



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 11, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

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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, 2008, 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, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the 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 December 15, 2010, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

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

Mary Taylor, CPA
Auditor of State

December 15, 2010

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

The discussion and analysis of the City of Columbiana's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2008. 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 2008 are as follows:

- ❑ In total, net assets increased \$2,625,210. Net assets of governmental activities increased \$1,555,181, which represents a 25% increase from 2007. Net assets of business-type activities increased \$1,070,029, or 6% from 2007.
- ❑ General revenues accounted for \$3,388,291 in revenue or 21% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,997,503, or 79% of total revenues of \$16,385,794.
- ❑ The City had \$3,651,539 in expenses related to governmental activities; only \$2,098,363 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,116,438 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$1,427,601 in revenues and \$1,815,050 in expenditures. The general fund's fund balance decreased from a balance of \$383,362 to \$333,413.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

CITY OF COLUMBIANA, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net 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, 2008**

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 2008 compared to 2007.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$3,166,154	\$3,331,143	\$14,429,378	\$13,469,267	\$17,595,532	\$16,800,410
Capital assets, Net	5,601,264	3,810,115	22,514,507	21,296,281	28,115,771	25,106,396
Total assets	8,767,418	7,141,258	36,943,885	34,765,548	45,711,303	41,906,806
Long-term debt outstanding	136,770	67,115	12,511,352	12,766,853	12,648,122	12,833,968
Other liabilities	792,627	791,303	4,541,560	3,177,751	5,334,187	3,969,054
Total liabilities	929,397	858,418	17,052,912	15,944,604	17,982,309	16,803,022
Net assets						
Invested in capital assets, net of related debt	5,601,264	3,810,115	7,758,482	6,927,509	13,359,746	10,737,624
Restricted	1,672,877	1,868,636	0	0	1,672,877	1,868,636
Unrestricted	563,880	604,089	12,132,491	11,893,435	12,696,371	12,497,524
Total net assets	<u>\$7,838,021</u>	<u>\$6,282,840</u>	<u>\$19,890,973</u>	<u>\$18,820,944</u>	<u>\$27,728,994</u>	<u>\$25,103,784</u>

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2008

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2008 compared to 2007:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for Services and Sales	\$390,753	\$368,829	\$10,862,247	\$10,215,436	\$11,253,000	\$10,584,265
Operating Grants and Contributions	319,287	343,983	0	0	319,287	343,983
Capital Grants and Contributions	1,388,323	155,443	36,893	425,145	1,425,216	580,388
Total Program revenues	2,098,363	868,205	10,899,140	10,640,581	12,997,503	11,508,786
General revenues:						
Property Taxes	353,280	324,388	171,752	169,149	525,032	493,537
Income Taxes	1,750,364	1,731,632	0	0	1,750,364	1,731,632
Other Local Taxes	34,123	44,104	0	0	34,123	44,104
Intergovernmental, Unrestricted	649,052	488,416	24,126	30,869	673,178	519,285
Investment Earnings	141,067	290,263	75,975	103,603	217,042	398,866
Miscellaneous	188,552	132,473	0	0	188,552	132,473
Total General revenues	3,116,438	3,011,276	271,853	303,621	3,388,291	3,314,897
Total revenues	5,214,801	3,879,481	11,170,993	10,944,202	16,385,794	14,823,683
Program Expenses						
Security of Persons and Property	1,569,769	1,479,564	0	0	1,569,769	1,479,564
Public Health and Welfare	186,883	172,344	0	0	186,883	172,344
Leisure Time Activities	461,531	387,737	0	0	461,531	387,737
Transportation	462,133	378,673	0	0	462,133	378,673
General Government	960,124	948,504	0	0	960,124	948,504
Interest and Fiscal Charges	11,099	7,676	0	0	11,099	7,676
Water	0	0	1,042,202	921,792	1,042,202	921,792
Wastewater	0	0	1,644,129	1,642,955	1,644,129	1,642,955
Electric	0	0	6,967,945	6,608,954	6,967,945	6,608,954
Public Safety Vehicle Service	0	0	454,769	428,557	454,769	428,557
Total expenses	3,651,539	3,374,498	10,109,045	9,602,258	13,760,584	12,976,756
Change in Net Assets before transfers	1,563,262	504,983	1,061,948	1,341,944	2,625,210	1,846,927
Transfers	(8,081)	(52,907)	8,081	52,907	0	0
Total Change in Net Assets	1,555,181	452,076	1,070,029	1,394,851	2,625,210	1,846,927
Beginning Net Assets, Restated	6,282,840	5,830,764	18,820,944	17,426,093	25,103,784	23,256,857
Ending Net Assets	\$7,838,021	\$6,282,840	\$19,890,973	\$18,820,944	\$27,728,994	\$25,103,784

Governmental Activities

Net assets of the City's governmental activities increased \$1,555,181. Ohio Department of Transportation capital grants received resulted in the increase in capital grants and contributions. A decrease in investment earnings can be attributed to a decrease in interest rates.

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.

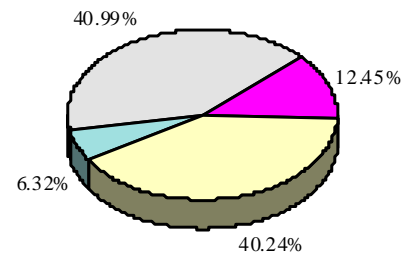
CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

Income taxes and property taxes made up 34% and 7% respectively of revenues for governmental activities for the City in fiscal year 2008. The City's reliance upon tax revenues is demonstrated by the following graph indicating 41% of total revenues from general tax revenues:

Revenue Sources	2008	Percent of Total
General Tax Revenues	\$2,137,767	40.99%
Intergovernmental, Unrestricted	649,052	12.45%
Program Revenues	2,098,363	40.24%
General Other	329,619	6.32%
Total Revenue	\$5,214,801	100.00%



Business-Type Activities

Net assets of the business-type activities increased \$1,070,029. Capital grants and contributions received in 2007 for sanitary sewer rehabilitation, public safety vehicle service and water department equipment resulted in the decrease in 2008.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$1,941,949, which is a decrease from last year's balance of \$2,158,546. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2008 and 2007:

	Fund Balance December 31, 2008	Fund Balance December 31, 2007	Increase (Decrease)
General	\$333,413	\$383,362	(\$49,949)
Income Tax	434,489	454,133	(19,644)
Capital Improvement	438,761	587,928	(149,167)
Other Governmental	735,286	733,123	2,163
Total	\$1,941,949	\$2,158,546	(\$216,597)

CITY OF COLUMBIANA, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2008*

Unaudited

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

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$304,774	\$297,111	\$7,663
Intergovernmental Revenues	654,007	653,082	925
Charges for Services	71,315	49,454	21,861
Licenses and Permits	100,491	93,405	7,086
Investment Earnings	118,315	258,862	(140,547)
Fines and Forfeitures	16,678	15,325	1,353
All Other Revenue	162,021	115,602	46,419
Total	\$1,427,601	\$1,482,841	(\$55,240)

General Fund revenues in 2008 decreased 4% compared to revenues in 2007. The largest change was a 54% decrease in investment earnings which can be attributed to a decrease in interest rates.

	2008 Expenditures	2007 Expenditures	Increase (Decrease)
Security of Persons and Property	\$1,340,352	\$1,332,944	\$7,408
Public Health and Welfare	13,501	13,501	0
General Government	461,197	916,259	(455,062)
Interest and Fiscal Charges	0	937	(937)
Total	\$1,815,050	\$2,263,641	(\$448,591)

General Fund expenditures decreased \$448,591 or 20% from the prior year. General government decreased substantially due to a land purchase on Crestview Road in 2007.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

Income Tax Fund – The City's Income Tax Fund balance decreased approximately 4%. Revenues remained stable, while an increase in amounts transferred out to other funds resulted in the decrease in fund balance.

Capital Improvement Fund – The City's Capital Improvement Fund balance decreased approximately 25%. Revenues and expenditures increased substantially due to an Ohio Department of Transportation grant designated for street improvements.

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 2008 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$1.4 million was not significantly different from final budget estimates. Budget basis expenditures of \$1.8 million were equal to final budget estimates of \$1.8 million. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2008 the City had \$28,115,771 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$5,601,264 was related to governmental activities and \$22,514,507 to the business-type activities. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$935,782	\$935,782	\$0
Buildings and Improvements	1,664,601	1,664,601	0
Improvements Other than Buildings	664,619	581,364	83,255
Infrastructure	3,232,437	1,325,830	1,906,607
Machinery and Equipment	2,181,663	2,097,887	83,776
Less: Accumulated Depreciation	(3,077,838)	(2,795,349)	(282,489)
Totals	<u>\$5,601,264</u>	<u>\$3,810,115</u>	<u>\$1,791,149</u>

The most significant change was in infrastructure, which can mostly be attributed to a paving project at state routes 7 and 14.

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2008**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2008	2007	
Land	\$533,980	\$533,980	\$0
Construction in Progress	0	769,587	(769,587)
Buildings	9,947,497	9,602,449	345,048
Improvements other than Buildings	135,601	135,601	0
Machinery and Equipment	7,212,092	6,824,104	387,988
Infrastructure	10,370,724	8,210,313	2,160,411
Less: Accumulated Depreciation	(5,685,387)	(4,779,753)	(905,634)
Totals	\$22,514,507	\$21,296,281	\$1,218,226

The increase in infrastructure can be attributed to the south substation project in the electric department and Southern Avenue sewer project. Additional information on the City's capital assets can be found in Note 8.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2008 and 2007:

	2008	2007
Governmental Activities:		
Compensated Absences	\$136,770	\$67,115
Total Governmental Activities	136,770	67,115
Business-Type Activities:		
Special Assessment Bonds	5,075,000	5,280,000
Mortgage Revenue Bond	7,002,200	7,081,700
Ohio Public Works Commission Loans	325,755	342,900
Compensated Absences	108,397	62,253
Total Business-Type Activities	12,511,352	12,766,853
Totals	\$12,648,122	\$12,833,968

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, 2008, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2008***

Unaudited

ECONOMIC FACTORS

In 2008 the City issued twelve zoning permits for commercial renovation as well as industrial expansion. These permits represent \$4,823,880 of investment in the community, as follows:

<u>Location</u>	<u>Project</u>	<u>Amount</u>
Rite Aid Pharmacy	New construction	\$1,650,000
Hogan's Bakery	Building remodel	40,000
Columbiana Boiler Co.	New building roof/demolition	71,000
FAP Properties, LLC	New building construction	850,000
Prima Healthcare	Medical facility construction	1,900,000
Reichard Industries	Building renovation	43,280
A-Plus Powder Coaters	Warehouse space addition	166,000
McDonalds	Building renovations	35,000
C.T. Cope & Associates	Office space construction	50,000
Bruno's Pizza	Oakmont Plaza remodel	18,600

In addition, the City issued twenty five building permits totaling \$3,990,660. The permits represented twenty seven living units.

REQUESTS FOR INFORMATION

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

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CITY OF COLUMBIANA, OHIO

Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 1,435,173	\$ 5,497,455	\$ 6,932,628
Investments	393,463	1,583,699	1,977,162
Receivables:			
Taxes	717,701	212,434	930,135
Accounts	25,600	1,902,833	1,928,433
Intergovernmental	273,044	41,074	314,118
Interest	13,487	11,577	25,064
Special Assessments	0	5,222,839	5,222,839
Internal Balance	226,690	(226,690)	0
Inventory of Supplies at Cost	14,360	3,870	18,230
Prepaid Items	66,636	17,101	83,737
Investment in Joint Venture	0	163,186	163,186
Capital Assets, Net	5,601,264	22,514,507	28,115,771
Total Assets	8,767,418	36,943,885	45,711,303
Liabilities:			
Accounts Payable	43,473	512,329	555,802
Accrued Wages and Benefits	197,049	154,931	351,980
Intergovernmental Payable	1,377	36,717	38,094
Claims Payable	0	77,710	77,710
Unearned Revenue	350,396	192,917	543,313
Accrued Interest Payable	332	148,791	149,123
General Obligation Notes Payable	200,000	3,418,165	3,618,165
Noncurrent liabilities:			
Due within one year	47,604	363,859	411,463
Due in more than one year	89,166	12,147,493	12,236,659
Total Liabilities	929,397	17,052,912	17,982,309
Net Assets:			
Invested in Capital Assets, Net of Related Debt	5,601,264	7,758,482	13,359,746
Restricted For:			
Capital Projects	627,914	0	627,914
Debt Service	94,920	0	94,920
Other Purposes	950,043	0	950,043
Unrestricted (Deficit)	563,880	12,132,491	12,696,371
Total Net Assets	\$ 7,838,021	\$ 19,890,973	\$ 27,728,994

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Activities
For the Year Ended December 31, 2008**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 1,569,769	\$ 88,289	\$ 5,279	\$ 0
Public Health and Welfare	186,883	44,479	0	0
Leisure Time Activities	461,531	157,494	0	0
Transportation	462,133	0	314,008	1,388,323
General Government	960,124	100,491	0	0
Interest and Fiscal Charges	11,099	0	0	0
Total Governmental Activities	3,651,539	390,753	319,287	1,388,323
Business-Type Activities:				
Water	1,042,202	1,158,092	0	0
Wastewater	1,644,129	1,329,231	0	15,708
Electric	6,967,945	8,139,697	0	0
Public Safety Vehicle Service	454,769	235,227	0	21,185
Total Business-Type Activities	10,109,045	10,862,247	0	36,893
Totals	\$ 13,760,584	\$ 11,253,000	\$ 319,287	\$ 1,425,216

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, Restated
 Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,476,201)	\$ 0	\$ (1,476,201)
(142,404)	0	(142,404)
(304,037)	0	(304,037)
1,240,198	0	1,240,198
(859,633)	0	(859,633)
(11,099)	0	(11,099)
<u>(1,553,176)</u>	<u>0</u>	<u>(1,553,176)</u>
0	115,890	115,890
0	(299,190)	(299,190)
0	1,171,752	1,171,752
0	(198,357)	(198,357)
<u>0</u>	<u>790,095</u>	<u>790,095</u>
<u>(1,553,176)</u>	<u>790,095</u>	<u>(763,081)</u>
315,518	0	315,518
37,762	0	37,762
0	171,752	171,752
1,750,364	0	1,750,364
34,123	0	34,123
649,052	24,126	673,178
141,067	75,975	217,042
188,552	0	188,552
(8,081)	8,081	0
<u>3,108,357</u>	<u>279,934</u>	<u>3,388,291</u>
1,555,181	1,070,029	2,625,210
<u>6,282,840</u>	<u>18,820,944</u>	<u>25,103,784</u>
<u>\$ 7,838,021</u>	<u>\$ 19,890,973</u>	<u>\$ 27,728,994</u>

CITY OF COLUMBIANA, OHIO

Balance Sheet
Governmental Funds
December 31, 2008

	<u>General</u>	<u>Income Tax</u>	<u>Capital Improvement</u>
Assets:			
Cash and Cash Equivalents	\$ 42,120	\$ 38,352	\$ 669,969
Investments	265,666	62,500	0
Receivables:			
Taxes	335,736	339,756	0
Accounts	22,840	0	0
Intergovernmental	108,970	0	0
Interest	12,341	0	0
Inventory of Supplies, at Cost	0	0	0
Prepaid Items	66,215	0	0
Total Assets	<u><u>\$ 853,888</u></u>	<u><u>\$ 440,608</u></u>	<u><u>\$ 669,969</u></u>
Liabilities:			
Accounts Payable	\$ 13,022	\$ 663	\$ 16,027
Accrued Wages and Benefits Payable	103,625	5,456	14,849
Intergovernmental Payable	232	0	0
Deferred Revenue	403,596	0	0
Accrued Interest Payable	0	0	332
General Obligation Notes Payable	0	0	200,000
Total Liabilities	<u>520,475</u>	<u>6,119</u>	<u>231,208</u>
Fund Balance:			
Reserved for Encumbrances	25,318	344	63,159
Reserved for Prepaid Items	66,215	0	0
Reserved for Supplies Inventory	0	0	0
Reserved for Endowments	0	0	0
Undesignated, Unreserved in:			
General Fund	241,880	0	0
Special Revenue Funds	0	434,145	0
Debt Service Fund	0	0	0
Capital Project Funds	0	0	375,602
Total Fund Balance	<u>333,413</u>	<u>434,489</u>	<u>438,761</u>
Total Liabilities and Fund Balance	<u><u>\$ 853,888</u></u>	<u><u>\$ 440,608</u></u>	<u><u>\$ 669,969</u></u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 684,732	\$ 1,435,173
65,297	393,463
42,209	717,701
2,760	25,600
164,074	273,044
1,146	13,487
14,360	14,360
421	66,636
<u>\$ 974,999</u>	<u>\$ 2,939,464</u>
\$ 13,761	\$ 43,473
73,119	197,049
1,145	1,377
151,688	555,284
0	332
0	200,000
<u>239,713</u>	<u>997,515</u>
6,759	95,580
421	66,636
14,360	14,360
167,459	167,459
0	241,880
251,352	685,497
94,920	94,920
200,015	575,617
<u>735,286</u>	<u>1,941,949</u>
<u>\$ 974,999</u>	<u>\$ 2,939,464</u>

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CITY OF COLUMBIANA, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2008***

Total Governmental Fund Balances \$ 1,941,949

***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. 5,601,264

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 204,888

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. 226,690

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 (136,770)

Net Assets of Governmental Activities \$ 7,838,021

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, 2008**

	General	Income Tax	Capital Improvement
Revenues:			
Taxes	\$ 304,774	\$ 1,750,364	\$ 0
Other Local Taxes	0	0	0
Intergovernmental Revenues	654,007	0	1,388,323
Charges for Services	71,315	0	0
Licenses and Permits	100,491	0	0
Investment Earnings	118,315	0	0
Fines and Forfeitures	16,678	0	0
All Other Revenue	162,021	0	216
Total Revenue	1,427,601	1,750,364	1,388,539
Expenditures:			
Current:			
Security of Persons and Property	1,340,352	0	0
Public Health and Welfare	13,501	0	0
Leisure Time Activities	0	0	0
Transportation	0	0	0
General Government	461,197	119,008	0
Capital Outlay	0	0	2,352,107
Debt Service:			
Interest & Fiscal Charges	0	0	11,099
Total Expenditures	1,815,050	119,008	2,363,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(387,449)	1,631,356	(974,667)
Other Financing Sources (Uses):			
Transfers In	825,500	0	825,500
Transfers Out	(488,000)	(1,651,000)	0
Total Other Financing Sources (Uses)	337,500	(1,651,000)	825,500
Net Change in Fund Balances	(49,949)	(19,644)	(149,167)
Fund Balance at Beginning of Year	383,362	454,133	587,928
Increase in Inventory Reserve	0	0	0
Fund Balance End of Year	\$ 333,413	\$ 434,489	\$ 438,761

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 36,273	\$ 2,091,411
34,123	34,123
322,667	2,364,997
201,973	273,288
0	100,491
13,092	131,407
296	16,974
26,315	188,552
634,739	5,201,243
152,733	1,493,085
169,293	182,794
412,804	412,804
322,145	322,145
9,981	590,186
59,899	2,412,006
0	11,099
1,126,855	5,424,119
(492,116)	(222,876)
487,379	2,138,379
(7,460)	(2,146,460)
479,919	(8,081)
(12,197)	(230,957)
733,123	2,158,546
14,360	14,360
\$ 735,286	\$ 1,941,949

CITY OF COLUMBIANA, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Fiscal Year Ended December 31, 2008***

Net Change in Fund Balances - Total Governmental Funds \$ (230,957)

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

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

Capital Outlay	2,073,638	
Depreciation Expense	<u>(282,489)</u>	1,791,149

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 13,558

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	(69,655)	
Change in Inventory	<u>14,360</u>	(55,295)

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. 36,726

Change in Net Assets of Governmental Activities \$ 1,555,181

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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 301,843	\$ 283,811	\$ 304,774	\$ 20,963
Intergovernmental Revenue	520,601	489,500	663,400	173,900
Charges for Services	74,421	69,975	71,315	1,340
Licenses and Permits	101,786	95,705	98,952	3,247
Investment Earnings	127,624	120,000	124,374	4,374
Fines and Forfeitures	15,443	14,520	16,680	2,160
All Other Revenues	170,697	160,500	162,702	2,202
Total Revenues	<u>1,312,415</u>	<u>1,234,011</u>	<u>1,442,197</u>	<u>208,186</u>
Expenditures:				
Current:				
Security of Persons and Property	1,322,861	1,369,487	1,319,342	50,145
Public Health and Welfare	13,042	13,502	13,501	1
General Government	480,646	497,587	510,942	(13,355)
Total Expenditures	<u>1,816,549</u>	<u>1,880,576</u>	<u>1,843,785</u>	<u>36,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(504,134)	(646,565)	(401,588)	244,977
Other Financing Sources (Uses):				
Transfers In	825,500	825,500	825,500	0
Transfers Out	(488,000)	(488,000)	(488,000)	0
Total Other Financing Sources (Uses):	<u>337,500</u>	<u>337,500</u>	<u>337,500</u>	<u>0</u>
Net Change in Fund Balance	(166,634)	(309,065)	(64,088)	244,977
Fund Balance at Beginning of Year	285,673	285,673	285,673	0
Prior Year Encumbrances	49,671	49,671	49,671	0
Fund Balance at End of Year	<u>\$ 168,710</u>	<u>\$ 26,279</u>	<u>\$ 271,256</u>	<u>\$ 244,977</u>

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, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,853,137	\$ 1,695,429	\$ 1,785,229	\$ 89,800
Total Revenues	1,853,137	1,695,429	1,785,229	89,800
Expenditures:				
Current:				
General Government	202,137	127,137	119,485	7,652
Total Expenditures	202,137	127,137	119,485	7,652
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,651,000	1,568,292	1,665,744	97,452
Other Financing Sources (Uses):				
Transfers Out	(1,651,000)	(1,651,000)	(1,651,000)	0
Total Other Financing Sources (Uses):	(1,651,000)	(1,651,000)	(1,651,000)	0
Net Change in Fund Balance	0	(82,708)	14,744	97,452
Fund Balance at Beginning of Year	82,708	82,708	82,708	0
Prior Year Encumbrances	2,393	2,393	2,393	0
Fund Balance at End of Year	\$ 85,101	\$ 2,393	\$ 99,845	\$ 97,452

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Electric
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,516,023	\$ 1,572,206	\$ 1,666,658
Investments	0	377,334	1,206,365
Receivables:			
Taxes	0	0	0
Accounts	211,430	229,583	1,435,917
Intergovernmental	0	4,077	0
Interest	2,019	1,693	3,917
Special Assessments	185,000	5,037,839	0
Inventory of Supplies at Cost	2,412	1,458	0
Prepaid Items	3,790	4,120	3,870
Total Current Assets	<u>1,920,674</u>	<u>7,228,310</u>	<u>4,316,727</u>
Noncurrent Assets:			
Investment in Joint Venture	0	0	163,186
Capital Assets, Net	<u>2,416,898</u>	<u>15,669,691</u>	<u>4,295,277</u>
Total Noncurrent Assets	<u>2,416,898</u>	<u>15,669,691</u>	<u>4,458,463</u>
Total Assets	<u>4,337,572</u>	<u>22,898,001</u>	<u>8,775,190</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	62,605	7,655	441,055
Accrued Wages and Benefits	33,783	31,495	61,795
Intergovernmental Payable	5,537	1,936	29,244
Claims Payable	0	0	0
Deferred Revenue	0	0	0
Accrued Interest Payable	32,792	114,040	1,853
General Obligation Notes Payable	2,170,000	0	1,170,000
Revenue Bond Payable - Current	0	83,600	0
Special Assessment Bond Payable - Current	10,000	210,000	0
OPWC Loans Payable - Current	0	17,145	0
Compensated Absences - Current	11,535	4,391	24,778
Total Current Liabilities	<u>2,326,252</u>	<u>470,262</u>	<u>1,728,725</u>

CITY OF COLUMBIANA, OHIO

<u>Public Safety Vehicle Service</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 23,528	\$ 4,778,415	\$ 719,040
0	1,583,699	0
212,434	212,434	0
24,085	1,901,015	1,818
36,997	41,074	0
0	7,629	3,948
0	5,222,839	0
0	3,870	0
5,321	17,101	0
<u>302,365</u>	<u>13,768,076</u>	<u>724,806</u>
0	163,186	0
<u>132,641</u>	<u>22,514,507</u>	<u>0</u>
<u>132,641</u>	<u>22,677,693</u>	<u>0</u>
<u>435,006</u>	<u>36,445,769</u>	<u>724,806</u>
1,014	512,329	0
27,320	154,393	538
0	36,717	0
0	0	77,710
192,917	192,917	0
106	148,791	0
78,165	3,418,165	0
0	83,600	0
0	220,000	0
0	17,145	0
2,410	43,114	0
<u>301,932</u>	<u>4,827,171</u>	<u>78,248</u>

(Continued)

CITY OF COLUMBIANA, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Electric
Noncurrent Liabilities:			
Special Assessment Bonds Payable	175,000	4,680,000	0
Revenue Bonds Payable	0	6,918,600	0
OPWC Loans Payable	0	308,610	0
Compensated Absences Payable	20,401	16,390	24,353
Total Noncurrent Liabilities	<u>195,401</u>	<u>11,923,600</u>	<u>24,353</u>
Total Liabilities	<u>2,521,653</u>	<u>12,393,862</u>	<u>1,753,078</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,126,993	3,451,736	3,125,277
Unrestricted	688,926	7,052,403	3,896,835
Total Net Assets	<u>\$ 1,815,919</u>	<u>\$ 10,504,139</u>	<u>\$ 7,022,112</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

<u>Public Safety Vehicle Service</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
0	4,855,000	0
0	6,918,600	0
0	308,610	0
<u>4,139</u>	<u>65,283</u>	<u>0</u>
4,139	12,147,493	0
<u>306,071</u>	<u>16,974,664</u>	<u>78,248</u>
54,476	7,758,482	0
<u>74,459</u>	<u>11,712,623</u>	<u>646,558</u>
<u>\$ 128,935</u>	<u>\$ 19,471,105</u>	<u>\$ 646,558</u>
	<u>419,868</u>	
	<u>\$ 19,890,973</u>	

CITY OF COLUMBIANA, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	Business-Type Activities		
	Enterprise Funds		
	Water	Wastewater	Electric
Operating Revenues:			
Charges for Services	\$ 1,158,092	\$ 1,329,231	\$ 7,979,166
Other Operating Revenues	0	0	0
Total Operating Revenues	<u>1,158,092</u>	<u>1,329,231</u>	<u>7,979,166</u>
Operating Expenses:			
Personal Services	554,448	510,720	912,846
Contractual Services	153,550	59,332	5,504,568
Materials and Supplies	130,313	39,860	140,531
Depreciation	78,259	512,073	311,800
Other Operating Expenses	1,848	1,038	1,188
Total Operating Expenses	<u>918,418</u>	<u>1,123,023</u>	<u>6,870,933</u>
Operating Income (Loss)	239,674	206,208	1,108,233
Non-Operating Revenue (Expenses):			
Interest Income	18,579	13,796	29,429
Interest and Fiscal Charges	(65,580)	(521,106)	(129,948)
Taxes	0	0	0
Intergovernmental Grants	0	15,708	0
Other Nonoperating Revenue	0	0	160,531
Other Nonoperating Expense	(58,204)	0	(23,492)
Total Non-Operating Revenues (Expenses)	<u>(105,205)</u>	<u>(491,602)</u>	<u>36,520</u>
Income (Loss) Before Transfers and Contributions	134,469	(285,394)	1,144,753
Transfers and Contributions:			
Capital Contributions	0	0	0
Transfers-In	0	7,460	0
Transfers-Out	(5,379)	0	0
Total Transfers and Contributions	<u>(5,379)</u>	<u>7,460</u>	<u>0</u>
Change in Net Assets	129,090	(277,934)	1,144,753
Net Assets Beginning of Year, Restated	<u>1,686,829</u>	<u>10,782,073</u>	<u>5,877,359</u>
Net Assets End of Year	<u>\$ 1,815,919</u>	<u>\$ 10,504,139</u>	<u>\$ 7,022,112</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

Public Safety Vehicle Service	Total	Governmental Activities - Internal Service Funds
\$ 223,022	\$ 10,689,511	\$ 947,709
0	0	61,783
<u>223,022</u>	<u>10,689,511</u>	<u>1,009,492</u>
388,083	2,366,097	897,635
43,844	5,761,294	14,341
11,889	322,593	0
7,382	909,514	0
3,465	7,539	4,362
<u>454,663</u>	<u>9,367,037</u>	<u>916,338</u>
(231,641)	1,322,474	93,154
850	62,654	13,321
(106)	(716,740)	0
171,752	171,752	0
24,126	39,834	0
12,205	172,736	0
0	(81,696)	0
<u>208,827</u>	<u>(351,460)</u>	<u>13,321</u>
(22,814)	971,014	106,475
21,185	21,185	0
6,000	13,460	0
0	(5,379)	0
<u>27,185</u>	<u>29,266</u>	<u>0</u>
4,371	1,000,280	106,475
124,564	18,470,825	540,083
<u>\$ 128,935</u>	<u>\$ 19,471,105</u>	<u>\$ 646,558</u>
	\$ 1,000,280	
	<u>69,749</u>	
	<u>\$ 1,070,029</u>	

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business Type Activities		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,125,817	\$1,367,718	\$8,089,046
Cash Payments for Goods and Services	(271,056)	(100,469)	(5,639,637)
Cash Payments to Employees	(533,089)	(490,714)	(888,111)
Net Cash Provided (Used) by Operating Activities	<u>321,672</u>	<u>776,535</u>	<u>1,561,298</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	0	0	0
Transfers In from Other Funds	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from the Sale of Notes	2,170,000	0	1,170,000
Intergovernmental Grants	0	20,035	0
Special Assessment Bond Retirement	0	(69,500)	0
Mortgage Revenue Bond Retirement	0	(200,000)	0
OPWC Loan Retirement	0	(17,145)	0
Note Retirement	(890,000)	0	(1,220,000)
Interest and Fiscal Charges	(37,825)	(511,074)	(152,580)
Acquisition and Construction of Assets	(340,704)	(391,924)	(1,418,316)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>901,471</u>	<u>(1,169,608)</u>	<u>(1,620,896)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	16,936	7,365	27,542
Purchase of Investment	0	(372,331)	(798,807)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>16,936</u>	<u>(364,966)</u>	<u>(771,265)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,240,079	(758,039)	(830,863)
Cash and Cash Equivalents at Beginning of Year	<u>275,944</u>	<u>2,330,245</u>	<u>2,497,521</u>
Cash and Cash Equivalents at End of Year	<u>\$1,516,023</u>	<u>\$1,572,206</u>	<u>\$1,666,658</u>

CITY OF COLUMBIANA, OHIO

<u>Public Safety Vehicle Service</u>	<u>Totals</u>	<u>Governmental- Activities Internal Service Fund</u>
\$227,043	\$10,809,624	\$1,008,024
(69,626)	(6,080,788)	(18,703)
<u>(377,286)</u>	<u>(2,289,200)</u>	<u>(892,668)</u>
<u>(219,869)</u>	<u>2,439,636</u>	<u>96,653</u>
159,565	159,565	0
<u>6,000</u>	<u>6,000</u>	<u>0</u>
<u>165,565</u>	<u>165,565</u>	<u>0</u>
78,165	3,418,165	0
29,780	49,815	0
0	(69,500)	0
0	(200,000)	0
0	(17,145)	0
0	(2,110,000)	0
0	(701,479)	0
<u>(80,623)</u>	<u>(2,231,567)</u>	<u>0</u>
<u>27,322</u>	<u>(1,861,711)</u>	<u>0</u>
1,042	52,885	9,762
<u>0</u>	<u>(1,171,138)</u>	<u>0</u>
<u>1,042</u>	<u>(1,118,253)</u>	<u>9,762</u>
(25,940)	(374,763)	106,415
49,468	5,153,178	612,625
<u>\$23,528</u>	<u>\$4,778,415</u>	<u>\$719,040</u>

(Continued)

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business Type Activities		
	Water	Wastewater	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$239,674	\$206,208	\$1,108,233
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	78,259	512,073	311,800
Non-Operating Revenue	0	0	162,235
Non-Operating Expense	0	0	(22,709)
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(37,275)	(13,674)	(52,355)
Increase in Inventory	(2,412)	(1,458)	0
(Increase) Decrease in Prepaids	1,490	1,160	4,445
Decrease in Special Assessments Receivable	5,000	52,161	0
Increase (Decrease) in Accounts Payable	15,205	1,318	23,799
Increase in Accrued Wages and Benefits	7,248	8,691	9,276
Increase (Decrease) in Intergovernmental Payable	372	(1,259)	1,115
Increase in Claims Payable	0	0	0
Increase in Compensated Absences	14,111	11,315	15,459
Total Adjustments	<u>81,998</u>	<u>570,327</u>	<u>453,065</u>
Net Cash Provided (Used) by Operating Activities	<u>\$321,672</u>	<u>\$776,535</u>	<u>\$1,561,298</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2008 the Water Fund had outstanding liabilities of \$41,400 for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

<u>Public Safety Vehicle Service</u>	<u>Totals</u>	<u>Governmental- Activities Internal Service Fund</u>
(\$231,641)	\$1,322,474	\$93,154
7,382	909,514	0
12,205	174,440	0
0	(22,709)	0
(8,184)	(111,488)	(1,468)
0	(3,870)	0
(87)	7,008	0
0	57,161	0
(10,341)	29,981	0
5,538	30,753	538
0	228	0
0	0	4,429
5,259	46,144	0
<u>11,772</u>	<u>1,117,162</u>	<u>3,499</u>
<u>(\$219,869)</u>	<u>\$2,439,636</u>	<u>\$96,653</u>

CITY OF COLUMBIANA, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2008***

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 1,688
Total Assets	<u>1,688</u>
Liabilities:	
Due to Others	<u>1,688</u>
Total Liabilities	<u>\$ 1,688</u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

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, 2008 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: public safety, highways and streets, sanitation, health and social services, culture/recreation, public improvements, planning and zoning, and general administrative services. In addition, the City operates a water treatment and distribution system, a wastewater treatment and collection system, an electric distribution system, and an emergency medical service system which are reported as enterprise funds.

1. Joint Ventures with Equity Interest:

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

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

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

D. Basis of Accounting

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

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

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

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, 2008 but which are not intended to finance 2008 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

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 2008.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

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 2008, 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 Funds" 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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

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:

	Net Change in Fund Balance	
	General Fund	Income Tax Fund
GAAP Basis (as reported)	(\$49,949)	(\$19,644)
Increase (Decrease):		
Accrued Revenues at December 31, 2008 received during 2009	(76,291)	(339,756)
Accrued Revenues at December 31, 2007 received during 2008	90,887	374,621
Accrued Expenditures at December 31, 2008 paid during 2009	116,879	6,119
Accrued Expenditures at December 31, 2007 paid during 2008	(91,690)	(5,589)
2007 Prepays for 2008	48,821	0
2008 Prepays for 2009	(66,215)	0
Outstanding Encumbrances	(36,530)	(1,007)
Budget Basis	(\$64,088)	\$14,744

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 4, "Cash, Cash Equivalents and Investments."

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 4, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2008.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. The City assigns investment earnings to the General fund and various other governmental, proprietary and fiduciary funds. Interest revenue credited to the General fund during 2008 amounted to \$118,315, which includes \$113,776 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

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

On the fund financial statements, reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

Inventory consists of expendable supplies held for consumption.

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2008*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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

K. Long-Term Obligations

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

Obligation	Fund
Special Assessment Bonds	Water Fund, Wastewater Fund
Mortgage Revenue Bond	Wastewater Fund
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

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net 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.

M. 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.

N. Pensions

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

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Activity

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

P. 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, supplies inventory, endowments, and encumbered amounts that are not accrued at year end.

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2008.

NOTE 2 – RESTATEMENT OF NET ASSETS

Certain adjustments were necessary to the beginning net asset balance of the Business Type Activities and Proprietary Funds to correct errors in accounting for capital assets. This restatement resulted in the following changes:

	Wastewater	Proprietary Funds	Total Business-Type Activities
Net Assets December 31, 2007	\$10,449,460	\$18,138,212	\$18,488,331
Prior Period Adjustment:			
Restate Capital Assets	332,613	332,613	332,613
Net Assets, as restated	<u>\$10,782,073</u>	<u>\$18,470,825</u>	<u>\$18,820,944</u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

The fund deficit at December 31, 2008 of \$13,065 in the Police Pension Fund (special revenue funds) 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 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 4 - 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 \$5,244,092 and the bank balance was \$5,245,334. Federal depository insurance covered \$750,000 of the bank balance and \$4,495,334 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>\$4,495,334</u>
Total Balance	<u><u>\$4,495,334</u></u>

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

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

B. Investments

The City's investments at December 31, 2008 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
FHLB	\$713,699	AAA ^{1,2}	\$199,295	\$514,404	\$0
STAR Ohio	2,875,521	AAA ^{1,2}	2,875,521	0	0
City of Columbiana Note	78,166	N/A	78,166	0	0
Total Investments	<u>\$3,667,386</u>		<u>\$3,152,982</u>	<u>\$514,404</u>	<u>\$0</u>

¹ Standard & Poor's

² Moody's Investor Service

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 19.46% are FHLB, 78.41% are STAR Ohio, and 2.13% was a City held note.

Custodial Credit Risk – The City's balance of investments are held by the trust department of its banking institution in the City's name.

C. 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	\$6,934,316	\$1,977,162
Certificates of Deposit (with maturities of more than 3 months)	1,185,297	(1,185,297)
Investments:		
STAR Ohio	(2,875,521)	2,875,521
Per GASB Statement No. 3	<u>\$5,244,092</u>	<u>\$3,667,386</u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 5 - 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 2008 were levied after October 1, 2007 on assessed values as of January 1, 2007 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. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 12.5 percent in 2007, 6.25 percent for 2008 and finally to zero in 2009. 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.

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, 2008 was \$4.30 per \$1,000 of assessed value. The assessed value upon which the 2007 levy was based was \$143,715,140. This amount constitutes \$135,154,330 in real property assessed value, \$5,318,280 in public utility assessed value and \$3,242,530 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.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 5 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of one half of one percent of the tax paid to another municipality to a maximum of the total amount assessed. All income tax proceeds are received by the Income Tax Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2008 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 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2008:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$825,500	\$488,000
Income Tax Fund	0	1,651,000
Capital Improvement Fund	825,500	0
Other Governmental Funds	487,379	7,460
Total Governmental Funds	<u>2,138,379</u>	<u>2,146,460</u>
Proprietary Funds:		
Water Fund	0	5,379
Wastewater Fund	7,460	0
Public Safety Vehicle Service Fund	6,000	0
Total Proprietary Funds	<u>13,460</u>	<u>5,379</u>
Totals	<u>\$2,151,839</u>	<u>\$2,151,839</u>

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2008:

Historical Cost:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Capital assets not being depreciated:				
Land	\$935,782	\$0	\$0	\$935,782
Subtotal	935,782	0	0	935,782
Capital assets being depreciated:				
Buildings and Improvements	1,682,854	83,255	0	1,766,109
Improvements Other than Buildings	563,111	0	0	563,111
Infrastructure	1,325,830	1,906,607	0	3,232,437
Machinery and Equipment	2,097,887	83,776	0	2,181,663
Total Cost	\$6,605,464	\$2,073,638	\$0	\$8,679,102
Accumulated Depreciation:				
Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings and Improvements	(\$864,644)	(\$45,543)	\$0	(\$910,187)
Improvements Other than Buildings	(378,862)	(22,644)	0	(401,506)
Infrastructure	(64,815)	(120,183)	0	(184,998)
Machinery and Equipment	(1,487,028)	(94,119)	0	(1,581,147)
Total Accumulated Depreciation	(\$2,795,349)	(\$282,489) *	\$0	(\$3,077,838)
Net Value:	\$3,810,115			\$5,601,264

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$57,014
Public Health and Welfare	4,320
Leisure Time Activities	47,780
Transportation	152,862
General Government	20,513
Total Depreciation Expense	\$282,489

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2008:

Historical Cost:

Class	Restated December 31, 2007	Additions	Deletions	December 31, 2008
<i>Capital assets not being depreciated:</i>				
Land	\$533,980	\$0	\$0	\$533,980
Construction in Progress	769,587	0	(769,587)	0
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	9,512,394	407,132	(62,084)	9,857,442
Improvements Other than Buildings	135,601	0	0	135,601
Machinery and Equipment	7,360,929	387,988	0	7,748,917
Infrastructure	7,763,543	2,160,411	0	9,923,954
Total Cost	<u>\$26,076,034</u>	<u>\$2,955,531</u>	<u>(\$831,671)</u>	<u>\$28,199,894</u>

Accumulated Depreciation:

Class	December 31, 2007	Additions	Deletions	December 31, 2008
Buildings and Improvements	(\$1,412,902)	(\$247,692)	\$3,880	(\$1,656,714)
Improvements Other than Buildings	(49,306)	(9,647)	0	(58,953)
Machinery and Equipment	(2,988,424)	(454,023)	0	(3,442,447)
Infrastructure	(329,121)	(198,152)	0	(527,273)
Total Accumulated Depreciation	<u>(\$4,779,753)</u>	<u>(\$909,514)</u>	<u>\$3,880</u>	<u>(\$5,685,387)</u>
Net Value:	<u>\$21,296,281</u>	<u>\$2,046,017</u>	<u>(\$827,791)</u>	<u>\$22,514,507</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

The ORC provides statutory authority for employee and employer contributions. For 2008, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2008 employer contribution rate for local government employer units was 14.00%, of covered payroll. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 7.0% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and the City are established and may be amended by the OPERS Board. The City's required contributions for pension obligations to OPERS for the years ending December 31, 2008, 2007, and 2006 were \$161,448, \$187,427 and \$217,264, respectively, which were equal to the required contributions for each year.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% for police officers. A portion of the City’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for 2008, 12.75% of annual covered salary for police officers was the portion used to fund pension obligations. The City’s contributions for pension obligations to the OP&F Fund for the years ending December 31, 2008, 2007, and 2006 were \$98,050, \$100,664 and \$90,755, respectively, which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OPERS for the years ending December 31, 2008, 2007, and 2006 were \$161,448, \$123,657 and \$106,271, respectively, which were equal to the required contributions for each year.

The Traditional Pension and Combined Plans had 363,503 active contributing participants as of December 31, 2008. The number of active contributing participants for both plans used in the December 31, 2007 actuarial valuation was 364,076. The amount of \$12.8 billion represents the actuarial funding value of OPERS’ net assets available for OPEB at December 31, 2007. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2007 reported the actuarially accrued liability and the unfunded actuarially accrued liability for OPEB at \$29.8 billion and \$17.0 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2008, 2007, and 2006 were \$51,909, \$53,293 and \$59,860 for police which were equal to the required contributions for each year.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2008***

NOTE 11 - NOTES PAYABLE

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

	Balance January 1, 2008	Issued	(Retired)	Balance December 31, 2008
	<u>2008</u>	<u>Issued</u>	<u>(Retired)</u>	<u>2008</u>
Capital Projects Fund Notes Payable:				
3.800% Street Improvements	\$300,000	\$0	(\$300,000)	\$0
2.850% Street Improvements	0	200,000	0	200,000
Total Capital Projects Fund Notes Payable	<u>300,000</u>	<u>200,000</u>	<u>(300,000)</u>	<u>200,000</u>
Enterprise Fund Note Payable:				
4.250% Water Main Improvement	890,000	0	(890,000)	0
3.450% Water Main Improvement	0	690,000	0	690,000
2.850% Water Main Improvement	0	690,000	0	690,000
2.700% Water Main Improvement	0	790,000	0	790,000
4.250% Electric System Improvements	1,220,000	0	(1,220,000)	0
2.850% Electric System Improvements	0	1,170,000	0	1,170,000
3.500% Public Safety Ambulance Purchase	0	78,165	0	78,165
Total Enterprise Fund Notes Payable	<u>2,110,000</u>	<u>3,418,165</u>	<u>(2,110,000)</u>	<u>3,418,165</u>
Total Notes Payable	<u>\$2,410,000</u>	<u>\$3,618,165</u>	<u>(\$2,410,000)</u>	<u>\$3,618,165</u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 12 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2008 was as follows:

Interest Rate	Purpose	Balance December 31, 2007	Additions	Deductions	Balance December 31, 2008	Amount Due Within One Year
Governmental Activities:						
	Compensated Absences	\$67,115	\$136,770	(\$67,115)	\$136,770	\$47,604
	Total Governmental Activities	67,115	136,770	(67,115)	136,770	47,604
Business-Type Activities:						
Special Assessment Bonds:						
6.00%	Waterline Improvements	2024 190,000	0	(5,000)	185,000	10,000
6.00%	Sanitary Sewer Improvements	2024 205,000	0	(10,000)	195,000	10,000
4.25%	Sanitary Sewer Improvements	2025 4,885,000	0	(190,000)	4,695,000	200,000
	Total Special Assessment Bonds	5,280,000	0	(205,000)	5,075,000	220,000
Mortgage Revenue Bond:						
4.13%	Wastewater Treatment System	2045 7,081,700	0	(79,500)	7,002,200	83,600
Ohio Public Works Commission Loan:						
0.00%	Sanitary Sewer Lines	2024 342,900	0	(17,145)	325,755	17,145
	Total Ohio Public Works Commission Loan	342,900	0	(17,145)	325,755	17,145
	Compensated Absences	62,253	108,397	(62,253)	108,397	43,114
	Total Business-Type Activities	12,766,853	108,397	(363,898)	12,511,352	363,859
	Total Other Long-Term Obligations	\$12,833,968	\$245,167	(\$431,013)	\$12,648,122	\$411,463

The principal amount of the City's special assessment debt outstanding at December 31, 2008, \$5,075,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2008 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bond		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$220,000	\$223,714	\$83,600	\$288,841	\$17,145	\$0
2010	220,000	215,514	87,000	285,392	17,145	0
2011	230,000	207,314	90,600	281,804	17,145	0
2012	235,000	198,554	93,600	278,066	17,145	0
2013	240,000	189,614	98,200	274,205	17,145	0
2014-2018	1,375,000	784,170	554,500	1,306,870	85,725	0
2019-2023	1,770,000	413,570	678,500	1,182,716	85,725	0
2024-2028	785,000	50,103	830,100	1,030,755	68,580	0
2029-2033	0	0	1,016,800	885,006	0	0
2034-2045	0	0	3,469,300	998,881	0	0
Totals	\$5,075,000	\$2,282,553	\$7,002,200	\$6,812,536	\$325,755	\$0

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2008**

NOTE 13 – INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During 2008 the City contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Westfield Co.	Commercial Property & Liability	\$5,000
Western World	Ambulance/Medical	250
Westfield Co.	Contractors Equipment	0
Tudor Inc.	Public Officials	20,000
Indian Harbor Co.	Law Enforcement Liability	5,000
Western World Co.	Volunteer Fire Department	250
Westfield Co.	Commercial Auto Coverage	500/1000
Westfield Co.	Employee Dishonesty	500

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 \$77,710 reported in the fund at December 31, 2008 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 reasonable estimated.

Changes in the Fund's claims liability amount in fiscal year 2008 was as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2007	\$98,115	\$667,569	(\$692,403)	\$73,281
2008	73,281	897,097	(892,668)	77,710

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 14 - JOINT VENTURES

Joint Ventures with an Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP 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 \$14,468 at December 31, 2008. 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, 2008, Columbiana has met their debt coverage obligation.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2008

NOTE 14 - JOINT VENTURES (Continued)

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

OMEGA JV5 is managed by AMP-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 \$148,718 at December 31, 2008. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 15 - CONTINGENCIES

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

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLE

For 2008 the City implemented GASB Statement No. 49 "*Accounting and Financial Reporting for Pollution Remediation Obligations*" and GASB Statement No. 50, "*Pension Disclosures*".

Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The application of this new standard did not have an effect on the financial statements, nor did implementation require a restatement of prior year balances.

GASB Statement No. 50 requires employers contributing to defined pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any changes to the financial statements.



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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 15, 2010. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated December 15, 2010.

We intend this report solely for the information and use of management and City Council and others within the City. 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

December 15, 2010



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
JANUARY 11, 2011**