

COLUMBIANA COUNTY, OHIO

*Single Audit Report
for the Year Ended
December 31, 2000*



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of County Commissioners
Columbiana County
Lisbon, Ohio

We have reviewed the Independent Auditor's Report of Columbiana County prepared by Deloitte & Touche LLP for the audit period January 1, 2000 to December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Columbiana County is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 5, 2001

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COLUMBIANA COUNTY, OHIO

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INDEPENDENT AUDITORS' REPORT

To the Board of County Commissioners
Columbiana County, Ohio

We have audited the accompanying cash basis combined financial statements of Columbiana County, Ohio (the "County") as of and for the year ended December 31, 2000, as listed in the Table of Contents. These cash basis combined financial statements are the responsibility of the management of the County. Our responsibility is to express an opinion on these cash basis combined financial statements based on our audit.

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

As discussed in Note 3 to the cash basis combined financial statements, the cash basis combined financial statements referred to above were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, such cash basis combined financial statements present fairly, in all material respects, the cash and investments arising from cash transactions of Columbiana County, Ohio as of December 31, 2000 and its budgeted and actual cash receipts, disbursements and encumbrances for the year then ended, on the basis of accounting described in Note 3.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2001 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

June 1, 2001

COLUMBIANA COUNTY, OHIO

**COMBINED STATEMENT OF CASH AND INVESTMENTS - ALL FUND TYPES
DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Expendable Trust</u>	<u>Agency</u>	
EQUITY IN POOLED CASH AND INVESTMENTS	\$ 514,410	\$ 14,288,056	\$ 3,297,499	\$ 3,329,756	\$ 346,844	\$ 288,702	\$ 11	\$ 3,346,984	\$ 25,412,262
CASH AND INVESTMENTS IN SEGREGATED ACCOUNTS	<u> </u>	<u>1,724,717</u>	<u>577,974</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>1,138,079</u>	<u>3,440,770</u>
TOTAL CASH AND INVESTMENTS	<u>\$ 514,410</u>	<u>\$ 16,012,773</u>	<u>\$ 3,875,473</u>	<u>\$ 3,329,756</u>	<u>\$ 346,844</u>	<u>\$ 288,702</u>	<u>\$ 11</u>	<u>\$ 4,485,063</u>	<u>\$ 28,853,032</u>

COLUMBIANA COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST AND AGENCY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency	
CASH RECEIPTS:							
Taxes:							
Sales taxes	\$ 17,463						\$ 17,463
Property and other taxes	2,542,774	\$ 7,374,210	\$ 262,005				10,178,989
Charges for services	2,139,862	2,173,817		\$ 64,992			4,378,671
Licenses and permits	13,987	194,777					208,764
Fines and forfeitures	403,796	277,962					681,758
Intergovernmental receipts	2,385,086	34,921,764	205,937	1,371,405			38,884,192
Special assessments		24,575					24,575
Investment income	1,740,670	130,298	43,328	34,867		\$ 525	1,949,688
Other	<u>464,385</u>	<u>909,650</u>	<u>32,521</u>				<u>1,406,556</u>
Total cash receipts	<u>9,708,023</u>	<u>46,007,053</u>	<u>543,791</u>	<u>1,471,264</u>		<u>525</u>	<u>57,730,656</u>
CASH DISBURSEMENTS:							
General Government:							
Executive and Legislative	3,024,226	746,731					3,770,957
Judicial	2,134,133						2,134,133
Public safety	3,751,732	968,169					4,719,901
Public works	44,665	6,619,348		22,410			6,686,423
Health and human services	372,403	35,857,645					36,230,048
Miscellaneous	1,362,899	1,488,840	13,214				2,864,953
Capital outlay				3,066,181			3,066,181
Debt service:							
Principal retirement			756,273				756,273
Interest and fiscal charges			903,834				903,834
Total cash disbursements	<u>10,690,058</u>	<u>45,680,733</u>	<u>1,673,321</u>	<u>3,088,591</u>			<u>61,132,703</u>
CASH RECEIPTS OVER (UNDER) CASH DISBURSEMENTS BEFORE OTHER ITEMS	<u>(982,035)</u>	<u>326,320</u>	<u>(1,129,530)</u>	<u>(1,617,327)</u>		<u>525</u>	<u>(3,402,047)</u>

(Continued)

COLUMBIANA COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST AND AGENCY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency	
OTHER CASH RECEIPTS (DISBURSEMENTS):							
Proceeds from issuance of debt		\$ 55,058		\$ 1,154,738			\$ 1,209,796
Transfers-in	\$ 182,218	480,134	\$ 2,849,286	1,796,270		\$ 37,500	5,345,408
Transfers-out	(1,726,564)	(1,974,576)				(25,657)	(3,726,797)
Other receipts	896,068	13,442				165,606,818	166,516,328
Other disbursements	<u>(814,378)</u>	<u>(13,500)</u>				<u>(166,323,898)</u>	<u>(167,151,776)</u>
Total other cash receipts (disbursements)	<u>(1,462,656)</u>	<u>(1,439,442)</u>	<u>2,849,286</u>	<u>2,951,008</u>		<u>(705,237)</u>	<u>2,192,959</u>
CASH RECEIPTS OVER (UNDER) CASH DISBURSEMENTS	(2,444,691)	(1,113,122)	1,719,756	1,333,681		(704,712)	(1,209,088)
CASH AND INVESTMENT BALANCE, JANUARY 1, 2000	<u>2,959,101</u>	<u>17,125,895</u>	<u>2,155,717</u>	<u>1,996,075</u>	<u>\$ 11</u>	<u>5,189,775</u>	<u>29,426,574</u>
CASH AND INVESTMENT BALANCE, DECEMBER 31, 2000	<u>\$ 514,410</u>	<u>\$ 16,012,773</u>	<u>\$ 3,875,473</u>	<u>\$ 3,329,756</u>	<u>\$ 11</u>	<u>\$ 4,485,063</u>	<u>\$ 28,217,486</u>

See accompanying notes to cash basis combined financial statements.

(Concluded)

COLUMBIANA COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS - ALL PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 1,917,565		\$ 1,917,565
Other	<u>39,457</u>	<u>\$ 4,674,736</u>	<u>4,714,193</u>
Total operating cash receipts	<u>1,957,022</u>	<u>4,674,736</u>	<u>6,631,758</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	396,300	80,719	477,019
Contractual services	<u>1,638,791</u>	<u>5,282,587</u>	<u>6,921,378</u>
Total operating cash disbursements	<u>2,035,091</u>	<u>5,363,306</u>	<u>7,398,397</u>
OPERATING CASH DISBURSEMENTS IN EXCESS OF OPERATING CASH RECEIPTS	<u>(78,069)</u>	<u>(688,570)</u>	<u>(766,639)</u>
NON-OPERATING CASH DISBURSEMENTS:			
Bond retirement	8,000		8,000
Interest and fiscal charges	<u>12,850</u>	<u> </u>	<u>12,850</u>
Total non-operating cash disbursements	<u>20,850</u>	<u> </u>	<u>20,850</u>
CASH DISBURSEMENTS IN EXCESS OF CASH RECEIPTS BEFORE INTERFUND TRANSFERS	(98,919)	(688,570)	(787,489)
INTERFUND TRANSFERS:			
Transfers-in	20,000		20,000
Transfers-out	<u>(1,638,611)</u>	<u> </u>	<u>(1,638,611)</u>
Total interfund transfers	<u>(1,618,611)</u>	<u> </u>	<u>(1,618,611)</u>
CASH DISBURSEMENTS IN EXCESS OF CASH RECEIPTS	(1,717,530)	(688,570)	(2,406,100)
CASH AND CASH INVESTMENT BALANCE, JANUARY 1, 2000	<u>2,064,374</u>	<u>977,272</u>	<u>3,041,646</u>
CASH AND CASH INVESTMENT BALANCE, DECEMBER 31, 2000	<u>\$ 346,844</u>	<u>\$ 288,702</u>	<u>\$ 635,546</u>

See accompanying notes to cash basis combined financial statements.

COLUMBIANA COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS - BUDGET AND ACTUAL - ALL FUND TYPES EXCLUDING AGENCY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2000

Fund Types	Budget (As Amended)	Actual	Variance - Favorable (Unfavorable)
GOVERNMENTAL FUND TYPES:			
General Fund	\$ 12,474,460	\$ 10,786,309	\$ (1,688,151)
Special Revenue Funds	54,979,110	46,555,687	(8,423,423)
Debt Service Funds	4,336,469	3,393,077	(943,392)
Capital Projects Funds	3,556,863	4,422,272	865,409
PROPRIETARY FUND TYPES:			
Enterprise Funds	2,474,875	1,977,022	(497,853)
Internal Service Funds	<u>5,470,017</u>	<u>4,674,736</u>	<u>(795,281)</u>
TOTALS (MEMORANDUM ONLY)	<u>\$ 83,291,794</u>	<u>\$ 71,809,103</u>	<u>\$ (11,482,691)</u>

See accompanying notes to cash basis combined financial statements.

COLUMBIANA COUNTY, OHIO

COMBINED STATEMENT OF CASH DISBURSEMENTS AND ENCUMBRANCES - BUDGET AND ACTUAL - ALL FUND TYPES EXCLUDING AGENCY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2000

Fund Types	Budget (As Amended)			Actual		Variance - Favorable (Unfavorable)	
	Prior Year Carryover Appropriations	Appropriations	Totals	Cash Disbursements	Encumbrances Outstanding at December 31, 2000 Totals		
GOVERNMENTAL FUND TYPES:							
General Fund	\$ 1,132,416	\$ 12,380,941	\$ 13,513,357	\$ 13,231,000	\$ 571,445	\$ 13,802,445	\$ (289,088)
Special Revenue Funds	1,260,502	53,477,081	54,737,583	47,668,809	1,850,479	49,519,288	5,218,295
Debt Service Funds		1,686,936	1,686,936	1,673,321		1,673,321	13,615
Capital Projects Funds	363,680	3,196,912	3,560,592	3,088,591	254,343	3,342,934	217,658
PROPRIETARY FUND TYPES:							
Enterprise Funds	295,747	3,804,979	4,100,726	3,694,552	160,000	3,854,552	246,174
Internal Service Funds		5,470,017	5,470,017	5,363,306		5,363,306	106,711
TOTALS (MEMORANDUM ONLY)	<u>\$ 3,052,345</u>	<u>\$ 80,016,866</u>	<u>\$ 83,069,211</u>	<u>\$ 74,719,579</u>	<u>\$ 2,836,267</u>	<u>\$ 77,555,846</u>	<u>\$ 5,513,365</u>

See accompanying notes to cash basis combined financial statements.

COLUMBIANA COUNTY, OHIO

NOTES TO CASH BASIS COMBINED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2000

1. REPORTING ENTITY

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

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

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

The County is associated with certain organizations which are defined as joint ventures, jointly governed organizations or related organizations. These organizations are described in Notes 12 and 13 to the cash basis combined financial statements. The organizations are:

- Columbiana County Planning Commission
- Carroll/Columbiana/Harrison Solid Waste District
- Columbiana County Airport Authority

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

In the case of the separate organizations listed below, the County serves as fiscal agent but is not financially accountable for their operations and none of the operations is fiscally dependent on the County. Accordingly, the activity of the following entities is presented as agency funds within the accompanying financial statements:

- Columbiana County District Board of Health
- Columbiana County Park District
- Columbiana County Soil and Water Conservation District

2. GOING CONCERN

In November 2000, County voters approved a one percent permissive sales tax, which went into effect on January 1, 2001 and will expire on December 31, 2006. Proceeds from the sales tax will be utilized to fund the County's general operations and are expected to approximate \$4 million in 2001 and \$5.8 million annually thereafter. In connection with the passage of the sales tax levy, the County Commissioners agreed to eliminate two mills from the property tax rates charged to County residents. This adjustment of the property tax rates is expected to reduce property tax receipts of the County's General Fund by approximately \$2.5 million annually beginning in 2001.

The approval of the sales tax coupled with the cost reduction programs implemented by County management are expected to be sufficient to enable the County to meet its financial obligations in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The County prepares its financial statements on a basis of cash receipts and disbursements. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. A general fixed asset group and long-term debt group of accounts are not included in the financial statements under the basis of accounting used. Accordingly, the cash basis combined financial statements are not intended to present financial position and the results of operations in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The County is required to file financial statements prepared in accordance U.S. GAAP annually with the Auditor of the State of Ohio. The County did not comply with this requirement for 2000.

Fund Accounting - The accounts of the County are organized 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 cash and investments, fund equity, cash receipts, and cash disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which the resources are to be spent. This fund accounting provides the means by which spending activities are controlled. The various funds are summarized by type in the accompanying cash basis combined financial statements. The following fund types are used by the County:

Governmental Funds

- The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Special Revenue Funds account for receipts derived from specific taxes, grants, or other revenue sources (other than expendable trusts or major capital projects) that are legally restricted or designated to be expended for specified purposes.
- The Debt Service Funds account for the accumulation of resources for, and the payment of, general obligation and special assessment long-term debt principal, interest and related costs.

- The Capital Projects Funds account for financial resources used for the acquisition or construction of major capital facilities, equipment, or infrastructure.

Proprietary Funds

- The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.
- The Internal Service Funds account for the financing, on a cost-reimbursement basis, of goods or services provided by one department or agency to other departments or agencies of the County or to other governments.

Fiduciary Funds

- The Trust and Agency Funds are used to account for assets held by the County in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds, Non-Expendable Trust Funds, and Agency Funds. Disbursements from trust funds are made in accordance with the trust agreement or applicable legislative enactment for the particular fund. Agency Funds are purely custodial in nature.

Budgetary Process and Accounting - 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 resolution, all of which are prepared utilizing the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Budget Commission. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the County Commissioners.

Tax Budget - A budget of estimated revenue and expenditures 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.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenues. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the Official Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Official Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances carried over from the preceding year. The certificate of estimated resources may be further amended during the year if the County Auditor determines, and the County Budget Commission agrees, that an estimate needs to be either increased or decreased. The budgeted cash receipt amounts reported on the accompanying Combined Statement of Cash Receipts - Budget and Actual reflect the amounts in the final Amended Official Certificate of Estimated Resources issued for 2000.

Appropriations - A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 to December 31. An annual appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current, estimated resources, as certified by the County Budget Commission.

Appropriation amounts may only be modified during the year by a resolution of the County Commissioners. During 2000, several supplemental appropriation resolutions were enacted by the County Commissioners. The budgeted expenditure amounts which appear in the accompanying Combined Statement of Cash Disbursements and Encumbrances - Budget and Actual - All Fund Types Excluding Agency Funds, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as expenditures on the budgetary basis of accounting in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits the sum of encumbrances and expenditures from exceeding appropriations at the fund, department and object level.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Investments - Investments are stated at cost (which approximates market).

The County has invested funds in the State Treasury Asset Reserve of Ohio ("STAROhio"). STAROhio is an investment pool managed by the State Treasurer's office, which allows governments within the State of Ohio to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which represents the price at which the investment could be sold.

Property, Plant and Equipment - Fixed assets acquired or constructed are recorded as disbursements at the time of purchase.

Accumulated Unpaid Vacation and Sick Pay - Accumulated, unpaid vacation and sick pay along with the County's other liabilities are not accrued under the cash basis of accounting. At December 31, 2000, management estimates that \$1.2 million in vacation leave and \$4.2 million in sick leave has been accumulated by the employees of the County. All leave will be absorbed either by time off from work or, within certain limitations, be paid to the employees. The actuarial value of these benefits as of December 31, 2000 has not been determined.

"Total" Columns on Cash Basis Combined Financial Statements - The "Total" columns on the accompanying cash basis combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. No consolidating entries or other eliminations were made in arriving at the totals; thus, they do not represent consolidated information.

4. CASH AND INVESTMENTS

Legal Requirements - The investment and deposit of County monies are governed by the provisions of the Ohio Revised Code and the County's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The County is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, STAROhio, and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five years of their purchase. The County may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding 30 days.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"), or may pledge a pool of government securities valued at least 110% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by two percent and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the County's name.

The County is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The County is also prohibited from investing in reverse repurchase agreements.

Deposits and Cash on Hand - At December 31, 2000, the carrying amount of the County's deposits and cash on hand was \$19,685,417 and the bank balance was \$21,975,104. Of the bank balance, \$600,000 was covered by federal depository insurance and \$12,656,663 was covered by collateral held by the pledging financial institutions' agents in the County's name. The \$8,718,441 remaining balance was uncollateralized, as defined by the GASB, with securities held by the pledging financial institutions, or by their trust department or agent, but not in the County's name.

Investments - GASB Statement No. 3 entitled "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements" requires the County's investments to be categorized to give an indication of the level of credit risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County's name. The investment in STAROhio is an unclassified investment since it represents an investment pool managed by another governmental unit and is not evidenced by securities that exist in physical or book entry form.

Investments	Category 2	Carrvina Value	Market Value
Money Market Fund	<u>\$ 577,974</u>	\$ 577,974	\$ 577,974
STAROhio		<u>8,589,641</u>	<u>8,589,641</u>
		<u>\$ 9,167,615</u>	<u>\$ 9,167,615</u>

5. DEBT OBLIGATIONS

A summary of long-term debt activity for the year ended December 31, 2000 is as follows:

	General Obligation Notes	Mortgage Revenue Note	General Obligation Bonds	Mortgage Revenue Bonds	Ohio Water Development Authoritv Loans	Ohio Public Works Commission Loans	Total
Principal balance as of January 1, 2000	\$ 3,385,245	\$ 862,521	\$ 11,875,000	\$ 2,308,000	\$ 1,362,774	\$ 157,738	\$ 19,951,278
Issued	596,428				613,368		1,209,796
Retired	(366,212)	(30,386)	(294,000)	(27,000)	(32,762)	(13,913)	(764,273)
Interest accumulated during construction period					21,756		21,756
Principal balance as of December 31, 2000	<u>\$ 3,615,461</u>	<u>\$ 832,135</u>	<u>\$ 11,581,000</u>	<u>\$ 2,281,000</u>	<u>\$ 1,965,136</u>	<u>\$ 143,825</u>	<u>\$ 20,418,557</u>

A detail listing of the County's outstanding debt obligations at December 31, 2000 is as follows:

Issue	Interest Rate	Date of Final Installment	Principal Balance as of December 31, 2000
General Obligation Notes:			
State loan for investment losses	3.00 %	2008	\$ 2,533,649
Engineer Building	6.64	2007	442,964
State loan - year 2000 project	0.00	2001	80,900
Probate Court Note	5.50	2005	47,568
Clerk of Courts Note	6.03	2005	<u>510,380</u>
Total General Obligation Notes			<u>3,615,461</u>
Mortgage Revenue Note -			
County Board of Education Note	6.32	2016	<u>832,135</u>
General Obligation Bonds:			
Calcutta and JVS Sewer	9.75	2003	105,000
St. Clair Sewer	5.00	2004	44,000
Guilford Sanitary Sewer Improvement	5.00	2019	136,000
Jail Facilities Refunding	4.15-5.25	2024	9,980,000
Ohio Wellsville Water System	3.25	2039	<u>1,316,000</u>
Total General Obligation Bonds			<u>11,581,000</u>
Mortgage Revenue Bonds:			
Guilford Lake Sewer	5.00	2019	249,000
Ohio Elkton Sewer	4.50	2039	<u>2,032,000</u>
Total Mortgage Revenue Bonds			<u>2,281,000</u>

Issue	Interest Rate	Date of Final Installment	Principal Balance as of December 31, 2000
Ohio Water Development Authority Loans:			
Project No. 8028 - Hanoverton	6.04	2021	1,057,603
Project No. 6007 - Stagecoach	6.02	2014	257,291
Project No. RE014 - Old Farm Village	3.83	2001	519,055
Project No. 9044 - Glenmoor Sewer Planning	5.77	2005	56,846
Project No. 9107 - Water Systems	6.39	2006	<u>74,341</u>
Total Ohio Water Development Authority Loans			<u>1,965,136</u>
Ohio Public Works Commission Loans:			
Project No. CN627 - Engineering Services	0.00	2009	64,000
Project No. CN720 - Stagecoach	0.00	2014	<u>79,825</u>
Total Ohio Public Works Commission Loans			<u>143,825</u>
Total Debt Obligations			<u>\$20,418,557</u>

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

	General Obligation Notes	Mortgage Revenue Note	General Obligation Bonds	Mortgage Revenue Bonds	Ohio Water Development Authority Loans	Ohio Public Works Commission Loans	Total
2001	\$ 659,021	\$ 85,455	\$ 866,401	\$ 131,440	\$ 120,221	\$ 13,913	\$ 1,876,451
2002	578,121	85,455	862,876	132,118	120,221	13,913	1,792,704
2003	578,121	85,455	857,658	131,700	120,221	13,913	1,787,068
2004	578,121	85,455	822,761	131,238	120,221	13,913	1,751,709
2005	526,195	85,455	804,318	131,730	120,221	13,913	1,681,832
Thereafter	<u>1,210,907</u>	<u>832,642</u>	<u>16,131,668</u>	<u>4,075,590</u>	<u>2,333,518</u>	<u>74,260</u>	<u>24,658,585</u>
Totals	<u>\$4,130,486</u>	<u>\$1,259,917</u>	<u>\$20,345,682</u>	<u>\$ 4,733,816</u>	<u>\$2,934,623</u>	<u>\$143,825</u>	<u>\$33,548,349</u>

Under the Ohio Revised Code, the County had the ability to issue approximately \$11.3 million of additional, unvoted, general obligation debt at December 31, 2000.

General obligation bonds and notes, the Hanoverton Ohio Water Development Authority loan, and the Ohio Public Works Commission engineering services loan are being paid from the General Bond Retirement Debt Service Fund. Although the debt remains in the name of the County, the debt service under the Stagecoach Ohio Water Development Authority and Ohio Public Works loans is paid by the Southern Columbiana County Regional Water District, which is not part of the County's reporting entity. The remaining Ohio Water Development Authority loans, as well as the mortgage revenue notes and bonds, are being paid from the related enterprise fund user charges. All debt obligations are backed by the full faith and credit of the County.

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

During 1997, the County defeased a general obligation bond by placing investments in U.S. government direct obligations in an irrevocable escrow account. Such account will be used, together with interest earned thereon, to provide for the payment of all principal and interest on the defeased debt on its scheduled due dates. Accordingly, the escrow account and the defeased bond summarized below are not included in the accompanying financial statements at December 31, 2000:

Issue	Defeasance Date	Original Amount		Balance at December 31, 2000
		Defeased	Escrowed	
County Jail Facilities Construction Bond Series 1994	1997	<u>\$7,225,000</u>	<u>\$7,995,595</u>	<u>\$6,765,000</u>

6. CAPITAL LEASES

The County leases computer equipment under two capital lease agreements. Minimum commitments under these leases are as follows:

2001	\$ 133,172
2002	126,602
2003	126,602
2004	126,602
2005	<u>84,402</u>
Total minimum lease payments	597,380
Less amounts representing interest	<u>80,500</u>
Present value of minimum lease payments	<u>\$516,880</u>

Payments due under these leases are made from the Debt Service Funds.

7. OPERATING LEASES

The County leases certain equipment and office space under operating leases that expire at various dates through 2005. Rental expense on the office space and equipment for the year ended December 31, 2000 was \$144,415. Future minimum commitments under noncancelable operating leases are as follows:

For the Year Ending December 31.	
2001	\$ 104,174
2002	45,721
2003	22,308
2004	9,893
2005	<u>524</u>
Total	<u>\$182,620</u>

8. TAXES

Property Taxes - Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the County. Real property taxes collected in 2000 were levied on approximately October 1, 1999 based on the assessed values as of January 1, 1999, the lien date. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes for 1999 are collected in 2000 and are intended to finance 2000's operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value, as defined. Public utility property taxes paid in 2000 became a lien on December 31, 1998 and were levied on October 1, 1999.

Taxpayers (other than public utilities) became liable for 2000 tangible personal property taxes (relating to property used in business activities) on January 1, 2000 based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31, 2000. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

The full tax rate for all County operations applied to property (including personal property) for the year ended December 31, 2000 was \$10.30 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.23 per \$1,000 of assessed valuation for the real property classified as residential/agricultural and \$7.92 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amounts of these homestead and rollback deductions are reimbursed to the County by the State of Ohio. The assessed values upon which the 2000 taxes were based was as follows:

Real property	\$ 1,042,601,540
Public utility personal property	107,547,770
Other tangible personal property	<u>145,630,060</u>
Total valuation	<u>\$ 1,295,779,370</u>

Real property and public utility personal property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Sales Taxes - Beginning in 2001, the County levied a one percent sales tax that had previously expired in June 1999. The proceeds of the tax are credited to the County's General Fund. See Note 2 for further details concerning the sales tax.

9. DEFINED BENEFIT PENSION PLANS

Public Employees Retirement System - All full-time County employees, other than teachers, participate in the Public Employees Retirement System of Ohio ("PERS"), a cost sharing, multiple-employer, public employee retirement system created by the State of Ohio. Elected officials can participate in PERS on a voluntary basis.

PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees other than law enforcement personnel are required to contribute 8.5% of their covered payroll to PERS. Law enforcement employees contribute 9% of covered salary. The 2000 employer contribution rate for local government employer units was 10.84% of covered payroll, including 4.3% that is used to fund postretirement health care benefits. The law enforcement employer rate was 15.7% of covered payroll, including 4.3% that is used to fund postretirement health care benefits. The employer contribution rates for 2000 reflect a temporary 20% and 6% rollback of the rate by PERS for local government and law enforcement employer units, respectively. The County's total contributions to PERS (excluding the amount relating to postretirement benefits) for the years ended December 31, 2000, 1999 and 1998 were \$1,176,828, \$1,452,083, and \$1,372,482, respectively, equal to the required contributions for each year.

State Teachers Retirement System - Certified teachers employed by the County-sponsored Robert Bycroft School for Retarded Children participate in the State Teachers Retirement System of Ohio ("STRS"), a multiple-employer, cost-sharing, public employee retirement system created by the State of Ohio. All certified, full-time employees are eligible to participate in STRS. Benefits are established under Chapter 3307 of the Ohio Revised Code. Any member of STRS who has five years of credited service and attained age 60, 25 years of credited service and attained age 55, or 30 years of credited service regardless of age may retire. The maximum, annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money purchase benefit" calculation. Under the "formula benefit", the maximum annual retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest years' salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of Ohio credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. Under the "money purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. STRS issues a stand-alone financial report which may be obtained by making a written request to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Legislation passed in April 2000 with a July 1999 effective date provided an adjustment for retirees whose benefits have not kept pace with the rate of inflation. The legislation also changed the formula for calculating the formula benefit. The formula benefit increased to 2.2% from 2.1% per year for all years up to 30 years. For members with 35 or more years of earned Ohio service, the first 30 years will be calculated at 2.5% instead of 2.2%. For earned Ohio service over 30 years, the formula will remain as current law, which provides an escalating formula of 2.5% for the 31st year, 2.6% for the 32nd year, 2.7% for the 33rd year, etc., until 100% of final average salary is reached.

A retiree of STRS or other Ohio public retirement system is eligible for reemployment as a teacher two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of re-employment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index ("CPI") or cumulative CPI increases since retirement, less previous cost of living increases, up to a maximum of three percent of the original benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare payments.

A member under the age of 60 with five or more years credited service who becomes disabled is entitled to a disability allowance. Survivor benefits are available to eligible spouses and dependents of active members who die prior to retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased, retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members' beneficiaries.

Section 3307 of the Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contribution requirements and the contributions actually made for each of the years ended December 31, 2000, 1999 and 1998 were 9.3% of covered payroll for employees and 14% for employers, of which 12% is used to fund basic retirement obligations and 2% is used to fund health care benefits for retirees. However, during STRS fiscal year ended June 30, 2000, the Retirement Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund (see further discussion at Note 10). The pension contributions actually made during 2000, 1999 and 1998 totaled \$161,289, \$146,428 and \$143,286, respectively, which consisted of \$64,324, \$61,725 and \$61,041, respectively, from employees and \$96,965, \$84,703 and \$82,245, respectively, from the County, equal to the required contributions in each year.

10. POSTEMPLOYMENT BENEFITS

Public Employees Retirement System - In addition to the pension benefits described previously, PERS provides postretirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund health care for 2000 was 4.3% percent of covered payroll. During 2000, \$773,726 of Columbiana County's contribution to PERS was used for postretirement benefits. At December 31, 2000, the County was not responsible for paying premiums, contributions, or claims for OPEB under PERS for any retirees, terminated employees, or other beneficiaries.

The OPEB is advanced-funded on an actuarially determined basis through employer contributions and investment earnings thereon. The principal assumptions used for the 1999 actuarial computations (latest available) were as follows:

Funding Method. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets.

Investment Return. The investment return assumption rate for 1999 was 7.75%

Active Employee Total Payroll. An annual increase of 4.75%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from .54% to 5.1%.

Health Care. Health care costs were assumed to increase 4.75%.

At December 31, 1999 (latest information available), there were 401,339 active participants contributing to the plan. The County's actuarially required OPEB contribution for 1999 equaled the actual amount contributed to PERS by the County. In addition, at December 31, 1999, the actuarial value of the plan's net assets available for OPEB approximated \$10.8 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$12.5 billion and \$1.7 billion, respectively.

The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

State Teachers Retirement System - Comprehensive health care benefits are provided to retired teachers and their dependents through STRS. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefit provisions and the obligation to contribute are established by STRS based on authority granted by state statute.

Benefits are funded on a pay-as-you-go basis. Most benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. Under Ohio law, the cost of benefits provided from STRS is included in the employer contribution rate. STRS currently allocates employer contributions equal to two percent of covered payroll to reserves established to fund postretirement health care benefits. For Columbiana County, this amount equaled \$13,852 for 2000. However, during STRS fiscal year ended June 30, 2000, the Retirement Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund, which had a balance of \$3.4 billion at June 30, 2000. As of June 30, 2000 (latest information available), eligible benefit recipients totaled 99,011. For the year ended June 30, 2000, net health care costs paid by STRS were \$283.1 million.

11. CONTINGENCIES

Litigation - At December 31, 2000, the County was involved in certain civil suits that arose as a result of the plaintiffs' dismissal from County employment. The plaintiffs are seeking wage and benefit payments. These previously discharged employees could potentially be reinstated with back pay plus accrued interest on such wages. The County may be forced to pay in excess of \$500,000 (a loss that is uninsured) should the court rule in the favor of the plaintiffs. The outcome of these matters and the potential effect on the County's financial position are unknown at this time.

The County is also involved in several other pending and threatening lawsuits, including claims by certain County departments demanding increases in funding for their operations. County management, after consultation with the County Prosecutor, is of the opinion that the potential uninsured claims against the County of these additional lawsuits are not material to the County's cash basis combined financial statements.

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

Risk Management - The County is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The County maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. The County also participates in the State of Ohio Workers' Compensation Program for workers' compensation coverage and purchases insurance policies in varying amounts for general liability, employee and public officials' liability, including errors and omissions of the County's safety force. Settled claims have not exceeded the County's insurance coverage in any of the past three years.

The County utilizes an internal service fund to account for its self-insured employee health care program. The purpose of this fund is to pay the cost of medical benefits provided to County employees and their covered dependents for which the County is self-insured. The County is self-insured for the first \$75,000 per participant; annual claims above such amount are paid for by stop-loss insurance which the County maintains. Total cash disbursements in the internal service fund during 2000 were approximately \$5 million.

12. JOINTLY GOVERNED ORGANIZATIONS

The Columbiana County Planning Commission - The County participates in the Columbiana County Planning Commission (the "Commission") which is a statutorily created, political subdivision of the State of Ohio. The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. The Commission is jointly governed by Columbiana County and local municipalities and townships. In 2000, the County contributed no funds to the Commission.

Carroll/Columbiana/Harrison Solid Waste Management District - The County also participates in the Carroll/Columbiana/Harrison Solid Waste Management District (the "District"), which is a statutorily created, political subdivision of the State of Ohio. The District is a jointly governed organization including Columbiana, Carroll and Harrison counties and local municipalities and townships. Of the nine members of the District's governing board, the County Commissioners represent three. Each member's control over the operation of the District is limited to its representation on the board. In 2000, the County contributed no funds to the District.

13. RELATED ORGANIZATION

Columbiana County Airport Authority - The Columbiana County Airport Authority was created by resolution of the County Commissioners under the authority of Section 308 of the Ohio Revised Code. The Airport Authority is governed by a seven-member Board of Trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under the law. These powers include the ability to sue or be sued in its corporate name; the power to establish and collect rentals and other charges; the authority to acquire, construct, operate, manage and maintain airport facilities; the authority to buy and sell real and personal property, and the authority to issue debt for acquiring or constructing a facility or permanent improvement. The Airport Authority serves as custodian of its own funds and maintains all records and accounts independent of Columbiana County. The Airport Authority received \$10,000 from the County in 2000.

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains several enterprise funds relating to its water and sewer operations as well as its restaurant for retarded children. Segment information for the year ended December 31, 2000 is as follows:

	Water Operations	Sewer Operations	Retarded Children Restaurant	Total
Operating receipts	\$ 189,154	\$ 1,749,304	\$ 18,564	\$ 1,957,022
Operating disbursements	<u>188,353</u>	<u>1,811,679</u>	<u>35,059</u>	<u>2,035,091</u>
Operating receipts over (under) operating disbursements	801	(62,375)	(16,495)	(78,069)
Nonoperating disbursements	<u> </u>	<u>20,850</u>	<u> </u>	<u>20,850</u>
Receipts over (under) disbursements before transfers	801	(83,225)	(16,495)	(98,919)
Interfund transfers-in (out)	<u> </u>	<u>(1,638,611) *</u>	<u>20,000</u>	<u>(1,618,611)</u>
Receipts over (under) disbursements	<u>\$ 801</u>	<u>\$ (1,721,836)</u>	<u>\$ 3,505</u>	<u>\$ (1,717,530)</u>

* Represents sewer tap-in fees transferred to a debt service fund to be used to pay the debt service on the Ohio Elkton Sewer mortgage revenue bonds. See Note 5.

15. INDUSTRIAL REVENUE BONDS

From time to time, the County has issued Industrial Revenue Bonds for the purpose of providing financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as debt obligations of the County in Note 5.

As of December 31, 2000, there were two series of industrial revenue bonds outstanding, which had an aggregate principal amount payable of approximately \$4.3 million.

16. NEW ACCOUNTING STANDARDS

The GASB has issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. These statements establish accounting standards for nonexchange transactions such as grants and other assistance provided to the County by other governmental units and revise accounting and reporting standards for general purpose external financial reporting by governmental units under accounting principles generally accepted in the United States of America. Statement No. 33 is effective for the County’s year ending December 31, 2001 and Statement No. 34 is effective for the year ending December 31, 2003. The County has not completed an analysis of the impact of these two statements on its cash basis combined financial statements.

17. SUBSEQUENT EVENT

During March 2001, the County Commissioners approved a \$1 million interfund loan to the County’s General Fund from the General Bond Retirement Debt Service Fund in anticipation of the collection of future General Fund revenues (other than property taxes). The loan bears interest at a rate of 3% per year and matures on December 31, 2001.

* * * * *

COLUMBIANA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2000

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development:</i>			
CDBG Formula FY '97	14.228	B-F-97-015-1	\$ 24
CDBG Formula FY '98	14.228	B-F-98-015-1	202,090
CDBG Formula FY '99	14.228	B-F-99-015-1	89,964
CDBG Formula FY '00	14.228	B-F-00-015-1	26,604
Comprehensive Housing Improvement Program (CHIP)	14.228	B-C-99-015-1	148,769
Revolving Loan Fund (RLF)	14.228	RLF2000	523,758
Wellsville Arc Grant	14.228	B-P-98-015-1	32,558
CDBG GEI of Columbiana	14.228	B-E-00-015-1	<u>230,000</u>
Total CFDA No. 14.228			1,253,767
Comprehensive Housing Improvement Program (Home Funds)	14.239	B-C-99-015-2	<u>245,792</u>
Total U.S. Department of Housing and Urban Development			<u>1,499,559</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Federal Drug and Alcohol Per Capita	93.959	FY-00/01	401,229
Federal Women's Focus Project	93.959	FY-00/01	<u>187,449</u>
Total CFDA No. 93.959			588,678
Medicaid Assistance Program - Title XIX (Note 4)	93.778	FY-00/01	<u>152,404</u>
Total			<u>741,082</u>
<i>Passed through the Ohio Department of Mental Health:</i>			
Community Plan Block Grant	93.958	FY-00/01	44,880
Children/Adolescent Block Grant	93.958	FY-00/01	6,889
Adult/Child - DAT Block Grant	93.958	FY-00/01	61,172
Path Block Grant	93.958	FY-00/01	48,049
ADMS Block Grant Recovery Research	93.958	FY-00/01	45,310
ADMS Block Grant Recovery	93.958	FY-00/01	<u>60,463</u>
Total			266,763
Title XX Social Services Block Grant (Note 5)	93.667	FY-00/01	83,798
Medicaid Assistance Program - Title XIX (Note 4)	93.778	FY-00/01	<u>1,910,124</u>
Total			<u>2,260,685</u>

(Continued)

COLUMBIANA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2000

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
<i>Passed through the Ohio Department of Mental Retardation and Development Disabilities:</i>			
Social Services Block Grant (Note 5)	93.667	FY-00	55,817
Social Services Block Grant (Note 5)	93.667	FY-01	<u>19,887</u>
Total CFDA No. 93.667			<u>75,704</u>
<i>Medicaid Assistance Program - Title XIX (Note 4):</i>			
Community Alternative Funding (Center)	93.778	FY-98-00	641,013
Community Alternative Funding (Target Case Management)	93.778	FY-99/00	<u>139,750</u>
Total CFDA No. 93.778			<u>780,763</u>
Total			<u>856,467</u>
<i>Passed through the Ohio Department of Aging:</i>			
Special Program for the Aging - Title III, Part B	93.044	FY-00/01	42,696
Title III - Preventive Health	93.043	FY-00/01	6,286
Home Energy Assistance Program	93.568	FY-00/01	<u>2,142</u>
Total			<u>51,124</u>
Total U.S. Department of Health and Human Services			<u>3,909,358</u>
 U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed-through the Ohio Department of Education:</i>			
National School Lunch Program	10.555	03-PU-00-99	870
National School Lunch Program	10.555	03-PU-00-00	7,684
National School Lunch Program	10.555	03-PU-00-01	<u>4,114</u>
Total U.S. Department of Agriculture			<u>12,668</u>
 U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Governor's Office of Criminal Justice Services:</i>			
Victims of Crime Grant	16.575	99-VAGENE-174T	36,186
Victims of Crime Expansion	16.575	98-VAGENE-174X	25,215
Voca Court Advocate	16.575	99-VACHAE-383N	10,655
State Victims Assistance Act Grant	16.575	2001-VAGENE-174	<u>962</u>
Total CFDA No. 16.575			73,018
JAIBG Federal Grant	16.523	99-JB-001-A060	<u>19,808</u>
Total U.S. Department of Justice			<u>92,826</u>

(Continued)

COLUMBIANA COUNTY, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2000

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education:</i>			
Handicapped-State Grant	84.027	065920-PG-SF00P	27,613
Handicapped-State Grant	84.027	065920-PG-SF2001P	<u>13,584</u>
Total CFDA No. 84.027			41,197
Special Education-Preschool	84.173	065920-PG-S1-2001P	<u>11,264</u>
Total Special Education Cluster			<u>52,461</u>
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services -</i>			
Step-by-Step Program/Drug Community Prevention	84.186	FY-00/01	<u>190,564</u>
Total U.S. Department of Education			<u>243,025</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
<i>Direct Program:</i>			
Emergency Management Assistance	83.552	N/A	36,132
Emergency Food and Shelter Human Service	83.523	18-6710-00	<u>14,972</u>
Total Federal Emergency Management Agency			<u>51,104</u>
FEDERAL HIGHWAY ADMINISTRATION			
<i>Passed through the Ohio Department of Transportation:</i>			
Highway Planning and Construction	20.205	COL-CR430-03.31	323,226
Highway Planning and Construction	20.205	COL-TR768	<u>376,357</u>
Total Federal Highway Administration			<u>699,583</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio State Emergency Response Commission:</i>			
Hazardous Materials Emergency Preparedness	20.703	FY-00/01	2,426
<i>Passed through the Ohio Department of Public Safety:</i>			
Crackdown on Highway Safety	20.600	2000-PT-N/1	<u>6,423</u>
Total U.S. Department of Transportation			<u>8,849</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$6,516,972</u>

See Notes to Schedule of Expenditures of Federal Awards.

(Concluded)

COLUMBIANA COUNTY, OHIO

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2000

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Columbiana County, Ohio, under programs financed by the U.S. government for the year ended December 31, 2000. The Schedule has been prepared using the cash basis of accounting.

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

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

The information presented in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Catalog of Federal Domestic Assistance ("CFDA") Numbers are presented for each program.

2. LOANS OUTSTANDING

As shown in the table below, Columbiana County had loans receivable outstanding at December 31, 2000 under the Community Development Block Grant ("CDBG") Revolving Loan Fund. The loan balance was included in federal expenditures presented in the Schedule because the provisions of the grant agreement pertaining to such loans impose continuing compliance requirements. Also included as expenditures under this program are \$6,210 of administrative costs.

Program Title	Federal CFDA No.	Loan Amounts Outstanding at December 31, 2000
CDBG Revolving Loan Fund (RLF)	14.228	\$ 482,571

3. SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	2000 Grant Expenditures
Federal Drug and Alcohol Per Capita	93.959	\$ 322,849
Federal Women's Focus Project	93.959	187,449
Step-By-Step Program/Drug Community Prevention	84.186	128,125
Medicaid Assistance Program - Title XIX	93.778	2,062,528
Title XX – Social Services Block Grant	93.667	76,968

4. MEDICAID ASSISTANCE PROGRAM - TITLE XIX

The total amount expended by the County during 2000 under the Title XIX Medicaid Assistance Program (CFDA No. 93.778) is summarized as follows:

Passed-Through From	Amount Expended
Ohio Department of Alcohol and Drug Addiction Services	\$ 152,404
Ohio Department of Mental Health	1,910,124
Ohio Department of Mental Retardation and Development Disabilities	<u>780,763</u>
Total	<u>\$2,843,291</u>

5. TITLE XX SOCIAL SERVICES BLOCK GRANT

The total amount expended by the County during 2000 under the Title XX Social Services Block Grant (CFDA No. 93.667) is summarized as follows:

Passed-Through From	Amount Expended
Ohio Department of Mental Health	\$ 83,798
Ohio Department of Mental Retardation and Development Disabilities	<u>75,704</u>
Total	<u>\$ 159,502</u>

* * * * *



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON THE AUDIT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners
Columbiana County, Ohio

We have audited the cash basis combined financial statements of Columbiana County, Ohio (the "County") as of and for the year ended December 31, 2000, and have issued our report thereon dated June 1, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as finding 99-1.

We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate letter dated June 1, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings 99-2 and 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable conditions described above are not material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of the County in a separate letter dated June 1, 2001.

This report is intended for the information and use of the Board of County Commissioners, management, federal awarding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

June 1, 2001



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of County Commissioners
Columbiana County, Ohio

Compliance

We have audited the compliance of Columbiana County, Ohio (the "County") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the Board of County Commissioners, management, federal awarding agencies, pass-through entities, and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

June 1, 2001

COLUMBIANA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2000

Summary of Auditors' Results

- Type of Report Issued on the Financial Statements as of and for the Year Ended December 31, 2000 - Unqualified.
- Reportable Conditions in Internal Control were Disclosed by the Audit of the Financial Statements, none of which were considered Material Weaknesses (see Findings 99-2 and 00-1).
- Noncompliance was Noted that is Material to the Financial Statements of the County (see Finding 99-1).
- Reportable Conditions in Internal Control Over Major Federal Award Programs Disclosed by the Audit of the Financial Statements - N/A (none reported).
- Type of Report Issued on Compliance for Major Federal Award Programs - Unqualified.
- The audit did not disclose audit findings which are required to be reported under Section .510(a) of OMB Circular A-133.
- Major Federal Award Programs Identified for the Year Ended December 31, 2000:
 - CFDA #93.778 Medicaid Assistance Program
 - CFDA #93.959 Women's Focus Project/Federal Drug and Alcohol Per Capita
- Dollar Threshold Used to Distinguish Between Type A and Type B Programs - \$300,000.
- The County is considered to be a Low-Risk Auditee as defined under OMB Circular A-133.

COLUMBIANA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2000

Findings Related to the Financial Statements that are Required to be Reported Under Government Auditing Standards:

Finding No.

99-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Condition - The County prepared its 2000 financial statements filed with the Auditor of State's Office using the cash basis of accounting rather than accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires the accrual/modified accrual (depending upon the fund type) basis of accounting to be used. We understand that the County was not able to obtain a waiver from the Auditor of State for 2000 to prepare its financial statements using the cash basis of accounting.

Criteria - Section 117-1-11 of the Ohio Administrative Code requires the County to obtain a waiver from the Auditor of State to continue to prepare its annual financial statements filed with the Auditor of State on a cash basis.

Effect - The County could be fined and various other legal administrative remedies could be taken against the County by the Auditor of State.

Recommendation - The County should consider undertaking a project to enable it to prepare its annual financial statements in accordance with U.S. GAAP.

County Corrective Action Plan - The County's financial condition has limited the amount of resources it can commit to the preparation of financial statements in accordance with U.S. GAAP. As a result, until the financial condition improves, the County does not plan to prepare financial statements in accordance with U.S. GAAP.

County contact person – Nancy Gause Milliken, County Auditor

99-2 COUNTY COURTS SEGREGATION OF DUTIES

Condition - Adequate internal controls do not exist in certain areas of the operations of the County courts.

Criteria - Strong internal controls require an appropriate segregation of duties. We noted the following lack of segregation of duties during our testing of the financial activity of the County courts during the year:

- Many of the employees of the courts handle cash receipts and have access to the detailed records of amounts owed the courts during the normal course of their duties.
- The bank reconciliations are not always reviewed by someone other than the preparer. The same individuals who prepare the reconciliations often participate in the preparation of the daily bank deposits. As a result, the individuals who prepare the bank reconciliations are in a position to abstract a cash receipt and conceal the defalcation in the bank reconciliations.

COLUMBIANA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2000

Finding No.

We understand that the concentration of duties described above is due to the large volume of activity handled by the courts with a relatively small number of employees.

Effect - The matters described above could prevent the County courts from detecting a defalcation on a timely basis.

Recommendation - The County courts should consider the following:

- Separating the duties of handling cash receipts from the individuals who are responsible for pursuing the collection or maintaining the records of amounts owed the courts.
- Having bank reconciliations prepared by individuals who are not in a position to abstract a cash receipt or issue a check singly during the normal course of their duties.
- Having all bank reconciliations reviewed by an appropriate supervisor to ensure that reconciling items are resolved on a timely basis.

County Corrective Action Plan - The Courts are in the process of attempting to correct the segregation of duties problem. Those persons responsible for the bookkeeping are not collecting fees or issuing receipts.

Every effort will be made to maintain appropriate segregation of duties in the future; however, the County Courts operate at a minimum level of personnel, maintaining an efficient level of service within the current level of budgetary restraints. Taking in consideration vacations, sick days, etc., there may be an overlapping of duties from time to time, thus, common sense practice must prevail.

With respect to Deloitte & Touche's ("D&T") bank reconciliation recommendations, the County Courts, procedurally, will attempt to comply with D&T's recommendations, with the same exceptions as previously stated. Also, the bank reconciliations are being reviewed by myself.

There have also been legislative changes that dramatically impact the County Court System. Under House Bill 599, which becomes effective January 1, 2002, the County Courts of Columbiana County will no longer exist and will become Columbiana County Municipal Court. The County Courts, currently in three different locations, will be consolidated to one location as The Columbiana County Municipal Court; thus, it will be easier to have appropriate segregation of duties as D&T recommended.

County contact person – Anthony J. Dattilio, Clerk of Courts

Anticipated completion date – December 2002

COLUMBIANA COUNTY, OHIO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2000

Finding No.

00-1 RECORDING OF ENCUMBRANCES

Condition - The County's various departments often purchase goods or services without receiving, in advance, certifications from the County Auditor regarding the availability of funds and appropriations to provide for the purchases as required under section 5705.41 of the Ohio Revised Code ("Certification of Funds"). During the course of our audit, we noted several invoices for goods and services ordered and received by various County departments in 2000 that were not encumbered prior to the purchases being made. These purchases caused the County to exceed its budgeted expenditures in the General Fund for 2000. We understand that the purchases were not encumbered because of the County's cash flow difficulties experienced during the year and insufficient appropriations to provide for the purchases. In addition, in certain instances, vendor invoices were not submitted to the County Auditor's Office for processing in a timely manner.

Criteria - As required under Section 5705.41 of the Ohio Revised Code, prior to the issuance of County warrants, the County Auditor properly certifies the availability of funds and appropriations to provide for the expenditures; however, proper internal control over the purchasing function necessitates that purchases not be made until the certification is obtained.

Effect- Unless encumbrances are recognized and recorded on a timely basis (i.e., prior to the purchase being made), complete and accurate information regarding the County's budgetary expenditures will not be available to enable management to assess the status of the County's budgetary compliance and financial condition.

Recommendation - The County should implement procedures requiring that purchases not be made prior to the Certification of Funds by the County Auditor. This could possibly include informing department heads and vendors that the County is not responsible for the payment of invoices that are not accompanied by a purchase order issued by the County containing the County Auditor's Certification of Funds.

County Corrective Action Plan - Because of the decentralization of the County's operations, the cooperation of several department heads and elected officials would be required to implement the recommendation. The Board of County Commissioners will investigate this issue and determine a course of action. In addition, this matter is expected to be less of an issue to the County as its financial condition improves.

County contact persons - Dave Cranmer, Chairman of the Board of County Commissioners;
Nancy Gause Milliken, County Auditor

Anticipated completion date - January 2002

Findings and Questioned Costs Relating to Federal Awards

All federal awards – None.

COLUMBIANA COUNTY, OHIO

STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

Prior Year Comment (99-1) - The County prepared its 1999 financial statements filed with the Auditor of State's Office using the cash basis of accounting rather than accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires the accrual/modified accrual (depending upon the fund type) basis of accounting to be used. We understand that the County was not able to obtain a waiver from the Auditor of State for 1999 to prepare its financial statements using the cash basis of accounting.

Current Year Status - The County prepared its 2000 financial statements filed with the Auditor of State's Office using the cash basis of accounting consistent with prior years. A waiver could not be obtained from the Auditor of State for 2000 and, as such, a finding was reported in the 2000 Single Audit Report for Columbiana County. The County has, however, taken steps to be in compliance with this requirement since the prior audit period. A GAAP conversion plan was developed for the County with the assistance of the Auditor of State's Office (see 2000 Finding 99-1).

Prior Year Comment (99-2) - Adequate internal controls do not exist in certain areas of the operations of the County court system.

Current Year Status - Insufficient internal controls continue to exist in certain areas of the operations of the County courts. According to court personnel, recommended methods of strengthening internal controls are not completely feasible at the present time due to a lack of resources and personnel (see 2000 Finding 99-2).



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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COLUMBIANA COUNTY FINANCIAL CONDITION

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 17, 2001