



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Columbiana County  
105 Market Street  
Lisbon, Ohio 44432

To the Board of Commissioners:

We have audited the accompanying financial statements of Columbiana County, Ohio (the County), as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes follow the basis of cash receipts and disbursements. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the County as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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This report is intended solely for the information and use of the audit committee, management, Board of Commissioners and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

March 31, 2005

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$11,454,999	\$8,683,335	\$287,403			\$20,425,737
Fines and Forfeitures	387,327	117,821				505,148
Special Assessments		3,007				3,007
Intergovernmental Receipts	2,434,888	46,266,813	7,300	13,435		48,722,436
Charges for Services	2,602,621	2,701,337	66,945	114,625		5,485,528
Licenses and Permits	11,464	209,490				220,954
Miscellaneous	640,029	908,925	25,026	6,000		1,579,980
<b>Total Cash Receipts</b>	<b>17,531,328</b>	<b>58,890,728</b>	<b>386,674</b>	<b>134,060</b>		<b>76,942,790</b>
<b>Cash Disbursements:</b>						
General Government:						
Legislative and Executive	3,464,986	1,608,878		587		5,074,451
Judicial	2,117,618					2,117,618
Public Safety	5,825,920	953,514				6,779,434
Public Works	43,832	6,133,222		27,579		6,204,633
Health	206,956	363,282				570,238
Human Services	431,436	46,656,053				47,087,489
Miscellaneous	3,126,810	2,432,666				5,559,476
Capital Outlay				1,006,563		1,006,563
Debt Service:						
Bond Principal Payments			363,300			363,300
Note Principal Payments	1,975,136	99,197	374,484			2,448,817
Interest and Fiscal Charges	73,534	10,742	726,157			810,433
<b>Total Cash Disbursements</b>	<b>17,266,228</b>	<b>58,257,554</b>	<b>1,463,941</b>	<b>1,034,729</b>		<b>78,022,452</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>265,100</b>	<b>633,174</b>	<b>(1,077,267)</b>	<b>(900,669)</b>		<b>(1,079,662)</b>
<b>Other Financing Receipts and (Disbursements):</b>						
Proceeds of Notes	1,757,619	105,000				1,862,619
Operating Transfers-In		478,466	1,194,931	27,343		1,700,740
Advances-In	119,810	25,316				145,126
Operating Transfers-Out	(2,636,569)	(143,895)	(153,762)			(2,934,226)
Advances-Out	(25,316)	(25,316)				(50,632)
Other Financing Sources	635,260					635,260
Other Financing Uses	(151,495)			(3,441)		(154,936)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(300,691)</b>	<b>439,571</b>	<b>1,041,169</b>	<b>23,902</b>		<b>1,203,951</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(35,591)</b>	<b>1,072,745</b>	<b>(36,098)</b>	<b>(876,767)</b>		<b>124,289</b>
<b>Fund Cash Balances, January 1</b>	<b>1,289,255</b>	<b>20,798,071</b>	<b>2,480,724</b>	<b>2,090,887</b>	<b>11</b>	<b>26,658,948</b>
<b>Fund Cash Balances, December 31</b>	<b>\$1,253,664</b>	<b>\$21,870,816</b>	<b>\$2,444,626</b>	<b>\$1,214,120</b>	<b>\$11</b>	<b>\$26,783,237</b>
<b>Reserves for Encumbrances, December 31</b>	<b>\$980,795</b>	<b>\$1,184,461</b>		<b>\$6,704</b>		<b>\$2,171,960</b>

The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	Agency	
<b>Operating Cash Receipts:</b>					
Charges for Services	\$1,645,478	\$5,678,806			\$7,324,284
Total Operating Cash Receipts	<u>1,645,478</u>	<u>5,678,806</u>			<u>7,324,284</u>
<b>Operating Cash Disbursements:</b>					
Personal Services	524,926	6,630,622			7,155,548
Fringe Benefits					
Contractual Services	980,955	88,494			1,069,449
Supplies and Materials	137,159				137,159
Total Operating Cash Disbursements	<u>1,643,040</u>	<u>6,719,116</u>			<u>8,362,156</u>
Operating Income/(Loss)	<u>2,438</u>	<u>(1,040,310)</u>			<u>(1,037,872)</u>
<b>Non-Operating Cash Receipts:</b>					
Other Non-Operating Receipts				169,953,454	169,953,454
Total Non-Operating Cash Receipts				<u>169,953,454</u>	<u>169,953,454</u>
<b>Non-Operating Cash Disbursements:</b>					
Bond Retirement	9,000				9,000
Interest and Fiscal Charges	11,600				11,600
Other Non-Operating Disbursements				169,508,277	169,508,277
Total Non-Operating Cash Disbursements	<u>20,600</u>			<u>169,508,277</u>	<u>169,528,877</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(18,162)	(1,040,310)		445,177	(613,295)
Transfers-In		1,000,000		541,011	1,541,011
Transfers-Out				(307,525)	(307,525)
Advances-Out		(94,494)			(94,494)
Net Receipts Over/(Under) Disbursements	(18,162)	(134,804)		678,663	525,697
Fund Cash Balances, January 1	418,883	495,285		4,259,644	5,173,812
<b>Fund Cash Balances, December 31</b>	<b><u>\$400,721</u></b>	<b><u>\$360,481</u></b>		<b><u>\$4,938,307</u></b>	<b><u>\$5,699,509</u></b>
Reserve for Encumbrances, December 31	<u>\$650</u>			<u>\$213</u>	<u>\$863</u>

*The notes to the financial statements are an integral part of this statement.*



FINANCIAL CONDITION  
COLUMBIANA COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types/Funds	Prior Year Carryover Appropriations	2003 Appropriations	Total	Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
<b>Governmental Fund Types:</b>							
General Fund	\$78,526	\$21,119,076	\$21,197,602	\$20,054,292	\$980,795	\$21,035,087	\$162,515
Special Revenue Funds	1,200,957	66,975,798	68,176,755	58,401,449	1,184,461	59,585,910	8,590,845
Debt Service Funds		1,808,347	1,808,347	1,617,703		1,617,703	190,644
Capital Projects Funds	4,261	1,137,675	1,141,936	1,038,170	6,704	1,044,874	97,062
<b>Proprietary Fund Type:</b>							
Enterprise Funds	1,199	1,801,811	1,803,010	1,663,640	650	1,664,290	138,720
Internal Service Funds		7,032,222	7,032,222	6,719,116		6,719,116	313,106
<b>Fiduciary Fund Type:</b>							
Trust Funds							
<b>Total (Memorandum Only)</b>	<u>\$1,284,943</u>	<u>\$99,874,929</u>	<u>\$101,159,872</u>	<u>\$89,494,370</u>	<u>\$2,172,610</u>	<u>\$91,666,980</u>	<u>\$9,492,892</u>

The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

Columbiana County (the County) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. A county auditor and county treasurer, both of whom are elected, are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Other officials elected by the voters of the County that manage the County's operations are the county recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, two common pleas judges, a probate/juvenile court judge, two county municipal court judges, and one municipal court judge. Although these elected officials manage the internal operations of their respective departments, the Board of County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting authority and the chief administrators of public services of the County. Services provided by the County include general government, both executive and judicial, law enforcement, public works, public safety, health and welfare, conservation, and maintenance of highways, roads, and bridges. Taxes are levied, collected, and distributed to schools, townships, municipalities, and appropriate County funds.

For financial reporting purposes, the County's combined statements of cash receipts and disbursements include all funds agencies, boards, commissions, and departments for which the County is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board (GASB), exists if the County appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the County. The County may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the County. The County also took into consideration other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Included as a part of the County's primary government in the determination of the County's reporting entity are the Columbiana County Mental Health and Recovery Board, Columbiana County Mental Health Center, Columbiana County Board of Mental Retardation and Developmental Disabilities (MRDD) (which includes the Robert Bycroft School for Retarded Children, the Columbiana County Adult Mentally Handicapped Workshop, and MRDD's participation in the North East Ohio Network (NEON), a regional council of governments organized under Ohio law by the MRDD Boards of Ashtabula, Columbiana, Geauga, Lake, Lorain, Mahoning, Medina, Portage, Stark, and Trumbull Counties), and all departments and activities that are directly operated by elected County officials.

The Columbiana County Board of Education is a potential component unit which is not part of the County's reporting entity and is excluded from the accompanying financial statements as it is legally separate from the County, not fiscally dependent on the County, and the County is not financially accountable for it.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County is associated with certain organizations which are defined as joint ventures, jointly governed organizations or related organizations. These organizations are described in Note 8 to the combined statements of cash receipts and disbursement. The organizations are:

Columbiana County Planning Commission

Carroll/Columbiana/Harrison Solid Waste District

Columbiana County Airport Authority

Multi-County Juvenile Attention System

These organizations are not included in the County's reporting entity.

In the case of the separate organizations listed below, the County serves as fiscal agent but is not financially accountable for their operations and none of the operations are fiscally dependent on the County.

Columbiana County Park District

Columbiana County General Health District

Columbiana County Soil and Water Conservation District

Accordingly, the above named organizations are excluded from the accompanying financial statements and each is subject to a separate audit.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and U.S. Treasury Notes are valued at cost. Money market funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

The County maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the County are financed. The following are the County's governmental fund types:

**General Fund**

The General Fund is the operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted or designated to be expended for specified purposes.

**Debt Service Funds**

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Projects Funds**

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

**2. Proprietary Funds**

Proprietary Funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the County's proprietary fund type:

**Enterprise Funds**

Enterprise Funds are used to account for County activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Funds**

Internal Service Funds account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies of the County or to other governments.

**3. Fiduciary Fund Type (Trust and Agency):**

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the County to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. Other trust funds are classified as Expendable. Funds, for which the County is acting in an agency capacity, are classified as agency funds. The County's fiduciary funds include expendable trust funds, nonexpendable trust funds and agency funds.

**E. Budgetary Process**

**Budget**

A budget of estimated cash receipts and disbursements 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.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimated Resources**

The County budget commission certifies its actions to the County by September 1. As part of this certification, the County receives the Official Certificate of Estimated Resources, which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control and appropriations may not exceed estimated resources.

**Encumbrances**

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

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. Encumbrances outstanding at year end are carried forward to the succeeding fiscal year and not be reappropriated.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Accumulated Unpaid Vacation and Sick Leave**

Accumulated, unpaid vacation and sick pay along with the County's other liabilities are not accrued under the cash basis of accounting. Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 1.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The County maintains a cash and investment pool used by all funds.

**Legal Requirements**

Statutes require the classification of moneys held by the County into two categories.

Category A consists of "active" moneys required to be kept in a "cash" or "near cash" status for the current demands upon the County treasury.

Such monies must be maintained either as cash in the County treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" moneys, those moneys in excess of the amount considered to be "active" moneys. Inactive moneys may be deposited or invested in the following securities.

1. 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency, 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;
3. 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;
4. Bonds and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**2. POOLED CASH AND INVESTMENTS (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At year-end, the carrying amount of the County's deposits was \$23,852,281 and the bank balance was \$25,261,733. The bank balance includes all department clearing accounts and all accounts for which the County acts as fiscal agent. Of the bank balance:

1. \$624,815 was covered by federal depository insurance, by collateral held by the County, or by collateral held by a qualified third party trustee in the name of the County;
2. \$24,636,918 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Investments:** GASB Statement No. 3 entitled "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements" requires the County's investments to be categorized to give an indication of the level of credit risk assumed by the County at year end. Category 1 includes investments that are insured or registered or securities held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the County's name.

	Category 2	Category 3	Carrying Value	Fair Value
Money Market Funds	\$200,510		\$200,510	\$200,510
Treasury Notes	43,965		43,965	43,965
Federal agency securities	4,860,440		4,860,440	4,875,242
Repurchase Agreements		1,102,039	1,102,039	1,102,039
STAROhio			2,423,551	2,423,551
	<u>\$ 5,104,915</u>	<u>\$ 1,102,039</u>	<u>\$8,630,505</u>	<u>\$ 8,645,307</u>
Total investments	<u>\$ 5,104,915</u>	<u>\$ 1,102,039</u>	<u>\$8,630,505</u>	<u>\$ 8,645,307</u>

**3. DEBT OBLIGATIONS**

A summary of long-term debt activity (excluding capital leases) for the year ended December 31, 2003 is as follows:

	General Obligation Notes	General Obligation Bonds	Mortgage Revenue Bonds	Ohio Water Development Authority Loans	Ohio Public Works Commission Loans	Total
Principal balance as of January 1, 2003	\$3,353,900	\$11,467,000	\$2,223,000	\$1,418,916	\$259,499	\$18,722,315
Issued	1,862,618					1,862,618
Retired	2,417,796	326,000	31,000	46,344	21,213	2,842,353
Interest accumulated during construction period				24,010		24,010
Principal balance as of December 31, 2003	\$2,798,772	\$11,141,000	\$2,192,000	\$1,396,582	\$238,286	\$17,766,590

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**3. DEBT OBLIGATIONS- (Continued)**

A detailed listing of the County's outstanding debt obligations at December 31 2003 is as follows:

<b>Issue</b>	<b>Interest Rate</b>	<b>Date of Final Installment</b>	<b>Principal Balance as of December 31, 2003</b>
General Obligation Notes:			
State Loan for Investment Losses	3.00%	2008	<b>\$1,653,910</b>
Engineer Building	6.64	2007	<b>271,245</b>
Probate Court Note	5.50	2005	<b>14,961</b>
Clerk of Courts Note	6.33	2005	<b>156,817</b>
Current Revenue Anticipation Notes	1.90	2004	<b>600,000</b>
County Recorders Equipment Note	3.45	2008	<b>101,789</b>
Total General Obligation Notes			<b>2,798,722</b>
General Obligation Bonds:			
St. Clair Sewer	5.00	2004	<b>11,000</b>
Guilford Sanitary Sewer Improvement	5.00	2019	<b>115,000</b>
Jail Facilities Refunding	4.15-5.25	2024	<b>9,260,000</b>
Ohio Wellsville Water System	3.25	2039	<b>1,263,000</b>
Murray Trucking Old Farm Village	4.50	2041	<b>492,000</b>
Total General Obligation Bonds			<b>11,141,000</b>
Mortgage Revenue Bonds:			
Guliford Lake Sewer	5.00	2019	<b>223,000</b>
Ohio Elkrun Sewer	4.50	2039	<b>1,969,000</b>
Total Mortgage Revenue Bonds			<b>2,192,000</b>
Ohio Water Development Authority Loans:			
Project No. 8024-Hanoverton	6.04	2021	<b>966,433</b>
Project No. 6007-Stagecoach	6.02	2014	<b>211,076</b>
Project No. 9044-Glenmoor Sewer Planning	5.77	2005	<b>134,667</b>
Project No. 3632-Winona Sewer Planning	5.65	2007	<b>84,406</b>
Total Ohio Water Development Authority Loans			<b>1,396,582</b>
Ohio Public Works Commission Loans:			
Project No. CN627-Engineering Services	0.00	2009	<b>40,000</b>
Project No. CN720-Stagecoach	0.00	2014	<b>62,086</b>
Project No. CN24D- Route 7 Waterline	0.00	2022	<b>45,000</b>
Project No. CN33F-Waterline	0.00	2023	<b>91,200</b>
Total Ohio Public Works Commission Loans			<b>238,286</b>
Total Debt Obligations			<b>\$17,766,590</b>

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**3. DEBT OBLIGATIONS- (Continued)**

The following is a summary of the County's future, annual principal and interest requirements to retire its debt obligations:

	<b>General Obligation Notes</b>	<b>General Obligation Bonds</b>	<b>Mortgage Revenue Bonds</b>	<b>Ohio Water Development Authority Loans</b>	<b>Ohio Public Works Commission Loans</b>	<b>Total</b>
2004	\$1,220,013	\$ 849,899	\$ 131,237	\$ 261,621	\$ 18,813	\$ 2,481,583
2005	549,088	831,233	131,730	120,220	21,213	1,653,484
2006	461,766	833,587	131,127	120,221	21,213	1,567,914
2007	461,766	829,923	131,480	209,395	21,213	1,653,777
2008	438,009	829,755	130,738	120,221	21,213	1,539,936
Thereafter	0	13,620,174	3,641,994	1,322,609	134,621	18,719,398
Totals	\$3,130,642	\$17,794,571	\$4,298,306	\$2,154,287	\$238,286	\$27,616,092

General obligation bonds and notes, The Hanoverton Ohio Water Development Authority loan and the Ohio Public Works Commission engineering services loan are being paid from the General Fund and Special Revenue Funds, respectively. Although the debt is in the name of the County, the debt service under the Stagecoach Ohio Water Development Authority, and remaining Ohio Public Works Commission Loans is paid by the Buckeye Water District, which is not part of the County's reporting entity. The remaining Ohio Water Development Authority loans, as well as the mortgage revenue bonds, are being paid from the related enterprise fund user charges. All general obligation debt is backed by the full faith and credit of the County.

During 1993, the County realized a significant loss on its investments. This loss created a substantial need for cash to support the County's ongoing operations. A low interest loan was ultimately received from the State of Ohio to provide the necessary operating cash. The monthly payments due under the loan of \$29,719 are withheld from the County's local government funds' distribution from the State of Ohio. The County is required to apply toward the repayment of the loan the excess, if any, of amounts received under the actions to recover the lost funds over the recorded investment losses (including \$150,000 for legal costs).

During 1997, the County defeased a general obligation bond by placing investments in U.S. government direct obligations in a irrevocable escrow account. Such account will be used, together with interest earned thereon, to provide for the payment of all principal and interest on the defeased debt on its schedule due dates. Accordingly, the escrow account and the defeased bond summarized below are not included in the accompanying combined statement of cash receipts and disbursements at December 31, 2003.

<b>Issued</b>	<b>Defeasance Date</b>	<b>Original Amount Defeased</b>	<b>Original Amount Escrowed</b>	<b>Debt Balance at 12/31/03</b>
County Jail Facilities Construction Bond Series 1994	1997	\$7,225,000	\$7,995,595	\$6,500,000

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**4. PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2001.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2003, was \$9.05 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.43 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$6.75 per \$1000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2003 was \$9.050 per \$1000 of assessed valuation.

Real Property	
Residential/Agricultural	\$996,742,380
Commercial/Industrial	184,262,240
Gas/Oil/Minerals	1,203,910
Tangible Personal Property	
General	147,944,140
Public Utilities	84,459,870
Total Valuation	<u>\$1,414,612,540</u>

The Columbiana County Treasurer collects property tax on behalf of all taxing districts within the County. The Columbiana County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

**Sales Taxes** – Beginning in 2001, the County levied a 1% permissive sales tax. The proceeds of the tax are credited to the County's General Fund. During September 2002, the County Commissioners approved an increase in the permissive sales tax from 1% to 1.5%. The County began receiving the additional sales tax revenue resulting from the increase in December 2002. The County's entire sales tax levy is scheduled to expire in 2005.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional plan is cost-sharing, multiple-employer defined benefit pension plan. The member-directed 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 member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined 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 combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614)222-6705.

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 13.55 percent, except for those plan members in law enforcement of public safety. For those classifications, the County's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The county's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, 2001, were \$1,712,068, \$1,533,996, and 1,395,021, respectively; equal to the required contributions for each year.

**B. State Teachers Retirement System**

The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a costsharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**5. DEFINED BENEFIT PENSION PLANS – (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account Balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The county was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For the fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The County's employer contributions to STRS for the years ended December 31, 2003, 2002, and 2001, were \$130,159, \$138,824, and \$110,218, respectively; 100 percent has been contributed for 2003, 2002, and 2001.

**6. POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**6. POSTEMPLOYMENT BENEFITS –(Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$2,734,124. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**B. State Teachers Retirement System**

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$15,654 for 2003.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**6. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2003, the balance in the Fund was \$2.8 billion. For the year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000 and STRS had 108,294 eligible benefit recipients.

**7. CONTINGENCIES**

**Litigation-** The County is involved in several pending and threatening lawsuits, including claims by certain county departments demanding increases in funding for their operations. The outcome of these matters and the potential effect on the County's financial position are unknown at this time.

**Grant Programs** – The County participates in several grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies should an audit be performed cannot be determined at this time, although the County expects any disallowance would be immaterial.

**Risk Management** - The County is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, destruction of assets; errors and omissions; and injuries to employees. The County maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

The County also participates in the State Workers' Compensation Program for workers' compensation coverage and purchases insurance policies varying amounts for general liability, employee and public officials' liability, including errors and omissions of the County's safety force. Settled claims have not exceeded the County's insurance coverage in any of the past three years.

The County utilizes an internal service fund to account for its self-insured employee healthcare program. The purpose of this fund is to pay the cost of medical benefits provided to County employees and their covered dependents for which the County is self-insured. The County is self-insured for the first \$75,000 per participant; annual claims above such amount are paid for by stop-loss insurance which the County maintains. Total cash disbursements in the internal service fund during 2003 were approximately \$6.6 million.

**8. JOINTLY GOVERNED ORGANIZATIONS**

**The Columbiana County Planning Commission** – The County participates in the Columbiana County Planning Commission (the "Commission") which is a statutorily created, political subdivision of the State of Ohio. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The Commission is jointly governed by Columbiana County and local municipalities and townships. In 2003, the County contributed no funds to the Commission.

**Carroll/Columbiana/Harrison Solid Waste Management District** – The County participates in the Carroll/Columbiana/Harrison Solid Waste Management District (the "District"), which is a statutorily created, political subdivision of the State of Ohio. The District is a jointly governed organization including Columbiana, Carroll, and Harrison counties and local municipalities and townships. Of the nine members of the District's governing board, the County Commissioners represent three. Each member's control over the operation of the District is limited to its representation on the board. In 2003, the County contributed no funds to the District.

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**8. JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**Multi-County Juvenile Attention System** – The County also participates in the Multi-County Juvenile Attention System (the “System”), a joint venture between the following counties: Stark, Holmes, Carroll, Columbiana, Tuscarawas, and Wayne. The operation of the System is controlled by a nineteen-member Board of Trustees, three members from each county with the exception of Stark which has four members. The degree of control exercised by any of the participating Counties is limited to its representation on the Board. In 2003, the County contributed \$726,439 to the System.

**RELATED ORGANIZATION**

**Columbiana County Airport Authority** – The Columbiana County Airport Authority (the “Airport Authority”), was created by resolution of the County Commissioners under the authority of Section 308 of the Ohio Revised Code. The Airport Authority is governed by a seven-member Board of Trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rentals and other charges; the authority to acquire, construct, operate, manage and maintain airport facilities; the authority to buy and sell real and personal property; and the authority to issue debt for acquiring or constructing a facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Columbiana County. The Airport Authority received \$10,635 from the County in 2003.

FINANCIAL CONDITION  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
<b>U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development:</i>			
CDBG Formula FY 01	14.228	B-F-01-015-01	284,911
Lisbon Sewer		C-W-00-322-1	460,000
CDBG Formula FY02		B-F-02-015-1	209,043
Micro Enterprise II		B-M-02-015-1	8,051
Chip Grant 01		B-C-01-015-1	49,785
CHIP Grant 03		B-C-03-015-1	2,550
Micro Enterprise II		B-M-01-015-1	18,277
CDBG Formula FY99		B-F-99-015-1	27,133
Revolving Loan Fund		RLF2003	195,994
Housing Revolving Loan Fund		Housing RLF	7,732
Lisbon Arc Grant		B-P-01-015-1	73,535
<b>Total CFDA #14.288</b>			<u>1,337,011</u>
Chip Grant 01	14.239	BC-01-015-2	169,529
Chip Grant 03		BC-03-015-2	4,820
<b>Total CFDA # 14.239</b>			<u>174,349</u>
<b>Total U.S. Housing and Urban Development</b>			<u>1,511,360</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Federal Drug and Alcohol Per Capita	93.959	FY-03/04	320,871
Federal Women's Focus Project	93.959	FY-03/04	130,919
<b>Total CFDA # 93.959</b>			<u>451,790</u>
Medicaid Assistance Program-Title XIX	93.778	FY-03/04	206,068
State Incentive	92.243	FY-03/04	26,011
<b>Total</b>			<u>683,869</u>
<i>Passed Through the Ohio Department of Mental Health:</i>			
Community Plan Block Grant	93.958	FY-03/04	65,184
Children/Adolescent Block Grant	93.958	FY-03/04	6,890
Employment Grant	93.958	FY-03/04	29,600
Path Block Grant	93.958	FY-03/04	62,732
Anti Stigma Grant	93.958	FY-03/04	7,500
ADMS Block Grant Recovery Research	93.958	FY-03/04	5,015
Suicide Prevention	93.958	FY-03/04	10,000
<b>Total CFDA # 93.958</b>			<u>186,921</u>
Title XX Social Service Block Grant	93.667	FY-03/04	127,574
Medicaid Assistance Program- Title XIX	93.778	FY-03/04	2,263,402
<b>Total</b>			<u>2,577,897</u>
<i>Passed Through the Ohio Department of Mental Retardation and Development Disabilities:</i>			
Title XX Social Service Block Grant	93.667	FY-02	58,265
Title XX Social Service Block Grant	93.667	FY-03	38,036
<b>Total CFDA # 93.667</b>			<u>96,301</u>
Medicaid Assistance Program-Title XIX:			
Community Alternative Funding (Center)	93.778	FY-03	476,496
Community Alternative Funding (Target Case Management)	93.778	FY-03	106,331
<b>Total CFDA # 93.778</b>			<u>582,827</u>
<i>Passed Through the Ohio Department of Aging:</i>			
Special Program for the Aging-Title III, Part B	93.044	FY-03	51,882
Health Education	93.043	FY-03	6,891
<b>Total</b>			<u>58,773</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>3,999,667</u>

FINANCIAL CONDITION  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the Ohio Department of Education:</i>			
National School Lunch Program	10.555	03-PU-01-03 03-PU-02-04	\$8,512 <u>2,948</u>
<b>Total U.S. Department of Agriculture</b>			<u>11,460</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed Through the Governor's Office of Criminal Justice Services:</i>			
Victims of Crime Grant	16.575	03-VAGENE-174	26,437
Victim of Crime Grant Extension	16.575	03-VAGENE-467	29,667
State Victims Assistance Grant	16.575	03-SAGENE-174	11,097
State Victims Assistance Grant Extension	16.575	03_SAGENE-467	1,281
Voca Court Advocate	16.575	03-VACHAE-553	3,305
Voca Court Advocate	16.575	04-VACHAE-553	830
<b>Total CFDA # 16.575</b>			<u>72,617</u>
JAIBG Federal Grant	16.523	02-JB-003-A060	<u>17,650</u>
<b>Total U.S. Department of Justice</b>			<u>90,267</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed through the Ohio Department of Education:</i>			
Special Education Grants to States	84.027	065920-PG-6B-2002I 065920-PG-6B-2003I	37134 <u>13,736</u>
<b>Total CFDA # 84.027</b>			<u>50,870</u>
Special Education Pre-School Grant	84.173	065920-PG-S1-03	<u>9,196</u>
<b>Total Special Educational Cluster</b>			<u>60,066</u>
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Step-by-Step Program/Drug Community Prevention	84.186	FY-03	64,603
Youth Mentoring Project	84.186	FY-03	43,107
Drug-Free Workplace	84.186	FY-03	23,250
<b>Total CFDA # 84.186</b>			<u>130,960</u>
<b>Total U. S. Department of Education</b>			<u>191,026</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<b>Direct Program-Emergency Food and Shelter Human Services:</b>			
	83.523	18-6710-00	6,469
FEMA-Commissioners	97.036	FY03	905
FEMA -Office on Aging	97.036	FY03	1,950
FEMA-County Parks	97.036	FY03	2,479
FEMA-EMA	97.036	FY03	1,690
FEMA-Engineers	97.036	FY03	47,418
<b>Total CFDA # 83.544</b>			<u>54,442</u>
Department of Justice Exercise	16.007	2002-TE-CX-0106	12,000
Marcus Dom Prep	16.007	2001-TE-CX-0016	737
<b>Total CFDA # 16.007</b>			<u>12,737</u>
<i>Passed Through the Ohio Emergency Mangement Agency:</i>			
Emergency Mangement Assistance	97.042		49,762
TEMPA Terrorism	97.051	EMC-2003-GR-7026	45,830
TEMPA Terrorism	97.051		2,000
<b>Total CFDA # 83.562</b>			<u>47,830</u>
<b>Total U.S. Federal Emergency Management Agency</b>			<u>171,240</u>
<b>FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Passed Through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.703	COL-TR928-26-60	<u>17,642</u>
<b>Total Federal Highway Administration</b>			<u>17,642</u>

FINANCIAL CONDITION  
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed Through the Ohio Department of Job and Family Services			
<i>Workforce Investment Act of 1998 (WIA) Cluster:</i>			
WIA Adult	17.258	None	515,072
WIA Youth	17.259	None	781,845
WIA Dislocated Workers	17.260	None	<u>334,477</u>
<b>Total U.S. Department of Labor and WIA Cluster</b>			<u>1,631,394</u>
<b>THE GENERAL SERVICES ADM. ELECTION ASSISTANCE COMMISSION</b>			
<i>Passed Through the Ohio Secretary of State:</i>			
<b>HAVA Grant</b>	39.011	04-SOS-HAVA-15	<u>18,339</u>
<b>Total General Services Adm. Election Assistance Commission</b>			<u>18,339</u>
<b>Total Federal Awards Expenditures</b>			<u><b>\$7,642,395</b></u>

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

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**A. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

For purpose of the Schedule, federal awards include the following:

Direct federal awards

Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**B. U.S. DEPARTMENT OF HOMELAND SECURITY FEDERAL AWARDS**

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal Agencies. The accompanying federal Awards Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purpose and compliance requirements of these programs has not changed. A comparison of the former Federal agencies and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Departments CFDA numbers reported in the 2003 Schedule follows:

Previous Federal Agency	2002 CFDA # Used	Homeland Security CFDA #
Federal Emergency Management Agency	83.544	97.036
Federal Emergency Management Agency	83.552	97.042
Federal Emergency Management Agency	83.562	97.051

**C. LOANS OUTSTANDING**

Columbiana County had loans receivable outstanding at December 31, 2003 under the Community Development Block Grant (CDBG) Revolving Loan Fund. The loan balance at December 31, 2003 was included in the federal expenditures presented in the Schedule because the provisions of the grant agreement pertaining to such loans impose continuing compliance requirements. The total loans outstanding as of December 31, 2003 from the County's CDBG Revolving Loan Fund (CFDA #14.228) were \$192,550.



## **Auditor of State Betty Montgomery**

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

Columbiana County  
105 Market Street  
Lisbon, Ohio 44432

To the Board of County Commissioners:

We have audited the accompanying financial statements of Columbiana County (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 31, 2005 which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Government's management dated March 31, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable.

#### **Compliance**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2003-001 and 2003-002. In a separate letter to the County's management dated March 31, 2005, we reported other matters related to noncompliance we deemed immaterial.

Columbiana County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters Required by  
*Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specific parties.

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

**Betty Montgomery**  
Auditor of State

March 31, 2005



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Columbiana County  
105 Market Street  
Lisbon, Ohio 44432

To The Board of Commissioners:

#### Compliance

We have audited the compliance of Columbiana County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. However, we noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the County in a separate letter dated March 31, 2005

#### Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of law, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Financial Condition  
Columbiana County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Major Federal Programs and Internal  
Control Over Compliance in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving control over federal compliance that do not require inclusion in this report that we have reported to management of the entity in a separate letter dated March 31, 2005.

We intend this report solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specific parties.

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

**Betty Montgomery**  
Auditor of State

March 31, 2005

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133§ .505  
COLUMBIANA COUNTY**

**FINANCIAL CONDITION  
DECEMBER 31, 2003**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA# 14.288 –CDBG CFDA # 93.778- Medical Assistance Program care CFDA# 14.239 –Home Investment Partnership Program CFDA # 17.258- Workforce Investment Act CFDA# 17.259- Workforce Investment Act CFDA# 17.260- Workforce Investment Act
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133§ .505  
COLUMBIANA COUNTY**

**FINANCIAL CONDITION  
DECEMBER 31, 2003  
(Continued)**

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

**FINDING NUMBER 2003-001**

**Finding for Recovery – Severance Overpayment**

During our review of the County’s severance payments for the year January 1 through December 31, 2003, it was noted that Juvenile Court employee Shirley Palmer received a severance payment upon retirement as follows: 800 vacation hours at \$12.93 per hour totaling \$10,344.

The County’s policy Section 6.2.1: VACATION part g. states,

“No vacation leave shall be carried over for more than 3 years. An employee is entitled to compensation, at his or her current rate of pay, for the pro-rated portion of any earned, but not unused vacation leave for the current year to his or her credit, at the time of separation or retirement, and in addition, shall be compensated for any unused vacation leave accrued to his or her credit, with the permission of the Appointing Authority, for up to 3 years immediately preceding the last anniversary date of employment.”

As of November 1, 2002 Shirley Palmer had 29 years of service, which would entitle her to carryover a total of 600 hours of vacation. Adding an additional 200 hours of accumulated leave for her last service year November 1, 2002 through November 1, 2003 a maximum of 800 hours would be available as severance payment for vacation leave upon her retirement if she used no leave was used during her last year of service. However, vacation records for the period November 1, 2002 through November 1, 2003 indicate Shirley Palmer used 513 hours of vacation leave during that time period. Based on the policy and leave records for the period 11/01/02 through 11/01/03 the balance for unused vacation leave would be 287 hours which would have a dollar value of \$3,710.91. Based on this information Columbiana County Juvenile Court overpaid Shirley Palmer \$6,633.09 for accumulated vacation leave at the time of her retirement.

<b>Severance Calculation</b>	<b>Vacation Balances/Payments Per County Records</b>	<b>Per Policy</b>
Accumulated Vacation as of 11/01/02	1,114.7	600
Vacation Hours accumulated 11/01/02 to 11/01/03	200	200
Total Vacation Hours available for use from 11/01/02 to 11/01/03	1,314.7	800
Vacation Hours used 11/01/02 to 11/01/03	513	513
Vacation Hours Available for Severance Payment	801.7	287
<b>Hours * Hourly Wage (\$12.93)</b>	<b>\$10,344.00 (A)</b>	<b>\$3,710.91 (B)</b>
<b>Total overpayment [A-B]</b>	<b>\$6,633.09</b>	

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Shirley Palmer in the amount of \$6,633.09 and in favor of the Columbiana County Juvenile Court operating funds.

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133§ .505  
COLUMBIANA COUNTY**

**FINANCIAL CONDITION  
DECEMBER 31, 2003  
(Continued)**

**\*Finding # 2003-002**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-02-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the County may be fined and subject to various other administrative remedies, for its failure to file the required financial report.

It is recommended that the County prepare its annual financial report in accordance with generally accepted accounting principles.

**\* Indicates finding was repeated from the prior audit period.**

**FINANCIAL CONDITION  
COLUMBIANA COUNTY**

**JANUARY 1, 2003 THROUGH DECEMBER 31, 2003  
SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
02-1	<b><u>Cited Ohio Revised Code 117.38</u></b> The County failed to prepare its financial statements in accordance with Generally Accepted Accounting Principles. no money shall be expended unless it has been appropriated.	No	This finding was reissued as finding # 2003-002.
02-2	Recommended the proper segregation of duties be established for the Municipal Courts	Yes	
02-3	<b><u>Proper Certification: Ohio Rev Code Section 5705.41 (D)</u></b> , states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	Yes	



**Auditor of State  
Betty Montgomery**

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**FINANCIAL CONDITION**

**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 21, 2005**