

# *Columbiana County, Ohio*

*Single Audit Report  
for the Year Ended  
December 31, 2002*





**Auditor of State  
Betty Montgomery**

Board of County Commissioners  
Columbiana County  
105 South Market Street  
Lisbon, OH 44432

We have reviewed the Independent Auditor's Report of Columbiana County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2002 through December 31, 2002. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

July 17, 2003

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# COLUMBIANA COUNTY, OHIO

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
COMBINED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED DECEMBER 31, 2002:	
Combined Statement of Cash Receipts and Disbursements— All Governmental Fund Types and Expendable Trust and Agency Funds	3-4
Combined Statement of Cash Receipts and Disbursements— All Proprietary Funds	5
Notes to Combined Statements of Cash Receipts and Disbursements	6-20
SUPPLEMENTAL SCHEDULES FOR THE YEAR ENDED DECEMBER 31, 2002:	
Budgetary Schedules:	
Schedule of Cash Receipts—Budget and Actual—All Fund Types Excluding Agency Funds	21
Schedule of Cash Disbursements and Encumbrances—Budget and Actual— All Fund Types Excluding Agency Funds	22
Schedule of Expenditures of Federal Awards	23-25
Notes to the Schedule of Expenditures of Federal Awards	26-27
REPORTS ON COMPLIANCE AND INTERNAL CONTROL:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on the Audit Performed in Accordance with <i>Government Auditing Standards</i>	28-29
Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program	30-31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2002	32-38
STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE	39-40

## **INDEPENDENT AUDITORS' REPORT**

To the Board of County Commissioners  
Columbiana County, Ohio

We have audited the accompanying combined statements of cash receipts and disbursements of Columbiana County, Ohio (the "County") for the year ended December 31, 2002, as listed in the Table of Contents. These combined statements of cash receipts and disbursements are the responsibility of the management of the County. Our responsibility is to express an opinion on these combined statements of cash receipts and disbursements 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 combined statements of cash receipts and disbursements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statements of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined statement of cash receipts and disbursements presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117 requires the County to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). As discussed in Note 2 to the combined statements of cash receipts and disbursements, the County prepared its combined statements of cash receipts and disbursements on the cash basis of accounting, a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying combined statements of cash receipts and disbursements omit material assets, liabilities, fund balances, and note disclosures of the County that would be required under generally accepted accounting principles.

In our opinion, such combined statements of cash receipts and disbursements present fairly, in all material respects, the cash receipts and disbursements of Columbiana County, Ohio for the year ended December 31, 2002, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2003 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, which indicates that because of the significance of certain of the findings presented, we were unable to determine whether the County was in compliance with applicable laws and regulations, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the combined statements of cash receipts and disbursements of the County, taken as a whole. The budgetary schedules listed in the foregoing Table of Contents are presented for the purpose of additional analysis and are not a required part of the combined statements of cash receipts and disbursements of the County. 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 combined statements of cash receipts and disbursements. These schedules are the responsibility of the management of the County. Such information has been subjected to the auditing procedures applied in our audit of the combined statements of cash receipts and disbursements and, in our opinion, are fairly stated in all material respects when considered in relation to the combined statements of cash receipts and disbursements taken as a whole.

*Deloitte & Touche LLP*

June 9, 2003

# COLUMBIANA COUNTY, OHIO

## COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS— ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST AND AGENCY FUNDS YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Fiduciary Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Agency	
<b>CASH RECEIPTS:</b>							
Taxes:							
Sales taxes	\$ 7,642,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,642,383
Property and other taxes	337,061	8,306,058	284,975				8,928,094
Charges for services	2,574,122	3,858,905		80,076			6,513,103
Licenses and permits	8,520	205,221					213,741
Fines and forfeitures	380,748	257,237					637,985
Intergovernmental receipts	2,379,351	44,382,524	91,173	1,145,979			47,999,027
Special assessments		5,098					5,098
Investment income	988,226	56,112	42,219	17,343		553	1,104,453
Other	<u>77,604</u>	<u>772,929</u>	<u>1,149,020</u>				<u>1,999,553</u>
Total cash receipts	<u>14,388,015</u>	<u>57,844,084</u>	<u>1,567,387</u>	<u>1,243,398</u>		<u>553</u>	<u>75,043,437</u>
<b>CASH DISBURSEMENTS:</b>							
General Government:							
Executive and Legislative	3,043,666	770,629					3,814,295
Judicial	2,137,007						2,137,007
Public safety	5,027,603	1,001,986					6,029,589
Public works	32,914	5,441,047		184,896			5,658,857
Health and human services	413,125	45,363,137					45,776,262
Miscellaneous	2,482,909	1,596,326					4,079,235
Capital outlay				1,582,769			1,582,769
Debt service:							
Principal retirement	1,138,177	107,733	2,122,283				3,368,193
Interest and fiscal charges			822,957				822,957
Total cash disbursements	<u>14,275,401</u>	<u>54,280,858</u>	<u>2,945,240</u>	<u>1,767,665</u>			<u>73,269,164</u>
CASH RECEIPTS OVER (UNDER) CASH DISBURSEMENTS BEFORE OTHER ITEMS	<u>112,614</u>	<u>3,563,226</u>	<u>(1,377,853)</u>	<u>(524,267)</u>		<u>553</u>	<u>1,774,273</u>

See accompanying notes to combined statements of cash receipts and disbursements.

(Continued)

# COLUMBIANA COUNTY, OHIO

## COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS— ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST AND AGENCY FUNDS YEAR ENDED DECEMBER 31, 2002

	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	\$ 1,123,000	\$ -	\$ -	\$ 162,904	\$ -	\$ -	\$ 1,285,904
Transfers-in	1,372,530	396,196	1,553,141	1,000,000		40,000	4,361,867
Transfers-out	(2,339,699)	(282,645)	(1,000,000)	(1,000,000)		(122,530)	(4,744,874)
Other receipts	692,500	35,899				180,011,613	180,740,012
Other disbursements	<u>(177,683)</u>	<u>(18,853)</u>	<u>(354,665)</u>	<u>(96,000)</u>		<u>(179,304,994)</u>	<u>(179,952,195)</u>
Total other cash receipts (disbursements)	<u>670,648</u>	<u>130,597</u>	<u>198,476</u>	<u>66,904</u>		<u>624,089</u>	<u>1,690,714</u>
CASH RECEIPTS OVER (UNDER)							
CASH DISBURSEMENTS	783,262	3,693,823	(1,179,377)	(457,363)		624,642	3,464,987
CASH AND INVESTMENT							
BALANCE—January 1, 2002	<u>389,765</u>	<u>20,256,047</u>	<u>3,702,320</u>	<u>2,565,593</u>	<u>11</u>	<u>4,273,010</u>	<u>31,186,746</u>
CASH AND INVESTMENT							
BALANCE—December 31, 2002	<u>\$ 1,173,027</u>	<u>\$ 23,949,870</u>	<u>\$ 2,522,943</u>	<u>\$ 2,108,230</u>	<u>\$ 11</u>	<u>\$ 4,897,652</u>	<u>\$ 34,651,733</u>

See accompanying notes to combined statements of cash receipts and disbursements.

(Concluded)

# COLUMBIANA COUNTY, OHIO

## COMBINED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS— ALL PROPRIETARY FUNDS YEAR ENDED DECEMBER 31, 2002

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	Enterprise	Internal Service	
OPERATING CASH RECEIPTS:			
Charges for services	\$ 1,493,744	\$ -	\$ 1,493,744
Other	<u>                    </u>	<u>5,306,128</u>	<u>5,306,128</u>
Total operating cash receipts	<u>1,493,744</u>	<u>5,306,128</u>	<u>6,799,872</u>
OPERATING CASH DISBURSEMENTS:			
Personal services	434,097	89,645	523,742
Contractual services	<u>1,065,608</u>	<u>5,278,342</u>	<u>6,343,950</u>
Total operating cash disbursements	<u>1,499,705</u>	<u>5,367,987</u>	<u>6,867,692</u>
OPERATING CASH RECEIPTS UNDER OPERATING CASH DISBURSEMENTS			
	<u>(5,961)</u>	<u>(61,859)</u>	<u>(67,820)</u>
NON-OPERATING CASH DISBURSEMENTS:			
Bond retirement	9,000		9,000
Interest and fiscal charges	<u>12,050</u>	<u>                    </u>	<u>12,050</u>
Total non-operating cash disbursements	<u>21,050</u>	<u>                    </u>	<u>21,050</u>
CASH RECEIPTS UNDER DISBURSEMENTS BEFORE INTERFUND TRANSFERS			
	(27,011)	(61,859)	(88,870)
INTERFUND TRANSFERS—Transfers-in	<u>15,000</u>	<u>368,007</u>	<u>383,007</u>
CASH RECEIPTS OVER CASH DISBURSEMENTS	(12,011)	306,148	294,137
CASH AND CASH INVESTMENT BALANCE—			
January 1, 2002	<u>430,894</u>	<u>189,136</u>	<u>620,030</u>
CASH AND CASH INVESTMENT BALANCE—			
December 31, 2002	<u>\$ 418,883</u>	<u>\$ 495,284</u>	<u>\$ 914,167</u>

See accompanying notes to combined statements of cash receipts and disbursements.

# COLUMBIANA COUNTY, OHIO

## NOTES TO COMBINED STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS YEAR ENDED DECEMBER 31, 2002

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### 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, two county municipal 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 serve 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 combined statements of cash receipts and disbursements include all funds, agencies, boards, commissions, and departments for which the County is financially accountable. Financial accountability, as defined by the Governmental Accounting Standards Board (“GASB”), exists if the County appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the County. The County may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the County. The County also took into consideration other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County’s financial statements to be misleading or incomplete. Included as 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 Ashtabula, Columbiana, Geauga, Lake, Lorain, Mahoning, Medina, Portage, Stark and Trumbull Counties), and all departments and activities that are directly operated by elected County officials.

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

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 11 and 12 to the combined statements of cash receipts and disbursements. The organizations are:

- Columbiana County Planning Commission
- Carroll/Columbiana/Harrison Solid Waste District
- Columbiana County Airport Authority
- Multi-County Juvenile Attention System

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

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

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***—Although required by Ohio Administrative Code Section 117 to prepare its annual financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the County has chosen to prepare its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. GAAP. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligations are incurred. A general fixed asset group and long-term debt group of accounts are not included in the combined statements of cash receipts and disbursements under the basis of accounting used. In addition, the accompanying combined statements on cash receipts and disbursements omit material assets, liabilities, fund equities, and footnote disclosures of the County that would be required under accounting principles generally accepted in the United States of America. Accordingly, the accompanying combined statements of cash receipts and disbursements are not intended to present the County's financial position and results of operations in accordance with 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 has not complied with this requirement for each of the years ended December 31, 2002, 2001, 2000, and 1999.

***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 combined statements of cash receipts and disbursements. 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 Official Certificate of Estimated Resources is amended to include any unencumbered balances carried over from the preceding year. The Amended Official 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.

*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 2002, several supplemental appropriation resolutions were enacted by the County Commissioners.

*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 fair value).

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, 2002, management estimates that \$1.4 million in vacation leave and \$4.6 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, 2002 has not been determined.

***“Total” Columns on Combined Statements of Cash Receipts and Disbursements***—The “Total” columns on the accompanying combined statements of cash receipts and disbursements 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.

### **3. 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 105% 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 2% 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, 2002, the carrying amount of the County’s deposits and cash on hand was \$32,915,463 and the bank balance was \$34,110,934. Of the bank balance, \$800,000 was covered by federal depository insurance. The \$33,310,934 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.

**Investment**—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	Carrying Value	Fair Value
Money Market Fund	\$ 123,587	\$ 123,587	\$ 123,587
STAROhio		<u>2,526,850</u>	<u>2,526,850</u>
		<u>\$ 2,650,437</u>	<u>\$ 2,650,437</u>

#### 4. DEBT OBLIGATIONS

A summary of long-term debt activity (excluding capital leases) for the year ended December 31, 2002 is as follows:

	General Obligation Notes	Mortgage Revenue Note	General Obligation Bonds	Mortgage Revenue Bonds	Ohio Water Development Authority Loans	Ohio Public Works Commission Loans	Total
Principal balance as of							
January 1, 2002	\$4,396,080	\$799,357	\$11,783,000	\$2,253,000	\$1,395,747	\$ 179,912	\$20,807,096
Issued	1,123,000				66,904	96,000	1,285,904
Retired	(2,165,180)	(799,357)	(316,000)	(30,000)	(50,243)	(16,413)	(3,377,193)
Interest accumulated during construction period	_____	_____	_____	_____	6,508	_____	6,508
Principal balance as of							
December 31, 2002	<u>\$3,353,900</u>	<u>\$ -</u>	<u>\$11,467,000</u>	<u>\$2,223,000</u>	<u>\$1,418,916</u>	<u>\$ 259,499</u>	<u>\$18,722,315</u>

A detailed listing of the County's outstanding debt obligations at December 31, 2002 is as follows:

Issue	Interest Rate	Date of Final Installment	Principal Balance as of December 31, 2002
General Obligation Notes:			
State Loan for Investment Losses	3.00 %	2008	\$ 1,955,985
Engineer Building	6.64	2007	332,194
Probate Court Note	5.50	2005	26,498
Clerk of Courts Note	6.33	2005	281,433
Current Revenue Anticipation Notes	2.48	2003	<u>757,790</u>
Total General Obligation Notes			<u>3,353,900</u>
General Obligation Bonds:			
Calcutta and JVS Sewer	9.75	2003	35,000
St. Clair Sewer	5.00	2004	22,000
Guilford Sanitary Sewer Improvement	5.00	2019	122,000
Jail Facilities Refunding	4.15-5.25	2024	9,510,000
Ohio Wellsville Water System	3.25	2039	1,281,000
Murray Trucking Old Farm Village	4.50	2041	<u>497,000</u>
Total General Obligation Bonds			<u>11,467,000</u>
Mortgage Revenue Bonds:			
Guilford Lake Sewer	5.00	2019	232,000
Ohio Elkton Sewer	4.50	2039	<u>1,991,000</u>
Total Mortgage Revenue Bonds			<u>2,223,000</u>
Ohio Water Development Authority Loans:			
Project No. 8028—Hanoverton	6.04	2021	998,622
Project No. 6007—Stagecoach	6.02	2014	225,232
Project No. 9044—Glenmoor Sewer Planning	5.77	2005	128,159
Project No. 3632—Winona Sewer Planning	5.65	2007	<u>66,904</u>
Total Ohio Water Development Authority Loans			<u>1,418,917</u>
Ohio Public Works Commission Loans:			
Project No. CN627—Engineering Services	0.00	2009	48,000
Project No. CN720—Stagecoach	0.00	2014	67,999
Project No. CN24D Rt. 7 Waterline	0.00	2022	47,500
Project No. CN33F	0.00	2023	<u>96,000</u>
Total Ohio Public Works Commission Loans			<u>259,499</u>
Total Debt Obligations			<u>\$ 18,722,316</u>

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

	General Obligation Notes	General Obligation Bonds	Mortgage Revenue Bonds	Ohio Water Development Authority Loans	Ohio Public Works Commission Loans	Total
2003	\$ 1,335,911	\$ 885,023	\$ 131,700	\$ 120,221	\$ 13,457	\$ 2,486,312
2004	578,121	849,901	131,238	120,221	16,413	1,695,894
2005	526,195	831,233	131,730	248,380	16,413	1,753,951
2006	438,873	833,588	131,128	120,221	16,413	1,540,223
2007	415,409	829,923	131,480	187,125	16,413	1,580,350
Thereafter	<u>356,623</u>	<u>15,449,930</u>	<u>3,772,732</u>	<u>1,442,833</u>	<u>180,591</u>	<u>21,202,709</u>
Totals	<u>\$ 3,651,132</u>	<u>\$ 19,679,598</u>	<u>\$ 4,430,008</u>	<u>\$ 2,239,001</u>	<u>\$ 259,700</u>	<u>\$ 30,259,439</u>

Under the Ohio Revised Code, the County had the ability to issue approximately \$12.3 million of additional, unvoted, general obligation debt at December 31, 2002.

General obligation bonds and notes, the Hanoverton Ohio Water Development Authority loan, and the Ohio Public Works Commission engineering services loan are being paid from the General Fund and Special Revenue Funds, respectively. Although the debt is in the name of the County, the debt service under the Stagecoach Ohio Water Development Authority and remaining Ohio Public Works 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 bonds, are being paid from the related enterprise fund user charges. All general obligation debt is backed by the full faith and credit of the County.

During 1993, the County realized a significant loss on its investments. This loss created a substantial need for cash to support the County's ongoing operations. A low interest loan was ultimately received from the State of Ohio to provide the necessary operating cash. The monthly payments due under the loan of \$29,719 are withheld from the County's local government funds' 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 combined statements of cash receipts and disbursements at December 31, 2002:

Issue	Defeasance Date	Original Amount		Debt Balance at December 31, 2002
		Defeased	Escrowed	
County Jail Facilities Construction Bond Series 1994	1997	<u>\$7,225,000</u>	<u>\$7,995,595</u>	<u>\$6,500,000</u>

## 5. CAPITAL LEASES

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

2003	\$ 126,602
2004	126,602
2005	<u>84,402</u>
Total minimum lease payments	337,606
Less amounts representing interest	<u>27,720</u>
Present value of minimum lease payments	<u>\$ 309,886</u>

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

## 6. OPERATING LEASES

The County leases certain equipment and office space under operating leases that expire at various dates through 2006. Rental expense on the office space and equipment for the year ended December 31, 2002 was \$133,830. Future minimum commitments under noncancelable operating leases are as follows:

<b>For the Year Ending December 31</b>	
2003	\$ 53,588
2004	28,514
2005	9,334
2006	3,448
2007	<u>3,161</u>
Total	<u>\$ 98,045</u>

## 7. 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 2002 were levied on approximately October 1, 2001 based on the assessed values as of January 1, 2001, the lien date. Assessed values are established by Ohio law at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes for 2001 are collected in 2002 and are intended to finance 2002'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 2002 became a lien on December 31, 2000 and were levied on October 1, 2001.

Taxpayers (other than public utilities) became liable for 2002 tangible personal property taxes (relating to property used in business activities) on January 1, 2002 based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31, 2002. 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, 2002 was \$9.05 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$5.86 per \$1,000 of assessed valuation for the real property classified as residential/agricultural and \$7.22 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 2002 taxes were based was as follows:

Real property	\$ 1,193,926,290
Public utility personal property	85,737,400
Other tangible personal property	<u>147,030,860</u>
Total valuation	<u>\$ 1,426,694,550</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 1% permissive sales tax. The proceeds of the tax are credited to the County's General Fund. During September 2002, the County Commissioners approved an increase in the permissive sales tax rate from 1% to 1.5%. The County began receiving the additional sales tax revenue resulting from the increase in December 2002. The County's entire sales tax levy is scheduled to expire in 2005.

## 8. 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) 222-6705 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. In January 2001, House Bill 416 divided the former PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The new law enforcement classification consists of sheriffs, deputy sheriffs, and township police and has an employee contribution

rate of 10.1%. All other members of the former PERS law enforcement program were placed in a newly named public safety division and continued to contribute 9% of covered salary. The 2002 employer contribution rate for local government employer units was 13.55% of covered payroll, including 5% that is used to fund postretirement healthcare benefits. The law enforcement employer rate was 16.7% of covered payroll, including 5% that is used to fund postretirement healthcare benefits. The County's total contributions to PERS (excluding the amount relating to postretirement benefits) for the years ended December 31, 2002, 2001 and 2000 were \$1,533,996, \$1,395,021, and \$1,176,828, 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 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The base percentage increases to 2.5% for the thirty-first year of service. 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 43215-3371 or by calling (614) 227-4090.

For members with 35 or more years of Ohio contributing service, the first 30 years of service will be calculated at 2.5% instead of 2.2%.

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 reemployment 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.

Prior to February 2002, retirement benefits were 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 3% of the original benefit. Effective February 1, 2002, benefits are increased annually by 3% of the original base amount regardless of the change in CPI. The plan offers comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare payments.

A member with five or more years credited service who becomes disabled may qualify for a disability benefit. 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, 2002, 2001 and 2000 were 9.3% of covered payroll for employees and 14% for employers. During STRS fiscal year ended June 30, 2002 and 2001, the Retirement Board of STRS allocated employer contributions equal to 4.5% of covered payroll to the Healthcare Reserve Fund (see further discussion at Note 10). The pension contributions actually made during 2002, 2001 and 2000 totaled \$214,579, \$187,470 and \$161,289, respectively, which consisted of \$75,555, \$77,252 and \$64,324, respectively, from employees and \$138,824, \$110,218 and \$96,965, respectively, from the County, equal to the required contributions in each year.

## 9. POSTEMPLOYMENT BENEFITS

**Public Employees Retirement System**—In addition to the pension benefits described previously, PERS provides postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is also available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Government*.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority requiring public employers to fund postretirement healthcare through their contributions to PERS. The portion of the employer contribution rate used to fund healthcare for 2002 was 5% of covered payroll. During 2002, \$897,060 of Columbiana County's contribution to PERS was used for postretirement benefits. At December 31, 2002, 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 2001 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 2001 was 8.00%

**Active Employee Total Payroll.** An annual increase of 4.00%, 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 4.00% base increase, were assumed to range from .50% to 6.3%.

**Healthcare.** Healthcare costs were assumed to increase 4.00%.

At December 31, 2001 (latest information available), there were 402,041 active participants contributing to the plan. The County's actuarially required OPEB contribution for 2001 equaled the actual amount contributed to PERS by the County. In addition, at December 31, 2001, the actuarial value of the plan's net assets available for OPEB approximated \$11.6 billion and the actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial method used, were \$16.4 billion and \$4.8 billion, respectively.

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

***State Teachers Retirement System***—Comprehensive healthcare 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 healthcare 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 healthcare 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 4.5% of covered payroll to reserves established to fund postretirement healthcare benefits. For Columbiana County, this amount equaled \$36,329 for 2002. During STRS fiscal year ended June 30, 2002, the Retirement Board allocated employer contributions equal to 4.5% of covered payroll to the Healthcare Stabilization Fund, which had a balance of \$3.011 billion at June 30, 2002. Effective July 1, 2002, STRS began allocating 1% of covered payroll to this fund. As of June 30, 2002 (latest information available), eligible benefit recipients totaled 105,300. For the year ended June 30, 2002, net healthcare costs paid by STRS were \$354.7 million.

## 10. CONTINGENCIES

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

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

***Risk Management***—The County is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of, damage to, 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 healthcare program. The purpose of this fund is to pay the cost of medical benefits provided to County employees and their covered dependents for which the County is self-insured. The County is self-insured for the first \$75,000 per participant; annual claims above such amount are paid for by stop-loss insurance which the County maintains. Total cash disbursements in the internal service fund during 2002 were approximately \$5.3 million.

## 11. 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 2002, the County contributed no funds to the Commission.

***Carroll/Columbiana/Harrison Solid Waste Management District***—The County participates in the Carroll/Columbiana/Harrison Solid Waste Management District (the “District”), which is a statutorily created, political subdivision of the State of Ohio. The District is a jointly governed organization including Columbiana, Carroll and Harrison counties and local municipalities and townships. Of the nine members of the District’s governing board, the County Commissioners represent three. Each member’s control over the operation of the District is limited to its representation on the board. In 2002, the County contributed no funds to the District.

***Multi-County Juvenile Attention System***—The County also participates in the Multi-County Juvenile Attention System (the “System”), a joint venture between the following counties: Stark, Holmes, Carroll, Columbiana, Tuscarawas and Wayne. The operation of the System is controlled by a nineteen-member Board of Trustees, three members from each county with the exception of Stark which has four members. The degree of control exercised by any of the participating Counties is limited to its representation on the Board. In 2002, the County contributed \$462,639 to the System.

## 12. RELATED ORGANIZATION

***Columbiana County Airport Authority***—The Columbiana County Airport Authority (the “Airport Authority”) was created by resolution of the County Commissioners under the authority of Section 308 of the Ohio Revised Code. The Airport Authority is governed by a seven-member Board of Trustees appointed by the County Commissioners. The Board of Trustees has the authority to exercise all of the powers and privileges provided under 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 \$4,056 from the County in 2002.

### 13. 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, 2002 is as follows:

	Water Operations	Sewer Operations	Retarded Children Restaurant	Total
Operating receipts	\$ 263,987	\$ 1,249,965	\$ 21,702	\$ 1,535,654
Operating disbursements	<u>259,373</u>	<u>1,205,484</u>	<u>34,848</u>	<u>1,499,705</u>
Operating receipts over (under) operating disbursements	4,614	44,481	(13,146)	35,949
Non-operating disbursements	<u>          </u>	<u>21,050</u>	<u>          </u>	<u>21,050</u>
Receipts over (under) disbursements before transfers	4,614	23,431	(13,146)	14,899
Interfund transfers-in	<u>          </u>	<u>          </u>	<u>15,000</u>	<u>15,000</u>
Receipts over disbursements	<u>\$ 4,614</u>	<u>\$ 23,431</u>	<u>\$ 1,854</u>	<u>\$ 29,899</u>

### 14. 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 of Ohio, 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.

As of December 31, 2002, there were two series of industrial revenue bonds outstanding, which had an aggregate principal amount payable of approximately \$10.3 million.

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# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF CASH RECEIPTS—BUDGET AND ACTUAL— ALL FUND TYPES EXCLUDING AGENCY FUNDS YEAR ENDED DECEMBER 31, 2002

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<b>Fund Types</b>	<b>Budget (As Amended)</b>	<b>Actual</b>	<b>Variance— Favorable</b>
<b>GOVERNMENTAL FUND TYPES:</b>			
General Fund	\$16,118,876	\$17,576,045	\$ 1,457,169
Special Revenue Funds	45,656,790	58,276,179	12,619,389
Debt Service Funds	1,066,162	3,120,528	2,054,366
Capital Projects Funds	1,199,479	2,406,302	1,206,823
<b>PROPRIETARY FUND TYPES:</b>			
Enterprise Funds	1,317,957	1,508,744	190,787
Internal Service Funds	<u>5,396,815</u>	<u>5,674,135</u>	<u>277,320</u>
<b>TOTALS (MEMORANDUM ONLY)</b>	<b><u>\$70,756,079</u></b>	<b><u>\$88,561,933</u></b>	<b><u>\$17,805,854</u></b>

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF CASH DISBURSEMENTS AND ENCUMBRANCES—BUDGET AND ACTUAL— ALL FUND TYPES EXCLUDING AGENCY FUNDS YEAR ENDED DECEMBER 31, 2002

Fund Types	Budget (As Amended)			Actual			Variance— Favorable (Unfavorable)
	Prior Year Carryover Appropriations	Appropriations	Totals	Cash Disbursements	Encumbrances Outstanding at December 31, 2002	Totals	
GOVERNMENTAL FUND TYPES:							
General Fund	\$ 649,597	\$ 16,360,113	\$ 17,009,710	\$ 16,792,783	\$ 1,200,992	\$ 17,993,775	\$ (984,065)
Special Revenue Funds	1,411,553	59,517,966	60,929,519	54,582,356	1,200,957	55,783,313	5,146,206
Debt Service Funds	59,770	4,295,907	4,355,677	4,299,905		4,299,905	55,772
Capital Projects Funds	34,500	2,887,383	2,921,883	2,863,665	4,261	2,867,926	53,957
PROPRIETARY FUND TYPES:							
Enterprise Funds	4,117	1,652,558	1,656,675	1,520,755	1,199	1,521,954	134,721
Internal Service Funds		<u>5,401,222</u>	<u>5,401,222</u>	<u>5,367,987</u>		<u>5,367,987</u>	<u>33,235</u>
TOTALS (MEMORANDUM ONLY)	<u>\$ 2,159,537</u>	<u>\$ 90,115,149</u>	<u>\$ 92,274,686</u>	<u>\$ 85,427,451</u>	<u>\$ 2,407,409</u>	<u>\$ 87,834,860</u>	<u>\$ 4,439,826</u>

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Department of Development:</i>			
CDBG Formula FY '99	14.228	B-F-99-015-1	\$ 102,134
CDBG Formula FY '00	14.228	B-F-00-015-1	225,417
CDBG Formula FY '01	14.228	B-F-01-015-1	130,739
Comprehensive Housing Improvement Program ("CHIP")	14.228	B-C-01-015-1	74,801
Revolving Loan Fund (RLF)	14.228	RLF2002	188,602
CDBG GEI of Columbiana	14.228	B-E-00-015-1	39,935
Leetonia Arc Grant	14.228	B-P-01-015-1	41,050
Wellsville Tank Grant	14.228	B-W-98-015-1	93
Micro Enterprise	14.228	B-M-01-015-1	32,783
Lisbon Arc Grant	14.228	B-P-01-015-1	<u>211,465</u>
Total CFDA No. 14.228			1,047,019
Comprehensive Housing Improvement Program ("Home Funds")	14.239	B-C-01-015-2	<u>191,139</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u><b>1,238,158</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<i>Passed through the Ohio Department of Alcohol and Drug</i>			
<i>Addiction Services:</i>			
Federal Drug and Alcohol Per Capita	93.959	FY-02/03	307,991
Federal Women's Focus Project	93.959	FY-02/03	<u>199,200</u>
Total CFDA No. 93.959			507,191
Medicaid Assistance Program—Title XIX	93.778	FY-02/03	<u>247,143</u>
Total			<u>754,334</u>
<i>Passed through the Ohio Department of Mental Health:</i>			
Community Plan Block Grant	93.958	FY-02/03	63,896
Children/Adolescent Block Grant	93.958	FY-02/03	6,891
Adult/Child—DAT Block Grant	93.958	FY-02/03	12,182
Path Block Grant	93.958	FY-02/03	50,359
Discretionary Block Grant	93.958	FY-02/03	4,300
ADMS Block Grant Recovery Research	93.958	FY-02/03	23,260
ADMS Block Grant Recovery	93.958	FY-02/03	<u>44,827</u>
Total CFDA No. 93.958			205,715
Title XX Social Services Block Grant	93.667	FY-02/03	102,993
Medicaid Assistance Program—Title XIX	93.778	FY-02/03	2,333,420
Family Stability	93.556	FY-02/03	<u>198,108</u>
Total			<u>2,840,236</u>

(Continued)

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

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>			
Title XX Social Services Block Grant	93.667	FY-02	\$ 57,278
Title XX Social Services Block Grant	93.667	FY-03	<u>19,594</u>
Total CFDA No. 93.667			<u>76,872</u>
<i>Medicaid Assistance Program—Title XIX:</i>			
Community Alternative Funding (“Center”)	93.778	FY-02	503,115
Community Alternative Funding (“Target Case Management”)	93.778	FY-02	<u>165,269</u>
Total CFDA No. 93.778			<u>668,384</u>
<i>Passed through the Ohio Department of Aging:</i>			
Special Program for the Aging—Title III, Part B	93.044	FY-02/03	48,810
Title III—Preventive Health	93.046	FY-02/03	3,463
Home Energy Assistance Program	93.568	FY-02/03	1,863
Passport Program	93.778	FY-02/03	<u>8,854</u>
Total			<u>62,990</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>4,402,816</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed-through the Ohio Department of Education:</i>			
National School Lunch Program	10.555	03-PU-00-02	4,933
National School Lunch Program	10.555	03-PU-01-03	<u>10,617</u>
<b>Total U.S. Department of Agriculture</b>			<u>15,550</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
<i>Passed through the Governor’s Office of Criminal Justice Services:</i>			
FY 1999 US DOJ	16.007	2001TE-CX-0016	50,000
FY 2001 State Dom Prep	16.007	2001TE-CX-0049	50,684
FY 2002 State Dom	16.007	2001TE-CX-0106	<u>120,050</u>
Total CFDA No. 16.007			220,734
Victims of Crime Grant	16.575	2001-VAGENE-174	29,749
Victims of Crime Expansion	16.575	2001-VAGENE-467	31,048
State Victims Assistance Act Grant	16.575	2001-SAGENE-174	10,883
Voca Court Advocate	16.575	2002-VACHAE-553	<u>6,850</u>
Total CFDA No. 16.575			78,530
JAIBG Federal Grant	16.523	1999-JB-013-A060A	<u>14,720</u>
<i>Passed through the Office of Community Oriented Policing Services—</i>			
COPS in Schools	16.710	2001SHWX0123	<u>49,638</u>
<b>Total U.S. Department of Justice</b>			<u>363,622</u>

(Continued)

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor Number	Grant Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through the Ohio Department of Education:</i>			
Handicapped-State Grant	84.027	065920-PG-SF-2001P	\$ 8,942
Handicapped-State Grant	84.027	065920-PG-SF-2002P	<u>30,993</u>
Total CFDA No. 84.027			39,935
Special Education-Preschool	84.173	065920-PG-S1-2001P	<u>2,131</u>
Total Special Education Cluster			<u>42,066</u>
<i>Passed Through the Ohio Department of Alcohol and Drug Addiction Services:</i>			
Step-by-Step Program/Drug Community Prevention	84.186	FY-02/03	76,762
Youth Mentoring Project	84.186	FY-02/03	18,143
Drug-Free Workplace	84.186	FY-02/03	<u>17,750</u>
Total CFDA No. 84.186			<u>112,655</u>
Passed Through the Ohio Department of Health—Help Me Grow—Part C	84.181	FY-02/03	<u>71,109</u>
<b>Total U.S. Department of Education</b>			<u>225,830</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
<i>Direct Program—Emergency Food and Shelter Human Services</i>	83.523	18-6710-00	5,490
<i>Passed through the Ohio Emergency Management Agency—</i>			
Emergency Management Assistance	83.552	J-236	36,132
TEMPA Terrorism	83.552	EMC-2002-GR-7005	3,775
TEMPA Terrorism	83.552	EMC-2002-GR-7115	<u>420</u>
Total CFDA No. 83.552			40,327
FY 2002 Predisaster Mitigation	83.557	EMC-2002-GR-7037	<u>14,994</u>
<b>Total Federal Emergency Management Agency</b>			<u>60,811</u>
<b>FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Passed through the Ohio Department of Transportation—</i>			
Highway Planning and Construction	20.205	COL-TR928-26.60	<u>240,876</u>
<b>Total Federal Highway Administration</b>			<u>240,876</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
<i>Passed through the Ohio State Emergency Response Commission—</i>			
Hazardous Materials Emergency Preparedness	20.703	FY-02/03	5,921
<i>Passed through the Ohio Department of Public Safety—</i>			
Safe Communities Selective Tri-C Grant	20.600	02103	18,369
Guiderail and Hazard Study	20.205	1941.0	<u>17,495</u>
<b>Total U.S. Department of Transportation</b>			<u>41,785</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
<i>Passed Through the Ohio Department of Job and Family Services—</i>			
<i>Workforce Investment Act of 1998 (“WIA”) Cluster:</i>			
WIA Adult	17.258	None	472,017
WIA Youth	17.259	None	433,541
WIA Dislocated Workers	17.260	None	<u>296,889</u>
<b>Total U.S. Department of Labor and WIA Cluster</b>			<u>1,202,447</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$7,791,895</u>

# COLUMBIANA COUNTY, OHIO

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2002

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### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of Columbiana County, Ohio (the "County") under programs financed by the U.S. government for the year ended December 31, 2002. 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, 2002 under the Community Development Block Grant ("CDBG") Revolving Loan Fund. The loan balance at December 31, 2002 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 \$4,077 of administrative costs.

Program Title	Federal CFDA No.	Loan Amounts Outstanding at December 31, 2002
CDBG Revolving Loan Fund ("RLF")	14.228	\$ 123,166

### 3. SUBRECIPIENTS

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

Program Title	Federal CFDA No.	2002 Grant Expenditures
Federal Drug and Alcohol Per Capita	93.959	\$ 307,991
Federal Women's Focus Project	93.959	199,133
Step-By-Step Program/Drug Community Prevention	84.186	77,762
Medicaid Assistance Program—Title XIX	93.778	4,877,736
Title XX—Social Services Block Grant	93.667	102,993
WIA Adult	17.258	472,017
WIA Youth	17.259	433,541
WIA Dislocated Workers	17.260	296,889

**4. MEDICAID ASSISTANCE PROGRAM—TITLE XIX**

The total amount expended by the County during 2002 under the Title XIX Medicaid Assistance Program (CFDA No. 93.778) is summarized as follows:

<b>Passed-Through From</b>	<b>Amount Expended</b>
Ohio Department of Alcohol and Drug Addiction Services	\$ 247,143
Ohio Department of Mental Health	2,333,420
Ohio Department of Aging	8,854
Ohio Department of Mental Retardation and Development Disabilities	<u>668,384</u>
Total	<u>\$3,257,801</u>

**5. TITLE XX SOCIAL SERVICES BLOCK GRANT**

The total amount expended by the County during 2002 under the Title XX Social Services Block Grant (CFDA No. 93.667) is summarized as follows:

<b>Passed-Through From</b>	<b>Amount Expended</b>
Ohio Department of Mental Health	\$ 102,993
Ohio Department of Mental Retardation and Development Disabilities	<u>76,872</u>
Total	<u>\$ 179,865</u>

**6. HIGHWAY PLANNING AND CONSTRUCTION**

The total amount expended by the County during 2002 under the Highway Planning and Construction grant (CFDA No. 20.205) is summarized as follows:

<b>Passed-Through From</b>	<b>Amount Expended</b>
Ohio Department of Transportation	\$ 240,876
Ohio Department of Public Safety	<u>17,495</u>
Total	<u>\$ 258,371</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 combined statements of cash receipts and disbursements of Columbiana County, Ohio (the "County") as of and for the year ended December 31, 2002, and have issued our report thereon dated June 9, 2003. 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 combined statements of cash receipts and disbursements 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. Providing an opinion on compliance with those provisions was not an objective of our audit. The results of our tests disclosed material instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 02-1 and 02-3.

**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 combined statements of cash receipts and disbursements 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 a reportable condition. 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 combined statements of cash receipts and disbursements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Findings 02-1, 02-2 and 02-3.

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 combined statements of cash receipts and disbursements 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, of the reportable conditions described above, we consider Findings 02-1 and 02-3 to be material weaknesses.

We also noted a matter involving the internal control over financial reporting that we have reported to the management of the County in a separate letter dated June 9, 2003.

This report is intended solely 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 9, 2003



**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, 2002. 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.

As described in Finding 02-1 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting that are applicable to its major federal programs. Also, as described in Findings 02-4 and 02-5 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements for tracking and reporting administrative costs and monitoring compliance with the Davis-Bacon Act, respectively, in their Community Development Block Grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2002.

## 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.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Findings 02-1, 02-4 and 02-5.

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. Our consideration of the internal control over compliance 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 consider all of the findings discussed above to be material weaknesses.

This report is intended solely 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 9, 2003

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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### Summary of Auditors' Results

- The Independent Auditors' Report on the County's combined statements of cash receipts and disbursements expressed an unqualified opinion.
- Reportable conditions in internal control were disclosed by the audit of the combined statements of cash receipts and disbursements (see Findings 02-1, 02-2 and 02-3), of which Findings 02-1 and 02-3 are considered to be material weaknesses.
- Noncompliance was noted that is material to the combined statements of cash receipts and disbursements of the County (see Findings 02-1 and 02-3).
- Reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified (see Findings 02-1, 02-4 and 02-5), all of which are considered to be material weaknesses.
- The independent auditors report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
- The audit disclosed 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, 2002:
  - CFDA No. 14.228 Community Development Block Grants
  - Workforce Investment Act of 1988 ("WIA") Cluster:
    - CFDA No. 17.258 WIA Adult
    - CFDA No. 17.259 WIA Youth
    - CFDA No. 17.260 WIA Dislocated Workers
  - CFDA No. 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 not 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, 2002

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### Findings Related to the Combined Statements of Cash Receipts and Disbursements that are Required to be Reported Under *Government Auditing Standards*:

#### Finding No.

#### 02-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

**Condition**—The County prepared its 2002 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 has not been able to obtain a waiver since 1998 from the Auditor of State to prepare its financial statements using the cash basis of accounting.

In addition, effective for the County for the year ending December 31, 2003, U.S. GAAP will include Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and No. 34*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements significantly revise accounting and reporting standards for general purpose external financial reporting by governmental units under U.S. GAAP.

Although the County, with the assistance of the Auditor of State, has completed a detailed, formal plan specifying the various tasks that will be required to prepare financial statements in accordance with U.S. GAAP, we have been informed that sufficient resources are not available to complete the project due to the County’s current, reduced staffing levels and poor financial condition.

**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. In addition, the Single Audit Act of 1984 requires the County to prepare its annual financial statements in accordance with U.S. GAAP.

**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 County’s financial condition improves, funding will not be available to prepare financial statements in accordance with U.S. GAAP.

County contact person—Board of County Commissioners

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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### Finding No.

#### 02-2 COUNTY MUNICIPAL COURTS SEGREGATION OF DUTIES

**Condition**—Adequate internal controls do not exist in certain areas of the operations of the County municipal 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 municipal 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 same individuals who prepare the bank 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.

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**—While we understand that in some respects our recommendations are not feasible at this time due to funding and personnel constraints, the matters described above nevertheless could prevent the County municipal courts from detecting a defalcation on a timely basis.

**Recommendation**—The County municipal 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.

**County Corrective Action Plan**—The County municipal 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 municipal 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 LLP's ("D&T's") bank reconciliation recommendations, the County municipal courts, procedurally, will attempt to comply with D&T's recommendations, with the same exceptions as previously stated.

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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### Finding No.

#### 02-2 COUNTY MUNICIPAL COURTS SEGREGATION OF DUTIES (CONT.)

The County municipal 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—Late 2004 to early 2005

#### 02-3 APPROPRIATION OF FUNDS AND RECORDING OF ENCUMBRANCES

**Condition**—The County Commissioners occasionally purchase goods or services and enter into contracts 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”). Because of the County’s cash flow difficulties experienced during the year and insufficient appropriations to provide for the purchases, the County Auditor could not properly execute Certification of Funds with respect to the expenditures. Accordingly, several of these purchases/contractual commitments were not encumbered. These transactions caused the County to exceed its budgeted expenditures in the General Fund for 2002.

**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/contracts (or in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made); however, proper internal control over the purchasing function necessitates that purchases not be made until the certification is obtained. In addition, Section 5705.44 of the Ohio Revised Code states that obligations pertaining to contractual commitments that extend into a succeeding fiscal year “...shall be included in the annual appropriation measure for the next year as a fixed charge.”

**Effect**—Unless (1) sufficient appropriations are approved by the County Commissioners to cover all contractual commitments and (2) purchases of goods and services do not occur until the County Auditor has executed a Certification of Funds, encumbrances will not be recognized and recorded on a timely basis 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. It should also be noted that contracts may be considered void without the proper Certification of Funds executed by the County Auditor.

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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**Finding  
No.**

**02-3 APPROPRIATION OF FUNDS AND RECORDING OF ENCUMBRANCES (CONT.)**

***Recommendation***—The County should implement procedures requiring that purchases not be made and contracts not be executed prior to the Certification of Funds by the County Auditor. This could possibly include (1) informing department heads and vendors that the County is not responsible for the payment of invoices or payments under contracts that are not accompanied by the County Auditor's Certification of Funds and (2) requiring that the County Auditor's Certification of Funds be included in all written contracts for the purchase of goods or services.

***County Corrective Action Plan***—Because of the decentralization of the County's operations, the cooperation of several department heads and elected officials will 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 as the County's financial condition improves.

County contact persons—Board of County Commissioners

Anticipated completion date—December 31, 2003

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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### Findings and Questioned Costs Relating to Federal Awards:

See Findings No. 02-1 described previously. The matter addressed in Finding 02-1 affects all federal programs; however, there are no questioned costs associated with the Finding.

#### 02-4 ADMINISTRATIVE COSTS CHARGED BY THE COUNTY OFFICE OF DEVELOPMENT

**Condition**—Administration costs (i.e., payroll) are not tracked and properly allocated to the Community Development Block Grants (CFDA No. 14.228) by the County Office of Development (“Development Office”) in proportion to the work conducted on each grant during a given period in accordance with federal cost principles.

**Criteria**—OMB Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements. Such rules require that when an employee works on more than one federal award that payroll costs allocated to each award be allocated in a reasonable manner and supported by an after-the-fact distribution of the actual activity of each employee. The distribution must account for the total activity for which each employee is compensated, it must be prepared at least monthly and must coincide with one or more pay periods, and it must be signed by the employee.

**Effect**—There has been turnover in the Development Office during the current year, and the remaining individuals in the department were not aware of the requirement. While the budgeted administrative costs of each grant have not been exceeded, it does appear that in certain circumstances, the administrative budget of certain grants has been drawn down prior to expenditures for that particular grant being incurred. Failure to properly support costs of a program could result in having to refund amounts not supported.

**Questioned Costs**—\$252,773 to date on grants that were open during 2002, including fiscal 2002 expenditures of \$48,093.

**Recommendation**—We recommend that the Development Office develop a system to properly track and charge grant administration costs to the proper award.

**Management’s Response and Corrective Action Plan**—The Development Department is aware of OMB Circular No. A-87 and the requirements for tracking and maintaining records for administrative costs related to the grants. There are time sheets on file up to December 31, 2001, however, in 2002 the office experienced loss of personnel and one employee was on extended medical leave so for a period of time the office had only one employee and as a result time sheets became the lowest priority. Time sheets are now being kept on a regular basis and will be available for future audits.

County contact persons—Jim Hoppel, County Commissioner

Anticipated completion date—Corrective action has been taken in 2003.

# COLUMBIANA COUNTY, OHIO

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2002

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### 02-5 DAVIS-BACON ACT

**Condition**—The County's Development Office does not request payrolls from contractors as part of a monitoring program to ensure compliance with the prevailing wage requirements of the Davis-Bacon Act in the Community Development Block Grants (CFDA No. 14.228).

**Criteria**—In accordance with 40 USC 276a, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid prevailing wage rates.

**Effect**—Even though the County included a prevailing wage rate clause and the prevailing wage rates for laborers and mechanics in construction contracts, the Development Office did not require payroll submissions from contractors to that office to ensure that prevailing wages were being paid for all contracts that are subject to Davis-Bacon Act requirements.

**Questioned Costs**—None

**Recommendation**—For appropriate monitoring, the Development Office should request that contractors submit payroll records for all construction projects. The Development Office should designate appropriate personnel to review the payroll submissions and compare the contractor wage rates to prevailing wage rates.

**Management's Response and Corrective Action Plan**—The Development Department is aware of all Davis Bacon requirements of the Community Development Block Grant and though they were followed sporadically in the past, we now strictly observe the rules for compliance.

County contact persons—Jim Hoppel, County Commissioner

Anticipated completion date—Corrective action has been taken in 2003.

# COLUMBIANA COUNTY, OHIO

## STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

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**Prior Year Comment (01-1)**—The County prepared its 2001, 2000 and 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 2001, 2000 or 1999 to prepare its financial statements using the cash basis of accounting.

**Current Year Status**—The County prepared its 2002 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 2002 and, as such, a finding was reported in the 2002 Single Audit Report for Columbiana County. The County has, however, taken steps to be in compliance with this requirement. A U.S. GAAP conversion plan was developed for the County with the assistance of the Auditor of State’s Office (see 2002 Finding 02-1).

**Prior Year Comment (01-2)**—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 2002 Finding 02-2).

**Prior Year Comment (01-3)**—The County’s various departments often purchase goods or services and enter into contracts 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 2001 audit, we noted several contracts for goods and services ordered and received by various County departments in 2001 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 2001. 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.

**Current Year Status**—We again noted that because of the County’s limited financial resources, 2002 appropriations were not sufficient to provide for certain contractual commitments and, accordingly, the contracts did not contain the County Auditor’s Certification of Funds and the obligations were not encumbered. These contractual obligations caused the County to once again exceed its budgeted expenditures in its General Fund in 2002 (see 2002 Finding 02-3).

**Prior Year Comment (01-4)**—To avoid a deficit cash and investment balance in its General Fund, the County issued \$1 million of Current Revenue Anticipation Notes (the “Notes”) in March 2001, maturing December 31, 2001. Pursuant to a resolution of the Board of County Commissioners, these notes were purchased as an investment by the County’s Bond Retirement Fund and \$1 million of cash receipts were recorded in the County’s General Fund from the note issuance. We understood that, based on oral discussions

# COLUMBIANA COUNTY, OHIO

## STATUS OF PRIOR YEAR COMMENTS ON INTERNAL CONTROL AND LEGAL COMPLIANCE

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with the County's outside bond counsel, the County decided to treat the Notes as both an asset and liability of its Bond Retirement Fund and then to forgive the repayment of the Notes on their maturity date by removing the investment and Notes from its accounting records. As result of this transaction, the County initially increased its General Fund cash and investment balance and reduced its Bond Retirement Fund cash and investment balance by \$1 million. Interfund transfers from the County's Bond Retirement Fund to the General Fund are not permitted under Section 5705 of the Ohio Revised Code without the written approval of the Court of Common Pleas.

Because of the unusual nature of this transaction and the fact that it effectively resulted in a transfer of \$1 million from the County's Bond Retirement Fund to its General Fund, we requested that the County Commissioners obtain a written opinion from appropriate legal counsel regarding the propriety of the transaction. Although we understood that the County had consulted with outside bond counsel regarding the issuance and forgiveness of the Notes since the inception of the transaction, outside bond counsel and the County Prosecutor's Office both declined to issue written legal opinions concerning this matter, including the absence of any illegal acts. Accordingly, we proposed an audit adjustment, which the County accepted, to repay the Notes from the General Fund on their maturity date (December 31, 2001) by transferring \$1 million into the Bond Retirement Fund. This adjustment was reflected in the County's 2001 combined statements of cash receipts and disbursements.

**Current Year Status**—The County properly followed the procedures outlined in Section 5705 of the Ohio Revised Code and obtained written approval of the Court of Common Pleas to make the \$1 million transfer from the County's Bond Retirement Fund to its General Fund in 2002.

**Prior Year Comment (01-5)**—During November 2002, the County was informed that its Schedule of Expenditures of Federal Awards for the year ended December 31, 2001, (the "Schedule") previously submitted to the Auditor of the State of Ohio, Federal Audit Clearinghouse, Federal Emergency Management Agency and various other parties, did not list \$843,759 of expenditures made under the Federal Workforce Investment Act. In addition, all of these expenditures by the County represented the pass-through of Federal funds to the Mahoning and Columbiana Training Association ("MCTA"), which administers the WIA programs for the County. The County does not perform the subrecipient monitoring procedures required under the Single Audit Act with respect to MCTA. Section .300 of Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the County to "Identify, in its accounts, all Federal Awards received and expended and the Federal programs under which they were received.....Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310." In addition, the Single Audit Act requires pass-through entities to monitor subrecipients' use of federal awards through site visits, limited scope audits, or other means.

**Current Year Status**—The County properly included expenditures under the Federal Workforce Investment Act in its Schedule of Expenditures of Federal Awards for the year ended December 31, 2002 and appropriately implemented subrecipient monitoring procedures required under the Single Audit Act during 2002.

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## **FINANCIAL CONDITION**

### **COLUMBIANA COUNTY**

#### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 7, 2003**