018. We qualified our opinion on the governmental activities, business type activities, water and wastewater major enterprise funds and aggregate remaining fund information because the City's capital assets were not determined in accordance with the City's capital asset policy.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 29, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Columbiana
Columbiana County
28 West Friend Street
Columbiana, Ohio 44408

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Columbiana's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Columbiana's major federal programs for the year ended December 31, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Columbiana complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2017.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

October 29, 2018

**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Qualified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR §200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Water and Wastewater Disposal Systems for Rural Communities – CFDA #10.760
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

1. Capital Asset Reporting

<i>Finding Number</i>	2017-001
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MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City used an appraisal company to compile the capital assets listing used in preparing the annual financial statements. The City adopted a capital asset policy and procedures manual; however, this manual is not being used in the compilation of the capital assets listing. This caused major discrepancies between the City's adopted capital policy and procedures manual and the capital asset listing as follows:

- The manual states there is to be no recorded salvage value for assets; however, salvage value is reported on certain capital assets in the listing;
- The manual states the capital asset threshold will be between \$5,000 and \$10,000 depending on the type of asset; however, a threshold of \$1,000 was used for the capital asset listing;
- The manual states useful lives for depreciating various classes of assets; however, the capital asset listing used different useful lives.

The impact of these discrepancies on the net capital assets recorded in the financial statements cannot reasonably be determined and; therefore, a determination on whether the capital assets (along with its impact on net position and current year depreciation) are fairly stated cannot be made.

Failure to implement the items listed or reconcile the discrepancies between policy and actual practice could result in continued modified opinions.

The City should consider a complete physical inventory of its assets and prepare an accurate and complete capital asset listing. The City should review the Capital Asset policy and Procedures manual to ensure it properly reflects the City's position. The policy/manual should then be presented and reviewed with the appraisal company prior to completing a physical inventory to help ensure the capital asset listing properly reflects the City's position. The City should also consider an annual internal physical inventory of its assets to update and reconcile with the capital asset listing.

Official's Response: See Corrective Action Plan

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

City of Columbiana

"Biggest Little Town In Ohio"



Bryan Blakeman, *Mayor* • Lance Willard, *City Manager*

Municipal Building • 28 West Friend Street • Columbiana, Ohio 44408 • Phone 330-482-2173
www.columbianaohio.gov

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial Reporting – Accounts Receivable in the Public Safety Vehicle Service Fund and Business Type Activities were understated by \$77,962.	Partially Corrected	An adjustment has been recorded to the City's financial statements. The City will continue to work to develop policies and procedures to review the billing process for the Public Safety Vehicle Service Fund.

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CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

December 31, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	The City plans to review and revise as needed the current capital asset policy to be followed when compiling data for capital assets to be included in the capital asset listing which is used in preparing the annual financial statements. The City also plans on having a physical inventory be performed in 2019 of all of our assets by our appraisal company.	1 st Quarter 2019	Michael Harold

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Dave Yost • Auditor of State

CITY OF COLUMBIANA

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 6, 2018**