



Dave Yost • Auditor of State



.....CITY OF COLUMBIANA  
.....COLUMBIANA COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Columbiana  
Columbiana County  
28 W. Friend Street  
Columbiana, Ohio 44408

To the Members of 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General 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 the year ended December 31, 2012, the City adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items previously reported as Assets and Liabilities*. 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*, 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 Federal Awards Receipts and Expenditures (the schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules 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 schedule 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 August 21, 2014, 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 t's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2014

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## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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The discussion and analysis of the City of Columbiana's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2012. 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 2012 are as follows:

- ❑ In total, net position increased \$1,304,904. Net position of governmental activities increased \$1,219,149, which represents a 13% increase from 2011. Net position of business-type activities increased \$85,755, or less than 1% from 2011.
- ❑ General revenues accounted for \$3,447,904 in revenue or 20% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$13,972,651, or 80% of total revenues of \$17,420,555.
- ❑ The City had \$3,848,800 in expenses related to governmental activities; only \$1,908,261 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,159,688 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,039,063 in revenues and \$1,828,528 in expenditures. The general fund's fund balance increased from a balance of \$1,328,256 to \$1,499,248.

### **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

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2012*

*Unaudited*

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## **Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

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

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

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2012 compared to 2011.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other Assets	\$4,627,004	\$4,177,520	\$11,849,161	\$11,388,462	\$16,476,165	\$15,565,982
Capital Assets, Net	7,211,213	6,159,271	23,800,573	23,652,442	31,011,786	29,811,713
Total Assets	11,838,217	10,336,791	35,649,734	35,040,904	47,487,951	45,377,695
Long-term Debt Outstanding	491,955	149,780	12,511,911	12,390,504	13,003,866	12,540,284
Other Liabilities	199,030	220,558	2,369,219	1,962,403	2,568,249	2,182,961
Total Liabilities	690,985	370,338	14,881,130	14,352,907	15,572,115	14,723,245
Deferred Inflows of Resources	548,317	586,687	233,055	238,203	781,372	824,890
Net Position						
Net Investment in Capital Assets	6,888,447	6,159,271	10,618,851	9,973,331	17,507,298	16,132,602
Restricted	2,086,359	1,732,464	0	0	2,086,359	1,732,464
Unrestricted	1,624,109	1,488,031	9,916,698	10,476,463	11,540,807	11,964,494
Total Net Position	\$10,598,915	\$9,379,766	\$20,535,549	\$20,449,794	\$31,134,464	\$29,829,560

## CITY OF COLUMBIANA, OHIO

### *Management's Discussion and Analysis For the Year Ended December 31, 2012*

*Unaudited*

Changes in Net Position – The following table shows the changes in net position for 2012 compared to 2011:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services and Sales	\$400,004	\$446,992	\$12,050,409	\$9,862,412	\$12,450,413	\$10,309,404
Operating Grants and Contributions	510,779	390,354	0	0	510,779	390,354
Capital Grants and Contributions	997,478	47,364	13,981	6,400	1,011,459	53,764
Total Program Revenues	1,908,261	884,710	12,064,390	9,868,812	13,972,651	10,753,522
General Revenues:						
Property Taxes	633,870	623,079	251,101	246,789	884,971	869,868
Income Taxes	1,923,651	1,868,374	0	0	1,923,651	1,868,374
Other Local Taxes	46,240	46,955	0	0	46,240	46,955
Intergovernmental, Unrestricted	472,461	720,070	36,765	42,007	509,226	762,077
Investment Earnings	16,319	21,305	350	142	16,669	21,447
Miscellaneous	67,147	122,728	0	0	67,147	122,728
Total General Revenues	3,159,688	3,402,511	288,216	288,938	3,447,904	3,691,449
Total Revenues	5,067,949	4,287,221	12,352,606	10,157,750	17,420,555	14,444,971
Program Expenses						
Security of Persons and Property	1,547,003	1,439,553	0	0	1,547,003	1,439,553
Public Health and Welfare	242,407	185,779	0	0	242,407	185,779
Leisure Time Activities	500,226	362,251	0	0	500,226	362,251
Transportation	642,486	573,890	0	0	642,486	573,890
General Government	916,678	727,785	0	0	916,678	727,785
Water	0	0	1,061,537	878,834	1,061,537	878,834
Wastewater	0	0	1,746,042	1,721,624	1,746,042	1,721,624
Electric	0	0	9,010,164	7,520,105	9,010,164	7,520,105
Public Safety Vehicle Service	0	0	449,108	457,914	449,108	457,914
Total Expenses	3,848,800	3,289,258	12,266,851	10,578,477	16,115,651	13,867,735
Total Change in Net Position	1,219,149	997,963	85,755	(420,727)	1,304,904	577,236
Beginning Net Position	9,379,766	8,381,803	20,449,794	20,870,521	29,829,560	29,252,324
Ending Net Position	\$10,598,915	\$9,379,766	\$20,535,549	\$20,449,794	\$31,134,464	\$29,829,560

### ***Governmental Activities***

Net position of the City's governmental activities increased \$1,219,149. An Ohio Department of Transportation grant received for improvements to South Main Street resulted in the increase in capital grants and contributions. The decrease in unrestricted intergovernmental revenues can be attributed to decreases in inheritance tax and local government funding.

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

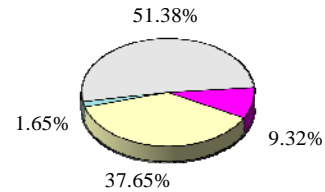
## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

Income taxes and property taxes made up 38% and 13% respectively of revenues for governmental activities for the City in fiscal year 2012. The City's reliance upon tax revenues is demonstrated by the following graph indicating 51% of total revenues from general tax revenues:

Revenue Sources	2012	Percent of Total
General Tax Revenues	\$2,603,761	51.38%
Intergovernmental, Unrestricted	472,461	9.32%
Program Revenues	1,908,261	37.65%
General Other	83,466	1.65%
Total Revenue	\$5,067,949	100.00%



### **Business-Type Activities**

Net position of business-type activities increased \$85,755. In April 2012 the foreclosed Firestone Farms housing development was sold at a sheriff's sale. In June and August 2012 the City received past due special assessments and penalties and interest totaling \$1,507,669, net of County auditor and treasurer fees, resulting in an increase in charges for services.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City's governmental funds reported a combined fund balance of \$3,546,016, which is an increase from last year's balance of \$2,928,343. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2012 and 2011:

	Fund Balance December 31, 2012	Fund Balance December 31, 2011	Increase (Decrease)
General	\$1,499,248	\$1,328,256	\$170,992
Capital Improvement	621,586	487,084	134,502
Other Governmental	1,425,182	1,113,003	312,179
Total	\$3,546,016	\$2,928,343	\$617,673

## *CITY OF COLUMBIANA, OHIO*

*Management's Discussion and Analysis  
For the Year Ended December 31, 2012*

*Unaudited*

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

	2012 Revenues	2011 Revenues	Increase (Decrease)
Taxes	\$2,249,689	\$2,174,106	\$75,583
Intergovernmental Revenues	461,611	655,557	(193,946)
Charges for Services	164,029	222,704	(58,675)
Licenses and Permits	102,771	98,467	4,304
Investment Earnings	16,128	20,461	(4,333)
Fines and Forfeitures	37,612	29,940	7,672
All Other Revenue	7,223	33,864	(26,641)
Total	\$3,039,063	\$3,235,099	(\$196,036)

General Fund revenues decreased 6% when compared to revenues in the prior year. A decrease in intergovernmental revenues can be attributed to decreases in inheritance tax and local government funding.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Security of Persons and Property	\$1,162,555	\$1,200,973	(\$38,418)
Public Health and Welfare	14,755	14,539	216
Leisure Time Activities	342,057	308,812	33,245
General Government	309,161	318,806	(9,645)
Total	\$1,828,528	\$1,843,130	(\$14,602)

General Fund expenditures remained stable, decreasing \$14,602 or less than 1% from the prior year.

# **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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*Capital Improvement Fund* – The City's Capital Improvement Fund balance increased approximately 28%. Revenues and expenditures increased substantially due to an Ohio Department of Transportation Grant and Ohio Public Works Commission Loan proceeds used for reconstruction of South Main Street.

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 fiscal year 2012 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$1.8 million was not significantly different from original or final budget estimates. Budget basis expenditures of \$1.8 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 fiscal 2012 the City had \$31,011,786 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$7,211,213 was related to governmental activities and \$23,800,573 to the business-type activities. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$948,095	\$935,782	\$12,313
Buildings and Improvements	1,885,197	1,867,836	17,361
Improvements Other than Buildings	588,852	588,852	0
Infrastructure	5,448,399	4,193,194	1,255,205
Machinery and Equipment	2,885,429	2,716,111	169,318
Less: Accumulated Depreciation	(4,544,759)	(4,142,504)	(402,255)
Totals	<u>\$7,211,213</u>	<u>\$6,159,271</u>	<u>\$1,051,942</u>

Significant improvements to South Main Street resulted in the increase in infrastructure. The majority of purchases for machinery and equipment were for the park, police and fire departments.

**CITY OF COLUMBIANA, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2012**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2012	2011	
Land	\$919,144	\$919,144	\$0
Buildings	10,787,153	10,643,016	144,137
Improvements other than Buildings	526,253	476,964	49,289
Machinery and Equipment	9,630,124	8,601,567	1,028,557
Infrastructure	11,883,330	11,868,625	14,705
Less: Accumulated Depreciation	(9,945,431)	(8,856,874)	(1,088,557)
Totals	\$23,800,573	\$23,652,442	\$148,131

The majority of capital outlays in the Business-Type Activities in 2012 consisted of purchases in the electric department, including the installation of new transformers as part of the South Main Street Improvement project. Additional information on the City's capital assets can be found in Note 8.

**Debt**

The following table summarizes the City's debt outstanding as of December 31, 2012 and 2011:

	2012	2011
Governmental Activities:		
Ohio Public Works Commission Loan	\$322,766	\$0
Compensated Absences	169,189	149,780
Total Governmental Activities	491,955	149,780
Business-Type Activities:		
Special Assessment Bonds	4,170,000	4,405,000
General Obligation Bond	44,900	50,200
Mortgage Revenue Bond	6,647,400	6,741,000
Ohio Public Works Commission Loans	999,422	1,042,911
AMPGS Payable	513,325	0
Compensated Absences	136,864	151,393
Total Business-Type Activities	12,511,911	12,390,504
Totals	\$13,003,866	\$12,540,284

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, 2012, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.



## ***CITY OF COLUMBIANA, OHIO***

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2012***

***Unaudited***

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### **REQUESTS FOR INFORMATION**

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

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**CITY OF COLUMBIANA, OHIO**

**Statement of Net Position**  
**December 31, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Pooled Cash and Investments	\$ 3,112,726	\$ 5,602,727	\$ 8,715,453
Receivables:			
Taxes	1,028,347	262,285	1,290,632
Accounts	25,304	1,661,582	1,686,886
Intergovernmental	356,820	17,523	374,343
Special Assessments	0	4,160,000	4,160,000
Internal Balance	60,796	(60,796)	0
Inventory of Supplies at Cost	20,654	5,487	26,141
Prepaid Items	22,357	25,309	47,666
Investment in Joint Venture	0	175,044	175,044
Capital Assets:			
Non-Depreciable Capital Assets	948,095	919,144	1,867,239
Depreciable Capital Assets, Net	6,263,118	22,881,429	29,144,547
<b>Total Assets</b>	<u>11,838,217</u>	<u>35,649,734</u>	<u>47,487,951</u>
<b>Liabilities:</b>			
Accounts Payable	17,222	718,347	735,569
Accrued Wages and Benefits	179,748	134,056	313,804
Intergovernmental Payable	2,060	33,130	35,190
Claims Payable	0	45,411	45,411
Accrued Interest Payable	0	118,275	118,275
General Obligation Notes Payable	0	1,320,000	1,320,000
Noncurrent liabilities:			
Due within one year	79,149	554,789	633,938
Due in more than one year	412,806	11,957,122	12,369,928
<b>Total Liabilities</b>	<u>690,985</u>	<u>14,881,130</u>	<u>15,572,115</u>
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	548,317	233,055	781,372
<b>Net Position:</b>			
Net Investment in Capital Assets	6,888,447	10,618,851	17,507,298
Restricted For:			
Capital Projects	1,206,364	0	1,206,364
Debt Service	74,750	0	74,750
Other Purposes	805,245	0	805,245
Unrestricted	1,624,109	9,916,698	11,540,807
<b>Total Net Position</b>	<u>\$ 10,598,915</u>	<u>\$ 20,535,549</u>	<u>\$ 31,134,464</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2012**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 1,547,003	\$ 85,289	\$ 212,407	\$ 0
Public Health and Welfare	242,407	48,950	0	0
Leisure Time Activities	500,226	162,994	0	0
Transportation	642,486	0	298,372	997,478
General Government	916,678	102,771	0	0
<b>Total Governmental Activities</b>	<b>3,848,800</b>	<b>400,004</b>	<b>510,779</b>	<b>997,478</b>
<b>Business-Type Activities:</b>				
Water	1,061,537	1,214,253	0	0
Wastewater	1,746,042	2,351,823	0	0
Electric	9,010,164	8,204,082	0	0
Public Safety Vehicle Service	449,108	280,251	0	13,981
<b>Total Business-Type Activities</b>	<b>12,266,851</b>	<b>12,050,409</b>	<b>0</b>	<b>13,981</b>
<b>Totals</b>	<b>\$ 16,115,651</b>	<b>\$ 12,450,413</b>	<b>\$ 510,779</b>	<b>\$ 1,011,459</b>

**General Revenues**

Property Taxes Levied for:  
 General Purposes  
 Special Purposes  
 Capital Projects  
 Public Safety Vehicle Service  
 Income Tax  
 Other Local Taxes  
 Intergovernmental, Unrestricted  
 Investment Earnings  
 Miscellaneous  
 Total General Revenues

Change in Net Position

Net Position Beginning of Year  
 Net Position End of Year

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,249,307)	\$ 0	\$ (1,249,307)
(193,457)	0	(193,457)
(337,232)	0	(337,232)
653,364	0	653,364
(813,907)	0	(813,907)
<u>(1,940,539)</u>	<u>0</u>	<u>(1,940,539)</u>
0	152,716	152,716
0	605,781	605,781
0	(806,082)	(806,082)
0	(154,876)	(154,876)
<u>0</u>	<u>(202,461)</u>	<u>(202,461)</u>
<u>\$ (1,940,539)</u>	<u>\$ (202,461)</u>	<u>\$ (2,143,000)</u>
318,584	0	318,584
2,850	0	2,850
312,436	0	312,436
0	251,101	251,101
1,923,651	0	1,923,651
46,240	0	46,240
472,461	36,765	509,226
16,319	350	16,669
67,147	0	67,147
<u>3,159,688</u>	<u>288,216</u>	<u>3,447,904</u>
1,219,149	85,755	1,304,904
<u>9,379,766</u>	<u>20,449,794</u>	<u>29,829,560</u>
<u>\$ 10,598,915</u>	<u>\$ 20,535,549</u>	<u>\$ 31,134,464</u>

**CITY OF COLUMBIANA, OHIO**

**Balance Sheet  
Governmental Funds  
December 31, 2012**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Pooled Cash and Investments	\$ 1,121,358	\$ 606,433	\$ 1,384,935	\$ 3,112,726
Receivables:				
Taxes	726,239	0	302,108	1,028,347
Accounts	25,129	150	25	25,304
Intergovernmental	81,658	55,062	220,100	356,820
Inventory of Supplies, at Cost	0	0	20,654	20,654
Prepaid Items	13,094	1,402	7,861	22,357
<b>Total Assets</b>	<b>\$ 1,967,478</b>	<b>\$ 663,047</b>	<b>\$ 1,935,683</b>	<b>\$ 4,566,208</b>
<b>Liabilities:</b>				
Accounts Payable	\$ 5,106	\$ 10,564	\$ 1,552	\$ 17,222
Accrued Wages and Benefits Payable	99,672	26,800	53,276	179,748
Intergovernmental Payable	1,949	0	111	2,060
Compensated Absences Payable	0	4,097	0	4,097
<b>Total Liabilities</b>	<b>106,727</b>	<b>41,461</b>	<b>54,939</b>	<b>203,127</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable Amounts	81,637	0	187,111	268,748
Property Tax Levy for Next Fiscal Year	279,866	0	268,451	548,317
<b>Total Deferred Inflows of Resources</b>	<b>361,503</b>	<b>0</b>	<b>455,562</b>	<b>817,065</b>
<b>Fund Balance:</b>				
Nonspendable	24,559	1,402	128,515	154,476
Restricted	0	620,184	1,199,993	1,820,177
Committed	0	0	11,970	11,970
Assigned	22,296	0	84,704	107,000
Unassigned	1,452,393	0	0	1,452,393
<b>Total Fund Balance</b>	<b>1,499,248</b>	<b>621,586</b>	<b>1,425,182</b>	<b>3,546,016</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 1,967,478</b>	<b>\$ 663,047</b>	<b>\$ 1,935,683</b>	<b>\$ 4,566,208</b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Position Of Governmental Activities  
December 31, 2012***

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<b>Total Governmental Fund Balances</b>	\$ 3,546,016
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	7,211,213
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	268,748
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.	60,796
Long-term liabilities, including compensated absences payable and loans payable are not due and payable in the current period and therefore are not reported in the funds.	
OPWC Loan Payable	(322,766)
Compensated Absences Payable	(165,092)
<b><i>Net Position of Governmental Activities</i></b>	<u>\$ 10,598,915</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2012**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 2,249,689	\$ 0	\$ 322,391	\$ 2,572,080
Other Local Taxes	0	0	46,240	46,240
Intergovernmental Revenues	461,611	997,478	543,902	2,002,991
Charges for Services	164,029	0	95,321	259,350
Licenses and Permits	102,771	0	0	102,771
Investment Earnings	16,128	0	191	16,319
Fines and Forfeitures	37,612	0	271	37,883
All Other Revenue	7,223	12,500	47,424	67,147
<b>Total Revenue</b>	<b>3,039,063</b>	<b>1,009,978</b>	<b>1,055,740</b>	<b>5,104,781</b>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,162,555	0	123,468	1,286,023
Public Health and Welfare	14,755	0	153,793	168,548
Leisure Time Activities	342,057	0	10,272	352,329
Transportation	0	0	275,225	275,225
General Government	309,161	0	18,312	327,473
Capital Outlay	0	2,035,742	362,481	2,398,223
<b>Total Expenditures</b>	<b>1,828,528</b>	<b>2,035,742</b>	<b>943,551</b>	<b>4,807,821</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,210,535	(1,025,764)	112,189	296,960
<b>Other Financing Sources (Uses):</b>				
OPWC Loan Issuance	0	322,766	0	322,766
Transfers In	0	837,500	201,500	1,039,000
Transfers Out	(1,039,000)	0	0	(1,039,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,039,000)</b>	<b>1,160,266</b>	<b>201,500</b>	<b>322,766</b>
Net Change in Fund Balances	171,535	134,502	313,689	619,726
<b>Fund Balance at Beginning of Year</b>	<b>1,328,256</b>	<b>487,084</b>	<b>1,113,003</b>	<b>2,928,343</b>
Decrease in Inventory	(543)	0	(1,510)	(2,053)
<b>Fund Balance End of Year</b>	<b>\$ 1,499,248</b>	<b>\$ 621,586</b>	<b>\$ 1,425,182</b>	<b>\$ 3,546,016</b>

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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***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, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 619,726

***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	1,454,197	
Depreciation Expense	<u>(402,255)</u>	1,051,942

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (36,832)

The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Ohio Public Works Commission Loan Issuance		(322,766)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(15,312)	
Change in Inventory	<u>(2,053)</u>	(17,365)

Internal Service Funds used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service funds is allocated among the business-type activities.

<b><i>Change in Net Position of Governmental Activities</i></b>		<u>(75,556)</u>
		<u>\$ 1,219,149</u>

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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 287,621	\$ 309,632	\$ 326,038	\$ 16,406
Intergovernmental Revenue	444,396	478,405	492,720	14,315
Charges for Services	55,735	60,000	1,035	(58,965)
Licenses and Permits	108,218	116,500	101,405	(15,095)
Investment Earnings	26,938	29,000	16,143	(12,857)
Fines and Forfeitures	35,113	37,800	39,164	1,364
All Other Revenues	61,762	66,489	5,671	(60,818)
Total Revenues	<u>1,019,783</u>	<u>1,097,826</u>	<u>982,176</u>	<u>(115,650)</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,274,789	1,268,890	1,182,042	86,848
Public Health and Welfare	14,824	14,755	14,755	0
General Government	212,739	211,755	198,291	13,464
Total Expenditures	<u>1,502,352</u>	<u>1,495,400</u>	<u>1,395,088</u>	<u>100,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(482,569)	(397,574)	(412,912)	(15,338)
<b>Other Financing Sources (Uses):</b>				
Transfers In	837,500	837,500	837,500	0
Transfers Out	(379,500)	(379,500)	(379,500)	0
Total Other Financing Sources (Uses):	<u>458,000</u>	<u>458,000</u>	<u>458,000</u>	<u>0</u>
Net Change in Fund Balance	(24,569)	60,426	45,088	(15,338)
Fund Balance at Beginning of Year	246,542	246,542	246,542	0
Prior Year Encumbrances	29,578	29,578	29,578	0
Fund Balance at End of Year	<u>\$ 251,551</u>	<u>\$ 336,546</u>	<u>\$ 321,208</u>	<u>\$ (15,338)</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, 2012**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<b>ASSETS</b>			
Current Assets:			
Pooled Cash and Investments	\$ 669,948	\$ 2,711,124	\$ 1,499,902
Taxes Receivable	0	0	0
Accounts Receivable	181,144	183,515	1,205,170
Intergovernmental Receivables	0	0	0
Special Assessments Receivable	145,000	4,015,000	0
Inventory of Supplies at Cost	4,567	920	0
Prepaid Items	5,193	5,193	10,995
Total Current Assets	<u>1,005,852</u>	<u>6,915,752</u>	<u>2,716,067</u>
Noncurrent Assets:			
Investment in Joint Venture	0	0	175,044
Capital Assets, Net	3,314,189	15,047,512	5,317,238
Total Noncurrent Assets	<u>3,314,189</u>	<u>15,047,512</u>	<u>5,492,282</u>
Total Assets	<u>4,320,041</u>	<u>21,963,264</u>	<u>8,208,349</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	15,891	2,202	689,166
Accrued Wages and Benefits	36,382	27,746	43,175
Intergovernmental Payable	2,147	2,440	28,543
Claims Payable	0	0	0
Accrued Interest Payable	8,934	106,521	1,473
General Obligation Notes Payable	1,120,000	0	200,000
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	0	98,200	0
Special Assessment Bonds Payable - Current	10,000	230,000	0
OPWC Loans Payable - Current	0	43,489	0
AMPGS Payable - Current	0	0	98,371
Compensated Absences - Current	11,474	9,002	39,303
Total Current Liabilities	<u>1,204,828</u>	<u>519,600</u>	<u>1,100,031</u>

**CITY OF COLUMBIANA, OHIO**

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Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$ 362,036	\$ 5,243,010	\$ 359,717
262,285	262,285	0
88,407	1,658,236	3,346
17,523	17,523	0
0	4,160,000	0
0	5,487	0
3,928	25,309	0
734,179	11,371,850	363,063
0	175,044	0
121,634	23,800,573	0
121,634	23,975,617	0
855,813	35,347,467	363,063
594	707,853	10,494
25,916	133,219	837
0	33,130	0
0	0	45,411
1,347	118,275	0
0	1,320,000	0
5,600	5,600	0
0	98,200	0
0	240,000	0
0	43,489	0
0	98,371	0
9,350	69,129	0
42,807	2,867,266	56,742

(Continued)

**CITY OF COLUMBIANA, OHIO**

**Statement of Net Position  
Proprietary Funds  
December 31, 2012**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Special Assessment Bonds Payable	135,000	3,795,000	0
Revenue Bonds Payable	0	6,549,200	0
OPWC Loans Payable	0	955,933	0
AMPGS Payable	0	0	414,954
Compensated Absences Payable	27,783	22,753	9,349
Total Noncurrent Liabilities	162,783	11,322,886	424,303
Total Liabilities	1,367,611	11,842,486	1,524,334
<b>Deferred Inflows of Resources:</b>			
Property Tax Levy for Next Fiscal Year	0	0	0
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,049,189	3,375,690	5,117,238
Unrestricted	903,241	6,745,088	1,566,777
Total Net Position	\$ 2,952,430	\$ 10,120,778	\$ 6,684,015

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**

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Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
39,300	39,300	0
0	3,930,000	0
0	6,549,200	0
0	955,933	0
0	414,954	0
7,850	67,735	0
47,150	11,957,122	0
89,957	14,824,388	56,742
233,055	233,055	0
76,734	10,618,851	0
456,067	9,671,173	306,321
\$ 532,801	\$ 20,290,024	\$ 306,321
	245,525	
	\$ 20,535,549	

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2012**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<b>Operating Revenues:</b>			
Charges for Services	\$ 1,208,500	\$ 2,350,975	\$ 8,162,593
Other Operating Revenues	5,753	848	22,408
<b>Total Operating Revenues</b>	1,214,253	2,351,823	8,185,001
<b>Operating Expenses:</b>			
Personal Services	574,798	465,108	755,653
Contractual Services	179,681	88,209	7,515,128
Materials and Supplies	150,184	53,740	149,969
Depreciation	129,781	549,709	393,236
Other Operating Expenses	1,749	122,837	0
<b>Total Operating Expenses</b>	1,036,193	1,279,603	8,813,986
<b>Operating Income (Loss)</b>	178,060	1,072,220	(628,985)
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	0	0	350
Interest and Fiscal Charges	(24,702)	(465,842)	(99,043)
Taxes	0	0	0
Loss from Joint Venture	0	0	(15,347)
Intergovernmental Grants	0	0	0
Other Nonoperating Revenue	0	0	34,428
Other Nonoperating Expense	(642)	(597)	(17,985)
<b>Total Non-Operating Revenues (Expenses)</b>	(25,344)	(466,439)	(97,597)
<b>Change in Net Position</b>	152,716	605,781	(726,582)
Net Position Beginning of Year	2,799,714	9,514,997	7,410,597
<b>Net Position End of Year</b>	\$ 2,952,430	\$ 10,120,778	\$ 6,684,015

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**

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Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$ 274,665	\$ 11,996,733	\$ 869,810
5,021	34,030	7,690
<u>279,686</u>	<u>12,030,763</u>	<u>877,500</u>
360,610	2,156,169	1,030,060
32,902	7,815,920	2,080
31,160	385,053	0
15,831	1,088,557	0
6,098	130,684	0
<u>446,601</u>	<u>11,576,383</u>	<u>1,032,140</u>
(166,915)	454,380	(154,640)
0	350	0
(2,096)	(591,683)	0
251,101	251,101	0
0	(15,347)	0
50,746	50,746	0
565	34,993	0
(411)	(19,635)	(66)
<u>299,905</u>	<u>(289,475)</u>	<u>(66)</u>
132,990	164,905	(154,706)
399,811	20,125,119	461,027
<u>\$ 532,801</u>	<u>\$ 20,290,024</u>	<u>\$ 306,321</u>
	\$ 164,905	
	<u>(79,150)</u>	
	<u>\$ 85,755</u>	

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,211,068	\$3,177,205	\$8,008,552
Cash Payments for Goods and Services	(332,609)	(268,471)	(6,744,137)
Cash Payments to Employees	(579,647)	(468,590)	(768,719)
Net Cash Provided (Used) by Operating Activities	<u>298,812</u>	<u>2,440,144</u>	<u>495,696</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	0	0	0
Intergovernmental Receipts	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from the Sale of Notes	1,120,000	0	200,000
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	(10,000)	(225,000)	0
Mortgage Revenue Bond Retirement	0	(93,600)	0
OPWC Loan Retirement	0	(43,489)	0
Note Retirement	(1,140,000)	0	(300,000)
Interest and Fiscal Charges	(26,416)	(467,824)	(100,179)
Acquisition and Construction of Assets	(65,385)	(55,302)	(886,965)
Net Cash Used by Capital and Related Financing Activities	<u>(121,801)</u>	<u>(885,215)</u>	<u>(1,087,144)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	0	0	350
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>350</u>
Net Increase (Decrease) in Cash and Cash Equivalents	177,011	1,554,929	(591,098)
Cash and Cash Equivalents at Beginning of Year	492,937	1,156,195	2,091,000
Cash and Cash Equivalents at End of Year	<u>\$669,948</u>	<u>\$2,711,124</u>	<u>\$1,499,902</u>

**CITY OF COLUMBIANA, OHIO**

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Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$233,785	\$12,630,610	\$963,112
(77,034)	(7,422,251)	(3,955)
(358,310)	(2,175,266)	(1,112,831)
(201,559)	3,033,093	(153,674)
257,316	257,316	0
49,322	49,322	0
306,638	306,638	0
0	1,320,000	0
(5,300)	(5,300)	0
0	(235,000)	0
0	(93,600)	0
0	(43,489)	0
0	(1,440,000)	0
(2,259)	(596,678)	0
(20,571)	(1,028,223)	0
(28,130)	(2,122,290)	0
0	350	0
0	350	0
76,949	1,217,791	(153,674)
285,087	4,025,219	513,391
\$362,036	\$5,243,010	\$359,717

(Continued)

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2012**

	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)	\$178,060	\$1,072,220	(\$628,985)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	129,781	549,709	393,236
Non-Operating Revenue	0	0	37,813
Non-Operating Expense	(642)	(597)	(17,985)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(13,185)	(13,147)	(214,262)
Decrease in Inventory	7,151	1,588	0
Increase in Prepays	(249)	(249)	(1,091)
Decrease in Special Assessments Receivable	10,000	838,529	0
Increase (Decrease) in Accounts Payable	(3,316)	(2,304)	425,838
Increase (Decrease) in Accrued Wages and Benefits	(430)	1,646	(6,610)
Increase (Decrease) in Intergovernmental Payable	(3,939)	(2,123)	873
Decrease in Claims Payable	0	0	0
Increase in AMPGS Payable	0	0	513,325
Increase (Decrease) in Compensated Absences	(4,419)	(5,128)	(6,456)
Total Adjustments	<u>120,752</u>	<u>1,367,924</u>	<u>1,124,681</u>
Net Cash Provided (Used) by Operating Activities	<u>\$298,812</u>	<u>\$2,440,144</u>	<u>\$495,696</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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<u>Nonmajor</u>		Business-Type Activities -
Public Safety		Internal Service
Vehicle Service	Total	Fund
(\$166,915)	\$454,380	(\$154,640)
15,831	1,088,557	0
565	38,378	0
(411)	(19,635)	0
(46,466)	(287,060)	85,612
0	8,739	0
(3,928)	(5,517)	0
0	848,529	0
(657)	419,561	10,428
823	(4,571)	329
(1,875)	(7,064)	(1,875)
0	0	(93,528)
0	513,325	0
1,474	(14,529)	0
<u>(34,644)</u>	<u>2,578,713</u>	<u>966</u>
<u>(\$201,559)</u>	<u>\$3,033,093</u>	<u>(\$153,674)</u>

**CITY OF COLUMBIANA, OHIO**

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***Statement of Assets and Liabilities***  
***Fiduciary Fund***  
***December 31, 2012***

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,319
<b>Total Assets</b>	<u>1,319</u>
<b>Liabilities:</b>	
Due to Others	<u>1,319</u>
<b>Total Liabilities</b>	<u>\$ 1,319</u>

See accompanying notes to the basic financial statements

## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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, 2012 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.

#### **1. Joint Ventures with Equity Interest:**

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **B. Basis of Presentation - Fund Accounting**

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

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

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

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

##### ***Proprietary Funds***

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

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

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

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

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



## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### 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***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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

**D. Basis of Accounting** (Continued)

Property taxes measurable as of December 31, 2012 but which are not intended to finance 2012 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 as 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*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process**

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

##### **1. Tax Budget**

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

##### **2. Estimated Resources**

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2012.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **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 2012, 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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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

**E. Budgetary Process** (Continued)

**6. Budgetary Basis of Accounting** (Continued)

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	\$171,535
Increase (Decrease):	
Accrued Revenues at December 31, 2012 received during 2013	(471,523)
Accrued Revenues at December 31, 2011 received during 2012	505,261
Accrued Expenditures at December 31, 2012 paid during 2013	106,727
Accrued Expenditures at December 31, 2011 paid during 2012	(119,704)
2011 Prepays for 2012	14,663
2012 Prepays for 2013	(13,094)
Outstanding Encumbrances	(22,626)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(126,151)</u>
Budget Basis	<u><u>\$45,088</u></u>

**F. Cash and Cash Equivalents**

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

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

## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **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. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost. The City allocates interest among the various funds as determined by City Ordinance. See Note 4, "Cash, Cash Equivalents and Investments."

Under existing Ohio statutes 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 2012 amounted to \$16,128, which includes \$15,333 assigned from other funds.

##### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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 financial statements, purchased inventories are presented at the lower of cost or market 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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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

**J. Capital Assets and Depreciation**

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

**1. Property, Plant and Equipment - Governmental Activities**

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

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

**2. Property, Plant and Equipment – Business Type Activities**

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

**3. Depreciation**

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

<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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**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 Bond	Wastewater Fund
General Obligation Bond	Public Safety Vehicle Service Fund
OPWC Loans	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, 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**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **M. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

##### **N. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

##### **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.

*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.

## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **P. Fund Balances** (Continued)

*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 fiscal year 2012.

##### **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. The City reports no deferred outflows of resources.

## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **S. Deferred Outflows/Inflows of Resources (Continued)**

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

#### **NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE**

For 2012 the City implemented GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”.

Statement No. 62 incorporated into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. GASB 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position.

Statement No. 65 provides guidance on how to properly classify items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. In addition, guidance is provided on recognizing certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of these GASB Statements had no impact on beginning of year fund balance/net position.

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 3 – FUND BALANCE CLASSIFICATION**

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

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$13,094	\$1,402	\$7,861	\$22,357
Supplies Inventory	0	0	20,654	20,654
Unclaimed Funds	11,465	0	0	11,465
Permanent Fund Corpus	0	0	100,000	100,000
Total Nonspendable	<u>24,559</u>	<u>1,402</u>	<u>128,515</u>	<u>154,476</u>
Restricted:				
Street Maintenance and Repair	0	0	404,003	404,003
Cemetery Maintenance	0	0	108,079	108,079
Law Enforcement	0	0	56,147	56,147
Debt Retirement	0	0	74,750	74,750
Capital Improvements	0	620,184	557,014	1,177,198
Total Restricted	<u>0</u>	<u>620,184</u>	<u>1,199,993</u>	<u>1,820,177</u>
Committed:				
Other Purposes	0	0	11,970	11,970
Total Committed	<u>0</u>	<u>0</u>	<u>11,970</u>	<u>11,970</u>
Assigned:				
Land Purchase	0	0	84,704	84,704
Other Purposes	22,296	0	0	22,296
Total Assigned	<u>22,296</u>	<u>0</u>	<u>84,704</u>	<u>107,000</u>
Unassigned (Deficits):				
	1,452,393	0	0	1,452,393
Total Fund Balances	<u>\$1,499,248</u>	<u>\$621,586</u>	<u>\$1,425,182</u>	<u>\$3,546,016</u>

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **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 debt 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, 2012**

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

At year end the carrying amount of the City's deposits was \$8,671,872 and the bank balance was \$8,727,567. Federal depository insurance covered \$2,430,346 of the bank balance and \$6,297,221 was uninsured and collateralized with securities held by the pledging institutions trust department not in the City's name.

**B. Investments**

The City's investments at December 31, 2012 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3 or more
City of Columbiana Bond	\$44,900	N/A	\$5,600	\$18,300	\$21,000
Total Investments	<u>\$44,900</u>		<u>\$5,600</u>	<u>\$18,300</u>	<u>\$21,000</u>

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

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

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

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**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 and located in the City. Real property taxes (other than public utility) collected during 2012 were levied after October 1, 2011 on assessed values as of January 1, 2011, 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 2010 for Columbiana County and 2011 for Mahoning County. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Columbiana. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2012 was \$6.80 per \$1,000 of assessed value.

The assessed values upon which the 2012 property tax levy was based were as follows:

	County	
	Columbiana	Mahoning
Real Property:		
Residential/Agricultural	\$112,518,760	\$28,509,630
Personal Property:		
Public Utility Personal Property	1,248,260	58,060
Total Assessed Value	<u>\$113,767,020</u>	<u>\$28,567,690</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**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**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, 2012 consisted of taxes, accounts receivable, 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 2012:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$1,039,000
Capital Improvement Fund	837,500	0
Other Governmental Funds	201,500	0
Totals	<u>\$1,039,000</u>	<u>\$1,039,000</u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 8 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Capital assets not being depreciated:</i>				
Land	\$935,782	\$12,313	\$0	\$948,095
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,867,836	17,361	0	1,885,197
Improvements Other than Buildings	588,852	0	0	588,852
Infrastructure	4,193,194	1,255,205	0	5,448,399
Machinery and Equipment	2,716,111	169,318	0	2,885,429
Total Cost	<u>\$10,301,775</u>	<u>\$1,454,197</u>	<u>\$0</u>	<u>\$11,755,972</u>

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings and Improvements	(\$1,047,315)	(\$51,999)	\$0	(\$1,099,314)
Improvements Other than Buildings	(471,899)	(15,872)	0	(487,771)
Infrastructure	(709,852)	(221,656)	0	(931,508)
Machinery and Equipment	(1,913,438)	(112,728)	0	(2,026,166)
Total Accumulated Depreciation	<u>(\$4,142,504)</u>	<u>(\$402,255) *</u>	<u>\$0</u>	<u>(\$4,544,759)</u>
<i>Net Value:</i>	<u>\$6,159,271</u>			<u>\$7,211,213</u>

\* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$63,057
Public Health and Welfare	8,235
Leisure Time Activities	43,740
Transportation	257,905
General Government	29,318
Total Depreciation Expense	<u>\$402,255</u>

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 8 - CAPITAL ASSETS (Continued)**

**B. Business-Type Activities Capital Assets**

Summary by Category at December 31, 2012:

*Historical Cost:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
<i>Capital assets not being depreciated:</i>				
Land	\$919,144	\$0	\$0	\$919,144
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	10,643,016	144,137	0	10,787,153
Improvements Other than Buildings	476,964	49,289	0	526,253
Machinery and Equipment	8,601,567	1,028,557	0	9,630,124
Infrastructure	11,868,625	14,705	0	11,883,330
Total Cost	<u>\$32,509,316</u>	<u>\$1,236,688</u>	<u>\$0</u>	<u>\$33,746,004</u>

*Accumulated Depreciation:*

Class	December 31, 2011	Additions	Deletions	December 31, 2012
Buildings and Improvements	(\$2,470,608)	(\$296,077)	\$0	(\$2,766,685)
Improvements Other than Buildings	(109,433)	(24,979)	0	(134,412)
Machinery and Equipment	(4,921,118)	(506,525)	0	(5,427,643)
Infrastructure	(1,355,715)	(260,976)	0	(1,616,691)
Total Accumulated Depreciation	<u>(\$8,856,874)</u>	<u>(\$1,088,557)</u>	<u>\$0</u>	<u>(\$9,945,431)</u>
<i>Net Value:</i>	<u>\$23,652,442</u>	<u>\$148,131</u>	<u>\$0</u>	<u>\$23,800,573</u>

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

All of the City’s full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

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

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, “Accounting for Pensions by State and Local Government Employers.”

## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The following information was provided by OPERS to assist the City in complying with GASB Statement No. 27, “*Accounting for Pensions by State and Local Government Employers.*”

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by OPERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for OPERS. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The ORC provides statutory authority for employee and employer contributions. For 2012, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2012 employer contribution rate for local government employer units was 14.00% of covered payroll, which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2012. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2012. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City’s contributions for pension obligations to OPERS for the years ending December 31, 2012, 2011, and 2010 were \$245,037, \$234,238 and \$203,010, respectively, which were equal to the required contributions for each year.

## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

All City full-time police officers participate in OP&F, a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Contribution requirements and benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the ORC. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2012, 12.75% of annual covered salary for police was the portion used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2012, 2011, and 2010 were \$80,066, \$82,376 and \$76,562 for police, which were equal to the required contributions for each year.

#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

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

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B Premium reimbursement, to qualifying member of both the Traditional Pension and the Combined Plans. Members of the Member Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

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

## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$98,015, \$93,695 and \$116,477, respectively, which were equal to the required contributions for each year.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

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

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

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2012*

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

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

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 2012, the employer contribution allocated to the health care plan was 6.75% 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 also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2012, 2011, and 2010 were \$42,388, \$43,611 and \$40,533 for police, which were equal to the required contributions for each year.

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 11 - NOTES PAYABLE**

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

The following notes are payable from the Water and Electric Enterprise Funds:

	Balance January 1, 2012	Issued	(Retired)	Balance December 31, 2012
Enterprise Fund Note Payable:				
1.550% Water Treatment Improvement	\$690,000	\$0	(\$690,000)	\$0
1.300% Water Treatment Improvement	0	1,120,000	0	1,120,000
1.550% Water Main Improvement	450,000	0	(450,000)	0
1.550% Electric System Improvements	300,000	0	(300,000)	0
1.300% Electric System Improvements	0	200,000	0	200,000
Total Enterprise Fund Notes Payable	<u>1,440,000</u>	<u>1,320,000</u>	<u>(1,440,000)</u>	<u>1,320,000</u>
Total Notes Payable	<u>\$1,440,000</u>	<u>\$1,320,000</u>	<u>(\$1,440,000)</u>	<u>\$1,320,000</u>

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**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 12 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2012 was as follows:

Interest Rate	Purpose		Balance December 31, 2011	Additions	Deductions	Balance December 31, 2012	Amount Due Within One Year
<b>Governmental Activities:</b>							
Ohio Public Works Commission Loan:							
0.00%	Main Street Improvements		\$0	\$322,766	\$0	\$322,766	\$0
	Compensated Absences		149,780	85,975	(66,566)	169,189	79,149
	Total Governmental Activities		149,780	408,741	(66,566)	491,955	79,149
<b>Business-Type Activities:</b>							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	155,000	0	(10,000)	145,000	10,000
6.00%	Sanitary Sewer Improvements	2024	165,000	0	(10,000)	155,000	10,000
4.25%	Sanitary Sewer Improvements	2025	4,085,000	0	(215,000)	3,870,000	220,000
	Total Special Assessment Bonds		4,405,000	0	(235,000)	4,170,000	240,000
General Obligation Bond:							
4.50%	Public Safety Vehicle Purchase	2019	50,200	0	(5,300)	44,900	5,600
Mortgage Revenue Bond:							
4.13%	Wastewater Treatment System	2045	6,741,000	0	(93,600)	6,647,400	98,200
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2027	265,748	0	(17,145)	248,603	17,145
0.00%	Arrowhead Sewer Lift Station	2041	777,163	0	(26,344)	750,819	26,344
	Total Ohio Public Works Commission Loans		1,042,911	0	(43,489)	999,422	43,489
	AMPGS Payable		0	513,325	0	513,325	98,371
	Compensated Absences		151,393	59,020	(73,549)	136,864	69,129
	Total Business-Type Activities		12,390,504	572,345	(450,938)	12,511,911	554,789
	Total Long-Term Obligations		\$12,540,284	\$981,086	(\$517,504)	\$13,003,866	\$633,938

*Special Assessments* - The principal amount of the City's special assessment debt outstanding at December 31, 2012, \$4,170,000, 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, 2012 was \$12,285,575. In 2012 the Wastewater Fund reported \$1,621,929 of net pledged revenues for coverage of a principal and interest debt service requirement of \$371,667.

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012**

**NOTE 12 - LONG-TERM OBLIGATIONS (Continued)**

*OPWC Loan* – In 2012 the City obtained financing through the Ohio Public Works Commission for improvements to Main Street at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2012, the City had received \$322,766 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2012 the loan has not been finalized and there is no amortization schedule for the loan.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2012 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bond		General Obligation Bond		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$240,000	\$189,614	\$98,200	\$274,205	\$5,600	\$2,021	\$43,489	\$0
2014	255,000	180,164	102,300	270,155	5,800	1,769	43,489	0
2015	260,000	169,564	106,500	265,935	6,100	1,508	43,489	0
2016	270,000	158,764	110,100	261,542	6,400	1,236	43,489	0
2017	285,000	145,064	115,400	257,000	6,700	945	43,489	0
2018-2022	1,690,000	493,709	651,700	1,209,599	14,300	973	217,445	0
2023-2027	1,170,000	100,578	797,700	1,063,660	0	0	208,872	0
2028-2032	0	0	976,000	885,006	0	0	131,720	0
2033-2037	0	0	1,195,400	666,307	0	0	131,720	0
2038-2045	0	0	2,494,100	484,766	0	0	92,220	0
<b>Totals</b>	<b>\$4,170,000</b>	<b>\$1,437,457</b>	<b>\$6,647,400</b>	<b>\$5,638,175</b>	<b>\$44,900</b>	<b>\$8,452</b>	<b>\$999,422</b>	<b>\$0</b>

**NOTE 13 – INSURANCE AND RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a participant in the Public Entities Pool of Ohio (the "Pool"). The Pool was established in 1987 and is administered under contract by Wells Fargo Insurance Services USA, Inc. to provide a program of Property and Casualty Insurance for its municipality members.

The Pool'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 Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool 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. To date, there has been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2012***

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**NOTE 13 – INSURANCE AND RISK MANAGEMENT (Continued)**

The City obtained insurance coverage from the Pool during 2012 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 maintains a self-funded health insurance program that provides insurance coverages for full time employees. Claims are processed by a third party administrator on behalf of the City. The annual stop loss provision is \$35,000 per employee. A separate Self Insurance Fund (an internal service fund) was created to account for and finance the self insurance program.

The claims liability of \$45,411 reported in the fund at December 31, 2012 is based on requirements of GASB No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the claim can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal year 2012 was as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2011	\$58,737	\$993,516	(\$913,314)	\$138,939
2012	138,939	1,019,303	(1,112,831)	45,411

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.

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## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 14 - JOINT VENTURES**

##### ***Joint Ventures with an Equity Interest***

***Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1)*** – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$12,830 at December 31, 2012. 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.

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, 2012, Columbiana has met their debt coverage obligation.

## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 14 - JOINT VENTURES (Continued)**

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

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

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 \$162,214 at December 31, 2012. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

#### **NOTE 15 – PURCHASE COMMITMENT**

##### ***American Municipal Power Generating Station Project (AMPGS)***

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 8,501 kilowatts of a total 771,281 kilowatts, giving the City a 1.10 percent 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, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 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.

## ***CITY OF COLUMBIANA, OHIO***

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2012***

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#### **NOTE 15 – PURCHASE COMMITMENT (Continued)**

The City's estimated share at March 31, 2014 of the impaired costs is \$1,470,883. The City received a credit of \$449,192 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$384,457 related to the AMPGS costs deemed to have future benefit for the project participants, and payments made of \$123,909 leaving a net impaired cost estimate of \$513,325. 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 liability. These amounts will be recorded as they become estimable.

The impaired costs have been included in the business-type activities and the electric enterprise fund as a 2012 expense. The City elected to finance this amount over 15 years.

#### **NOTE 16 - CONTINGENCIES**

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

#### **NOTE 17 – SUBSEQUENT EVENTS**

On June 5, 2013 the City issued bond anticipation notes in the amount of \$1,170,000 to retire notes previously issued in the amount of \$1,320,000 for paying costs of improving the City's water main system, water treatment system, and electric system. The notes have an interest rate of 1.15% and mature on June 5, 2014.

CITY OF COLUMBIANA  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 30, 2012

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
<i>Passed Through Ohio Department of Transportation:</i>			
Environmental/Scenic Enhancement Project	20.205	\$ 955,042	\$ 955,042
<b>Total U.S. Department of Transportation</b>		<b>955,042</b>	<b>955,042</b>
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Direct Program</i>			
Assistance to Firefighters Grant	97.044	199,923	199,923
<b>Total U.S. Department of Homeland Security</b>		<b>199,923</b>	<b>199,923</b>
<b>Totals</b>		<b>\$ 1,154,965</b>	<b>\$ 1,154,965</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED DECEMBER 30, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the City of Columbiana's (the City's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - MATCHING REQUIREMENTS**

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





# Dave Yost • Auditor of State

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

City of Columbiana  
Columbiana County  
28 W. Friend Street  
Columbiana, Ohio 44408

To the Members of 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 21, 2014.

### ***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***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*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2014



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Members of City Council:

### ***Report on Compliance for Each Major Federal Program***

We have audited the City of Columbiana's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City of Columbiana's major federal program for the year ended December 31, 2012. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the City of Columbiana complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

**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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2014

**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Environmental/Scenic Enhancement Project 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**CITY OF COLUMBIANA**

**COLUMBIANA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 9, 2014**