



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF COLUMBIANA
COLUMBIANA COUNTY
DECEMBER 31, 2018**

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CITY OF COLUMBIANA
COLUMBIANA COUNTY
DECEMBER 31, 2018

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OHIO AUDITOR OF STATE KEITH FABER



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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Summary of Opinions

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

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

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

Qualified Opinions

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water, Wastewater and Electric Major Enterprise Funds and Aggregate Remaining Fund Information* paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, Water, Wastewater and Electric Major Enterprise Funds and the Aggregate Remaining Fund Information of the City of Columbiana, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General, Capital Improvement, and Fire Department Capital Improvement funds of the City of Columbiana, Columbiana County, Ohio as of December 31, 2018, and the respective changes in its financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

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 and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

January 14, 2020

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CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

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, 2018. 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 2018 are as follows:

- ❑ In total, net position increased \$4,503,641. Net position of governmental activities decreased \$181,799, which represents a 2% decrease from 2017. Net position of business-type activities increased \$4,685,440, or 21% from 2017.
- ❑ General revenues accounted for \$3,930,573 in revenue or 16% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$20,037,342, or 84% of total revenues of \$23,967,915.
- ❑ The City had \$4,812,047 in expenses related to governmental activities; only \$1,203,568 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,626,680 were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,604,138 in revenues and \$4,032,972 in expenditures and other financing uses. The general fund's fund balance decreased from a balance of \$1,076,848 to \$648,329.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF COLUMBIANA, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2018*

Unaudited

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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.

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

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 2018 compared to 2017.

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated			
	2018	2017	2018	2017	2018	2017
Current and other Assets	\$3,960,863	\$4,996,840	\$12,844,808	\$13,777,309	\$16,805,671	\$18,774,149
Capital Assets, Net	9,877,984	8,605,247	39,433,853	35,256,097	49,311,837	43,861,344
Total Assets	<u>13,838,847</u>	<u>13,602,087</u>	<u>52,278,661</u>	<u>49,033,406</u>	<u>66,117,508</u>	<u>62,635,493</u>
Deferred Outflows of Resources	930,814	920,669	637,678	1,129,543	1,568,492	2,050,212
Net Pension Liability	2,822,083	3,263,946	1,711,777	2,508,073	4,533,860	5,772,019
Net OPEB Liability	2,344,026	1,928,871	1,162,583	1,096,052	3,506,609	3,024,923
Other Long-term Liabilities	965,197	466,062	21,538,647	22,066,350	22,503,844	22,532,412
Other Liabilities	176,797	607,834	967,115	2,157,072	1,143,912	2,764,906
Total Liabilities	<u>6,308,103</u>	<u>6,266,713</u>	<u>25,380,122</u>	<u>27,827,547</u>	<u>31,688,225</u>	<u>34,094,260</u>
Deferred Inflows of Resources	1,115,123	727,809	773,222	257,847	1,888,345	985,656
Net Position						
Net Investment in Capital Assets	9,092,117	8,304,283	18,384,747	13,547,223	27,476,864	21,851,506
Restricted	1,772,591	1,978,103	0	0	1,772,591	1,978,103
Unrestricted (Deficit)	(3,518,273)	(2,754,152)	8,378,248	8,530,332	4,859,975	5,776,180
Total Net Position	<u>\$7,346,435</u>	<u>\$7,528,234</u>	<u>\$26,762,995</u>	<u>\$22,077,555</u>	<u>\$34,109,430</u>	<u>\$29,605,789</u>

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from \$9,444,493 to \$7,528,234 for Governmental Activities and from \$23,159,309 to \$22,077,555 for Business-type Activities.

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

Changes in Net Position – The following table shows the change in net position for 2018 compared to 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services and Sales	\$468,791	\$469,589	\$13,420,433	\$12,235,147	\$13,889,224	\$12,704,736
Operating Grants and Contributions	433,286	257,936	0	0	433,286	257,936
Capital Grants and Contributions	301,491	260	5,413,341	3,078,400	5,714,832	3,078,660
Total Program Revenues	<u>1,203,568</u>	<u>727,785</u>	<u>18,833,774</u>	<u>15,313,547</u>	<u>20,037,342</u>	<u>16,041,332</u>
General Revenues:						
Property Taxes	677,650	658,527	266,761	258,620	944,411	917,147
Income Taxes	2,232,585	2,202,863	0	0	2,232,585	2,202,863
Other Local Taxes	46,532	47,393	0	0	46,532	47,393
Intergovernmental, Unrestricted	474,596	454,249	35,579	35,775	510,175	490,024
Investment Earnings	28,280	12,950	1,553	601	29,833	13,551
Miscellaneous	167,037	170,815	0	0	167,037	170,815
Total General Revenues	<u>3,626,680</u>	<u>3,546,797</u>	<u>303,893</u>	<u>294,996</u>	<u>3,930,573</u>	<u>3,841,793</u>
Total Revenues	<u>4,830,248</u>	<u>4,274,582</u>	<u>19,137,667</u>	<u>15,608,543</u>	<u>23,967,915</u>	<u>19,883,125</u>
Program Expenses						
Security of Persons and Property	2,221,863	1,875,148	0	0	2,221,863	1,875,148
Public Health and Welfare	344,061	315,342	0	0	344,061	315,342
Leisure Time Activities	597,888	587,216	0	0	597,888	587,216
Transportation	866,883	855,019	0	0	866,883	855,019
General Government	759,271	747,319	0	0	759,271	747,319
Interest and Fiscal Charges	22,081	0	0	0	22,081	0
Water	0	0	2,190,097	1,653,652	2,190,097	1,653,652
Wastewater	0	0	1,746,890	1,731,472	1,746,890	1,731,472
Electric	0	0	10,135,170	9,409,529	10,135,170	9,409,529
Public Safety Vehicle Service	0	0	580,070	632,652	580,070	632,652
Total Expenses	<u>4,812,047</u>	<u>4,380,044</u>	<u>14,652,227</u>	<u>13,427,305</u>	<u>19,464,274</u>	<u>17,807,349</u>
Change in Net Position Before Transfers	18,201	(105,462)	4,485,440	2,181,238	4,503,641	2,075,776
Transfers	(200,000)	(95,000)	200,000	95,000	0	0
Change in Net Position	(181,799)	(200,462)	4,685,440	2,276,238	4,503,641	2,075,776
Beginning Net Position - Restated	7,528,234	NA	22,077,555	NA	29,605,789	NA
Ending Net Position - Restated	<u>\$7,346,435</u>	<u>\$7,528,234</u>	<u>\$26,762,995</u>	<u>\$22,077,555</u>	<u>\$34,109,430</u>	<u>\$29,605,789</u>

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$12,612 for Governmental Activities and \$14,298 for Business-type Activities computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$198,606 for Governmental Activities and \$91,838 for Business-type Activities.

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

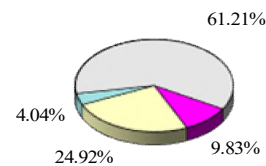
Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities
Total 2018 program expenses under GASB 75	\$4,812,047	\$14,652,227
OPEB expense under GASB 75	(198,606)	(91,838)
2018 contractually required contribution	3,746	0
Adjusted 2018 program expenses	4,617,187	14,560,389
Total 2017 program expenses under GASB 45	4,380,044	13,427,305
Change in program expenses not related to OPEB	\$237,143	\$1,133,084

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 46% and 14% respectively of revenues for governmental activities in 2018. The City's reliance upon tax revenues is demonstrated by the following graph indicating 61% of total revenues from general tax revenues:

Revenue Sources	2018	Percent of Total
General Tax Revenues	\$2,956,767	61.21%
Intergovernmental, Unrestricted	474,596	9.83%
Program Revenues	1,203,568	24.92%
General Other	195,317	4.04%
Total Revenue	\$4,830,248	100.00%



Business-Type Activities

Net position of the business-type activities increased \$4,685,440. The Water Fund reported capital contributions of \$5,380,873 from the USDA for water plant construction. An increase in business-type charges for services can be attributed to electric customer service usage. An increase in expenses can be attributed to electric current charges as well as other contractual service costs in the water department.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,410,996, which is a decrease from last year's balance of \$3,035,081. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2018 and 2017:

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General	\$648,329	\$1,076,848	(\$428,519)
Capital Improvement	365,216	281,556	83,660
Fire Department Capital Improvement	435,678	721,240	(285,562)
Other Governmental	961,773	955,437	6,336
Total	\$2,410,996	\$3,035,081	(\$624,085)

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

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

	2018 Revenues	2017 Revenues	Increase (Decrease)
Taxes	\$2,576,804	\$2,522,651	\$54,153
Intergovernmental Revenues	450,463	421,130	29,333
Charges for Services	217,517	219,278	(1,761)
Licenses and Permits	117,640	118,143	(503)
Investment Earnings	27,108	12,759	14,349
Donations	67,771	0	67,771
Fines and Forfeitures	23,309	31,289	(7,980)
All Other Revenue	123,526	101,552	21,974
Total	\$3,604,138	\$3,426,802	\$177,336

General Fund revenues remained stable in 2018, increasing 5% when compared to revenues in the prior year.

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
Security of Persons and Property	\$1,457,950	\$1,318,611	\$139,339
Public Health and Welfare	19,311	18,749	562
Leisure Time Activities	462,136	427,515	34,621
General Government	428,575	422,484	6,091
Total	\$2,367,972	\$2,187,359	\$180,613

General Fund expenditures increased \$180,613, or 8% when compared to expenditures in the prior year. An increase in security of persons and property can be attributed to increases in salaries, benefits, and the purchase of a police K-9. Playground and pavilion improvements contributed to an increase in leisure time activities.

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

Capital Improvement Fund – The City's Capital Improvement Fund balance increased approximately 30%. A substantial increase in revenues can be attributed to Ohio Department of Transportation grants for sidewalk improvements in the Fairfield Avenue area.

Fire Department Capital Improvement Fund – The City's Fire Department Capital Improvement Fund reported the issuance of \$620,000 of general obligation bonds for the construction of a new fire station.

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 2018 the City amended its General Fund budget several times.

For the General Fund, budget basis revenue of \$2.3 million was not significantly different from original or final budget estimates. Budget basis expenditures of \$2.6 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 2018 the City had \$49,311,837 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$9,877,984 was related to governmental activities and \$39,433,853 to the business-type activities. The following tables show 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land	\$1,311,611	\$1,134,824	\$176,787
Construction In Progress	1,676,669	742,666	934,003
Buildings and Improvements	2,287,829	2,243,170	44,659
Improvements Other than Buildings	913,042	892,424	20,618
Infrastructure	6,644,561	6,189,110	455,451
Machinery and Equipment	4,977,845	4,691,426	286,419
Less: Accumulated Depreciation	(7,933,573)	(7,288,373)	(645,200)
Totals	<u>\$9,877,984</u>	<u>\$8,605,247</u>	<u>\$1,272,737</u>

Significant capital asset activity for Governmental Activities consisted of machinery, equipment, and vehicle purchases in the Street, Police, Parks, and Fire Departments. Additions to infrastructure consisted of sidewalk improvements, while construction in progress consisted of a new fire station.

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2018	2017	
	Land	\$975,871	\$975,871
Construction in Progress	202,728	13,940,920	(13,738,192)
Buildings	17,130,724	10,971,503	6,159,221
Improvements other than Buildings	529,419	537,919	(8,500)
Machinery and Equipment	21,855,162	11,199,732	10,655,430
Infrastructure	14,956,630	12,614,478	2,342,152
Less: Accumulated Depreciation	(16,216,681)	(14,984,326)	(1,232,355)
Totals	\$39,433,853	\$35,256,097	\$4,177,756

Significant Business-Type Activities capital asset additions included various equipment purchases in the Water, Wastewater, and Electric departments, as well as the purchase of a defibrillator for the Public Safety Vehicle Service Fund. Additions to infrastructure consisted of water line replacement along State Route 14 as well as other water and sewer main improvements. The City reported significant additions to buildings and machinery and equipment due to the completion of a new water plant. 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, 2018 and 2017:

	2018	Restated 2017
Governmental Activities:		
General Obligation Bonds	\$515,000	\$0
Ohio Public Works Commission Loan	270,867	300,964
Net Pension Liability	2,822,083	3,263,946
Net OPEB Liability	2,344,026	1,928,871
Compensated Absences	179,330	165,098
Total Governmental Activities	6,131,306	5,658,879
Business-Type Activities:		
Special Assessment Bonds	2,715,000	3,065,000
General Obligation Bond	7,300	14,300
Mortgage Revenue Bond	16,824,300	17,149,500
Ohio Public Works Commission Loans	1,637,823	1,480,074
AMPGS Payable	205,517	241,787
Net Pension Liability	1,711,777	2,508,073
Net OPEB Liability	1,162,583	1,096,052
Compensated Absences	148,707	115,689
Total Business-Type Activities	24,413,007	25,670,475
Totals	\$30,544,313	\$31,329,354

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

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, 2018, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

REQUESTS FOR INFORMATION

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

CITY OF COLUMBIANA, OHIO

Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 2,161,017	\$ 7,064,274	\$ 9,225,291
Receivables:			
Taxes	1,484,099	270,437	1,754,536
Accounts	38,379	1,753,304	1,791,683
Intergovernmental	271,502	942,697	1,214,199
Special Assessments	0	2,670,580	2,670,580
Internal Balance	(58,236)	58,236	0
Inventory of Supplies at Cost	36,017	10,814	46,831
Prepaid Items	28,085	24,866	52,951
Investment in Joint Venture	0	49,600	49,600
Nondepreciable Capital Assets	2,988,280	1,178,599	4,166,879
Depreciable Capital Assets, Net	6,889,704	38,255,254	45,144,958
Total Assets	13,838,847	52,278,661	66,117,508
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	0	135,317	135,317
Pension	618,717	416,807	1,035,524
OPEB	312,097	85,554	397,651
Total Deferred Outflows of Resources	930,814	637,678	1,568,492
Liabilities:			
Accounts Payable	103,803	706,272	810,075
Accrued Wages and Benefits	66,607	58,394	125,001
Intergovernmental Payable	5,332	55,688	61,020
Accrued Interest Payable	1,055	146,761	147,816
Noncurrent Liabilities:			
Due Within One Year	200,693	862,181	1,062,874
Due in More Than One Year:			
Net Pension Liability	2,822,083	1,711,777	4,533,860
Net OPEB Liability	2,344,026	1,162,583	3,506,609
Other Amounts Due in More Than One Year	764,504	20,676,466	21,440,970
Total Liabilities	6,308,103	25,380,122	31,688,225
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	604,109	251,175	855,284
Pension	431,824	425,484	857,308
OPEB	79,190	96,563	175,753
Total Deferred Inflows of Resources	1,115,123	773,222	1,888,345
Net Position:			
Net Investment in Capital Assets	9,092,117	18,384,747	27,476,864
Restricted For:			
Capital Projects	1,055,364	0	1,055,364
Debt Service	46,910	0	46,910
Other Purposes	670,317	0	670,317
Unrestricted (Deficit)	(3,518,273)	8,378,248	4,859,975
Total Net Position	\$ 7,346,435	\$ 26,762,995	\$ 34,109,430

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Activities
For the Year Ended December 31, 2018**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 2,221,863	\$ 82,069	\$ 88,742	\$ 6,120
Public Health and Welfare	344,061	56,051	0	0
Leisure Time Activities	597,888	213,031	10,432	0
Transportation	866,883	0	320,075	295,371
General Government	759,271	117,640	14,037	0
Interest and Fiscal Charges	22,081	0	0	0
Total Governmental Activities	4,812,047	468,791	433,286	301,491
Business-Type Activities:				
Water	2,190,097	1,661,179	0	5,380,873
Wastewater	1,746,890	1,189,835	0	32,468
Electric	10,135,170	10,319,603	0	0
Public Safety Vehicle Service	580,070	249,816	0	0
Total Business-Type Activities	14,652,227	13,420,433	0	5,413,341
Totals	\$ 19,464,274	\$ 13,889,224	\$ 433,286	\$ 5,714,832

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 - Restated

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (2,044,932)	\$ 0	\$ (2,044,932)
(288,010)	0	(288,010)
(374,425)	0	(374,425)
(251,437)	0	(251,437)
(627,594)	0	(627,594)
(22,081)	0	(22,081)
<u>(3,608,479)</u>	<u>0</u>	<u>(3,608,479)</u>
0	4,851,955	4,851,955
0	(524,587)	(524,587)
0	184,433	184,433
<u>0</u>	<u>(330,254)</u>	<u>(330,254)</u>
<u>0</u>	<u>4,181,547</u>	<u>4,181,547</u>
<u>\$ (3,608,479)</u>	<u>\$ 4,181,547</u>	<u>\$ 573,068</u>
343,145	0	343,145
41,315	0	41,315
293,190	0	293,190
0	266,761	266,761
2,232,585	0	2,232,585
46,532	0	46,532
474,596	35,579	510,175
28,280	1,553	29,833
167,037	0	167,037
<u>(200,000)</u>	<u>200,000</u>	<u>0</u>
<u>3,426,680</u>	<u>503,893</u>	<u>3,930,573</u>
(181,799)	4,685,440	4,503,641
<u>7,528,234</u>	<u>22,077,555</u>	<u>29,605,789</u>
<u>\$ 7,346,435</u>	<u>\$ 26,762,995</u>	<u>\$ 34,109,430</u>

CITY OF COLUMBIANA, OHIO

**Balance Sheet
Governmental Funds
December 31, 2018**

	General	Capital Improvement	Fire Department Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Pooled Cash and Investments	\$ 384,291	\$ 381,148	\$ 517,178	\$ 878,400	\$ 2,161,017
Receivables:					
Taxes	1,147,758	0	270,438	65,903	1,484,099
Accounts Intergovernmental	27,586	45	0	10,748	38,379
Inventory of Supplies, at Cost	79,491	0	17,963	174,048	271,502
Prepaid Items	806	0	0	35,211	36,017
	18,440	0	4,499	5,146	28,085
Total Assets	\$ 1,658,372	\$ 381,193	\$ 810,078	\$ 1,169,456	\$ 4,019,099
Liabilities:					
Accounts Payable	\$ 7,952	\$ 10,582	\$ 84,414	\$ 855	\$ 103,803
Accrued Wages and Benefits Payable	35,954	5,395	1,225	24,033	66,607
Intergovernmental Payable	4,625	0	696	11	5,332
	48,531	15,977	86,335	24,899	175,742
Total Liabilities	48,531	15,977	86,335	24,899	175,742
Deferred Inflows of Resources:					
Unavailable Amounts	671,585	0	36,890	119,777	828,252
Property Tax Levy for Next Fiscal Year	289,927	0	251,175	63,007	604,109
	961,512	0	288,065	182,784	1,432,361
Total Deferred Inflows of Resources	961,512	0	288,065	182,784	1,432,361
Fund Balance:					
Nonspendable	24,453	0	4,499	140,357	169,309
Restricted	0	365,216	431,179	746,427	1,542,822
Committed	0	0	0	3,994	3,994
Assigned	370,774	0	0	70,995	441,769
Unassigned	253,102	0	0	0	253,102
	648,329	365,216	435,678	961,773	2,410,996
Total Fund Balance	648,329	365,216	435,678	961,773	2,410,996
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,658,372	\$ 381,193	\$ 810,078	\$ 1,169,456	\$ 4,019,099

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2018

Total Governmental Fund Balances \$ 2,410,996

*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. 9,877,984

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 828,252

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	618,717	
Deferred Inflows - Pension	(431,824)	
Net Pension Liability	(2,822,083)	
Deferred Outflows - OPEB	312,097	
Deferred Inflows - OPEB	(79,190)	
Net OPEB Liability	<u>(2,344,026)</u>	(4,746,309)

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.

General Obligation Bonds Payable	(515,000)	
OPWC Loan Payable	(270,867)	
Compensated Absences Payable	(179,330)	
Accrued Interest Payable	<u>(1,055)</u>	<u>(966,252)</u>

Net Position of Governmental Activities \$ 7,346,435

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018**

	General	Capital Improvement	Fire Department Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,576,804	\$ 0	\$ 268,063	\$ 67,872	\$ 2,912,739
Other Local Taxes	0	0	0	46,532	46,532
Intergovernmental Revenues	450,463	295,371	35,706	318,620	1,100,160
Charges for Services	217,517	0	53,956	56,051	327,524
Licenses and Permits	117,640	0	0	0	117,640
Investment Earnings	27,108	743	0	429	28,280
Donations	67,771	0	13,000	19,029	99,800
Fines and Forfeitures	23,309	0	0	318	23,627
All Other Revenue	123,526	19,453	6,120	24,058	173,157
Total Revenues	3,604,138	315,567	376,845	532,909	4,829,459
Expenditures:					
Current:					
Security of Persons and Property	1,457,950	0	1,134,165	147,330	2,739,445
Public Health and Welfare	19,311	0	0	234,131	253,442
Leisure Time Activities	462,136	0	0	5,714	467,850
Transportation	0	0	0	348,342	348,342
General Government	428,575	0	0	21,884	450,459
Capital Outlay	0	1,411,810	22,216	3,638	1,437,664
Debt Service:					
Principal Retirement	0	30,097	105,000	0	135,097
Interest & Fiscal Charges	0	0	21,026	0	21,026
Total Expenditures	2,367,972	1,441,907	1,282,407	761,039	5,853,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,236,166	(1,126,340)	(905,562)	(228,130)	(1,023,866)
Other Financing Sources (Uses):					
Bond Issuance	0	0	620,000	0	620,000
Transfers In	0	1,210,000	0	255,000	1,465,000
Transfers Out	(1,665,000)	0	0	0	(1,665,000)
Total Other Financing Sources (Uses)	(1,665,000)	1,210,000	620,000	255,000	420,000
Net Change in Fund Balances	(428,834)	83,660	(285,562)	26,870	(603,866)
Fund Balance at Beginning of Year	1,076,848	281,556	721,240	955,437	3,035,081
Increase (Decrease) in Inventory	315	0	0	(20,534)	(20,219)
Fund Balance End of Year	\$ 648,329	\$ 365,216	\$ 435,678	\$ 961,773	\$ 2,410,996

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2018***

Net Change in Fund Balances - Total Governmental Funds \$ (603,866)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	1,917,937	
Depreciation Expense	<u>(645,200)</u>	1,272,737

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		789
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	273,988	
OPEB	<u>3,746</u>	277,734

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	(410,178)	
OPEB	<u>(198,606)</u>	(608,784)

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.

General Obligation Bond Issuance	(620,000)	
General Obligation Bond Principal Retirement	105,000	
Ohio Public Works Commission Loan Principal Retirement	30,097	
Accrued Interest Payable	<u>(1,055)</u>	(485,958)

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	(14,232)	
Change in Inventory	<u>(20,219)</u>	(34,451)

<i>Change in Net Position of Governmental Activities</i>		<u>\$ (181,799)</u>
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See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 305,100	\$ 326,600	\$ 346,174	\$ 19,574
Intergovernmental Revenue	399,410	417,910	447,110	29,200
Charges for Services	24,000	24,000	10,270	(13,730)
Licenses and Permits	107,500	117,500	118,690	1,190
Investment Earnings	12,500	12,500	27,108	14,608
Donations	50,000	60,000	61,331	1,331
Fines and Forfeitures	24,000	24,000	23,567	(433)
All Other Revenues	40,000	97,416	102,050	4,634
Total Revenues	<u>962,510</u>	<u>1,079,926</u>	<u>1,136,300</u>	<u>56,374</u>
Expenditures:				
Current:				
Security of Persons and Property	1,311,400	1,586,780	1,485,241	101,539
Public Health and Welfare	19,311	19,311	19,311	0
General Government	397,500	322,120	311,654	10,466
Total Expenditures	<u>1,728,211</u>	<u>1,928,211</u>	<u>1,816,206</u>	<u>112,005</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(765,701)	(848,285)	(679,906)	168,379
Other Financing Sources (Uses):				
Transfers In	1,070,000	1,210,000	1,210,000	0
Transfers Out	(470,000)	(640,000)	(640,000)	0
Total Other Financing Sources (Uses):	<u>600,000</u>	<u>570,000</u>	<u>570,000</u>	<u>0</u>
Net Change in Fund Balance	(165,701)	(278,285)	(109,906)	168,379
Fund Balance at Beginning of Year	253,184	253,184	253,184	0
Prior Year Encumbrances	21,678	21,678	21,678	0
Fund Balance at End of Year	<u>\$ 109,161</u>	<u>\$ (3,423)</u>	<u>\$ 164,956</u>	<u>\$ 168,379</u>

See accompanying notes to the basic financial statements

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CITY OF COLUMBIANA, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Business-Type Activities			
	Enterprise Funds			
	Water	Wastewater	Electric	Public Safety Vehicle Service
Assets:				
Current Assets:				
Pooled Cash and Investments	\$ 858,710	\$ 2,120,722	\$ 3,489,784	\$ 537,559
Taxes Receivable	0	0	0	270,437
Accounts Receivable	143,073	136,812	1,142,384	331,035
Intergovernmental Receivables	924,734	0	0	17,963
Special Assessments Receivable	85,000	2,585,580	0	0
Inventory of Supplies at Cost	9,476	1,338	0	0
Prepaid Items	6,521	6,521	8,143	3,681
Total Current Assets	<u>2,027,514</u>	<u>4,850,973</u>	<u>4,640,311</u>	<u>1,160,675</u>
Noncurrent Assets:				
Investment in Joint Venture	0	0	49,600	0
Capital Assets, Net	21,979,561	12,220,563	5,010,147	223,582
Total Noncurrent Assets	<u>21,979,561</u>	<u>12,220,563</u>	<u>5,059,747</u>	<u>223,582</u>
Total Assets	<u>24,007,075</u>	<u>17,071,536</u>	<u>9,700,058</u>	<u>1,384,257</u>
Deferred Outflows of Resources:				
Deferred Charge on Debt Refunding	0	135,317	0	0
Pension	132,111	85,178	119,206	80,312
OPEB	27,117	17,484	24,468	16,485
Total Deferred Outflows of Resources	<u>159,228</u>	<u>237,979</u>	<u>143,674</u>	<u>96,797</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	6,773	2,889	694,723	1,887
Accrued Wages and Benefits	18,398	12,028	17,117	10,851
Intergovernmental Payable	21,386	5,966	28,336	0
AMPGS Payable - Current	0	0	27,660	0
Accrued Interest Payable	58,560	87,982	0	219
General Obligation Bonds Payable - Current	0	0	0	7,300
Revenue Bonds Payable - Current	208,200	125,100	0	0
Special Assessment Bonds Payable - Current	10,000	350,000	0	0
OPWC Loans Payable - Current	29,978	43,493	0	0
Compensated Absences - Current	28,984	13,649	11,435	6,382
Total Current Liabilities	<u>382,279</u>	<u>641,107</u>	<u>779,271</u>	<u>26,639</u>

CITY OF COLUMBIANA, OHIO

<u>Total</u>	<u>Business-Type Activities - Internal Service Fund</u>
\$ 7,006,775	\$ 57,499
270,437	0
1,753,304	0
942,697	0
2,670,580	0
10,814	0
24,866	0
<u>12,679,473</u>	<u>57,499</u>
49,600	0
<u>39,433,853</u>	<u>0</u>
<u>39,483,453</u>	<u>0</u>
<u>52,162,926</u>	<u>57,499</u>
135,317	0
416,807	0
85,554	0
<u>637,678</u>	<u>0</u>
706,272	0
58,394	0
55,688	0
27,660	0
146,761	0
7,300	0
333,300	0
360,000	0
73,471	0
60,450	0
<u>1,829,296</u>	<u>0</u>

(Continued)

CITY OF COLUMBIANA, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Business-Type Activities			
	Enterprise Funds			
	Water	Wastewater	Electric	Public Safety Vehicle Service
Noncurrent Liabilities:				
Special Assessment Bonds Payable	75,000	2,280,000	0	0
Revenue Bonds Payable	10,621,400	5,869,600	0	0
OPWC Loans Payable	869,357	694,995	0	0
AMPGS Payable	0	0	177,857	0
Compensated Absences Payable	37,394	19,062	23,126	8,675
Net Pension Liability	542,565	349,819	489,563	329,830
Net OPEB Liability	368,493	237,586	332,494	224,010
Total Noncurrent Liabilities	12,514,209	9,451,062	1,023,040	562,515
Total Liabilities	12,896,488	10,092,169	1,802,311	589,154
Deferred Inflows of Resources:				
Property Tax Levy for Next Fiscal Year	0	0	0	251,175
Pension	134,862	86,952	121,687	81,983
OPEB	30,607	19,733	27,617	18,606
Total Deferred Inflows of Resources	165,469	106,685	149,304	351,764
Net Position:				
Net Investment in Capital Assets	10,165,626	2,992,692	5,010,147	216,282
Unrestricted	938,720	4,117,969	2,881,970	323,854
Total Net Position	\$ 11,104,346	\$ 7,110,661	\$ 7,892,117	\$ 540,136

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

Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Total	Business-Type Activities - Internal Service Fund
2,355,000	0
16,491,000	0
1,564,352	0
177,857	0
88,257	0
1,711,777	0
1,162,583	0
<u>23,550,826</u>	<u>0</u>
<u>25,380,122</u>	<u>0</u>
251,175	0
425,484	0
96,563	0
<u>773,222</u>	<u>0</u>
18,384,747	0
8,262,513	57,499
<u>\$ 26,647,260</u>	<u>\$ 57,499</u>
<u>115,735</u>	
<u>\$ 26,762,995</u>	

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018**

	Business-Type Activities			
	Enterprise Funds			
	Water	Wastewater	Electric	Public Safety Vehicle Service
Operating Revenues:				
Charges for Services	\$ 1,616,082	\$ 1,164,140	\$ 10,211,036	\$ 233,504
Other Operating Revenues	45,097	25,695	83,183	13,757
Total Operating Revenues	<u>1,661,179</u>	<u>1,189,835</u>	<u>10,294,219</u>	<u>247,261</u>
Operating Expenses:				
Personal Services	888,082	583,976	747,662	465,244
Contractual Services	312,335	211,707	8,786,390	49,112
Materials and Supplies	156,124	74,329	233,384	32,739
Depreciation	591,620	525,821	347,169	26,859
Other Operating Expenses	0	5,917	0	5,590
Total Operating Expenses	<u>1,948,161</u>	<u>1,401,750</u>	<u>10,114,605</u>	<u>579,544</u>
Operating Income (Loss)	(286,982)	(211,915)	179,614	(332,283)
Non-Operating Revenues (Expenses):				
Interest Income	0	0	1,553	0
Interest and Fiscal Charges	(171,520)	(344,543)	0	(434)
Taxes	0	0	0	266,761
Income from Joint Venture	0	0	1,638	0
Loss on Disposal of Capital Assets	(69,041)	0	0	0
Intergovernmental Grants	0	0	0	35,579
Other Nonoperating Revenue	0	0	23,746	2,555
Other Nonoperating Expense	(1,375)	(597)	(20,565)	(92)
Total Non-Operating Revenues (Expenses)	<u>(241,936)</u>	<u>(345,140)</u>	<u>6,372</u>	<u>304,369</u>
Income (Loss) Before Transfers and Contributions	(528,918)	(557,055)	185,986	(27,914)
Transfers and Contributions:				
Capital Contributions	5,380,873	32,468	0	0
Transfers-In	0	200,000	0	0
Total Transfers and Contributions	<u>5,380,873</u>	<u>232,468</u>	<u>0</u>	<u>0</u>
Change in Net Position	4,851,955	(324,587)	185,986	(27,914)
Net Position Beginning of Year - Restated	6,252,391	7,435,248	7,706,131	568,050
Net Position End of Year	<u>\$ 11,104,346</u>	<u>\$ 7,110,661</u>	<u>\$ 7,892,117</u>	<u>\$ 540,136</u>

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

<u>Total</u>	<u>Business-Type Activities - Internal Service Fund</u>
\$ 13,224,762	\$ 0
167,732	0
<u>13,392,494</u>	<u>0</u>
2,684,964	0
9,359,544	0
496,576	0
1,491,469	0
11,507	0
<u>14,044,060</u>	<u>0</u>
(651,566)	0
1,553	0
(516,497)	0
266,761	0
1,638	0
(69,041)	0
35,579	0
26,301	0
<u>(22,629)</u>	<u>0</u>
<u>(276,335)</u>	<u>0</u>
(927,901)	0
5,413,341	0
200,000	0
<u>5,613,341</u>	<u>0</u>
4,685,440	0
21,961,820	57,499
<u>\$ 26,647,260</u>	<u>\$ 57,499</u>
\$ 4,685,440	
0	
<u>\$ 4,685,440</u>	

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,661,786	\$1,191,301	\$10,220,773
Cash Payments for Goods and Services	(478,351)	(304,279)	(9,074,399)
Cash Payments to Employees	(760,008)	(521,911)	(686,492)
Net Cash Provided (Used) by Operating Activities	<u>423,427</u>	<u>365,111</u>	<u>459,882</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	0	0	0
Intergovernmental Receipts	0	0	0
Transfers In from Other Funds	0	200,000	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>200,000</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	(10,000)	(340,000)	0
Mortgage Revenue Bond Retirement	(205,000)	(120,200)	0
OPWC Loan Proceeds	201,238	0	0
OPWC Loan Retirement	0	(43,489)	0
Capital Contributions	5,451,083	214,783	0
Interest and Fiscal Charges	(172,666)	(327,590)	0
Acquisition and Construction of Assets	(6,695,928)	(35,724)	(108,358)
Net Cash Used by Capital and Related Financing Activities	<u>(1,431,273)</u>	<u>(652,220)</u>	<u>(108,358)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	0	0	1,553
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>1,553</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,007,846)	(87,109)	353,077
Cash and Cash Equivalents at Beginning of Year	<u>1,866,556</u>	<u>2,207,831</u>	<u>3,136,707</u>
Cash and Cash Equivalents at End of Year	<u>\$858,710</u>	<u>\$2,120,722</u>	<u>\$3,489,784</u>

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$249,239	\$13,323,099	\$0
(86,664)	(9,943,693)	0
(424,697)	(2,393,108)	0
(262,122)	986,298	0
268,671	268,671	0
35,706	35,706	0
0	200,000	0
304,377	504,377	0
(7,000)	(7,000)	0
0	(350,000)	0
0	(325,200)	0
0	201,238	0
0	(43,489)	0
0	5,665,866	0
(644)	(500,900)	0
(80,004)	(6,920,014)	0
(87,648)	(2,279,499)	0
0	1,553	0
0	1,553	0
(45,393)	(787,271)	0
582,952	7,794,046	57,499
\$537,559	\$7,006,775	\$57,499

(Continued)

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$286,982)	(\$211,915)	\$179,614
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	591,620	525,821	347,169
Non-Operating Revenue	0	0	34,875
Non-Operating Expense	(1,375)	(597)	(20,565)
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
(Increase) Decrease in Accounts Receivable	607	1,466	(108,321)
(Increase) Decrease in Inventory	(3,746)	501	0
(Increase) Decrease in Prepaids	(399)	(399)	1,006
Decrease in Deferred Outflows of Resources	130,920	95,185	147,907
Increase (Decrease) in Accounts Payable	(12,583)	(10,723)	(24,028)
Increase in Accrued Wages and Benefits	2,948	1,940	3,318
Increase (Decrease) in Intergovernmental Payable	8,211	(1,108)	25,232
Decrease in AMPGS Payable	0	0	(36,270)
Increase in Compensated Absences Payable	15,983	6,861	6,654
Decrease in Net Pension Liability	(203,891)	(159,173)	(260,575)
Increase in Net OPEB Liability	21,087	13,597	19,027
Increase in Deferred Inflows of Resources	161,027	103,655	144,839
Total Adjustments	710,409	577,026	280,268
Net Cash Provided (Used) by Operating Activities	<u>\$423,427</u>	<u>\$365,111</u>	<u>\$459,882</u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
(\$332,283)	(\$651,566)	\$0
26,859	1,491,469	0
2,555	37,430	0
(92)	(22,629)	0
(577)	(106,825)	0
0	(3,245)	0
(706)	(498)	0
98,522	472,534	0
1,575	(45,759)	0
743	8,949	0
0	32,335	0
0	(36,270)	0
3,520	33,018	0
(172,657)	(796,296)	0
12,820	66,531	0
97,599	507,120	0
70,161	1,637,864	0
(\$262,122)	\$986,298	\$0

CITY OF COLUMBIANA, OHIO

Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2018

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 2,329
Total Assets	<u>2,329</u>
Liabilities:	
Due to Others	<u>2,329</u>
Total Liabilities	<u>\$ 2,329</u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2018 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 13 – "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 13 – "Joint Ventures".

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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.

Fire Department Capital Improvement Fund - This fund is used to account for property taxes, debt proceeds, and other resources to be used for fire department capital purchases and projects.

Proprietary Funds

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

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

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

D. Basis of Accounting

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

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

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

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Property taxes measurable as of December 31, 2018 but which are not intended to finance 2018 operations and other revenue received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred inflows of resources.

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

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

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CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 2018.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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
	<u>General Fund</u>
GAAP Basis (as reported)	(\$428,834)
Increase (Decrease):	
Accrued Revenues at December 31, 2018 received during 2019	(293,323)
Accrued Revenues at December 31, 2017 received during 2018	348,885
Accrued Expenditures at December 31, 2018 paid during 2019	48,531
Accrued Expenditures at December 31, 2017 paid during 2018	(60,237)
2017 Prepays for 2018	16,784
2018 Prepays for 2019	(18,440)
Outstanding Encumbrances	(31,484)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>308,212</u>
Budget Basis	<u>(\$109,906)</u>

F. Cash and Cash Equivalents

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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 2018 amounted to \$27,108, which includes \$26,088 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

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

Inventory consists of expendable supplies held for consumption.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB 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/OPEB systems report investments at fair value.

O. Interfund Activity

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

P. Fund Balances

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

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

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

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

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

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during 2018.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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/OPEB. 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/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 9 and 10.

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 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/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 9 and 10.

T. Accrued Liabilities and Long Term Obligations

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

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

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). This change was incorporated in the City’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This change was incorporated in the City’s 2018 financial statements; however, there was no effect on beginning net position/fund balance.

The implementation of GASB 75 had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business-type Activities	Water Fund	Wastewater Fund
Net position December 31, 2017	\$9,444,493	\$23,159,309	\$6,595,542	\$7,656,335
Adjustments:				
Net OPEB Liability	(1,928,871)	(1,096,052)	(347,406)	(223,989)
Deferred Outflow - Payments Subsequent to the Measurement Date	12,612	14,298	4,255	2,902
Restated Net Position December 31, 2017	<u>\$7,528,234</u>	<u>\$22,077,555</u>	<u>\$6,252,391</u>	<u>\$7,435,248</u>
		Public Safety Vehicle Service		
	Electric Fund	Fund		
Net position December 31, 2017	\$8,015,322	\$776,375		
Adjustments:				
Net OPEB Liability	(313,467)	(211,190)		
Deferred Outflow - Payments Subsequent to the Measurement Date	4,276	2,865		
Restated Net Position December 31, 2017	<u>\$7,706,131</u>	<u>\$568,050</u>		

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 3 – FUND BALANCE CLASSIFICATION

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Fire Department Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepaid Items	\$18,440	\$0	\$4,499	\$5,146	\$28,085
Supplies Inventory	806	0	0	35,211	36,017
Unclaimed Funds	5,207	0	0	0	5,207
Permanent Fund Corpus	0	0	0	100,000	100,000
Total Nonspendable	24,453	0	4,499	140,357	169,309
Restricted:					
Street Maintenance and Repair	0	0	0	327,386	327,386
Cemetery Maintenance	0	0	0	92,969	92,969
Law Enforcement	0	0	0	30,685	30,685
Debt Retirement	0	0	0	46,910	46,910
Capital Improvements	0	365,216	431,179	248,477	1,044,872
Total Restricted	0	365,216	431,179	746,427	1,542,822
Committed:					
Other Purposes	0	0	0	3,994	3,994
Total Committed	0	0	0	3,994	3,994
Assigned:					
Land Purchase	0	0	0	70,995	70,995
Services and Supplies	28,597	0	0	0	28,597
Budget Resource	342,177	0	0	0	342,177
Total Assigned	370,774	0	0	70,995	441,769
Unassigned (Deficits):					
	253,102	0	0	0	253,102
Total Fund Balances	\$648,329	\$365,216	\$435,678	\$961,773	\$2,410,996

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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

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

A. Deposits

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

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

At year end the carrying amount of the City’s deposits was \$9,220,320 and the bank balance was \$9,313,604. Federal depository insurance covered \$2,132,346 of the bank balance and \$7,181,258 was uninsured and exposed to custodial risk and was collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2018 are summarized below:

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

The City held bond was issued in 2010 by the Public Safety Vehicle Fund and was purchased by the City’s General Fund. The bond was issued in the amount of \$60,000 at an interest rate of 4.50% and matures in 2019. The bond proceeds were used for the purchase of an ambulance. The debt to maturity schedule can be found in Note 11.

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

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2016 for Columbiana County and 2017 for Mahoning County. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Columbiana. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2018 was \$6.80 per \$1,000 of assessed value.

The assessed values upon which the 2018 property tax levy was based were as follows:

	<u>County</u>	
	<u>Columbiana</u>	<u>Mahoning</u>
Real Property:		
Residential/Agricultural	\$118,534,530	\$30,873,950
Personal Property:		
Public Utility Personal Property	<u>4,898,940</u>	<u>87,620</u>
Total Assessed Value	<u>\$123,433,470</u>	<u>\$30,961,570</u>

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

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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, 2018 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 2018:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$0	\$1,665,000
Capital Improvement Fund	1,210,000	0
Other Governmental Funds	255,000	0
Total Governmental Funds	<u>1,465,000</u>	<u>1,665,000</u>
Enterprise Fund:		
Wastewater Fund	200,000	0
Total Proprietary Funds	<u>200,000</u>	<u>0</u>
Totals	<u>\$1,665,000</u>	<u>\$1,665,000</u>

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CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land	\$1,134,824	\$176,787	\$0	\$1,311,611
Construction in Progress	742,666	934,003	0	1,676,669
Subtotal	1,877,490	1,110,790	0	2,988,280
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	2,243,170	44,659	0	2,287,829
Improvements Other than Buildings	892,424	20,618	0	913,042
Infrastructure	6,189,110	455,451	0	6,644,561
Machinery and Equipment	4,691,426	286,419	0	4,977,845
Total Cost	<u>\$15,893,620</u>	<u>\$1,917,937</u>	<u>\$0</u>	<u>\$17,811,557</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2017	Additions	Deletions	December 31, 2018
Buildings and Improvements	(\$1,406,167)	(\$49,045)	\$0	(\$1,455,212)
Improvements Other than Buildings	(606,184)	(28,498)	0	(634,682)
Infrastructure	(2,314,712)	(302,672)	0	(2,617,384)
Machinery and Equipment	(2,961,310)	(264,985)	0	(3,226,295)
Total Accumulated Depreciation	<u>(\$7,288,373)</u>	<u>(\$645,200) *</u>	<u>\$0</u>	<u>(\$7,933,573)</u>
<i>Net Value:</i>	<u>\$8,605,247</u>			<u>\$9,877,984</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$154,441
Public Health and Welfare	10,519
Leisure Time Activities	45,590
Transportation	406,236
General Government	28,414
Total Depreciation Expense	<u>\$645,200</u>

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land	\$975,871	\$0	\$0	\$975,871
Construction in Progress	13,940,920	202,728	(13,940,920)	202,728
Subtotal	14,916,791	202,728	(13,940,920)	1,178,599
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	10,971,503	6,259,003	(99,782)	17,130,724
Improvements Other than Buildings	537,919	0	(8,500)	529,419
Machinery and Equipment	11,199,732	10,815,862	(160,432)	21,855,162
Infrastructure	12,614,478	2,401,593	(59,441)	14,956,630
Total Cost	<u>\$50,240,423</u>	<u>\$19,679,186</u>	<u>(\$14,269,075)</u>	<u>\$55,650,534</u>

Accumulated Depreciation:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Buildings and Improvements	(\$4,273,901)	(\$410,129)	\$90,083	(\$4,593,947)
Improvements Other than Buildings	(264,538)	(26,467)	1,488	(289,517)
Machinery and Equipment	(7,457,631)	(744,610)	108,102	(8,094,139)
Infrastructure	(2,988,256)	(310,263)	59,441	(3,239,078)
Total Accumulated Depreciation	<u>(\$14,984,326)</u>	<u>(\$1,491,469)</u>	<u>\$259,114</u>	<u>(\$16,216,681)</u>
<i>Net Value:</i>	<u>\$35,256,097</u>			<u>\$39,433,853</u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$342,129 for 2018. Of this amount, \$35,055 is reported as an intergovernmental payable.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee:	
January 1, 2018 through December 31, 2018	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-employment Health Care Benefits	0.50
Total Employer	19.50 %
Employee:	
January 1, 2018 through December 31, 2018	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$142,348 for 2018. Of this amount, \$11,823 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, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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	\$2,782,327	\$1,751,533	\$4,533,860
Proportion of the Net Pension Liability-2018	0.017735%	0.028538%	
Proportion of the Net Pension Liability-2017	0.018112%	0.026195%	
Percentage Change	(0.000377%)	0.002343%	
Pension Expense	\$576,445	\$202,274	\$778,719

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, 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			
Changes in assumptions	\$332,507	\$76,323	\$408,830
Differences between expected and actual experience	2,842	26,581	29,423
Change in proportionate share	0	112,794	112,794
City contributions subsequent to the measurement date	342,129	142,348	484,477
Total Deferred Outflows of Resources	<u>\$677,478</u>	<u>\$358,046</u>	<u>\$1,035,524</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$597,329	\$60,590	\$657,919
Differences between expected and actual experience	54,831	3,169	58,000
Change in proportionate share	39,422	101,967	141,389
Total Deferred Inflows of Resources	<u>\$691,582</u>	<u>\$165,726</u>	<u>\$857,308</u>

\$484,477 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, 2019. 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:			
2019	\$229,050	\$37,824	\$266,874
2020	(76,805)	21,897	(54,908)
2021	(263,032)	(40,859)	(303,891)
2022	(245,446)	(18,381)	(263,827)
2023	0	39,630	39,630
2024	0	9,861	9,861
Total	<u>(\$356,233)</u>	<u>\$49,972</u>	<u>(\$306,261)</u>

Actuarial Assumptions - OPERS

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The most recent experience study was completed for the five year period ended December 31, 2015.

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

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

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

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$4,940,711	\$2,782,327	\$982,892

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, 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, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent for increases based on the lesser of the increase in CPI and 3%.

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

	Age	Police	Fire
Healthy Mortality			
	67 or less	77%	68%
	68-77	105%	87%
	78 and up	115%	120%
Disabled Mortality			
	59 or less	35%	35%
	60-69	60%	45%
	70-79	75%	70%
	80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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.

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, 2017 are summarized below:

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

* levered 2x

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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 8.00 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.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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 8.00 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 (7.00 percent), or one percentage point higher (9.00 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	\$2,428,082	\$1,751,533	\$1,199,743

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates 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 OPEB are financed; however, the City does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty 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 meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F 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.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. 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 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. 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 is also 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 contractually required contribution to OP&F was \$3,746 for 2018. Of this amount, \$311 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$1,889,663	\$1,616,946	\$3,506,609
Proportion of the Net OPEB Liability-2018	0.017401%	0.028538%	
Proportion of the Net OPEB Liability-2017	<u>0.017638%</u>	<u>0.026195%</u>	
Percentage Change	<u>(0.000237%)</u>	<u>0.002343%</u>	
OPEB Expense	\$149,479	\$140,965	\$290,444

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	\$137,588	\$157,780	\$295,368
Differences between expected and actual experience	1,472	0	1,472
Change in proportionate share	0	97,065	97,065
City contributions subsequent to the measurement date	0	3,746	3,746
Total Deferred Outflows of Resources	\$139,060	\$258,591	\$397,651
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$140,767	\$10,644	\$151,411
Differences between expected and actual experience	0	8,155	8,155
Change in proportionate share	16,187	0	16,187
Total Deferred Inflows of Resources	\$156,954	\$18,799	\$175,753

\$3,746 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	\$23,554	\$33,405	\$56,959
2020	23,554	33,405	56,959
2021	(29,812)	33,405	3,593
2022	(35,190)	33,406	(1,784)
2023	0	36,066	36,066
2024	0	36,066	36,066
2025	0	30,293	30,293
Total	(\$17,894)	\$236,046	\$218,152

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,510,497	\$1,889,663	\$1,387,412

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,808,004	\$1,889,663	\$1,974,013

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, 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.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB 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 and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB 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 expected. 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. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

* levered 2x

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F'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 the 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 OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$2,021,203	\$1,616,946	\$1,305,889

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$1,256,073	\$1,616,946	\$2,103,282

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2018 was as follows:

Interest Rate	Purpose		Restated Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amount Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
2.46%	Fire Station	2023	\$0	\$620,000	(\$105,000)	\$515,000	\$100,000
Ohio Public Works Commission Loan:							
0.00%	Main Street Improvements	2027	300,964	0	(30,097)	270,867	30,097
Net Pension Liability:							
	Ohio Public Employees Retirement System		1,604,806	0	(534,256)	1,070,550	0
	Ohio Police and Fire Pension Fund		1,659,140	92,393	0	1,751,533	0
	Total Net Pension Liability		3,263,946	92,393	(534,256)	2,822,083	0
Net OPEB Liability:							
	Ohio Public Employees Retirement System		685,473	41,607	0	727,080	0
	Ohio Police and Fire Pension Fund		1,243,398	373,548	0	1,616,946	0
	Total Net OPEB Liability		1,928,871	415,155	0	2,344,026	0
	Compensated Absences		165,098	76,742	(62,510)	179,330	70,596
	Total Governmental Activities		5,658,879	1,204,290	(731,863)	6,131,306	200,693
Business-Type Activities:							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	95,000	0	(10,000)	85,000	10,000
6.00%	Sanitary Sewer Improvements	2024	105,000	0	(15,000)	90,000	15,000
2.43%	Sanitary Sewer Improvements Refunc	2025	2,865,000	0	(325,000)	2,540,000	335,000
	Total Special Assessment Bonds		3,065,000	0	(350,000)	2,715,000	360,000
General Obligation Bond:							
4.50%	Public Safety Vehicle Purchase	2019	14,300	0	(7,000)	7,300	7,300
Mortgage Revenue Bonds:							
4.125%	Wastewater Treatment System	2045	6,114,900	0	(120,200)	5,994,700	125,100
1.625%	Water Plant	2056	11,034,600	0	(205,000)	10,829,600	208,200
	Total Mortgage Revenue Bonds		17,149,500	0	(325,200)	16,824,300	333,300
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2027	162,878	0	(17,145)	145,733	17,145
0.00%	Arrowhead Sewer Lift Station	2041	619,099	0	(26,344)	592,755	26,348
0.00%	Route 14 Water Line	2047	698,097	201,238	0	899,335	29,978
	Total Ohio Public Works Commission Loans		1,480,074	201,238	(43,489)	1,637,823	73,471
	AMPGS Payable		241,787	0	(36,270)	205,517	27,660
Net Pension Liability:							
	Ohio Public Employees Retirement System		2,508,073	0	(796,296)	1,711,777	0
Net OPEB Liability:							
	Ohio Public Employees Retirement System		1,096,052	66,531	0	1,162,583	0
	Compensated Absences		115,689	64,873	(31,855)	148,707	60,450
	Total Business-Type Activities		25,670,475	332,642	(1,590,110)	24,413,007	862,181
	Total Long-Term Obligations		\$31,329,354	\$1,536,932	(\$2,321,973)	\$30,544,313	\$1,062,874

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

In August 2018 the City issued \$620,000 of general obligation bonds for the construction of a second fire station. The bonds carry an interest rate of 2.46% and mature in 2023.

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, 2018, the City had received the full loan amount of \$899,335 from OPWC.

Special Assessments - The principal amount of the City's special assessment debt outstanding at December 31, 2018, \$2,715,000, 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.

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, 2018 was \$10,051,798. In 2018 the Wastewater Fund reported \$313,906 of net pledged revenues for coverage of a principal and interest debt service requirement of \$372,440.

The Water Plant bonds were issued in 2017 for the purpose of constructing a new water facility. These bonds are payable from the net revenue derived from operations of the water system and are secured by a pledge of and lien on such net revenues until the bond maturity date of 2056. Total principal and interest payable on these bonds at December 31, 2018 was \$14,603,049. In 2018 the Water Fund reported \$304,638 of net pledged revenues for coverage of a principal and interest debt service requirement of \$384,312.

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 \$2,380,000 at December 31, 2018, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bonds		General Obligation Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$360,000	\$71,324	\$333,300	\$423,262	\$107,300	\$12,988	\$103,568	\$0
2020	375,000	61,832	340,900	415,192	100,000	10,201	103,564	0
2021	385,000	51,798	350,800	405,939	100,000	7,742	103,564	0
2022	395,000	41,524	359,900	396,850	105,000	5,284	103,564	0
2023	400,000	31,002	369,100	387,470	110,000	2,704	103,564	0
2024-2028	800,000	29,842	1,995,600	1,786,834	0	0	461,999	0
2029-2033	0	0	2,280,500	1,502,507	0	0	281,610	0
2034-2038	0	0	2,614,600	1,168,643	0	0	281,610	0
2039-2043	0	0	3,008,400	774,845	0	0	215,757	0
2044-2048	0	0	2,310,200	355,758	0	0	149,890	0
2049-2053	0	0	1,744,500	176,750	0	0	0	0
2054-2056	0	0	1,116,500	36,497	0	0	0	0
Totals	\$2,715,000	\$287,322	\$16,824,300	\$7,830,547	\$522,300	\$38,919	\$1,908,690	\$0

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CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 12 – 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 2018 for losses related to general liability, public official's liability, automobile, law enforcement liability, medical malpractice liability, and employee benefits liability, in addition to other coverages.

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 13 - 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 OMEGA JV1 Participants approved the discontinuation and disposition of the generating units and related facilities of OMEGA JV1 and authorized American Municipal Power, Inc. (“AMP”) to act as agent in the sale of those assets. All physical assets of OMEGA JV1 were sold and transferred to the City of Cuyahoga Falls, effective November 21, 2017. OMEGA JV1 has been dissolved with remaining funds paid out to the Participants in accordance with their ownership interests as established in the OMEGA JV1 Joint Venture Agreement. The City’s equity interest in OMEGA JV-1 was \$0 at December 31, 2018. 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, 2018, the City has met its debt coverage obligation.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 13 - 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 \$49,600 at December 31, 2018. 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 14 – PURCHASE COMMITMENT

American Municipal Power Generating Station Project (AMPGS)

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 14 – 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 \$248,641 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is \$17,654 and interest expense incurred on AMP's line-of-credit of \$21,550, resulting in a net impaired cost estimate at December 31, 2018 of \$205,517. The City does have a potential PHFU Liability of \$414,403 resulting in a net total potential liability of \$619,920, 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 such negative items as property taxes as well as positive items such as 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 15 - 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.

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CITY OF COLUMBIANA, OHIO

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COLUMBIANA, OHIO

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

Ohio Public Employees Retirement System

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
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 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 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	<u>2014</u>	<u>2015</u>	<u>2016</u>
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 payroll	\$654,484	\$647,789	\$630,032
City's proportionate share of the net pension liability (asset) as a percentage of its covered 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.

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

CITY OF COLUMBIANA, OHIO

<u>2017</u>	<u>2018</u>
0.018112%	0.017735%
\$4,112,879	\$2,782,327
\$2,341,092	\$2,344,685
175.68%	118.67%
77.25%	84.66%

<u>2017</u>	<u>2018</u>
0.026195%	0.028538%
\$1,659,140	\$1,751,533
\$625,784	\$692,632
265.13%	252.88%
68.36%	70.91%

CITY OF COLUMBIANA, OHIO

***Schedule of City Pension Contributions
Last Six Years***

Ohio Public Employees Retirement System

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

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

Ohio Police and Fire Pension Fund

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

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

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

CITY OF COLUMBIANA, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$280,931	\$304,809	\$342,129
<u>280,931</u>	<u>304,809</u>	<u>342,129</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,341,092	\$2,344,685	\$2,443,779
12.00%	13.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$118,899	\$131,600	\$142,348
<u>118,899</u>	<u>131,600</u>	<u>142,348</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$625,784	\$692,632	\$749,200
19.00%	19.00%	19.00%

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CITY OF COLUMBIANA, OHIO

***Schedule of the City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Two Years***

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.017638%	0.017401%
City's proportionate share of the net OPEB liability (asset)	\$1,781,525	\$1,889,663
City's covered payroll	\$2,341,092	\$2,344,685
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.10%	80.59%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%

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

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.026195%	0.028538%
City's proportionate share of the net OPEB liability (asset)	\$1,243,398	\$1,616,946
City's covered payroll	\$625,784	\$692,632
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	198.69%	233.45%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2016 is not available.

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

CITY OF COLUMBIANA, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Six Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$23,112	\$45,969	\$45,798
Contributions in relation to the contractually required contribution	<u>23,112</u>	<u>45,969</u>	<u>45,798</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$2,311,231	\$2,298,467	\$2,289,892
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$23,147	\$3,239	\$3,150
Contributions in relation to the contractually required contribution	<u>23,147</u>	<u>3,239</u>	<u>3,150</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$654,484	\$647,789	\$630,032
Contributions as a percentage of covered payroll	3.54%	0.50%	0.50%

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

CITY OF COLUMBIANA, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$46,822	\$23,447	\$0
<u>46,822</u>	<u>23,447</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,341,092	\$2,344,685	\$2,443,779
2.00%	1.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$3,129	\$3,463	\$3,746
<u>3,129</u>	<u>3,463</u>	<u>3,746</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$625,784	\$692,632	\$749,200
0.50%	0.50%	0.50%

CITY OF COLUMBIANA, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2018

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

CITY OF COLUMBIANA, OHIO

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2018***

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

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**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Constuction Cluster:			
Highway Planning and Construction	20.205	PID 103851	<u>\$295,371</u>
Total U.S. Department of Transportation/Highway Planning and Construction Cluster			<u>295,371</u>
U.S. DEPARTMENT OF AGRICULTURE - RURAL DEVELOPMENT			
<i>Direct Program</i>			
Water and Waste Water Disposal Systems for Rural Communities - Grant	10.760	N/A	<u>5,435,904</u>
Total U.S. Department of Agriculture			<u>5,435,904</u>
Total Expenditures of Federal Awards			<u>\$5,731,275</u>

The accompanying notes are an integral part of this schedule.

**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Columbiana (the City's) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Government has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The City did not provide any funds to subrecipients.

NOTE E - MATCHING REQUIREMENTS

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

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 14, 2020, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We qualified our opinion on the governmental activities, business type activities, water, wastewater and electric major enterprise funds and aggregate remaining fund information because the City's capital assets were not determined in accordance with the City's capital asset policy.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

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 Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

January 14, 2020

OHIO AUDITOR OF STATE KEITH FABER



101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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

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

To the City Council:

Report on Compliance for the Major Federal Program

We have audited City of Columbiana's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Columbiana's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Water and Waste Disposal Systems for Rural Communities

As described in finding 2018-003 in the accompanying schedule of findings, the City did not comply with requirements regarding equipment and real property management applicable to its CFDA 10.760 *Water and Waste Disposal Systems for Rural Communities* major federal program. Compliance with this requirement is necessary, in our opinion, for the City to comply with requirements applicable to this program.

Qualified Opinion on Water and Waste Disposal Systems for Rural Communities

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Water and Waste Disposal Systems for Rural Communities* paragraph, the City of Columbiana complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Water and Waste Disposal Systems for Rural Communities* for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2019-003.

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

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

January 14, 2020

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**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

1. Capital Asset Reporting

FINDING NUMBER 2018-001

MATERIAL WEAKNESS

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

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

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

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

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

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

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

Official's Response: See Corrective Action Plan

2. Financial Reporting

FINDING NUMBER 2018-002

MATERIAL WEAKNESS

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

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

The City did not have policies and procedures in place for certain accrual (GAAP) accounts, which led to the following:

- Accounts receivable in the Public Safety Vehicle Service Fund and Business Type Activities were overstated by \$64,573.
- The value of assets reported for the new water plant are undervalued by \$1,232,370.

The adjustments have been reflected in the 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.

See Federal Finding 2018-003 in Section 3 below.

Official's Response: See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

1. Water and Waste Water Disposal Systems for Rural Communities - Equipment and Real Property Management

Finding Number:	2018-003
CFDA Number and Title:	CFDA # 10.760 Water and Waste Water Disposal Systems for Rural Communities
Federal Award Identification Number / Year:	2018
Federal Agency:	United States Department of Agricultural
Compliance Requirement:	Equipment and Real Property Management Requirement
Repeat Finding from Prior Audit?	No

NONCOMPLIANCE AND MATERIAL WEAKNESS

Under 2 CFR section 200.313(d)(1)) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property,

The City did not have proper policies and procedures in place relating to Capital Asset reporting.

The City's capital asset records relating to the recently constructed Water Treatment Plant, which were built/acquired with federal funding, failed to include \$1,232,370 of the Water plant asset as a capital asset.

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

See finding 2018-002 in Section 2 of this Schedule.

Official's Response: See Corrective Action Plan

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



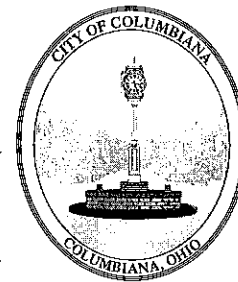
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018

Finding Number	Finding Summary		Status	Additional Information
2017-001	Capital Asset Reporting – The City adopted a capital asset policy and procedures manual, however it is not being used in the compilation of the capital asset listing.		Not Corrected	The manual states no recorded salvage value for assets, however salvage values are being reported in the listing; the manual states the asset threshold should be between \$5,000 and \$10,000 depending on the asset, however a threshold of \$1,000 is being used; and the manual states the useful lives for depreciating various assets, however the listing is using different useful lives.

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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) December 31, 2018

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Capital Asset Reporting - The City plans to review and revise as needed the current capital asset policy to be followed when compiling data for capital assets to be included in the capital asset listing which is used in preparing the annual financial statements. The City also plans on having a physical inventory be performed in 2020 of all of our assets by our appraisal company.	2nd Quarter 2020	Michael Harold
2018-002	Financial Reporting – The accounts receivable in the Public Safety Vehicle Service Fund and Business Type Activities were overstated by \$64,573. Also, the value of assets reported for the new water plant were undervalued by \$1,232,370. Adjustments for both the accounts receivables and the value of assets for the new water plant have been reflected in the financial statements.	1st Quarter 2020	Michael Harold
2018-003	Water and Waste Water Disposal Systems for Rural Communities – Equipment and Real Property Management – The City's capital asset records relating to the new water treatment plant, which was built/financed with federal funding, failed to include \$1,232,370 of capital assets. The assets reports have been corrected and the city plans on having a physical inventory performed in 2020 of the new water plant assets.	2nd Quarter 2020	Michael Harold

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OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY, 11 2020**