



Mary Taylor, CPA  
Auditor of State



**CITY OF COLUMBIANA  
COLUMBIANA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets .....	13
Statement of Activities .....	14
Balance Sheet - Governmental Funds.....	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	23
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) Special Revenue Fund – Income Tax Fund.....	25
Statement of Net Assets - Proprietary Funds .....	26
Statement of Revenues, Expenses and Changes in Fund Net Assets- Proprietary Funds.....	30
Statement of Cash Flows – Proprietary Funds .....	32
Statement of Assets and Liabilities - Fiduciary Funds .....	36
Notes to the Basic Financial Statements .....	37
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	63

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the City Council:

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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

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, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Income Tax Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

March 5, 2009

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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The discussion and analysis of the City of Columbiana's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2006. 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 2006 are as follows:

- ❑ In total, net assets increased \$884,709. Net assets of governmental activities increased \$685,117, which represents a 13% increase from 2005. Net assets of business-type activities increased \$199,592 from 2005.
- ❑ General revenues accounted for \$3,643,064 in revenue or 25% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,014,306, or 75% of total revenues of \$14,657,370.
- ❑ The City had \$3,507,784 in expenses related to governmental activities; only \$709,541 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,391,676 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1,727,754 in revenues and \$1,768,246 in expenditures. The general fund's fund balance increased from a balance of \$461,654 to \$771,162.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

These statements are as follows:

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

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

# CITY OF COLUMBIANA, OHIO

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*Management's Discussion and Analysis  
For the Year Ended December 31, 2006*

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. 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 assets and how they have changed. Net-assets (the difference between the City's assets and liabilities) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are 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 Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

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

*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 Net Assets.

### FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2006 compared to 2005.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$3,523,678	\$2,973,082	\$13,969,023	\$12,112,125	\$17,492,701	\$15,085,207
Capital assets, Net	3,030,456	2,953,259	19,573,651	19,601,445	22,604,107	22,554,704
Total assets	6,554,134	5,926,341	33,542,674	31,713,570	40,096,808	37,639,911
Long-term debt outstanding	71,747	57,729	13,002,497	13,180,064	13,074,244	13,237,793
Other liabilities	651,623	722,965	3,446,697	1,639,618	4,098,320	2,362,583
Total liabilities	723,370	780,694	16,449,194	14,819,682	17,172,564	15,600,376
Net assets						
Invested in capital assets, net of related debt	3,030,456	2,953,259	6,412,756	6,130,353	9,443,212	9,083,612
Restricted	1,747,578	1,384,441	0	0	1,747,578	1,384,441
Unrestricted	1,052,730	807,947	10,680,724	10,763,535	11,733,454	11,571,482
Total net assets	<u>\$5,830,764</u>	<u>\$5,145,647</u>	<u>\$17,093,480</u>	<u>\$16,893,888</u>	<u>\$22,924,244</u>	<u>\$22,039,535</u>

## CITY OF COLUMBIANA, OHIO

### Management's Discussion and Analysis For the Year Ended December 31, 2006

*Unaudited*

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 compared to 2005:

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
<b>Program revenues:</b>						
Charges for Services and Sales	\$383,471	\$421,528	\$10,206,414	\$10,154,506	\$10,589,885	\$10,576,084
Operating Grants and Contributions	326,070	318,609	8,000	66,694	334,070	385,303
Capital Grants and Contributions	0	364,984	90,351	9,074,492	90,351	9,439,476
<b>Total Program revenues</b>	<b>709,541</b>	<b>1,105,121</b>	<b>10,304,765</b>	<b>19,295,692</b>	<b>11,014,306</b>	<b>20,400,813</b>
<b>General revenues:</b>						
Property Taxes	320,966	323,760	161,308	150,756	482,274	474,516
Income Taxes	1,643,106	1,509,722	0	0	1,643,106	1,509,722
Other Local Taxes	43,396	42,683	0	0	43,396	42,683
Intergovernmental, Unrestricted	956,630	1,149,084	17,481	0	974,061	1,149,084
Investment Earnings	243,474	125,549	72,649	23,886	316,123	149,435
Miscellaneous	184,104	45,501	0	0	184,104	45,501
<b>Total General revenues</b>	<b>3,391,676</b>	<b>3,196,249</b>	<b>251,388</b>	<b>174,642</b>	<b>3,643,064</b>	<b>3,370,891</b>
<b>Total revenues</b>	<b>4,101,217</b>	<b>4,301,370</b>	<b>10,556,153</b>	<b>19,470,334</b>	<b>14,657,370</b>	<b>23,771,704</b>
<b>Program Expenses</b>						
Security of Persons and Property	1,533,209	1,403,621	0	0	1,533,209	1,403,621
Public Health and Welfare	175,962	169,720	0	0	175,962	169,720
Leisure Time Activities	385,189	354,215	0	0	385,189	354,215
Transportation	417,394	256,767	0	0	417,394	256,767
General Government	987,567	1,150,444	0	0	987,567	1,150,444
Interest and Fiscal Charges	846	11,985	0	0	846	11,985
Water	0	0	958,710	710,667	958,710	710,667
Wastewater	0	0	1,793,607	1,502,516	1,793,607	1,502,516
Electric	0	0	7,094,660	6,702,416	7,094,660	6,702,416
Public Safety Vehicle Service	0	0	417,900	408,051	417,900	408,051
<b>Total expenses</b>	<b>3,507,784</b>	<b>3,346,702</b>	<b>10,264,877</b>	<b>9,323,650</b>	<b>13,772,661</b>	<b>12,670,352</b>
<b>Change in Net Assets before transfers</b>	<b>593,433</b>	<b>954,668</b>	<b>291,276</b>	<b>10,146,684</b>	<b>884,709</b>	<b>11,101,352</b>
Transfers	91,684	(2,086)	(91,684)	2,086	0	0
<b>Total Change in Net Assets</b>	<b>685,117</b>	<b>952,582</b>	<b>199,592</b>	<b>10,148,770</b>	<b>884,709</b>	<b>11,101,352</b>
<b>Beginning Net Assets</b>	<b>5,145,647</b>	<b>4,193,065</b>	<b>16,898,888</b>	<b>6,745,118</b>	<b>22,089,535</b>	<b>10,938,183</b>
<b>Ending Net Assets</b>	<b>\$5,830,764</b>	<b>\$5,145,647</b>	<b>\$17,098,480</b>	<b>\$16,893,888</b>	<b>\$22,924,244</b>	<b>\$22,039,535</b>

### Governmental Activities

Net assets of the City's governmental activities increased \$685,117. Ohio Department of Transportation capital grants received in 2005 were not repeated in 2006. Increases in interest rates contributed to the increase in investment earnings while workers compensation reimbursements resulted in increases in miscellaneous revenue.

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

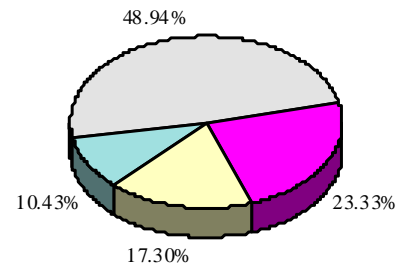
## CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

Income taxes and property taxes made up 40% and 8% respectively of revenues for governmental activities for the City in fiscal year 2006. The City's reliance upon tax revenues is demonstrated by the following graph indicating 49% of total revenues from general tax revenues:

Revenue Sources	2006	Percent of Total
General Tax Revenues	\$2,007,468	48.94%
Shared Revenue	956,630	23.33%
Program Revenues	709,541	17.30%
General Other	427,578	10.43%
Total Revenue	\$4,101,217	100.00%



### **Business-Type Activities**

Net assets of the business-type activities increased \$199,592. Capital grants and contributions received in 2005 for the sanitary sewer rehabilitation project subsided in 2006. Increases in purchased services resulted in the increase in expenses.

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

The City's governmental funds reported a combined fund balance of \$2,345,317, which is an increase from last year's balance of \$1,765,207. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2006 and 2005:

	Fund Balance December 31, 2006	Fund Balance December 31, 2005	Increase (Decrease)
General	\$771,162	\$461,654	\$309,508
Income Tax	435,721	359,253	76,468
Capital Improvement	331,623	220,097	111,526
Other Governmental	806,811	724,203	82,608
Total	\$2,345,317	\$1,765,207	\$580,110

**CITY OF COLUMBIANA, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

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

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$292,445	\$274,954	\$17,491
Intergovernmental Revenues	908,043	1,138,334	(230,291)
Charges for Services	46,286	61,348	(15,062)
Licenses and Permits	104,390	115,504	(11,114)
Investment Earnings	221,423	110,925	110,498
Fines and Forfeitures	18,611	22,718	(4,107)
All Other Revenue	136,556	3,191	133,365
Total	<u>\$1,727,754</u>	<u>\$1,726,974</u>	<u>\$780</u>

General Fund revenues in 2006 remained very stable, increasing less than 1% compared to revenues in 2005. Increases in investment earnings can be attributed to higher interest rates, while intergovernmental revenues decreased due to a large inheritance tax having been received by the City in 2005. Workers compensation reimbursements resulted in the increase in all other revenue.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Security of Persons and Property	\$1,293,116	\$1,218,515	\$74,601
Public Health and Welfare	13,107	13,107	0
General Government	462,023	600,587	(138,564)
Interest and Fiscal Charges	0	1,929	(1,929)
Total	<u>\$1,768,246</u>	<u>\$1,834,138</u>	<u>(\$65,892)</u>

General Fund expenditures decreased \$65,892 or 4% from the prior year. Increases in salaries and benefits in the police department led to the increase in security of persons and property, while a land purchase in 2005 caused the relative decrease in general government in 2006.

## **CITY OF COLUMBIANA, OHIO**

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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*Income Tax Fund* – The City's Income Tax Fund balance increased approximately 21%, with revenues and expenditures remaining consistent with the previous year.

*Capital Improvement Fund* – Expenditures for capital outlay in the City's Capital Improvement Fund decreased nearly 60%, resulting in a substantial increase in fund balance.

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 2006 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$2.1 million was equal to final budget estimates of \$2.1 million. Budget basis expenditures of \$2.2 million were equal to final budget estimates of \$2.2 million. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal 2006 the City had \$22,604,107 net of accumulated depreciation invested in land, construction in progress, buildings, improvements, machinery, equipment, vehicles and infrastructure. Of this total, \$3,030,456 was related to governmental activities and \$19,573,651 to the business-type activities. The following table shows fiscal year 2006 and 2005 balances:

	Governmental Activities		Increase (Decrease)
	2006	2005	
Land	\$506,391	\$506,391	\$0
Construction In Progress	0	783,132	(783,132)
Buildings and Improvements	1,664,601	1,664,601	0
Improvements Other than Buildings	506,959	506,959	0
Infrastructure	882,158	55,525	826,633
Machinery and Equipment	2,067,310	1,853,494	213,816
Less: Accumulated Depreciation	(2,596,963)	(2,416,843)	(180,120)
Totals	<u>\$3,030,456</u>	<u>\$2,953,259</u>	<u>\$77,197</u>

Increases in infrastructure can be attributed to completion of the routes 14 & 46 and 14 & 164 ODOT projects.

**CITY OF COLUMBIANA, OHIO**

**Management's Discussion and Analysis  
For the Year Ended December 31, 2006**

**Unaudited**

	Business-Type Activities		Increase (Decrease)
	2006	2005	
Land	\$533,980	\$533,980	\$0
Construction in Progress	223,023	5,692,955	(5,469,932)
Buildings	9,512,394	9,512,394	0
Improvements other than Buildings	126,884	126,884	0
Machinery and Equipment	7,126,185	6,365,607	760,578
Infrastructure	5,983,158	557,755	5,425,403
Less: Accumulated Depreciation	(3,931,973)	(3,188,130)	(743,843)
Totals	\$19,573,651	\$19,601,445	(\$27,794)

Completion of sanitary sewer work at routes 14 & 7 resulted in the increase in infrastructure. 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, 2006 and 2005:

	2006	2005
Governmental Activities:		
Compensated Absences	\$71,747	\$57,729
Total Governmental Activities	71,747	57,729
Business-Type Activities:		
Special Assessment Bonds	5,475,000	5,610,000
Mortgage Revenue Bond	7,158,800	7,227,000
Ohio Water Development Authority Loans	12,244	12,244
Ohio Public Works Commission Loans	291,848	291,848
Compensated Absences	64,605	38,972
Total Business-Type Activities	13,002,497	13,180,064
Totals	\$13,074,244	\$13,237,793

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, 2006, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 10.

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

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***Management's Discussion and Analysis  
For the Year Ended December 31, 2006***

***Unaudited***

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### **ECONOMIC FACTORS**

The City of Columbiana continued to expand its diverse business base, adding more small sized industries. The Columbiana Car Wash was remodeled utilizing touch less washing equipment (\$50,000). The Wine Connection, selling wine and other spirituous beverages had previously been a drive through car wash (\$130,000). The Columbiana Boiler Company, in business for nearly one hundred years did a major building remodel (\$209,000). A 9800 square feet Cheerleading and Gymnastic Center for children was constructed (\$500,000). J.J.L.R.D. Associates added more retail space on State Route 14 (\$940,000). Seven-Fourteen, LLC built a 4700 square foot gas station and convenience store (\$1,000,000).

The City continues to be the fastest growing community in Columbiana County. 2006 was not as rapidly developing as 2005 but there were 74 new living units constructed in 2006.

### **REQUESTS FOR INFORMATION**

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

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**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets**  
**December 31, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,391,815	\$ 6,482,824	\$ 7,874,639
Investments	416,248	0	416,248
Receivables:			
Taxes	676,935	166,891	843,826
Accounts	23,485	1,673,613	1,697,098
Intergovernmental	869,646	9,000	878,646
Interest	13,289	10,493	23,782
Special Assessments	0	5,475,000	5,475,000
Internal Balance	76,822	(76,822)	0
Prepaid Items	55,438	30,910	86,348
Investment in Joint Venture	0	197,114	197,114
Capital Assets, Net	3,030,456	19,573,651	22,604,107
<b>Total Assets</b>	<b>6,554,134</b>	<b>33,542,674</b>	<b>40,096,808</b>
<b>Liabilities:</b>			
Accounts Payable	22,013	448,522	470,535
Accrued Wages and Benefits	148,555	125,958	274,513
Intergovernmental Payable	12,236	35,086	47,322
Claims Payable	0	98,115	98,115
Deferred Revenue	308,606	171,465	480,071
Accrued Interest Payable	213	152,551	152,764
General Obligation Notes Payable	160,000	2,415,000	2,575,000
Noncurrent liabilities:			
Due within one year	39,858	323,265	363,123
Due in more than one year	31,889	12,679,232	12,711,121
<b>Total Liabilities</b>	<b>723,370</b>	<b>16,449,194</b>	<b>17,172,564</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	3,030,456	6,412,756	9,443,212
Restricted For:			
Capital Projects	761,346	0	761,346
Debt Service	92,798	0	92,798
Other Purposes	893,434	0	893,434
Unrestricted	1,052,730	10,680,724	11,733,454
<b>Total Net Assets</b>	<b>\$ 5,830,764</b>	<b>\$ 17,093,480</b>	<b>\$ 22,924,244</b>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Activities  
For the Year Ended December 31, 2006**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Security of Persons and Property	\$ 1,533,209	\$ 66,369	\$ 37,782	\$ 0
Public Health and Welfare	175,962	49,181	0	0
Leisure Time Activities	385,189	164,708	0	0
Transportation	417,394	0	285,852	0
General Government	987,567	103,213	2,436	0
Interest and Fiscal Charges	8,463	0	0	0
<b>Total Governmental Activities</b>	<b>3,507,784</b>	<b>383,471</b>	<b>326,070</b>	<b>0</b>
<b>Business-Type Activities:</b>				
Water	958,710	944,040	0	0
Wastewater	1,793,607	1,674,087	0	90,351
Electric	7,094,660	7,377,409	0	0
Public Safety Vehicle Service	417,900	210,878	8,000	0
<b>Total Business-Type Activities</b>	<b>10,264,877</b>	<b>10,206,414</b>	<b>8,000</b>	<b>90,351</b>
<b>Totals</b>	<b>\$ 13,772,661</b>	<b>\$ 10,589,885</b>	<b>\$ 334,070</b>	<b>\$ 90,351</b>

**General Revenues**

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

Change in Net Assets

Net Assets Beginning of Year  
 Net Assets End of Year

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,429,058)	\$ 0	\$ (1,429,058)
(126,781)	0	(126,781)
(220,481)	0	(220,481)
(131,542)	0	(131,542)
(881,918)	0	(881,918)
(8,463)	0	(8,463)
<u>(2,798,243)</u>	<u>0</u>	<u>(2,798,243)</u>
0	(14,670)	(14,670)
0	(29,169)	(29,169)
0	282,749	282,749
0	(199,022)	(199,022)
0	39,888	39,888
<u>(2,798,243)</u>	<u>39,888</u>	<u>(2,758,355)</u>
286,802	0	286,802
34,164	0	34,164
0	161,308	161,308
1,643,106	0	1,643,106
43,396	0	43,396
956,630	17,431	974,061
243,474	72,649	316,123
184,104	0	184,104
91,684	(91,684)	0
<u>3,483,360</u>	<u>159,704</u>	<u>3,643,064</u>
685,117	199,592	884,709
5,145,647	16,893,888	22,039,535
<u>\$ 5,830,764</u>	<u>\$ 17,093,480</u>	<u>\$ 22,924,244</u>

**CITY OF COLUMBIANA, OHIO**

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**Balance Sheet**  
**Governmental Funds**  
**December 31, 2006**

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	<u>General</u>	<u>Income Tax</u>	<u>Capital Improvement</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 71,522	\$ 105,278	\$ 508,352
Investments	303,123	0	0
Receivables:			
Taxes	304,872	336,328	0
Accounts	19,514	0	0
Intergovernmental	579,816	0	131,852
Interest	12,262	0	0
Prepaid Items	53,516	0	0
<b>Total Assets</b>	<u>\$ 1,344,625</u>	<u>\$ 441,606</u>	<u>\$ 640,204</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 9,803	\$ 1,447	\$ 4,111
Accrued Wages and Benefits Payable	66,473	4,438	12,405
Intergovernmental Payable	11,298	0	0
Deferred Revenue	485,889	0	131,852
Accrued Interest Payable	0	0	213
General Obligation Notes Payable	0	0	160,000
<b>Total Liabilities</b>	<u>573,463</u>	<u>5,885</u>	<u>308,581</u>
<b>Fund Balance:</b>			
Reserved for Encumbrances	49,202	484	169,181
Reserved for Prepaid Items	53,516	0	0
Reserved for Endowments	0	0	0
Undesignated, Unreserved in:			
General Fund	668,444	0	0
Special Revenue Funds	0	435,237	0
Debt Service Fund	0	0	0
Capital Project Funds	0	0	162,442
<b>Total Fund Balance</b>	<u>771,162</u>	<u>435,721</u>	<u>331,623</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,344,625</u>	<u>\$ 441,606</u>	<u>\$ 640,204</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 706,663	\$ 1,391,815
113,125	416,248
35,735	676,935
3,971	23,485
157,978	869,646
1,027	13,289
1,922	55,438
<u>\$ 1,020,421</u>	<u>\$ 3,446,856</u>
\$ 6,652	\$ 22,013
65,239	148,555
938	12,236
140,781	758,522
0	213
0	160,000
<u>213,610</u>	<u>1,101,539</u>
50,397	269,264
1,922	55,438
164,263	164,263
0	668,444
198,335	633,572
92,798	92,798
299,096	461,538
<u>806,811</u>	<u>2,345,317</u>
<u>\$ 1,020,421</u>	<u>\$ 3,446,856</u>

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**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
December 31, 2006***

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**Total Governmental Fund Balances** \$ 2,345,317

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

Capital Assets used in governmental activities are not  
resources and therefore are not reported in the funds. 3,030,456

Other long-term assets are not available to pay for current-  
period expenditures and therefore are deferred in the funds. 449,916

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 assets. 76,822

Long-term liabilities, including compensated absences payable  
are not due and payable in the current period and therefore are not  
reported in the funds.

Compensated Absences Payable (71,747)

***Net Assets of Governmental Activities*** \$ 5,830,764

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2006**

	<u>General</u>	<u>Income Tax</u>	<u>Capital Improvement</u>
<b>Revenues:</b>			
Taxes	\$ 292,445	\$ 1,643,106	\$ 0
Other Local Taxes	0	0	0
Intergovernmental Revenues	908,043	0	18,000
Charges for Services	46,286	0	0
Licenses and Permits	104,390	0	0
Investment Earnings	221,423	0	0
Fines and Forfeitures	18,611	0	0
All Other Revenue	136,556	0	79
<b>Total Revenue</b>	<u>1,727,754</u>	<u>1,643,106</u>	<u>18,079</u>
<b>Expenditures:</b>			
Current:			
Security of Persons and Property	1,293,116	0	0
Public Health and Welfare	13,107	0	0
Leisure Time Activities	0	0	0
Transportation	0	0	0
General Government	462,023	99,638	0
Capital Outlay	0	0	631,590
Debt Service:			
Interest & Fiscal Charges	0	0	8,463
<b>Total Expenditures</b>	<u>1,768,246</u>	<u>99,638</u>	<u>640,053</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,492)	1,543,468	(621,974)
<b>Other Financing Sources (Uses):</b>			
Transfers In	733,500	0	733,500
Transfers Out	(383,500)	(1,467,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>350,000</u>	<u>(1,467,000)</u>	<u>733,500</u>
Net Change in Fund Balances	309,508	76,468	111,526
<b>Fund Balance at Beginning of Year</b>	<u>461,654</u>	<u>359,253</u>	<u>220,097</u>
<b>Fund Balance End of Year</b>	<u>\$ 771,162</u>	<u>\$ 435,721</u>	<u>\$ 331,623</u>

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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Other Governmental Funds	Total Governmental Funds
\$ 34,997	\$ 1,970,548
43,396	43,396
290,867	1,216,910
213,889	260,175
0	104,390
22,051	243,474
295	18,906
47,469	184,104
<u>652,964</u>	<u>4,041,903</u>
151,379	1,444,495
155,563	168,670
340,882	340,882
357,126	357,126
9,871	571,532
30,719	662,309
0	8,463
<u>1,045,540</u>	<u>3,553,477</u>
(392,576)	488,426
475,184	1,942,184
0	(1,850,500)
<u>475,184</u>	<u>91,684</u>
82,608	580,110
724,203	1,765,207
<u>\$ 806,811</u>	<u>\$ 2,345,317</u>

**CITY OF COLUMBIANA, OHIO**

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***Reconciliation Of The Statement Of Revenues, Expenditures  
And Changes In Fund Balances Of Governmental Funds  
To The Statement Of Activities  
For The Fiscal Year Ended December 31, 2006***

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**Net Change in Fund Balances - Total Governmental Funds**

***Amounts reported for governmental activities in the statement of activities are different because*** \$ 580,110

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

Capital Outlay	257,317	
Depreciation Expense	<u>(180,120)</u>	77,197

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 59,314

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences (14,018)

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 governmental activities. (17,486)

***Change in Net Assets of Governmental Activities*** \$ 685,117

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 353,105	\$ 294,549	\$ 288,376	\$ (6,173)
Intergovernmental Revenue	726,454	605,985	608,947	2,962
Charges for Services	61,714	51,480	46,286	(5,194)
Licenses and Permits	122,177	101,916	102,163	247
Investment Earnings	245,332	204,648	214,291	9,643
Fines and Forfeitures	25,774	21,500	18,861	(2,639)
All Other Revenues	168,374	140,452	139,876	(576)
Total Revenues	1,702,930	1,420,530	1,418,800	(1,730)
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	1,280,178	1,287,838	1,305,756	(17,918)
Public Health and Welfare	13,108	12,927	13,107	(180)
General Government	473,287	508,808	515,887	(7,079)
Total Expenditures	1,766,573	1,809,573	1,834,750	(25,177)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,643)	(389,043)	(415,950)	(26,907)
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	733,500	733,500	0
Transfers Out	(383,500)	(383,500)	(383,500)	0
Total Other Financing Sources (Uses):	(383,500)	350,000	350,000	0
Net Change in Fund Balance	(447,143)	(39,043)	(65,950)	(26,907)
Fund Balance at Beginning of Year	307,819	307,819	307,819	0
Prior Year Encumbrances	62,892	62,892	62,892	0
Fund Balance at End of Year	\$ (76,432)	\$ 331,668	\$ 304,761	\$ (26,907)

See accompanying notes to the basic financial statements

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**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Special Revenue Fund – Income Tax Fund  
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 1,599,498	\$ 1,594,115	\$ 1,593,064	\$ (1,051)
All Other Revenues	502	500	0	(500)
Total Revenues	1,600,000	1,594,615	1,593,064	(1,551)
<b>Expenditures:</b>				
Current:				
General Government	159,685	101,300	101,078	222
Total Expenditures	159,685	101,300	101,078	222
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,440,315	1,493,315	1,491,986	(1,329)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(1,467,000)	(1,467,000)	(1,467,000)	0
Total Other Financing Sources (Uses):	(1,467,000)	(1,467,000)	(1,467,000)	0
Net Change in Fund Balance	(26,685)	26,315	24,986	(1,329)
Fund Balance at Beginning of Year	64,767	64,767	64,767	0
Prior Year Encumbrances	13,688	13,688	13,688	0
Fund Balance at End of Year	\$ 51,770	\$ 104,770	\$ 103,441	\$ (1,329)

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Electric
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 1,160,610	\$ 2,120,629	\$ 2,798,475
Receivables:			
Taxes	0	0	0
Accounts	149,120	223,818	1,283,703
Intergovernmental	0	0	0
Interest	143	0	10,081
Special Assessments	195,000	5,280,000	0
Prepaid Items	8,425	8,425	11,141
Total current assets	<u>1,513,298</u>	<u>7,632,872</u>	<u>4,103,400</u>
Noncurrent assets:			
Investment in Joint Venture	0	0	197,114
Capital Assets, Net	<u>1,275,324</u>	<u>15,510,145</u>	<u>2,770,925</u>
Total noncurrent assets	<u>1,275,324</u>	<u>15,510,145</u>	<u>2,968,039</u>
Total assets	<u>2,788,622</u>	<u>23,143,017</u>	<u>7,071,439</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts Payable	28,819	25,972	390,563
Accrued Wages and Benefits	28,045	23,370	52,429
Intergovernmental Payable	4,089	3,612	27,385
Claims Payable	0	0	0
Deferred Revenue	0	0	0
Accrued Interest Payable	11,264	112,623	28,664
General Obligation Notes Payable	995,000	0	1,420,000
Revenue Bond Payable - Current	0	77,100	0
Special Assessment Bond Payable - Current	5,000	190,000	0
OWDA Loans Payable - Current	0	12,244	0
Compensated Absences - Current	6,613	2,691	28,790
Total Current Liabilities	<u>1,078,830</u>	<u>447,612</u>	<u>1,947,831</u>
Noncurrent Liabilities:			
Special Assessment Bonds Payable	190,000	5,090,000	0
Revenue Bonds Payable	0	7,081,700	0
OPWC Loans Payable	0	291,848	0
Compensated Absences Payable	9,234	4,101	11,448
Total noncurrent liabilities	<u>199,234</u>	<u>12,467,649</u>	<u>11,448</u>
Total Liabilities	<u>1,278,064</u>	<u>12,915,261</u>	<u>1,959,279</u>

**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Total	Governmental Activities - Internal Service Fund
\$ 78,961	\$ 6,158,675	\$ 324,149
166,891	166,891	0
12,497	1,669,138	4,475
9,000	9,000	0
24	10,248	245
0	5,475,000	0
2,919	30,910	0
<u>270,292</u>	<u>13,519,862</u>	<u>328,869</u>
<u>0</u>	<u>197,114</u>	<u>0</u>
<u>17,257</u>	<u>19,573,651</u>	<u>0</u>
<u>17,257</u>	<u>19,770,765</u>	<u>0</u>
<u>287,549</u>	<u>33,290,627</u>	<u>328,869</u>
3,168	448,522	0
21,973	125,817	141
0	35,086	0
0	0	98,115
171,465	171,465	0
0	152,551	0
0	2,415,000	0
0	77,100	0
0	195,000	0
0	12,244	0
827	38,921	0
<u>197,433</u>	<u>3,671,706</u>	<u>98,256</u>
0	5,280,000	0
0	7,081,700	0
0	291,848	0
901	25,684	0
<u>901</u>	<u>12,679,232</u>	<u>0</u>
<u>198,334</u>	<u>16,350,938</u>	<u>98,256</u>

(Continued)

**CITY OF COLUMBIANA, OHIO**

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**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

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	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Electric
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	939,604	2,767,273	2,688,622
Unrestricted	570,954	7,460,483	2,423,538
Total Net Assets	<u>\$ 1,510,558</u>	<u>\$ 10,227,756</u>	<u>\$ 5,112,160</u>

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

Net Assets of Business-type Activities

See accompanying notes to the basic financial statements



**CITY OF COLUMBIANA, OHIO**

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<u>Vehicle Service</u>	<u>Total</u>	Governmental Activities - <u>Internal Service Fund</u>
17,257	6,412,756	0
<u>71,958</u>	<u>10,526,933</u>	<u>230,613</u>
<u>\$ 89,215</u>	<u>\$ 16,939,689</u>	<u>\$ 230,613</u>
	<u>153,791</u>	
	<u>\$ 17,093,480</u>	

**CITY OF COLUMBIANA, OHIO**

**Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2006**

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Electric
<b>Operating Revenues:</b>			
Charges for Services	\$ 944,040	\$ 1,674,087	\$ 7,248,589
Other Operating Revenues	0	0	0
<b>Total Operating Revenues</b>	<u>944,040</u>	<u>1,674,087</u>	<u>7,248,589</u>
<b>Operating Expenses:</b>			
Personal Services	498,383	398,555	836,689
Contractual Services	287,253	343,649	5,776,494
Materials and Supplies	104,078	54,047	145,132
Depreciation	43,799	435,553	258,780
Other Operating Expenses	1,646	67	1,021
<b>Total Operating Expenses</b>	<u>935,159</u>	<u>1,231,871</u>	<u>7,018,116</u>
<b>Operating Income (Loss)</b>	8,881	442,216	230,473
<b>Non-Operating Revenue (Expenses):</b>			
Interest Income	19,429	7,051	35,737
Interest and Fiscal Charges	(23,551)	(561,736)	(30,628)
Taxes	0	0	0
Income from Joint Venture	0	0	29,233
Intergovernmental Grants/Loans	0	90,351	0
Other Nonoperating Revenue	0	0	99,587
Other Nonoperating Expense	0	0	(18,319)
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(4,122)</u>	<u>(464,334)</u>	<u>115,610</u>
<b>Income (Loss) Before Contributions and Transfers</b>	4,759	(22,118)	346,083
<b>Transfers:</b>			
Transfers-Out	(5,379)	(86,305)	0
<b>Total Transfers</b>	<u>(5,379)</u>	<u>(86,305)</u>	<u>0</u>
<b>Change in Net Assets</b>	(620)	(108,423)	346,083
Net Assets Beginning of Year	<u>1,511,178</u>	<u>10,336,179</u>	<u>4,766,077</u>
<b>Net Assets End of Year</b>	<u>\$ 1,510,558</u>	<u>\$ 10,227,756</u>	<u>\$ 5,112,160</u>

Change in Net Assets - Total Enterprise Funds

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

Change in Net Assets - Business-type Activities

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Total	Governmental Activities - Internal Service Fund
\$ 182,354	\$ 10,049,070	\$ 815,515
0	0	71,776
182,354	10,049,070	887,291
335,431	2,069,058	919,990
35,307	6,442,703	12,384
38,229	341,486	0
5,711	743,843	0
3,222	5,956	0
417,900	9,603,046	932,374
(235,546)	446,024	(45,083)
2,444	64,661	7,988
0	(615,915)	0
161,308	161,308	0
0	29,233	0
25,431	115,782	0
28,524	128,111	0
0	(18,319)	0
217,707	(135,139)	7,988
(17,839)	310,885	(37,095)
0	(91,684)	0
0	(91,684)	0
(17,839)	219,201	(37,095)
107,054	16,720,488	267,708
\$ 89,215	\$ 16,939,689	\$ 230,613
	\$ 219,201	
	(19,609)	
	\$ 199,592	

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	Business Type Activities		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$909,564	\$1,667,044	\$7,289,822
Cash Payments for Goods and Services	(379,547)	(405,762)	(6,000,126)
Cash Payments to Employees	(500,618)	(399,678)	(817,789)
Net Cash Provided (Used) by Operating Activities	<u>29,399</u>	<u>861,604</u>	<u>471,907</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	0	0	0
Transfers In from Other Funds	0	909,236	0
Transfers Out to Other Funds	0	(909,236)	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from the Sale of Notes	995,000	0	1,420,000
Intergovernmental Grants/Loans	0	291,219	0
Special Assessment Bond Retirement	0	(120,000)	0
Mortgage Revenue Bond Retirement	0	(68,200)	0
Note Retirement	(130,000)	0	(200,000)
Interest and Fiscal Charges	(4,420)	(561,035)	(6,183)
Acquisition and Construction of Assets	(154,704)	(174,454)	(674,411)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>705,876</u>	<u>(632,470)</u>	<u>539,406</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	19,286	7,051	25,656
Sale of Investment	0	0	634,638
Net Cash Provided by Noncapital Financing Activities	<u>19,286</u>	<u>7,051</u>	<u>660,294</u>
Net Increase (Decrease) in Cash and Cash Equivalents	754,561	236,185	1,671,607
Cash and Cash Equivalents at Beginning of Year	406,049	1,884,444	1,126,868
Cash and Cash Equivalents at End of Year	<u>\$1,160,610</u>	<u>\$2,120,629</u>	<u>\$2,798,475</u>

**CITY OF COLUMBIANA, OHIO**

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Public Safety Vehicle Service	Totals	Governmental- Activities Internal Service Fund
\$219,336	\$10,085,766	\$882,816
(73,026)	(6,858,461)	(12,384)
(341,303)	(2,059,388)	(854,767)
<u>(194,993)</u>	<u>1,167,917</u>	<u>15,665</u>
158,947	158,947	0
0	909,236	0
0	(909,236)	0
<u>158,947</u>	<u>158,947</u>	<u>0</u>
0	2,415,000	0
25,431	316,650	0
0	(120,000)	0
0	(68,200)	0
0	(330,000)	0
0	(571,638)	0
0	(1,003,569)	0
<u>25,431</u>	<u>638,243</u>	<u>0</u>
2,420	54,413	8,282
0	634,638	0
<u>2,420</u>	<u>689,051</u>	<u>8,282</u>
(8,195)	2,654,158	23,947
87,156	3,504,517	300,202
<u>\$78,961</u>	<u>\$6,158,675</u>	<u>\$324,149</u>

(Continued)

**CITY OF COLUMBIANA, OHIO**

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

	Business Type Activities		
	Water	Wastewater	Electric
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>			
<b>Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$8,881	\$442,216	\$230,473
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	43,799	435,553	258,780
Non-Operating Revenue	0	0	98,193
Non-Operating Expense	0	0	(18,319)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(17,602)	(27,808)	(56,960)
(Increase) Decrease in Prepaids	(2,034)	757	(905)
(Increase) Decrease in Special Assessments Receivable	(16,874)	20,765	0
Increase (Decrease) in Accounts Payable	14,164	(9,783)	(84,715)
Increase (Decrease) in Accrued Wages and Benefits	(7,035)	490	(5,855)
Increase in Intergovernmental Payable	1,300	1,027	26,460
Increase in Claims Payable	0	0	0
Increase (Decrease) in Compensated Absences	4,800	(1,613)	24,755
Total Adjustments	<u>20,518</u>	<u>419,388</u>	<u>241,434</u>
Net Cash Provided (Used) by Operating Activities	<u>\$29,399</u>	<u>\$861,604</u>	<u>\$471,907</u>

See accompanying notes to the basic financial statements

**CITY OF COLUMBIANA, OHIO**

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<u>Public Safety</u>		Governmental- Activities
<u>Vehicle Service</u>	<u>Totals</u>	<u>Internal Service Fund</u>
(\$235,546)	\$446,024	(\$45,083)
5,711	743,843	0
28,508	126,701	0
0	(18,319)	0
8,474	(93,896)	(4,475)
3,329	1,147	0
0	3,891	0
403	(79,931)	0
(3,563)	(15,963)	(16)
0	28,787	0
0	0	65,239
(2,309)	25,633	0
<u>40,553</u>	<u>721,893</u>	<u>60,748</u>
<u>(\$194,993)</u>	<u>\$1,167,917</u>	<u>\$15,665</u>

**CITY OF COLUMBIANA, OHIO**

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***Statement of Assets and Liabilities  
Fiduciary Funds  
December 31, 2006***

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	<u>Agency Fund</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,017
<b>Total Assets</b>	<u>\$ 1,017</u>
<b>Liabilities:</b>	
Due to Others	\$ 1,017
<b>Total Liabilities</b>	<u>\$ 1,017</u>

See accompanying notes to the basic financial statements



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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements are presented as of December 31, 2006 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 12 – "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 12 – "Joint Ventures"

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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

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

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, 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.

**Income Tax Fund** - This fund is used to account for municipal income tax collections as required by City Ordinance.

**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 and all liabilities associated with the operation of this fund are included on the balance sheet. The enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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.

**Public Safety Vehicle Service Fund** - This fund is used to account for the operation of the City's emergency medical services.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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

##### **C. Basis of Presentation – Financial Statements**

**Government-wide Financial Statements** – The statement of net assets 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. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, 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 and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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

##### **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 withheld by employers, interest on investments, loans and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Other revenue, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues, is recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes measurable as of December 31, 2006 but which are not intended to finance 2006 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as 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.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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

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

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

##### **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 2006.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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

##### **E. Budgetary Process (Continued)**

##### **3. Appropriations**

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2006, 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 and Major Special Revenue 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 and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

##### **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. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservation of fund balance (GAAP basis).

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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

**E. Budgetary Process (Continued)**

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

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

	General Fund	Income Tax Fund
Net Change in Fund Balance		
GAAP Basis (as reported)	\$309,508	\$76,468
Increase (Decrease):		
Accrued Revenues at December 31, 2006 received during 2007	(430,575)	(336,328)
Accrued Revenues at December 31, 2005 received during 2006	121,621	286,286
Accrued Expenditures at December 31, 2006 paid during 2007	87,574	5,885
Accrued Expenditures at December 31, 2005 paid during 2006	(84,242)	(5,589)
2005 Prepays for 2006	53,564	101
2006 Prepays for 2007	(53,516)	0
Outstanding Encumbrances	<u>(69,884)</u>	<u>(1,837)</u>
Budget Basis	<u><u>(\$65,950)</u></u>	<u><u>\$24,986</u></u>

**F. Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term certificates of deposit with original maturities of three months or less. Certificates of deposit are considered cash equivalents because they are highly liquid investments with maturity dates 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."

## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) 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."

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

Payments made to vendors for services that will benefit periods beyond December 31, 2006, 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. 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 Assets, 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.



**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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

**I. Capital Assets and Depreciation** (Continued)

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 Assets 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	30-40
Improvements other than Buildings	20
Infrastructure	40
Machinery, Equipment, Furniture and Fixtures	5-20

**J. 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
OWDA Loan	Wastewater Fund
OPWC Loan	Wastewater Fund
Compensated Absences	General Fund Street Construction, Maintenance and Repair Fund State Highway Improvement Fund Cemetery Fund Park Fund Capital Improvement Fund Income Tax Fund Water Fund Wastewater Fund Electric Fund Public Safety Vehicle Service Fund

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

##### **K. 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 assets, "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.

##### **L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are reported as restricted when there are limitations imposed on their 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 assets are available.

##### **M. Pensions**

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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

##### **N. 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.

##### **O. Reservations of Fund Balance**

Reserves indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, endowments, and encumbered amounts that are not accrued at year end.

##### **P. 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.

##### **Q. 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 2006.

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 2 - COMPLIANCE AND ACCOUNTABILITY**

The fund deficit at December 31, 2006 of \$27,645 in the Police Pension Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The General Fund provides transfers when cash is required, not when accruals occur.

#### **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;

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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

- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
- Under limited circumstances, corporate debt interest rated in either of the two highest classifications by at least two nationally recognized rating agencies.
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

**A. Deposits**

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

At year end the carrying amount of the City's deposits was \$8,291,904 and the bank balance was \$8,302,581. Federal depository insurance covered \$300,000 of the bank balance and \$8,002,581 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$8,002,581</u>
Total Balance	<u><u>\$8,002,581</u></u>

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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

**B. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note is based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$7,875,656	\$416,248
Certificates of Deposit (with maturities of more than 3 months)	416,248	(416,248)
Per GASB Statement No. 3	<u>\$8,291,904</u>	<u>\$0</u>

**NOTE 4 - TAXES**

**A. Property Taxes**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005 the lien date. Assessed values for real property 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 made in the third year following reappraisal. The last reappraisal was completed during 2004. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by July 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually. The first payment is due April 30; the remainder payable by September 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.

**CITY OF COLUMBIANA, OHIO**

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**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

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**NOTE 4 - TAXES (Continued)**

**A. Property Taxes (Continued)**

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, 2006 was \$4.30 per \$1,000 of assessed value. The assessed value upon which the 2005 levy was based was \$152,019,170. This amount constitutes \$138,515,650 in real property assessed value, \$3,345,730 in public utility assessed value and \$10,157,790 in tangible personal property assessed value.

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 .43% (4.30 mills) of assessed value.

**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, 2006 consisted of taxes, accounts receivable, special assessments, interest, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by deferred revenues are considered collectible in full.

**NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds for 2006:

Fund	Transfer In	Transfer Out
General Fund	\$733,500	\$383,500
Income Tax Fund	0	1,467,000
Capital Improvement Fund	733,500	0
Other Governmental Funds	475,184	0
Total Governmental Funds	1,942,184	1,850,500
Water Fund	0	5,379
Wastewater Fund	0	86,305
Total Proprietary Funds	0	91,684
Totals	\$1,942,184	\$1,942,184

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities Capital Assets**

Summary by category of changes in governmental activities capital assets at December 31, 2006:

**Historical Cost:**

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<b>Capital assets not being depreciated:</b>				
Land	\$506,391	\$0	\$0	\$506,391
Construction in Progress	783,132	0	(783,132)	0
Subtotal	1,289,523	0	(783,132)	506,391
<b>Capital assets being depreciated:</b>				
Buildings and Improvements	\$1,664,601	\$0	\$0	\$1,664,601
Improvements Other than Buildings	506,959	0	0	506,959
Infrastructure	55,525	826,633	0	882,158
Machinery and Equipment	1,853,494	213,816	0	2,067,310
Total Cost	<u>\$5,370,102</u>	<u>\$1,040,449</u>	<u>(\$783,132)</u>	<u>\$5,627,419</u>
<b>Accumulated Depreciation:</b>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$796,253)	(\$29,256)	\$0	(\$825,509)
Improvements Other than Buildings	(317,103)	(34,621)	0	(351,724)
Infrastructure	(1,851)	(24,709)	0	(26,560)
Machinery and Equipment	(1,301,636)	(91,534)	0	(1,393,170)
Total Accumulated Depreciation	<u>(\$2,416,843)</u>	<u>(\$180,120) *</u>	<u>\$0</u>	<u>(\$2,596,963)</u>
<b>Net Value:</b>	<u>\$2,953,259</u>			<u>\$3,030,456</u>

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

Security of Persons and Property	\$58,543
Public Health and Welfare	4,239
Leisure Time Activity	42,834
Transportation	55,909
General Government	18,595
Total Depreciation Expense	<u>\$180,120</u>



**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 7 - CAPITAL ASSETS (Continued)**

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

Summary by Category at December 31, 2006:

***Historical Cost:***

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<b><i>Capital assets not being depreciated:</i></b>				
Land	\$533,980	\$0	\$0	\$533,980
Construction in Progress	5,692,955	223,023	(5,692,955)	223,023
<b><i>Capital assets being depreciated:</i></b>				
Buildings and Improvements	9,512,394	0	0	9,512,394
Improvements other than Buildings	126,884	0	0	126,884
Machinery and Equipment	6,365,607	841,891	(81,313)	7,126,185
Infrastructure	557,755	5,425,403	0	5,983,158
Total Cost	<u>\$22,789,575</u>	<u>\$6,490,317</u>	<u>(\$5,774,268)</u>	<u>\$23,505,624</u>

***Accumulated Depreciation:***

Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$932,151)	(\$237,812)	\$0	(\$1,169,963)
Improvements other than Buildings	(20,529)	(19,056)	0	(39,585)
Machinery and Equipment	(2,140,917)	(414,956)	0	(2,555,873)
Infrastructure	(94,533)	(72,019)	0	(166,552)
Total Accumulated Depreciation	<u>(\$3,188,130)</u>	<u>(\$743,843)</u>	<u>\$0</u>	<u>(\$3,931,973)</u>
<b><i>Net Value:</i></b>	<u>\$19,601,445</u>	<u>\$5,746,474</u>	<u>(\$5,774,268)</u>	<u>\$19,573,651</u>

**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 (the “Ohio PERS”)**

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in one of the three pension plans administered by the Ohio PERS: the Traditional

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

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.

The Ohio PERS 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 the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$323,535, \$272,707 and \$259,574, respectively, which were equal to the required contributions for each year.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirees. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$106,271.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

## *CITY OF COLUMBIANA, OHIO*

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### *Notes to the Basic Financial Statements For the Year Ended December 31, 2006*

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#### **NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

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

All City full-time police officers participate in the OP&F Fund, a cost-sharing multiple-employer defined benefit pension plan. The OP&F Fund 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 Ohio Revised Code. The Ohio Police and Fire Pension Fund issues a stand-alone financial report that includes financial statements and required supplementary information for the OP&F Fund. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164 or by calling (614) 228-2975.

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. The City's contributions to the OP&F Fund for the years ending December 31, 2006, 2005, and 2004 were \$150,615, \$152,514 and \$125,705 for police which were equal to the required contributions for each year.

The OP&F Fund provides postemployment health care coverage to any person who received or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school on a full-time or two-thirds basis. The health care coverage provided by the OP&F Fund is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F Fund shall be included in the employer's contribution rate. The Ohio Revised Code also provides statutory authority allowing the Fund's Board of Trustees to provide postemployment health care coverage to all eligible individuals from the employer's contributions to the OP&F Fund.

The portion of the 2006 covered payroll that was used to fund postemployment health care benefits was \$59,860 representing 7.75% of covered payroll for police. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 9 - 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.

	Balance January 1, 2006	Issued	(Retired)	Balance December 31, 2006
<b>Capital Projects Fund Notes Payable:</b>				
3.750% Street Improvements	\$120,000	\$0	(\$120,000)	\$0
4.000% Street Improvements	0	90,000	0	90,000
3.750% Pumper Fire Truck	100,000	0	(100,000)	0
4.000% Pumper Fire Truck	0	70,000	0	70,000
Total Capital Projects Fund Notes Payable	220,000	160,000	(220,000)	160,000
<b>Enterprise Fund Note Payable:</b>				
3.400% Water Main Improvement	130,000	0	(130,000)	0
4.400% Water Main Improvement	0	995,000	0	995,000
3.100% Electric System Improvements	200,000	0	(200,000)	0
4.300% Electric System Improvements	0	1,420,000	0	1,420,000
Total Enterprise Fund Notes Payable	330,000	2,415,000	(330,000)	2,415,000
Total Notes Payable	\$550,000	\$2,575,000	(\$550,000)	\$2,575,000

**CITY OF COLUMBIANA, OHIO**

**Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006**

**NOTE 10 - LONG-TERM OBLIGATIONS**

Activity in Long-Term Obligations in 2006 was as follows:

Interest Rate	Purpose		Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006	Amount Due Within One Year
<b>Governmental Activities:</b>							
	Compensated Absences		\$57,729	\$71,747	(\$57,729)	\$71,747	\$39,858
	Total Governmental Activities		57,729	71,747	(57,729)	71,747	39,858
<b>Business-Type Activities:</b>							
Special Assessment Bonds:							
6.00%	Waterline Improvements	2024	200,000	0	(5,000)	195,000	5,000
6.00%	Sanitary Sewer Improvements	2024	225,000	0	(10,000)	215,000	10,000
4.25%	Sanitary Sewer Improvements	2025	5,185,000	0	(120,000)	5,065,000	180,000
	Total Special Assessment Bonds		5,610,000	0	(135,000)	5,475,000	195,000
Mortgage Revenue Bond:							
4.13%	Wastewater Treatment System	2045	7,227,000	0	(68,200)	7,158,800	77,100
Ohio Water Development Authority Loans:							
5.89%	Sanitary Sewer Extension		12,244	0	0	12,244	12,244
	Total Ohio Water Development Authority Loans		12,244	0	0	12,244	12,244
Ohio Public Works Commission Loans:							
0.00%	Sanitary Sewer Lines	2024	291,848	0	0	291,848	0
	Total Ohio Public Works Commission Loans		291,848	0	0	291,848	0
	Compensated Absences		38,972	64,605	(38,972)	64,605	38,921
	Total Business-Type Activities		13,180,064	64,605	(242,172)	13,002,497	323,265
	Total Other Long-Term Obligations		\$13,237,793	\$136,352	(\$299,901)	\$13,074,244	\$363,123

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

Years	Special Assessment Bonds		Mrtgage Revenue Bond		OWDALoans		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$195,000	\$238,464	\$77,100	\$293,707	\$12,244	\$4,496	\$0	\$0
2008	205,000	231,264	79,500	290,533	0	0	14,592	0
2009	220,000	223,714	83,600	287,224	0	0	14,592	0
2010	220,000	215,514	87,000	283,777	0	0	14,592	0
2011	230,000	207,314	90,600	280,185	0	0	14,592	0
2012-2016	1,260,000	896,060	510,700	1,341,532	0	0	72,960	0
2017-2021	1,605,000	568,896	625,900	1,226,169	0	0	72,960	0
2022-2026	1,540,000	167,155	766,100	1,084,433	0	0	87,560	0
2027-2031	0	0	937,700	910,291	0	0	0	0
2032-2045	0	0	3,900,600	1,089,554	0	0	0	0
Totals	\$5,475,000	\$2,748,381	\$7,158,800	\$7,087,405	\$12,244	\$4,496	\$291,848	\$0

**CITY OF COLUMBIANA, OHIO**

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***Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006***

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**NOTE 11 – 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; and natural disasters. During 2006 the City contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Western World Co.	Ambulance/Medical	0
Arch Insurance Group	Law Enforcement Liability	5,000
Tudor Inc.	Public Officials/Errors and Omissions	25,000
Western World Co.	Volunteer Fire Department	0
Westfield Co.	Commercial Employee Crime	0

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. A separate Self Insurance Fund (an internal service fund) was created to account for and finance the self insurance program.

The claims liability of \$98,115 reported in the fund at December 31, 2006 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 2006 was as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2005	\$118,496	\$660,331	(\$745,951)	\$32,876
2006	32,876	919,849	(854,610)	98,115

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

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

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 12 - 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 Ohio) 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-Ohio 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 \$17,781 at December 31, 2006. Complete financial statements for Omega JV-1 can be obtained from AMP-Ohio 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-Ohio.

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, 2006, Columbiana has met their debt coverage obligation.



## **CITY OF COLUMBIANA, OHIO**

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### ***Notes to the Basic Financial Statements For the Year Ended December 31, 2006***

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#### **NOTE 12 - 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-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio 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 \$179,333 at December 31, 2006. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

#### **NOTE 13 - CONTINGENCIES**

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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 5, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the City's management in a separate letter dated March 5, 2009.

### **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, providing an opinion 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*.

We did note certain noncompliance or other matters that we reported to the City's management in a separate letter dated March 5, 2009.

We intend this report solely for the information and use of management and City Council. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 5, 2009



Mary Taylor, CPA  
Auditor of State

CITY OF COLUMBIANA

COLUMBIANA COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
APRIL 16, 2009