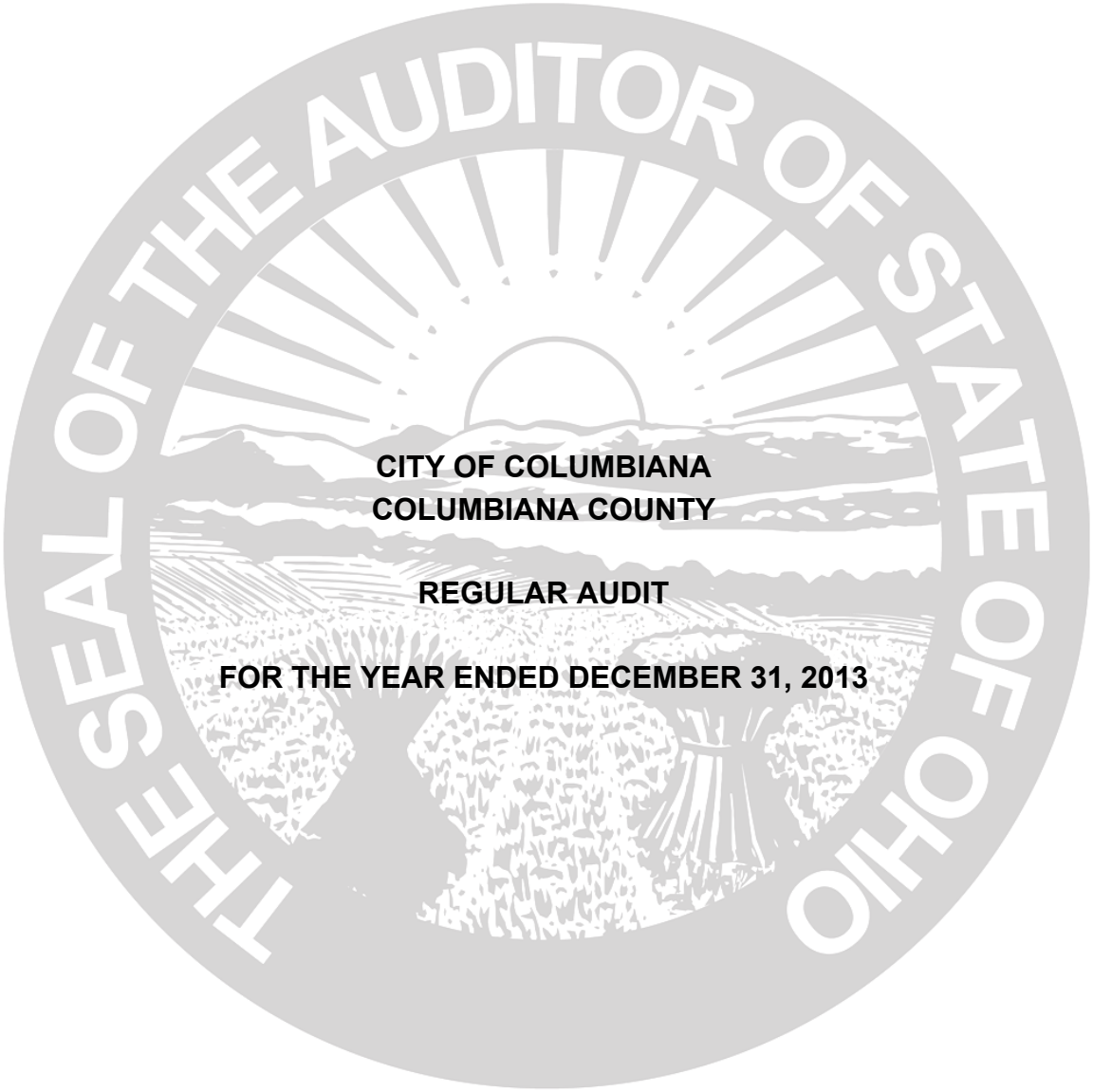


CITY OF COLUMBIANA
COLUMBIANA COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2013

Dave Yost · Auditor of State

CITY OF COLUMBIANA
COLUMBIANA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	20
Statement of Net Position – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	26
Statement of Cash Flows – Proprietary Funds	28
Statement of Assets and Liabilities – Fiduciary Fund	32
Notes to the Basic Financial Statements	33
Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Required By *Government Auditing Standards*	65
Schedule of Findings	67

THIS PAGE INTENTIONALLY LEFT BLANK.

INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, Ohio (the City), as of and for the year ended December 31, 2013, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the City restated its January 1, 2013 governmental activities net position to properly account for income taxes receivable. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2016 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost
Auditor of State
Columbus, Ohio

April 21, 2016

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, 2013. 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 2013 are as follows:

- In total, net position increased $432,596. Net position of governmental activities decreased $88,176, which represents a 1% decrease from 2012. Net position of business-type activities increased $520,772, or 3% from 2012.

- General revenues accounted for $3,617,181 in revenue or 22% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $13,097,825, or 78% of total revenues of $16,715,006.

- The City had $3,820,397 in expenses related to governmental activities; only $849,410 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $3,332,811 were adequate to provide for these programs.

- Among major funds, the general fund had $3,150,441 in revenues and $3,733,148 in expenditures and other financing uses. The general fund's fund balance decreased from a balance of $1,499,248 to $917,150.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.

2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

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

Government-wide Statements

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

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

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

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

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare, leisure time activities, transportation and general government.

- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, wastewater, electric and public safety vehicle services are reported as business-type activities.

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2013 compared to 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Current and other Assets	$4,003,838	$5,082,528	$11,875,201	$11,849,161	$15,879,039	$16,931,689
Capital Assets, Net	8,270,573	7,211,213	23,586,505	23,800,573	31,857,078	31,011,786
Total Assets	12,274,411	12,293,741	35,461,706	35,649,734	47,736,117	47,943,475
Long-term Debt Outstanding	588,049	491,955	12,009,562	12,511,911	12,597,611	13,003,866
Other Liabilities	167,594	199,030	2,160,560	2,369,219	2,328,154	2,568,249
Total Liabilities	755,643	690,985	14,170,122	14,881,130	14,925,765	15,572,115
Deferred Inflows of Resources	552,505	548,317	235,263	233,055	787,768	781,372
Net Position						
Net Investment in Capital Assets	7,849,221	6,888,447	10,942,072	10,618,851	18,791,293	17,507,298
Restricted	1,688,413	2,086,359	0	0	1,688,413	2,086,359
Unrestricted	1,428,629	2,079,633	10,114,249	9,916,698	11,542,878	11,996,331
Total Net Position	$10,966,263	$11,054,439	$21,056,321	$20,535,549	$32,022,584	$31,589,988

Changes in Net Position – The following table shows the changes in net position for 2013 compared to 2012:

	Governmental Activities		Business-type Activities		Total	
	2013	Restated 2012	2013	2012	2013	Restated 2012
Revenues						
Program Revenues:						
Charges for Services and Sales	$400,878	$400,004	$12,123,680	$12,050,409	$12,524,558	$12,450,413
Operating Grants and Contributions	301,686	510,779	0	0	301,686	510,779
Capital Grants and Contributions	146,846	997,478	124,735	13,981	271,581	1,011,459
Total Program Revenues	849,410	1,908,261	12,248,415	12,064,390	13,097,825	13,972,651
General Revenues:						
Property Taxes	621,984	633,870	247,572	251,101	869,556	884,971
Income Taxes	2,031,507	1,923,651	0	0	2,031,507	1,923,651
Other Local Taxes	46,195	46,240	0	0	46,195	46,240
Intergovernmental, Unrestricted	519,684	472,461	35,922	36,765	555,606	509,226
Investment Earnings	10,996	16,319	876	350	11,872	16,669
Miscellaneous	102,445	67,147	0	0	102,445	67,147
Total General Revenues	3,332,811	3,159,688	284,370	288,216	3,617,181	3,447,904
Total Revenues	4,182,221	5,067,949	12,532,785	12,352,606	16,715,006	17,420,555
Program Expenses						
Security of Persons and Property	1,684,707	1,547,003	0	0	1,684,707	1,547,003
Public Health and Welfare	285,624	242,407	0	0	285,624	242,407
Leisure Time Activities	458,586	500,226	0	0	458,586	500,226
Transportation	791,881	642,486	0	0	791,881	642,486
General Government	599,599	916,678	0	0	599,599	916,678
Water	0	0	1,000,977	1,061,537	1,000,977	1,061,537
Wastewater	0	0	1,801,412	1,746,042	1,801,412	1,746,042
Electric	0	0	9,167,461	9,010,164	9,167,461	9,010,164
Public Safety Vehicle Service	0	0	492,163	449,108	492,163	449,108
Total Expenses	3,820,397	3,848,800	12,462,013	12,266,851	16,282,410	16,115,651
Change in Net Position Before Transfers	361,824	1,219,149	70,772	85,755	432,596	1,304,904
Transfers	(450,000)	0	450,000	0	0	0
Total Change in Net Position	(88,176)	1,219,149	520,772	85,755	432,596	1,304,904
Beginning Net Position - Restated	11,054,439	9,835,290	20,535,549	20,449,794	31,589,988	30,285,084
Ending Net Position	$10,966,263	$11,054,439	$21,056,321	$20,535,549	$32,022,584	$31,589,988

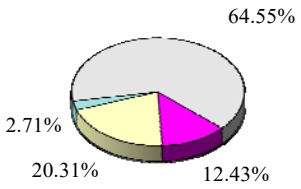
Governmental Activities

Net position of the City's governmental activities decreased $88,176. An Ohio Department of Transportation grant for improvements to South Main Street received in the prior year resulted in the subsequent decrease in capital grants and contributions in the current year. Federal grants received in the prior year for the fire department resulted in the subsequent decrease in operating grants in the current year.

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

Income taxes and property taxes made up 49% and 15% respectively of revenues for governmental activities for the City in fiscal year 2013. The City's reliance upon tax revenues is demonstrated by the following graph indicating 65% of total revenues from general tax revenues:

Revenue Sources	2013	Percent of Total
General Tax Revenues	$2,699,686	64.55%
Intergovernmental, Unrestricted	519,684	12.43%
Program Revenues	849,410	20.31%
General Other	113,441	2.71%
Total Revenue	$4,182,221	100.00%



Business-Type Activities

Net position of business-type activities increased $520,772. Revenues and expenses remained consistent with the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of $2,558,517, which is a decrease from last year's balance of $3,546,016. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2013 and 2012:

	Fund Balance December 31, 2013	Fund Balance December 31, 2012	Increase (Decrease)
General	$917,150	$1,499,248	($582,098)
Capital Improvement	726,682	621,586	105,096
Other Governmental	914,685	1,425,182	(510,497)
Total	$2,558,517	$3,546,016	($987,499)

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

	2013 Revenues	2012 Revenues	Increase (Decrease)
Taxes	$2,327,381	$2,249,689	$77,692
Intergovernmental Revenues	491,001	461,611	29,390
Charges for Services	149,394	164,029	(14,635)
Licenses and Permits	108,964	102,771	6,193
Investment Earnings	10,330	16,128	(5,798)
Fines and Forfeitures	26,163	37,612	(11,449)
All Other Revenue	37,208	7,223	29,985
Total	$3,150,441	$3,039,063	$111,378

General Fund revenues remained stable in 2013, increasing 4% when compared to revenues in the prior year.

	2013 Expenditures	2012 Expenditures	Increase (Decrease)
Security of Persons and Property	$1,230,741	$1,162,555	$68,186
Public Health and Welfare	15,198	14,755	443
Leisure Time Activities	338,445	342,057	(3,612)
General Government	327,264	309,161	18,103
Total	$1,911,648	$1,828,528	$83,120

General Fund expenditures increased $83,120 or 5% when compared with the prior year. The increase in security of persons and property can be attributed to an overall increase in police department expenditures.

Capital Improvement Fund – The City's Capital Improvement Fund balance increased approximately 17%. Revenues and expenditures decreased substantially due to an Ohio Department of Transportation Grant and Ohio Public Works Commission Loan that were received in the prior year.

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 2013 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of $2.1 million was not significantly different from original or final budget estimates. Budget basis expenditures of $2.3 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 2013 the City had $31,857,078 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, $8,270,573 was related to governmental activities and $23,586,505 to the business-type activities. The following table shows fiscal year 2013 and 2012 balances:

	Governmental Activities		Increase (Decrease)
	2013	2012	
Land	$948,095	$948,095	$0
Buildings and Improvements	2,056,564	1,885,197	171,367
Improvements Other than Buildings	613,452	588,852	24,600
Infrastructure	5,884,247	5,448,399	435,848
Machinery and Equipment	3,795,066	2,885,429	909,637
Less: Accumulated Depreciation	(5,026,851)	(4,544,759)	(482,092)
Totals	$8,270,573	$7,211,213	$1,059,360

Significant capital asset activity consisted of the purchase of a fire truck, as well as improvements to South Main Street.

	Business-Type Activities		Increase (Decrease)
	2013	2012	
Land	$974,070	$919,144	$54,926
Buildings	10,934,388	10,787,153	147,235
Improvements other than Buildings	539,991	526,253	13,738
Machinery and Equipment	9,904,767	9,630,124	274,643
Infrastructure	12,289,667	11,883,330	406,337
Less: Accumulated Depreciation	(11,056,378)	(9,945,431)	(1,110,947)
Totals	$23,586,505	$23,800,573	($214,068)

Business-Type Activities capital asset additions in 2013 consisted of substation work in the electric department, engineering costs for a new water plant, and equipment purchases in all departments. Additional information on the City's capital assets can be found in Note 7.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2013 and 2012:

	2013	2012
Governmental Activities:		
Ohio Public Works Commission Loan	$421,352	$322,766
Compensated Absences	166,697	169,189
Total Governmental Activities	588,049	491,955
Business-Type Activities:		
Special Assessment Bonds	3,930,000	4,170,000
General Obligation Bond	39,300	44,900
Mortgage Revenue Bond	6,549,200	6,647,400
Ohio Public Works Commission Loans	955,933	999,422
AMPGS Payable	414,954	513,325
Compensated Absences	120,175	136,864
Total Business-Type Activities	12,009,562	12,511,911
Totals	$12,597,611	$13,003,866

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, 2013, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

REQUESTS FOR INFORMATION

This financial report is 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.

This Page Intentionally Left Blank

Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	$ 2,290,458	$ 5,421,011	$ 7,711,469
Receivables:			
Taxes	1,512,919	262,615	1,775,534
Accounts	40,369	1,838,729	1,879,098
Intergovernmental	330,900	17,668	348,568
Special Assessments	0	3,920,000	3,920,000
Internal Balance	(210,582)	210,582	0
Inventory of Supplies at Cost	15,441	6,530	21,971
Prepaid Items	24,333	23,623	47,956
Investment in Joint Venture	0	174,443	174,443
Nondepreciable Capital Assets	948,095	974,070	1,922,165
Depreciable Capital Assets, Net	7,322,478	22,612,435	29,934,913
Total Assets	12,274,411	35,461,706	47,736,117
Liabilities:			
Accounts Payable	17,780	667,727	685,507
Accrued Wages and Benefits	147,301	122,988	270,289
Intergovernmental Payable	2,513	41,583	44,096
Claims Payable	0	44,430	44,430
Accrued Interest Payable	0	113,832	113,832
General Obligation Notes Payable	0	1,170,000	1,170,000
Noncurrent liabilities:			
Due within one year	104,427	503,247	607,674
Due in more than one year	483,622	11,506,315	11,989,937
Total Liabilities	755,643	14,170,122	14,925,765
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	552,505	235,263	787,768
Net Position:			
Net Investment in Capital Assets	7,849,221	10,942,072	18,791,293
Restricted For:			
Capital Projects	908,859	0	908,859
Debt Service	66,820	0	66,820
Other Purposes	712,734	0	712,734
Unrestricted	1,428,629	10,114,249	11,542,878
Total Net Position	$ 10,966,263	$ 21,056,321	$ 32,022,584

See accompanying notes to the basic financial statements

Statement of Activities
For the Year Ended December 31, 2013

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	$ 1,684,707	$ 87,290	$ 18,484	$ 0
Public Health and Welfare	285,624	69,550	0	0
Leisure Time Activities	458,586	135,074	0	0
Transportation	791,881	0	283,202	146,846
General Government	599,599	108,964	0	0
Total Governmental Activities	3,820,397	400,878	301,686	146,846
Business-Type Activities:				
Water	1,000,977	1,169,679	0	6,150
Wastewater	1,801,412	1,178,169	0	118,585
Electric	9,167,461	9,380,807	0	0
Public Safety Vehicle Service	492,163	395,025	0	0
Total Business-Type Activities	12,462,013	12,123,680	0	124,735
Totals	$ 16,282,410	$ 12,524,558	$ 301,686	$ 271,581

General Revenues and Transfers	
Property Taxes Levied for:	
General Purposes	
Special Purposes	
Capital Projects	
Public Safety Vehicle Service	
Income Tax	
Other Local Taxes	
Intergovernmental, Unrestricted	
Investment Earnings	
Miscellaneous	
Transfers	
Total General Revenues and Transfers	
Change in Net Position	
Net Position Beginning of Year - Restated, See Note 18	
Net Position End of Year	

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (1,578,933)	$ 0	$ (1,578,933)
(216,074)	0	(216,074)
(323,512)	0	(323,512)
(361,833)	0	(361,833)
(490,635)	0	(490,635)
(2,970,987)	0	(2,970,987)
0	174,852	174,852
0	(504,658)	(504,658)
0	213,346	213,346
0	(97,138)	(97,138)
0	(213,598)	(213,598)
$ (2,970,987)	$ (213,598)	$ (3,184,585)
312,867	0	312,867
37,650	0	37,650
271,467	0	271,467
0	247,572	247,572
2,031,507	0	2,031,507
46,195	0	46,195
519,684	35,922	555,606
10,996	876	11,872
102,445	0	102,445
(450,000)	450,000	0
2,882,811	734,370	3,617,181
(88,176)	520,772	432,596
11,054,439	20,535,549	31,589,988
$ 10,966,263	$ 21,056,321	$ 32,022,584

Balance Sheet
Governmental Funds
December 31, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	$ 482,942	$ 738,031	$ 1,069,485	$ 2,290,458
Receivables:				
Taxes	1,210,487	0	302,432	1,512,919
Accounts	28,840	300	11,229	40,369
Intergovernmental	120,746	0	210,154	330,900
Inventory of Supplies, at Cost	609	0	14,832	15,441
Prepaid Items	14,874	551	8,908	24,333
Total Assets	$ 1,858,498	$ 738,882	$ 1,617,040	$ 4,214,420
Liabilities:				
Accounts Payable	$ 9,495	$ 4,590	$ 3,695	$ 17,780
Accrued Wages and Benefits Payable	90,516	7,610	49,175	147,301
Intergovernmental Payable	2,370	0	143	2,513
Interfund Loans Payable	0	0	200,000	200,000
Total Liabilities	102,381	12,200	253,013	367,594
Deferred Inflows of Resources:				
Unavailable Amounts	557,417	0	178,387	735,804
Property Tax Levy for Next Fiscal Year	281,550	0	270,955	552,505
Total Deferred Inflows of Resources	838,967	0	449,342	1,288,309
Fund Balance:				
Nonspendable	27,450	551	123,740	151,741
Restricted	0	726,131	718,430	1,444,561
Committed	0	0	6,802	6,802
Assigned	7,542	0	77,119	84,661
Unassigned	882,158	0	(11,406)	870,752
Total Fund Balance	917,150	726,682	914,685	2,558,517
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 1,858,498	$ 738,882	$ 1,617,040	$ 4,214,420

See accompanying notes to the basic financial statements

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2013

Total Governmental Fund Balances		$ 2,558,517
Amounts reported for governmental activities in the statement of net position are different because		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		8,270,573
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		735,804
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.		(10,582)
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	(421,352)	
Compensated Absences Payable	(166,697)	(588,049)
Net Position of Governmental Activities		$ 10,966,263

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 2,327,381	$ 0	$ 311,297	$ 2,638,678
Other Local Taxes	0	0	46,195	46,195
Intergovernmental Revenues	491,001	146,846	333,650	971,497
Charges for Services	149,394	0	115,921	265,315
Licenses and Permits	108,964	0	0	108,964
Investment Earnings	10,330	0	666	10,996
Fines and Forfeitures	26,163	0	436	26,599
All Other Revenue	37,208	22,626	42,611	102,445
Total Revenue	3,150,441	169,472	850,776	4,170,689
Expenditures:				
Current:				
Security of Persons and Property	1,230,741	0	272,570	1,503,311
Public Health and Welfare	15,198	0	201,145	216,343
Leisure Time Activities	338,445	0	11,828	350,273
Transportation	0	0	415,013	415,013
General Government	327,264	0	17,552	344,816
Capital Outlay	0	1,332,962	638,843	1,971,805
Debt Service:				
Principal Retirement	0	30,097	0	30,097
Total Expenditures	1,911,648	1,363,059	1,556,951	4,831,658
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,238,793	(1,193,587)	(706,175)	(660,969)
Other Financing Sources (Uses):				
OPWC Loan Issuance	0	128,683	0	128,683
Transfers In	0	1,170,000	201,500	1,371,500
Transfers Out	(1,821,500)	0	0	(1,821,500)
Total Other Financing Sources (Uses)	(1,821,500)	1,298,683	201,500	(321,317)
Net Change in Fund Balances	(582,707)	105,096	(504,675)	(982,286)
Fund Balance at Beginning of Year	1,499,248	621,586	1,425,182	3,546,016
Increase (Decrease) in Inventory	609	0	(5,822)	(5,213)
Fund Balance End of Year	$ 917,150	$ 726,682	$ 914,685	$ 2,558,517

See accompanying notes to the basic financial statements

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For the Year Ended December 31, 2013

Net Change in Fund Balances - Total Governmental Funds		$ (982,286)
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	1,541,452	
Depreciation Expense	(482,092)	1,059,360
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		11,532
The issuance of long-term debt (e.g. notes, loans) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Ohio Public Works Commission Loan Issuance	(128,683)	
Ohio Public Works Commission Loan Principal Retirement	30,097	
		(98,586)
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	(1,605)	
Change in Inventory	(5,213)	(6,818)
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.		(71,378)
Change in Net Position of Governmental Activities		$ (88,176)

See accompanying notes to the basic financial statements

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	$ 315,198	$ 326,100	$ 315,359	$ (10,741)
Intergovernmental Revenue	411,470	425,703	455,176	29,473
Charges for Services	33,829	35,000	14,320	(20,680)
Licenses and Permits	103,906	107,500	108,499	999
Investment Earnings	14,499	15,000	10,330	(4,670)
Fines and Forfeitures	36,585	37,850	24,900	(12,950)
All Other Revenues	9,666	10,000	23,170	13,170
Total Revenues	925,153	957,153	951,754	(5,399)
Expenditures:				
Current:				
Security of Persons and Property	1,293,287	1,322,991	1,247,883	75,108
Public Health and Welfare	14,857	15,198	15,198	0
General Government	206,300	211,038	206,014	5,024
Total Expenditures	1,514,444	1,549,227	1,469,095	80,132
Excess (Deficiency) of Revenues Over (Under) Expenditures	(589,291)	(592,074)	(517,341)	74,733
Other Financing Sources (Uses):				
Transfers In	850,000	1,170,000	1,170,000	0
Transfers Out	(350,000)	(826,500)	(826,500)	0
Total Other Financing Sources (Uses):	500,000	343,500	343,500	0
Net Change in Fund Balance	(89,291)	(248,574)	(173,841)	74,733
Fund Balance at Beginning of Year	321,208	321,208	321,208	0
Prior Year Encumbrances	22,626	22,626	22,626	0
Fund Balance at End of Year	$ 254,543	$ 95,260	$ 169,993	$ 74,733

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
ASSETS			
Current Assets:			
Pooled Cash and Investments	$ 737,985	$ 2,369,281	$ 1,669,854
Taxes Receivable	0	0	0
Accounts Receivable	179,553	182,243	1,330,138
Intergovernmental Receivables	0	0	0
Special Assessments Receivable	135,000	3,785,000	0
Inventory of Supplies at Cost	3,186	3,344	0
Prepaid Items	5,555	5,280	8,685
Total Current Assets	1,061,279	6,345,148	3,008,677
Noncurrent Assets:			
Investment in Joint Venture	0	0	174,443
Interfund Loan Receivable	0	200,000	0
Capital Assets, Net	3,377,409	14,545,962	5,487,909
Total Noncurrent Assets	3,377,409	14,745,962	5,662,352
Total Assets	4,438,688	21,091,110	8,671,029
LIABILITIES			
Current Liabilities:			
Accounts Payable	11,134	5,504	645,737
Accrued Wages and Benefits	36,043	26,666	36,389
Intergovernmental Payable	4,616	8,161	28,586
Claims Payable	0	0	0
AMPGS Payable - Current	0	0	53,180
Accrued Interest Payable	7,572	104,433	648
General Obligation Notes Payable	1,070,000	0	100,000
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	0	102,300	0
Special Assessment Bonds Payable - Current	10,000	245,000	0
OPWC Loans Payable - Current	0	43,489	0
Compensated Absences - Current	16,256	9,112	7,540
Total Current Liabilities	1,155,621	544,665	872,080

Non-Major Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
$ 436,542	$ 5,213,662	$ 207,349
262,615	262,615	0
146,451	1,838,385	344
17,668	17,668	0
0	3,920,000	0
0	6,530	0
4,103	23,623	0
867,379	11,282,483	207,693
0	174,443	0
0	200,000	0
175,225	23,586,505	0
175,225	23,960,948	0
1,042,604	35,243,431	207,693
5,352	667,727	0
23,458	122,556	432
220	41,583	0
0	0	44,430
0	53,180	0
1,179	113,832	0
0	1,170,000	0
5,800	5,800	0
0	102,300	0
0	255,000	0
0	43,489	0
10,570	43,478	0
46,579	2,618,945	44,862

Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Special Assessment Bonds Payable	125,000	3,550,000	0
Revenue Bonds Payable	0	6,446,900	0
OPWC Loans Payable	0	912,444	0
AMPGS Payable	0	0	361,774
Compensated Absences Payable	30,785	20,981	16,826
Total Noncurrent Liabilities	155,785	10,930,325	378,600
Total Liabilities	1,311,406	11,474,990	1,250,680
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	0	0	0
NET POSITION			
Net Investment in Capital Assets	2,172,409	3,245,829	5,387,909
Unrestricted	954,873	6,370,291	2,032,440
Total Net Position	$ 3,127,282	$ 9,616,120	$ 7,420,349

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

Non-Major Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
33,500	33,500	0
0	3,675,000	0
0	6,446,900	0
0	912,444	0
0	361,774	0
8,105	76,697	0
41,605	11,506,315	0
88,184	14,125,260	44,862
235,263	235,263	0
135,925	10,942,072	0
583,232	9,940,836	162,831
$ 719,157	$ 20,882,908	$ 162,831
	173,413	
	$ 21,056,321	

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Operating Revenues:			
Charges for Services	$ 1,146,435	$ 1,169,860	$ 9,274,088
Other Operating Revenues	23,244	8,309	74,250
Total Operating Revenues	1,169,679	1,178,169	9,348,338
Operating Expenses:			
Personal Services	612,466	460,799	676,723
Contractual Services	125,305	261,825	7,284,705
Materials and Supplies	107,809	58,902	192,115
Depreciation	131,165	557,666	401,041
Other Operating Expenses	2,007	6,888	0
Total Operating Expenses	978,752	1,346,080	8,554,584
Operating Income (Loss)	190,927	(167,911)	793,754
Non-Operating Revenue (Expenses):			
Interest Income	0	0	350
Interest and Fiscal Charges	(21,394)	(453,534)	(65,023)
Taxes	0	0	0
Income from Joint Venture	0	0	(601)
Intergovernmental Grants	0	104,166	0
Other Nonoperating Revenue	0	0	33,070
Other Nonoperating Expense	(831)	(1,798)	(25,216)
Total Non-Operating Revenues (Expenses)	(22,225)	(351,166)	(57,420)
Income (Loss) Before Transfers and Contributions	168,702	(519,077)	736,334
Transfers and Contributions:			
Capital Contributions	6,150	14,419	0
Transfers-In	0	0	0
Total Transfers and Contributions	6,150	14,419	0
Change in Net Position	174,852	(504,658)	736,334
Net Position Beginning of Year	2,952,430	10,120,778	6,684,015
Net Position End of Year	$ 3,127,282	$ 9,616,120	$ 7,420,349

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

Non-Major Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
$ 389,271	$ 11,979,654	$ 962,330
5,209	111,012	6,051
394,480	12,090,666	968,381
363,140	2,113,128	1,562,385
64,697	7,736,532	12
34,107	392,933	0
21,075	1,110,947	0
5,850	14,745	0
488,869	11,368,285	1,562,397
(94,389)	722,381	(594,016)
0	350	526
(1,852)	(541,803)	0
247,572	247,572	0
0	(601)	0
35,922	140,088	0
545	33,615	0
(1,442)	(29,287)	0
280,745	(150,066)	526
186,356	572,315	(593,490)
0	20,569	0
0	0	450,000
0	20,569	450,000
186,356	592,884	(143,490)
532,801	20,290,024	306,321
$ 719,157	$ 20,882,908	$ 162,831
	$ 592,884	
	(72,112)	
	$ 520,772	

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Cash Flows from Operating Activities:			
Cash Received from Customers	$1,181,270	$1,409,441	$9,256,440
Cash Payments for Goods and Services	(232,698)	(322,901)	(7,446,518)
Cash Payments to Employees	(605,021)	(463,541)	(707,795)
Claims Paid	0	0	0
Net Cash Provided (Used) by Operating Activities	343,551	622,999	1,102,127
Cash Flows from Noncapital Financing Activities:			
Tax Receipts	0	0	0
Intergovernmental Receipts	0	104,166	0
Transfers In from Other Funds	0	0	0
Advances Out to Other Funds	0	(200,000)	0
Net Cash Provided (Used) by Noncapital Financing Activities	0	(95,834)	0
Cash Flows from Capital and Related Financing Activities:			
Proceeds from the Sale of Notes	1,070,000	0	100,000
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	(10,000)	(230,000)	0
Mortgage Revenue Bond Retirement	0	(98,200)	0
OPWC Loan Retirement	0	(43,489)	0
Note Retirement	(1,120,000)	0	(200,000)
Capital Contributions	6,150	14,419	0
Interest and Fiscal Charges	(22,756)	(455,622)	(65,848)
Acquisition and Construction of Assets	(198,908)	(56,116)	(766,677)
Net Cash Used by Capital and Related Financing Activities	(275,514)	(869,008)	(932,525)
Cash Flows from Investing Activities:			
Receipts of Interest	0	0	350
Net Cash Provided by Noncapital Financing Activities	0	0	350
Net Increase (Decrease) in Cash and Cash Equivalents	68,037	(341,843)	169,952
Cash and Cash Equivalents at Beginning of Year	669,948	2,711,124	1,499,902
Cash and Cash Equivalents at End of Year	$737,985	$2,369,281	$1,669,854

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
$336,981	$12,184,132	$971,383
(101,097)	(8,103,214)	(78)
(364,319)	(2,140,676)	0
0	0	(1,574,199)
(128,435)	1,940,242	(602,894)
249,450	249,450	0
35,777	139,943	0
0	0	450,000
0	(200,000)	0
285,227	189,393	450,000
0	1,170,000	0
(5,600)	(5,600)	0
0	(240,000)	0
0	(98,200)	0
0	(43,489)	0
0	(1,320,000)	0
0	20,569	0
(2,020)	(546,246)	0
(74,666)	(1,096,367)	0
(82,286)	(2,159,333)	0
0	350	526
0	350	526
74,506	(29,348)	(152,368)
362,036	5,243,010	359,717
$436,542	$5,213,662	$207,349

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$190,927	($167,911)	$793,754
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	131,165	557,666	401,041
Non-Operating Revenue	0	0	33,070
Non-Operating Expense	(831)	(1,798)	(25,216)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	1,591	1,272	(124,968)
(Increase) Decrease in Inventory	1,381	(2,424)	0
(Increase) Decrease in Prepaids	(362)	(87)	2,310
Decrease in Special Assessments Receivable	10,000	230,000	0
Increase (Decrease) in Accounts Payable	(234)	3,302	151,536
Decrease in Accrued Wages and Benefits	(339)	(1,080)	(6,786)
Increase in Intergovernmental Payable	2,469	5,721	43
Decrease in Claims Payable	0	0	0
Decrease in AMPGS Payable	0	0	(98,371)
Increase (Decrease) in Compensated Absences	7,784	(1,662)	(24,286)
Total Adjustments	152,624	790,910	308,373
Net Cash Provided (Used) by Operating Activities	$343,551	$622,999	$1,102,127

See accompanying notes to the basic financial statements

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
($94,389)	$722,381	($594,016)
21,075	1,110,947	0
545	33,615	0
(1,442)	(29,287)	0
(58,044)	(180,149)	3,002
0	(1,043)	0
(175)	1,686	0
0	240,000	0
4,758	159,362	(10,494)
(2,458)	(10,663)	(405)
220	8,453	0
0	0	(981)
0	(98,371)	0
1,475	(16,689)	0
(34,046)	1,217,861	(8,878)
($128,435)	$1,940,242	($602,894)

Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2013

	Agency Fund
Assets:	
Cash and Cash Equivalents	$ 3,115
Total Assets	3,115
Liabilities:	
Due to Others	3,115
Total Liabilities	$ 3,115

See accompanying notes to the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2013 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 13 – "Joint Ventures".

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV-5) - OMEGA JV-5 was organized by 42 subdivisions of the State of Ohio (the participants) on April 20, 1993 pursuant to a joint venture agreement under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to undertake the Belleville Hydroelectric Project. The participants are members of American Municipal Power-Ohio, Inc. See Note 13 – "Joint Ventures".

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

D. Basis of Accounting

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Property taxes measurable as of December 31, 2013 but which are not intended to finance 2013 operations and other revenue received in advance of the fiscal year for which they are intended to finance, have been recorded as deferred inflows of resources.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred inflows of resources. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 4.

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.

This space intentionally left blank.

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 2013.

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 2013, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

Net Change in Fund Balance	
	General Fund
GAAP Basis (as reported)	($582,707)
Increase (Decrease):	
Accrued Revenues at December 31, 2013 received during 2014	(521,106)
Accrued Revenues at December 31, 2012 received during 2013	471,523
Accrued Expenditures at December 31, 2013 paid during 2014	102,381
Accrued Expenditures at December 31, 2012 paid during 2013	(106,727)
2012 Prepaids for 2013	13,094
2013 Prepaids for 2014	(14,874)
Outstanding Encumbrances	(9,910)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	474,485
Budget Basis	($173,841)

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 3, "Cash, Cash Equivalents and Investments."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. 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 3, "Cash, Cash Equivalents and Investments."

Under existing Ohio statues all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. The City assigns investment earnings to the General Fund and various other governmental, proprietary and fiduciary funds. Interest revenue credited to the General Fund during 2013 amounted to $10,330, which includes $10,015 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2013, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

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

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

N. Pensions

The provision for pension cost 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.

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 2013.

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.

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 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	$14,874	$551	$8,908	$24,333
Supplies Inventory	609	0	14,832	15,441
Unclaimed Funds	11,967	0	0	11,967
Permanent Fund Corpus	0	0	100,000	100,000
Total Nonspendable	27,450	551	123,740	151,741
Restricted:				
Street Maintenance and Repair	0	0	336,694	336,694
Cemetery Maintenance	0	0	98,273	98,273
Law Enforcement	0	0	56,924	56,924
Debt Retirement	0	0	66,820	66,820
Capital Improvements	0	726,131	159,719	885,850
Total Restricted	0	726,131	718,430	1,444,561
Committed:				
Other Purposes	0	0	6,802	6,802
Total Committed	0	0	6,802	6,802
Assigned:				
Land Purchase	0	0	77,119	77,119
Other Purposes	7,542	0	0	7,542
Total Assigned	7,542	0	77,119	84,661
Unassigned (Deficits):	882,158	0	(11,406)	870,752
Total Fund Balances	$917,150	$726,682	$914,685	$2,558,517

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

- Under limited circumstances, corporate note interest rated in either of the two highest classifications by at least two nationally recognized rating agencies.

- Bonds and other obligations of the State of Ohio;

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

A. Deposits

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

At year end the carrying amount of the City's deposits was $7,675,284 and the bank balance was $7,681,852. Federal depository insurance covered $2,132,346 of the bank balance and $5,549,506 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, 2013 are summarized below:

			Investment Maturities (in Years)		
	Fair Value	Credit Rating	less than 1	1-3	3 or more
City of Columbiana Bond	$39,300	N/A	$5,800	$19,200	$14,300
Total Investments	$39,300		$5,800	$19,200	$14,300

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

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

NOTE 3 - 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 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2013 were levied after October 1, 2012 on assessed values as of January 1, 2012, 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, 2013 was $6.80 per $1,000 of assessed value.

The assessed values upon which the 2013 property tax levy was based were as follows:

	County	
	Columbiana	Mahoning
Real Property:		
Residential/Agricultural	$110,225,720	$28,691,640
Personal Property:		
Public Utility Personal Property	1,335,010	62,160
Total Assessed Value	$111,560,730	$28,753,800

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

NOTE 4 - 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 5 - RECEIVABLES

Receivables at December 31, 2013 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 6 – INTERFUND ACTIVITY

A. Transfers

Following is a summary of transfers in and out for all funds for 2013:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	$0	$1,821,500
Capital Improvement Fund	1,170,000	0
Other Governmental Funds	201,500	0
Total Governmental Funds	1,371,500	1,821,500
Internal Service Fund		
Self Insurance Fund	450,000	0
Totals	$1,821,500	$1,821,500

B. Interfund Loans

The following is a summary of interfund loans receivable and payable for all funds for 2013:

Fund	Interfund Loans Receivable	Interfund Loans Payable
Governmental Funds:		
Other Governmental Funds	$0	$200,000
Proprietary Funds:		
Wastewater Fund	200,000	0
Totals	$200,000	$200,000

These interfund loans are the result of an advance made to the Fire Department Capital Improvement Fund from the Wastewater Fund for the purchase of a fire truck.

NOTE 7 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Capital assets not being depreciated:				
Land	$948,095	$0	$0	$948,095
Capital assets being depreciated:				
Buildings and Improvements	1,885,197	171,367	0	2,056,564
Improvements Other than Buildings	588,852	24,600	0	613,452
Infrastructure	5,448,399	435,848	0	5,884,247
Machinery and Equipment	2,885,429	909,637	0	3,795,066
Total Cost	$11,755,972	$1,541,452	$0	$13,297,424

Accumulated Depreciation:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Buildings and Improvements	($1,099,314)	($54,557)	$0	($1,153,871)
Improvements Other than Buildings	(487,771)	(22,987)	0	(510,758)
Infrastructure	(931,508)	(257,435)	0	(1,188,943)
Machinery and Equipment	(2,026,166)	(147,113)	0	(2,173,279)
Total Accumulated Depreciation	($4,544,759)	($482,092) *	$0	($5,026,851)
Net Value:	$7,211,213			$8,270,573

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	$90,541
Public Health and Welfare	7,813
Leisure Time Activities	46,556
Transportation	308,290
General Government	28,892
Total Depreciation Expense	$482,092

NOTE 7 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2013:

Historical Cost:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Capital assets not being depreciated:				
Land	$919,144	$54,926	$0	$974,070
Capital assets being depreciated:				
Buildings and Improvements	10,787,153	147,235	0	10,934,388
Improvements Other than Buildings	526,253	13,738	0	539,991
Machinery and Equipment	9,630,124	274,643	0	9,904,767
Infrastructure	11,883,330	406,337	0	12,289,667
Total Cost	$33,746,004	$896,879	$0	$34,642,883

Accumulated Depreciation:

Class	December 31, 2012	Additions	Deletions	December 31, 2013
Buildings and Improvements	($2,766,685)	($299,059)	$0	($3,065,744)
Improvements Other than Buildings	(134,412)	(26,553)	0	(160,965)
Machinery and Equipment	(5,427,643)	(501,978)	0	(5,929,621)
Infrastructure	(1,616,691)	(283,357)	0	(1,900,048)
Total Accumulated Depreciation	($9,945,431)	($1,110,947)	$0	($11,056,378)
Net Value:	$23,800,573	($214,068)	$0	$23,586,505

NOTE 8 – 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."*

NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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 2013, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2013 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 and Combined Plans was 13.0% for calendar year 2013. 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, 2013, 2012, and 2011 were $300,460, $245,037 and $234,238, respectively, which were equal to the required contributions for each year.

NOTE 8 – 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, by calling (614) 228-2975, or by visiting www.op-f.org.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10.0% of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75% of their annual covered salary. Throughout 2013, employers were 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. The portion of employer contributions used to fund pension obligations from January 1, 2013 through May 31, 2013 was 14.81% for police officers. The portion of employer contributions used to fund pension obligations from June 1, 2013 through December 31, 2013 was 16.65% for police officers. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2013, 2012, and 2011 were $103,932, $80,066 and $82,376 for police officers, which were equal to the required contributions for each year.

NOTE 9 - 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.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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

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.

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 2013, 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 and Combined Plans was 1.0% for calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2% for both plans, as recommended by the OPERS actuary. 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, 2013, 2012, and 2011 were $23,112, $98,015 and $93,695, 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.

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% of covered payroll for police. 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.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2013, the portion of employer contributions allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013 for police officers. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2013, 2012, and 2011 were $23,147, $42,388 and $43,611 for police, which were equal to the required contributions for each year.

NOTE 10 - 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, 2013	Issued	(Retired)	Balance December 31, 2013
Enterprise Fund Notes Payable:				
1.300% Water Treatment Improvement	$1,120,000	$0	($1,120,000)	$0
1.150% Water Treatment Improvement	0	1,070,000	0	1,070,000
1.300% Electric System Improvements	200,000	0	(200,000)	0
1.150% Electric System Improvements	0	100,000	0	100,000
Total Enterprise Fund Notes Payable	1,320,000	1,170,000	(1,320,000)	1,170,000
Total Notes Payable	$1,320,000	$1,170,000	($1,320,000)	$1,170,000

This space intentionally left blank.

NOTE 11 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2013 was as follows:

Interest Rate	Purpose		Balance December 31, 2012	Additions	Deductions	Balance December 31, 2013	Amount Due Within One Year
Governmental Activities:							
Ohio Public Works Commission Loan:							
0.00%	Main Street Improvements	2027	$322,766	$128,683	($30,097)	$421,352	$30,097
Compensated Absences			169,189	76,657	(79,149)	166,697	74,330
Total Governmental Activities			491,955	205,340	(109,246)	588,049	104,427
Business-Type Activities:							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	145,000	0	(10,000)	135,000	10,000
6.00%	Sanitary Sewer Improvements	2024	155,000	0	(10,000)	145,000	10,000
4.25%	Sanitary Sewer Improvements	2025	3,870,000	0	(220,000)	3,650,000	235,000
Total Special Assessment Bonds			4,170,000	0	(240,000)	3,930,000	255,000
General Obligation Bond:							
4.50%	Public Safety Vehicle Purchase	2019	44,900	0	(5,600)	39,300	5,800
Mortgage Revenue Bond:							
4.13%	Wastewater Treatment System	2045	6,647,400	0	(98,200)	6,549,200	102,300
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2027	248,603	0	(17,145)	231,458	17,145
0.00%	Arrowhead Sewer Lift Station	2041	750,819	0	(26,344)	724,475	26,344
Total Ohio Public Works Commission Loans			999,422	0	(43,489)	955,933	43,489
AMPGS Payable			513,325	0	(98,371)	414,954	53,180
Compensated Absences			136,864	52,440	(69,129)	120,175	43,478
Total Business-Type Activities			12,511,911	52,440	(554,789)	12,009,562	503,247
Total Long-Term Obligations			$13,003,866	$257,780	($664,035)	$12,597,611	$607,674

Special Assessments - The principal amount of the City's special assessment debt outstanding at December 31, 2013, $3,930,000, 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, 2013 was $11,913,170. In 2013 the Wastewater Fund reported $389,755 of net pledged revenues for coverage of a principal and interest debt service requirement of $372,405.

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2013 are as follows:

	Special Assessment Bonds		Mortgage Revenue Bond		General Obligation Bond		OPWC Loans	
Years	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	$255,000	$180,164	$102,300	$270,155	$5,800	$1,769	$73,586	$0
2015	260,000	169,564	106,500	265,935	6,100	1,508	73,586	0
2016	270,000	158,764	110,100	261,542	6,400	1,236	73,586	0
2017	285,000	145,064	115,400	257,000	6,700	945	73,586	0
2018	300,000	130,614	120,200	252,240	7,000	644	73,586	0
2019-2023	1,775,000	413,570	678,500	1,182,716	7,300	329	367,924	0
2024-2028	785,000	50,103	830,100	1,030,755	0	0	312,115	0
2029-2033	0	0	1,016,800	844,746	0	0	131,720	0
2034-2038	0	0	1,244,700	616,997	0	0	131,720	0
2039-2043	0	0	1,523,600	338,217	0	0	65,876	0
2044-2045	0	0	701,000	43,667	0	0	0	0
Totals	$3,930,000	$1,247,843	$6,549,200	$5,363,970	$39,300	$6,431	$1,377,285	$0

NOTE 12 – INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City 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.

NOTE 12 – INSURANCE AND RISK MANAGEMENT (Continued)

The City obtained insurance coverage from the Pool during 2013 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 $44,430 reported in the fund at December 31, 2013 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 2013 was as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2012	$138,939	$1,019,303	($1,112,831)	$45,411
2013	45,411	1,573,218	(1,574,199)	44,430

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.

This space intentionally left blank.

NOTE 13 - JOINT VENTURES

Joint Ventures with an Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was $12,229 at December 31, 2013. 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, 2013, the City has met their debt coverage obligation.

NOTE 13 - JOINT VENTURES (Continued)

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

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

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, 2013. 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.

NOTE 14 – PURCHASE COMMITMENT

American Municipal Power Generating Station Project (AMPGS)

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's 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.

NOTE 14 – 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 $222,280 leaving a net impaired cost estimate of $414,954. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable. The City made payments in 2013 totaling $98,371 leaving a net impaired cost estimate of $414,954 at December 31, 2013.

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

NOTE 15 - CONTINGENCIES

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

NOTE 16 – SUBSEQUENT EVENTS

On June 4, 2014 the City issued bond anticipation notes in the amount of $1,020,000 to retire notes previously issued in the amount of $1,070,000 for paying costs of improving the City's water main system and water treatment system. The notes have an interest rate of 1.125% and mature on June 3, 2015.

On June 2, 2015 the City issued bond anticipation notes in the amount of $945,000 to retire notes previously issued in the amount of $1,020,000 for paying costs of improving the City's water main system and water treatment system. The notes have an interest rate of 1.125% and mature on June 1, 2016.

NOTE 17 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficit at December 31, 2013 of $6,028 in the Fire Department Capital Improvement Fund (capital projects fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary/cash basis. The general fund provides transfers when cash is required, not when accruals occur.

NOTE 18 – RESTATEMENT OF NET POSITION

Adjustments were necessary to the beginning of year Governmental Activities net position to account for accounting changes in income taxes receivable. This adjustment resulted in changes to beginning of year net position as detailed below.

	Governmental Activities
Net Position at December 31, 2012	$10,598,915
Income Taxes Receivable Adjustment	455,524
Net Position, as Restated	$11,054,439

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Columbiana, Columbiana County, (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 21, 2016, wherein we noted the City restated its January 1, 2013 governmental activities net position to properly account for income taxes receivable.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2013-001 to be a material weakness.

Compliance and Other Matters

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

Entity's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

April 21, 2016

CITY OF COLUMBIANA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
December 31, 2013

1. **Financial Reporting**

Finding Number	2013-001

MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the City and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The City did not have policies and procedures in place for certain accrual (GAAP) accounts, which led to the following items requiring audit adjustments to the financial statements.

- Income tax receivable in the General fund and Governmental Activities were understated by $475,009. The adjustment has been recorded to the City's financial statements.

- Accounts receivable in the Public Safety Vehicle Service fund and Business Type Activities were understated by $118,725. The adjustment has been recorded to the City's financial statements.

- Beginning Governmental Activities net position was understated by $455,524 due to the understatement of Income tax receivable. The adjustment has been recorded to the City's financial statements.

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

Official's Response:

The City is aware of the reporting differences and is working with their GAAP conversion company for future reporting.

This page intentionally left blank.

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
JUNE 23, 2016

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov