



Dave Yost • Auditor of State

**CITY OF COLUMBIANA
COLUMBIANA COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of 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, 2011, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during the year ended December 31, 2011, the City adopted the provisions of Governmental Accounting Standards Board No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in reclassifications to its governmental fund balances. Also as described in Note 2, there was an error in classifying OPWC loan balances in 2010 which resulted in changes to beginning year fund balances of the Wastewater Fund and Business-Type Activities for 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2013, 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.



Dave Yost
Auditor of State

March 25, 2013

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2011

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, 2011. 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 2011 are as follows:

- ❑ In total, net assets increased \$577,236. Net assets of governmental activities increased \$997,963, which represents a 12% increase from 2010. Net assets of business-type activities decreased \$420,727, or 2% from 2010.
- ❑ General revenues accounted for \$3,691,449 in revenue or 26% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,753,522, or 74% of total revenues of \$14,444,971.
- ❑ The City had \$3,289,258 in expenses related to governmental activities; only \$884,710 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,402,511 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$3,235,099 in revenues and \$1,843,130 in expenditures. The general fund's fund balance increased from a balance of \$931,640 to \$1,328,256.

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, 2011***

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, 2011**

Unaudited

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net assets for 2011 compared to 2010.

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	Restated 2010	2011	2010
Current and other assets	\$4,177,520	\$3,244,230	\$11,388,462	\$12,460,964	\$15,565,982	\$15,705,194
Capital assets, Net	6,159,271	6,036,113	23,652,442	24,092,191	29,811,713	30,128,304
Total assets	10,336,791	9,280,343	35,040,904	36,553,155	45,377,695	45,833,498
Long-term debt outstanding	149,780	135,670	12,390,504	12,735,963	12,540,284	12,871,633
Other liabilities	807,245	762,870	2,200,606	2,946,671	3,007,851	3,709,541
Total liabilities	957,025	898,540	14,591,110	15,682,634	15,548,135	16,581,174
Net assets						
Invested in capital assets, net of related debt	6,159,271	6,036,113	9,973,331	9,648,491	16,132,602	15,684,604
Restricted	1,732,464	1,900,914	0	0	1,732,464	1,900,914
Unrestricted	1,488,031	444,776	10,476,463	11,222,030	11,964,494	11,666,806
Total net assets	<u>\$9,379,766</u>	<u>\$8,381,803</u>	<u>\$20,449,794</u>	<u>\$20,870,521</u>	<u>\$29,829,560</u>	<u>\$29,252,324</u>

CITY OF COLUMBIANA, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2011

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2011 compared to 2010:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	Restated 2010	2011	2010
Revenues						
Program revenues:						
Charges for Services and Sales	\$446,992	\$421,728	\$9,862,412	\$10,517,484	\$10,309,404	\$10,939,212
Operating Grants and Contributions	390,354	280,132	0	0	390,354	280,132
Capital Grants and Contributions	47,364	0	6,400	338,008	53,764	338,008
Total Program revenues	884,710	701,860	9,868,812	10,855,492	10,753,522	11,557,352
General revenues:						
Property Taxes	623,079	419,322	246,789	262,366	869,868	681,688
Income Taxes	1,868,374	1,758,406	0	0	1,868,374	1,758,406
Other Local Taxes	46,955	41,530	0	0	46,955	41,530
Intergovernmental, Unrestricted	720,070	572,833	42,007	40,961	762,077	613,794
Investment Earnings	21,305	75,256	142	4,369	21,447	79,625
Miscellaneous	122,728	258,520	0	0	122,728	258,520
Total General revenues	3,402,511	3,125,867	288,938	307,696	3,691,449	3,433,563
Total revenues	4,287,221	3,827,727	10,157,750	11,163,188	14,444,971	14,990,915
Program Expenses						
Security of Persons and Property	1,439,553	1,517,409	0	0	1,439,553	1,517,409
Public Health and Welfare	185,779	159,633	0	0	185,779	159,633
Leisure Time Activities	362,251	362,208	0	0	362,251	362,208
Transportation	573,890	486,549	0	0	573,890	486,549
General Government	727,785	703,485	0	0	727,785	703,485
Interest and Fiscal Charges	0	1,375	0	0	0	1,375
Water	0	0	878,834	1,008,389	878,834	1,008,389
Wastewater	0	0	1,721,624	1,682,358	1,721,624	1,682,358
Electric	0	0	7,520,105	7,740,939	7,520,105	7,740,939
Public Safety Vehicle Service	0	0	457,914	447,482	457,914	447,482
Total expenses	3,289,258	3,230,659	10,578,477	10,879,168	13,867,735	14,109,827
Change in Net Assets before transfers	997,963	597,068	(420,727)	284,020	577,236	881,088
Transfers	0	(396,316)	0	396,316	0	0
Total Change in Net Assets	997,963	200,752	(420,727)	680,336	577,236	881,088
Beginning Net Assets - Restated	8,381,803	8,181,051	20,870,521	20,190,185	29,252,324	28,371,236
Ending Net Assets	\$9,379,766	\$8,381,803	\$20,449,794	\$20,870,521	\$29,829,560	\$29,252,324

Governmental Activities

Net assets of the City's governmental activities increased \$997,963. Collection of the Fire Department Capital Improvement property tax levy began in 2011, resulting in an increase in property taxes. The increase in unrestricted intergovernmental revenue can be attributed to inheritance tax receipts. Expenses remained consistent with the previous year.

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

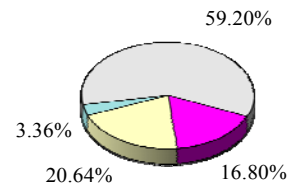
CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

Income taxes and property taxes made up 44% and 15% respectively of revenues for governmental activities for the City in fiscal year 2011. The City's reliance upon tax revenues is demonstrated by the following graph indicating 59% of total revenues from general tax revenues:

Revenue Sources	2011	Percent of Total
General Tax Revenues	\$2,538,408	59.20%
Intergovernmental, Unrestricted	720,070	16.80%
Program Revenues	884,710	20.64%
General Other	144,033	3.36%
Total Revenue	\$4,287,221	100.00%



Business-Type Activities

Net assets of business-type activities decreased \$420,727. Charges for services decreased approximately 6% due in part to decreases in electric rates charged customers.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$2,928,343, which is an increase from last year's balance of \$2,085,341. The schedule below indicates the fund balance and the total change in fund balance for the governmental funds as of December 31, 2011 and 2010:

	Fund Balance December 31, 2011	Restated Fund Balance December 31, 2010	Increase (Decrease)
General	\$1,328,256	\$931,640	\$396,616
Capital Improvement	487,084	374,146	112,938
Other Governmental	1,113,003	779,555	333,448
Total	\$2,928,343	\$2,085,341	\$843,002

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

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

	2011 Revenues	Restated 2010 Revenues	Increase (Decrease)
Taxes	\$2,174,106	\$2,099,537	\$74,569
Intergovernmental Revenues	655,557	583,931	71,626
Charges for Services	222,704	221,235	1,469
Licenses and Permits	98,467	113,562	(15,095)
Investment Earnings	20,461	118,382	(97,921)
Fines and Forfeitures	29,940	31,831	(1,891)
All Other Revenue	33,864	64,344	(30,480)
Total	\$3,235,099	\$3,232,822	\$2,277

General Fund revenues remained stable in 2011, increasing less than 1% compared to revenues in 2010. An increase in taxes was the result of an increase in income tax receipts while the increase in intergovernmental revenues can be attributed to an increase in inheritance tax.

	2011 Expenditures	Restated 2010 Expenditures	Increase (Decrease)
Security of Persons and Property	\$1,200,973	\$1,295,777	(\$94,804)
Public Health and Welfare	14,539	0	14,539
Leisure Time Activities	308,812	308,785	27
General Government	318,806	395,449	(76,643)
Total	\$1,843,130	\$2,000,011	(\$156,881)

General Fund expenditures decreased \$156,881 or 8% from the prior year. The decrease in security of persons can be attributed to a decrease in salaries and related expenditures in the fire department as well as a decrease in insurance costs. General Government decreased mostly due to a decrease in workers compensation expenditures.

Capital Improvement Fund – The City's Capital Improvement Fund balance increased approximately 30%. This can be attributed to a decrease in capital outlays from 2010 to 2011.

Water Fund – The City's Water Fund balance increased approximately 11%. This can be attributed to a decrease in contractual service expenditures from 2010 to 2011.

Wastewater Fund - The City's Wastewater Fund balance decreased approximately 14%. This can be attributed to a decrease in contributed capital from 2010 to 2011.

CITY OF COLUMBIANA, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2011***

Unaudited

Electric Fund - The City's Electric Fund balance decreased approximately 29%. This can be attributed to a decrease in charges for services (electric rate reduction) from 2010 to 2011.

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 2011 the City amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$1.2 million was not significantly different from original or final budget estimates. Budget basis expenditures of \$1.4 million were not significantly different from original or final budget estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011 the City had \$29,811,713 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$6,159,271 was related to governmental activities and \$23,652,442 to the business-type activities. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$935,782	\$935,782	\$0
Buildings and Improvements	1,867,836	1,835,748	32,088
Improvements Other than Buildings	588,852	588,852	0
Infrastructure	4,193,194	3,921,480	271,714
Machinery and Equipment	2,716,111	2,541,573	174,538
Less: Accumulated Depreciation	(4,142,504)	(3,787,322)	(355,182)
Totals	<u>\$6,159,271</u>	<u>\$6,036,113</u>	<u>\$123,158</u>

The increase in infrastructure can be attributed to street repaving and storm water improvements. The majority of purchases for machinery and equipment were for the street, police and fire departments.

CITY OF COLUMBIANA, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2011**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2011	2010	
Land	\$919,144	\$919,144	\$0
Buildings	10,643,016	10,359,612	283,404
Improvements other than Buildings	476,964	476,964	0
Machinery and Equipment	8,601,567	8,259,099	342,468
Infrastructure	11,868,625	11,840,270	28,355
Less: Accumulated Depreciation	(8,856,874)	(7,762,898)	(1,093,976)
Totals	\$23,652,442	\$24,092,191	(\$439,749)

Major capital outlays in the Business-Type Activities in 2011 consisted of water tower painting as well as the purchase of a transformer in the electric department. 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, 2011 and 2010:

	2011	Restated 2010
Governmental Activities:		
Compensated Absences	\$149,780	\$135,670
Total Governmental Activities	149,780	135,670
Business-Type Activities:		
Special Assessment Bonds	4,405,000	4,635,000
General Obligation Bonds	50,200	55,300
Mortgage Revenue Bond	6,741,000	6,831,600
Ohio Public Works Commission Loans	1,042,911	1,081,800
Compensated Absences	151,393	132,263
Total Business-Type Activities	12,390,504	12,735,963
Totals	\$12,540,284	\$12,871,633

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, 2011, 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, 2011***

Unaudited

ECONOMIC FACTORS

The following analysis utilizes cash basis figures.

In 2011 the City issued 17 zoning permits for commercial renovations/expansion as well as industrial renovations/expansion. These permits represent \$419,137 of investments in the community. Although the number of permits doubled in 2011 from 2010, the dollar amount of the projects dramatically decreased by over \$4,000,000. What was a very promising outlook in 2010, unfortunately took another downturn in 2011 with businesses/companies unwilling to spend money on capital improvements. In addition, the City issued eight building permits totaling \$1,342,000, which was consistent with 2010 permits but still way below pre-2009 levels. These numbers can be attributed to a still sluggish economic environment.

The City's 2012 budget reflects an overall increase of \$15.8 million due to two projects that the City has slated for 2012. Construction of a new water treatment plant is planned to begin in the fall of 2012 with completion by the end of 2013. The \$14.4 million project will be funded through grants and loans. Also planned in 2012 is the South Main Street renovation/improvement project. This project is slated to begin in early summer and should be completed by early fall. The \$1.4 million project will also be funded by grants and loans. In addition, the City expects to collect approximately \$1.2 million in delinquent assessments from the sale of a foreclosed development. Income tax receipts for 2011 increased by 12.5% overall compared to 2010. Business income taxes increased 15.8% with payroll withholdings increasing by 13.6%. Individuals tax revenue increased by 8.8%.

REQUESTS FOR INFORMATION

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

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CITY OF COLUMBIANA, OHIO

Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Pooled Cash and Investments	\$ 2,528,083	\$ 4,538,610	\$ 7,066,693
Receivables:			
Taxes	1,072,577	273,648	1,346,225
Accounts	36,777	1,463,519	1,500,296
Intergovernmental	353,515	16,099	369,614
Interest	15	0	15
Special Assessments	0	5,008,529	5,008,529
Internal Balance	136,352	(136,352)	0
Inventory of Supplies at Cost	22,707	14,226	36,933
Prepaid Items	27,494	19,792	47,286
Investment in Joint Venture	0	190,391	190,391
Capital Assets, Net	6,159,271	23,652,442	29,811,713
Total Assets	10,336,791	35,040,904	45,377,695
Liabilities:			
Accounts Payable	30,513	79,827	110,340
Accrued Wages and Benefits	180,494	138,298	318,792
Intergovernmental Payable	9,551	42,069	51,620
Claims Payable	0	138,939	138,939
Unearned Revenue	586,687	238,203	824,890
Accrued Interest Payable	0	123,270	123,270
General Obligation Notes Payable	0	1,440,000	1,440,000
Noncurrent liabilities:			
Due within one year	66,566	450,938	517,504
Due in more than one year	83,214	11,939,566	12,022,780
Total Liabilities	957,025	14,591,110	15,548,135
Net Assets:			
Invested in Capital Assets, Net of Related Debt	6,159,271	9,973,331	16,132,602
Restricted For:			
Capital Projects	936,622	0	936,622
Debt Service	83,303	0	83,303
Other Purposes	712,539	0	712,539
Unrestricted	1,488,031	10,476,463	11,964,494
Total Net Assets	\$ 9,379,766	\$ 20,449,794	\$ 29,829,560

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

Statement of Activities
For the Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 1,439,553	\$ 130,080	\$ 9,108	\$ 0
Public Health and Welfare	185,779	50,501	0	0
Leisure Time Activities	362,251	167,944	0	0
Transportation	573,890	0	381,246	47,364
General Government	727,785	98,467	0	0
Total Governmental Activities	3,289,258	446,992	390,354	47,364
Business-Type Activities:				
Water	878,834	1,165,003	0	0
Wastewater	1,721,624	1,241,342	0	0
Electric	7,520,105	7,226,416	0	0
Public Safety Vehicle Service	457,914	229,651	0	6,400
Total Business-Type Activities	10,578,477	9,862,412	0	6,400
Totals	\$ 13,867,735	\$ 10,309,404	\$ 390,354	\$ 53,764

General Revenues

Property Taxes Levied for:

- General Purposes
- Special Purposes
- Capital Projects
- Public Safety Vehicle Service

Income Tax

Other Local Taxes

Intergovernmental, Unrestricted

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net 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
\$ (1,300,365)	\$ 0	\$ (1,300,365)
(135,278)	0	(135,278)
(194,307)	0	(194,307)
(145,280)	0	(145,280)
(629,318)	0	(629,318)
<u>(2,404,548)</u>	<u>0</u>	<u>(2,404,548)</u>
0	286,169	286,169
0	(480,282)	(480,282)
0	(293,689)	(293,689)
0	(221,863)	(221,863)
<u>0</u>	<u>(709,665)</u>	<u>(709,665)</u>
<u>(2,404,548)</u>	<u>(709,665)</u>	<u>(3,114,213)</u>
284,733	0	284,733
73,027	0	73,027
265,319	0	265,319
0	246,789	246,789
1,868,374	0	1,868,374
46,955	0	46,955
720,070	42,007	762,077
21,305	142	21,447
122,728	0	122,728
<u>3,402,511</u>	<u>288,938</u>	<u>3,691,449</u>
997,963	(420,727)	577,236
<u>8,381,803</u>	<u>20,870,521</u>	<u>29,252,324</u>
<u>\$ 9,379,766</u>	<u>\$ 20,449,794</u>	<u>\$ 29,829,560</u>

CITY OF COLUMBIANA, OHIO

Balance Sheet
Governmental Funds
December 31, 2011

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Pooled Cash and Investments	\$ 927,493	\$ 512,283	\$ 1,088,307	\$ 2,528,083
Receivables:				
Taxes	753,810	0	318,767	1,072,577
Accounts	36,442	300	35	36,777
Intergovernmental	138,226	0	215,289	353,515
Interest	15	0	0	15
Inventory of Supplies, at Cost	543	0	22,164	22,707
Prepaid Items	14,663	2,631	10,200	27,494
Total Assets	\$ 1,871,192	\$ 515,214	\$ 1,654,762	\$ 4,041,168
Liabilities:				
Accounts Payable	\$ 2,984	\$ 12,624	\$ 14,905	\$ 30,513
Accrued Wages and Benefits Payable	109,175	13,631	57,688	180,494
Intergovernmental Payable	7,545	1,875	131	9,551
Deferred Revenue	423,232	0	469,035	892,267
Total Liabilities	542,936	28,130	541,759	1,112,825
Fund Balance:				
Nonspendable	26,671	2,631	132,364	161,666
Restricted	0	484,453	883,291	1,367,744
Committed	0	0	12,626	12,626
Assigned	33,570	0	84,722	118,292
Unassigned	1,268,015	0	0	1,268,015
Total Fund Balance	1,328,256	487,084	1,113,003	2,928,343
Total Liabilities and Fund Balance	\$ 1,871,192	\$ 515,214	\$ 1,654,762	\$ 4,041,168

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2011***

Total Governmental Fund Balances \$ 2,928,343

***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. 6,159,271

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 305,580

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, and an internal balance is reported for the governmental activities share of internal service funds activity. 136,352

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 (149,780)

Net Assets of Governmental Activities \$ 9,379,766

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, 2011**

	General	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,174,106	\$ 0	\$ 302,063	\$ 2,476,169
Other Local Taxes	0	0	46,955	46,955
Intergovernmental Revenues	655,557	0	412,820	1,068,377
Charges for Services	222,704	0	95,521	318,225
Licenses and Permits	98,467	0	0	98,467
Investment Earnings	20,461	0	844	21,305
Fines and Forfeitures	29,940	0	360	30,300
All Other Revenue	33,864	28,282	60,582	122,728
Total Revenue	3,235,099	28,282	919,145	4,182,526
Expenditures:				
Current:				
Security of Persons and Property	1,200,973	0	128,717	1,329,690
Public Health and Welfare	14,539	0	156,388	170,927
Leisure Time Activities	308,812	0	3,479	312,291
Transportation	0	0	365,917	365,917
General Government	318,806	0	9,268	328,074
Capital Outlay	0	708,844	126,616	835,460
Total Expenditures	1,843,130	708,844	790,385	3,342,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,391,969	(680,562)	128,760	840,167
Other Financing Sources (Uses):				
Transfers In	0	793,500	201,500	995,000
Transfers Out	(995,000)	0	0	(995,000)
Total Other Financing Sources (Uses)	(995,000)	793,500	201,500	0
Net Change in Fund Balances	396,969	112,938	330,260	840,167
Fund Balance at Beginning of Year - Restated	931,640	374,146	779,555	2,085,341
Increase (Decrease) in Inventory	(353)	0	3,188	2,835
Fund Balance End of Year	\$ 1,328,256	\$ 487,084	\$ 1,113,003	\$ 2,928,343

See accompanying notes to the basic financial statements

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, 2011***

Net Change in Fund Balances - Total Governmental Funds \$ 840,167

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	478,340	
Depreciation Expense	<u>(355,182)</u>	123,158

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 104,695

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

Compensated Absences	(14,110)	
Change in Inventory	<u>2,835</u>	(11,275)

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.

	<u>(58,782)</u>	
<i>Change in Net Assets of Governmental Activities</i>		<u>\$ 997,963</u>

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 354,330	\$ 316,772	\$ 305,732	\$ (11,040)
Intergovernmental Revenue	594,082	531,111	637,051	105,940
Charges for Services	57,393	51,309	54,760	3,451
Licenses and Permits	98,301	87,881	98,086	10,205
Investment Earnings	11,186	10,000	22,585	12,585
Fines and Forfeitures	35,403	31,650	29,865	(1,785)
All Other Revenues	74,305	66,429	13,937	(52,492)
Total Revenues	<u>1,225,000</u>	<u>1,095,152</u>	<u>1,162,016</u>	<u>66,864</u>
Expenditures:				
Current:				
Security of Persons and Property	1,348,462	1,334,874	1,181,352	153,522
Public Health and Welfare	14,687	14,539	14,539	0
General Government	230,944	228,617	203,816	24,801
Total Expenditures	<u>1,594,093</u>	<u>1,578,030</u>	<u>1,399,707</u>	<u>178,323</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(369,093)	(482,878)	(237,691)	245,187
Other Financing Sources (Uses):				
Transfers In	750,000	750,000	750,000	0
Transfers Out	(423,000)	(423,000)	(423,000)	0
Total Other Financing Sources (Uses):	<u>327,000</u>	<u>327,000</u>	<u>327,000</u>	<u>0</u>
Net Change in Fund Balance	(42,093)	(155,878)	89,309	245,187
Fund Balance at Beginning of Year	113,696	113,696	113,696	0
Prior Year Encumbrances	43,537	43,537	43,537	0
Fund Balance at End of Year	<u>\$ 115,140</u>	<u>\$ 1,355</u>	<u>\$ 246,542</u>	<u>\$ 245,187</u>

See accompanying notes to the basic financial statements

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CITY OF COLUMBIANA, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
ASSETS			
Current Assets:			
Pooled Cash and Investments	\$ 492,937	\$ 1,156,195	\$ 2,091,000
Taxes Receivable	0	0	0
Accounts Receivable	167,959	170,368	994,293
Intergovernmental Receivables	0	0	0
Special Assessments Receivable	155,000	4,853,529	0
Inventory of Supplies at Cost	11,718	2,508	0
Prepaid Items	4,944	4,944	9,904
Total Current Assets	832,558	6,187,544	3,095,197
Noncurrent Assets:			
Investment in Joint Venture	0	0	190,391
Capital Assets, Net	3,365,085	15,541,919	4,628,544
Total Noncurrent Assets	3,365,085	15,541,919	4,818,935
Total Assets	4,197,643	21,729,463	7,914,132
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,707	4,506	68,363
Accrued Wages and Benefits	36,812	26,100	49,785
Intergovernmental Payable	6,086	4,563	27,670
Claims Payable	0	0	0
Unearned Revenue	0	0	0
Accrued Interest Payable	10,648	108,503	2,609
General Obligation Notes Payable	1,140,000	0	300,000
General Obligation Bonds Payable - Current	0	0	0
Revenue Bond Payable - Current	0	93,600	0
Special Assessment Bond Payable - Current	10,000	225,000	0
OPWC Loans Payable - Current	0	43,489	0
Compensated Absences - Current	18,935	13,606	32,748
Total Current Liabilities	1,228,188	519,367	481,175

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$ 285,087	\$ 4,025,219	\$ 513,391
273,648	273,648	0
41,941	1,374,561	88,958
16,099	16,099	0
0	5,008,529	0
0	14,226	0
0	19,792	0
616,775	10,732,074	602,349
0	190,391	0
116,894	23,652,442	0
116,894	23,842,833	0
733,669	34,574,907	602,349
1,251	79,827	0
25,093	137,790	508
1,875	40,194	1,875
0	0	138,939
238,203	238,203	0
1,510	123,270	0
0	1,440,000	0
5,300	5,300	0
0	93,600	0
0	235,000	0
0	43,489	0
8,260	73,549	0
281,492	2,510,222	141,322

(Continued)

CITY OF COLUMBIANA, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Special Assessment Bonds Payable	145,000	4,025,000	0
Revenue Bonds Payable	0	6,647,400	0
OPWC Loans Payable	0	999,422	0
Compensated Absences Payable	24,741	23,277	22,360
Total Noncurrent Liabilities	169,741	11,695,099	22,360
Total Liabilities	1,397,929	12,214,466	503,535
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,070,085	3,508,008	4,328,544
Unrestricted	729,629	6,006,989	3,082,053
Total Net Assets	\$ 2,799,714	\$ 9,514,997	\$ 7,410,597

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>Nonmajor</u>		Business-Type
<u>Public Safety</u>		Activities -
<u>Vehicle Service</u>	<u>Total</u>	Internal Service
		<u>Fund</u>
44,900	44,900	0
0	4,170,000	0
0	6,647,400	0
0	999,422	0
<u>7,466</u>	<u>77,844</u>	<u>0</u>
<u>52,366</u>	<u>11,939,566</u>	<u>0</u>
<u>333,858</u>	<u>14,449,788</u>	<u>141,322</u>
66,694	9,973,331	0
<u>333,117</u>	<u>10,151,788</u>	<u>461,027</u>
<u>\$ 399,811</u>	<u>\$ 20,125,119</u>	<u>\$ 461,027</u>
	<u>324,675</u>	
	<u>\$ 20,449,794</u>	

CITY OF COLUMBIANA, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
Operating Revenues:			
Charges for Services	\$ 1,145,226	\$ 1,236,874	\$ 7,095,807
Other Operating Revenues	19,777	4,468	12,604
Total Operating Revenues	<u>1,165,003</u>	<u>1,241,342</u>	<u>7,108,411</u>
Operating Expenses:			
Personal Services	491,786	520,310	900,651
Contractual Services	62,673	92,447	5,806,771
Materials and Supplies	174,676	71,127	216,013
Depreciation	119,201	555,341	404,741
Other Operating Expenses	9	2,786	0
Total Operating Expenses	<u>848,345</u>	<u>1,242,011</u>	<u>7,328,176</u>
Operating Income (Loss)	316,658	(669)	(219,765)
Non-Operating Revenue (Expenses):			
Interest Income	91	51	0
Interest and Fiscal Charges	(28,296)	(477,796)	(105,536)
Taxes	0	0	0
Loss from Joint Venture	0	0	(3,284)
Intergovernmental Grants	0	0	0
Other Nonoperating Revenue	0	0	121,289
Other Nonoperating Expense	(2,193)	(1,817)	(20,590)
Total Non-Operating Revenues (Expenses)	<u>(30,398)</u>	<u>(479,562)</u>	<u>(8,121)</u>
Change in Net Assets	286,260	(480,231)	(227,886)
Net Assets Beginning of Year - Restated	<u>2,513,454</u>	<u>9,995,228</u>	<u>7,638,483</u>
Net Assets End of Year	<u>\$ 2,799,714</u>	<u>\$ 9,514,997</u>	<u>\$ 7,410,597</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

Nonmajor		Business-Type Activities - Internal Service Fund
Public Safety Vehicle Service	Total	
\$ 228,050	\$ 9,705,957	\$ 863,247
1,091	37,940	7,390
229,141	9,743,897	870,637
355,063	2,267,810	993,195
45,423	6,007,314	1,875
34,823	496,639	0
14,693	1,093,976	0
5,127	7,922	0
455,129	9,873,661	995,070
(225,988)	(129,764)	(124,433)
0	142	0
(2,339)	(613,967)	0
246,789	246,789	0
0	(3,284)	0
48,407	48,407	0
510	121,799	0
(446)	(25,046)	(152)
292,921	(225,160)	(152)
66,933	(354,924)	(124,585)
332,878	20,480,043	585,612
\$ 399,811	\$ 20,125,119	\$ 461,027
	\$ (354,924)	
	(65,803)	
	\$ (420,727)	

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$1,171,880	\$1,294,426	\$7,148,159
Cash Payments for Goods and Services	(248,634)	(161,513)	(6,462,414)
Cash Payments to Employees	(480,027)	(515,075)	(900,321)
Net Cash Provided (Used) by Operating Activities	<u>443,219</u>	<u>617,838</u>	<u>(214,576)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Tax Receipts	0	0	0
Intergovernmental Receipts	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Proceeds from the Sale of Notes	1,140,000	0	300,000
General Obligation Bond Retirement	0	0	0
Special Assessment Bond Retirement	(10,000)	(220,000)	0
Mortgage Revenue Bond Retirement	0	(90,600)	0
OPWC Loan Retirement	0	(38,889)	0
Note Retirement	(1,240,000)	0	(600,000)
Interest and Fiscal Charges	(29,855)	(479,722)	(108,455)
Acquisition and Construction of Assets	(273,025)	(97,966)	(281,316)
Net Cash Used by Capital and Related Financing Activities	<u>(412,880)</u>	<u>(927,177)</u>	<u>(689,771)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	91	61	0
Sale of Investment	20,000	120,000	70,000
Net Cash Provided by Noncapital Financing Activities	<u>20,091</u>	<u>120,061</u>	<u>70,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	50,430	(189,278)	(834,347)
Cash and Cash Equivalents at Beginning of Year	442,507	1,345,473	2,925,347
Cash and Cash Equivalents at End of Year	<u>\$492,937</u>	<u>\$1,156,195</u>	<u>\$2,091,000</u>

CITY OF COLUMBIANA, OHIO

Nonmajor Public Safety Vehicle Service	Total	Business-Type Activities - Internal Service Fund
\$239,110	\$9,853,575	\$784,040
(75,025)	(6,947,586)	(152)
<u>(351,162)</u>	<u>(2,246,585)</u>	<u>(913,314)</u>
<u>(187,077)</u>	<u>659,404</u>	<u>(129,426)</u>
241,240	241,240	0
44,110	44,110	0
<u>285,350</u>	<u>285,350</u>	<u>0</u>
0	1,440,000	0
(5,100)	(5,100)	0
0	(230,000)	0
0	(90,600)	0
0	(38,889)	0
0	(1,840,000)	0
(2,488)	(620,520)	0
<u>(1,920)</u>	<u>(654,227)</u>	<u>0</u>
<u>(9,508)</u>	<u>(2,039,336)</u>	<u>0</u>
0	152	0
0	210,000	0
<u>0</u>	<u>210,152</u>	<u>0</u>
88,765	(884,430)	(129,426)
196,322	4,909,649	642,817
<u>\$285,087</u>	<u>\$4,025,219</u>	<u>\$513,391</u>

(Continued)

CITY OF COLUMBIANA, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	Business-Type Activities - Enterprise Funds		
	Major		
	Water	Wastewater	Electric
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$316,658	(\$669)	(\$219,765)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	119,201	555,341	404,741
Non-Operating Revenue	0	0	117,904
Non-Operating Expense	(2,193)	(1,817)	(20,590)
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(3,123)	(4,992)	(78,156)
Increase in Inventory	(10,332)	(726)	0
Decrease in Prepaids	2,512	2,957	1,692
Decrease in Special Assessments Receivable	10,000	58,076	0
Increase (Decrease) in Accounts Payable	4,466	2,879	(418,587)
Increase (Decrease) in Accrued Wages and Benefits	8,848	(4,269)	(3,312)
Increase (Decrease) in Intergovernmental Payable	(5,729)	1,554	(2,145)
Increase in Claims Payable	0	0	0
Increase in Compensated Absences	2,911	9,504	3,642
Total Adjustments	126,561	618,507	5,189
Net Cash Provided (Used) by Operating Activities	\$443,219	\$617,838	(\$214,576)

See accompanying notes to the basic financial statements

CITY OF COLUMBIANA, OHIO

<u>Nonmajor</u>		Business-Type Activities -
Public Safety		Internal Service
Vehicle Service	Total	Fund
(\$225,988)	(\$129,764)	(\$124,433)
14,693	1,093,976	0
510	118,414	0
(446)	(25,046)	(152)
9,459	(76,812)	(86,597)
0	(11,058)	0
8,001	15,162	0
0	68,076	0
913	(410,329)	0
833	2,100	(321)
1,875	(4,445)	1,875
0	0	80,202
<u>3,073</u>	<u>19,130</u>	<u>0</u>
<u>38,911</u>	<u>789,168</u>	<u>(4,993)</u>
<u>(\$187,077)</u>	<u>\$659,404</u>	<u>(\$129,426)</u>

CITY OF COLUMBIANA, OHIO

***Statement of Assets and Liabilities
Fiduciary Fund
December 31, 2011***

	<u>Agency Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 3,170
Total Assets	<u>3,170</u>
Liabilities:	
Due to Others	<u>3,170</u>
Total Liabilities	<u>\$ 3,170</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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2011 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, 2011

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.

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.

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net 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.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

D. Basis of Accounting

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Unearned Revenue and Deferred Revenue – Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes measurable as of December 31, 2011 but which are not intended to finance 2011 operations and other revenue received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue. Grants and entitlements received before the eligibility requirements are met 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.

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.

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CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

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 2011, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

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

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

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

<u>Net Change in Fund Balance</u>	
	<u>General Fund</u>
GAAP Basis (as reported)	\$396,969
Increase (Decrease):	
Accrued Revenues at December 31, 2011 received during 2012	(505,261)
Accrued Revenues at December 31, 2010 received during 2011	502,934
Accrued Expenditures at December 31, 2011 paid during 2012	119,704
Accrued Expenditures at December 31, 2010 paid during 2011	(98,422)
2010 Prepays for 2011	36,846
2011 Prepays for 2012	(14,663)
Outstanding Encumbrances	(29,578)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(319,220)</u>
Budget Basis	<u><u>\$89,309</u></u>

F. Cash and Cash Equivalents

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

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

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. The City assigns investment earnings to the General fund and various other governmental, proprietary and fiduciary funds. Interest revenue credited to the General fund during 2011 amounted to \$20,461, which includes \$19,616 assigned from other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Inventory

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

Inventory consists of expendable supplies held for consumption.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	30-40
Improvements other than Buildings	20
Infrastructure	40
Machinery, Equipment, Furniture and Fixtures	5-20

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

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

L. Compensated Absences

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

O. Interfund Activity

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

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances (Continued)

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City and that are either unusual in nature or infrequent in occurrence. The City had no special or extraordinary items to report during fiscal year 2011.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE/NET ASSETS

For 2011 the City implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

In addition, adjustments were necessary to correct errors in accounting for Ohio Public Works Commission (OPWC) Loans. The application of GASB 54 and correction of OPWC loan balances resulted in the changes to beginning of year balances as detailed below:

	General Fund	Income Tax Fund	Other Governmental Funds	Wastewater Fund	Business-Type Activities
Fund Balance/Net Assets					
at December 31, 2010	\$197,554	\$690,639	\$823,002	\$10,785,563	\$21,660,856
GASB 54 Fund Reclassification	734,086	(690,639)	(43,447)	0	0
OPWC Loan Correction	0	0	0	(790,335)	(790,335)
Net Assets, as Restated	<u>\$931,640</u>	<u>\$0</u>	<u>\$779,555</u>	<u>\$9,995,228</u>	<u>\$20,870,521</u>

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CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$14,663	\$2,631	\$10,200	\$27,494
Supplies Inventory	543	0	22,164	22,707
Unclaimed Funds	11,465	0	0	11,465
Permanent Fund Corpus	0	0	100,000	100,000
Total Nonspendable	<u>26,671</u>	<u>2,631</u>	<u>132,364</u>	<u>161,666</u>
Restricted:				
Street Maintenance and Repair	0	0	335,781	335,781
Cemetery Maintenance	0	0	94,681	94,681
Law Enforcement	0	0	49,798	49,798
Debt Retirement	0	0	83,303	83,303
Capital Improvements	0	484,453	319,728	804,181
Total Restricted	<u>0</u>	<u>484,453</u>	<u>883,291</u>	<u>1,367,744</u>
Committed:				
Other Purposes	0	0	12,626	12,626
Total Committed	<u>0</u>	<u>0</u>	<u>12,626</u>	<u>12,626</u>
Assigned:				
Land Purchase	0	0	84,722	84,722
Other Purposes	33,570	0	0	33,570
Total Assigned	<u>33,570</u>	<u>0</u>	<u>84,722</u>	<u>118,292</u>
Unassigned (Deficits):				
	1,268,015	0	0	1,268,015
Total Fund Balances	<u>\$1,328,256</u>	<u>\$487,084</u>	<u>\$1,113,003</u>	<u>\$2,928,343</u>

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- Under limited circumstances, corporate debt interest rated in either of the two highest classifications by at least two nationally recognized rating agencies.
- Bonds and other obligations of the State of Ohio;

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

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

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

A. Deposits

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

At year end the carrying amount of the City's deposits was \$7,069,863 and the bank balance was \$7,066,424. Federal depository insurance covered \$2,430,346 of the bank balance and \$4,636,078 was uninsured and collateralized with securities held by the pledging institutions trust department not in the City's name.

B. Investments

The City's investments at December 31, 2011 are summarized below:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3 or more
City of Columbiana Bond	\$50,200	N/A	\$5,300	\$17,500	\$27,400
Total Investments	<u>\$50,200</u>		<u>\$5,300</u>	<u>\$17,500</u>	<u>\$27,400</u>

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.

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property and located in the City. Real property taxes (other than public utility) collected during 2011 were levied after October 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2010. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

House Bill No. 66 was signed into law on June 30, 2005. House Bill NO.66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business a railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2011 was \$6.80 per \$1,000 of assessed value. The assessed value upon which the 2011 levy was based was \$141,250,090. This amount constitutes \$140,000,410 in real property assessed value and \$1,249,680 in public utility 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 .68% (6.80 mills) of assessed value.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

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 General Fund.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2011 consisted of taxes, accounts receivable, special assessments, interest, and intergovernmental receivables arising from shared revenues. All receivables other than those offset by unearned or deferred revenues are considered collectible in full.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$995,000
Capital Improvement Fund	793,500	0
Other Governmental Funds	201,500	0
Total Governmental Funds	<u>995,000</u>	<u>995,000</u>
Totals	<u><u>\$995,000</u></u>	<u><u>\$995,000</u></u>

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2011:

Historical Cost:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$935,782	\$0	\$0	\$935,782
Subtotal	935,782	0	0	935,782
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	1,835,748	32,088	0	1,867,836
Improvements Other than Buildings	588,852	0	0	588,852
Infrastructure	3,921,480	271,714	0	4,193,194
Machinery and Equipment	2,541,573	174,538	0	2,716,111
Total Cost	<u>\$9,823,435</u>	<u>\$478,340</u>	<u>\$0</u>	<u>\$10,301,775</u>
<i>Accumulated Depreciation:</i>				
Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings and Improvements	(\$996,856)	(\$50,459)	\$0	(\$1,047,315)
Improvements Other than Buildings	(455,904)	(15,995)	0	(471,899)
Infrastructure	(541,918)	(167,934)	0	(709,852)
Machinery and Equipment	(1,792,644)	(120,794)	0	(1,913,438)
Total Accumulated Depreciation	<u>(\$3,787,322)</u>	<u>(\$355,182) *</u>	<u>\$0</u>	<u>(\$4,142,504)</u>
<i>Net Value:</i>	<u>\$6,036,113</u>			<u>\$6,159,271</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$73,872
Public Health and Welfare	8,662
Leisure Time Activities	42,872
Transportation	202,221
General Government	27,555
Total Depreciation Expense	<u>\$355,182</u>

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2011:

Historical Cost:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
<i>Capital assets not being depreciated:</i>				
Land	\$919,144	\$0	\$0	\$919,144
Construction in Progress	0	0	0	0
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	10,359,612	283,404	0	10,643,016
Improvements Other than Buildings	476,964	0	0	476,964
Machinery and Equipment	8,259,099	342,468	0	8,601,567
Infrastructure	11,840,270	28,355	0	11,868,625
Total Cost	<u>\$31,855,089</u>	<u>\$654,227</u>	<u>\$0</u>	<u>\$32,509,316</u>

Accumulated Depreciation:

Class	December 31, 2010	Additions	Deletions	December 31, 2011
Buildings and Improvements	(\$2,192,929)	(\$277,679)	\$0	(\$2,470,608)
Improvements Other than Buildings	(102,149)	(7,284)	0	(109,433)
Machinery and Equipment	(4,400,521)	(520,597)	0	(4,921,118)
Infrastructure	(1,067,299)	(288,416)	0	(1,355,715)
Total Accumulated Depreciation	<u>(\$7,762,898)</u>	<u>(\$1,093,976)</u>	<u>\$0</u>	<u>(\$8,856,874)</u>
<i>Net Value:</i>	<u>\$24,092,191</u>	<u>(\$439,749)</u>	<u>\$0</u>	<u>\$23,652,442</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, 2011

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 2011, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 10.0%. The 2011 employer contribution rate for local government employer units was 14.00%, of covered payroll which is the maximum contribution rate set by State statutes. Employer contribution rates are actuarially determined. A portion of the City's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. The portion of employer contributions allocated to pension obligations for members in the Traditional Plan was 10.0% for calendar year 2011. The portion of employer contributions allocated to pension obligations for members in the Combined Plan was 7.95% for calendar year 2011. 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, 2011, 2010, and 2009 were \$234,238, \$203,010 and \$190,725, 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, 2011

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 2011, 12.75% of annual covered salary for police were the portions used to fund pension obligations. The City's contributions for pension obligations to the OP&F Fund for the years ending December 31, 2011, 2010, and 2009 were \$82,376, \$76,562 and \$94,054 for police which were equal to the required contributions for each year.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

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

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

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

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

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

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 2011, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

The OPERS Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% for calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for calendar year 2011. 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, 2011, 2010, and 2009 were \$93,695, \$116,477 and \$138,452, respectively, which were equal to the required contributions for each year.

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, 2011

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.

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 2011, 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, 2011, 2010, and 2009 were \$43,611, \$40,533 and \$49,793 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, 2011***

NOTE 11 - NOTES PAYABLE

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

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

	Balance January 1, 2011	Issued	(Retired)	Balance December 31, 2011
Enterprise Fund Note Payable:				
1.650% Water Treatment Improvement	\$690,000	\$0	(\$690,000)	\$0
1.550% Water Treatment Improvement	0	690,000	0	690,000
1.650% Water Main Improvement	550,000	0	(550,000)	0
1.550% Water Main Improvement	0	450,000	0	450,000
1.650% Electric System Improvements	600,000	0	(600,000)	0
1.550% Electric System Improvements	0	300,000	0	300,000
Total Enterprise Fund Notes Payable	<u>1,840,000</u>	<u>1,440,000</u>	<u>(1,840,000)</u>	<u>1,440,000</u>
Total Notes Payable	<u>\$1,840,000</u>	<u>\$1,440,000</u>	<u>(\$1,840,000)</u>	<u>\$1,440,000</u>

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CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 12 - LONG-TERM OBLIGATIONS

Activity in Long-Term Obligations in 2011 was as follows:

Interest Rate	Purpose	Restated Balance December 31, 2010	Additions	Deductions	Balance December 31, 2011	Amount Due Within One Year
Governmental Activities:						
	Compensated Absences	\$135,670	\$149,780	(\$135,670)	\$149,780	\$66,566
	Total Governmental Activities	135,670	149,780	(135,670)	149,780	66,566
Business-Type Activities:						
Special Assessment Bonds:						
6.00%	Waterline Improvements	2024 165,000	0	(10,000)	155,000	10,000
6.00%	Sanitary Sewer Improvements	2024 175,000	0	(10,000)	165,000	10,000
4.25%	Sanitary Sewer Improvements	2025 4,295,000	0	(210,000)	4,085,000	215,000
	Total Special Assessment Bonds	4,635,000	0	(230,000)	4,405,000	235,000
General Obligation Bond:						
4.50%	Public Safety Vehicle Purchase	2019 55,300	0	(5,100)	50,200	5,300
Mortgage Revenue Bond:						
4.13%	Wastewater Treatment System	2045 6,831,600	0	(90,600)	6,741,000	93,600
Ohio Public Works Commission Loans:						
0.00%	Sanitary Sewer Lines	2027 291,465	0	(25,717)	265,748	17,145
0.00%	Arrowhead Sewer Lift Station	2041 790,335	0	(13,172)	777,163	26,344
	Total Ohio Public Works Commission Loans	1,081,800	0	(38,889)	1,042,911	43,489
	Compensated Absences	132,263	151,393	(132,263)	151,393	73,549
	Total Business-Type Activities	12,735,963	151,393	(496,852)	12,390,504	450,938
	Total Other Long-Term Obligations	\$12,871,633	\$301,173	(\$632,522)	\$12,540,284	\$517,504

Special Assessments - The principal amount of the City's special assessment debt outstanding at December 31, 2011, \$4,405,000, is general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

Pledged Revenues – The Wastewater Treatment System bonds were issued in 2005 for the purpose of constructing a new wastewater treatment facility. These bonds are payable from the net revenue derived from operations of the wastewater treatment system and are secured by a pledge of and lien on such net revenues until the bond maturity date of 2045.

Total principal and interest payable on these bonds at December 31, 2011 was \$12,657,242. In 2011 the Wastewater Fund reported \$554,672 of net pledged revenues for coverage of a principal and interest debt service requirement of \$372,404.

CITY OF COLUMBIANA, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2011**

NOTE 12 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2011 are as follows:

Years	Special Assessment Bonds		Mortgage Revenue Bond		General Obligation Bond		OPWC Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$235,000	\$198,554	\$93,600	\$278,066	\$5,300	\$2,265	\$43,489	\$0
2013	240,000	189,614	98,200	274,205	5,600	2,021	43,489	0
2014	255,000	180,164	102,300	270,155	5,800	1,769	43,489	0
2015	260,000	169,564	106,500	265,935	6,100	1,508	43,489	0
2016	270,000	158,764	110,100	261,542	6,400	1,236	43,489	0
2017-2021	1,605,000	572,196	625,900	1,235,417	21,000	1,918	217,445	0
2022-2026	1,540,000	167,155	766,100	1,095,262	0	0	217,445	0
2027-2031	0	0	937,700	923,687	0	0	140,292	0
2032-2036	0	0	1,147,700	713,650	0	0	131,720	0
2037-2045	0	0	2,752,900	598,323	0	0	118,564	0
Totals	\$4,405,000	\$1,636,011	\$6,741,000	\$5,916,242	\$50,200	\$10,717	\$1,042,911	\$0

NOTE 13 – INSURANCE AND RISK MANAGEMENT

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

The Pool's general objectives are to formulate, develop and administer a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program on behalf of the member political subdivisions. Political subdivisions joining the Pool may withdraw at the end of any coverage period upon 60 days prior written notice to the Pool. Under agreement, members who terminate participation in the Pool as well as current members are subject to a supplemental assessment or a refund, at the discretion of the Board of Trustees, depending on the ultimate loss experience of all the entities it insures for each coverage year. To date, there has been no assessments or refunds, due to the limited period of time that the Pool has been in existence and the nature of the coverage that is afforded to the participants.

CITY OF COLUMBIANA, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2011***

NOTE 13 – INSURANCE AND RISK MANAGEMENT (Continued)

The City obtained insurance coverage from the Pool during 2011 for losses related to general liability, public official's liability, automobile, law enforcement liability, medical malpractice liability, and employee benefits liability, in addition to other coverages.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

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

The claims liability of \$138,939 reported in the fund at December 31, 2011 is based on requirements of GASB No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the claim can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal year 2011 was as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2010	\$85,488	\$1,025,481	(\$1,052,232)	\$58,737
2011	58,737	993,516	(913,314)	138,939

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

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CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 14 - JOINT VENTURES

Joint Ventures with an Equity Interest

Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1) – The City is a participant in the Ohio Municipal Electric Generation Agency Joint Venture 1 (Omega JV-1). Omega JV-1 was organized by 21 subdivisions of the State of Ohio (the participants) on April 1, 1992, pursuant to a joint venture agreement (the agreement) under the Ohio Constitution and Section 715.02 of the Ohio Revised Code. Its purpose is to provide a source of supplemental capacity to the participants. The participants are members of American Municipal Power-Inc. (AMP) Northeast Area Service Group. The participants are charged fees for the costs required to administer the joint venture and maintain the jointly owned electric plant. OMEGA JV-1 purchased its electric generating facilities known as the Engle Units, from AMP in September 1992. The electric generating facilities consist of six diesel-fired turbines designed for a total capacity of nine megawatts. These facilities are located in Cuyahoga Falls, Ohio. The City's equity interest in OMEGA JV-1 was \$14,082 at December 31, 2011. Complete financial statements for Omega JV-1 can be obtained from AMP at 2600 Airport Drive, Columbus, Ohio 43219, or from the City's Finance Director.

Ohio Municipal Electric Generation Agency Joint Venture 5 (Omega JV-5) - The City is a Financing Participant with an ownership percentage of 1.66 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2011, Columbiana has met their debt coverage obligation.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 14 - JOINT VENTURES (Continued)

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

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

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$176,309 at December 31, 2011. 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 – PURCHASE COMMITMENT

American Municipal Power Generating Station Project (AMPGS)

On November 1, 2007, the City executed a take-or pay contract with American Municipal Power (AMP) as member participant in the American Municipal Power Generating Station Project (AMPGS) with an allocation of 8,501 kW. The project was to be a 940 MW base load coal fired plant with clean-coal technology and the plant was scheduled to go on-line in 2014. The estimated cost of the project was \$3 billion. However, the project's estimated capital costs increased by 37% and the engineer, procure and construction contractor could not guarantee that the costs would not continue to escalate. Therefore, the project as a coal fired plant was terminated on November 24, 2009 by its member participants and they directed AMP to study alternate uses for the site. At the time the development was terminated, participants agreed to pursue a conversion of the AMPGS to a Natural Gas Combined Cycle (NGCC) Plant. In February 2011, development of the NCGG Plant was suspended due to availability of purchasing the AMP Fremont Energy Center (AFEC).

At the time the decision was made to abandon the AMPGS, AMP had incurred what they consider to be stranded costs of \$121,429,424. General Counsel for AMP has asserted that AMP intends to recover these stranded costs through sale of the property on which construction was started, AFEC development costs and a lawsuit filed against the contractor for breach of contract.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 15 – PURCHASE COMMITMENT (Continued)

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the City has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

As a member participant, the City is contractually obligated to pay a pro rata share of any costs incurred for the project, based on its membership percentage. AMP has provided the City with an exposure of \$0 to \$1,390,383 as its share of potential stranded cost obligations. In 2012 the City began making monthly payments to AMP in the amount of \$6,558 to reduce the potential maximum exposure as well as accrued interest.

Because the City is a participant in the AMP Fremont Energy Center Project (AFEC) it has received a \$437,630 *credit* that may be used to reduce its share of AMPGS potential stranded costs. Furthermore, recoveries are available that would reduce the liability of the members. One such recovery is any dollar amount recovered through the pending lawsuit AMP has brought against the engineer, procure and construction contractor. Second, there are significant assets of land and permits associated with the AMPGS site which AMP is holding for future use. When those assets are sold or otherwise utilized, the resulting amounts would be used to reduce any remaining obligations of the participants, pro rata share. The current value of these assets has not been ascertained.

It is the opinion of management that the above amount is a contingent liability with an estimated maximum exposure, not an estimate of what management believes to be a reasonable estimate of a final amount. In addition, AMP and the City are unable to estimate the ultimate liability due to the current factors and a pending law suit. Therefore, the City has not booked a liability or expense as of December 31, 2011. Booking an operating expense of \$1,390,383 in 2011 would have caused the City to violate its debt covenants on the Joint Venture Project 5.

If future events require the City to pay these stranded costs, then they will be paid from an adder to the purchased power costs paid by customers, or with accumulated earnings expensed in a manner that would not cause the City to violate its debt covenants and without adjusting rates to its customers.

CITY OF COLUMBIANA, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2011

NOTE 16 - CONTINGENCIES

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

NOTE 17 – SUBSEQUENT EVENTS

In April 2012 the foreclosed Firestone Farms housing development was sold at a sheriff's sale. In June and August 2012 the City received past due special assessments and penalties and interest totaling \$1,507,669, net of County auditor and treasurer fees.

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Dave Yost • 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 W. Friend St.
Columbiana, Ohio 44408

To the Members of 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2013. We noted the City adopted Governmental Accounting Standards Board Statement No. 54 and restated the Wastewater Fund, a major fund, and Business-Type Activities beginning net assets. 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 opinion 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 March 25, 2013.

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

Dave Yost
Auditor of State

March 25, 2013



Dave Yost • Auditor of State

CITY OF COLUMBIANA

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 14, 2013