CITY OF COLUMBIANA
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2016

Dave Yost • Auditor of State

CITY OF COLUMBIANA
COLUMBIANA COUNTY

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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, 2016, 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 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

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

Management's Discussion and Analysis
For the Year Ended December 31, 2016 ***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, 2016. 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 2016 are as follows:

- In total, net position increased $603,076. Net position of governmental activities decreased $57,916, which represents less than a 1% decrease from 2015. Net position of business-type activities increased $660,992, or 3% from 2015.

- General revenues accounted for $3,766,416 in revenue or 22% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $13,573,561, or 78% of total revenues of $17,339,977.

- The City had $4,179,744 in expenses related to governmental activities; only $821,353 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $3,480,818 were not adequate to provide for these programs.

- Among major funds, the general fund had $3,349,108 in revenues and $3,298,187 in expenditures and other financing uses. The general fund's fund balance increased from a balance of $1,251,701 to $1,302,582.

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.

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.

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 2016 compared to 2015.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other Assets	$5,130,289	$4,917,515	$12,690,666	$12,665,411	$17,820,955	$17,582,926
Capital Assets, Net	8,002,043	8,029,882	23,034,384	21,996,176	31,036,427	30,026,058
Total Assets	13,132,332	12,947,397	35,725,050	34,661,587	48,857,382	47,608,984
Deferred Outflows of Resources	877,339	330,091	925,151	444,198	1,802,490	774,289
Net Pension Liability	3,013,619	2,330,655	1,966,097	1,458,072	4,979,716	3,788,727
Other Long-term Liabilities	491,499	526,827	11,051,241	11,413,145	11,542,740	11,939,972
Other Liabilities	200,297	143,835	2,475,334	1,752,048	2,675,631	1,895,883
Total Liabilities	3,705,415	3,001,317	15,492,672	14,623,265	19,198,087	17,624,582
Deferred Inflows of Resources	659,301	573,300	274,458	260,441	933,759	833,741
Net Position						
Net Investment in Capital Assets	7,670,982	7,668,724	11,547,057	10,119,421	19,218,039	17,788,145
Restricted	2,328,477	2,291,477	0	0	2,328,477	2,291,477
Unrestricted (Deficit)	(354,504)	(257,330)	9,336,014	10,102,658	8,981,510	9,845,328
Total Net Position	$9,644,955	$9,702,871	$20,883,071	$20,222,079	$30,528,026	$29,924,950

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.

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.

Changes in Net Position – The following table shows the change in net position for 2016 compared to 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services and Sales	$490,569	$461,733	$12,636,055	$11,891,447	$13,126,624	$12,353,180
Operating Grants and Contributions	321,964	303,944	0	0	321,964	303,944
Capital Grants and Contributions	8,820	136,315	116,153	75,228	124,973	211,543
Total Program Revenues	821,353	901,992	12,752,208	11,966,675	13,573,561	12,868,667
General Revenues:						
Property Taxes	624,720	617,563	248,695	245,704	873,415	863,267
Income Taxes	2,191,267	2,119,548	0	0	2,191,267	2,119,548
Other Local Taxes	47,731	47,475	0	0	47,731	47,475
Intergovernmental, Unrestricted	454,044	475,464	36,408	36,660	490,452	512,124
Investment Earnings	11,340	12,997	495	865	11,835	13,862
Miscellaneous	151,716	126,870	0	0	151,716	126,870
Total General Revenues	3,480,818	3,399,917	285,598	283,229	3,766,416	3,683,146
Total Revenues	4,302,171	4,301,909	13,037,806	12,249,904	17,339,977	16,551,813
Program Expenses						
Security of Persons and Property	1,857,813	1,757,805	0	0	1,857,813	1,757,805
Public Health and Welfare	295,790	273,837	0	0	295,790	273,837
Leisure Time Activities	538,507	490,698	0	0	538,507	490,698
Transportation	818,875	695,689	0	0	818,875	695,689
General Government	668,759	652,450	0	0	668,759	652,450
Interest and Fiscal Charges	0	263	0	0	0	263
Water	0	0	1,271,309	1,228,616	1,271,309	1,228,616
Wastewater	0	0	1,633,924	1,754,104	1,633,924	1,754,104
Electric	0	0	9,142,394	8,397,815	9,142,394	8,397,815
Public Safety Vehicle Service	0	0	509,530	470,891	509,530	470,891
Total Expenses	4,179,744	3,870,742	12,557,157	11,851,426	16,736,901	15,722,168
Change in Net Position Before Transfers	122,427	431,167	480,649	398,478	603,076	829,645
Transfers	(180,343)	0	180,343	0	0	0
Change in Net Position	(57,916)	431,167	660,992	398,478	603,076	829,645
Beginning Net Position	9,702,871	9,271,704	20,222,079	19,823,601	29,924,950	29,095,305
Ending Net Position	$9,644,955	$9,702,871	$20,883,071	$20,222,079	$30,528,026	$29,924,950

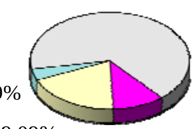
Governmental Activities

Net position of the City's governmental activities decreased $57,916. 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.

Income taxes and property taxes made up 51% and 15% respectively of revenues for governmental activities in fiscal year 2016. The City's reliance upon tax revenues is demonstrated by the following graph indicating 67% of total revenues from general tax revenues:

Revenue Sources	2016	Percent of Total
General Tax Revenues	$2,863,718	66.57%
Intergovernmental, Unrestricted	454,044	10.55%
Program Revenues	821,353	19.09%
General Other	163,056	3.79%
Total Revenue	$4,302,171	100.00%



Business-Type Activities

Net position of business-type activities increased $660,992. An increase in charges for services and expenses can be attributed to increased electric current usage.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of $3,576,913, which is an increase from last year's balance of $3,482,126. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	$1,302,582	$1,251,701	$50,881
Capital Improvement	754,307	905,580	(151,273)
Other Governmental	1,520,024	1,324,845	195,179
Total	$3,576,913	$3,482,126	$94,787

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

	2016 Revenues	2015 Revenues	Increase (Decrease)
Taxes	$2,446,974	$2,431,954	$15,020
Intergovernmental Revenues	421,381	439,152	(17,771)
Charges for Services	233,445	223,481	9,964
Licenses and Permits	124,610	116,515	8,095
Investment Earnings	11,175	12,804	(1,629)
Fines and Forfeitures	22,303	20,319	1,984
All Other Revenue	89,220	64,260	24,960
Total	$3,349,108	$3,308,485	$40,623

General Fund revenues remained stable in 2016, increasing 1% when compared to revenues in the prior year.

	2016 Expenditures	2015 Expenditures	Increase (Decrease)
Security of Persons and Property	$1,266,920	$1,281,475	($14,555)
Public Health and Welfare	16,608	16,124	484
Leisure Time Activities	405,704	387,722	17,982
General Government	393,955	333,711	60,244
Total	$2,083,187	$2,019,032	$64,155

General Fund expenditures remained stable in 2016, increasing $64,155, or 3% when compared to expenditures in the prior year.

Capital Improvement Fund – The City's Capital Improvement Fund balance decreased approximately 17%, which can be attributed to outlays for equipment as well as engineering costs 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 2016 the City amended its General Fund budget several times.

For the General Fund, budget basis revenue of $1.9 million was not significantly different from original or final budget estimates. Budget basis expenditures of $1.9 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 2016 the City had $31,036,427 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, $8,002,043 was related to governmental activities and $23,034,384 to the business-type activities. The following tables show 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	$946,294	$946,294	$0
Construction In Progress	158,807	0	158,807
Buildings and Improvements	2,193,825	2,140,917	52,908
Improvements Other than Buildings	877,039	857,559	19,480
Infrastructure	6,064,025	5,898,591	165,434
Machinery and Equipment	4,504,043	4,366,958	137,085
Less: Accumulated Depreciation	(6,741,990)	(6,180,437)	(561,553)
Totals	$8,002,043	$8,029,882	($27,839)

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

Management's Discussion and Analysis
For the Year Ended December 31, 2016 ***Unaudited***

	Business-Type Activities 2016	Business-Type Activities 2015	Increase (Decrease)
Land	$975,871	$975,871	$0
Construction in Progress	1,239,287	0	1,239,287
Buildings	10,968,951	10,964,751	4,200
Improvements other than Buildings	537,919	537,919	0
Machinery and Equipment	10,910,076	10,186,776	723,300
Infrastructure	12,366,654	12,353,125	13,529
Less: Accumulated Depreciation	(13,964,374)	(13,022,266)	(942,108)
Totals	$23,034,384	$21,996,176	$1,038,208

Significant Business-Type Activities capital asset additions in 2016 consisted of a bucket truck and other 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, 2016 and 2015:

	2016	2015
Governmental Activities:		
Ohio Public Works Commission Loan	$331,061	$361,158
Net Pension Liability	3,013,619	2,330,655
Compensated Absences	160,438	165,669
Total Governmental Activities	3,505,118	2,857,482
Business-Type Activities:		
Special Assessment Bonds	3,405,000	3,695,000
General Obligation Bond	21,000	27,400
Mortgage Revenue Bond	6,230,300	6,340,400
Ohio Public Works Commission Loans	961,027	868,955
AMPGS Payable	318,415	352,740
Net Pension Liability	1,966,097	1,458,072
Compensated Absences	115,499	128,650
Total Business-Type Activities	13,017,338	12,871,217
Totals	$16,522,456	$15,728,699

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, 2016, 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.

REQUESTS FOR INFORMATION

This financial report is designated 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.

Statement of Net Position
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	$ 3,238,924	$ 7,007,484	$ 10,246,408
Receivables:			
Taxes	1,515,768	257,926	1,773,694
Accounts	40,470	2,116,264	2,156,734
Intergovernmental	313,689	18,066	331,755
Special Assessments	0	3,140,710	3,140,710
Internal Balance	(58,236)	58,236	0
Inventory of Supplies at Cost	55,123	6,544	61,667
Prepaid Items	24,551	25,447	49,998
Investment in Joint Venture	0	59,989	59,989
Nondepreciable Capital Assets	1,105,101	2,215,158	3,320,259
Depreciable Capital Assets, Net	6,896,942	20,819,226	27,716,168
Total Assets	13,132,332	35,725,050	48,857,382
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	173,979	173,979
Pension:			
OPERS	466,798	751,172	1,217,970
OP&F	410,541	0	410,541
Total Deferred Outflows of Resources	877,339	925,151	1,802,490
Liabilities:			
Accounts Payable	141,435	1,406,545	1,547,980
Accrued Wages and Benefits	50,504	51,092	101,596
Intergovernmental Payable	8,358	46,326	54,684
Accrued Interest Payable	0	101,371	101,371
General Obligation Notes Payable	0	870,000	870,000
Noncurrent Liabilities:			
Due Within One Year	95,777	567,543	663,320
Due in More Than One Year:			
Net Pension Liability	3,013,619	1,966,097	4,979,716
Other Amounts Due in More Than One Year	395,722	10,483,698	10,879,420
Total Liabilities	3,705,415	15,492,672	19,198,087
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	562,800	236,468	799,268
Pension:			
OPERS	23,607	37,990	61,597
OP&F	72,894	0	72,894
Total Deferred Inflows of Resources	659,301	274,458	933,759
Net Position:			
Net Investment in Capital Assets	7,670,982	11,547,057	19,218,039
Restricted For:			
Capital Projects	1,526,885	0	1,526,885
Debt Service	61,469	0	61,469
Other Purposes	740,123	0	740,123
Unrestricted (Deficit)	(354,504)	9,336,014	8,981,510
Total Net Position	$ 9,644,955	$ 20,883,071	$ 30,528,026

See accompanying notes to the basic financial statements

Statement of Activities
For the Year Ended December 31, 2016

		Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	$ 1,857,813	$ 96,805	$ 11,181	$ 8,820
Public Health and Welfare	295,790	60,405	0	0
Leisure Time Activities	538,507	208,749	0	0
Transportation	818,875	0	310,783	0
General Government	668,759	124,610	0	0
Total Governmental Activities	4,179,744	490,569	321,964	8,820
Business-Type Activities:				
Water	1,271,309	1,605,604	0	10,854
Wastewater	1,633,924	1,165,232	0	105,049
Electric	9,142,394	9,514,420	0	0
Public Safety Vehicle Service	509,530	350,799	0	250
Total Business-Type Activities	12,557,157	12,636,055	0	116,153
Totals	$ 16,736,901	$ 13,126,624	$ 321,964	$ 124,973

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (1,741,007)	$ 0	$ (1,741,007)
(235,385)	0	(235,385)
(329,758)	0	(329,758)
(508,092)	0	(508,092)
(544,149)	0	(544,149)
(3,358,391)	0	(3,358,391)
0	345,149	345,149
0	(363,643)	(363,643)
0	372,026	372,026
0	(158,481)	(158,481)
0	195,051	195,051
$ (3,358,391)	$ 195,051	$ (3,163,340)
313,856	0	313,856
37,756	0	37,756
273,108	0	273,108
0	248,695	248,695
2,191,267	0	2,191,267
47,731	0	47,731
454,044	36,408	490,452
11,340	495	11,835
151,716	0	151,716
(180,343)	180,343	0
3,300,475	465,941	3,766,416
(57,916)	660,992	603,076
9,702,871	20,222,079	29,924,950
$ 9,644,955	$ 20,883,071	$ 30,528,026

Balance Sheet
Governmental Funds
December 31, 2016

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	$ 959,642	$ 855,257	$ 1,424,025	$ 3,238,924
Receivables:				
Taxes	1,194,612	0	321,156	1,515,768
Accounts	27,922	1,257	11,291	40,470
Intergovernmental	75,248	0	238,441	313,689
Inventory of Supplies, at Cost	668	0	54,455	55,123
Prepaid Items	14,989	622	8,940	24,551
Total Assets	$ 2,273,081	$ 857,136	$ 2,058,308	$ 5,188,525
Liabilities:				
Accounts Payable	$ 12,334	$ 96,618	$ 32,483	$ 141,435
Accrued Wages and Benefits Payable	26,040	5,414	19,050	50,504
Intergovernmental Payable	6,633	797	928	8,358
Total Liabilities	45,007	102,829	52,461	200,297
Deferred Inflows of Resources:				
Unavailable Amounts	659,140	0	189,375	848,515
Property Tax Levy for Next Fiscal Year	266,352	0	296,448	562,800
Total Deferred Inflows of Resources	925,492	0	485,823	1,411,315
Fund Balance:				
Nonspendable	20,239	622	163,395	184,256
Restricted	0	753,685	1,278,421	2,032,106
Committed	0	0	7,177	7,177
Assigned	276,651	0	71,031	347,682
Unassigned	1,005,692	0	0	1,005,692
Total Fund Balance	1,302,582	754,307	1,520,024	3,576,913
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 2,273,081	$ 857,136	$ 2,058,308	$ 5,188,525

See accompanying notes to the basic financial statements

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2016

Total Governmental Fund Balances		$ 3,576,913
Amounts reported for governmental activities in the statement of net position are different because		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		8,002,043
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		848,515
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	877,339	
Deferred Inflows - Pension	(96,501)	
Net Pension Liability	(3,013,619)	(2,232,781)
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	(331,061)	
Compensated Absences Payable	(160,438)	(491,499)
Net Position of Governmental Activities		$ 9,644,955

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 2,446,974	$ 0	$ 312,058	$ 2,759,032
Other Local Taxes	0	0	47,731	47,731
Intergovernmental Revenues	421,381	0	353,590	774,971
Charges for Services	233,445	0	109,361	342,806
Licenses and Permits	124,610	0	0	124,610
Investment Earnings	11,175	0	165	11,340
Fines and Forfeitures	22,303	0	850	23,153
All Other Revenue	89,220	21,145	50,171	160,536
Total Revenues	3,349,108	21,145	873,926	4,244,179
Expenditures:				
Current:				
Security of Persons and Property	1,266,920	0	269,116	1,536,036
Public Health and Welfare	16,608	0	196,103	212,711
Leisure Time Activities	405,704	0	2,317	408,021
Transportation	0	0	355,175	355,175
General Government	393,955	0	18,767	412,722
Capital Outlay	0	1,142,321	29,006	1,171,327
Debt Service:				
Principal Retirement	0	30,097	0	30,097
Total Expenditures	2,083,187	1,172,418	870,484	4,126,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,265,921	(1,151,273)	3,442	118,090
Other Financing Sources (Uses):				
Transfers In	0	1,000,000	215,000	1,215,000
Transfers Out	(1,215,000)	0	0	(1,215,000)
Total Other Financing Sources (Uses)	(1,215,000)	1,000,000	215,000	0
Net Change in Fund Balances	50,921	(151,273)	218,442	118,090
Fund Balance at Beginning of Year	1,251,701	905,580	1,324,845	3,482,126
Decrease in Inventory	(40)	0	(23,263)	(23,303)
Fund Balance End of Year	$ 1,302,582	$ 754,307	$ 1,520,024	$ 3,576,913

See accompanying notes to the basic financial statements

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, 2016

Net Change in Fund Balances - Total Governmental Funds		$ 118,090
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 depreciation exceeded capital outlay in the current period.		
Capital Outlay	572,909	
Depreciation Expense	(596,829)	(23,920)
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.		(3,919)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		57,992
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		226,569
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(444,753)
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
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	5,231	
Change in Inventory	(23,303)	(18,072)
Change in Net Position of Governmental Activities		$ (57,916)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 311,600	$ 311,600	$ 315,657	$ 4,057
Intergovernmental Revenue	448,224	448,224	420,968	(27,256)
Charges for Services	25,000	25,000	25,594	594
Licenses and Permits	120,000	120,000	124,021	4,021
Investment Earnings	12,500	12,500	11,175	(1,325)
Fines and Forfeitures	23,800	23,800	20,674	(3,126)
All Other Revenues	53,400	53,400	66,069	12,669
Total Revenues	994,524	994,524	984,158	(10,366)
Expenditures:				
Current:				
Security of Persons and Property	1,361,005	1,369,180	1,299,558	69,622
Public Health and Welfare	16,509	16,608	16,608	0
General Government	232,288	233,684	273,306	(39,622)
Total Expenditures	1,609,802	1,619,472	1,589,472	30,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(615,278)	(624,948)	(605,314)	19,634
Other Financing Sources (Uses):				
Transfers In	1,000,000	1,000,000	1,000,000	0
Transfers Out	(400,000)	(400,000)	(400,000)	0
Total Other Financing Sources (Uses):	600,000	600,000	600,000	0
Net Change in Fund Balance	(15,278)	(24,948)	(5,314)	19,634
Fund Balance at Beginning of Year	210,623	210,623	210,623	0
Prior Year Encumbrances	15,344	15,344	15,344	0
Fund Balance at End of Year	$ 210,689	$ 201,019	$ 220,653	$ 19,634

See accompanying notes to the basic financial statements

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Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Assets:			
Current Assets:			
Pooled Cash and Investments	$ 1,237,069	$ 2,283,584	$ 2,876,565
Taxes Receivable	0	0	0
Accounts Receivable	188,863	185,724	1,435,013
Intergovernmental Receivables	0	0	0
Special Assessments Receivable	105,000	3,035,710	0
Inventory of Supplies at Cost	5,624	920	0
Prepaid Items	6,112	6,112	9,643
Total Current Assets	1,542,668	5,512,050	4,321,221
Noncurrent Assets:			
Investment in Joint Venture	0	0	59,989
Capital Assets, Net	4,414,850	13,196,687	5,232,792
Total Noncurrent Assets	4,414,850	13,196,687	5,292,781
Total Assets	5,957,518	18,708,737	9,614,002
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	173,979	0
Pension:			
OPERS	232,195	151,192	230,987
Total Deferred Outflows of Resources	232,195	325,171	230,987
Liabilities:			
Current Liabilities:			
Accounts Payable	712,780	3,019	689,120
Accrued Wages and Benefits	16,036	10,859	14,700
Intergovernmental Payable	10,457	8,671	26,301
AMPGS Payable - Current	0	0	27,660
Accrued Interest Payable	8,096	92,645	0
General Obligation Notes Payable	870,000	0	0
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	0	115,400	0
Special Assessment Bonds Payable - Current	10,000	330,000	0
OPWC Loans Payable - Current	0	43,489	0
Compensated Absences - Current	13,047	9,319	6,558
Total Current Liabilities	1,640,416	613,402	764,339

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
$ 552,767	$ 6,949,985	$ 57,499
257,926	257,926	0
306,664	2,116,264	0
18,066	18,066	0
0	3,140,710	0
0	6,544	0
3,580	25,447	0
1,139,003	12,514,942	57,499
0	59,989	0
190,055	23,034,384	0
190,055	23,094,373	0
1,329,058	35,609,315	57,499
0	173,979	0
136,798	751,172	0
136,798	925,151	0
1,626	1,406,545	0
9,497	51,092	0
897	46,326	0
0	27,660	0
630	101,371	0
0	870,000	0
6,700	6,700	0
0	115,400	0
0	340,000	0
0	43,489	0
5,370	34,294	0
24,720	3,042,877	0

(Continued)

Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Special Assessment Bonds Payable	95,000	2,970,000	0
Revenue Bonds Payable	0	6,114,900	0
OPWC Loans Payable	135,561	781,977	0
AMPGS Payable	0	0	290,755
Compensated Absences Payable	32,912	18,968	21,347
Net Pension Liability	607,743	395,724	604,579
Total Noncurrent Liabilities	871,216	10,281,569	916,681
Total Liabilities	2,511,632	10,894,971	1,681,020
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	0	0	0
Pension:			
OPERS	11,743	7,647	11,682
Total Deferred Inflows of Resources	11,743	7,647	11,682
Net Position:			
Net Investment in Capital Assets	3,304,289	2,840,921	5,232,792
Unrestricted	362,049	5,290,369	2,919,495
Total Net Position	$ 3,666,338	$ 8,131,290	$ 8,152,287

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

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
14,300	14,300	0
0	3,065,000	0
0	6,114,900	0
0	917,538	0
0	290,755	0
7,978	81,205	0
358,051	1,966,097	0
380,329	12,449,795	0
405,049	15,492,672	0
236,468	236,468	0
6,918	37,990	0
243,386	274,458	0
169,055	11,547,057	0
648,366	9,220,279	57,499
$ 817,421	$ 20,767,336	$ 57,499
	115,735	
	$ 20,883,071	

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Operating Revenues:			
Charges for Services	$ 1,580,186	$ 1,150,202	$ 9,433,657
Other Operating Revenues	25,418	15,030	42,370
Total Operating Revenues	1,605,604	1,165,232	9,476,027
Operating Expenses:			
Personal Services	749,547	467,582	630,877
Contractual Services	251,308	209,629	8,009,608
Materials and Supplies	125,140	58,396	151,905
Depreciation	126,547	518,709	315,450
Other Operating Expenses	0	9,928	0
Total Operating Expenses	1,252,542	1,264,244	9,107,840
Operating Income (Loss)	353,062	(99,012)	368,187
Non-Operating Revenues (Expenses):			
Interest Income	0	0	495
Interest and Fiscal Charges	(18,417)	(369,649)	(9,838)
Taxes	0	0	0
Loss from Joint Venture	0	0	(599)
Loss on Disposal of Capital Assets	(300)	0	(4,808)
Intergovernmental Grants	0	0	0
Other Nonoperating Revenue	0	0	38,992
Other Nonoperating Expense	(50)	(31)	(19,908)
Total Non-Operating Revenues (Expenses)	(18,767)	(369,680)	4,334
Income (Loss) Before Contributions	334,295	(468,692)	372,521
Contributions:			
Capital Contributions	191,197	105,049	0
Total Contributions	191,197	105,049	0
Change in Net Position	525,492	(363,643)	372,521
Net Position Beginning of Year	3,140,846	8,494,933	7,779,766
Net Position End of Year	$ 3,666,338	$ 8,131,290	$ 8,152,287

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

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
$ 344,468	$ 12,508,513	$ 0
5,706	88,524	0
350,174	12,597,037	0
387,248	2,235,254	0
47,778	8,518,323	0
38,401	373,842	0
27,372	988,078	0
6,903	16,831	0
507,702	12,132,328	0
(157,528)	464,709	0
0	495	0
(1,039)	(398,943)	0
248,695	248,695	0
0	(599)	0
0	(5,108)	0
36,408	36,408	0
625	39,617	0
(789)	(20,778)	0
283,900	(100,213)	0
126,372	364,496	0
250	296,496	0
250	296,496	0
126,622	660,992	0
690,799	20,106,344	57,499
$ 817,421	$ 20,767,336	$ 57,499
	$ 660,992	
	0	
	$ 660,992	

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Cash Flows from Operating Activities:			
Cash Received from Customers	$1,600,312	$1,160,934	$9,255,930
Cash Payments for Goods and Services	(394,352)	(277,075)	(8,109,427)
Cash Payments to Employees	(742,979)	(477,112)	(626,111)
Net Cash Provided (Used) by Operating Activities	462,981	406,747	520,392
Cash Flows from Noncapital Financing Activities:			
Tax Receipts	0	0	0
Intergovernmental Receipts	0	0	0
Net Cash Provided by Noncapital Financing Activities	0	0	0
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Sale of Notes	870,000	0	0
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	(10,000)	(280,000)	0
Mortgage Revenue Bond Retirement	0	(110,100)	0
OPWC Loan Retirement	0	(43,489)	0
Note Retirement	(945,000)	0	0
Capital Contributions	20,854	435,233	0
Interest and Fiscal Charges	(16,997)	(352,428)	(9,838)
Acquisition and Construction of Assets	(294,045)	(49,202)	(622,503)
Net Cash Used by Capital and Related Financing Activities	(375,188)	(399,986)	(632,341)
Cash Flows from Investing Activities:			
Receipts of Interest	0	0	495
Net Cash Provided by Noncapital Financing Activities	0	0	495
Net Increase (Decrease) in Cash and Cash Equivalents	87,793	6,761	(111,454)
Cash and Cash Equivalents at Beginning of Year	1,149,276	2,276,823	2,988,019
Cash and Cash Equivalents at End of Year	$1,237,069	$2,283,584	$2,876,565

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
$230,569	$12,247,745	$0
(92,861)	(8,873,715)	0
(390,288)	(2,236,490)	(198)
(252,580)	1,137,540	(198)
250,215	250,215	0
36,318	36,318	0
286,533	286,533	0
0	870,000	0
(6,400)	(6,400)	0
0	(290,000)	0
0	(110,100)	0
0	(43,489)	0
0	(945,000)	0
4,500	460,587	0
(1,233)	(380,496)	0
(34,581)	(1,000,331)	0
(37,714)	(1,445,229)	0
0	495	0
0	495	0
(3,761)	(20,661)	(198)
556,528	6,970,646	57,697
$552,767	$6,949,985	$57,499

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$353,062	($99,012)	$368,187
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	126,547	518,709	315,450
Non-Operating Revenue	0	0	13,508
Non-Operating Expense	(50)	(31)	(19,908)
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Increase in Accounts Receivable	(5,292)	(4,298)	(233,605)
Increase in Inventory	(1,760)	0	0
(Increase) Decrease in Prepaids	(79)	(79)	(729)
Increase in Deferred Outflows of Resources	(157,206)	(98,761)	(151,169)
Increase (Decrease) in Accounts Payable	(14,941)	(846)	104,694
Decrease in Accrued Wages and Benefits	(1,401)	(2,112)	(4,027)
Increase (Decrease) in Intergovernmental Payable	(1,074)	2,079	2,176
Decrease in AMPGS Payable	0	0	(34,325)
Increase (Decrease) in Compensated Absences	(8,305)	(4,757)	2,210
Increase in Net Pension Liability	169,467	93,525	154,142
Increase in Deferred Inflows of Resources	4,013	2,330	3,788
Total Adjustments	109,919	505,759	152,205
Net Cash Provided (Used) by Operating Activities	$462,981	$406,747	$520,392

See accompanying notes to the basic financial statements

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
($157,528)	$464,709	$0
27,372	988,078	0
625	14,133	0
(789)	(20,778)	0
(120,230)	(363,425)	0
0	(1,760)	0
698	(189)	0
(93,148)	(500,284)	0
84	88,991	0
(651)	(8,191)	(198)
228	3,409	0
0	(34,325)	0
(2,299)	(13,151)	0
90,891	508,025	0
2,167	12,298	0
(95,052)	672,831	(198)
($252,580)	$1,137,540	($198)

Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2016

		Agency Fund
Assets:		
Cash and Cash Equivalents	$	2,643
Total Assets		2,643
Liabilities:		
Due to Others		2,643
Total Liabilities	$	2,643

See accompanying notes to the basic financial statements

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, 2016 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".

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Property taxes measurable as of December 31, 2016 but which are not intended to finance 2016 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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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 2016.

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.

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:

Net Change in Fund Balance

	General Fund
GAAP Basis (as reported)	$50,921
Increase (Decrease):	
Accrued Revenues at December 31, 2016 received during 2017	(372,290)
Accrued Revenues at December 31, 2015 received during 2016	484,094
Accrued Expenditures at December 31, 2016 paid during 2017	45,007
Accrued Expenditures at December 31, 2015 paid during 2016	(64,599)
2015 Prepaids for 2016	15,126
2016 Prepaids for 2017	(14,989)
Outstanding Encumbrances	(23,548)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	(125,036)
Budget Basis	($5,314)

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."

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 2016 amounted to $11,175, which includes $10,729 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, 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.

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 fair market 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 fair market 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:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Obligation	Fund
Special Assessment Bonds	Water Fund, Wastewater Fund
Mortgage Revenue Bond	Wastewater Fund
General Obligation Bond	Public Safety Vehicle Service Fund
OPWC Loans	Capital Improvement 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.

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 positon 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. <u>Fund Balances</u> (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. <u>Operating Revenues and Expenses</u>

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. <u>Extraordinary and Special Items</u>

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 2016.

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.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” and GASB Statement No. 77 “Tax Abatement Disclosures.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

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:

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	$14,989	$622	$8,940	$24,551
Supplies Inventory	668	0	54,455	55,123
Unclaimed Funds	4,582	0	0	4,582
Permanent Fund Corpus	0	0	100,000	100,000
Total Nonspendable	20,239	622	163,395	184,256
Restricted:				
Street Maintenance and Repair	0	0	334,417	334,417
Cemetery Maintenance	0	0	79,079	79,079
Law Enforcement	0	0	51,603	51,603
Debt Retirement	0	0	61,469	61,469
Capital Improvements	0	753,685	751,853	1,505,538
Total Restricted	0	753,685	1,278,421	2,032,106
Committed:				
Other Purposes	0	0	7,177	7,177
Total Committed	0	0	7,177	7,177
Assigned:				
Land Purchase	0	0	71,031	71,031
Encumbrances	18,050	0	0	18,050
Budget Resource	258,601	0	0	258,601
Total Assigned	276,651	0	71,031	347,682
Unassigned (Deficits):	1,005,692	0	0	1,005,692
Total Fund Balances	$1,302,582	$754,307	$1,520,024	$3,576,913

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;

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. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was $10,228,051 and the bank balance was $10,475,259. Federal depository insurance covered $2,132,346 of the bank balance and $8,342,913 was uninsured and collateralized with securities held by the pledging institutions trust department not in the City's name.

B. Investments

The City's investments at December 31, 2016 are summarized below:

			Investment Maturities (in Years)		
	Fair Value	Credit Rating	less than 1	1-3	3 or more
City of Columbiana Bond	$21,000	N/A	$6,700	$14,300	$0
Total Investments	$21,000		$6,700	$14,300	$0

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.

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 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, 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 2011 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, 2016 was $6.80 per $1,000 of assessed value.

The assessed values upon which the 2016 property tax levy was based were as follows:

	County	
	Columbiana	Mahoning
Real Property:		
Residential/Agricultural	$115,774,560	$30,218,290
Personal Property:		
Public Utility Personal Property	3,516,250	74,670
Total Assessed Value	$119,290,810	$30,292,960

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.

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, 2016 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 2016:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	$0	$1,215,000
Capital Improvement Fund	1,000,000	0
Other Governmental Funds	215,000	0
Totals	$1,215,000	$1,215,000

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NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Capital assets not being depreciated:				
Land	$946,294	$0	$0	$946,294
Construction in Progress	0	158,807	0	158,807
Subtotal	946,294	158,807	0	1,105,101
Capital assets being depreciated:				
Buildings and Improvements	2,140,917	52,908	0	2,193,825
Improvements Other than Buildings	857,559	19,480	0	877,039
Infrastructure	5,898,591	165,434	0	6,064,025
Machinery and Equipment	4,366,958	176,280	(39,195)	4,504,043
Total Cost	$14,210,319	$572,909	($39,195)	$14,744,033

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings and Improvements	($1,302,486)	($52,387)	$0	($1,354,873)
Improvements Other than Buildings	(551,854)	(26,730)	0	(578,584)
Infrastructure	(1,745,651)	(280,898)	0	(2,026,549)
Machinery and Equipment	(2,580,446)	(236,814)	35,276	(2,781,984)
Total Accumulated Depreciation	($6,180,437)	($596,829) *	$35,276	($6,741,990)
Net Value:	$8,029,882			$8,002,043

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	$148,393
Public Health and Welfare	9,512
Leisure Time Activities	47,535
Transportation	362,945
General Government	28,444
Total Depreciation Expense	$596,829

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Capital assets not being depreciated:				
Land	$975,871	$0	$0	$975,871
Construction in Progress	0	1,239,287	0	1,239,287
Subtotal	975,871	1,239,287	0	2,215,158
Capital assets being depreciated:				
Buildings and Improvements	10,964,751	4,200	0	10,968,951
Improvements Other than Buildings	537,919	0	0	537,919
Machinery and Equipment	10,186,776	774,378	(51,078)	10,910,076
Infrastructure	12,353,125	13,529	0	12,366,654
Total Cost	$35,018,442	$2,031,394	($51,078)	$36,998,758

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings and Improvements	($3,674,726)	($299,517)	$0	($3,974,243)
Improvements Other than Buildings	(210,538)	(27,109)	0	(237,647)
Machinery and Equipment	(6,712,572)	(381,200)	45,970	(7,047,802)
Infrastructure	(2,424,430)	(280,252)	0	(2,704,682)
Total Accumulated Depreciation	($13,022,266)	($988,078)	$45,970	($13,964,374)
Net Value:	$21,996,176			$23,034,384

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.

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 Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** 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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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:

	State and Local
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $280,931 for 2016. Of this amount, $25,237 is reported as an intergovernmental payable.

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.

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
2016 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2016 through December 31, 2016	12.25 %
2016 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2016 through December 31, 2016	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $118,899 for 2016. Of this amount, $8,644 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, 2015, 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, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. 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	$3,187,880	$1,791,836	$4,979,716
Proportion of the Net Pension Liability-2016	0.018404%	0.027854%	
Proportion of the Net Pension Liability-2015	0.018748%	0.029486%	
Percentage Change	(0.000344%)	(0.001632%)	
Pension Expense	$406,933	$231,120	$638,053

Notes to the Basic Financial Statements
For the Year Ended December 31, 2016

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$937,039	$291,642	$1,228,681
City contributions subsequent to the measurement date	280,931	118,899	399,830
Total Deferred Outflows of Resources	$1,217,970	$410,541	$1,628,511
Deferred Inflows of Resources			
Differences between expected and actual experience	$61,597	$5,031	$66,628
Change in Proportionate Share	0	67,863	67,863
Total Deferred Inflows of Resources	$61,597	$72,894	$134,491

$399,830 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2017	$204,939	$62,752	$267,691
2018	219,922	62,752	282,674
2019	238,528	62,752	301,280
2020	212,053	47,205	259,258
2021	0	(14,045)	(14,045)
2022	0	(2,668)	(2,668)
Total	$875,442	$218,748	$1,094,190

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 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. 2.8 percent simple, thereafter
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

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 2015 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 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability 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 8 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 (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$5,079,074	$3,187,880	$1,592,720

Changes between Measurement Date and Report Date - In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, 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, 2015, are presented below:

Valuation Date	January 1, 2015
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.

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, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return	30 Year Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	4.47	7.80
Non-US Equity	16.00	4.47	8.00
Core Fixed Income *	20.00	1.62	5.35
Global Inflation Protected *	20.00	1.33	4.73
High Yield	15.00	3.39	7.21
Real Estate	12.00	3.93	7.43
Private Markets	8.00	6.98	10.73
Timber	5.00	4.92	7.35
Master Limited Partnerships	8.00	7.03	10.75
Total	120.00 %		

* 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.

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.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$2,363,191	$1,791,836	$1,307,841

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. <u>Ohio Public Employees Retirement System (“OPERS”)</u>

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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, 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. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment 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 2015 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. 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 is 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 2016, 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.

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System ("OPERS") (Continued)

Each year, the OPERS Board of Trustees 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 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The 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 to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were $48,751, $47,375 and $47,524, 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.

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 2016, 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, 2016, 2015, and 2014 were $3,150, $3,163 and $3,239 for police, which were equal to the required contributions for each year.

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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, 2016	Issued	(Retired)	Balance December 31, 2016
Enterprise Fund Notes Payable:				
1.125% Water Treatment Improvement	$945,000	$0	($945,000)	$0
1.500% Water Treatment Improvement	0	870,000	0	870,000
Total Notes Payable	$945,000	$870,000	($945,000)	$870,000

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NOTE 12 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2016 was as follows:

Interest Rate	Purpose		Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Amount Due Within One Year
Governmental Activities:							
Ohio Public Works Commission Loan:							
0.00%	Main Street Improvements	2027	$361,158	$0	($30,097)	$331,061	$30,097
Net Pension Liability:							
	Ohio Public Employees Retirement System		803,147	418,636	0	1,221,783	0
	Ohio Police and Fire Pension Fund		1,527,508	264,328	0	1,791,836	0
	Total Net Pension Liability		2,330,655	682,964	0	3,013,619	0
Compensated Absences			165,669	58,075	(63,306)	160,438	65,680
	Total Governmental Activities		2,857,482	741,039	(93,403)	3,505,118	95,777
Business-Type Activities:							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	115,000	0	(10,000)	105,000	10,000
6.00%	Sanitary Sewer Improvements	2024	125,000	0	(10,000)	115,000	10,000
2.43%	Sanitary Sewer Improvements Refunding	2025	3,455,000	0	(270,000)	3,185,000	320,000
	Total Special Assessment Bonds		3,695,000	0	(290,000)	3,405,000	340,000
General Obligation Bond:							
4.50%	Public Safety Vehicle Purchase	2019	27,400	0	(6,400)	21,000	6,700
Mortgage Revenue Bond:							
4.13%	Wastewater Treatment System	2045	6,340,400	0	(110,100)	6,230,300	115,400
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2027	197,168	0	(17,145)	180,023	17,145
0.00%	Arrowhead Sewer Lift Station	2041	671,787	0	(26,344)	645,443	26,344
0.00%	Route 14 Water Line	2047	0	135,561	0	135,561	0
	Total Ohio Public Works Commission Loans		868,955	135,561	(43,489)	961,027	43,489
AMPGS Payable			352,740	0	(34,325)	318,415	27,660
Net Pension Liability:							
	Ohio Public Employees Retirement System		1,458,072	508,025	0	1,966,097	0
Compensated Absences			128,650	30,235	(43,386)	115,499	34,294
	Total Business-Type Activities		12,871,217	673,821	(527,700)	13,017,338	567,543
	Total Long-Term Obligations		$15,728,699	$1,414,860	($621,103)	$16,522,456	$663,320

Special Assessments - The principal amount of the City's special assessment debt outstanding at December 31, 2016, $3,405,000, 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.

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, 2016 was $10,796,639. In 2016 the Wastewater Fund reported $424,480 of net pledged revenues for coverage of a principal and interest debt service requirement of $371,642.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2016 are as follows:

	Special Assessment Bonds		Mortgage Revenue Bond		General Obligation Bond		OPWC Loans	
Years	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	$340,000	$89,522	$115,400	$257,000	$6,700	$945	$73,586	$0
2018	350,000	80,546	120,200	252,240	7,000	644	73,586	0
2019	360,000	71,324	125,100	247,281	7,300	329	73,586	0
2020	375,000	61,832	129,600	242,121	0	0	73,586	0
2021	385,000	51,798	135,600	236,775	0	0	73,586	0
2022-2026	1,595,000	102,368	766,100	1,095,262	0	0	367,924	0
2027-2031	0	0	937,700	923,687	0	0	170,389	0
2032-2036	0	0	1,147,700	713,650	0	0	131,720	0
2037-2041	0	0	1,405,200	456,539	0	0	118,564	0
2042-2045	0	0	1,347,700	141,785	0	0	0	0
Totals	$3,405,000	$457,390	$6,230,300	$4,566,339	$21,000	$1,918	$1,156,527	$0

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, 2016, the City had received $135,561 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2016 the loan has not been finalized and there is no amortization schedule for the loan.

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 $2,925,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

On September 23, 2016 the City issued mortgage revenue bonds in the amount of $11,224,000 for the purpose of improving the municipal waterworks system, constructing a water treatment plant, pumping stations, and force mains. The bonds have an interest rate of 1.625% and mature on September 1, 2056. The first payment is due September 1, 2017. The City will receive funds on a draw down basis. There was no activity in fiscal year 2016.

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 2016 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.

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 $10,390 at December 31, 2016. 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, 2016, the City has met its debt coverage obligation.

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, 2016. 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 was 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. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed *impaired* and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel.

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 $121,646 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 $14,810 and interest expense incurred on AMP's line-of-credit of $10,297, resulting in a net impaired cost estimate at December 31, 2016 of $318,415. The City does have a potential PHFU Liability of $395,438 resulting in a net total potential liability of $713,853, 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.

REQUIRED SUPPLEMENTAL INFORMATION

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

Ohio Public Employees Retirement System

Year	2013	2014	2015
City's proportion of the net pension liability (asset)	0.018748%	0.018748%	0.018404%
City's proportionate share of the net pension liability (asset)	$2,210,145	$2,261,219	$3,187,880
City's covered-employee payroll	$2,311,231	$2,298,467	$2,289,892
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	95.63%	98.38%	139.22%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

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

Ohio Police and Fire Pension Fund

Year	2013	2014	2015
City's proportion of the net pension liability (asset)	0.029486%	0.029486%	0.027854%
City's proportionate share of the net pension liability (asset)	$1,436,070	$1,527,508	$1,791,836
City's covered-employee payroll	$654,484	$647,789	$630,032
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	219.42%	235.80%	284.40%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

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.
The schedule is reported as of the measurement date of the Net Pension Liability.

Schedule of City Contributions
Last Four Years

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 15, 2018.

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 opinions 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 2016-001 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. We did not audit the City's response 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 communication is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

March 15, 2018

CITY OF COLUMBIANA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2016

1. **Financial Reporting**

Finding Number	2016-001

<u>MATERIAL WEAKNESS</u>

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 did not have policies and procedures in place for certain accrual (GAAP) accounts, which led to the following item requiring adjustment to the financial statements.

Accounts receivable in the Public Safety Vehicle Service Fund and Business Type Activities were understated by $77,962. The adjustment has been recorded to the City's financial statements.

To help ensure the City's financial statements and notes to the financial statements are complete and accurate, the City should adopt policies and procedures, including a final review of the financial statements and notes to identify and correct potential errors and omissions.

Official's Response: An adjustment has been recorded to the City's financial statements. The City will work to develop policies and procedures to review the billing process for the Public Safety Vehicle Service Fund.

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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, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Financial Reporting – Accounts Receivable in the Public Safety Vehicle Service Fund and Business Type Activities were understated by $85,853.	Corrected	An adjustment has been recorded to the City's financial statements. The City will work to develop policies and procedures to review the billing process for the Public Safety Vehicle Service Fund.

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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
APRIL 10, 2018

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